ARBOR REALTY TRUST INC
Form DEF 14A
April 22, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

ý Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material under §240.14a-12

ARBOR REALTY TRUST, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1) Amount Previously Paid:

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April 25, 2016

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Arbor Realty Trust, Inc., a Maryland corporation (the "*Company*"), to be held at 11:00 a.m., Eastern Time, on June 1, 2016 at the Teleconference Center on the lower level of 333 Earle Ovington Boulevard, Uniondale, New York 11553 (the "*Special Meeting*").

At the Special Meeting, you will be asked to consider and vote upon proposals that will allow us to acquire the agency business of Arbor Commercial Mortgage, LLC, a New York limited liability company ("*ACM*"), our external manager (the "*Proposed Acquisition*"). The Proposed Acquisition is described briefly below and in greater detail in the enclosed materials, which we urge you to read carefully.

On February 25, 2016, the Company, Arbor Realty Limited Partnership, a Delaware limited partnership (the "*Partnership*"), and ARSR Acquisition Company, LLC, a Delaware limited liability company (the "*TRS*" and together with the Partnership, the "*Buyer*"), entered into the Purchase Agreement (the "*Purchase Agreement*") with Arbor Commercial Funding, LLC, a New York limited liability company ("*ACF*"), and ACM (together with ACF, the "*Seller*") pursuant to which the Buyer agreed to purchase from the Seller for $250 million, subject to certain adjustments as described below, the "*ACM Agency Business*" consisting of the (i) underwriting, originating, selling and servicing multifamily mortgages at various locations in the United States under the Federal National Mortgage Association Delegated Underwriting and Servicing program and the Federal Housing Administration, Government National Mortgage Association and Federal Home Loan Mortgage Corporation programs and (ii) underwriting, originating and selling multifamily mortgages at various locations in the United States under conduit programs. The $250 million purchase price is subject to potential adjustment based on changes in the value of the acquired servicing portfolio on the closing date.

The purchase price is to be paid 50% in cash, which initially is $125 million. The Company has the option to utilize up to $50 million of seller financing to satisfy a portion of the cash consideration. The remaining 50% of the purchase price is to be paid in units of limited partnership interest in the Partnership ("*OP Units*"), each of which is redeemable for cash or, at the Company's option, one share of common stock of the Company, par value $0.01 per share. The equity component of the purchase price initially consists of 19,230,769 OP Units, which is based on a price per share of the Company's common stock of $6.50. Each of the OP Units that will be issued will be paired with a share of newly-designated special voting preferred stock of the Company, par value $0.01 per share (the "*Special Voting Preferred Stock*"), that will entitle ACM to one vote per share on any matter submitted to a vote of the Company's stockholders and that will be redeemed and cancelled upon the redemption of the OP Unit with which it is paired. The shares of the Company's common stock that may be issuable upon redemption of the OP Units as discussed above will be entitled to certain registration rights pursuant to an existing Registration Rights Agreement between the Company and ACM.

Following the consummation of the Proposed Acquisition, the ACM employees whose responsibilities are directly related to the ACM Agency Business will become employees of the Company. All other ACM employees who now provide management and administrative services to the Company pursuant to the Management Agreement (as defined below) will remain employed by ACM and will continue to provide such services to the Company through the Management Agreement. The Company will be led by the same highly-experienced management team that has been integral to its growth and success. Pursuant to an Option Agreement to be entered into in connection with the Proposed Acquisition, the Company will have a two year option to acquire the existing management agreement (the "*Management Agreement*") by and among the Company, the Partnership and ACM and fully internalize the Company's management and operational structure. The price to exercise this

option is $25 million in the first year and $27 million in the second year. The exercise of this option will be in the sole discretion of the Special Committee (as defined below).

Each of our officers is either an employee of ACM or owns an equity interest in its business. These relationships result in those officers having material financial interests in the Proposed Acquisition. To address these potential conflicts of interests, the Company's Board of Directors (the "*Board*") formed a special committee (the "*Special Committee*") comprised entirely of independent and disinterested directors in connection with the Proposed Acquisition. No member of the Special Committee is affiliated with ACM, and none has a financial interest in the Proposed Acquisition that differs from that of our unaffiliated stockholders. Our Board authorized the Special Committee to review, consider and negotiate the terms and conditions of the Proposed Acquisition and to recommend to our entire Board whether to pursue the Proposed Acquisition and, if so, on what terms and conditions. In evaluating the Proposed Acquisition, the Special Committee engaged independent legal and financial advisors and received a fairness opinion from its independent financial advisor, as more fully described in the accompanying proxy statement. Under our charter, only the independent directors of our Board (as such term is defined in our charter) were entitled to vote on whether to approve the entry into the Purchase Agreement and the transactions contemplated thereby, including the Proposed Acquisition.

You are being asked to vote on the following proposals:

1. to approve (a) the acquisition, pursuant to the Purchase Agreement, of the ACM Agency Business in exchange for $125 million in cash (up to $50 million of which the Company has, at the discretion of the Special Committee, the option to satisfy with seller financing) and 19,230,769 OP Units, in each case subject to adjustment as described herein, and (b) the issuance to ACM of (i) 19,230,769 OP Units and, if applicable, any additional OP Units to be issued pursuant to such adjustment (together, "*Acquisition OP Units*"), (ii) a number of shares of the Company's Special Voting Preferred Stock, equivalent to the number of Acquisition OP Units and paired with such OP Units, and (iii) an equivalent number of shares of the Company's common stock that may be issued upon redemption of such Acquisition OP Units (collectively, the "*Acquisition Proposal*"); and

2. to approve the adjournment of the Special Meeting, if necessary or appropriate in the discretion of the Chairman of the Special Meeting, to solicit additional proxies if there are not sufficient votes at the time of the Special Meeting to approve the Acquisition Proposal (the "*Adjournment Proposal*").

After careful consideration and the recommendation of the Special Committee that the Acquisition Proposal is advisable and fair to, and in the best interests of, the Company, **THE BOARD RECOMMENDS, BY A UNANIMOUS VOTE OF THE INDEPENDENT DIRECTORS, THAT YOU VOTE TO (1) APPROVE THE ACQUISITION PROPOSAL AND (2) APPROVE THE ADJOURNMENT PROPOSAL.**

The accompanying proxy statement provides a detailed description of these proposals, including information about the Company, ACM, the Proposed Acquisition, the ACM Agency Business, the OP Units and the Special Meeting. We urge you to read the entire proxy statement carefully so that you will be informed about the business to be addressed at the Special Meeting. You may also obtain more information about the Company and ACM from documents the Company has filed with the Securities and Exchange Commission. Shares of the Company's common stock are listed on the New York Stock Exchange (the "*NYSE*") under the ticker symbol "ABR."

Pursuant to the Purchase Agreement and the rules of the NYSE, the approval of the Acquisition Proposal requires the affirmative vote of at least a majority of the votes cast by the Company stockholders entitled to vote on the matter. In addition, pursuant to the Purchase Agreement, the approval of the Acquisition Proposal also requires the affirmative vote of the holders of at least a majority of the outstanding shares of the Company's common stock entitled to be voted on the matter other than the shares owned of record or beneficially by ACM or its affiliates. This is the only vote of

holders of any securities of the Company or its subsidiaries necessary to approve the Acquisition Proposal. If you "Abstain" from voting, it will have the same effect as an "Against" vote on the Acquisition Proposal. Failure to vote, including broker non-votes, will have no effect with respect to the requirement under the Purchase Agreement and NYSE rules that the Acquisition Proposal be approved by the affirmative vote of at least a majority of the votes cast by stockholders entitled to vote on the matter, but will have the same effect as an "Against" vote with respect to the requirement under the Purchase Agreement that the Acquisition Proposal be approved by a majority of the outstanding shares owned by stockholders other than ACM or its respective affiliates. ACM and its affiliates intend to vote, and subject to the terms of our voting and standstill agreement with them, are required to vote, the shares of the Company's common stock that they own of record or beneficially to approve the Acquisition Proposal and the Adjournment Proposal.

It is important that your shares be represented at the Special Meeting, regardless of the number of shares you hold and whether or not you plan to attend the Special Meeting in person. Accordingly, whether or not you plan to attend the Special Meeting, you are requested to promptly grant a proxy for your shares by completing, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided. If you sign, date and mail your proxy card without indicating how you wish to vote, your vote will be counted as a vote FOR approval of the Acquisition Proposal and FOR approval of the Adjournment Proposal.

Granting a proxy will not prevent you from voting your shares in person if you choose to attend the Special Meeting.

Very truly yours,

William C. Green

Independent Director and Chairman of the Special Committee of the Board of Directors of Arbor Realty Trust, Inc.

Questions and requests for assistance in voting your shares may be directed to the Alliance Advisors LLC, which is assisting us with the solicitation of proxies, at 855-976-3332 (toll-free) if you are a stockholder or, if you are a bank, broker or other nominee.

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333 Earle Ovington Boulevard, Suite 900
Uniondale, New York, 11553

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held On June 1, 2016

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Arbor Realty Trust, Inc., a Maryland corporation (the "*Company*"), to be held on June 1, 2016, at 11:00 a.m., Eastern Time, at the Teleconference Center on the lower level of 333 Earle Ovington Boulevard, Uniondale, New York 11553 (the "*Special Meeting*") for the following purposes:

1. to approve (a) the acquisition, pursuant to the Asset Purchase Agreement, dated as of February 25, 2016 (the "*Purchase Agreement*"), by and among the Company, Arbor Realty Limited Partnership, a Delaware limited partnership (the "*Partnership*"), ARSR Acquisition Company, LLC, a Delaware limited liability company, Arbor Commercial Funding, LLC, a New York limited liability company, and Arbor Commercial Mortgage, LLC, a New York limited liability company ("*ACM*"), of ACM's government-sponsored agency multifamily mortgage business in exchange for $125 million in cash (up to $50 million of which the Company has, at the discretion of a special committee of the independent and disinterested directors of the Company's Board of Directors, the option to satisfy with seller financing) and 19,230,769 units of limited partnership interest in the Partnership, each of which is redeemable for cash or, at the Company's option, one share of the Company's common stock ("*OP Units*"), in each case subject to certain potential adjustment as described therein, and (b) the issuance to ACM of (i) 19,230,769 OP Units and, if applicable, any additional OP Units to be issued pursuant to such adjustment (together, "*Acquisition OP Units*"), (ii) a number of shares of the Company's newly-designated special voting preferred stock, par value $0.01 per share (the "*Special Voting Preferred Stock*"), equivalent to the number of Acquisition OP Units and paired with such OP Units, each of which will entitle ACM to one vote on any matter submitted to a vote of the Company's stockholders, and (iii) an equivalent number of shares of the Company's common stock that may be issued upon redemption of the Acquisition OP Units (collectively, the "*Acquisition Proposal*"); and

2. to approve the adjournment of the Special Meeting, if necessary or appropriate in the discretion of the Chairman of the Special Meeting, to solicit additional proxies if there are not sufficient votes at the time of the Special Meeting to approve the Acquisition Proposal (the "*Adjournment Proposal*").

Only stockholders of record at the close of business on April 20, 2016 will be entitled to notice of and to vote at the Special Meeting or any adjournments or postponements thereof.

This notice and the enclosed proxy statement are first being made available to our stockholders on or about April 25, 2016.

YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, YOU ARE URGED TO COMPLETE, DATE AND SIGN THE ACCOMPANYING PROXY CARD AND RETURN IT PROMPTLY IN THE POSTAGE-PAID ENVELOPE PROVIDED. IF YOU ATTEND THE SPECIAL MEETING, YOU MAY WITHDRAW YOUR PROXY AND VOTE IN PERSON.

By Order of the Board of Directors,

JOHN J. BISHAR, JR.
Corporate Secretary

April 25, 2016

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333 Earle Ovington Boulevard, Suite 900
Uniondale, New York, 11553

PROXY STATEMENT

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on June 1, 2016.

This proxy statement is available at http://www.arborrealtytrust.com

This proxy statement, the accompanying proxy card and notice of special meeting are provided in connection with the solicitation of proxies by and on behalf of the Board of Directors (the "*Board*") of Arbor Realty Trust, Inc., a Maryland corporation, for use at a special meeting of stockholders (the "*Special Meeting*") to be held on June 1, 2016, at 11:00 a.m., Eastern Time, and any adjournments or postponements thereof.

The mailing address of our executive office is 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York, 11553. This proxy statement, the accompanying proxy card and the notice of special meeting are first being mailed on or about April 25, 2016 to holders of our common stock, par value $0.01 per share, of record at the close of business on April 20, 2016. Our outstanding shares of common stock are the only securities entitled to vote at the Special Meeting and are referred to as our voting securities.

A proxy may confer discretionary authority to vote with respect to any matter presented at the Special Meeting. As of the date of this proxy statement, management has no knowledge of any business that will be presented for consideration at the Special Meeting and that would be required to be set forth in this proxy statement or the related proxy card other than the matters set forth in the Notice of Special Meeting of Stockholders. Under Maryland law and our Bylaws, no matter may be properly presented at the Special Meeting except as specifically designated in the Notice of Special Meeting of Stockholders.

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SUMMARY TERM SHEET

The following summary term sheet highlights selected information in this proxy statement and may not contain all the information that may be important to you. Accordingly, we encourage you to read carefully this entire proxy statement, its Annexes and the documents and information incorporated by reference into this proxy statement, which includes important business and financial information filed with the Securities and Exchange Commission (the "*SEC*") regarding the Company. You may obtain the information incorporated by reference into this proxy statement without charge by following the instructions described under "Where You Can Find More Information."

Each item in this summary term sheet includes a page reference directing you to a more complete description of that topic.

The following terms are used in this summary term sheet and throughout this proxy statement and have the meanings ascribed below:

"*We*," "*our*," "*us*," "*Company*" and "*Parent*" each refers to Arbor Realty Trust, Inc., a Maryland corporation;

"*ACF*" means Arbor Commercial Funding, LLC, a New York limited liability company;

"*ACM*" means Arbor Commercial Mortgage, LLC, a New York limited liability company;

"*ACM Agency Business*" means ACM's business consisting of (i) underwriting, originating, selling and servicing multifamily mortgages at various locations in the United States under the Federal National Mortgage Association Delegated Underwriting and Servicing program and the Federal Housing Administration, Government National Mortgage Association and Federal Home Loan Mortgage Corporation programs and (ii) underwriting, originating and selling multifamily mortgages at various locations in the United States under conduit programs, described in more detail below under "The ACM Agency Business" beginning on page 31;

"*Buyer*" means, collectively, the Partnership and the TRS;

"*Independent Directors*" means the directors on our Board whom we have determined to be independent under the rules of the New York Stock Exchange (the "*NYSE*");

"*Management Agreement*" means the Second Amended and Restated Management Agreement, dated as of August 6, 2009, and amended as of January 1, 2015, by and among the Company, the Partnership, the TRS and ACM providing for the external management by ACM of certain of the Company's investments and operations, described in more detail below under "Proposal 1: The Acquisition Proposal Ancillary Agreements Amended and Restatement Management Agreement";

"*OP Units*" means the units of limited partnership interest in the Partnership that are redeemable for cash or, at the Company's option, for shares of common stock of the Company on a one-for-one basis;

"*Partnership*" means Arbor Realty Limited Partnership, a Delaware limited partnership;

"*Proposed Acquisition*" means the Company's Proposed Acquisition, pursuant to the Purchase Agreement, of the ACM Agency Business in exchange for $125 million in cash and 19,230,769 OP Units, in each case subject to certain potential adjustments as described in more detail herein;

"*Purchase Agreement*" means the Asset Purchase Agreement, dated as of February 25, 2016, by and among the Company, the Buyer and the Seller that contemplates the acquisition of the ACM Agency Business from the Seller by the Buyer, described in more detail below under "Proposal 1: The Acquisition Proposal The Purchase Agreement";

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"*Seller*" means, collectively, ACM and ACF;

"*Special Voting Preferred Stock*" means the shared of newly-designated special voting preferred stock, par value $0.01 per share, of the Company to be paired with the OP Units to be issued to ACM; and

"*TRS*" means ARSR Acquisition Company, LLC, a Delaware limited liability company.

The Special Meeting (Page 9)

The Board is using this proxy statement to solicit your proxy for use at the Special Meeting to be held on June 1, 2016, at 11:00 a.m., Eastern Time, at the Teleconference Center on the lower level of 333 Earle Ovington Boulevard, Uniondale, New York 11553. For information on how to obtain directions to attend the Special Meeting and vote in person, please contact our Investor Relations general inquiries line at (516) 506-4200.

Purpose of the Special Meeting (Page 9)

The purpose of the Special Meeting is to vote on the following proposals:

1. to approve (a) the acquisition, pursuant to the Purchase Agreement, of the ACM Agency Business in exchange for $125 million in cash (up to $50 million of which the Company has, at the discretion of the Special Committee (as defined below), the option to satisfy with seller financing) and 19,230,769 OP Units, in each case subject to adjustment as described herein, and (b) the issuance to ACM of (i) 19,230,769 OP Units and, if applicable, any additional OP Units to be issued pursuant to such adjustment (together, "*Acquisition OP Units*"), (ii) a number of shares of the Company's Special Voting Preferred Stock equivalent to the number of Acquisition OP Units to be issued and (iii) an equivalent number of shares of the Company's common stock that may be issued upon redemption of such Acquisition OP Units (collectively, the "*Acquisition Proposal*"); and

2. to approve the adjournment of the Special Meeting, if necessary or appropriate in the discretion of the Chairman of the Special Meeting, to solicit additional proxies if there are not sufficient votes at the time of the Special Meeting to approve the Acquisition Proposal (the "*Adjournment Proposal*").

Stockholders Entitled to Vote (Page 9)

As of the close of business on April 20, 2016 there were 51,381,405 shares of our common stock outstanding and entitled to vote at the Special Meeting. Each share of our common stock entitles the holder to one vote. Stockholders of record at the close of business on April 20, 2016 are entitled to attend and vote at the Special Meeting or any adjournment or postponement thereof.

Required Quorum (Page 9)

A quorum will be present if stockholders entitled to cast a majority of all the votes entitled to be cast at the Special Meeting are present, in person or by proxy. If you have returned a valid proxy or if you hold your shares of our voting securities in your own name as holder of record and you attend the Special Meeting in person, your shares will be counted for the purpose of determining whether there is a quorum. If a quorum is not present, the Special Meeting may be adjourned by the Chairman of the Special Meeting or the stockholders entitled to vote at the Special Meeting, present in person or by proxy, to a date not more than 120 days after the record date without notice other than announcement at the meeting.

Vote Required for Approval (Page 10)

Pursuant to the Purchase Agreement and the rules of the NYSE, the approval of the Acquisition Proposal requires the affirmative vote of at least a majority of the votes cast by the Company stockholders entitled to vote on the matter. In addition, pursuant to the Purchase Agreement, the approval of the Acquisition Proposal also requires the affirmative vote of the holders of at least a majority of the outstanding shares of the Company's common stock entitled to be voted on the matter other than the shares owned of record or beneficially by ACM or its affiliates. This is the only vote of holders of any securities of the Company or its subsidiaries necessary to approve the Acquisition Proposal. If you "Abstain" from voting, it will have the same effect as an "Against" vote on the Acquisition Proposal. Failure to vote, including broker non-votes, will have no effect with respect to the requirement under the Purchase Agreement and NYSE rules that the Acquisition Proposal be approved by the affirmative vote of at least a majority of the votes cast by stockholders entitled to vote on the matter, but will have the same effect as an "Against" vote with respect to the requirement under the Purchase Agreement that the Acquisition Proposal be approved by a majority of the outstanding shares owned by stockholders other than ACM or its respective affiliates.

The Adjournment Proposal requires the affirmative vote of a majority of the votes cast by the stockholders entitled to vote on the matter. For the purpose of the vote on this proposal, abstentions, broker non-votes and other shares not voted will not be counted as votes cast and will have no effect on the result of the vote, although all shares for which proxies have been given will be considered present for the purpose of determining the presence of a quorum.

ACM and its affiliates intend to vote, and subject to the terms of our voting and standstill agreement with them, are required to vote, the shares of the Company's common stock that they own of record or beneficially to approve the Acquisition Proposal and the Adjournment Proposal.

Reasons for the Proposed Acquisition (Page 36)

The Board established a special committee (the "*Special Committee*") consisting of four disinterested, independent directors to review, evaluate and make recommendations to the Board with respect to the Proposed Acquisition. The Special Committee, by a unanimous vote, recommended that the Board approve, authorize and adopt the Purchase Agreement and the Proposed Acquisition. In reaching its determination, the Special Committee consulted with its legal, financial and other advisors and considered a number of factors, including the following material factors:

- the belief that the Proposed Acquisition will provide diversification and predictability of earnings streams through the acquisition of a servicing portfolio that is expected to result in a consistent and recurring cash flow stream in a diversified stable annuity of servicing income;

- the creation of a fully integrated franchise that is expected to add significant new origination and servicing verticals to the Company that complement the Company's commercial real estate lending products;

- the potential for additional scale through the acquisition of new business lines that are expected to provide the Company with a stronger foothold in the multifamily sector that currently has high barriers to entry;

- the belief that the Proposed Acquisition will significantly add to the Company's current business profile by introducing additional product capabilities, origination relationships and market knowledge in new and existing products, geographies and industries;

- the expectation that, following the consummation of the Proposed Acquisition, the Company will be able to meet the multiple needs of its clients through a comprehensive product offering, including products for short-term and long-term commercial real estate financing needs; and

the expectation that the Proposed Acquisition will be immediately accretive to the Company's earnings and dividends.

Background of the Proposed Acquisition (Page 39)

The Company initiated discussions regarding the Proposed Acquisition in May 2013. Discussions, due diligence review and negotiations were completed on February 25, 2016, when the Special Committee unanimously approved the entry into the Purchase Agreement and the transactions contemplated thereby and recommended that the Board approve the same. Immediately following the Special Committee meeting, the Board, by a unanimous vote of the Independent Directors, also resolved to approve the entry into the Purchase Agreement and the transactions contemplated thereby. Thereafter, the Company entered into the Purchase Agreement on February 25, 2016.

Opinion of the Special Committee's Financial Advisor (Page 46)

On February 25, 2016, at the meeting of the Special Committee at which the Proposed Acquisition was approved, J.P. Morgan Securities LLC ("*J.P. Morgan*"), the Company's financial advisor in connection with the Proposed Acquisition, rendered to the Special Committee an oral opinion (which was subsequently confirmed in writing by delivery of J.P. Morgan's written opinion dated the same date) that, as of such date and based upon and subject to the assumptions, matters and limitations set forth in its written opinion, the consideration to be paid by the Buyer in the Proposed Acquisition was fair, from a financial point of view, to the Company.

The full text of J.P. Morgan's written opinion, dated as of February 25, 2016, is attached as Annex B to this proxy statement and is incorporated herein by reference. The full text of the opinion contains a discussion of, among other things, assumptions made, matters considered and limitations on the opinion and the review undertaken by J.P. Morgan in connection with rendering its opinion. The summary of the opinion of J.P. Morgan set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. The Company's stockholders are urged to read the opinion in its entirety. J.P. Morgan's written opinion was addressed to the Special Committee (in its capacity as such) in connection with and for the purposes of its evaluation of the Proposed Acquisition, was directed only to the consideration to be paid in the Proposed Acquisition and did not address any other aspect of the Proposed Acquisition. J.P. Morgan expressed no opinion as to the fairness of the consideration to the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Proposed Acquisition. The issuance of J.P. Morgan's opinion was approved by a fairness committee of J.P. Morgan. The J.P. Morgan opinion does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote with respect to the Proposed Acquisition or any other matter.

For a description of the opinion that the Special Committee received from J.P. Morgan, see "Proposal 1: The Acquisition Proposal Opinion of the Special Committee's Financial Advisor."

The Purchase Agreement (Page 55)

On February 25, 2016, the Company entered into the Purchase Agreement, pursuant to which it agreed to purchase the ACM Agency Business from ACM for $250 million, subject to certain adjustments. The purchase price to be paid is 50% in cash, which initially is $125 million. The remaining 50% of the purchase price is to be paid in OP Units. The equity component of the purchase price initially consists of 19,230,769 OP Units, which is based on a price per share of the Company's common stock of $6.50. Each of the OP Units that will be issued will be paired with a share of the Company's newly-designed Special Voting Preferred Stock that will entitle ACM to one vote per share on any matter submitted to a vote of the Company's stockholders and that will be redeemed and cancelled upon redemption of the OP Unit with which it is paired.

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The purchase price is subject to potential adjustment based on changes in the value of ACM's servicing portfolio being sold on the closing date. Based on the value of the portfolio and the "weighted average servicing fee" as of March 31, 2016, if the closing of the Proposed Acquisition were to occur on March 31, 2016, the purchase price would be subject to adjustment by an increase of approximately $15 million. See "Proposal 1: The Acquisition Proposal The Purchase Agreement Consideration; Adjustment of Closing Purchase Price."

ACM has offered the option, at the discretion of the Special Committee, to provide for up to $50 million of financing to satisfy a portion of the cash consideration to be paid by the Company. All of ACM's employees directly related to the ACM Agency Business (approximately 230 employees) will become employees of the Company following the consummation of the Proposed Acquisition.

The transactions contemplated by the Purchase Agreement will require certain approvals from the government and government-sponsored enterprises (the "*GSEs*"), as well as a vote of our stockholders and other third party approvals. These transactions are expected to close during the third quarter of 2016. However, there can be no assurances that these transactions will be completed during this period or at all.

See "Proposal 1: The Acquisition Proposal The Purchase Agreement" for a further description of the Purchase Agreement. The Purchase Agreement is attached as Annex A to this proxy statement.

Option Agreement (Page 68)

Pursuant to the Purchase Agreement, at the Closing, the Parent, the Partnership, Arbor Realty SR, Inc., a Maryland corporation, and ACM will enter into an option agreement substantially in the form of Exhibit E to the Purchase Agreement (the "*Option Agreement*"). Under the Option Agreement, the Partnership will have an irrevocable, non-transferable right for two years to purchase for $25 million (increasing to $27 million in the second year) the existing Management Agreement, and, as a result, fully internalize the Company's management structure and thereby, all of ACM's executive and administrative employees who currently provide services to us through the existing Management Agreement will become our employees. The exercise of this option is at the discretion of the Special Committee, which has no obligation to exercise this option.

See "Proposal 1: The Acquisition Proposal Option Agreement" for a further description of the Option Agreement.

Voting and Standstill Agreement (Page 69)

Concurrently with the execution and delivery of the Purchase Agreement, on February 25, 2016, ACM, Ivan Kaufman, the President and CEO of the Company and the principal and CEO of ACM, and The Ivan and Lisa Kaufman Family Trust (collectively, the "*Restricted Stockholders*") entered into a voting and standstill agreement with the Company, pursuant to which, among other things, (i) the Restricted Stockholders agreed, subject to the terms and conditions set forth therein, to vote the shares of the Company's common stock owned by them in favor of the transactions contemplated by the Purchase Agreement, including the issuance of the OP Units contemplated thereby, and (ii) the Restricted Stockholders agreed, subject to the terms and conditions set forth therein, not to acquire shares of the Company's common stock (or securities convertible or exchangeable for shares of the Company's common stock) above the thresholds specified therein and during the time periods specified therein. As of March 31, 2016, the Restricted Stockholders collectively beneficially own 6,018,773 shares of the Company's common stock, representing approximately 11.7% of the voting power of our common stock on a fully diluted basis.

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No Appraisal or Approval Rights (Page 55)

Under Maryland law, stockholders will not have appraisal rights in connection with the Proposed Acquisition or the right to vote to approve the Proposed Acquisition. However, under the NYSE Listed Company Manual, stockholder approval is required to approve the issuance of OP Units contemplated by the Purchase Agreement and the Acquisition Proposal. In addition, pursuant to the Purchase Agreement, the approval of the Acquisition Proposal also requires the affirmative vote of the holders of at least a majority of the outstanding shares of the Company's common stock entitled to be voted on the matter other than the shares owned of record or beneficially by ACM or its affiliates, assuming a quorum is present. None of the NYSE Listed Company Manual, the Purchase Agreement or the Board grants stockholders appraisal rights in connection with the Proposed Acquisition.

Interests of Certain Persons in the Proposed Acquisition (Page 72)

In considering the recommendation of the Board to vote for the proposals described in this proxy statement, you should be aware that:

ACM currently owns 5.3 million shares of our common stock, representing approximately 10.4% of the voting power of our common stock and Ivan Kaufman currently beneficially owns 6,018,773 shares of our common stock; representing approximately 11.7% of the voting power of our common stock; and

certain of our current directors and executive officers, including Ivan Kaufman, John Bishar, Joseph Martello, Paul Elenio, Fred Weber, Gene Kilgore and Andrew Guziewicz, have interests in the Proposed Acquisition that may be different from, or in addition to, the interests of our nonaffiliated stockholders generally and may create potential conflicts of interests.

These interests, in addition to others, are described in more detail under "Proposal 1: The Acquisition Proposal Interests of Certain Persons in the Proposed Acquisition."

Risk Factors (Page 14)

Among others, the principal risk factors related to the ACM Agency Business, regulatory matters and the Proposed Acquisition are as follows:

Risks Relating to the ACM Agency Business

The loss of or changes in the ACM Agency Business's relationships with the GSEs, United States Department of Housing and Urban Development ("*HUD*") and institutional investors would adversely affect its ability to originate commercial real estate loans through GSE and HUD programs, which would materially and adversely affect the ACM Agency Business.

A change to the conservatorship of Fannie Mae and Freddie Mac and related actions, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the U.S. federal government, could materially and adversely affect the business of the ACM Agency Business.

The ACM Agency Business is subject to risk of loss in connection with defaults on loans sold under the Fannie Mae Delegated Underwriting and Servicing ("DUS") program that could materially and adversely affect the ACM Agency Business's results of operations and liquidity.

Risks Relating to Regulatory Matters

If the ACM Agency Business fails to comply with the numerous government regulations and program requirements of the GSEs and HUD, the ACM Agency Business may lose its approved lender status with these entities and fail to gain additional approvals or licenses for its business.

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The ACM Agency Business is also subject to changes in laws, regulations and existing GSE and HUD program requirements, including potential increases in reserve and risk retention requirements that could increase the ACM Agency Business's costs and affect the way the ACM Agency Business conducts its business, which could materially and adversely affect the ACM Agency Business.

If the ACM Agency Business fails to comply with laws, regulations and market standards regarding the privacy, use, and security of customer information, or if the ACM Agency Business is the target of a successful cyber-attack, the ACM Agency Business may be subject to legal and regulatory actions and the ACM Agency Business's reputation would be harmed.

Risks Related to the Proposed Acquisition

The Proposed Acquisition is subject to a number of conditions, including the approval of our stockholders and the receipt of consents and clearances from regulatory authorities and other third parties that may not be obtained, may not be completed on a timely basis or may impose conditions that could have an adverse effect on us.

The Proposed Acquisition was negotiated between the Special Committee and ACM, which is affiliated with certain of our officers and directors.

Certain of our directors and executive officers have interests in the Proposed Acquisition that are different from, and may potentially conflict with, our interests and the interests of our unaffiliated stockholders.

Failure to complete the Proposed Acquisition could negatively impact our business, financial condition, results of operations or stock price.

The market price of our common stock may decline as a result of the Proposed Acquisition.

Current stockholders will have reduced ownership and voting interests after the Proposed Acquisition.

Our future results following the Proposed Acquisition may differ materially from the unaudited pro forma financial information included in this proxy statement.

THE PROPOSED ACQUISITION MAY HAVE ADVERSE TAX CONSEQUENCES.

GENERAL INFORMATION ABOUT THE SPECIAL MEETING AND VOTING

The Special Meeting

The Special Meeting will be held on June 1, 2016, at 11:00 a.m., Eastern Time, at the Teleconference Center on the lower level of 333 Earle Ovington Boulevard, Uniondale, New York 11553. For information on how to obtain directions to attend the Special Meeting and vote in person, please contact our Investor Relations general inquiries line at (516) 506-4200.

Purpose of the Special Meeting

The purpose of the Special Meeting is to vote on the following proposals:

1. to approve the Acquisition Proposal; and
2. to approve the Adjournment Proposal.

The Board is not aware of any other matter to be presented for action at the Special Meeting. Under Maryland law and our Bylaws, no matter may be properly presented at the Special Meeting except as specifically designated in the Notice of Special Meeting of Stockholders.

Solicitation of Proxies

The enclosed proxy is solicited by and on behalf of the Board. The expense of preparing, printing and mailing this proxy statement and the proxies solicited hereby will be borne by the Company. In addition to the use of the mail, proxies may be solicited by officers and directors, without additional remuneration, by personal interview, telephone or otherwise. The Company will also request brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of voting securities held of record at the close of business on April 20, 2016 and will provide reimbursement for the cost of forwarding the material. In addition, we have engaged Alliance Advisors, LLC to assist in soliciting proxies from brokers, banks and other nominee holders of our common stock at a cost of approximately $7,000 plus reasonable out-of-pocket expenses.

Stockholders Entitled to Vote

As of the close of business on March 31, 2016, there were 51,381,405 shares of our common stock outstanding and entitled to vote at the Special Meeting. Each share of our common stock entitles the holder to one vote. Stockholders of record at the close of business on April 20, 2016 are entitled to attend and vote at the Special Meeting or any adjournment or postponement thereof.

Required Quorum

A quorum will be present if stockholders entitled to cast a majority of all the votes entitled to be cast at the Special Meeting are present, in person or by proxy. If you have returned a valid proxy or if you hold your shares of our voting securities in your own name as holder of record and you attend the Special Meeting in person, your shares will be counted for the purpose of determining whether there is a quorum. If a quorum is not present, the Special Meeting may be adjourned by the Chairman of the Special Meeting or the stockholders entitled to vote at the Special Meeting, present in person or by proxy, to a date not more than 120 days after the record date without notice other than announcement at the meeting.

Abstentions and broker non-votes will be counted in determining the presence of a quorum. "Broker non-votes" occur when a bank, broker or other nominee holding shares for a beneficial owner returns a properly executed proxy but does not vote on a particular proposal because it does not have discretionary voting power for that particular item and has not received instructions from the beneficial owner. Under the rules of the NYSE, banks, brokers and other nominees who hold shares in "street

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name" may have the authority to vote on certain matters when they do not receive instructions from beneficial owners. However, banks, brokers or other nominees holding shares for a beneficial owner who do not receive voting instructions from the beneficial owner may not under the NYSE's rules have discretionary voting power on non-routine matters. Accordingly, banks, brokers and other nominees that do not receive instructions are not entitled to vote on the Acquisition Proposal, but may vote on the Adjournment Proposal.

Vote Required for Approval

Pursuant to the Purchase Agreement and the rules of the NYSE, the approval of the Acquisition Proposal requires the affirmative vote of at least a majority of the votes cast by the Company stockholders entitled to vote on the matter. In addition, pursuant to the Purchase Agreement, the approval of the Acquisition Proposal also requires the affirmative vote of the holders of at least a majority of the outstanding shares of the Company's common stock entitled to be voted on the matter other than the shares owned of record or beneficially by ACM or its affiliates. This is the only vote of holders of any securities of the Company or its subsidiaries necessary to approve the Acquisition Proposal. If you "Abstain" from voting, it will have the same effect as an "Against" vote on the Acquisition Proposal. Failure to vote, including broker non-votes, will have no effect with respect to the requirement under the Purchase Agreement and NYSE rules that the Acquisition Proposal be approved by the affirmative vote of at least a majority of the votes cast by stockholders entitled to vote on the matter, but will have the same effect as an "Against" vote with respect to the requirement under the Purchase Agreement that the Acquisition Proposal be approved by a majority of the outstanding shares owned by stockholders other than ACM or its respective affiliates.

The Adjournment Proposal requires the affirmative vote of a majority of the votes cast by the stockholders entitled to vote on the matter. For the purpose of the vote on this proposal, abstentions, broker non-votes and other shares not voted will not be counted as votes cast and will have no effect on the result of the vote, although all shares for which proxies have been given will be considered present for the purpose of determining the presence of a quorum.

ACM and its affiliates intend to vote the shares of the Company's common stock that they own of record or beneficially to approve the Acquisition Proposal and the Adjournment Proposal.

If the enclosed proxy card is properly executed and returned to us in time to be voted at the Special Meeting, it will be voted as specified on the proxy card unless it is properly revoked prior thereto. If no specification is made on the proxy card as to any one or more of the proposals, the following action will be taken with respect to each share of our voting securities represented by the proxy:

1. a vote will be cast **FOR** the Acquisition Proposal; and
2. a vote will be cast **FOR** the Adjournment Proposal.

As of the date of this proxy statement, we are not aware of any other matter to be presented at the Special Meeting.

Voting

If you hold your shares of our voting securities in your own name as a holder of record, you may instruct the proxies to vote your shares by signing, dating and mailing the proxy card in the postage-paid envelope provided. In addition, you may vote your shares of our voting securities in person at the Special Meeting.

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If your shares are held on your behalf by a broker, bank or other nominee, you will receive instructions from such individual or entity that you must follow in order to have your shares voted at the Special Meeting.

Authorization of your proxy via telephone or the Internet may also be available depending on how you hold your shares. Please reference your proxy card for instructions on how to authorize your proxy by these methods.

Right to Revoke Proxy

If you hold shares of our voting securities in your own name as a holder of record, you may revoke your proxy instructions through any of the following methods:

- send written notice of revocation, prior to the Special Meeting, to our Corporate Secretary, at 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York 11553;
- sign and mail a new, later-dated proxy card to our Corporate Secretary at the address specified above;
- if authorization of your proxy is available via the telephone or the Internet, authorize your proxy to vote again via the telephone or Internet at least 24 hours prior to the Special Meeting; or
- attend the Special Meeting and vote your shares in person.

If your shares are held on your behalf by a broker, bank or other nominee, you must contact it to receive instructions as to how you may revoke your proxy instructions.

Voting Results

American Stock Transfer & Trust Company, our independent tabulating agent, will have a representative present at the Special Meeting and will tabulate the votes and act as the Inspector of Election. We will publish the voting results in a Current Report on Form 8-K that will be filed within four business days of the Special Meeting.

Confidentiality of Voting

We will keep all proxies, ballots and voting tabulations confidential. We will permit only our Inspector of Election, American Stock Transfer & Trust Company, and our outside legal counsel to examine these documents, except (i) as necessary to meet applicable legal requirements, (ii) if a stockholder writes comments on the proxy card directed to the Board or management or (iii) in the event a proxy solicitation in opposition to the election of the nominees is initiated.

Recommendations of the Board

On the basis of the Special Committee's recommendation and the other factors described herein, the Board has determined, by a unanimous vote of the Independent Directors, that the Purchase Agreement and the Proposed Acquisition contemplated thereby are advisable and fair to, and in the best interests of, the Company and recommends that the stockholders of the Company vote:

1. **FOR** the Acquisition Proposal; and
2. **FOR** the Adjournment Proposal.

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FORWARD-LOOKING STATEMENTS

Some of the statements contained in this proxy statement constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), and we intend such statements to be covered by the safe harbor provision contained therein. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology, such as "may," "will," "should," "expect," "intend," "plan," "anticipate," "believe," "estimate," "predict" or "potential" or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

The forward-looking statements contained in this proxy statement reflect our current views about future events and are subject to numerous known and unknown risks, uncertainties, assumptions and changes in circumstances that may cause our actual results to differ significantly from those expressed in any forward-looking statement. Statements regarding the following subjects, among others, may be forward-looking:

- market trends in our industry, interest rates, real estate values, the debt securities markets or the general economy or the demand for commercial real estate loans;
- our business and investment strategy;
- our projected operating results;
- actions, initiatives and policies of the U.S. government and changes to U.S. government policies and the execution and impact of these actions, initiatives and policies;
- the state of the U.S. and global economy generally or in specific geographic regions;
- our ability to obtain and maintain financing arrangements, including favorable leverage and securitizations;
- the amount and value of commercial mortgage loans requiring refinancing in future periods;
- the availability of attractive investment opportunities;
- the availability and cost of debt financing from traditional lenders;
- the demand for new capital to replace maturing loans;
- the general volatility of the securities markets in which we participate;
- changes in the value of our assets;

interest rate mismatches between our assets and any borrowings used to fund such assets;

changes in interest rates and the market value of our assets;

changes in prepayment rates on our assets;

effects of hedging instruments on our assets;

rates of default or decreased recovery rates on our assets;

the degree to which our hedging strategies may or may not protect us from interest rate volatility;

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- the impact of and changes in governmental regulations, tax law and rates, accounting guidance and similar matters;
- our ability to maintain our qualification as a real estate investment trust ("*REIT*") for U.S. federal income tax purposes;
- our ability to maintain our exemption from registration as an investment company under the Investment Company Act of 1940, as amended;
- the availability of opportunities to acquire commercial mortgage-related, real estate-related and other securities;
- the availability of qualified personnel;
- estimates relating to our ability to make distributions to our stockholders in the future;
- our understanding of, and the nature and extent of, our competition;
- failure to timely receive the required approvals by our stockholders, governmental or other regulatory agencies or third parties necessary to consummate the Proposed Acquisition;
- the potential that a condition to the parties' obligations to consummate the Proposed Acquisition may not be satisfied;
- our ability to consummate the Proposed Acquisition;
- the potential that operating costs and business disruption following the consummation of the Proposed Acquisition may be greater than expected;
- the ability of ACM to retain its senior executives and maintain relationships with business partners pending consummation of the Proposed Acquisition; and
- the loss of or changes in the ACM Agency Business's relationships with the GSEs, HUD and institutional investors would adversely affect its ability to originate commercial real estate loans through GSE and HUD programs.

Although forward-looking statements reflect our good-faith beliefs, assumptions and expectations, they are not guarantees of future performance. Furthermore, we disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. We caution investors not to place undue reliance on these forward-looking statements and urge you to carefully review the disclosures we make concerning risks in sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed on February 26, 2016, and other risks and uncertainties detailed in such annual report and our other reports and filings with the SEC.

RISK FACTORS

In addition to the other information contained or incorporated by reference in this proxy statement, including those risk factors related to our business set forth in our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 26, 2016, you should carefully consider the following risk factors:

Risks Relating to the ACM Agency Business

The loss of or changes in the ACM Agency Business's relationships with the GSEs, United States Department of HUD and institutional investors would adversely affect its ability to originate commercial real estate loans through GSE and HUD programs, which would materially and adversely affect the ACM Agency Business.

Currently, the ACM Agency Business originates nearly all of its loans for sale through GSE or HUD programs. The ACM Agency Business is approved as a Federal National Mortgage Association ("*Fannie Mae*") Delegated Underwriting and Servicing ("*DUS*") lender nationwide, a Federal Home Loan Mortgage Corporation ("*Freddie Mac*") Program Plus lender in New York New, Jersey and Connecticut, a Freddie Mac Targeted Affordable Housing, Manufactured Housing Community, Seniors Housing and Small Balance Loan Lender nationwide, a HUD Multifamily Accelerated Processing ("*MAP*") lender nationwide, and a Government National Mortgage Association ("*Ginnie Mae*") issuer. Its status as an approved lender affords the ACM Agency Business a number of advantages and may be terminated by the applicable GSE or HUD at any time. The loss of such status would, or changes in its relationships could, prevent the ACM Agency Business from being able to originate commercial real estate loans for sale through the particular GSE or HUD, which would materially and adversely affect us. It could also result in a loss of similar approvals from other GSEs or HUD.

The ACM Agency Business also originates and sells loans to investment banks through the commercial mortgage-backed security ("*CMBS*") conduit markets. If these investment banks discontinue their relationship with the ACM Agency Business and replacement investors cannot be found on a timely basis, we could be adversely affected.

A change to the conservatorship of Fannie Mae and Freddie Mac and related actions, along with any changes in laws and regulations affecting the relationship between Fannie Mae and Freddie Mac and the U.S. federal government, could materially and adversely affect the business of the ACM Agency Business.

Currently, the ACM Agency Business originates a majority of its loans for sale through GSE programs. Additionally, a substantial majority of its servicing rights are derived from loans the ACM Agency Business sells through GSE programs. Changes in the business charters, structure, or existence of one or both of the GSEs could eliminate or substantially reduce the number of loans the ACM Agency Business originates with the GSEs, which in turn would lead to a reduction in fee and interest income it derives with respect to such loans. These effects would likely cause the ACM Agency Business to realize significantly lower revenues from our loan originations and servicing fees and ultimately would have a material adverse impact on the ACM Agency Business's business and financial results.

Conservatorships of the GSEs

In September 2008, the Federal Housing Finance Agency (the "*FHFA*"), the GSEs' regulator, placed each GSE into conservatorship. The conservatorship is a statutory process designed to preserve and conserve the GSEs' assets and property and put them in a sound and solvent condition. The conservatorships have no specified termination dates and there continues to be significant uncertainty regarding the future of the GSEs, including how long they will continue to exist in their current forms, the extent of their roles in the housing markets, what forms they will have and whether they will continue to exist following conservatorship.

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Housing Finance Reform

Policymakers and others have focused significant attention in recent years on how to reform the nation's housing finance system, including what role, if any, the GSEs should play. In 2011, the Obama Administration released a white paper on the future of housing finance reform. The report provides that the Obama Administration will work with the FHFA to determine the best way to responsibly reduce the GSEs' role in the market and ultimately wind down both institutions. The report identifies a number of possible policy steps for winding down the GSEs, reducing the government's role in housing finance and helping bring private capital back to the mortgage market. In August 2013, President Obama publicly discussed the Administration's housing policy priorities, including a core principle that included winding down the GSEs through a responsible transition. In January 2014, the White House issued a fact sheet reaffirming the Administration's view that housing finance reform should include ending the GSEs' business model.

In addition to the Administration's actions described above, the FHFA has taken a number of steps consistent with the goals laid out in the Administration's 2011 white paper. In 2012, Edward DeMarco, then the Acting Director of the FHFA, proposed a strategic plan for the GSEs' conservatorships. Among other things, that strategic plan recognized that the GSEs' multifamily business, in contrast to their single-family business, had remained cash flow positive during the recent housing crisis. The strategic plan stated that "generating potential value for taxpayers and contracting the GSEs' multifamily market footprint should be approached differently from single-family, and it may be accomplished using a much different and more direct method."

In March 2013, the FHFA released the 2013 conservatorship scorecard for the GSEs, which detailed specific priorities for implementing the 2012 strategic plan. Among other things, the FHFA's 2013 conservatorship scorecard established priorities relating to the goal that the GSEs contract their dominant presence in the marketplace. In support of this goal, the FHFA set an objective that the GSEs reduce the unpaid principal balance of new multifamily business relative to 2012 by at least 10% by tightening underwriting, adjusting pricing and limiting product offerings, while not increasing the proportion of their retained risk. In addition, in August 2013, the FHFA issued a statement seeking public input on strategies for reducing the GSEs' presence in the multifamily housing finance market in 2014, and outlined possible alternatives to meet this goal.

In January 2014, Melvin Watt was sworn in to a five-year term as Director of the FHFA, and in May 2014 the FHFA released its strategic plan for the GSEs, in which it changed its goal of "contraction" of the GSEs' multifamily businesses to "maintaining" the businesses. In furtherance of that goal, the 2014 FHFA scorecard for the GSEs maintained the 2013 multifamily loan origination caps for each GSE, but excluded from the caps affordable housing loans, loans to small multifamily properties and loans to manufactured housing rental communities. In January 2015, the FHFA released the GSEs' 2015 Scorecard (the "*2015 Scorecard*"), which set the multifamily loan origination caps for each GSE at $30 billion, excluding, as was the case in the 2014 scorecard, affordable housing loans, loans to small multifamily properties, and loans to manufactured housing rental communities. Additionally, in December 2015, the FHFA released the GSEs' 2016 Scorecard (the "*2016 Scorecard*"), which set the multifamily loan origination caps for each GSE at $31 billion, excluding, as was the case in the 2015 Scorecard, affordable housing loans, loans to small multifamily properties, and loans to manufactured housing rental communities and also added certain other exclusions for 2016 including loans on senior housing assisted living properties. The 2016 Scorecard also stated that the FHFA will review the agency's estimates of the multifamily loan origination market size, on a quarterly basis, and if it determines that the actual 2016 market size is greater than projected, it will apply an appropriate increase to the capped category, but will not reduce the cap if the actual market size is less than projected.

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Congress has also continued to consider housing finance reform. In the past few years, members of Congress introduced several bills to reform the housing finance system, including the GSEs. Several of the bills require the wind down or receivership of the GSEs within a specified period of enactment and also place certain restrictions on the GSEs' activities prior to being wound down or placed into receivership.

We expect Congress will continue to consider housing finance reform, including conducting hearings and considering legislation that would alter the housing finance system, including the activities or operations of the GSEs. We cannot predict the prospects for the enactment, timing or content of legislative proposals regarding the future status of the GSEs. As a result, there continues to be significant uncertainty regarding the future of the GSEs.

The ACM Agency Business is subject to risk of loss in connection with defaults on loans sold under the Fannie Mae DUS program that could materially and adversely affect the ACM Agency Business's results of operations and liquidity.

Under the Fannie Mae DUS program, the ACM Agency Business originates and services multifamily loans for Fannie Mae without having to obtain Fannie Mae's prior approval for certain loans, as long as the loans meet the underwriting guidelines set forth by Fannie Mae. In return for the delegated authority to make loans and the commitment to purchase loans by Fannie Mae, the ACM Agency Business must maintain minimum collateral and generally is required to share risk of loss on loans sold through Fannie Mae. Under the full risk-sharing formula, the ACM Agency Business is required to absorb the first 5% of any losses on the unpaid principal balance of a loan at the time of loss settlement, and above 5% the ACM Agency Business is required to share the loss with Fannie Mae, with its maximum loss capped at 20% of the original unpaid principal balance of a loan. The ACM Agency Business has modified its risk-sharing obligations on some Fannie Mae DUS loans to reduce its potential loss exposure on those loans. In addition, Fannie Mae can double or triple the ACM Agency Business's risk-sharing obligations if the loan does not meet specific underwriting criteria or if the loan defaults within 12 months of its sale to Fannie Mae. As of December 31, 2015, the ACM Agency Business had pledged $34.4 million as collateral against future losses under $9.6 billion of loans outstanding that are subject to risk-sharing obligations. Fannie Mae collateral requirements may change in the future. As of December 31, 2015, the ACM Agency Business's allowance for loss-sharing balance was $28.6 million. The ACM Agency Business cannot ensure that this balance will be sufficient to cover future write offs. While the ACM Agency Business originates loans that meet the underwriting guidelines defined by Fannie Mae, in addition to its own internal underwriting guidelines, underwriting criteria may not always protect against loan defaults. Other factors may also affect a borrower's decision to default on a loan, such as property, cash flow, occupancy, maintenance needs and other financing obligations. If loan defaults increase, actual risk-sharing obligation payments under the Fannie Mae DUS program may increase and such defaults and payments could have a material adverse effect on the ACM Agency Business's results of operations and liquidity. In addition, any failure to pay the ACM Agency Business's share of losses under the Fannie Mae DUS program could result in the revocation of its license from Fannie Mae and the exercise of various remedies available to Fannie Mae under the Fannie Mae DUS program, including the transfer of the ACM Agency Business's servicing portfolio to another Fannie Mae approved servicer.

If the ACM Agency Business fails to act proactively with delinquent borrowers in an effort to avoid a default, the number of delinquent loans could increase, which could have a material adverse effect on the ACM Agency Business.

As a loan servicer, the ACM Agency Business maintains the primary contact with the borrower throughout the life of the loan and is responsible, pursuant to its agreements with the GSEs, HUD and institutional investors, for asset management. The ACM Agency Business is also responsible, together

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with the applicable GSE, HUD, or institutional investor, for taking actions to mitigate losses. The ACM Agency Business believes it has developed an extensive asset management process for tracking each loan that it services. However, it may be unsuccessful in identifying loans that are in danger of underperforming or defaulting or in taking appropriate action once those loans are identified. While the ACM Agency Business can recommend a loss mitigation strategy for the GSEs, HUD and institutional investors decisions regarding loss mitigation are within the control of the GSEs, HUD and institutional investors. Previous turmoil in the real estate, credit and capital markets have made this process even more difficult and unpredictable. When loans become delinquent, the ACM Agency Business incurs additional expenses in servicing and asset managing the loans and is typically required to advance principal and interest payments and tax and insurance escrow amounts. The ACM Agency Business could also be subject to a loss of its contractual servicing fee, and it could suffer losses of up to 20% (or more for loans that do not meet specific underwriting criteria or default within 12 months) of the unpaid principal balance of a Fannie Mae DUS loan with full risk-sharing. These items could have a negative impact on the ACM Agency Business's cash flows and a negative effect on the net carrying value of the mortgage servicing right ("*MSR*") on our balance sheet and could result in a charge to our earnings. As a result of the foregoing, a rise in delinquencies could have a material adverse effect on ACM Agency Business.

A reduction in the prices paid for the loans and services of the ACM Agency Business or an increase in loan or security interest rates by investors could materially and adversely affect the ACM Agency Business's results of operations and liquidity.

The ACM Agency Business's results of operations and liquidity could be materially and adversely affected if the GSEs, HUD or institutional investors lower the price they are willing to pay to the ACM Agency Business for its loans or services or adversely change the material terms of their loan purchases or servicing arrangements with the ACM Agency Business. A number of factors determine the price the ACM Agency Business receives for its loans. With respect to Fannie Mae related originations, the ACM Agency Business's loans are generally sold as Fannie Mae insured securities to third-party investors. With respect to HUD related originations, the ACM Agency Business's loans are generally sold as Ginnie Mae securities to third-party investors. In both cases, the price paid to the ACM Agency Business reflects, in part, the competitive market bidding process for these securities.

The ACM Agency Business sells loans directly to Freddie Mac. Freddie Mac may choose to hold, sell or later securitize such loans. We believe terms set by Freddie Mac are influenced by similar market factors as those that impact the price of Fannie Mae insured or Ginnie Mae securities, although the pricing process differs. With respect to loans that are placed with institutional investors, the origination fees that the ACM Agency Business receives from borrowers are determined through negotiations, competition and other market conditions.

Loan servicing fees are based, in part, on the risk-sharing obligations associated with the loan and the market pricing of credit risk. The credit risk premium offered by Fannie Mae for new loans can change periodically but remains fixed once the ACM Agency Business enters into a commitment to sell the loan. Over the past several years, Fannie Mae loan servicing fees have been higher due to the market pricing of credit risk. There can be no assurance that such fees will continue to remain at such levels or that such levels will be sufficient if delinquencies occur.

A significant portion of the ACM Agency Business's revenue is derived from loan servicing fees, and declines in, or terminations of, servicing engagements or breaches of servicing agreements, including as a result of non-performance by third parties that we engage for back-office loan servicing functions, could have a material adverse effect on the ACM Agency Business.

The ACM Agency Business expects that loan servicing fees will continue to constitute a significant portion of the ACM Agency Business's revenues for the foreseeable future. Nearly all of these fees are

derived from loans that the ACM Agency Business originates and sells through GSE and HUD programs. A decline in the number or value of loans that the ACM Agency Business originates for these investors or terminations of its servicing engagements will decrease these fees. HUD has the right to terminate the ACM Agency Business's current servicing engagements for cause. In addition to termination for cause, Fannie Mae and Freddie Mac may terminate the ACM Agency Business's servicing engagements without cause by paying a termination fee. The ACM Agency Business is also subject to losses that may arise as a result of servicing errors, such as a failure to maintain insurance, pay taxes or provide notices. In addition, the ACM Agency Business has contracted with a third party to perform certain routine back-office aspects of loan servicing. If the ACM Agency Business or this third party fails to perform, or the ACM Agency Business breaches or the third-party causes the ACM Agency Business to breach its servicing obligations to the GSEs or HUD, the ACM Agency Business's servicing engagements may be terminated. Declines or terminations of servicing engagements or breaches of such obligations could materially and adversely affect the ACM Agency Business.

If one or more of the ACM Agency Business's warehouse facilities, on which it is highly dependent, are terminated, the ACM Agency Business may be unable to find replacement financing on favorable terms, or at all, which would have a material adverse effect on the ACM Agency Business.

The ACM Agency Business requires a significant amount of funding capacity on an interim basis for loans it originates. As of December 31, 2015, the ACM Agency Business had $213.2 million of committed loan funding available through three commercial banks and $56.6 million of uncommitted funding available through Fannie Mae's As Soon As Pooled ("ASAP") program. Consistent with industry practice, the ACM Agency Business's existing warehouse facilities are short-term, requiring annual renewal. If any of the ACM Agency Business's committed facilities are terminated or are not renewed or its uncommitted facilities are not honored, the ACM Agency Business may be unable to find replacement financing on favorable terms, or at all, and the ACM Agency Business might not be able to originate loans, which would have a material adverse effect on the ACM Agency Business. Additionally, as the ACM Agency Business's business continues to expand, it may need additional warehouse funding capacity for loans it originates. There can be no assurance that, in the future, the ACM Agency Business will be able to obtain additional warehouse funding capacity on favorable terms, on a timely basis, or at all.

If the ACM Agency Business fails to meet or satisfy any of the financial or other covenants included in its warehouse facilities, it would be in default under one or more of these facilities and its lenders could elect to declare all amounts outstanding under the facilities to be immediately due and payable, enforce their interests against loans pledged under such facilities and restrict its ability to make additional borrowings. These facilities also contain cross-default provisions, such that if a default occurs under any of the ACM Agency Business's debt agreements, generally the lenders under its other debt agreements could also declare a default. These restrictions may interfere with the ACM Agency Business's ability to obtain financing or to engage in other business activities, which could materially and adversely affect the ACM Agency Business. While the ACM Agency Business was in compliance with all financial and other covenants included in its warehouse facilities as of December 31, 2015, there can be no assurance that it will not experience a default in the future.

The ACM Agency Business relies on a Letter of Credit facility from one of its lenders to satisfy its restricted liquidity requirements with Fannie Mae, the loss of which could result in a significant reduction in its cash flow from operations, or the inability to meet these requirements if it is unable to find a replacement facility on favorable terms, or at all, which would have a material adverse effect on the ACM Agency Business.

The ACM Agency Business is required to pledge restricted cash as collateral for possible losses resulting from loans originated under the Fannie Mae DUS program in accordance with the terms of loss sharing agreements between the ACM Agency Business and Fannie Mae. As of December 31,

2015, this requirement totaled $34.4 million and was satisfied with a $33.5 million letter of credit issued to Fannie Mae by one of the ACM Agency Business's lenders and the balance funded by cash. The ACM Agency Business entered into a three year letter of credit facility in December of 2014, which provides for the issuance of a letter of credit in the maximum amount of $35 million to satisfy these requirements. The facility also contains two one year extension options, is collateralized by the servicing cash flow generated from the ACM Agency Business's Fannie Mae portfolio and contains certain financial and other covenants. If the ACM Agency Business fails to satisfy any of these covenants, or is unable to renew or replace this facility on favorable terms, or at all, this could have a material adverse effect on our cash flow and our financial condition. If the ACM Agency Business were unable to replace the letter of credit facility with either a similar facility or cash, the ACM Agency Business would be in breach of its obligations to Fannie Mae, which would have a material adverse effect on the ACM Agency Business's business and operations.

The ACM Agency Business is subject to the risk of failed loan deliveries, and even after a successful closing and delivery, may be required to repurchase the loan or to indemnify the investor if there is a breach of a representation or warranty made by the ACM Agency Business in connection with the sale of the loan through a GSE or HUD program, any of which could have a material adverse effect on the ACM Agency Business.

The ACM Agency Business bears the risk that a borrower will choose not to close on a loan that has been pre-sold to an investor or that the investor will choose not to purchase a loan under certain circumstances, including, for example, a significant casualty event that impacts the condition of a property after the ACM Agency Business funds the loan and prior to the investor purchase date. The ACM Agency Business also has the risk of serious errors in loan documentation that prevent timely delivery of the loan prior to the investor purchase date. A complete failure to deliver a loan could be a default under the warehouse line used to finance the loan. Although the ACM Agency Business has experienced only three failed loan deliveries in its history, none of which had a material impact on its financial condition or results of operations, we can provide no assurance that the ACM Agency Business will not experience additional failed deliveries in the future or that any losses will not be material or will be mitigated through property insurance or payment protections.

The ACM Agency Business must make certain representations and warranties concerning each loan originated by the ACM Agency Business for GSE or HUD programs. The representations and warranties relate to the ACM Agency Business's practices in the origination and servicing of the loans and the accuracy of the information being provided by the ACM Agency Business. For example, the ACM Agency Business is generally required to provide the following, among other, representations and warranties: it is authorized to do business and to sell or assign the loan; the loan conforms to the requirements of the GSE or HUD and certain laws and regulations; the underlying mortgage represents a valid first lien on the property and there are no other liens on the property; the loan documents are valid and enforceable; taxes, assessments, insurance premiums, rents and similar other payments have been paid or escrowed; the property is insured, conforms to zoning laws and remains intact; and it does not know of any issues regarding the loan that are reasonably expected to cause the loan to be delinquent or unacceptable for investment or adversely affect its value. The ACM Agency Business is permitted to satisfy certain of these representations and warranties by furnishing a title insurance policy.

In the event of a breach of any representation or warranty, investors could, among other things, require the ACM Agency Business to repurchase the full amount of the loan and seek indemnification for losses from it or, in the case of Fannie Mae, increase the level of risk-sharing on the loan. The ACM Agency Business's obligation to repurchase the loan is independent of its risk-sharing obligations. The GSE or HUD could require the ACM Agency Business to repurchase the loan if representations and warranties are breached, even if the loan is not in default. Because the accuracy of many such representations and warranties generally is based on the ACM Agency Business's actions or on third-

party reports, such as title reports and environmental reports, the ACM Agency Business may not receive similar representations and warranties from other parties that would serve as a claim against them. Even if the ACM Agency Business receives representations and warranties from third parties and has a claim against them in the event of a breach, the ACM Agency Business's ability to recover on any such claim may be limited. The ACM Agency Business's ability to recover against a borrower that breaches its representations and warranties to the ACM Agency Business may be similarly limited. The ACM Agency Business's ability to recover on a claim against any party would also be dependent, in part, upon the financial condition and liquidity of such party. Although we believe that the ACM Agency Business has capable personnel at all levels, uses qualified third parties and has established controls to ensure that all loans are originated pursuant to requirements established by the GSEs and HUD, in addition to its own internal requirements, there can be no assurance that the ACM Agency Business, its employees or third parties will not make mistakes. Any significant repurchase or indemnification obligations imposed on the ACM Agency Business could have a material adverse effect on the ACM Agency Business.

The ACM Agency Business's business is significantly affected by general business, economic and market conditions and cycles, particularly in the multifamily and commercial real estate industry, including changes in government fiscal and monetary policies, and, accordingly, the ACM Agency Business could be materially harmed in the event of a market downturn or changes in government policies.

The ACM Agency Business is sensitive to general business, economic and market conditions and cycles, particularly in the multifamily and commercial real estate industry. These conditions include changes in short-term and long-term interest rates, inflation and deflation, fluctuations in the real estate and debt capital markets and developments in national and local economies, unemployment rates, commercial property vacancy rates and rental rates. Any sustained period of weakness or weakening business or economic conditions in the markets in which the ACM Agency Business does business or in related markets could result in a decrease in the demand for its loans and services, which could materially harm the ACM Agency Business. In addition, the number of borrowers who become delinquent, become subject to bankruptcy or default on their loans could increase, resulting in a decrease in the value of the ACM Agency Business's MSRs and higher levels of servicer advances and loss on the ACM Agency Business's Fannie Mae loans for which it shares risk of loss, which could materially and adversely affect the ACM Agency Business.

The ACM Agency Business is also significantly affected by the fiscal, monetary and budgetary policies of the U.S. government and its agencies. The ACM Agency Business is particularly affected by the policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve"), which regulates the supply of money and credit in the United States. The Federal Reserve's policies affect interest rates, which have a significant impact on the demand for multifamily and commercial real estate loans. Significant fluctuations in interest rates as well as protracted periods of increases or decreases in interest rates could adversely affect the operation and income of multifamily and commercial real estate properties, as well as the demand from investors for multifamily and commercial real estate debt in the secondary market. In particular, higher interest rates tend to decrease the number of loans originated. An increase in interest rates could cause refinancing of existing loans to become less attractive and qualifying for a loan to become more difficult. Budgetary policies also impact our ability to originate loans, particularly if it has a negative impact on the ability of the GSEs and HUD to do business with the ACM Agency Business. Changes in fiscal, monetary, and budgetary policies are beyond our control, are difficult to predict and could materially and adversely affect the ACM Agency Business.

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The ACM Agency Business is dependent upon the success of the multifamily real estate sector and conditions that negatively impact the multifamily sector may reduce demand for its products and services and materially and adversely affect the ACM Agency Business.

The ACM Agency Business provides commercial real estate financial products and services primarily to developers and owners of multifamily properties. Accordingly, the success of its business is closely tied to the overall success of the multifamily real estate market. Various changes in real estate conditions may impact the multifamily sector. Any negative trends in such real estate conditions may reduce demand for the ACM Agency Business's products and services and, as a result, adversely affect the ACM Agency Business's results of operations. These conditions include:

- oversupply of, or a reduction in demand for, multifamily housing;
- a favorable interest rate environment that may result in a significant number of potential residents of multifamily properties deciding to purchase homes instead of renting;
- rent control or stabilization laws, or other laws regulating multifamily housing, which could affect the profitability of multifamily developments;
- the inability of residents and tenants to pay rent;
- increased competition in the multifamily sector based on considerations such as the attractiveness, location, rental rates, amenities and safety record of various properties; and
- increased operating costs, including increased real property taxes, maintenance, insurance and utility costs.

Moreover, other factors may adversely affect the multifamily sector, including changes in government regulations and other laws, rules and regulations governing real estate, zoning or taxes, changes in interest rate levels, the potential liability under environmental and other laws and other unforeseen events. Any or all of these factors could negatively impact the multifamily sector and, as a result, reduce the demand for the ACM Agency Business's products and services. Any such reduction could materially and adversely affect the ACM Agency Business.

For most loans that the ACM Agency Business services under the Fannie Mae and HUD programs, the ACM Agency Business is required to advance payments due to investors if the borrower is delinquent in making such payments, which requirement could adversely impact our liquidity and harm the ACM Agency Business's results of operations.

For most loans the ACM Agency Business services under the Fannie Mae DUS program, the ACM Agency Business is currently required to advance the principal and interest payments and tax and insurance escrow amounts if the borrower is delinquent in making loan payments. After four continuous months of making advances on behalf of the borrower, the ACM Agency Business can submit a reimbursement claim to Fannie Mae, which Fannie Mae may approve at its discretion. The ACM Agency Business is reimbursed by Fannie Mae for these advances in the event the loan is brought current. In the event of a default, any advances made by the ACM Agency Business are used to reduce the proceeds required to settle any loss. The ACM Agency Business's advances may also be reimbursed, to the extent that the default settlement proceeds on the collateral exceed the unpaid principal balance.

Under the HUD program, the ACM Agency Business is obligated to advance tax and insurance escrow amounts and principal and interest payments on the underlying loan until the Ginnie Mae security has been fully paid. In the event of a default on a HUD insured loan, the ACM Agency Business can elect to assign the loan to HUD and file a mortgage insurance claim. HUD will reimburse approximately 99% of any losses of principal and interest on the loan and Ginnie Mae will reimburse most of the remaining losses of principal and interest.

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Although the ACM Agency Business has funded all required advances from operating cash flow in the past, there can be no assurance that the ACM Agency Business will be able to do so in the future. If the ACM Agency Business does not have sufficient operating cash flows to fund such advances, the ACM Agency Business would need to finance such amounts. Such financing may not be available to the ACM Agency Business, or, if it is available, may be costly and could prevent the ACM Agency Business from pursuing its business and growth strategies.

The ACM Agency Business may not be able to hire and retain qualified loan originators or grow and maintain its relationships with key customers, and if the ACM Agency Business is unable to do so, its ability to implement its business and growth strategies could be limited.

The ACM Agency Business depends on its loan originators to generate borrower clients by, among other things, developing relationships with commercial property owners, real estate agents and brokers, developers and others, which the ACM Agency Business believes leads to repeat and referral business. Accordingly, the ACM Agency Business must be able to attract, motivate and retain skilled loan originators. The market for loan originators is highly competitive and may lead to increased costs to hire and retain them. The ACM Agency Business cannot guarantee that it will be able to attract or retain qualified loan originators. If the ACM Agency Business cannot attract, motivate or retain a sufficient number of skilled loan originators, or even if the ACM Agency Business can motivate or retain them but at higher costs, the ACM Agency Business could be materially and adversely affected.

The ACM Agency Business has numerous significant competitors and potential future competitors, some of which may have greater resources and access to capital than the ACM Agency Business does; consequently, the ACM Agency Business may not be able to compete effectively in the future.

The ACM Agency Business faces significant competition from other agency lenders, commercial banks, commercial real estate service providers, CMBS conduit lenders and life insurance companies, some of which are also purchasers of loans originated by the ACM Agency Business. Many of these competitors enjoy competitive advantages over the ACM Agency Business, including:

- greater name recognition;
- a stronger, more established network of correspondents and loan originators;
- established relationships with institutional investors;
- access to lower cost and more stable funding sources;
- an established market presence in markets where the ACM Agency Business does not yet have a presence or where the ACM Agency Business has a smaller presence;
- ability to diversify and grow by providing a greater variety of commercial real estate loan products on more attractive terms, some of which require greater access to capital and the ability to retain loans on the balance sheet; and
- greater financial resources and access to capital to develop branch offices and compensate key employees.

Commercial banks may have an advantage over the ACM Agency Business in originating loans if borrowers already have a line of credit or construction financing with the bank. Commercial real estate service providers may have an advantage over the ACM Agency Business to the extent they also offer an investment sales platform. The ACM Agency Business competes on the basis of quality of service, well established relationships, loan structure, terms, pricing and industry depth. Industry depth includes the knowledge of local and national real estate market conditions, commercial real estate, loan product expertise and the ability to analyze and manage credit risk. The ACM Agency Business's competitors seek to compete aggressively on the basis of these factors and its success depends on its ability to offer

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attractive loan products, provide superior service, demonstrate industry depth, maintain and capitalize on relationships with investors, borrowers and key loan correspondents and remain competitive in pricing. In addition, future changes in laws, regulations and GSE and HUD program requirements and consolidation in the commercial real estate finance market could lead to the entry of more competitors. The ACM Agency Business cannot guarantee that it will be able to compete effectively in the future, and its failure to do so would materially and adversely affect it.

The ACM Agency Business has experienced significant growth over the past several years, which may be difficult to sustain and may place significant demands on its administrative, operational and financial resources.

The ACM Agency Business's recent significant growth may not reflect its future growth potential, and it may not be able to maintain similarly high levels of growth in the future. Much of the ACM Agency Business's growth has occurred since the onset of the 2008 credit crisis and the resulting tightening of credit standards, as many traditional lenders decreased or ceased their investments in commercial real estate debt. As a result, borrowers looked instead to the GSEs, HUD, and other sources of lending for multifamily loans. The ACM Agency Business intends to pursue continued growth by adding more loan originators, expanding loan product offerings, acquiring complementary businesses and gaining access to new institutional investors and proprietary sources of capital, as appropriate, but the ACM Agency Business cannot guarantee such efforts will be successful. The ACM Agency Business does not know whether the favorable conditions that enabled its recent growth will continue. Because the ACM Agency Business's recent significant growth may not accurately reflect its future growth or ability to grow in the future, there can be no assurance that the ACM Agency Business will continue to grow at the same pace or achieve the same financial results as it has in the past.

In addition, if the ACM Agency Business's growth continues, it could increase the ACM Agency Business's expenses and place additional demands on its management, personnel, information systems and other resources. Sustaining the ACM Agency Business's growth could require it to commit additional management, operational and financial resources to maintain appropriate operational and financial systems to adequately support expansion. There can be no assurance that the ACM Agency Business will be able to manage any growth effectively and any failure to do so could adversely affect its ability to generate revenue and control its expenses, which could materially and adversely affect the ACM Agency Business.

Risks Relating to Regulatory Matters

If the ACM Agency Business fails to comply with the numerous government regulations and program requirements of the GSEs and HUD, the ACM Agency Business may lose its approved lender status with these entities and fail to gain additional approvals or licenses for its business. The ACM Agency Business is also subject to changes in laws, regulations and existing GSE and HUD program requirements, including potential increases in reserve and risk retention requirements that could increase the ACM Agency Business's costs and affect the way the ACM Agency Business conducts its business, which could materially and adversely affect the ACM Agency Business.

The ACM Agency Business's operations are subject to regulation by federal, state and local government authorities, various laws and judicial and administrative decisions, and regulations and policies of the GSEs and HUD. These laws, regulations, rules and policies impose, among other things, minimum net worth, operational liquidity and collateral requirements. Fannie Mae requires the ACM Agency Business to maintain operational liquidity based on a formula that considers the balance of the loan and the level of credit loss exposure (level of risk-sharing). Fannie Mae requires Fannie Mae DUS lenders to maintain collateral, which may include pledged securities, for the ACM Agency Business's risk-sharing obligations. The amount of collateral required under the Fannie Mae DUS program is

calculated at the loan level and is based on the balance of the loan, the level of risk-sharing, the seasoning of the loans and the rating of the Fannie Mae DUS lender.

Regulatory authorities also require the ACM Agency Business to submit financial reports and to maintain a quality control plan for the underwriting, origination and servicing of loans. Numerous laws and regulations also impose qualification and licensing obligations on the ACM Agency Business and impose requirements and restrictions affecting, among other things: the ACM Agency Business's loan originations; maximum interest rates, finance charges and other fees that the ACM Agency Business may charge; disclosures to consumers; the terms of secured transactions; collection, repossession and claims handling procedures; personnel qualifications; and other trade practices. The ACM Agency Business is also subject to inspection by the GSEs, HUD, and regulatory authorities. The ACM Agency Business's failure to comply with these requirements could lead to, among other things, the loss of a license as an approved GSE or HUD lender, the inability to gain additional approvals or licenses, the termination of contractual rights without compensation, demands for indemnification or loan repurchases, class action lawsuits and administrative enforcement actions.

Regulatory and legal requirements are subject to change. For example, Fannie Mae increased its collateral requirements, on loans classified by Fannie Mae as Tier II, from 60 basis points to 75 basis points, effective as of January 1, 2013, which applied to a large portion of the ACM Agency Business's outstanding Fannie Mae at risk portfolio. The incremental collateral required for existing loans was funded over a two-year period ending December 31, 2014. The incremental requirement for any newly originated Fannie Mae Tier II loans will be funded over the 48 months subsequent to the sale of the loan to Fannie Mae. Fannie Mae has indicated that it may increase collateral requirements in the future, which may adversely impact the ACM Agency Business.

If the ACM Agency Business fails to comply with laws, regulations and market standards regarding the privacy, use, and security of customer information, or if the ACM Agency Business is the target of a successful cyber-attack, the ACM Agency Business may be subject to legal and regulatory actions and the ACM Agency Business's reputation would be harmed.

The ACM Agency Business receives, maintains, and stores the non-public personal information of its loan applicants. The technology and other controls and processes designed to secure the ACM Agency Business's customer information and to prevent, detect, and remedy any unauthorized access to that information were designed to obtain reasonable, not absolute, assurance that such information is secure and that any unauthorized access is identified and addressed appropriately. The ACM Agency Business is not aware of any data breaches, successful hacker attacks, unauthorized access and misuse, or significant computer viruses affecting the ACM Agency Business's networks that may have occurred in the past; however, the ACM Agency Business's controls may not have detected, and may in the future fail to prevent or detect, unauthorized access to the ACM Agency Business's borrower information. If this information is inappropriately accessed and used by a third party or an employee for illegal purposes, such as identity theft, the ACM Agency Business may be responsible to the affected applicant or borrower for any losses he or she may have incurred as a result of misappropriation. In such an instance, the ACM Agency Business may be liable to a governmental authority for fines or penalties associated with a lapse in the integrity and security of its customers' information.

Risks Related to The Proposed Acquisition

For a description of the Proposed Acquisition and the terms thereof, see "Proposal 1: The Acquisition Proposal Description of the Proposed Acquisition." The risk factors discussed below present risks directly related to the Proposed Acquisition and the integration of the two companies. The risks and uncertainties described below are not the only risks and uncertainties that we face in connection with the Proposed Acquisition. Additional risks and uncertainties not presently known to us

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or that we currently deem immaterial may also impair our business operations and/or lead to us not being able to realize the expected benefits of the Proposed Acquisition.

The Proposed Acquisition is subject to a number of conditions, including the approval of our stockholders and the receipt of consents and clearances from regulatory authorities and other third parties that may not be obtained, may not be completed on a timely basis or may impose conditions that could have an adverse effect on us.

Completion of the Proposed Acquisition is conditioned upon, among other matters, the approval of our stockholders and the receipt of certain regulatory authority and other third party authorizations, consents, orders, clearances or other approvals, including consents from Fannie Mae, Freddie Mac, Ginnie Mae and HUD, and such other consents, approvals and clearances necessary to permit all parties to perform their obligations under the Purchase Agreement and complete the Proposed Acquisition. There can be no assurance that any of these approvals will be obtained, or that if they are obtained, they will not impose conditions, terms, obligations or restrictions that could have the effect of delaying completion of the Proposed Acquisition or imposing additional material costs on, or materially reducing the revenues of, our operations following the Proposed Acquisition. The imposition of any such restrictive conditions, terms, obligations or restrictions may result in the delay or abandonment of the Proposed Acquisition.

Failure to complete the Proposed Acquisition could negatively impact our business, financial condition, results of operations or stock price.

Completion of the Proposed Acquisition is conditioned upon the satisfaction of certain closing conditions, including the approvals and consents discussed above, and other closing conditions customary for a transaction of this size and type (See "Proposal 1: The Acquisition Proposal The Purchase Agreement"). The required conditions to closing may not be satisfied in a timely manner, if at all. If the Proposed Acquisition is not consummated for these or any other reasons, our ongoing business may be adversely affected and the market price of our common stock may decline to the extent that the current market price reflects a market assumption that the Proposed Acquisition will be completed.

Certain of our directors and executive officers have interests in the Proposed Acquisition that are different from, and may potentially conflict with, the interests of us and our stockholders.

Certain of our directors and executive officers have interests in the Proposed Acquisition that may be different from, or in addition to, the interests of our stockholders generally and that may create potential conflicts of interest, including (i) the payment of consideration in connection with the Proposed Acquisition directly or indirectly to certain of these individuals, and the entry by the applicable individuals into arrangements relating to the payment of that consideration (ii) the entry or anticipated entry into restrictive covenant agreements with certain of these individuals that will become effective following the Proposed Acquisition and (iii) the administration and monitoring of the Purchase Agreement by the applicable individuals before and after the closing of the Proposed Acquisition, which may have potential adverse consequences on the Company or ACM.

Mr. Kaufman, our chairman and chief executive officer, is also the chief executive officer of ACM and beneficially owns approximately 92% of the membership interests in ACM. Mr. Martello, one of our directors, is the chief operating officer of Arbor Management, LLC (the managing member of ACM) and a trustee of two trusts which own minority membership interests in ACM. Mr. Bishar, our secretary, is general counsel to ACM. Mr. Elenio, our chief financial officer and treasurer, is the chief financial officer of ACM. Messrs. Weber, Kilgore and Guziewicz, each of whom serve as our officers, are also members of ACM's executive committee. All of these individuals also own membership

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interests in ACM. The respective roles of our officers in ACM may create additional conflicts of interest in respect of the Proposed Acquisition described in this proxy statement.

The market price of our common stock may decline as a result of the Proposed Acquisition.

We could encounter larger than anticipated transaction and integration-related costs, may fail to realize some or all of the benefits anticipated from the Proposed Acquisition or be subject to other factors that may adversely affect preliminary estimates of the results of the Proposed Acquisition. Any of these factors could cause a decrease in our earnings per share or decrease or delay the expected accretive effect of the Proposed Acquisition and contribute to a decrease in the price of our common stock.

In addition, we are unable to predict the potential effects of the issuance of the OP Units or the potential issuance of additional shares of our common stock in connection with the Proposed Acquisition on the trading activity and market price of our common stock. We have granted registration rights to ACM for the resale of the shares of our common stock into which the OP Units may be converted. These registration rights could facilitate the resale of such securities into the public market, and any such resale would increase the number of shares of our common stock available for public trading. Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales might occur, could have a material adverse effect on the price of our common stock.

Current stockholders will have reduced ownership and voting interests after the Proposed Acquisition.

As partial consideration for the Proposed Acquisition, we will issue to ACM 19,230,769 OP Units, subject to adjustment as described herein, each of which will be paired with a share of newly-designated Special Voting Preferred Stock of the Company, which will entitle the holder thereof to one vote per share on any matter submitted to a vote of the Company's stockholders. As of the date of this proxy statement, these shares would represent approximately 27% of the Company's voting shares on a fully diluted basis. The number of OP Units issued to ACM, and therefore the number of paired shares of Special Voting Preferred Stock, may increase if the base purchase price for the ACM Agency Business is adjusted for any increases in the value of the acquired servicing portfolio on the closing date. See "Proposal 1: The Acquisition Proposal The Purchase Agreement." Assuming 19,230,769 shares are issued to ACM, its percentage ownership of the Company immediately following the Proposed Acquisition would be approximately 36%. Our current stockholders will, therefore, have proportionately less ownership and voting interests in us following the Proposed Acquisition than they have now.

Our future results following the Proposed Acquisition may differ materially from the unaudited pro forma financial information included in this proxy statement.

The unaudited pro forma consolidated financial information contained in this proxy statement is presented for purposes of presenting our historical consolidated financial statements with the historical financial statements of the ACM Agency Business, as adjusted to give effect to the Proposed Acquisition, and is not necessarily indicative of the financial condition or results of operations of the combined company following the Proposed Acquisition. The unaudited pro forma financial information reflects adjustments, which are based upon preliminary estimates, to allocate the purchase price among the acquired assets and liabilities. The purchase price allocation reflected in the proxy statement is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of the ACM Agency Business as of the date of the completion of the Proposed Acquisition. In addition, the assumptions used in preparing the pro forma financial information may not prove to be accurate, and other factors may affect our financial condition and results of operations following the Proposed Acquisition. Any change in our financial condition or

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results of operations may cause significant variations in the price of our common stock. See the section of this proxy statement entitled "Unaudited Pro Forma Consolidated Financial Information" for more information.

The Proposed Acquisition may result in a loss of customers and strategic alliances.

Prior to or following the Proposed Acquisition, some of our loan originators, customers and strategic partners and/or some of the loan originators, customers and strategic partners of ACM may terminate their business relationships with us or ACM because of uncertainty regarding the Proposed Acquisition. Furthermore, potential customers or strategic partners may delay entering into, or decide not to enter into, a business relationship with us or ACM because of the Proposed Acquisition. If customer relationships or strategic alliances are adversely affected by the Proposed Acquisition, our business and financial performance following the Proposed Acquisition would suffer.

We depend on the recruitment and retention of qualified personnel, and failure to retain and attract such personnel could seriously harm our business.

Our continued successful performance following the Proposed Acquisition will depend, in part, on our ability us to retain, attract and motivate skilled mortgage loan origination personnel. In light of the specialized skills of these professionals and the competitive market for their services, we cannot assure you that we will be successful at retaining, attracting and motivating qualified and high-performing, experienced mortgage loan origination professionals for our business. The success of our efforts in those respects may impact our ability to execute our business strategy and our future results of operations and financial condition following the Proposed Acquisition.

We may be unable to integrate the ACM Agency Business with our own successfully.

Following the Proposed Acquisition, we will be required to devote significant management attention and resources to integrating the ACM Agency Business practices and operations with our own. Potential difficulties we may encounter as part of the integration process include the following:

- challenges of effectively implementing and integrating our credit standards, which we believe are material contributors to our success, with respect to the ACM Agency Business;

- the potential inability to successfully transition, maintain and develop the ACM Agency Business mortgage loan origination and servicing portfolio;

- complexities associated with managing the acquisition of the ACM Agency Business with our existing business, including difficulty addressing possible differences in corporate cultures and management philosophies and the challenge of integrating complex systems, technology, networks and other assets of each of the companies in a manner that minimizes any adverse impact on customers, employees and other constituencies; and

- potential unknown liabilities and unforeseen increased expenses or delays associated with the Proposed Acquisition.

In addition, it is possible that the integration process could result in diversion of the attention of our management which could adversely affect our ability to achieve the anticipated benefits of the Proposed Acquisition.

We may fail to uncover all liabilities of the ACM Agency Business through the due diligence process prior to the Proposed Acquisition, exposing us to potentially large, unanticipated costs.

Prior to completing the Proposed Acquisition, we have and expect to continue to perform, certain due diligence reviews of the ACM Agency Business. In view of timing and other considerations relevant

to our successfully achieving the closing of the Proposed Acquisition, our due diligence reviews will necessarily be limited in nature and may not adequately uncover all of the contingent or undisclosed liabilities we may incur as a consequence of the Proposed Acquisition. Any such liabilities could cause us to experience potentially significant losses, which could materially adversely affect our business, results of operations and financial condition.

In the event of the occurrence of certain material adverse events prior to the closing of the Proposed Acquisition with respect to ACM, we may nevertheless be required to close the Proposed Acquisition, which could have a material adverse effect on us.

The closing of the Proposed Acquisition is subject to a number of closing conditions, including that there shall not have occurred any "material adverse effect" (as defined in the Purchase Agreement) on the ACM Agency Business, after the date of the Purchase Agreement and continuing on the closing date. Prior to the closing of the Proposed Acquisition, events might occur that materially and adversely affect the ACM Agency Business, but that do not constitute a "material adverse effect" within the meaning of the Purchase Agreement. If any such events were to occur, we may nevertheless be required to proceed with the closing of the Proposed Acquisition. Our completing the Proposed Acquisition under such circumstances could have a material adverse effect on our business, results of operations and financial condition.

We could incur additional indebtedness in connection with the Proposed Acquisition.

In connection with the Proposed Acquisition, we have the option, at the discretion of the Special Committee, to utilize up to $50 million of seller financing to satisfy a portion of the cash consideration for the Proposed Acquisition. The terms of this potential indebtedness, which would be in the form of a preferred stock instrument at one of our subsidiaries, are disclosed more fully in the Purchase Agreement and in "Proposal 1: The Acquisition Proposal The Purchase Agreement," and include mandatory repayment in five years and increases in the stated rate of return the longer the financing continues to be outstanding.

We cannot assure you that cash flow from operations, combined with any potential additional borrowings or cash from potential stock issuances, will be obtainable in an amount sufficient to enable us to repay this indebtedness. Additionally, the inability to repay such financing in a timely manner could also result in the transaction having a less accretive effect on our earnings, due to the increasing return feature, as well as a result of repaying such debt with potential less attractive debt or dilutive capital.

We are dependent upon ACM, in its capacity as our external manager, because it provides services that are vital to our operations.

In connection with the Proposed Acquisition, the ACM employees whose responsibilities are directly related to the ACM Agency Business will become our employees. However, certain ACM employees who are not directly related to the ACM Agency Business and who provide management and administrative services under the Management Agreement will remain ACM employees, and we will continue to have access to their services pursuant thereto. These ACM employees include Mr. Bishar, our Secretary, who is General Counsel to our Manager, and Mr. Elenio, our Chief Financial Officer, who is the Chief Financial Officer of our Manager. Following the Proposed Acquisition, we will remain dependent upon ACM to provide services to us that are vital to our operations, including significant management and administrative functions.

In connection with the Proposed Acquisition, we obtained a two-year option for $25 million ($27 million if exercised in the second year) to purchase the existing Management Agreement and fully internalize our management structure. See "Proposal 1: The Acquisition Proposal Ancillary

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Agreements Option Agreement." The exercise of this option is at the discretion of the Special Committee, which has no obligation to exercise the option. If we are unable, or the Special Committee elects not, to exercise this option, we could be at risk of losing the services of key members of ACM, which could result in substantial additional costs to replace such services and threaten our ability to operate our business successfully.

A significant amount of the ACM Agency Business assets and cash flow are related to a large GSE and HUD servicing portfolio, the loss of which would materially impact our results of operation, financial condition and liquidly.

The ACM Agency Business has a servicing portfolio of approximately $11 billion of unpaid principal balance as of December, 31, 2015. This servicing portfolio earns a weighted average servicing fee of approximately 47 basis points and has an estimate remaining life of seven years. This asset represents a significant amount of the overall consideration to be paid for the ACM Agency Business. The loss of a substantial portion of this income and value from either, early prepayment, or excessive defaults of the underlying mortgage loans, would result in a significant decrease in the value of this asset as well as negatively impact or future earnings and cash flow.

The Proposed Acquisition may have adverse tax consequences.

The Proposed Acquisition is intended to constitute, for U.S. federal income tax purposes, a part sale and a part tax-deferred contribution by Sellers to the Partnership, and any subsequent contribution of the acquired assets and operations to Arbor Realty SR, Inc. is intended to constitute a tax-deferred contribution to Arbor Realty SR, Inc. As a result, neither we nor holders of our common stock, in respect of those common stock holdings, are expected to recognize gain or loss for U.S. federal income tax purposes as a result of the Proposed Acquisition.

However, as REITs, the Company and Arbor Realty SR, Inc. generally will be unable to hold directly certain of the acquired assets and operations in connection with the Proposed Acquisition. We therefore intend to hold those assets and operations through one or more taxable REIT subsidiaries (each, a "*TRS*") of Arbor Realty SR, Inc. A TRS is subject to regular corporate income tax on its net income. As a result, the net income generated by those operations generally will be subject to regular corporate income tax.

Moreover, under the REIT asset tests (i) no more than 25% of our total gross assets may consist of nonqualifying assets, including the stock or other securities of one or more TRSs and other nonqualifying assets (such as goodwill and similar assets we are acquiring as a result of the Proposed Acquisition), and (ii) for 2018 and subsequent taxable years, no more than 20% of our total gross assets may consist of the stock or other securities of one or more TRSs. In addition, although dividends payable by TRSs constitute qualifying income for purposes of the 95% REIT gross income test, they are nonqualifying income for purposes of the 75% REIT gross income test. Accordingly, if the value of the business we are acquiring in connection with the Proposed Acquisition or the income generated thereby increases relative to the value of our other, REIT-compliant assets and income, the Company or Arbor Realty SR, Inc. may fail to satisfy one or more of the requirements applicable to REITs. Although the Proposed Acquisition is not expected to adversely affect the ability of the Company or Arbor Realty SR, Inc. to continue to qualify as a REIT immediately following the acquisition or in the future, no assurances can be given in that regard.

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OUR COMPANY

The Company, a Maryland corporation formed in 2003, is a specialized real estate finance company that invests in a diversified portfolio of structured finance assets in the multifamily and commercial real estate markets. We invest primarily in real estate-related 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. Our principal business objective is to maximize the difference between the yield on our investments and the cost of financing these investments to generate cash available for distribution, facilitate capital appreciation and maximize total return to our stockholders.

We conduct substantially all of our operations and investing activities through our operating partnership, the Partnership and its subsidiaries. We serve as the general partner of the Partnership and own a 100% partnership interest in the Partnership as of March 31, 2016.

We are organized to qualify as a REIT for federal income tax purposes. A REIT is generally not subject to federal income tax on that portion of its REIT taxable income that is distributed to its stockholders, provided that at least 90% of taxable income is distributed and provided that certain other requirements are met. Certain of our assets that produce non-qualifying income are held in taxable REIT subsidiaries. Unlike other subsidiaries of a REIT, the income of a taxable REIT subsidiary is subject to federal and state income taxes.

We are externally managed and advised by ACM pursuant to the terms of the Management Agreement. ACM provides us with all of the services necessary to our operations other than asset management, securitization and certain credit functions, and certain of our executive officers and other staff are employed by ACM. The Management Agreement requires ACM to manage our business affairs in conformity with policies and investment guidelines that are approved and monitored by our Board. Upon consummation of the Proposed Acquisition, all of the AMC employees directly related to the ACM Agency Business will become our employees, but the Management Agreement will remain in effect with respect to all the other services ACM currently provides to us.

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THE ACM AGENCY BUSINESS

General

ACM is a national commercial real estate finance company that originates, sells and services a range of multifamily finance products, primarily through the programs of Fannie Mae, Freddie Mac, Ginnie Mae and HUD. ACM retains the servicing rights and asset management responsibilities on substantially all loans that it originates through the GSE and HUD programs. ACM is approved as a Fannie Mae DUS lender nationally, a Freddie Mac Program Plus lender in New York, New Jersey and Connecticut, a Freddie Mac affordable, manufactured housing, senior housing and small balance loan lender, seller/servicer, nationally, a HUD Map and Lean senior housing/healthcare lender nationally and a Ginnie Mae issuer. ACM has been a Fannie Mae DUS lender since 1995, a HUD lender since 1996 and a Freddie Mac Program Plus lender since 2014. ACM also originates and sells loans through CMBS conduit programs. The Company is proposing to acquire the above-described "ACM Agency Business" pursuant to the Proposed Acquisition.

Product and Service Offerings of the ACM Agency Business

ACM underwrites, originates, sells, and services multifamily mortgage loans at various locations in the United States through the Fannie Mae DUS, Freddie Mac, and HUD lending programs and also originates and sells loans through the conduit markets. ACM's focus is primarily on small balance loans with an average loan size of approximately $5 million. ACM retains the servicing rights and asset management responsibilities on substantially all loans made under the GSE programs. ACM's long-established relationships with Fannie Mae, Freddie Mac, HUD and Ginnie Mae enable it to offer a broad range of loan products and services, which enables ACM to maximize its ability to meet client needs, source capital, and grow its commercial real estate finance business.

The sale of each loan through the GSE programs is negotiated prior to rate locking the loan with the borrower. For loans originated pursuant to the Fannie Mae DUS program, ACM generally is required to share the risk of loss, with the maximum loss capped at 20% of the loan amount at origination. In addition to these risk-sharing obligations, ACM may be obligated to repurchase loans that are originated for the GSE or HUD programs or conduit programs if certain representations and warranties that are made in connection with such originations are shown to have been inaccurate when made.

Multifamily Finance

ACM is one of 25 approved lenders that participate in Fannie Mae's DUS program for multifamily, manufactured, student, affordable and certain seniors housing properties and has been a top 10 DUS lender for nine consecutive years as well as the top small loan lender for Fannie Mae in 2014. Under the Fannie Mae DUS program, Fannie Mae has delegated to ACM the responsibility to originate loans that comply fully with Fannie Mae's underwriting and other eligibility requirements. In exchange for this delegation of authority, ACM shares risk for a portion of the losses that may result from a borrower's default. For more information regarding ACM's risk-sharing agreements with Fannie Mae, see "Risk Factors Risks Relating to the ACM Agency Business" and the "Selected Combined Financial Information of the Agency Business of Arbor Commercial Mortgage, LLC." Most of the Fannie Mae loans that ACM originates are sold in the form of a Fannie Mae-guaranteed security to third-party investors. ACM is contracted by Fannie Mae to service all loans that it originates under the Fannie Mae DUS program.

ACM is one of 23 lenders approved as a Freddie Mac Program Plus lender under which ACM originates and sells to Freddie Mac multifamily, manufactured, student, affordable and seniors housing loans that satisfy Freddie Mac's underwriting and other eligibility requirements. In addition, ACM is one of 12 participants in Freddie Mac's Small Balance Loan program and was the leading Freddie Mac

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Small Balance lender in 2015. Under these programs, ACM submits a completed loan underwriting package to Freddie Mac and obtains Freddie Mac's commitment to purchase the loan at a specified price after closing. Freddie Mac performs its own underwriting of each loan prior to commitment. Freddie Mac may choose to hold, sell or later securitize such loans. Under the Freddie Mac Small Balance Loan Program, ACM originates and sells loans to Freddie Mac, which are ultimately securitized. As part of that securitization, ACM, as the loan originator, is required to purchase a bond, generally referred to as the "the B piece" that represents the bottom 10%, or highest risk, of the securitization. In that way, Freddie Mac insures that the originator of the loans in the securitization has a significant risk of loss. Historically, ACM has elected to sell the B piece of all securitizations, resulting in a transfer of the risk to the purchaser of the bond. In addition, ACM, as the loan originator, has risk of loss and repurchase obligations during the period between loan origination and securitization. ACM has no risk-sharing arrangements on loans it originates and sells to Freddie Mac under Program Plus. ACM also is contracted by Freddie Mac to service all loans that it originates under its program.

FHA Finance

As an approved HUD MAP lender and Ginnie Mae issuer, ACM provides construction and permanent loans to developers and owners of multifamily housing, affordable housing, seniors housing and healthcare facilities. ACM submits its completed loan underwriting package to HUD and obtains HUD's approval to originate the loan.

HUD-insured loans are typically placed in single loan pools that back Ginnie Mae securities. Ginnie Mae is a government corporation in HUD. Ginnie Mae securities are backed by the full faith and credit of the United States government, and there is little risk of loss on Ginnie Mae securities. In the event of a default on a HUD-insured loan, HUD will reimburse approximately 99% of any losses of principal and interest on the loan, and Ginnie Mae will reimburse the remaining losses. As a loan servicer for Ginnie Mae, ACM is obligated to continue to advance principal and interest payments and tax and insurance escrow amounts on Ginnie Mae securities until the Ginnie Mae security is fully paid.

Direct Loan Originators Network

ACM originates its loans directly through loan originators operating out of 17 offices nationwide. At December 31, 2015, it employed 20 loan originators. These individuals have deep knowledge of the commercial real estate lending business and bring with them extensive relationships with brokers and some of the largest property owners in the country. They have a thorough understanding of the financial needs and objectives of borrowers, the geographic markets in which they operate, market conditions specific to different types of commercial properties and how to structure a loan product to meet their borrowers' needs. These loan originators collect and analyze financial and property information, assist the borrower in submitting information required to complete a loan application and, ultimately, help the borrower close the loan. These loan originators are paid a salary and commissions based on the fees associated with the loans that they originate.

Underwriting and Risk Management

ACM uses several tools to manage and mitigate its Fannie Mae risk-sharing exposure. These tools include an underwriting and approval process, periodic evaluation and modification of that underwriting criteria to account for changes in underlying multifamily housing market fundamentals, borrower and key principal exposures and, at times, modified risk-sharing under the Fannie Mae DUS program, as well as a dedicated loan surveillance and credit risk management function.

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The underwriting process of ACM includes a detailed review of each of the following in order to mitigate its credit risk:

- the loan's suitability for ACM's investors;
- the borrower, including a review of financial statements and credit, operating, bankruptcy and foreclosure history;
- each person directing a borrowing entity's activities (a "*key principal*"), including a review of operating, bankruptcy and foreclosure history; and
- the underlying property, including a review of the property's fundamental value and credit profile, an analysis of regional economic trends and historical and prospective financials and an appraisal of the property.

ACM engages independent third-party vendors for appraisals and engineering, environmental, flood certification, zoning and credit reports, and its underwriting team reviews each report for accuracy, comprehensiveness and quality. In addition, ACM periodically evaluates each third-party vendor's work quality and will remove any third-party vendor whose work quality falls below acceptable standards.

ACM maintains concentration limits with respect to its Fannie Mae loans to further manage risk. Geographic concentration of such loans is limited based on regional employment concentration and trends, and ACM limits the aggregate amount of such loans subject to full risk-sharing for any one borrower and elects to use modified risk-sharing for such loans of more than $23.0 million in accordance with Fannie Mae requirements.

ACM also relies heavily on loan surveillance and credit risk management. It has a dedicated group of employees whose sole function is to monitor and analyze loan performance from closing to payoff, with the primary goal of managing and mitigating risk within the Fannie Mae portfolio.

Servicing and Asset Management

As an approved servicer for Fannie Mae, Freddie Mac and HUD, ACM services nearly all loans it originates for the GSEs. ACM's servicing portfolio consists of over 2,000 loans with an unpaid principal balance of approximately $11 billion, as of December 31, 2015, and earns a weighted average servicing fee of approximately 47 basis points. ACM is rated both a primary and special servicer with both Standard and Poor's Financial Services LLC and Fitch Ratings, Inc. and has been commended by Fannie Mae for Servicing Best Practices in 2015. ACM's servicing function includes loan servicing and asset management activities, performing or overseeing the following activities:

- carrying out all cashiering functions relating to the loan, including providing monthly billing statements to the borrower and collecting and applying payments on the loan;
- administering reserve and escrow funds for repairs, tenant improvements, taxes and insurance;
- obtaining and analyzing financial statements of the borrower and performing periodic property inspections;
- preparing and providing periodic reports and remittances to the GSEs, other investors, master servicers or other designated persons;
- administering lien filings and performing other tasks and obligations that are delegated to the servicer;

performing all loan surveillance and credit risk management functions with the primary focus on managing and mitigating risk within the Fannie Mae portfolio.

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For most loans serviced under the Fannie Mae DUS program, ACM is required to advance, in the event of a borrower failing to pay, the principal and interest payments and tax and insurance escrow amounts associated with a loan for four months. ACM is reimbursed by Fannie Mae for these advances, which may be used to offset any losses incurred under ACM's risk-sharing obligations once the loan and the related loss share is settled.

Under the HUD program, ACM is obligated to advance tax and insurance escrow amounts and principal and interest payments on the Ginnie Mae securities until the Ginnie Mae security is fully paid. In the event of a default on a HUD-insured loan, ACM can elect to assign the loan to HUD and file a mortgage insurance claim. HUD will reimburse approximately 99% of any losses of principal and interest on the loan and Ginnie Mae will reimburse substantially all of the remaining losses.

Competition

ACM is one of 25 approved lenders that participate in Fannie Mae's DUS program and one of 23 lenders approved as a Freddie Mac Program Plus lender. It faces significant competition across its business, including, but not limited to, commercial banks, commercial real estate service providers, CMBS conduits and insurance companies, some of which are also investors in, or purchasers of, loans that are originated by ACM. Many of these competitors enjoy competitive advantages, including greater name recognition, financial resources and access to lower-cost capital. Commercial banks may have an advantage over ACM in originating commercial loans if borrowers already have other lending relationships with the bank.

ACM competes on the basis of quality of service, relationships, loan structure, terms, pricing and industry experience, including the knowledge of local and national commercial real estate market conditions, loan product expertise and the ability to analyze and manage credit risk. ACM's competitors also seek to compete aggressively on the basis of these factors and ACM's success depends on its ability to offer attractive loan products, provide superior service, demonstrate its industry knowledge and experience, maintain and capitalize on relationships with investors, borrowers and key loan correspondents and remain competitive in pricing. In addition, future changes in laws, regulations and GSE program requirements, and consolidation in the commercial real estate finance market could lead to the entry of more competitors, or enhance the competitive strength of ACM's existing competitors.

Following the closing of the Proposed Acquisition, we do not expect this competitive landscape to change with respect to the ACM Agency Business.

Federal and State Regulation of Commercial Real Estate Lending Activities

ACM's multifamily and commercial real estate lending, servicing and asset management businesses are subject, in certain instances, to supervision and regulation by federal and state governmental authorities in the United States. In addition, these businesses may be subject to various laws and judicial and administrative decisions imposing various requirements and restrictions, which, among other things, regulate lending activities, regulate conduct with borrowers, establish maximum interest rates, finance charges and other charges, require disclosures to borrowers and prohibit illegal discrimination. Although many states do not regulate commercial finance, certain states impose limitations on interest rates, as well as other charges on certain collection practices and creditor remedies. Some states also require licensing of lenders, loan brokers and loan servicers and adequate disclosure of certain contract terms. ACM is required to comply with certain provisions of, among other statutes and regulations, the USA PATRIOT Act, regulations promulgated by the U.S. Department of the Treasury's Office of Foreign Asset Control and other federal and state securities laws and regulations. These legal and regulatory requirements that apply to ACM are subject to change from time to time and may become more restrictive, making compliance with applicable requirements more difficult or expensive or otherwise restrict ACM's ability to conduct its business in the manner that it is

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now conducted. Changes in applicable regulatory requirements, including changes in their enforcement, could materially and adversely affect ACM.

Requirements of the GSEs and HUD

To maintain its status as an approved lender for Fannie Mae and Freddie Mac and as a HUD-approved mortgagee and issuer of Ginnie Mae securities, ACM is required to meet and maintain various eligibility criteria from time to time established by these entities, such as minimum net worth, operational liquidity and collateral requirements and compliance with reporting requirements. ACM is required to originate loans and perform its loan servicing functions in accordance with the applicable program requirements and guidelines from time to time established by these agencies. If it fails to comply with the requirements of any of these programs, the agencies may terminate or withdraw its licenses and approvals to participate in the GSE programs. In addition, the agencies have the authority under their guidelines to terminate a lender's authority to sell loans to it and service their loans. The loss of one or more of these approvals would have a material adverse impact on ACM and could result in further disqualification with other counterparties.

Employees

ACM currently employs approximately 230 full-time employees who dedicate all of their time to the ACM Agency Business, of which approximately 100 are in the servicing and credit risk management functions. These employees are expected to become full-time employees of the Company upon consummation of the Proposed Acquisition.

In addition, there are approximately 90 other full-time employees of ACM who, through the Management Agreement, allocate a portion of their time to the Company. These employees also allocate a portion of their time to the ACM Agency Business. These ACM employees provide accounting, taxation, treasury, human resources, information technology, marketing, compliance, facilities, legal counsel and certain other administrative functions. Upon consummation of the Proposed Acquisition, we will reimburse ACM for the time these employees spend on the ACM Agency Business and the Company pursuant to the Management Agreement.

None of these employees is represented by a union or subject to a collective bargaining agreement, and ACM has never experienced a work stoppage. ACM believes that its employee relations are good.

INTRODUCTORY NOTE TO THE ACQUISITION PROPOSAL

Pursuant to the Purchase Agreement, the Company has prepared this proxy statement with input from ACM under the direction of the Special Committee, which is comprised of independent and disinterested directors who are not affiliated with ACM. Our Board recommends, based on the recommendation of the Special Committee and a unanimous vote of the Independent Directors, that you vote to approve the Acquisition Proposal. If the Acquisition Proposal is not approved by stockholders, the Proposed Acquisition will not be consummated.

PROPOSAL 1: THE ACQUISITION PROPOSAL

General

The Company is asking its stockholders to approve (a) the Proposed Acquisition, which is the acquisition, pursuant to the Purchase Agreement, of the ACM Agency Business in exchange for $125 million in cash (up to $50 million of which the Company has, at the discretion of the Special Committee, the option to satisfy with seller financing) and 19,230,769 OP Units, in each case subject to adjustment as described herein, and (b) the issuance to ACM of (i) 19,230,769 OP Units and, if applicable, any additional OP Units to be issued pursuant to such adjustment (together, "*Acquisition OP Units*"), (ii) a number of shares of the Company's newly-designated Special Voting Preferred Stock, equivalent to the number of Acquisition OP Units and paired with such OP Units, and (iii) an equivalent number of shares of the Company's common stock that may be issued upon redemption of such Acquisition OP Units.

As discussed below, after careful consideration, the approval by the Board of the Purchase Agreement, the Proposed Acquisition and the other transactions expressly contemplated by the Purchase Agreement was unanimously recommended by the Special Committee consisting of four Independent Directors, which retained its own legal and financial advisors. Upon recommendation by the Special Committee, the Board, by a unanimous vote of the Independent Directors, approved the Purchase Agreement, the Proposed Acquisition and the other transactions expressly contemplated by the Purchase Agreement. The Company's non-independent directors abstained from the vote, because they are not entitled to vote on matters related to ACM under our charter. The approval by the stockholders of the Acquisition Proposal is a condition precedent to the closing of the Proposed Acquisition.

Capitalized terms not otherwise defined in this section will have the meanings ascribed to them in the Purchase Agreement.

Reasons for the Proposed Acquisition

The Special Committee

The Board established a Special Committee consisting of four Independent Directors to review, evaluate and make recommendations to the Board with respect to the Proposed Acquisition. The Special Committee retained J.P. Morgan as its independent financial advisor and retained Willkie Farr & Gallagher LLP ("*Willkie Farr*") as its independent legal counsel. The Special Committee oversaw the performance of financial and legal due diligence by its advisors, conducted an extensive review and evaluation of the Proposed Acquisition and conducted negotiations with the Sellers and their representatives with respect to the Purchase Agreement and the various other agreements related to the Proposed Acquisition.

The Special Committee, by a unanimous vote at a meeting held on February 25, 2016, determined that the Purchase Agreement and the Proposed Acquisition contemplated thereby are advisable and fair to, and in the best interests of, the Company. In addition, at the February 25, 2016 meeting, the Special Committee recommended that the Board approve, authorize and adopt the Purchase

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Agreement and the Proposed Acquisition contemplated thereby and recommend that the stockholders of the Company vote in favor of the adoption and approval of the Purchase Agreement and the Proposed Acquisition contemplated thereby. In reaching its determination, the Special Committee consulted with its legal, financial and other advisors and considered a number of factors, including the following material factors which the Special Committee viewed as supporting its decisions with respect to the Purchase Agreement and the Proposed Acquisition contemplated by thereby, including the issuance of the OP Units:

- the belief that the Proposed Acquisition will provide diversification and predictability of earnings streams through the acquisition of a servicing portfolio that is expected to result in a consistent and recurring cash flow stream in a diversified stable annuity of servicing income;
- the creation of a fully integrated franchise that is expected to add significant new origination and servicing verticals to the Company that complement the Company's commercial real estate lending products;
- the potential for additional scale through the acquisition of new business lines that are expected to provide the Company with a stronger foothold in the multifamily sector that currently has high barriers to entry;
- the belief that the Proposed Acquisition will significantly add to the Company's current business profile by introducing additional product capabilities, origination relationships and market knowledge in new and existing products, geographies and industries;
- the expectation that, following the consummation of the Proposed Acquisition, the Company will be able to meet the multiple needs of its clients through a comprehensive product offering, including products for short-term and long-term commercial real estate financing needs;
- the expectation that the Proposed Acquisition will be immediately accretive to the Company's earnings and dividends;
- the fact that the Proposed Acquisition will provide the Company a larger platform with the expectation of more efficient access to capital markets;
- the belief that increased ownership of the Company by certain members of the Company's management team will further align the interests of the management team with those of current stockholders;
- the terms and conditions of the Purchase Agreement and related agreements, including the type and amount of consideration to be paid and the representations, warranties, covenants, conditions to the Closing and indemnification obligations set forth therein, together with the material terms of the ancillary agreements entered into or to be entered into in connection with the Proposed Acquisition;
- the terms and conditions of the Option Agreement entered into between the Company and ACM, which provides the Company with the option, exercisable by the Special Committee at any time during the two year period following the closing, to buy out the Management Agreement between the Company and ACM and thereby fully internalize the management and operations of the Company;
- the terms and conditions of the Voting and Standstill Agreement entered into by Mr. Kaufman and ACM;

the fact that the approval of the Purchase Agreement, including the issuance of the OP Units, is subject to the affirmative vote of a majority of the outstanding shares of the Company's common stock entitled to vote thereon not held by the Sellers or their respective affiliates;

- the right of the Special Committee to withhold, amend, withdraw or modify its recommendation in favor of the Purchase Agreement, subject to the standards, procedures and termination and expense reimbursement provisions of the Purchase Agreement; and

- the written opinion of J.P. Morgan that, as of February 25, 2016, and based upon and subject to the assumptions, matters and limitations set forth in the written opinion, the consideration to be paid by the Buyer in the Proposed Acquisition was fair, from a financial point of view, to the Company, as more fully described in " Opinion of the Special Committee's Financial Advisor."

The Special Committee also took into account the following material factors. Although the Special Committee viewed these as potentially negative factors with respect to the Proposed Acquisition, the Special Committee believed these factors were outweighed by the positive factors set forth above:

- the significant costs involved in connection with completing the Proposed Acquisition, the substantial management time and effort required to complete the Proposed Acquisition and the related disruption to operations of the Company;

- the potential liabilities associated with the direct employment of personnel of the ACM Agency Business following the closing of the Proposed Acquisition;

- the potential liabilities that the Company may inherit from ACM as a result of the Proposed Acquisition that would not be covered by the indemnities in the Purchase Agreement;

- the risk that the anticipated benefits of the Proposed Acquisition may not be realized as a result of integrating the ACM Agency Business; and

- the matters described under the heading "Forward-Looking Statements" beginning on page 12.

The foregoing discussion of the factors considered by the Special Committee is not intended to be exhaustive and is not provided in any specific order or ranking, but rather includes material factors considered by the Special Committee. In reaching its decision regarding the Purchase Agreement and the Proposed Acquisition contemplated by the Purchase Agreement, including, the issuance of the OP Units, the Special Committee did not quantify or assign any relative weights to the factors considered and individuals may have given different weights to different factors. The Special Committee conducted an overall review of the factors considered and determined that, in the aggregate, the potential benefits considered outweighed the potential risks or possible negative consequences of approving the Purchase Agreement and the Proposed Acquisition contemplated by the Purchase Agreement, including, the issuance of the OP Units.

The Special Committee believes that the process it followed in making its determination and recommendation with respect to the Proposed Acquisition was fair because:

- the Special Committee consists solely of directors who are not officers of the Company, and are not affiliated with ACM or any member of ACM including Mr. Kaufman, and who do not otherwise have a conflict of interest or lack independence with respect to the Proposed Acquisition;

- the members of the Special Committee will not personally benefit from the completion of the Proposed Acquisition in a manner different from the Company's unaffiliated stockholders;

- the Special Committee retained and was advised by Willkie Farr, its independent legal counsel;

the Special Committee retained and was advised by J.P. Morgan, its independent financial advisor;

the resolutions establishing the Special Committee provided that the Company's Board would not approve any Proposed Acquisition involving the acquisition of the ACM Agency Business without a prior favorable recommendation of the Special Committee;

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- the approval of the Proposed Acquisition, including the issuance of the OP Units, requires the affirmative vote of a majority of the outstanding shares of the Company's common stock entitled to vote thereon not held by the Sellers or their respective affiliates; and

- the Special Committee was involved in extensive deliberations since the time it first discussed the Proposed Acquisition with ACM in May 2013 until the execution of the Purchase Agreement in February 2016.

The Board

On February 25, 2016, the Board met to consider the report and recommendation of the Special Committee. On the basis of the Special Committee's recommendation and the other factors described below, the Board, by a unanimous vote of the Independent Directors, determined that the Purchase Agreement and the other Proposed Acquisition contemplated by thereby were advisable and fair to, and in the best interests of, the Company and recommended that the stockholders of the Company vote for the approval of the Purchase Agreement, including the issuance of the OP Units, and the Proposed Acquisition contemplated thereby. In accordance with our charter, which does not entitle non-independent directors to vote on matters related to ACM, Messrs. Kaufman and Martello abstained from the vote on these matters. In making its determination, the Board considered:

- the factors considered by and the recommendation of the Special Committee; and

- the extensive negotiations of the Special Committee with ACM and its advisors.

The foregoing discussion of the factors considered by the Board is not intended to be exhaustive and is not provided in any specific order or ranking, but rather includes material factors considered by the Board. In reaching its decision regarding the Purchase Agreement and the Proposed Acquisition contemplated by thereby, including, the issuance of the OP Units, the Board did not quantify or assign any relative weights to the factors considered and individuals may have given different weights to different factors.

Background of the Proposed Acquisition

The Company initiated discussions regarding the Proposed Acquisition in May 2013. Discussions, due diligence review and negotiations continued until February 25, 2016, when the Special Committee unanimously approved the entry into the Purchase Agreement and the transactions contemplated thereby and recommended that the Board approve the same. Immediately following the Special Committee meeting, the Board, by a unanimous vote of the Independent Directors, also resolved to approve the entry into the Purchase Agreement and the transactions contemplated thereby. Following these resolutions, the Company entered into the Purchase Agreement on February 25, 2016.

2013 Proposals

On May 22, 2013, the Independent Directors met telephonically, with Skadden, Arps, Slate, Meagher & Flom LLP, counsel to the Company ("*Skadden*"), and Wells Fargo Securities, LLC, financial advisor to ACM ("*Wells Fargo*"), attending, to discuss a potential Proposed Acquisition between ACM and the Company, in which the Company would acquire ACM's Fannie Mae, DUS, FHA and CMBS platforms and internalize the management function currently performed by ACM. At the meeting, Wells Fargo provided an overview of ACM's business and an analysis of a potential Proposed Acquisition, including material terms consisting of an aggregate purchase price of $250 million, less a $25 million holdback amount, and the issuance of shares of common stock of the Company to finance the acquisition.

On May 23, 2013, the Independent Directors met telephonically to initially discuss the formation of a Special Committee in connection with the evaluation of a potential Proposed Acquisition with

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ACM. On May 29, 2013, Independent Directors discussed the designation of a subset of the independent members of the Board, which would be comprised of four of the then-current independent directors of the Board (William C. Green, Melvin F. Lazar, Karen K. Edwards and C. Michael Kojaian), to take exploratory steps in consideration of the Proposed Acquisition. The Independent Directors discussed the need to retain financial, legal and other advisors, and acknowledged that the designated subset of the Independent Directors would begin the process of engaging advisors.

On June 13, 2013, the Independent Directors held an in-person meeting that was attended by Skadden, Wells Fargo and certain representatives of ACM to discuss the materials provided by ACM that were previously provided to the Independent Directors. The Independent Directors also discussed the qualifications, past engagements and initial presentations from potential financial advisors (including J.P. Morgan and certain other investment banks), Ernst & Young LLP ("*EY*") with respect to tax matters and financial due diligence related to the Proposed Acquisition and Situs Real LLC ("*Situs*") with respect to due diligence of ACM's loan portfolio. EY's work related to the Proposed Acquisition was preapproved by the Board's audit committee. On June 19, 2013, Messrs. Green, Lazar and Kojaian and Ms. Edwards met telephonically to discuss the expertise and fee structures for J.P. Morgan, EY and Situs and the potential retention of each as an advisor in connection with the Proposed Acquisition.

On June 24, 2013, the Independent Directors met telephonically to discuss the process and current proposal related to the Proposed Acquisition received from ACM. With the assistance of Skadden, the Independent Directors considered the independence of William C. Green, Melvin F. Lazar, Karen K. Edwards and C. Michael Kojaian, each of whom was an independent director of the Company, with respect to their potential service on a Special Committee of the Independent Directors to review and consider the Proposed Acquisition. The Independent Directors determined that there were no relationships with the Company, ACM, Mr. Kaufman or any of their respective representatives that would interfere with the independence of Messrs. Green, Lazar or Kojaian or Ms. Edwards in connection with considering the Proposed Acquisition and appointed each of them to the Special Committee, the formation of which was approved and ratified by the Board. The Independent Directors then discussed such Special Committee having the power to retain its own legal counsel, financial and other advisors and to have other powers typical of an independent Special Committee. The Independent Directors also agreed not to recommend, authorize, approve, or otherwise endorse the Proposed Acquisition unless such Proposed Acquisition had been recommended by the Special Committee, which was also agreed to and ratified by the Board.

Skadden and Dechert LLP, counsel to ACM ("*Dechert*"), exchanged drafts of a confidentiality agreement governing the exchange of information in connection with the Proposed Acquisition. Following negotiations, the confidentiality agreement was executed on June 27, 2013.

On or around June 11, 2013, after extensive discussion regarding the qualifications of J.P. Morgan, the Special Committee unanimously selected J.P. Morgan to serve as its financial advisor. J.P. Morgan was engaged effective as of June 25, 2013, and the written engagement letter was entered into on August 3, 2013. Among the reasons for the selection of J.P. Morgan were its recent experience in evaluating companies in the same industry, its experience in advising special committees, its reputation as a leading investment bank, the Special Committee's assessment of J.P. Morgan's independence from the Company, ACM and Mr. Kaufman, and the Special Committee's confidence in the capabilities of the members of the J.P. Morgan team.

In late June and early July, the Special Committee met telephonically, with its advisors attending, to discuss the proposed process and the due diligence review of ACM and the business to be acquired.

On July 5, 2013, ACM made a presentation to the Special Committee with respect to the Proposed Acquisition. At the meeting, ACM and Wells Fargo provided additional information regarding the proposed structure of the Proposed Acquisition, including assets and personnel proposed to be

purchased and excluded, the strategic rationale for the Proposed Acquisition, and certain assumptions underlying ACM's valuation of the Proposed Acquisition. Following this meeting, representatives of J.P. Morgan, on behalf of the Special Committee, sent Wells Fargo a list of due diligence requests in connection with the Proposed Acquisition. On July 9, 2013, the financial, tax and legal advisors of the Special Committee and ACM, as well as various members of management, met in person to discuss the due diligence questions. The Special Committee's advisors provided the Special Committee with an update on the diligence meeting and status of critical data requests on July 10, 2013.

On July 12, 2013, Wells Fargo, on behalf of ACM, sent the Special Committee a process letter inviting the Special Committee to submit a non-binding indication of interest. After negotiation and discussion, on July 17, 2013, the Special Committee and ACM entered into a letter agreement addressing potential or actual conflicts of interest related to the consideration of the Proposed Acquisition and setting forth certain understandings between the Board, the Special Committee and ACM with respect to the conduct of the Company's management in connection with the evaluation and due diligence review of the Proposed Acquisition, including providing information and analyses to the Special Committee (the "*Rules of the Road*").

Throughout July 2013, the Special Committee met telephonically, with its advisors attending, to discuss the status of the due diligence review and J.P. Morgan's preliminary review and analysis of the financial information received from ACM.

On August 5, 2013, the Special Committee submitted a non-binding indication of interest to ACM with respect to the Proposed Acquisition, including a preliminary aggregate purchase price range of $170 million to $200 million to acquire certain businesses of ACM and to internalize the management function, with a $50 million holdback applied to any future credit losses and subject to certain performance earn out metrics.

From August 5 to 9, 2013, representatives of J.P. Morgan and Wells Fargo discussed the terms of the Special Committee's August 5 letter and certain conversations had between Wells Fargo and ACM relating to the Special Committee's August 5 letter. On August 12, 2013, ACM submitted a response to the Special Committee's August 5 letter that included an aggregate purchase price range of $210 million to $230 million to acquire certain businesses of ACM and to internalize the management function, a $50 million holdback, comprised of $30 million for certain credit losses, and $20 million subject to performance earn out metrics.

Over the next three days, the Special Committee met telephonically, with its advisors attending, to discuss the status of the Proposed Acquisition and the possible responses to ACM's August 12 counter-proposal. On August 16, 2013, the Special Committee submitted a revised non-binding indication of interest to ACM with respect to the Proposed Acquisition, including a preliminary aggregate purchase price range of $185 million to $210 million and a $50 million holdback for certain credit losses and subject to performance earn out metrics.

On August 26, 2013, the Special Committee, ACM and their respective advisors met in person to discuss the terms of the Proposed Acquisition, including, among others, the range of aggregate consideration to be paid by the Company and the amount of the holdback, the compensation of the Chief Executive Officer and the continued use of the "Arbor" trademark. The Special Committee and ACM also discussed the possibility of entering into an exclusivity arrangement. At the meeting, ACM proposed an aggregate purchase price of $210 million with a $50 million holdback for certain credit losses only.

At the August 26 meeting, the Special Committee met with representatives of Willkie Farr to discuss the retention of Willkie Farr as special outside counsel to the Special Committee. At the meeting, the Special Committee determined to retain Willkie Farr as its special outside counsel based on a variety of factors, including the reputation and experience of Willkie Farr in mergers and

acquisitions, its experience in representing special committees considering similar proposals and the absence of relationships creating a potential conflict.

On August 27 and 28, 2013, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the proposal received at the August 26 in-person meeting and the Special Committee's potential response. At the meeting, representatives of Willkie Farr also reviewed with the Special Committee their fiduciary duties and responsibilities, as well as the process to be expected in connection with the proposal. On August 29, 2013, the Special Committee submitted a revised non-binding indication of interest to ACM with respect to the Proposed Acquisition, including a preliminary aggregate purchase price of $210 million to acquire certain businesses of ACM and to internalize the management function and a $50 million holdback for certain credit losses and subject to performance earn out metrics.

On August 30, 2013, ACM submitted a letter to the Special Committee that highlighted three elements of the Proposed Acquisition that ACM wished to agree on prior to entering into any exclusivity agreement: the compensation of the Chief Executive Officer of the Company, the aggregate purchase price and the amount of the holdback.

In early September, 2013, members of the Special Committee discussed the Proposed Acquisition with representatives of ACM, and the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the preliminary financial analysis of the Proposed Acquisition based on updated financial information provided by ACM. On September 6, 2013, representatives of J.P. Morgan, on behalf of the Special Committee, telephonically presented Wells Fargo with updates to the Special Committee's proposal relating to the Proposed Acquisition, including an aggregate purchase price of $190 million and a $50 million holdback for certain credit losses and subject to performance earn out metrics.

On September 9, 2013, ACM submitted a letter to the Special Committee that indicated that ACM was prepared to move forward with the Proposed Acquisition on certain terms, including an aggregate purchase price of $195 million, a holdback of $35 million for certain credit losses and a market-based compensation plan for the Chief Executive Officer of the Company. On September 9 and 11, 2013, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the Proposed Acquisition and the current proposal from ACM and potential counter-offers. On September 11, 2013, representatives of J.P. Morgan, on behalf of the Special Committee, telephonically discussed with Wells Fargo a revised proposal that included a preliminary aggregate purchase price of $195 million to acquire certain businesses of ACM and to internalize the management function and a $50 million holdback for certain credit losses. As part of that conversation, Wells Fargo indicated to J.P. Morgan that ACM would not be willing to proceed with the Proposed Acquisition on the most recent terms proposed. Later on September 11, 2013, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the communications between J.P. Morgan and Wells Fargo.

On September 12, 2013, ACM submitted a letter to the Special Committee regarding ACM's desire to terminate negotiations relating to the Proposed Acquisition at that time. During September and October 2013, the Special Committee, ACM and their respective advisors continued to discuss the Proposed Acquisition, but ultimately decided to potentially re-visit it in 2014.

2014 Proposals

On July 14, 2014, the Special Committee and the other Independent Directors met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the potential re-engagement of the review and consideration of the Proposed Acquisition. In addition, after determining that Mr. Stanley Kreitman, an independent member of the Board, had no relationships with the Company, ACM, Mr. Kaufman or any of the respective representatives that would interfere with his independence

in connection with the Proposed Acquisition, the Special Committee discussed and resolved to add Mr. Kreitman as a member of the Special Committee to fill the vacancy of Mr. Kojaian, who was no longer a member of the Board. At such time, Mr. Kreitman's appointment was approved and ratified by the Board. With the assistance of Willkie Farr, the Special Committee also confirmed the continuing independence of each of the members of the Special Committee and the Special Committee's financial and legal advisors in connection with the Proposed Acquisition.

In August 2014, the Special Committee and ACM re-engaged in discussions related to the potential Proposed Acquisition. During such discussions, ACM provided an update on the significant growth of ACM's loan portfolio since the parties last engaged and indicated its interest in moving forward with the Proposed Acquisition at an aggregate purchase price range of $225 million to $250 million.

On September 3, 2014, the Special Committee met in person, with representatives of J.P. Morgan and Willkie Farr attending, to discuss a potential response to the proposal. From September 9 to 17, 2014, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the Proposed Acquisition.

On September 18, 2014, the Special Committee submitted an indication of interest to ACM with respect to the Proposed Acquisition that included a preliminary aggregate purchase price of $225 million to acquire certain businesses of ACM and to internalize the management function. On September 19, 2014, ACM submitted to the Special Committee a response to the Special Committee's September 18 letter that highlighted certain items to be discussed in person, including a purchase price of $235 million, pre-closing originated mortgage servicing rights ("*OMSR*"), expenses of the purchased businesses, the Management Agreement and the compensation of the Chief Executive Officer of the Company. After delivery of the response, the Company, ACM and members of the Special Committee decided that the Company should focus on negotiating a revised compensation arrangement for the Chief Executive Officer of the Company at that time. During the remainder of 2014, the Company's compensation committee, its compensation consultants and ACM negotiated the revised compensation arrangement for the Chief Executive Officer of the Company. On March 10, 2015, the Company announced that it had entered into an annual incentive agreement with Mr. Kaufman.

2015 Proposals

In late March 2015, ACM provided the Special Committee and J.P. Morgan with updated financial information regarding ACM's business. On April 10, 2015, the Special Committee met telephonically, with Willkie Farr attending, to discuss the potential Proposed Acquisition and process related thereto. On April 17, 2015, Independent Directors held a telephonic meeting, with Willkie Farr attending, to discuss the re-initiation of the process related to the potential Proposed Acquisition and next steps in connection therewith. The Special Committee then requested that J.P. Morgan update its preliminary financial analyses based on more recent financial information provided by ACM and the Company. With the assistance of Willkie Farr, the Special Committee also confirmed the continuing independence of each of the members of the Special Committee and the Special Committee's financial and legal advisors in connection with the Proposed Acquisition.

In May 2015, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the Proposed Acquisition. After this meeting, in May and June 2015, members of the Special Committee discussed the terms of the Proposed Acquisition telephonically with Messrs. Kaufman and Elenio. During such discussions, Messrs. Kaufman and Elenio, on behalf of ACM, proposed an aggregate purchase price of $275 million based on updated financial information, including an increase in the OMSR portfolio of ACM. Following such discussions, the Special Committee, with the assistance of its advisors, reviewed and discussed the Proposed Acquisition. The Special Committee requested that J.P. Morgan review and consider the updated financial information

provided by ACM. During May 2015, members of the Special Committee reviewed and discussed J.P. Morgan's updated review and analyses.

On June 15, 2015, the Special Committee met telephonically, with Willkie Farr attending, and indicated that based on conversations between members of the Special Committee and Messrs. Kaufman and Elenio, and after conversations with representatives of J.P. Morgan, ACM and the Special Committee had agreed to move forward to explore a Proposed Acquisition at a preliminary aggregate purchase price of $275 million to acquire certain businesses of ACM and to internalize the management function, subject to certain assumptions and terms, due diligence and the negotiation of a definitive agreement.

In late June 2015, members of the Special Committee and representatives of ACM met in-person to discuss the terms of the Proposed Acquisition and thereafter in late June and early July, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the terms of the Proposed Acquisition, certain tax matters and structural considerations and J.P. Morgan's updated preliminary financial analysis based on the financial information provided by ACM and the Company, both of which were previously reviewed by the Special Committee.

On July 9, 2015, the Independent Directors met telephonically, with representatives of J.P. Morgan and Willkie Farr attending. The Special Committee provided the other Independent Directors with an update regarding the discussions related to the Proposed Acquisition and the current proposed terms. The Independent Directors, based on the recommendation of the Special Committee, approved the execution of a non-binding indication of interest with ACM that included, among others, proposed terms consisting of an aggregate purchase price of $275 million to acquire certain businesses of ACM and to internalize the management function, a purchase price adjustment based on ACM's servicing portfolio, a working capital adjustment based on a target working capital of $5 million and consideration split equally between cash and equity securities of the Company. Later on July 9, 2015, the Special Committee and ACM entered into a non-binding indication of interest with respect to the Proposed Acquisition.

On July 15, 2015, the Special Committee and ACM entered into an updated Rules of the Road letter and a confidentiality agreement, as the prior agreements had expired. From July through October 2015, the advisors of the Special Committee performed due diligence reviews of ACM, including meetings with members of management and Pricewaterhouse Coopers LLP, an advisor to ACM. Throughout this time, the Special Committee met telephonically to discuss the diligence findings with its advisors, including the financial due diligence of EY, as well as the due diligence review of ACM's loan portfolio of Situs.

On October 2, 2015, Dechert provided Willkie Farr with the first draft version of the Purchase Agreement. Drafts of additional ancillary Proposed Acquisition documents were provided over the next six to eight weeks. On October 8, 2015, the Special Committee met telephonically, with representatives of J.P. Morgan, Situs, EY and Willkie Farr attending, to discuss among other things and diligence findings to-date, the strategic rationale of the Proposed Acquisition and structural considerations. On October 14, 2015, the Special Committee met telephonically with representatives of J.P. Morgan and Willkie Farr. At that meeting, Willkie Farr reviewed certain material terms contained in the draft Purchase Agreement, including but not limited to, the definitions of "Included Business" and "Excluded Business," the purchase price adjustment provision, the mechanics relating to pricing the equity securities that would be part of the consideration, the scope of the representations and warranties and the indemnity obligations.

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On November 4, 2015, the Special Committee met in person, with representatives of J.P. Morgan, EY and Willkie Farr attending, to discuss EY's tax due diligence review and the related analysis. During November, Willkie Farr discussed the draft Purchase Agreement with Dechert telephonically. On November 12, 2015, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the revised draft of the Purchase Agreement prepared by Willkie Farr. Later on November 12, 2015, Willkie Farr provided Dechert with a revised draft of the Purchase Agreement.

On December 1, 2015, representatives of ACM, J.P. Morgan, Wells Fargo, Willkie Farr and Dechert met in person to discuss the material terms of the draft Purchase Agreement, including, but not limited to, the scope and limitations contained in the indemnification provision, the purchased assets and assumed liabilities, the purchase price adjustment and the termination provision and related fee.

On December 4, 2015, Dechert provided Willkie Farr with a revised draft of the Purchase Agreement and on December 7, 2015, Dechert, Willkie Farr and representatives of ACM, met in person to discuss the revisions to the Purchase Agreement. Over the next two months, Willkie Farr and Dechert exchanged drafts of the Purchase Agreement and ancillary Proposed Acquisition documents, including the Voting and Standstill Agreement and the Non-Competition Agreement.

On December 11, 2015, the Special Committee and representatives of J.P. Morgan, Willkie Farr and management of the Company met telephonically to discuss capital raising alternatives to fund the cash portion of the consideration for the Proposed Acquisition. On December 17, 2015, the Special Committee and ACM entered into a letter agreement with respect to the conduct and process related to evaluating potential financing arrangements in connection with the Proposed Acquisition, including that the Special Committee had the responsibility for recommending any financing related to the potential Proposed Acquisition to the Board and that the management team would provide the Special Committee with assistance in its review, consideration and evaluation of any financing arrangement.

In January and early February 2016, the Special Committee met telephonically with representatives of J.P. Morgan and Willkie Farr to discuss the open items in the draft Purchase Agreement, including the definition of the Included Business, the pricing mechanics for the OP Units and the calculation of net working capital. The Special Committee discussed the terms of the Non-Competition Agreement to be entered into at the closing of the Proposed Acquisition and the terms and limitations contained in the Voting and Standstill Agreement.

On February 18, 2016, the Special Committee met telephonically with representatives of J.P. Morgan and Willkie Farr to discuss, among others, the Excluded Assets definition, the number of the OP Units to be issued as part of the consideration, J.P. Morgan's preliminary financial analysis with respect to the Proposed Acquisition and the excess servicing analysis performed by EY. From February 19 through February 21, 2016, the Special Committee met telephonically, with its advisors attending, and members of the Special Committee discussed the terms of the Proposed Acquisition with Messrs. Kaufman and Elenio, including the aggregate purchase price and structure of the Proposed Acquisition. After such discussions, ACM and the Special Committee agreed to work to finalize a Proposed Acquisition at an aggregate purchase price of $250 million to acquire certain businesses of ACM and to provide the Company the option, at the discretion of the Special Committee, to internalize the management function during the two years following the consummation of the Proposed Acquisition for $25 million in the first year and increasing to $27 million in the following year. The Proposed Acquisition would also give the Special Committee the option to finance up to $50 million of the cash consideration in the form of seller financing. On February 22, 2016, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending, to review and discuss J.P. Morgan's preliminary financial analysis, the mix of cash and equity consideration in the Proposed Acquisition and the trademark license related to the "Arbor" trademark.

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On February 24, 2016, the Special Committee met in-person, with representatives of J.P. Morgan and Willkie Farr attending, to discuss the Proposed Acquisition. Willkie Farr reviewed the terms of the Proposed Acquisition for the Special Committee and discussed certain other Proposed Acquisition considerations. J.P. Morgan then presented its preliminary financial analysis of the Proposed Acquisition. After the Special Committee meeting, the other Independent Directors joined the discussion and were provided with an overview of the Proposed Acquisition and update on the negotiations.

On February 25, 2016, the Special Committee met telephonically, with representatives of J.P. Morgan and Willkie Farr attending. Willkie Farr provided the Special Committee with an overview of the terms of the Proposed Acquisition and discussed certain other considerations relating to the Proposed Acquisition. J.P. Morgan reviewed with the Special Committee its financial analysis of the Proposed Acquisition and delivered to the Special Committee an oral opinion (which was subsequently confirmed in writing by delivery of J.P. Morgan's written opinion dated the same date) to the effect that, as of that date and based upon and subject to the assumptions, matters and limitations set forth in its written opinion, the Consideration to be paid by the Buyer in the Proposed Acquisition was fair, from a financial point of view, to the Company. The Special Committee then unanimously resolved that the entry into and performance of the Purchase Agreement and the consummation of the Proposed Acquisition contemplated thereby were advisable and fair to, and in the best interests of, the Company. The Special Committee recommended that the Board approve the Company's execution, delivery and performance of the Purchase Agreement and the consummation of the Proposed Acquisition contemplated thereby and recommend that the stockholders of the Company vote in favor of the adoption and approval of the Purchase Agreement and the Proposed Acquisition contemplated thereby. Immediately following the Special Committee meeting, the Board held a telephonic meeting. Following a report of the Special Committee as to its recommendation and the factors taken into account by the Special Committee, the Board (other than Messrs. Kaufman and Martello who were not entitled to vote on the matter and abstained from the vote) also resolved that the entry into and performance of the Purchase Agreement and the consummation of the Proposed Acquisition contemplated thereby were advisable and fair to, and in the best interests of, the Company and approved the Company's execution, delivery and performance of the Proposed Acquisition documents and the consummation of the Proposed Acquisition contemplated thereby.

Following these meetings, Dechert and Willkie Farr finalized the Proposed Acquisition documents in preparation for signing. Later on February 25, 2016, the parties signed the Purchase Agreement and the Voting and Standstill Agreement and the Company released a press statement announcing entry into the Purchase Agreement.

Recommendation of the Board

After careful consideration and upon the unanimous recommendation of the Special Committee, our Board, by a unanimous vote of the Independent Directors, has approved the Purchase Agreement and the Proposed Acquisition contemplated thereby, including the issuance of the OP Units, and has determined that they are advisable and fair to, and in the best interests of, the Company and its stockholders. Based on the recommendation of the Special Committee, our Board, by a unanimous vote of the Independent Directors, recommends that you vote "FOR" the Acquisition Proposal.

Opinion of the Special Committee's Financial Advisor

Pursuant to an engagement letter dated July 9, 2015, the Special Committee retained J.P. Morgan as financial advisor to the Special Committee in connection with the potential Proposed Acquisition.

At the meeting of the Special Committee on February 25, 2016, J.P. Morgan rendered its oral opinion to the Special Committee (which was subsequently confirmed in writing by delivery of

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J.P. Morgan's written opinion dated the same date) that, as of such date and based upon and subject to the assumptions, matters and limitations set forth in its written opinion, the consideration to be paid by the Buyer in the Proposed Acquisition was fair, from a financial point of view, to the Company. The J.P. Morgan written opinion, dated February 25, 2016, is sometimes referred to herein as the "*J.P. Morgan Opinion*."

The full text of the J.P. Morgan Opinion, which sets forth assumptions made, matters considered and limitations on the opinion and the review undertaken by J.P. Morgan in connection with rendering its opinion, is attached as Annex B to this proxy statement and is incorporated herein by reference. The summary of the opinion of J.P. Morgan set forth in this proxy statement is qualified in its entirety by reference to the full text of such opinion. The Company's stockholders are urged to read the J.P. Morgan Opinion in its entirety. The J.P. Morgan Opinion was addressed to the Special Committee (in its capacity as such) in connection with and for the purposes of its evaluation of the Proposed Acquisition, was directed only to the consideration to be paid in the Proposed Acquisition and did not address any other aspect of the Proposed Acquisition. J.P. Morgan expressed no opinion as to the fairness of the consideration to the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Proposed Acquisition. The issuance of J.P. Morgan Opinion was approved by a fairness committee of J.P. Morgan. The J.P. Morgan Opinion does not constitute a recommendation to any stockholder of the Company as to how such stockholder should vote with respect to the Proposed Acquisition or any other matter.

In arriving at its opinion, J.P. Morgan, among other things:

- reviewed the Purchase Agreement;
- reviewed certain publicly available business and financial information concerning the Company, the ACM Agency Business as a whole and the industries in which they operate;
- compared the proposed financial terms of the Proposed Acquisition with the publicly available financial terms of certain transactions involving companies J.P. Morgan deemed relevant and the consideration received for such companies;
- compared the financial and operating performance of the Company and the ACM Agency Business with publicly available information concerning certain other companies J.P. Morgan deemed relevant and reviewed the current and historical market prices of the shares of the Company's common stock and certain publicly traded securities of such other companies;
- reviewed and discussed with the Special Committee certain internal financial analyses and forecasts prepared by the managements of the Seller and the Company (as adjusted and/or extrapolated and approved by the Special Committee) relating to the ACM Agency Business and the Company's business, respectively, as well as the estimated amount and timing of the synergies expected to result from the Proposed Acquisition (the "*Synergies*"); and
- performed such other financial studies and analyses and considered such other information as J.P. Morgan deemed appropriate for the purposes of its opinion.

In addition, J.P. Morgan held discussions with the Special Committee and certain members of the management of the Seller and the Company with respect to certain aspects of the Proposed Acquisition, the past and current business operations of the ACM Agency Business and the Company, the financial condition and future prospects and operations of the ACM Agency Business and the Company, the effects of the Proposed Acquisition on the financial condition and future prospects of the Company, and certain other matters J.P. Morgan believed necessary or appropriate to its inquiry.

In giving its opinion, J.P. Morgan relied upon and assumed the accuracy and completeness of all information that was publicly available or was furnished to or discussed with J.P. Morgan by the Special

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Committee, the Seller and the Company or otherwise reviewed by or for J.P. Morgan, and J.P. Morgan did not independently verify (and did not assume responsibility or liability for independently verifying) any such information or its accuracy or completeness. J.P. Morgan did not conduct and was not provided with any valuation or appraisal of any assets or liabilities, nor did J.P. Morgan evaluate the solvency of the Seller, the ACM Agency Business or the Company under any state or federal laws relating to bankruptcy, insolvency or similar matters. In relying on financial analyses and forecasts provided to J.P. Morgan or derived therefrom, including the Synergies, J.P. Morgan assumed that they were reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management and the Special Committee as to the expected future results of operations and financial condition of the ACM Agency Business and the Company to which such analyses or forecasts relate. J.P. Morgan expressed no view as to such analyses or forecasts (including the Synergies) or the assumptions on which they were based. J.P. Morgan also assumed that the Proposed Acquisition and the other transactions contemplated by the Purchase Agreement will have the tax consequences described in discussions with, and materials furnished to J.P. Morgan by, representatives of the Company, and will be consummated as described in the Purchase Agreement and this proxy statement. J.P. Morgan also assumed that the representations and warranties made by the Company, the Buyer and the Seller in the Purchase Agreement and the related agreements were and will be true and correct in all respects material to its analysis and that adjustments to the purchase price set forth in the Purchase Agreement will not result in any adjustment to the consideration that is material to its analysis. J.P. Morgan is not a legal, regulatory or tax expert and relied on the assessments made by advisors to the Company with respect to such issues. J.P. Morgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the Proposed Acquisition will be obtained without any adverse effect on the ACM Agency Business or the Company or on the contemplated benefits of the Proposed Acquisition.

The J.P. Morgan Opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to J.P. Morgan as of, the date of such opinion. The J.P. Morgan Opinion noted that subsequent developments may affect the J.P. Morgan Opinion and that J.P. Morgan does not have any obligation to update, revise, or reaffirm such opinion. The J.P. Morgan Opinion is limited to the fairness, from a financial point of view, to the Company of the consideration to be paid by the Buyer in the Proposed Acquisition, and J.P. Morgan has expressed no opinion as to the fairness of any consideration to the holders of any class of securities, creditors or other constituencies of the Company or as to the underlying decision by the Company to engage in the Proposed Acquisition. Furthermore, J.P. Morgan expressed no opinion with respect to the amount or nature of any compensation to any officers, directors, or employees of any party to the Proposed Acquisition, or any class of such persons relative to the consideration to be paid by the Buyer in the Proposed Acquisition or with respect to the fairness of any such compensation. J.P. Morgan expressed no opinion as to the price at which the OP Units or the Preferred Equity Interests will trade at any future time. Furthermore, J.P. Morgan expressed no opinion as to (i) the allocation between the Partnership and the TRS of the Purchased Assets (as defined below), the Assumed Liabilities or the payment of the consideration and (ii) the terms of, or the value (if any) to the Company of, the Option Agreement.

The terms of the Purchase Agreement, including the consideration paid by the Buyer, were determined through arm's length negotiations between the Special Committee and the Seller, and the decision to recommend the Company's entry into the Purchase Agreement was solely that of the Special Committee. The J.P. Morgan Opinion and financial analyses were only one of the many factors considered by the Special Committee in its evaluation of the Proposed Acquisition and should not be viewed as determinative of the views of the Special Committee, the Board or the Company's management with respect to the Proposed Acquisition or the consideration.

In accordance with customary investment banking practice, J.P. Morgan employed generally accepted valuation methodology in rendering its opinion. The following is a summary of the material analyses utilized by J.P. Morgan in connection with providing its opinion and does not purport to be a complete description of the analyses or data presented. Some of the summaries of the financial analyses include information presented in tabular format. The tables are not intended to stand alone, and in order to more fully understand the financial analyses used by J.P. Morgan, the tables must be read together with the full text of each summary. Considering the data set forth below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of J.P. Morgan's analyses.

The ACM Agency Business

Public Trading Multiples Analysis. Using publicly available information, J.P. Morgan compared selected financial data of the ACM Agency Business with similar data for selected publicly traded companies in the mortgage origination and servicing business. Of these companies, J.P. Morgan, in its professional opinion, selected Walker & Dunlop, Inc. as the only company sufficiently analogous to the ACM Agency Business for comparative purposes because, among other reasons, it represented a publicly traded company with operations and business that, for the purposes of J.P. Morgan's analysis, may be considered similar to those of the ACM Agency Business based on the nature of its assets and operations and because it represented the only public focused, independent multifamily commercial mortgage originator and servicer with a DUS license. J.P. Morgan also considered similar data from the other selected publicly traded companies for reference purposes only, as J.P. Morgan judged, in its professional opinion, that these other publicly traded companies were not sufficiently analogous to the ACM Agency Business for comparative purposes.

J.P. Morgan reviewed the equity value of the selected publicly traded companies based on market data as of February 24, 2016 (the trading day prior to the public announcement of the Proposed Acquisition), as a multiple of estimated net income, commonly referred to as a price to earnings ratio ("*P/E*") for each of calendar years 2016 and 2017. Estimated financial data of the selected publicly traded companies was based on publicly available research analysts' estimates. Based on these results and its knowledge of the ACM Agency Business and the selected publicly traded companies, J.P. Morgan derived P/E multiple ranges of 7.25x to 8.75x for calendar year 2016 and 7.0x to 8.5x for calendar year 2017. J.P. Morgan applied these P/E multiple ranges to the ACM Agency Business's calendar year 2016 and calendar year 2017 estimated net income (based on forecasts provided by the Seller's management and adjusted by the Special Committee). See " Certain Projections."

This analysis indicated the following approximate implied equity value reference ranges, rounded to the nearest $5 million, for the ACM Agency Business:

	Implied Equity Reference Range (in millions)
CY2016E P/E	$200 - $245
CY2017E P/E	$220 - $265

Selected Proposed Acquisition Analysis. Using publicly available information, J.P. Morgan compared selected financial data of the ACM Agency Business with similar data for selected precedent transactions. J.P. Morgan, in its professional opinion, selected the following two transactions as the only transactions sufficiently analogous to the ACM Agency Business and the Proposed Acquisition for

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comparative purposes because, among other reasons, they involved a target company that was a multifamily mortgage originator with nationwide operations focused on commercial properties:

Announcement Date	Acquiror	Target
May 14, 2013	Ares Commercial Real Estate Corporation	Alliant Capital LLC
June 8, 2012	Walker & Dunlop, Inc.	CWCapital LLC

J.P. Morgan considered other selected precedent transactions, but judged, in its professional opinion, that these other precedent transactions occurred too long ago, did not have sufficient publicly available information and/or were not otherwise sufficiently analogous to the ACM Agency Business and the Proposed Acquisition for comparative purposes.

J.P. Morgan reviewed the transaction values, calculated as the equity value implied for the target company based on the consideration payable in the selected transaction, as a multiple of the target company's net income for the twelve months prior to the announcement of the selected transaction, commonly referred to as last twelve months ("*LTM*") P/E. Financial data of the selected precedent transactions were based on publicly available information. Based on these results and its knowledge of the ACM Agency Business and the target companies in selected precedent transactions, J.P. Morgan derived a LTM P/E multiple range of 8.8x to 9.1x. J.P. Morgan applied the LTM P/E multiple range to the ACM Agency Business's estimated 2015 net income.

This analysis indicated the following approximate implied equity value reference range, rounded to the nearest $5 million, for the ACM Agency Business:

	Implied Equity Reference Range (in millions)
LTM P/E	$270 - $280

Dividend Discount Analysis. J.P. Morgan performed a dividend discount analysis for the purpose of determining the implied equity value of the ACM Agency Business. A dividend discount analysis is a method of evaluating the equity value of a business or company using estimates of future dividends to stockholders generated by the business or company, taking into consideration the time value of money with respect to those future dividends by calculating their "present value." "Present value" refers to the current value of the future dividends by discounting such dividends back to the present using a discount rate that takes into account macro-economic assumptions, estimates of risk, the opportunity cost of capital and other appropriate factors.

In performing its dividend discount analysis with respect to the ACM Agency Business, J.P. Morgan calculated the estimated dividends the ACM Agency Business was forecasted to generate through calendar year 2025. J.P. Morgan calculated terminal values for the ACM Agency Business by applying a range of terminal multiples of 7.25x to 8.75x (derived from the "*Public Trading Multiples Analysis*" above) to the ACM Agency Business's estimated calendar year 2026 net income. J.P. Morgan discounted the estimated dividends and the terminal value to present value (as of February 24, 2016, the trading day prior to the public announcement of the Proposed Acquisition) using a range of discount rates of 8.5% to 9.5%, which were based on an estimate of the ACM Agency Business's cost of equity derived using the capital asset pricing model. Estimated financial data were based on the projections for the ACM Agency Business (as adjusted and extrapolated at the direction of the Special Committee) set forth in " Certain Projections."

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This analysis indicated the following approximate implied equity value reference range, rounded to the nearest $5 million, for the ACM Agency Business:

Implied Equity Reference Range (in millions)
$290 -$340

The Company

Public Trading Multiples Analysis. Using publicly available information, J.P. Morgan compared selected financial data of the Company with similar data for the following four selected publicly traded externally managed commercial mortgage REITs, which J.P. Morgan judged, in its professional opinion, to be sufficiently analogous to the Company for comparative purposes:

Apollo Commercial Real Estate Finance, Inc.

Ares Commercial Real Estate Corporation

Blackstone Mortgage Trust, Inc.

Starwood Property Trust, Inc.

J.P. Morgan selected these companies because, among other reasons, they represent publicly traded companies with operations and business that, for the purposes of J.P. Morgan's analysis, may be considered similar to those of the Company based on the nature of their corporate structure, assets and operations.

J.P. Morgan reviewed the estimated dividend yield of the selected publicly traded companies, based on market data as of February 24, 2016 (the trading day prior to the public announcement of the Proposed Acquisition), for each of calendar years 2016 and 2017. Estimated financial data of the selected publicly traded companies were based on publicly available research analysts' estimates. Based on these results and its knowledge of the Company and the selected publicly traded companies, J.P. Morgan derived dividend yield ranges of 9.5% to 11.0% for calendar year 2016 and 10.25% to 11.50% for calendar year 2017. J.P. Morgan applied these dividend yield ranges to the Company's calendar year 2016 and calendar year 2017 estimated dividend per share.

This analysis indicated the following approximate implied aggregate and per share equity value reference ranges, rounded to the nearest $5 million and $0.05, respectively, for the Company, as compared to the equity market capitalization and per share closing price, respectively, for the Company as of February 24, 2016 (the trading day prior to the public announcement of the Proposed Acquisition):

	Implied Equity Reference Range (in millions)	Per Share Implied Equity Reference Range
CY2016E Dividend Yield	$295 - $345	$5.80 - $6.75
CY2017E Dividend Yield	$320 - $360	$6.25 - $7.05

Dividend Discount Analysis. J.P. Morgan performed a dividend discount analysis for the purpose of determining the implied equity value of the Company. A dividend discount analysis is a method of evaluating the equity value of a business or company using estimates of future dividends to stockholders generated by the business or company, taking into consideration the time value of money with respect to those future dividends by calculating their "present value." "Present value" refers to the current value of the future dividends by discounting such dividends back to the present using a discount rate that takes into account macro-economic assumptions, estimates of risk, the opportunity cost of capital and other appropriate factors.

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In performing its dividend discount analysis with respect to the Company, J.P. Morgan calculated the estimated dividends the Company was forecasted to generate through calendar year 2025. J.P. Morgan calculated terminal values for the Company by applying a range of terminal dividend yields of 9.5% to 11.0% (derived from the "*Public Trading Multiples Analysis*" above) to the Company's estimated calendar year 2026 dividend per share. J.P. Morgan discounted the estimated dividends and the terminal value to present value (as of February 24, 2016, the trading day prior to the public announcement of the Proposed Acquisition) using a range of discount rates of 9.75% to 11.75%, which were based on an estimate of the Company's cost of equity derived using the capital asset pricing model. Estimated financial data were based on the projections for the Company (extrapolated at the direction of the Special Committee).

This analysis indicated the following approximate implied aggregate and per share equity value reference ranges, rounded to the nearest $5 million and $0.05, respectively, for the Company, as compared to the equity market capitalization and per share closing price, respectively, for the Company as of February 24, 2016 (the trading day prior to the public announcement of the Proposed Acquisition):

Implied Equity Reference Range (in millions)	Per Share Implied Equity Reference Range
$440 - $530	$8.65 - $10.40

Illustrative Relative Ownership Analysis

Based on comparing the upper and lower limits of the implied equity reference ranges derived from the public trading multiples analyses and dividend discount analyses for the ACM Agency Business and the Company described above, J.P. Morgan calculated the illustrative implied ownership of the Company's stockholders in the combined company after the consummation of the Proposed Acquisition. For purposes of this analysis, J.P. Morgan assumed that the consideration in the Proposed Acquisition will consist of $125 million in cash and seller financing and approximately 19.2 million OP Units at an issuance price of $6.50 per OP Unit.

This analysis indicated the following approximate implied ownership of the Company's stockholders in the combined company after the consummation of the Proposed Acquisition:

	Implied Ownership of the Company's Stockholders in the Combined Company
Public Trading Multiples Analyses	
CY2016E	71.1% - 82.1%
CY2017E	69.6% - 79.1%
Dividend Discount Analyses	67.2% - 76.3%

J.P. Morgan then compared the respective ranges of implied ownership above to the implied ownership of the Company's stockholders in the combined company after the consummation of the Proposed Acquisition.

Miscellaneous

The foregoing summary of certain material financial analyses does not purport to be a complete description of the analyses or data presented by J.P. Morgan. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. J.P. Morgan believes that the foregoing summary and its analyses must be considered as a whole and that selecting portions of the foregoing summary and these analyses, without considering all of its analyses as a whole, could create an incomplete view of the processes underlying the analyses and its

opinion. As a result, the ranges of valuations resulting from any particular analysis or combination of analyses described above were merely utilized to create points of reference for analytical purposes and should not be taken to be the view of J.P. Morgan with respect to the actual value of the Company or the ACM Agency Business. The order of analyses described does not represent the relative importance or weight given to those analyses by J.P. Morgan. In arriving at its opinion, J.P. Morgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, J.P. Morgan considered the totality of the factors and analyses performed in determining its opinion.

Analyses based upon forecasts of future results are inherently uncertain, as they are subject to numerous factors or events beyond the control of the parties and their advisors. Accordingly, forecasts and analyses used or made by J.P. Morgan are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by those analyses. Moreover, J.P. Morgan's analyses are not and do not purport to be appraisals or otherwise reflective of the prices at which businesses actually could be acquired or sold. None of the selected companies reviewed as described in the above summary is identical to the Company or the ACM Agency Business, and none of the selected transactions reviewed was identical to the Proposed Acquisition. However, the companies selected were chosen because they are publicly traded companies with corporate structure, operations and businesses that, for purposes of J.P. Morgan's analysis, may be considered similar to those of the Company and the ACM Agency Business. The transactions selected were similarly chosen because their participants, size and other factors, for purposes of J.P. Morgan's analysis, may be considered similar to the Proposed Acquisition. The analyses necessarily involve complex considerations and judgments concerning differences in financial and operational characteristics of the companies involved and other factors that could affect the companies compared to the Company and the ACM Agency Business and the transactions compared to the Proposed Acquisition.

As a part of its investment banking business, J.P. Morgan and its affiliates are continually engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements, and valuations for corporate and other purposes. J.P. Morgan was selected to advise the Special Committee with respect to possible Proposed Acquisition and, if requested by the Special Committee, to deliver an opinion to the Special Committee with respect to the Proposed Acquisition on the basis of, among other things, such experience and its qualifications and reputation in connection with such matters and its familiarity with the Company, the Seller and the industries in which they operate.

For services rendered in connection with the Proposed Acquisition, the Company has agreed to pay J.P. Morgan a fee of $5,000,000, a portion of which became payable upon the delivery of its opinion and a material portion of which will become payable only if the Proposed Acquisition is consummated. In addition, the Company has agreed to reimburse J.P. Morgan for certain of its expenses incurred in connection with its services, including the fees and disbursements of counsel, and will indemnify J.P. Morgan against certain liabilities arising out of J.P. Morgan's engagement. During the two years preceding the date of the J.P. Morgan Opinion, neither J.P. Morgan nor any of its affiliates have had any material financial advisory or other material commercial or investment banking relationships with the Seller. During the two years preceding the date of the J.P. Morgan Opinion, J.P. Morgan and its affiliates have had commercial or investment banking relationships with the Company for which J.P. Morgan and such affiliates have received customary compensation. Such services during such period have included acting as Co-Lead Placement Agent and Joint Bookrunner on the private placement of a notes offering by the Company's subsidiaries, Arbor Realty Commercial Real Estate Notes 2015-FL1, LTD and Arbor Realty Commercial Real Estate Notes 2015-FL1 LLC in February 2015 and Lead Placement Agent and Bookrunner on the private placement of a notes

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offering by the Company's subsidiaries, Arbor Realty Commercial Real Estate Notes 2015-FL2, LTD and Arbor Realty Commercial Real Estate Notes 2015-FL2 LLC in August 2015, in addition to providing a warehouse repurchase agreement to the Company to finance its loans and investments. During the two year period preceding delivery of its opinion ending on February 25, 2016, the aggregate fees received by J.P. Morgan from the Company were approximately $4,196,000 and no fees were received from the Seller. In the ordinary course of their businesses, J.P. Morgan and its affiliates may actively trade the debt and equity securities of the Company or the Seller for their own accounts or for the accounts of customers and, accordingly, they may at any time hold long or short positions in such securities.

Certain Projections

Neither ACM nor the Company discloses long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty and subjectivity of the underlying assumptions and estimates. As a result, the Company does not endorse the projections below as a reliable indication of future results. The Company is including these projections in this proxy statement solely because these projections were among the financial information made available to the Special Committee and J.P. Morgan in connection with their respective evaluations of the Proposed Acquisition. Moreover, we have been informed that these projections were based on estimates and assumptions made by ACM (in certain cases, as adjusted by the Special Committee as described below) at the time of their preparation and speak only as of such time. Except to the extent required by applicable law, neither ACM nor the Company has any obligation to update projections included in this proxy statement and, except as provided below, has not done so and does not intend to do so.

The inclusion of this information should not be regarded as an indication that any of ACM, the Company, the Board, the Special Committee, J.P. Morgan or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results. There can be no assurance that the prospective results will be realized or that actual results will not be significantly higher or lower than estimated.

Because the projections below cover multiple years, such information by its nature becomes less predictive with each successive year. The Company's stockholders are urged to review the risk factors and other factors described in "Risk Factors" and "Forward-Looking Statements" beginning on pages 14 and 12, respectively, and in the periodic reports filed by the Company with the SEC, which reports can be found under the heading "Where You Can Find More Information" beginning on page 111. The projections were not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, or GAAP. Neither of the independent registered public accounting firms of the Company and of the ACM Agency Business have audited, reviewed, compiled or performed any procedures with respect to the accompanying projections for the purpose of its inclusion herein, and accordingly, neither of the independent registered public accounting firms of the Company or the ACM Agency Business express an opinion or provide any form of assurance with respect thereto for the purpose of this proxy statement/prospectus. Furthermore, the projections do not take into account any circumstances or events occurring after the date it was prepared. The projections, except where noted, do not give effect to the Proposed Acquisition.

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ACM Agency Business Estimated Net Income (dollars in millions)

The Special Committee made certain adjustments to the forecasts provided by the management of ACM to reflect the Special Committee's view of the prospects of the ACM Agency Business. Both the ACM financial forecasts and these adjusted forecasts were presented to the Special Committee and to J.P. Morgan. The Special Committee extrapolated from the adjusted forecast of estimated net income for 2016 to 2018 in order to present forecasts through 2026. The adjusted and extrapolated forecasts presented below represent the projections for the ACM Agency Business referred to under " Opinion of the Special Committee's Financial Advisor."

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
$ 27.8	$ 31.3	$ 32.2	$ 34.7	$ 37.3	$ 39.2	$ 40.6	$ 42.7	$ 46.0	$ 47.6	$ 47.4

No Appraisal or Approval Rights

Under Maryland law, stockholders will not have appraisal rights in connection with the Proposed Acquisition or the right to vote to approve the Proposed Acquisition. However, under the NYSE Listed Company Manual, stockholder approval is required to approve the issuance of OP Units contemplated by the Purchase Agreement and the Acquisition Proposal. In addition, pursuant to the Purchase Agreement, the approval of the Acquisition Proposal also requires the affirmative vote of the holders of at least a majority of the outstanding shares of the Company's common stock entitled to be voted on the matter other than the shares owned of record or beneficially by ACM or its affiliates, assuming a quorum is present. None of the NYSE Listed Company Manual, the Purchase Agreement or the Board grants stockholders appraisal rights in connection with the Proposed Acquisition.

The Purchase Agreement

The following section summarizes material provisions of the Purchase Agreement, which is included in this proxy statement as Annex A and is incorporated herein by reference in its entirety. This summary does not purport to be complete and is qualified in its entirety by reference to the Purchase Agreement. The summary description has been included in this proxy statement to provide you with information regarding the terms of the Purchase Agreement and is not intended to modify or supplement any factual disclosures about us, the Buyer, the Seller or our respective affiliates. The representations, warranties and covenants contained in the Purchase Agreement were made only for the purposes of the Purchase Agreement, were made as of specific dates, were made solely for the benefit of the parties to the Purchase Agreement and may not have been intended to be statements of fact, but rather, as a method of allocating risk and governing the contractual rights and relationships among the parties to the Purchase Agreement. In addition, such representations, warranties and covenants may have been qualified by certain disclosures not reflected in the text of the Purchase Agreement and may apply standards of materiality and other qualifications and limitations in a way that is different from what may be viewed as material by our stockholders. In reviewing the representations, warranties and covenants contained in the Purchase Agreement or any descriptions thereof in this summary, it is important to bear in mind that such representations, warranties and covenants or any descriptions were not intended by the parties to the Purchase Agreement to be characterizations of the actual state of facts or conditions of us, the Buyer, the Seller or our respective affiliates. Moreover, information concerning the subject matter of the representations and warranties may have changed or may change after the date of the Purchase Agreement, which subsequent information may or may not be fully reflected in public disclosures. For the foregoing reasons, the representations, warranties and covenants or any descriptions of those provisions should not be read alone and should instead be read in conjunction with the other information contained in the reports, statements and filings that we publicly file with the SEC. Capitalized terms not otherwise defined in this section will have the meanings ascribed to them in the Purchase Agreement.

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The Purchase and Sale

The Purchase Agreement provides that, on the terms and subject to the conditions of the Purchase Agreement and the Ancillary Agreements, the Seller will sell, assign, transfer, convey and deliver to the Buyer, and the Buyer will purchase from the Seller, all of the Seller's right, title and interest, direct or indirect, in and to all assets, properties and rights used or held for use primarily in connection with the Included Business (the "*Purchased Assets*"), other than the Excluded Assets. The Purchase Agreement provides that the "Included Business" consists of the Agency Business of the Seller relating to (i) underwriting, originating, selling and servicing multifamily mortgages at various locations in the United States under the Fannie Mae DUS program and the FHA, Ginnie Mae and Freddie Mac programs and (ii) underwriting, originating and selling multifamily mortgages at various locations in the United States under conduit programs. Within the Included Business are the Seller's mortgage servicing rights, all mortgage loans held for sale as of the closing date, the licenses and other authorities that the Seller maintains to engage in the Included Business, all contracts, leases and other agreements relating thereto, all employees of the Seller who are directly engaged in the Included Business and all other personal property, intellectual property and other rights relating thereto. The Purchase Agreement provides that in connection with the purchase and sale of the Purchased Assets, the Buyer will assume certain liabilities and obligations of the Seller related to the Purchased Assets, including all credit facilities related to the Included Business, all liabilities under the agency agreements with Fannie Mae, Freddie Mac and FHA, all lease and contractual obligations relating thereto and all applicable employee related obligations (the "*Assumed Liabilities*"). The Purchase Agreement further provides that the Buyer will not assume or be obligated to pay, perform or otherwise discharge any liabilities other than the Assumed Liabilities (the "*Excluded Liabilities*").

Consideration; Adjustment of Closing Purchase Price

The Purchase Agreement provides that at the Closing, in accordance with the terms of the Purchase Agreement and the Ancillary Agreements, the Buyer will pay to the Seller an amount equal to $250.0 million (the "*Base Purchase Price*"), as adjusted pursuant to the terms of the Purchase Agreement and will assume the Assumed Liabilities. At the Closing and subject to the provisions of the Purchase Agreement, the Buyer will pay the Closing Purchase Price as follows: (i) 50% in cash (and, if applicable, as described below, Preferred Equity Interests) and (ii) 50% through the issuance of OP Units. The number of OP Units issuable at the Closing will be that number of OP Units that are convertible into the number of shares of common stock calculated by dividing 50% of the Closing Purchase Price by $6.50. Without giving effect to any adjustment to the Base Purchase Price, 19,230,769 OP Units would be issued to the Seller at the Closing. In addition, each of these OP Units will be paired with a share of the Company's newly-designated Special Voting Preferred Stock which will entitle the Seller to one vote per share on any matter submitted to a vote of our stockholders.

Pursuant to the Purchase Agreement, the Base Purchase Price (both the cash and Buyer OP Consideration) is subject to potential adjustments in accordance with the exhibits to the Purchase Agreement relating to changes in the value of the Acquired Servicing Portfolio, the Weighted Average Servicing Fee and Net Working Capital (which exhibits are attached to the Purchase Agreement as filed as an exhibit to our Form 8-K with the Securities and Exchange Commission on March 2, 2016, which exhibits are incorporated herein by reference in their entirety. See "Where You Can Find More Information."). The Acquired Servicing Portfolio consists of approximately $11.5 billion of unpaid principal balance as of March 31, 2016 and the Weighted Average Servicing Fee is approximately 47 basis points as of March 31, 2016. Based on the value of the Acquired Servicing Portfolio and the Weighted Average Servicing Fee as of March 31, 2016, if the Closing were to occur on March 31, 2016, the Base Purchase Price would be subject to adjustment by an increase of approximately $15 million. With respect to Net Working Capital, the Purchase Agreement provides that it is the intent of the parties that the Net Working Capital as of the Closing be as close as possible to the Target Net

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Working Capital of $5 million (which may be accomplished by a distribution of excess cash by ACM immediately prior to the Closing) and thus we currently expect that any adjustment to the Base Purchase Price based on the Net Working Capital as of the Closing will be immaterial.

The Purchase Agreement provides that the Special Committee may elect, in its sole and absolute discretion, to require the Seller to accept, in lieu of up to $50 million of the cash consideration (such amount, the "*Preferred Equity Amount*"), Preferred Equity Interests having an aggregate liquidation preference equal to the Preferred Equity Amount. As of the date of this proxy statement, the Special Committee has not yet made a determination as to whether to elect to use the Preferred Equity Interests as part of the consideration. A term sheet setting forth the material terms of the Preferred Equity Interests is attached to the Purchase Agreement as filed with our Form 8-K with the Securities and Exchange Commission on March 2, 2016, which is incorporated herein by reference in its entirety. See "Where You Can Find More Information."

All of the employees directly related to the ACM Agency Business will become employees of the Company following the consummation of the transaction.

Representations and Warranties

The Purchase Agreement contains certain representations and warranties made by the Seller and Parent (as used in the Purchase Agreement and this section of the proxy statement, "*Parent*" means the Company) and the Buyer. The Seller has made representations and warranties regarding, among other things, the following:

- due organization, qualification and good standing;
- power and authority to execute the Transaction Agreements and to consummate the transactions contemplated by the Transaction Agreements (the "*Transactions*");
- non-contravention of organizational documents, Law, and contracts;
- required filings with a Governmental Authority;
- broker and other fees;
- the information in this proxy statement;
- title to assets and sufficiency of assets;
- financial statements and absence of undisclosed liabilities;
- absence of certain changes or events;
- compliance with Law, permits and customer information;
- litigation;

employees and employee benefit plans;

labor and employment matters;

real property;

intellectual property;

receivables;

taxes;

environmental matters;

Seller Contracts;

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- conduct of the business;
- mortgage loans and acquired servicing portfolio;
- affiliate interests and transactions;
- insurance;
- capital structure of the Seller; and
- transferred employee non-competition agreements.

The Purchase Agreement also contains representations and warranties of us and the Buyer relating to, among other things, the following:

- due organization, qualification and good standing;
- power and authority to execute the Transaction Agreements and to consummate the Transactions;
- non-contravention of organizational documents, Law, and contracts;
- required filings with a Governmental Authority;
- financing;
- broker and other fees;
- voting requirements;
- the information in this proxy statement; and
- capitalization.

Many of the representations and warranties in the Purchase Agreement are qualified by "materiality" or "material adverse effect" standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would, as the case may be, be material or have a material adverse effect).

For purposes of the Purchase Agreement "Seller Material Adverse Effect" means (A) any event, change, circumstance, occurrence, effect or state of facts (collectively, a "*State of Facts*") that, individually or in the aggregate (i) is or would reasonably be expected to be materially adverse to the financial condition, assets, business or results of operations of the Included Business, the Purchased Assets and/or the Assumed Liabilities taken as a whole, other than: (a) any failure by the Seller to meet any internal or published projections, forecasts, estimates or predictions in respect of revenues, earnings or other financial or operating metrics for any period (collectively, "*Financial Projections*"); (b) any

adverse change, effect, event, occurrence, state of facts or development (collectively, an "*Adverse Change*") to the extent attributable to the announcement, pendency or consummation of the Transactions (including any disruption in supplier, partner or similar relationships or any loss of employees); (c) any Adverse Change attributable to conditions affecting (1) the industries in which the Included Business participates (including fluctuating conditions resulting from cyclicality, seasonality or weather patterns affecting the Included Business, including their respective customers and suppliers) or (2) national, regional, local, international or global economies; (d) any Adverse Change resulting from any action expressly required or permitted by the Transaction Agreements; (e) any Adverse Change relating to any change in accounting requirements, principles or laws (other than certain tax laws and excluding any change contemplated by clause (B) below); (f) any Adverse Change arising in connection with natural disasters or acts of nature, hostilities, acts of war, sabotage or terrorism or military actions or any escalation or material worsening of any such hostilities, acts of war, sabotage or terrorism or military actions existing or underway as of the date hereof (collectively, "*Acts of Nature or War*"); or

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(g) any change in political regimes, political conditions or climate whether in the U.S. or any other country or jurisdiction (collectively, "*Political Conditions*") except in the cases of clauses (c), (e), (f) and, (g) to the extent that any State of Facts described therein disproportionately impacts or affects the Included Business compared to other businesses of similar size operating in the same industries in which the Included Business participates; or (ii) materially impairs the ability of the Seller to consummate, or prevents or materially delays, any of the Transactions or would reasonably be expected to do so; or (B) the enactment of any bill or other legislation or federal action that will or would reasonably be expected to materially change the current charter, operations or business functions of any of the Agencies in a manner that would be reasonably likely, individually or in the aggregate, to materially and adversely impact the Purchased Assets and the Included Business, taken as a whole.

"*Parent Material Adverse Effect*" is defined in the Purchase Agreement to mean any State of Facts that, individually or in the aggregate (i) is or would reasonably be expected to be materially adverse to the financial condition, assets, business or results of operations of us and our subsidiaries, taken as a whole, other than: (a) any failure, in and of itself, by us to meet any Financial Projections; (b) any Adverse Change to the extent attributable to the announcement, pendency or consummation of the Transactions (including any disruption in supplier, partner or similar relationships or any loss of employees); (c) any Adverse Change attributable to conditions affecting (1) the industries in which we and our subsidiaries participate (including fluctuating conditions resulting from cyclicality, seasonality or weather patterns affecting us and our subsidiaries, including our respective customers and suppliers) or (2) national, regional, local, international or global economies; (d) any Adverse Change resulting from any action expressly required or permitted by the Transaction Agreements or the consummation of any Parent Offering; (e) any Adverse Change relating to any change in accounting requirements, principles or laws (other than tax laws); (f) any Adverse Change arising in connection with Acts of Nature or War; or (g) any change in Political Conditions except in the cases of clauses (c), (e), (f) and (g) to the extent that any State of Facts described therein disproportionately impacts or affects our business and our subsidiaries compared to other businesses of similar size operating in the same industries in which we and our subsidiaries participate; or (ii) materially impairs our ability to consummate, or prevents or materially delays, any of the Transactions or would reasonably be expected to do so.

As described directly under "Proposal 1: The Acquisition Proposal The Purchase Agreement" beginning on page 55 above, the parties to the Purchase Agreement made the representations and warranties contained therein solely for purposes of the contract between the parties, and those representations and warranties are intended to be and should not be relied upon by any other person. Further, the assertions embodied in those representations and warranties are subject to important qualifications and limitations agreed to by the parties in connection with negotiating the Purchase Agreement, and you should not rely upon the representations and warranties as accurate or complete or characterizations of the actual state of facts as of any specified date.

Conduct of Business Prior to the Closing

Each of the Seller and us has agreed to certain covenants in the Purchase Agreement restricting the conduct of our respective business between the date of the Purchase Agreement and the date of the Closing.

Without limiting the generality of the foregoing, the Seller agreed to (subject in each case to exceptions specified in the Purchase Agreement or previously consented to in writing by the Buyer as provided in the Purchase Agreement):

- conduct the Included Business in the ordinary course of business consistent with past practice;
- preserve substantially intact the Included Business;
- keep available the services of its employees and consultants;

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- preserve the current relationships with customers, suppliers and other persons with which it has significant business relationships;

In addition, the Seller agreed not to, among other things, (subject in each case to exceptions specified in the Purchase Agreement or previously consented to in writing by the Buyer as provided in the Purchase Agreement):

- issue, sell, pledge, exclusively license, transfer, abandon, dispose of or encumber any Purchased Assets;
- enter into, amend or terminate any material contract or waive or modify any material right under any material contract;
- make certain employee-related changes, including increasing the compensation and benefits paid to employees, accelerating the vesting or payment of certain compensation or benefits due to employees, or adopting or making changes in employee benefit plans;
- enter into, negotiate or make changes in any collective bargaining agreement or agreement with a works council or other union;
- make changes to tax elections or settle material tax liability with respect to the Purchased Assets;
- cancel or compromise material rights or claims relating to the Purchased Assets or pay claims or obligations relating to the Included Business or the Purchased Assets;
- permit the lapse of any insurance policy relating to the Included Business or Purchased Assets that is not replaced with a substantially similar insurance policy;
- cause any representation or warranty or covenant made by the Seller to be untrue or breached, or that has or would reasonably be expected to have a Seller Material Adverse Effect.
- except in connection with the origination, sale and servicing of mortgage loans in the ordinary course of business consistent with past practice, incur, assume or guarantee any indebtedness for borrowed money or issue any debt securities or otherwise become responsible for, the obligations of any person or entity, or make any loans or advances;
- authorize or commit to any capital expenditures for the Included Business in excess of $100,000 individually or $250,000 in the aggregate;
- authorize or commit with respect to any single contract for the Purchased Assets to any liability or receivable that is in excess $100,000 over any 12-month period, other than commitments that can be terminated with payment of less than $50,000 or notice of ninety (90) days or less;
- enter into any contract with any related party of the Seller relating to the Purchased Assets or the Included Business;
- fail to make any payment necessary to maintain the effectiveness of its intellectual property or otherwise abandon any of its intellectual property;

permit the lapse of any right relating to its material intellectual property or any other material intangible asset used or held for use in connection with the Included Business;

commence or settle any action, investigation or other proceeding relating to the Purchased Assets, Included Business or Assumed Liabilities in excess of $100,000 individually or $250,000 in the aggregate or that could reasonably be expected to result in a material restriction on the Included Business;

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- enter into or renew any lease of real or personal property in connection with the Included Business involving a term of more than one year or rental obligation exceeding $100,000 per year in any single case;
- make changes in accounting methods, practices or policies, except as required by GAAP;
- acquire or enter into any contract or arrangement with any entity that is engaged in a similar business to the Included Business;
- pay out or otherwise remove any cash or cash equivalents from the Freddie Mac Cash Collateral Account; or
- agree or commit to do any of the foregoing.

In addition, without limiting the generality of the foregoing, we have agreed to various specific restrictions on the conduct of our business between the date of the Purchase Agreement and the date of the Closing, including, among other things, to do the following (subject in each case to exceptions specified in the Purchase Agreement or previously consented to in writing by the Seller as provided in the Purchase Agreement):

- conduct our business in the ordinary course of business consistent with past practice;
- preserve substantially intact our business organization;
- keep available the services of our employees and consultants;
- preserve the current relationships with customers, suppliers and other persons with which we have significant business relationships;
- acquire any entity or material business thereof that, to our knowledge, would likely prevent the Closing;
- amend our organizational documents, the partnership agreement of the Partnership or the limited liability agreement of the TRS;
- declare or pay any dividend or distribution, other than regular quarterly cash dividends on our common stock or dividends or distributions with a record date after the Closing Date; and
- take any action, or intentionally fail to take any action that would cause any representation or warranty or covenant made by us or the Buyer to be untrue or breached such that certain closing conditions would not be fulfilled or a Parent Material Adverse Effect has or would reasonably be expected to have occurred.

Exclusivity

The Purchase Agreement provides that until the earlier of the termination thereof and the Closing, the Seller will not, and will ensure that none of their respective affiliates or representatives, (i) solicit, initiate, consider, encourage or accept any other proposals or offers relating to any direct or indirect acquisition of any portion of the Purchased Assets or the Included Business, or (ii) participate in any communications regarding, or furnish any information with respect to, or otherwise cooperate in any way, or encourage any effort by any other person or entity to seek to do any of the foregoing. In addition, the Seller and its respective affiliates were required to immediately cease all communications

conducted prior to the execution of the Purchase Agreement with respect to any of the foregoing.

The Purchase Agreement further provides that the Seller will notify the Buyer within one business day, orally and in writing if any such proposal or offer is made, or any inquiry or other contact with any person or entity with respect thereto. In addition, any such notice to the Buyer will indicate in reasonable detail the identity of the person or entity making such proposal, offer, inquiry or other

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contact and its terms and conditions. Pursuant to the Purchase Agreement, the Seller will not release any person or entity from, or waive any provision of, any confidentiality or standstill agreement to which the Seller is a party, without the prior written consent of the Buyer.

Employee Matters

The Purchase Agreement provides that as of the Closing the employees that work for the Included Business will commence working for the Buyer or its affiliate. The Purchase Agreement also provides that as of the Closing the Buyer or its affiliate will assume certain employee benefit plans of the Seller and must provide COBRA continuation coverage to certain employees of the Seller at such employee's expense.

Parent Stockholder Approval

Subject to the following sentence, the Board and the Special Committee will recommend that our stockholders vote in favor of the issuance of our common stock issuable upon conversion of the OP Units and the other transactions contemplated by the Purchase Agreement and the Ancillary Agreements at the Stockholders Meeting, and we will use reasonable best efforts to solicit proxies from our stockholders in favor of such approval.

Notwithstanding the foregoing, at any time prior to Parent Stockholder Approval, (i) the Special Committee or the Board may withhold, amend, withdraw or modify its recommendation if, but only if, the Special Committee or the Board determines in good faith, based on such matters as it deems relevant and based on the advice of its outside legal counsel, that failure to do so would be inconsistent with their duties as directors under applicable Law (a "*Change in Recommendation*"); provided that in the case of a Change in Recommendation by the Special Committee, the Seller receives written notice from us confirming that the Special Committee has determined to change its recommendation at least two (2) business days prior to a Change in Recommendation.

Consents and Filings

The Purchase Agreement provides that the Seller and the Buyer will use all commercially reasonable efforts to take all actions necessary to consummate and make effective the Transactions, including to (i) obtain the necessary consents of Governmental Authorities, FHA, Fannie Mae and Freddie Mac, including all third party consents required under any Seller Contract, (ii) make all necessary filings under the HSR Act and (iii) have vacated, lifted, reversed or overturned any action that restricts or prohibits the consummation of the Transactions.

Other Covenants

The Purchase Agreement contains certain other covenants and agreements, including covenants, relating to:

- the provision of certain information relating to the Purchased Assets, the Included Business and the Assumed Liabilities;
- cooperation between the parties to negotiate in good faith certain of the Ancillary Agreements;
- written notification by each party to the other party in respect of certain matters;
- the Buyer's agreement to waive compliance by the Seller with any applicable bulk sale or bulk transfer laws in connection with the sale of the Purchased Assets to the Buyer;
- confidentiality pursuant to the Confidentiality Agreement during the period prior to the Closing Date, and for a period of three years thereafter in respect of certain information relating to the Purchased Assets, the Included Business and the Assumed Liabilities;

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- cooperation between the parties in connection with public announcements;
- the approval of certain matters by the Special Committee;
- cooperation between the parties in respect of Parent Offerings;
- the Seller's agreement that we and the Buyer, at the direction of the Special Committee, may elect to require the Seller to accept Preferred Equity Interests as part of the aggregate consideration, and in lieu of up to $50 million of the cash consideration;
- remitting to the other party certain post-closing payments;
- the use of all commercially reasonable efforts by the Seller to promptly forward to the Buyer any correspondence in respect of the Included Business; and
- the Seller's agreement to provide commercially reasonable assistance to the Buyer in connection with the maintenance, defense, prosecution and/or enforcement of the Marks included in the Seller Intellectual Property.

Conditions to the Closing

The obligations of each party to the Purchase Agreement to effect the Closing are subject to the satisfaction or waiver of the following conditions (collectively, the "*General Closing Conditions*"):

- no Governmental Authority will have enacted any Law that is then in effect and that enjoins, restrains, conditions, makes illegal or otherwise prohibits the consummation of the Transactions;
- the expiration or termination of the waiting period under the HSR Act with respect to the transactions contemplated by the Purchase Agreement; and
- receiving the requisite stockholder approval on the Acquisition Proposal from at least (i) a majority of the votes cast by our stockholders entitled to vote on the matter and (ii) the holders of a majority of our outstanding shares entitled to be voted on the matter other than the shares owned of record or beneficially by the Seller or their respective affiliates (collectively, "*Parent Stockholder Approval*").

In addition, the obligations of the Buyer and Parent to effect the Closing are subject to the satisfaction or waiver of the following additional conditions (collectively, the "*Buyer Closing Conditions*"):

- certain fundamental representations and warranties of the Seller relating to organization, authority, title to assets, certain liabilities in respect of the Signature Bank Loan and no brokers being true and correct in all respects as of the date of the Purchase Agreement and as of the Closing Date;
- the representations and warranties of the Seller that are qualified as to materiality or relate to the absence of a Seller Material Adverse Effect being true and correct in all respects as of the date of the Purchase Agreement and as of the Closing Date;

all other representations and warranties of the Seller being true and correct in all material respects as of the date of the Purchase Agreement and as of the Closing Date (other than those representations and warranties that were made only as of a specified date, which need only be true and correct as of such date);

the performance and compliance by the Seller in all materials respects with each agreement, obligation, covenant and condition required under the Transaction Agreements on or before the Closing;

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all consents and approvals of all Governmental Authorities and third party consents and/or waivers required to sell and assign certain Seller Contracts have been received and do not impose a Burdensome Condition;

no action will have been commenced or threatened by or before any Governmental Authority, that is reasonably likely to (i) require divestiture of any material assets of us, the Buyer or our respective affiliates as a result of the transactions contemplated by the Purchase Agreement or the divestiture of any Purchased Assets, (ii) prohibit or impose limitations on the Buyer's or our ownership or operation of all or a material portion of the Included Business or the Purchased Assets or any of the Buyer's or our other businesses or material assets (or those of any of our respective subsidiaries or affiliates) or (iii) impose limitations on the ability of us effectively to control the Included Business or the Purchased Assets in any material respect;

the delivery of each of the documents required to be delivered to the Buyer pursuant to the Purchase Agreement;

two business day prior to the Closing, the Included Business will have under application pipeline loans having at least $200 million in unpaid principal balance, of which approximately $100 million will be rate locked or will be expected to close within thirty (30) days from the Closing Date; and

no change, event or development will have occurred that, individually or in the aggregate, has had or is reasonably likely to have a Seller Material Adverse Effect.

The obligations of the Seller to effect the Closing are subject to the satisfaction or waiver of the following additional conditions (collectively, the "Seller Closing Conditions"):

certain fundamental representations and warranties of the Buyer and us relating to organization, authority and no brokers being true and correct in all respects as of the date of the Purchase Agreement and as of the Closing Date;

the representations and warranties of the Buyer and us that are qualified as to materiality or relate to the absence of a Parent Material Adverse Effect being true and correct in all respects as of the date of the Purchase Agreement and as of the Closing Date;

all other representations and warranties of the Buyer and us being true and correct in all material respects as of the date of the Purchase Agreement and as of the Closing Date (other than those representations and warranties that were made only as of a specified date, which need only be true and correct as of such date);

the performance and compliance by us and the Buyer in all materials respects with each agreement, obligation, covenant and condition required under the Transaction Agreements on or before the Closing;

the delivery of each of the documents required to be delivered to the Seller pursuant to the Purchase Agreement; and

no change, event or development will have occurred that, individually or in the aggregate, has had or is reasonably likely to have a Parent Material Adverse Effect.

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Survival; Indemnification

The Purchase Agreement provides that all representations and warranties contained in the Purchase Agreement will survive the Closing for fifteen (15) months, except that certain fundamental representations (i.e. organization, authority, title to assets, certain liabilities in respect of the Signature Bank Loan, taxes and no brokers) will survive the Closing until sixty (60) days following the expiration of the respective statute of limitations. None of the pre-Closing covenants will survive the Closing and any post-Closing covenants will survive the Closing in accordance with their respective terms until performed.

Each Seller has agreed to severally and jointly indemnify and hold harmless us, the Buyer and our respective affiliates (including the Included Business from and after the Closing Date) and, if applicable, our respective officers, directors, agents, representatives and employees, and our respective assigns (the "*Buyer Indemnified Persons*") in respect of claims, actions, causes of action, judgments, awards, liabilities, out-of-pocket costs, expenses or damages (collectively, "*Indemnifiable Damages*") arising out of or resulting from (i) any breach of a representation or warranty, (ii) any breach of a covenant by the Seller, (iii) any loss, claim or cause of action in connection with any Excluded Asset or any Excluded Liability, and (iv) liabilities of the Seller (other than Assumed Liabilities) that become liabilities of us or the Buyer by reason of, among other things, operations of law.

We and the Buyer have agreed to severally and jointly indemnify and hold harmless each Seller, and their respective affiliates (including the Excluded Business from and after the Closing Date) and, if applicable, their respective officers, directors, agents, representatives and employees, and their respective assigns (the "*Seller Indemnified Persons*") in respect of claims, actions, causes of action, judgments, awards, liabilities, out-of-pocket costs, expenses or damages arising out of or resulting from any and all Indemnifiable Damages arising out of or resulting from any loss, claim or cause of action in connection with the Included Business, any Purchased Asset or any Assumed Liability.

We and the Buyer may not recover any indemnifiable loss in connection with a breach of a representation or warranty (other than certain fundamental representations or other than in the case of fraud or intentional misrepresentation) by the Seller arising under the Purchase Agreement until the amount of such loss exceeds $1.5 million (the "*Deductible*"), in which case we and the Buyer may recover losses above the Deductible, provided, that there cannot be any indemnifiable loss with respect to any particular breach or series of related breaches unless and until the claimed losses exceeds $50,000. In addition, we and the Buyer may not recover any indemnifiable loss in connection with a breach of a representation or warranty (other than certain fundamental representations or other than in the case of fraud or intentional misrepresentation) or a covenant (other than covenants related to consents and post-closing payments or other than in the case of fraud or intentional misrepresentation) by the Seller in excess of $30.0 million. Additionally, no party will recover any indemnifiable loss (other than fraud or intentional misrepresentation) arising under the Purchase Agreement in excess of the Purchase Price.

Termination

The Purchase Agreement and the transactions contemplated thereby may be terminated at any time prior to the Closing in certain circumstances, including by:

- mutual consent of us, the Buyer and the Seller;
- either us, the Buyer or the Seller, if:
  - the Closing has not occurred by August 15, 2016 (the "*Initial End Date*") or, if the Initial End Date has been extended by three (3) months in accordance with the Purchase Agreement, November 15, 2016 (the "*Extended End Date*", and together with the Initial

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End Date, the "*End Date*"). (provided that the terminating party will not have been the cause of the Closing not occurring by such date);

any Governmental Authority issues an order, decree or ruling or takes any other action restraining, enjoining or prohibiting the transactions contemplated by the Purchase Agreement (provided that that the terminating party uses commercially reasonable efforts to have such order, decree, rule or other action vacated);

us or the Buyer, if:

there is any breach of any representations or covenants of the Seller that would result in the failure to satisfy any of the Seller Closing Conditions and such breach is incapable of being cured within thirty (30) days (a "*Seller Terminable Breach*");

any of the General Closing Conditions or the Seller Closing Conditions are incapable of fulfillment prior to the End Date (provided that we or the Buyer will not have been the cause of such condition not being fulfilled);

there is a Change in Recommendation by the Special Committee;

prior to Closing, an event or condition occurs that has had or is reasonably likely to have a Seller Material Adverse Effect; or

prior to Closing, the issuance of any of our common stock or the OP Units would be deemed too dilutive to us or the capital markets are unreceptive to a Parent Offering, in each case as determined by the Special Committee in its sole and absolute discretion.

the Seller, if:

there is any breach of any representations or covenants of us or the Buyer that would result in the failure to satisfy any of the Buyer Closing Conditions and such breach is incapable of being cured within thirty (30) days (a "*Buyer Terminable Breach*");

any of the General Closing Conditions or the Buyer Closing Conditions are incapable of fulfillment prior to the End Date (provided that the Seller will not have been the cause of such condition not being fulfilled);

If validly terminated pursuant to one of the termination events described above and after giving written notice, the Purchase Agreement will become void and there will be no liability on the part of any party except for (i) representations related to broker's fees and finder's fees, covenants related to confidentiality and public announcements, general provisions related to fees and expenses, notices, third-party beneficiaries, governing law and submission to jurisdiction, (ii) liability for any intentional breach of the Purchase Agreement or any agreement made pursuant thereto and (iii) liability for the Termination Fee (as defined below).

The Purchase Agreement provides that a termination fee of $3.0 million (the "*Termination Fee*") will be paid by:

us or the Buyer to the Seller, if the Purchase Agreement is terminated:

by the Seller, pursuant to a Buyer Terminable Breach; or

by us or the Buyer, pursuant to (i) a Change in Recommendation by the Special Committee or (ii) a determination by the Special Committee in its sole and absolute discretion that the issuance of any of our common stock or the OP Units would be deemed too dilutive to us or the capital markets are unreceptive to a Parent Offering.

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the Seller to the Buyer, if the Purchase Agreement is terminated:

by us or the Buyer, pursuant to a Seller Terminable Breach.

Amendment; Waiver

The Purchase Agreement may be amended, modified or supplemented by an instrument in writing specifically designated as an amendment to the Purchase Agreement, signed on behalf of each party. The parties may waive any right or remedy under the Purchase Agreement so long as such waiver is set forth in a written instrument executed and delivered by a duly authorized officer on behalf of such party.

No Third Party Beneficiaries

The Purchase Agreement provides that, except with respect to the provisions regarding indemnification discussed above under " the Purchase Agreement Survival; Indemnification," the Purchase Agreement is not intended to confer upon any person or entity other than the parties thereto and their respective successors and permitted assigns any legal or equitable right, benefit or remedy of any nature.

Specific Performance

The Purchase Agreement provides that the parties will be entitled to specific performance of the terms thereof, including an injunction or injunctions to prevent breaches of the Purchase Agreement and to enforce specifically the terms and provisions of the Agreement.

Expenses

The Purchase Agreement provides that the Buyer will pay any transfer fee in respect of the transfer agreements with the Agencies and any other costs or fees, including attorney's fees, imposed by an Agency in connection with its review and approval of the transactions contemplated by the Purchase Agreement. Except as otherwise provided for under the Purchase Agreement, all of the parties will bear its own fees and expenses incurred in connection with the Transaction Agreements and the Transactions.

Special Committee

The Purchase Agreement provides that the approval of the Special Committee is required for various actions to be taken by us or the Buyer under the Purchase Agreement, including with respect to amendments or terminations of the Purchase Agreement or in connection with the exercise or waiver of any of our or the Buyer's rights under the Purchase Agreement.

Ancillary Agreements

The following section summarizes material provisions of certain ancillary agreements that have been or will be entered into pursuant to the Purchase Agreement. These ancillary agreements are attached as exhibits to the Purchase Agreement as filed with our Current Report on form 8-K with the SEC on March 2, 2016, which exhibits are incorporated herein by reference in their entirety. The summary of the ancillary agreements set forth below does not purport to be complete and is qualified in its entirety by reference to the full text of the ancillary agreements. See "Where You Can Find More Information."

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Option Agreement

Pursuant to the Purchase Agreement, at the Closing, Parent, the Partnership, Arbor Realty SR, Inc. and ACM will enter into an option agreement substantially in the form of Exhibit E to the Purchase Agreement (the "*Option Agreement*"). Under the Option Agreement, the Partnership will have an irrevocable, non-transferable right (the "*Option*") from ACM to purchase the Management Agreement, and, as a result, fully internalize the management of the Company.

The Option is exercisable by the Partnership, upon the approval of the Special Committee, or if the Special Committee no longer exists, by the Audit Committee of the Board, at any time for two years after the Closing Date (the "*Option Period*"). The exercise price for the Option (the "*Option Price*") is (i) $25.0 million if exercised on or before the date that is one year after the Closing Date or (ii) $27.0 million if exercised thereafter. The Option Price is payable 50% in cash and 50% through the issuance of OP Units. The number of OP Units to be issued will be calculated by dividing 50% of the Option Price by the reference market value of a share of the Company's common stock. The "reference market value" is the volume-weighted average closing sale price, as published in the Eastern Edition of The Wall Street Journal, of a share of the Company's common stock on the NYSE for the 30 consecutive trading day period ending on the close of business on the trading day that is three days prior to the closing date of the Option. Pursuant to the NYSE rules, the issuance of OP Units upon the exercise of the Option may require the prior approval of our stockholders, which we would need to obtain prior to the Option closing. Stockholders are not being asked to vote on the issuance of the OP Units in connection with the potential Option exercise at this time.

The Option Agreement provides that three (3) days before the closing date of the Option, ACM must deliver to us a statement that includes its good faith estimate of accrued and unpaid compensation and reimbursable expenses to which ACM is entitled under the Management Agreement. After the closing of the Option and ACM has received the exercise price and such accrued amounts, the Management Agreement shall terminate in all respects except for (i) provisions thereof which by their terms survive such termination and (ii) provisions related to confidentiality, limits of manager responsibility and indemnification by ACM or us.

Term. The Option Agreement provides that the Option will expire after the final day of the Option Period. After expiration of the Option Period, neither party will have any further obligations under the Option Agreement.

Amended and Restated Management Agreement

After the consummation of the Proposed Acquisition, the Management Agreement will continue to apply with respect to the services provided by the remaining ACM employees. In connection with the Proposed Acquisition, the ACM employees whose responsibilities are directly related to the ACM Agency Business will become our employees. However, certain ACM employees who are not directly related to the ACM Agency Business, but who provide management and administrative services under the Management Agreement will remain ACM employees, and we will continue to have access to their services pursuant thereto. These ACM employees include Mr. Bishar, our Secretary, who is General Counsel to our Manager, and Mr. Elenio, our Chief Financial Officer, who is the Chief Financial Officer of our Manager. Following the Proposed Acquisition, we will remain dependent upon ACM to provide services to us that are vital to our operations, including significant management and administrative functions.

In addition, the incentive fee formula will remain in effect. Upon any termination of the Management Agreement in connection with the exercise by the Company of its option under the Option Agreement, the termination fee will not apply but the option exercise price described above will be payable.

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Limited Partnership Agreement of the Partnership

In connection with the issuance to ACM of the OP Units in the Acquisition Proposal, the Limited Partnership Agreement of the Partnership will be amended to add ACM as a limited partner and to amend certain other provisions, including that the Company subsidiary that is a limited partner will not have a vote on certain matters requiring consent of a majority in interest of the limited partners of the Partnership and (ii) the Company's ability to engage in a termination transaction will be restricted in certain respects.

Voting and Standstill Agreement

Pursuant to the Voting and Standstill Agreement, dated February 25, 2016, ACM, Mr. Kaufman and certain affiliated parties (collectively, the "*Restricted Stockholders*") have agreed to certain restrictions in respect of their ownership of our common stock, preferred stock or OP Units or any securities convertible into or otherwise exercisable to acquire such common stock, preferred stock or OP Units, or any other securities having the ordinary power to vote in the election of the Board, or any right to acquire within 60 days any of the foregoing (collectively, the "*Voting Stock*"). As of March 31, 2016, the Restricted Stockholders collectively beneficially own 6,018,773 shares of the Company's common stock, representing approximately 11.7% of the voting power of our common stock on a fully diluted basis.

Restrictions on Voting Stock. The Voting and Standstill Agreement provides that until the earlier of the Closing or the termination of the Purchase Agreement (the "*Voting Expiration Time*"), the Restricted Stockholders will refrain from (w) transferring the Voting Stock, (x) engaging in any forward sale, hedging or similar transaction involving any Voting Stock, (y) depositing any Voting Stock into a voting trust, entering into a voting agreement with respect to Voting Stock or granting a proxy, consent or power of attorney with respect thereto, or (z) acquiring beneficial ownership of any Voting Stock (but excluding any Excluded Acquisitions (as defined in the Voting and Standstill Agreement)), except that a Restricted Stockholder may transfer the Voting Stock to any other Restricted Stockholder or any affiliate provided the transferee enters into a joinder agreement. Notwithstanding the foregoing, the Restricted Stockholders may make any transfer that receives the prior written consent of the Special Committee. For purposes of the Voting and Standstill Agreement, "Excluded Acquisitions" are defined as any acquisition resulting from (a) a stock dividend, stock split or subdivision of Voting Stock, (b) with respect to any Restricted Stockholder who is serving as one of our officers or directors, any acquisition pursuant to any grant or issuance of Voting Stock pursuant to a compensatory or incentive arrangement that has been approved by the Board (including without limitation upon the exercise of any stock option award), (c) any equity consideration issued pursuant to the Purchase Agreement or as an adjustment to the purchase price under the Purchase Agreement or (d) any equity consideration issued as part of the exercise price under the Option Agreement.

Agreement to Approve. Until the Voting Expiration Time, no Restricted Stockholder may enter into a voting agreement or any other agreement that would interfere with its performance of obligations under the Voting Agreement. At any meeting of our stockholders called to seek the affirmative vote thereof to adopt or approve the Purchase Agreement, the issuance of OP Units or other transactions contemplated by the Purchase Agreement, each Restricted Stockholder must vote in favor of such adoption or approval. The Restricted Stockholders further agree to vote against or withhold consent from (i) actions or agreements that would or are reasonably likely to result in any conditions to our obligation to close under the Purchase Agreement not being fulfilled, (ii) amendments to our organizational documents that would reasonably be expected to prevent or delay the Closing, or (iii) any other action that is intended or could reasonably be expected to interfere with the transactions contemplated by the Purchase Agreement or change the voting right of any class of our stock.

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Standstill. From the Closing until such time as the Restricted Stockholders no longer beneficially own 12% of the Voting Stock (the "*Standstill Period*"), each Restricted Stockholder agrees, without the prior written consent of the Special Committee, and subject to certain exceptions as set forth in the Voting Agreement, to refrain from (i) acquiring Voting Stock if such acquisition would cause it to own more than 35% of the then outstanding shares of the Voting Stock, (ii) participating in a solicitation of proxies, (iii) submitting to our stockholders a proposal for an extraordinary transaction in which it participates as a principal, partner or otherwise, (iv) forming or joining any group of persons formed for the purpose of acquiring, holding, voting or disposing of Voting Stock that would be required to file a statement on Schedule 13D or Schedule 13G if such group beneficially owned Voting Stock representing more than 5% of any class of Voting Stock then outstanding, (v) presenting at a meeting of our stockholders any proposal for stockholder consideration or nomination of a number of Board members in excess of the lower of (A) one-third of the Board or (B) the product of the Restricted Stockholders' ownership percentage and the total number of Board members, (vi) granting any proxy, consent or other authority to vote with respect to any matters or deposit any of the Voting Stock held by such Restricted Stockholder in a voting trust or subject them to a voting agreement, (vii) making a public statement or disclosure in support of or against a solicitation of proxies, (viii) disclosing, unless required by law, if such Restricted Stockholder voted contrary to the recommendation of the Board on any matter and (ix) requesting that we amend or waive any of the standstill provisions herein or (x) direct, instruct, assist or encourage any other person to take any such action.

Post-Closing Lock-Up Restrictions. The Voting and Standstill Agreement provides that from the Closing Date until one day past the eighteen (18) month anniversary of such date, the Restricted Stockholders must refrain from transferring, hedging or acquiring beneficial ownership of Voting Stock, unless (i) the Special Committee gives its prior written consent, (ii) the transferee is another Restricted Stockholder or an affiliate thereof who has executed a joinder agreement, or (iii) the transferor is a charitable organization and the transfer of Voting Stock does not exceed $2.0 million in fair market value.

Term. The Voting and Standstill Agreement will remain in effect until the end of the Standstill Period, provided that if the Closing does not occur, the Voting Agreement will terminate upon termination of the Purchase Agreement.

Non-Competition Agreement

Pursuant to the Purchase Agreement, at the Closing, Parent, the Partnership, ACM and Mr. Kaufman will enter into a non-competition agreement substantially in the form of Exhibit F to the Purchase Agreement (the "*Non-Competition Agreement*"). Under the Non-Competition Agreement, each of Mr. Kaufman and the businesses he controls, ACM and its subsidiaries, and us will agree to restrict our ability to compete in certain businesses for a specified period of time as summarized below.

Restrictions on Competition. None of Mr. Kaufman, ACM, its subsidiaries or any other business in which Mr. Kaufman owns equity interests sufficient to control such business (a "*Kaufman Business*") will be permitted to (i) solicit any of our employees or employees of our subsidiaries (including any Transferred Employee) to cease their relationship with us, (ii) solicit (A) an investment in the Included Business and commercial mortgage backed securities and permanent and bridge multifamily and commercial real estate mortgage loans, mezzanine loans on multifamily and commercial real estate, and preferred equity investments in multifamily and commercial real estate, whether by purchase or origination (a "*Company Target Investment*") or (B) any of our customers or customers of our subsidiaries for an investment which is a Company Target Investment, (iii) refer Company Target Investments from any customer to any person or entity or be paid commissions based on Company Target Investment sales received from any customer by any person or entity, or (iv) among other things, render financial assistance to, receive any economic benefit from, exert any influence upon or otherwise

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assist any person or entity which is engaged in a business that is in competition with our business, including with respect to Company Target Investments.

In addition, we will not be permitted to (i) solicit any employee of the Excluded Business, ACM or its subsidiaries, or any Kaufman Business to cease such employee's relationship with such business, (ii) solicit (A) the Excluded Business and all other investments of any kind other than Company Target Investments (collectively, a "*Seller Target Investment*") or (B) a customer of the Excluded Business, ACM or its subsidiaries or Mr. Kaufman or any Kaufman Business (collectively, the "*Seller Businesses*") for a Seller Target Investment, (iii) refer Seller Target Investments from any customer or be paid commissions based on Seller Target Investment sales received from any customer by any person or entity, or (iv) among other things, render financial assistance to, receive any economic benefit from, exert any influence upon or otherwise assist any person or entity which is engaged in a business that is in competition with any of the Seller Businesses with respect to Seller Target Investments.

The Non-Competition Agreement will not preclude Mr. Kaufman from serving as a member of the Board or as an officer of our company or our subsidiaries. It further provides that the Kaufman Businesses and Seller Target Investments will be outside of our sphere of influence and will not to be deemed a corporate opportunity available to us.

Term. The Non-Competition Agreement is to remain in effect until two (2) years after the date that both (a) Mr. Kaufman is no longer our chief executive officer and (b) the fully diluted beneficial ownership of our common stock collectively held by ACM, Mr. Kaufman and their respective affiliates falls below 10%.

The Proposed Issuances of Equity Securities to ACM

OP Units and Underlying Common Stock

The equity component of the consideration payable to ACM in exchange for the ACM Agency Business consists of 19,230,769 OP Units, subject to certain adjustments as described above in " The Purchase Agreement." The number of Acquisition OP Units issuable to ACM at the closing of the Proposed Acquisition will be equivalent to the number of shares of the Company's common stock calculated by dividing 50% of the Closing Purchase Price by $6.50.

Each such OP Unit is redeemable for cash or, at the Company's option, for shares of the Company's common stock on a one-for-one basis. The underlying shares of common stock are entitled to certain registration rights pursuant to the existing Registration Rights Agreement between the Company and ACM.

Special Voting Preferred Stock

We, the Partnership and ACM have entered into a pairing agreement pursuant to which each Acquisition OP Unit, and any additional OP Units issued to ACM in connection with any exercise of our option under the Option Agreement, will be paired with one share of our newly-designated Special Voting Preferred Stock. Upon any redemption of an OP Unit that is paired with a share of Special Voting Preferred Stock in accordance with the redemption provisions of the Partnership Agreement, the share will be redeemed by us and cancelled.

Each share of Special Voting Preferred Stock entitles the holder to one vote on all matters submitted to a vote of our stockholders, but these holders have no separate class voting rights, except as specifically provided by our charter. A holder of Special Voting Preferred Stock is not entitled to any regular or special dividend payments or other distributions and is only entitled to receive a $0.01 distribution per share in the event of our liquidation, dissolution or redemption of the Special Voting Preferred Stock. If we complete a merger transaction in connection with which the holders of operating partnership units either continue to hold interests in our operating partnership or receive partnership

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interests or other securities of another operating partnership in an "umbrella partnership" REIT structure, then the holders of special voting preferred stock are generally entitled to vote separately as a class on such a merger transaction, unless they receive a voting security comparable to the special voting preferred stock.

Interests of Certain Persons in the Proposed Acquisition

In considering the recommendation of the Board to vote for the proposals described in this proxy statement, you should be aware that certain of our current directors and executive officers have interests in those transactions that may be different from, or in addition to, the interests of our unaffiliated stockholders generally and may create potential conflicts of interest. These interests are described in more detail below.

The Special Committee was aware of each of these interests in reviewing, considering and negotiating the terms of the Proposed Acquisition and in recommending to the entire Board to pursue the Proposed Acquisition. The Board was also aware of these interests in approving the Purchase Agreement, the Voting and Standstill Agreement, the Option Agreement, the Non-Competition Agreement and the transactions described in this proxy statement and in recommending the approval of the Purchase Agreement, the Voting and Standstill, the Option Agreement and the Non-Competition Agreement and those transactions to our stockholders.

Relationships with ACM

ACM's Current Ownership Interest in the Company and Related Registration Rights

ACM currently owns 5,349,053 shares of our common stock, representing approximately 10.4% of the voting power of our common stock. We have granted ACM shelf registration rights, or, if such rights are not available, demand registration rights with respect to the 5,349,053 shares currently owned by it. ACM is also entitled to participate in primary or secondary offerings of our common stock with respect to these shares. We have also agreed to certain restrictions on the registration rights that we may grant to any other holder or prospective holder of our securities without the prior written consent of ACM so long as we are still obligated to register any of the shares currently owned by ACM pursuant to the registration rights agreement.

Common Management

Mr. Ivan Kaufman, our Chairman and Chief Executive Officer, is also the Chief Executive Officer of ACM. Mr. Kaufman and entities controlled by Mr. Kaufman collectively own 92% of the outstanding membership interests in ACM. Mr. Joseph Martello, one of our directors, currently serves as the Chief Operating Officer of Arbor Management, LLC, the managing member of ACM. Mr. Martello owns a 1.3% interest in ACM and is also the sole trustee of the Ivan and Lisa Kaufman Family Trust for the benefit of Mr. Kaufman's family, which owns a 35.3% interest in ACM, and a co-trustee, along with Mr. Kaufman, of the Ivan Kaufman Grantor Retained Annuity Trust, which also owns an equity interest in ACM. Mr. John Bishar, who was one of our directors until his resignation in January 2012, currently serves as our Corporate Secretary and the General Counsel to ACM. Mr. Bishar owns a 0.4% interest in ACM. Mr. Paul Elenio, our Chief Financial Officer and Treasurer, currently serves as the Chief Financial Officer of ACM. Mr. Elenio owns a 0.4% interest in ACM. Mr. Fred Weber, our Executive Vice President of Structured Finance, was responsible for overseeing ACM's structured finance and principal transactions group from 1999 until July 1, 2003. Mr. Weber owns a 0.9% interest in ACM. Mr. Gene Kilgore, our Executive Vice President Structured Securitization, owns a 0.7% interest in ACM. Mr. Andrew Guziewicz, our Chief Credit Officer, owns a 0.1% interest in ACM. Each of Messrs. Kaufman, Martello, Bishar, Elenio, Weber and Kilgore is a member of ACM's executive committee.

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Payment of Purchase Agreement Consideration to ACM

The Purchase Agreement provides that ACM will receive as consideration in respect of the Proposed Acquisition $250 million, subject to potential adjustments as described above in " The Purchase Agreement."

This aggregate potential consideration consists of (i) $125 million in cash (up to $50 million of which the Company has the option to satisfy with seller financing) and (ii) 19,230,769 OP Units, which are redeemable for cash or, at the Company's option, for shares of common stock of the Company on a one-for-one basis, in each case subject to adjustment as described herein. The number of OP Units issuable upon the closing of the Proposed Acquisition will be the number of OP Units that are convertible into the number of shares of the common stock of the Company calculated by dividing 50% of the Closing Purchase Price (as defined in the Purchase Agreement) by $6.50. See " The Purchase Agreement Consideration; Adjustment of Closing Purchase Price."

Upon the closing of the Proposed Acquisition, Ivan Kaufman will have approximately 36% of the total voting power of our common stock based on his beneficial ownership of 11% of our common stock and 19,230,769 shares of Special Voting Preferred Stock to be paired with the Acquisition OP Units, which issuance of shares is subject to certain adjustment as described herein. If ACM elects to redeem the Acquisition OP Units and the Company elects to issue to ACM an equivalent number of shares of our common stock, Mr. Kaufman would retain approximately 36% of the total voting power of our common stock through his assumed beneficial ownership of 25,249,542 shares of our common stock after giving effect to such redemption.

Messrs. Kaufman, Martello, Bishar, Elenio, Weber, Kilgore and Guziewicz, the Ivan and Lisa Kaufman Family Trust and the Ivan Kaufman Grantor Retained Annuity Trust have direct interests in ACM and therefore have indirect interests in the OP Units and cash consideration that are received by ACM as consideration in the Proposed Acquisition. Adjustments to the consideration payable to ACM in the Proposed Acquisition are as described in "Proposal 1: The Acquisition Proposal The Purchase Agreement Consideration; Adjustment of Closing Purchase Price."

Payment of Option Agreement Consideration to ACM

The Option Agreement provides that if the Option is exercised in accordance with the terms thereof, ACM will receive as consideration (i) $25 million if the Option is exercised one year after the closing date of the Proposed Acquisition or (ii) $27 million if exercised thereafter prior to the second anniversary of the Closing. Such exercise price is payable 50% in cash and 50% through the issuance of OP Units. The number of OP Units issuable upon the Option's exercise will be calculated by dividing 50% of the exercise price by the reference market value of a share of the Company's common stock. The "reference market value" is the volume-weighted average closing sale price, as published in the Eastern Edition of The Wall Street Journal, of a share of the Company's common stock on the NYSE for the 30 consecutive trading day period ending on the close of business on the trading day that is three days prior to the closing date of the Option. See " Ancillary Agreements Option Agreement."

If the Option is exercised in the first year of closing of the Proposed Acquisition, assuming that the "reference market value" at the time of exercise is $6.65 (which is based on a measurement as of the close of business on March 31, 2016) and that the total number of shares of common stock outstanding immediately prior to the exercise consists of the 51,381,405 shares of our common stock outstanding as of March 31, 2016, plus 19,230,769 shares of common stock issuable upon redemption of the Acquisition OP Units (assuming no adjustments to the initial number of Acquisition OP Units), immediately following the exercise Ivan Kaufman would beneficially own 27,129,241 shares of our common stock on a fully diluted basis (i.e., assuming redemption of all Option OP Units for shares of our common stock), or approximately 37.4% of the voting power of our common stock. If the Option is exercised in the second year following of closing of the Proposed Acquisition, based on the same

assumptions described above, immediately following the exercise Ivan Kaufman would beneficially own 27,279,617 shares of our common stock on a fully diluted basis, or approximately 37.6% of the voting power of our common stock.

Nothing in this proxy statement guarantees, or is meant to imply, that the Option will be exercised.

Messrs. Kaufman, Martello, Bishar, Elenio, Weber, Kilgore and Guziewicz, the Ivan and Lisa Kaufman Family Trust and the Ivan Kaufman Grantor Retained Annuity Trust have direct interests in ACM and therefore have indirect interests in the OP Units and cash consideration that are received by ACM as consideration under the Option Agreement. The requirements to exercise the option underlying the Option Agreement and any adjustments to the consideration payable thereunder are as described in "Proposal 1: The Acquisition Proposal Ancillary Agreements Option Agreement."

Voting and Standstill Agreement

In connection with the Purchase Agreement, we have entered into the Voting and Standstill Agreement with ACM, Mr. Kaufman and certain affiliated parties (the "*Restricted Stockholders*") pursuant to which they have agreed to certain restrictions in respect of their ownership of common stock, preferred stock or OP Units, any securities convertible into or otherwise exercisable to acquire such common stock, preferred stock or OP Units, any securities having the ordinary power to vote in the election of the Board or any right to acquire within 60 days any of the forgoing, in each case subject to the terms of the agreement. As of March 31, 2016, the Restricted Stockholders collectively beneficially own 6,018,773 shares of the Company's common stock, representing approximately 11.7% of the voting power of our common stock on a fully diluted basis. See "Proposal 1: The Acquisition Proposal Ancillary Agreements Voting and Standstill Agreement."

Chief Executive Officer Compensation

The Annual Incentive Agreement, dated March 5, 2015, between the Company and Mr. Kaufman sets forth the agreement of the parties thereto with respect to Mr. Kaufman's annual base salary and incentive compensation as the Company's Chief Executive Officer. Under the terms of this agreement, Mr. Kaufman's annual cash and equity incentive awards increase by 10% for each increase of 25% in the Company's GAAP equity capitalization, measured year over year. The Proposed Acquisition may result in such adjustments being made. Further, the Compensation Committee of the Company's Board will give consideration to the annual compensation paid by ACM to Mr. Kaufman in determining whether any change should be made to his compensation payable by the Company following the closing of the Proposed Acquisition.

Non-Competition Agreement

In connection with the closing of the transactions contemplated by the Purchase Agreement, we will enter into the Non-Competition Agreement with the Partnership, ACM and Mr. Kaufman pursuant to which we, Mr. Kaufman and the businesses he controls and ACM and its subsidiaries will agree to restrict our ability to compete in certain businesses pursuant to the terms thereof. See "Proposal 1: The Acquisition Proposal Ancillary Agreements Non-Competition Agreement."

Regulatory Approval Required for the Proposed Acquisition and Other Regulatory Matters

Federal Hart Scott Rodino Act (the "HSR Act")

The expiration or termination of the waiting period under the HSR Act is a condition to each party's obligation to complete the Proposed Acquisition. Each of the parties to the Purchase Agreement has pledged to use its reasonable best efforts to cause the waiting period under the HSR Act to expire or terminate. The parties filed the requisite HSR Notification and Report Form and

related materials with the U.S. Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice on March 16, 2016. The applicable waiting period under the HSR Act will expire, if not terminated early, on April 15, 2016.

Consents of the GSEs and HUD

The closing of the Proposed Acquisition is conditioned on receipt of consents and/or approvals from each of the GSEs (Fannie Mae, Freddie Mac and Ginnie Mae) and the approval of HUD, each of such approvals must be reasonably satisfactory to the Buyer and the Seller.

The Fannie Mae approval must (i) permit the assignment to and assumption by the Buyer, or one of its affiliates, of the Seller's rights, obligations and liabilities relating to the various agreements it has with Fannie Mae that allow the Seller to underwrite, originate and sell loans to, and service loans for, Fannie Mae and (ii) acknowledge and permit the transfer to another affiliate of the Buyer, of that portion of the Excess Servicing Strip related to the Fannie Mae servicing portfolio.

The Freddie Mac approval must (i) permit the assignment to and assumption by the Buyer, or one of its affiliates, of the Seller's rights, obligations and liabilities relating to the various agreements it has with Freddie Mac that allow the Seller to originate and sell loans to, and service loans for, Freddie Mac and (ii) acknowledge and permit the transfer to another affiliate of the Buyer, of that portion of the Excess Servicing Strip related to the Freddie Mac servicing portfolio and the Freddie Mac I/O Strip.

The Ginnie Mae and HUD approvals must (i) permit the assignment to and assumption by the Buyer, or one of its affiliates, of the Seller's rights, obligations and liabilities relating to the various agreements it has with Ginnie Mae and HUD that allow the Seller to originate and sell loans to, and service loans for, Ginnie Mae and HUD and (ii) acknowledge and permit the transfer to another affiliate of the Buyer, of that portion of the Excess Servicing Strip related to the Ginnie Mae/HUD servicing portfolio.

Vote Required

Pursuant to the Purchase Agreement and the rules of the NYSE, the approval of the Acquisition Proposal requires the affirmative vote of at least a majority of the votes cast by the Company stockholders entitled to vote on the matter. In addition, pursuant to the Purchase Agreement, the approval of the Acquisition Proposal also requires the affirmative vote of the holders of at least a majority of the outstanding shares of the Company's common stock entitled to be voted on the matter other than the shares owned of record or beneficially by ACM or its affiliates. This is the only vote of holders of any securities of the Company or its subsidiaries necessary to approve the Acquisition Proposal. If you "Abstain" from voting, it will have the same effect as an "Against" vote on the Acquisition Proposal. Failure to vote, including broker non-votes, will have no effect with respect to the requirement under the Purchase Agreement and NYSE rules that the Acquisition Proposal be approved by the affirmative vote of at least a majority of the votes cast by stockholders entitled to vote on the matter, but will have the same effect as an "Against" vote with respect to the requirement under the Purchase Agreement that the Acquisition Proposal be approved by a majority of the outstanding shares owned by stockholders other than ACM or its respective affiliates.

Pursuant to applicable Maryland law, contracts or other transactions in which directors have a material financial interest are not void or voidable solely because of such fact if, among other things, a majority of a company's disinterested directors approve or ratify such transaction, the majority of a company's stockholders approve or ratify such transaction (excluding the votes of shares owned by interested directors or corporations) or the contract or transaction is otherwise fair and reasonable to the corporation. The approval by the Board of the Purchase Agreement, the Proposed Acquisition and the other transactions expressly contemplated by the Purchase Agreement was unanimously

recommended by the Special Committee consisting of four Independent Directors, which retained its own legal and financial advisors. Upon recommendation by the Special Committee, the Independent Directors of the Board approved the Purchase Agreement, the Proposed Acquisition and the other transactions expressly contemplated by the Purchase Agreement. Because the Proposed Acquisition involves a transaction in which some of the Company's directors and officers have a material financial interest, the Board has determined that it wishes to solicit stockholder approval of the Proposed Acquisition in addition to the approval of its disinterested directors. The Company's interested directors, officers and their affiliates own approximately 15.3% of the outstanding common stock of the Company as of March 31, 2016.

Because the OP Units to be issued to "related parties" in the Proposed Acquisition will be redeemable for cash or, at the Company's option, shares of the Company's common stock, which in the aggregate would total more than 1% of the Company's outstanding common stock, Section 312.03(b) of the NYSE Listed Company Manual requires the approval by a majority of votes cast on the Proposed Acquisition at the Special Meeting, assuming that a quorum is present. If such approval is not received, then the Proposed Acquisition will not be completed. Accordingly, the results of the vote will be analyzed for compliance with the NYSE voting requirements.

Federal Securities Laws Consequences

All of the shares of OP Units to be issued in the Proposed Acquisition will be offered and sold pursuant to an exemption from the registration provisions of the Securities Act of 1933, as amended, and, therefore, will be subject to restrictions on their transferability.

Recommendation of the Board

OUR BOARD, BY A UNANIMOUS VOTE OF THE INDEPENDENT DIRECTORS, RECOMMENDS YOU VOTE "FOR" APPROVING THE ACQUISITION PROPOSAL.

PROPOSAL 2: THE ADJOURNMENT PROPOSAL

Proposal 2 is to consider and vote upon the proposal to approve adjourning the Special Meeting, if necessary or appropriate in the discretion of the Chairman of the Special Meeting, to solicit additional proxies in the event that there are not sufficient votes at the time of the Special Meeting to approve the Acquisition Proposal.

General

The Special Meeting may be adjourned to another time or place, if necessary or appropriate in the discretion of the Chairman of the Special Meeting, to permit further solicitation of proxies to obtain additional votes in favor of the Acquisition Proposal.

If, at the Special Meeting, the number of shares of common stock present or represented and voting in favor of the proposal to approve the Acquisition Proposal is insufficient to approve such proposal, the Company intends to move to adjourn the Special Meeting in order to enable the Board to solicit additional proxies for approval of such proposal. In addition, as permitted by the Maryland General Corporation Law, prior to the Special Meeting being convened, the meeting may be postponed by the Board to a date not more than 120 days after the record date for the Special Meeting. Moreover, pursuant to the Company's bylaws, the Chairman of the Special Meeting may adjourn the meeting without any action by the stockholders and without regard to whether a quorum is present. We are asking our stockholders to approve this adjournment if necessary or appropriate in the discretion of the Chairman of the Special Meeting.

Vote Required

The Adjournment Proposal requires the affirmative vote of a majority of the votes cast by the stockholders entitled to vote on the matter. For the purpose of the vote on this proposal, abstentions, broker non-votes and other shares not voted will not be counted as votes cast and will have no effect on the result of the vote, although all shares for which proxies have been given will be considered present for the purpose of determining the presence of a quorum.

Recommendation of the Board

OUR BOARD, BY A UNANIMOUS VOTE OF THE INDEPENDENT DIRECTORS, RECOMMENDS YOU VOTE "FOR" APPROVING THE ADJOURNMENT PROPOSAL.

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U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION

The following is a summary of U.S. federal income tax consequences of the Proposed Acquisition generally applicable to us and holders of shares of our common stock . The discussion is based upon the Internal Revenue Code of 1986, as amended (the "*Code*"), treasury regulations, court decisions, published positions of the Internal Revenue Service (the "*IRS*") and other applicable authorities, all as in effect on the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). This summary does not address all of the U.S. federal income tax consequences that may be relevant to the Company or to particular stockholders. No ruling has been or will be obtained from the IRS regarding any matter relating to the Proposed Acquisition. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax aspects described below. This summary of U.S. federal income tax consequences is for general information only.

Stockholders are urged to consult their tax advisers regarding the U.S. federal income tax consequences of the Proposed Acquisition, as well as the effects of state, local and non-U.S. tax laws, including possible changes in tax law.

In General

The Proposed Acquisition is intended to constitute, for U.S. federal income tax purposes, a part sale and a part tax-deferred contribution by Sellers to the Partnership, and any subsequent contribution of the acquired assets and operations to Arbor Realty SR, Inc. is intended to constitute a tax-deferred contribution to Arbor Realty SR, Inc. As a result, neither we nor holders of our common stock, in respect of those common stock holdings, are expected to recognize gain or loss for U.S. federal income tax purposes as a result of the Proposed Acquisition.

However, as REITs, the Company and Arbor Realty SR, Inc. generally will be unable to hold directly certain of the acquired assets and operations in connection with the Proposed Acquisition. We therefore intend to hold those assets and operations through one or more TRSs of Arbor Realty SR, Inc. A TRS is subject to regular corporate income tax on its net income. As a result, the net income generated by those operations generally will be subject to regular corporate income tax.

Moreover, under the REIT asset tests (i) no more than 25% of our total gross assets may consist of nonqualifying assets, including the stock or other securities of one or more TRSs and other nonqualifying assets (such as goodwill and similar assets we are acquiring as a result of the Proposed Acquisition), and (ii) for 2018 and subsequent taxable years, no more than 20% of our total gross assets may consist of the stock or other securities of one or more TRSs. In addition, although dividends payable by TRSs constitute qualifying income for purposes of the 95% REIT gross income test, they are nonqualifying income for purposes of the 75% REIT gross income test. Accordingly, if the value of the business we are acquiring in connection with the Proposed Acquisition or the income generated thereby increases relative to the value of our other, REIT-compliant assets and income, the Company or Arbor Realty SR, Inc. may fail to satisfy one or more of the requirements applicable to REITs. Although the Proposed Acquisition is not expected to adversely affect the ability of the Company or Arbor Realty SR, Inc. to continue to qualify as a REIT immediately following the acquisition or in the future, no assurances can be given in that regard.

Certain Tax Aspects of Participation Interests in Excess Servicing Fees

In connection with the Proposed Acquisition, Hunton & Williams LLP will be delivering an opinion to us to the effect that the participation interests in excess servicing fees that will be transferred by Seller and acquired by Arbor Realty SR, Inc. will: (i) be classified as "stripped coupons" within the meaning of Section 1286(e)(3) of the Code; (ii) be classified as "interests in mortgages on real property" and therefore "real estate assets" for purposes of the REIT asset tests set forth in

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Sections 856(c)(4) and (c)(5)(B) of the Code; and (iii) generate qualifying income for purposes of the REIT income tests set forth in Sections 856(c)(2) and (c)(3) of the Code. It must be emphasized that the opinion of Hunton & Williams LLP is expressed as of the date given, is based on various assumptions, and is conditioned upon representations and covenants made by the management of Arbor Realty SR, Inc. and affiliated entities. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in such opinions. If the IRS were to successfully challenge the opinion of Hunton & Williams LLP, then the Company or Arbor Realty SR, Inc. could fail to qualify as a REIT.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table indicates how many shares of our common stock are beneficially owned by (i) each of our directors and each nominee for director; (ii) each of our executive officers; and (iii) all of our directors and executive officers as a group. The following table also indicates how many shares of our common stock are beneficially owned by each person known to the Company to be the beneficial owner of more than five percent of the outstanding shares of our common stock, in each case, based solely on, and as of the date of, such person's filing of a Schedule 13D or Schedule 13G with the SEC. Unless otherwise indicated, the persons named in the following table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. In accordance with SEC beneficial ownership rules, the following table attributes to ACM (and to Mr. Kaufman, as the controlling owner of ACM) beneficial ownership of the 5,349,053 shares of common stock currently held by ACM.

	Shares of Common Stock Beneficially Owned	
	Number(2)	**Percentage(3)**
Name and Address(1):		
Ivan Kaufman(4)	6,018,773	11.7%
Arbor Commercial Mortgage, LLC(4)	5,349,053	10.4%
Leon G. Cooperman(5)	4,899,134	9.5%
Wellington Management Company, LLP(6)	4,544,711	8.9%
BlackRock, Inc.(7)	3,885,268	7.6%
FMR LLC(8)	3,357,675	6.5%
John J. Bishar, Jr.(9).	92,234	*
Archie R. Dykes	103,760	*
Karen K. Edwards	82,510	*
William C. Green	70,155	*
William Helmreich	196,110	*
Stanley Kreitman	46,510	*
Melvin F. Lazar	157,590	*
Joseph Martello(10)	108,940	*
Paul Elenio(11)	258,140	*
Andrew Guziewicz(12)	31,975	*
Gene Kilgore(13)	318,250	*
Fred Weber(14)	395,540	*
All directors and executive officers as a group (13 persons)	7,880,688	15.3%

* Less than one percent.

(1) Unless otherwise indicated in the following footnotes, the address for each person or entity listed in the table above is 333 Earle Ovington Boulevard, Suite 900, Uniondale, New York, 11553.

(2) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes securities over which a person has voting or investment power and securities that a person has the right to acquire within 60 days of the date hereof.

(3) The 51,381,405 shares of our common stock outstanding at March 31, 2016 are considered the total number of shares of our common stock outstanding for the purpose of calculating each person's percentage of beneficial ownership of shares of our common stock.

(4)
Mr. Kaufman, together with (i) the Ivan and Lisa Kaufman Family Trust, (ii) the Ivan Kaufman Grantor Retained Trust and (iii) Arbor Management, LLC, the managing member of ACM and an entity owned wholly by Mr. Kaufman and his wife, beneficially own approximately 92% of the outstanding membership interests of ACM. All of the shares beneficially owned by ACM are included in Mr. Kaufman's beneficial ownership.

(5)
Based on information included in the Schedule 13G filed by Leon G. Cooperman, an investor, on February 4, 2016, which includes 2,100,000 shares owned by the Leon and Toby Cooperman Family Foundation for which Mr. Cooperman is a trustee. The address of the principal business office of Mr. Cooperman is 11431 W. Palmetto Park Road, Boca Raton, FL 33428.

(6)
Based on information included in the Schedule 13G filed by Wellington Management Company, LLP on February 11, 2016. Wellington Management Company has sole dispositive power over all such shares and sole voting power over 3,488,875 of these shares.

(7)
Based on information included in the Schedule 13G filed by Black Rock Inc. on January 28, 2016. BlackRock Inc. has sole dispositive power over all such shares and sole voting power over 3,723,544 of these shares.

(8)
Based on information included in the Schedule 13G filed by FMR LLC on February 12, 2016.

(9)
Mr. Bishar holds a 0.4% Class B membership interest in ACM. For purposes of the SEC's beneficial ownership rules, the shares held by ACM are not deemed to be beneficially owned by Mr. Bishar.

(10)
Mr. Martello holds a 1.3% Class B membership interest in ACM. For purposes of the SEC's beneficial ownership rules, the shares held by ACM are not deemed to be beneficially owned by Mr. Martello.

(11)
Mr. Elenio holds a 0.4% Class B membership interest in ACM. For purposes of the SEC's beneficial ownership rules, the shares held by ACM are not deemed to be beneficially owned by Mr. Elenio.

(12)
Mr. Guziewicz holds a 0.1% Class B membership interest in ACM. For purposes of the SEC's beneficial ownership rules, the shares held by ACM are not deemed to be beneficially owned by Mr. Guziewicz.

(13)
Mr. Kilgore holds a 0.7% Class B membership interest in ACM. For purposes of the SEC's beneficial ownership rules, the shares held by ACM are not deemed to be beneficially owned by Mr. Kilgore.

(14)
Mr. Weber holds a 0.9% Class B membership interest in ACM. For purposes of the SEC's beneficial ownership rules, the shares held by ACM are not deemed to be beneficially owned by Mr. Weber.

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SELECTED HISTORICAL PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

Our common stock is traded on the NYSE under the symbol "ABR." The following table illustrates the high, low and closing prices as reported on the NYSE and cash dividends declared by quarter during 2014, 2015 and the first quarter of 2016.

Quarter Ended	High	Low	Close	Cash Dividends Declared Per Share of Common Stock
March 31, 2014	$ 7.26	$ 6.61	$ 6.92	$ 0.13
June 30, 2014	$ 7.36	$ 6.77	$ 6.95	$ 0.13
September 30, 2014	$ 7.30	$ 6.601	$ 6.74	$ 0.13
December 31, 2014	$ 7.18	$ 6.32	$ 6.77	$ 0.13
March 31, 2015	$ 7.42	$ 6.75	$ 6.98	$ 0.13
June 30, 2015	$ 7.21	$ 6.55	$ 6.76	$ 0.15
September 30, 2015	$ 6.94	$ 6.03	$ 6.36	$ 0.15
December 31, 2015	$ 7.31	$ 6.25	$ 7.15	$ 0.15
March 31, 2016	$ 7.35	$ 6.01	$ 6.77	(1)

(1) To be declared at a later date.

On March 31, 2016, there were 8,990 holders of record of our common stock.

Holders of our common stock are entitled to receive distributions if and when the Board authorizes and we declare distributions. The Board has not established any minimum distribution level. In order to maintain our qualification as a REIT, we intend to pay dividends to our stockholders that, on an annual basis, will represent at least 90% of our taxable income, which may not necessarily equal net income as calculated in accordance with GAAP, determined without regard to the deduction for dividends paid and excluding any net capital gains.

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SELECTED CONSOLIDATED FINANCIAL INFORMATION OF ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

The following tables present selected historical consolidated financial information of the Company and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of the ACM Agency Business" and our historical consolidated financial statements, including the related notes, included on our Annual Report on Form 10-K for the year ended December 31, 2015, filed on February 26, 2016 (incorporated by reference). Prior period amounts have been reclassified to conform to current period presentation.

	Year ended December 31,				
	2015	2014	2013	2012	2011
Operating Data					
Interest income	$ 106,768,542	$ 106,716,344	$ 99,031,623	$ 79,998,762	$ 73,867,556
Other interest income, net	7,884,344				
Interest expense	49,720,132	47,903,458	42,065,151	40,866,832	51,651,933
Net interest income	64,932,754	58,812,886	56,966,472	39,131,930	22,215,623
Total other revenue	27,936,612	34,286,714	32,417,974	31,454,043	22,125,735
Provision for loan losses (net of recoveries)	4,466,886	(308,511)	4,287,652	22,946,396	38,542,888
Management fee related party	10,900,000	9,900,000	10,900,000	10,000,000	8,300,000
Gain on acceleration of deferred income	19,171,882				
Gain on sale of real estate	7,784,021	1,603,763		3,953,455	
Gain on sale of equity interests, net		66,745,517			
Gain on extinguishment of debt			4,930,772	30,459,023	10,878,218
Income (loss) from equity affiliates	12,300,516	248,658	(204,475)	(697,856)	3,671,386
Income (loss) from continuing operations	53,428,814	93,048,490	21,298,737	16,388,417	(37,096,165)
Net income (loss)	53,428,814	93,048,490	21,298,737	21,716,455	(40,096,057)
Preferred stock dividends	7,553,720	7,256,255	4,506,583		
Net income (loss) attributable to common stockholders	45,875,094	85,792,235	16,667,955	21,500,888	(40,311,713)
Share Data					
Income (loss) from continuing operations per share, basic(1)	0.90	1.71	0.39	0.60	(1.49)
Income (loss) per share, basic(1)	0.90	1.71	0.39	0.80	(1.61)
Income (loss) from continuing operations per share, diluted(1)(2)	0.90	1.70	0.39	0.59	(1.49)
Income (loss) per share, diluted(1)(2)	0.90	1.70	0.39	0.79	(1.61)
Dividends declared per common share	0.58	0.52	0.50	0.285	

	December 31,				
	2015	2014	2013	2012	2011
Balance Sheet Data					
Loans and investments, net	$ 1,450,334,341	$ 1,459,475,650	$ 1,523,699,653	$ 1,325,667,053	$ 1,302,440,660
Total assets	1,827,391,944	1,866,494,039	1,868,383,412	1,694,025,602	1,769,130,645
Total debt	1,173,188,920	1,246,080,417	1,269,701,365	1,286,734,643	1,430,796,888
Redeemable preferred stock	89,295,905	89,295,905	67,654,655		
Total equity	565,090,775	535,455,471	437,596,282	231,261,122	173,060,533

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	Year ended December 31,				
	2015	2014	2013	2012	2011
Other Data					
New loan originations	$ 828,217,500	$ 900,666,405	$ 591,537,200	$ 274,516,550	$ 206,477,919
Loan payoffs / paydowns	828,699,556	972,311,886	402,162,170	269,904,723	189,521,473

(1) Excluding the impact of a $58.1 million non-cash net gain on the sale of an equity interest in 2014, basic and diluted income per share for the year ended December 31, 2014 would have each been $0.55.

(2) In 2009, we issued one million warrants as part of a debt restructuring which had a dilutive effect for the years ended December 31, 2013 and 2012. In 2014, we acquired and cancelled all of the warrants.

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SELECTED COMBINED FINANCIAL INFORMATION OF THE CARVE-OUT AGENCY BUSINESS OF ARBOR COMMERCIAL MORTGAGE, LLC

The following tables present selected historical combined financial information of the ACM Agency Business and should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations of the ACM Agency Business" and historical combined financial statements, including the related notes of the ACM Agency Business, included elsewhere in this report. Prior period amounts have been reclassified to conform to current period presentation.

	Year ended December 31,		
	2015	2014	2013
Operating Data			
Interest earned	$ 10,126,362	$ 6,604,800	$ 4,661,562
Fee-based services, including gain on sales, net	51,317,161	40,966,590	31,660,933
Originated mortgage servicing rights	47,613,684	39,591,436	38,562,283
Servicing revenue, net	27,821,577	23,444,850	18,906,111
Interest expense	7,069,803	3,591,556	3,508,154
Employee compensation and benefits	54,616,324	47,822,993	42,336,822
Selling and administrative	14,626,542	11,256,941	10,959,107
Provision for loss sharing	3,784,505	2,616,325	2,630,969
Net income	56,781,610	45,319,861	34,355,837

	December 31,	
	2015	2014
Balance Sheet Data		
Loans held-for-sale	$ 268,918,415	$ 250,843,672
Capitalized mortgage servicing rights, net	155,749,764	137,430,760
Total assets	498,343,153	433,547,269
Credit facilities	288,258,783	250,978,379
Allowance for loss-sharing obligations	28,564,318	26,747,435
Total liabilities	339,031,932	297,985,375
Invested equity	159,311,221	135,561,894

	Year ended December 31,		
	2015	2014	2013
Other Data			
Total originations	$ 3,092,061,046	$ 2,355,703,544	$ 1,815,255,739
Servicing portfolio UPB (Fee based)	10,925,465,684	9,009,808,507	7,734,773,131

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PRO FORMA SELECTED FINANCIAL DATA

The following pro forma selected financial information as of and for the year ended December 31, 2015 are presented to show the pro forma effect of the Proposed Acquisition. See "Unaudited Pro Forma Consolidated Financial Information" beginning on page 102 for additional details. The pro forma selected financial information is not necessarily indicative of the consolidated results of operations or financial position that might have been achieved by the consolidated company for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position of the consolidated company that may occur in the future.

(In thousands, except per share data)	Year ended December 31, 2015
Pro Forma Operating Data:	
Income from operations, net	$ 60,167
Net income	88,494
Net income attributable to noncontrolling interest	22,208
Net income attributable to common stockholders	58,732
Basic earnings per common share	$ 1.15
Diluted earnings per common share	$ 1.15

	December 31, 2015
Pro Forma Balance Sheet Data:	
Loans and investments, net	$ 1,450,334
Total assets	2,334,338
Total debt	1,511,879
Total liabilities	1,651,764
Noncontrolling interest in Operating Partnership	124,807
Total equity	557,767
Total liabilities and equity	2,334,338

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HISTORICAL AND PRO FORMA PER SHARE DATA

The following table presents selected historical and pro forma per share data. The selected pro forma per share data have been derived from our unaudited pro forma consolidated financial information, beginning on page 102. The selected pro forma per share data are not necessarily indicative of the consolidated results of operations or financial position that might have been achieved by the consolidated company for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position of the consolidated company that may occur in the future. The information set forth below should be read in conjunction with our consolidated financial statements and notes thereto, and our "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference in this proxy statement, and our unaudited pro forma financial statements, beginning on page 102.

	Year ended December 31, 2015	
	Pro Forma(1)	**Historical**
Cash distributions declared per common share	$ 0.58	$ 0.58
Basic earnings per common share	$ 1.15	$ 0.90
Diluted earnings per common share	$ 1.15	$ 0.90

	Year ended December 31, 2015	
	Pro Forma(2)	**Historical**
Book value per outstanding share	$ 8.45	$ 9.34

(1) Pro forma to give effect to the Proposed Acquisition as if it had occurred on January 1, 2015.

(2) Pro forma to give effect to the Proposed Acquisition as if it had occurred on December 31, 2015. Based on pro forma common stockholders' equity (including the equity component of the consideration for the Proposed Acquisition) as of December 31, 2015, presented elsewhere in this proxy statement, and approximately 70.19 million aggregate shares of pro forma outstanding shares of common stock which include approximately 19.23 million aggregate shares to be issued to ACM as the equity component of the consideration for the Proposed Acquisition.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF THE ACM AGENCY BUSINESS

The following discussion should be read in conjunction with "Selected Combined Financial Information of the Carve-Out Agency Business of Arbor Commercial Mortgage, LLC" and the historical financial statements and the related notes thereto for the years ended December 31, 2015, 2014 and 2013, as included in this proxy statement beginning on page 85. The following discussion contains, in addition to historical information, forward-looking statements that include risks and uncertainties. The ACM Agency Business's actual results may differ materially from those expressed or contemplated in those forward-looking statements as a result of certain factors.

Business

ACM is a national commercial real estate finance company, with a primary focus on multifamily lending. ACM's focus is primarily on small balance loans with an average loan size of approximately $5.0 million. ACM's clients are owners and developers of commercial real estate across the United States. ACM originates and sells multifamily mortgage loans pursuant to the programs of Fannie Mae, Freddie Mac and the FHA, a division of HUD, with which ACM has long-established relationships. ACM is approved as a Fannie Mae DUS lender nationally, a Freddie Mac Program Plus lender in New York, New Jersey and Connecticut, a Freddie Mac affordable, manufactured housing, senior housing and small balance loan lender, seller/servicer, nationally, a HUD MAP and Lean senior housing/healthcare lender nationally, and a Ginnie Mae issuer. ACM also originates and sells loans through CMBS conduit programs. ACM retains servicing rights and asset management responsibilities on substantially all the loans they originate for the GSE and HUD programs and is rated both a primary and special servicer with both Standard and Poor's and Fitch Ratings.

One of ACM's primary sources of revenue is the gains and fees it recognizes from the origination and sale of mortgage loans. These gains and fess reflect commitment fees, broker fees, loan origination fees and gains on the sale of loans, net of any direct loan origination costs incurred. ACM also records as revenue the fair value of the expected net future cash flows associated with the servicing of loans originated. Additionally, ACM also generates revenue from net warehouse interest income it earns while the loan is held for sale in one of its warehouse facilities.

ACM funds loans that it originates related to GSE and HUD programs through warehouse facility financings and subsequently pays off the warehouse facility financings upon the sale to the investor. The sale of the loan is typically completed within 60 days after the loan is closed.

ACM retains servicing rights on substantially all of the loans it originates, and generates revenues from the fees it receives for servicing the loans and on escrow deposits held on behalf of borrowers, late charges and other ancillary fees. Servicing fees are set at the time an investor agrees to purchase the loan and are generally paid monthly for the duration of the loan. Most of ACM's Fannie Mae servicing engagements provide for make-whole payments in the event of a voluntary prepayment prior to the stated lock out period. ACM's servicing portfolio had an unpaid principal balance ("*UPB*") of $10.9 billion as of December 31, 2015, that includes a portfolio of Fannie Mae DUS loans with a UPB of $9.6 billion.

ACM is currently not 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 establishing the coupon rate for the loan. In the event a loan fails to close after a negotiated sale or placement to an investor, ACM's exposure is generally capped at an amount equal to or less than the good faith deposit collected from the borrower.

ACM has risk-sharing obligations on substantially all the loans it originates under the Fannie Mae DUS program. When a Fannie Mae DUS loan is subject to full risk-sharing, ACM absorbs the first 5%

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of any losses on the UPB of a loan at default, and above 5% it shares a percentage of the loss with Fannie Mae, with its maximum loss capped at 20% of the original principal balance ("*OPB*") of a loan (the first loss percentage is subject to doubling or tripling and the maximum loss cap can increase to 30% or 40% if the loan does not meet specific underwriting criteria or if the loan defaults within 12 months of its sale to Fannie Mae). ACM may request modified risk-sharing at the time of origination, which reduces its potential risk-sharing losses from the levels described above. In accordance with Fannie Mae requirements, ACM retains modified risk-sharing on loans in excess of $23.0 million and therefore, these loans are originated with less retained loss exposure and a reduced servicing fee. ACM has risk on 2,005 Fannie Mae DUS transactions with a UPB of approximately $9.6 billion and a maximum loss exposure of $1.7 billion as of December 31, 2015. ACM has a restricted cash requirement of $34.4 million related to this risk, in addition to a risk-share liability on its balance sheet as further described below.

Please refer to "Selected Combined Financial Information of the Carve-Out Agency Business of Arbor Commercial Mortgage, LLC" and the table below, which provides supplemental data regarding its financial performance (dollars in thousands):

	Year Ended December 31,		
	2015	**2014**	**2013**
Origination Data:			
Origination Volumes by Investor			
Fannie Mae	$ 1,856,063	$ 1,650,333	$ 1,334,144
Freddie Mac	869,263	72,727	
Ginnie Mae HUD	90,290	121,169	107,362
CMBS/Conduit	276,445	511,475	373,750
Total	$ 3,092,061	$ 2,355,704	$ 1,815,256
Key Servicing Metrics (end of period)			
Weighted-average servicing fee rate (bps)	47	48	47
Servicing Portfolio UPB by Investor:			
Fannie Mae	$ 9,594,720	$ 8,553,437	$ 7,422,417
Freddie Mac	940,565	68,703	
Ginnie Mae HUD	377,064	336,286	222,976
Other	13,117	51,383	89,380
Total	$ 10,925,466	$ 9,009,809	$ 7,734,773

Summary of Significant Accounting Policies

Basis of Presentation

The combined financial statements of the ACM Agency Business was presented on a carve-out basis and has been prepared from the historical consolidated financial information attributable to the ACM Agency Business and in accordance with principles generally acceptable in the United States of America ("*GAAP*"). The combined financial statements of the ACM Agency Business reflect the assets, liabilities, revenue and expenses directly attributable to the ACM Agency Business, as well as allocations deemed reasonable by management, to present the combined financial position, results of operations, changes in equity and cash flows of the ACM Agency Business on a stand-alone basis. The allocation methodologies are described below and within the notes to the combined financial statements where appropriate, and management considers the allocations to be reasonable. The historical financial information included herein may not necessarily reflect the combined financial position, results of operations, changes in equity and cash flows of the ACM Agency Business in the

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future or what they would have been had the ACM Agency Business been a separate, stand-alone entity during the periods presented.

These combined financial statements include the assets, liabilities, revenues and expenses that are specifically identifiable to the ACM Agency Business. For items not specifically identifiable, expenses have been allocated to the ACM Agency Business from ACM including compensation and employee related expenses, selling and administrative expenses (i.e., telephone, office equipment rental and maintenance, office supplies and marketing) and other expenses directly associated with the revenue-generating activities of the ACM Agency Business. Allocation of expenses to the ACM Agency Business from ACM were made using the most meaningful allocation methodologies, which were primarily based on proportionate direct labor costs (i.e., time spent working on the ACM Agency Business) or geographic location. Costs related to marketing, treasury, information technology, accounting and finance, facilities, human resources, administration and certain senior executives were allocated based on their proportionate direct labor costs. All of these allocations are based on assumptions that management believes are reasonable under the circumstances.

Critical Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the combined financial statements and accompanying notes. Significant estimates include the allowance for possible loan losses, guaranty obligations, mortgage servicing rights and the allocations associated with these combined financial statements. Actual results could differ from these estimates.

Restricted Cash

Restricted cash is required as collateral for possible losses resulting from loans originated under the Fannie Mae DUS program in accordance with the terms of loss sharing agreements between Fannie Mae and ACM.

As an approved designated seller/servicer of Freddie Mac's Small Balance Loan Program ("*SBL Program*"), ACM is required to post collateral to ensure that it is able to meet certain purchase and loss obligations required by this program. Under the SBL Program, ACM was required, until recently (see below), to post cash collateral equal to 9% of the UPB for each loan purchased by Freddie Mac. The Collateral is held during the period of time when Freddie Mac is aggregating loans that were sold by ACM to pool into a securitization. ACM utilizes a financing facility to fund a portion of this cash collateral requirement. At December 31, 2015, ACM posted cash collateral of $20.6 million in satisfaction of its requirements under this program. ACM borrowed $15.7 million from a financing facility to fund the majority of the cash collateral posted. Effective March 2016, the cash collateral requirements were changed from 9% of UPB for each loan to a flat $5.0 million per securitization.

Loans Held-for-Sale

Loans held-for-sale are collateralized commercial real estate loans and are reported at the lower of cost or market, on an aggregate basis. The loans held for sale represent originated loans that are generally transferred or sold within 60 days from the date that a mortgage loan is funded. 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. Loan origination fees and direct loan origination costs are deferred until the related loans are sold.

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Investments Available-for-Sale

ACM acquires agency commercial interest-only securities ("*Agency IOs*") under the SBL Program that are classified as available-for-sale and carried at fair value. The Agency IOs refer to an interest-only component of the cash flows from a pool of commercial mortgage loans issued by the Freddie Mac securitizations under the SBL Program. ACM has elected the fair value option for its Agency IOs, which requires changes in fair value recognized as unrealized gains and losses through earnings in ACM's statements of income. ACM determines the fair value by obtaining valuations from an independent source. Interest income on these investment securities is accrued based on the outstanding principal balance and their contractual terms.

Mortgage Servicing Rights

ACM recognizes, as separate assets, rights to service mortgage loans for others. Accounting guidance requires that an asset be recognized for the rights to service mortgage loans, including those rights that are created by the origination of mortgage loans that are sold with the servicing rights retained by the originator. The recognition of the asset results in an increase in the gains recognized upon the sale of the mortgage loans sold. For these mortgage servicing rights ("*MSRs*"), the initial capitalized valuation of the MSRs is based on the estimated fair value of the expected net cash flows associated with the servicing rights. ACM amortizes MSRs using the amortization method, which requires that MSRs be amortized in proportion to and over the period of net servicing income or net servicing loss and that the servicing assets or liabilities be assessed for impairment or increased obligation based on fair value at each reporting date. Amortization of MSRs is recorded as a reduction of servicing revenues. The following assumptions were used in calculating each loan's MSR for the periods presented:

Key rates: ACM used discount rates ranging from 9% to 15% based on management's best estimate of market discount rates to determine the present value of MSRs. 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: ACM estimates the life of our MSRs 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.

ACM assesses MSRs for impairment based on the fair value of those rights. Fair values are estimated considering market prices for similar MSRs, when available, and by estimating the present value of the future net cash flows of the capitalized MSRs, net of adequate compensation for servicing. Adequate compensation is based on the market rate of similar servicing contracts. ACM estimates the term 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. MSRs are amortized in proportion to, and over the period of estimated net servicing income.

ACM measures the impairment of MSRs based on the difference between the aggregate carrying amount of the MSRs and their fair value. For purposes of impairment evaluation and measurement, the MSRs 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 MSRs exceeds fair value, a valuation allowance is established. As of December 31, 2015 and 2014, ACM had no valuation allowance.

ACM records write-offs of MSRs related to loans that were repaid prior to the expected maturity and loans that defaulted and are determined to be unrecoverable. When this occurs, the write-off is

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recorded as a direct write-down to the carrying value of MSRs 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 MSRs, precluding recognition of subsequent recoveries. During 2015, 2014 and 2013, ACM recorded $7.4 million, $2.6 million and $0.2 million, respectively, of such write-offs relating to specific MSRs, primarily due to prepayments of certain loans. Prepayment fees totaling $6.5 million, $2.9 million, and $0.5 million were collected for 2015, 2014, and 2013, respectively, and are included as a component of servicing revenue, net on the statements of income.

Allowance for Loss-sharing Obligations

When a loan is sold under the Fannie Mae DUS program, ACM undertakes an obligation to partially guarantee the performance of the loan. Generally, ACM is 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. Fannie Mae bears any remaining loss. In addition, under the terms of the master loss sharing agreement with Fannie Mae, ACM is 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, ACM may request interim loss sharing adjustments which allow ACM 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, ACM considers the risk profile of the collateral and the historical loss experience in its portfolio. The guaranty obligation is removed only upon either the expiration or settlement of the guaranty.

ACM evaluates 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 in foreclosure), ACM records 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 obligations in the statements of income, along with a write-off of the associated loan-specific MSR. The amount of the allowance considers ACM's 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. ACM regularly monitor the specific reserves on all applicable loans and update loss estimates as current information is received.

Revenue Recognition

ACM records revenue from the origination and sales of originated loans. Such revenues include commitment fees, broker fees, loan assumption fees, loan origination fees and gain 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 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.

Overview of Current Business Environment

The fundamentals of the commercial and multifamily real estate market are strong. Multifamily occupancy rates and effective rents continue to increase based upon strengthening rental market

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demand while delinquency rates remain at historic lows, all of which aid loan performance due to their importance to the cash flows of the underlying properties. Most other commercial real estate asset classes have experienced similar performance in underlying fundamentals. The positive performance has boosted the value of many commercial and multifamily properties towards the high end of historical ranges.

In addition to the improved property fundamentals, for the last several years, the U.S. commercial and multifamily mortgage market has experienced historically low interest rates, leading many borrowers to seek refinancing prior to the scheduled maturity date of their loans. As borrowers have sought to take advantage of the interest rate environment and improved property fundamentals, the number of lenders and amount of capital available to lend has increased dramatically. According to the Mortgage Bankers Association, commercial and multifamily loan maturities were expected to increase dramatically from 2015 through the end of 2017, as the loans originated at the height of the CMBS market begin maturing a decade later. All of these factors have benefited ACMs origination volumes over the past few years and, in particular, in 2015, as evidenced by a 31% year-over-year growth in loan origination volume from 2014 to 2015. Competition among banks, life insurance companies, and the GSEs remains fierce.

During the fourth quarter of 2015, the Federal Reserve raised its targeted Fed Funds Rate by 25 basis points. ACM does 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, ACM 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.

ACM is 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 to allow 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 the 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. The 2016 Scorecard also provides exclusions for loans to properties located 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. ACM's originations with the GSEs are highly profitable executions as they provide significant non-cash gains from mortgage servicing rights. A decline in ACM's GSE originations would negatively impact ACM's 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.

In addition to banks and life insurance companies, there has been a recent increase in CMBS financing for loans to commercial and multifamily properties. The peak of the CMBS market was between 2005 and 2007, and after its collapse in 2008, CMBS originations were close to zero. However, in recent years, the demand for commercial and multifamily bonds has increased and ACM has experienced increased competition from an ever-growing CMBS mortgage origination market. According to Wells Fargo Securities, non-agency CMBS issuance totaled $94.6 billion in 2015, up 6.3%

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from 2014 as the first wave of CMBS refinancing began. ACM originated $511 million and $276 million in CMBS/Conduit volumes in 2015 and 2014, respectively. Recent volatility in the capital markets resulted in spreads widening and lower demand for CMBS investments in the fourth quarter of 2015. This volatility has continued into early 2016 and could impact overall volumes of CMBS lending in 2016.

Factors That May Impact the ACM Agency Business's Operating Results

ACM believes that the ACM Agency Business's results may be affected by a number of factors, including the items discussed below.

Performance of Multifamily and Other Commercial Real Estate Related Markets. The ACM Agency Business is dependent on the general demand for, and value of, commercial real estate particularly multifamily and related services, which are sensitive to economic conditions. Demand for multifamily and other commercial real estate generally increases during stronger economic environments, resulting in increased property values, transaction volumes and loan origination volumes. During weaker economic environments, multifamily and other commercial real estate may experience higher property vacancies, lower demand and reduced values. These conditions can result in lower property transaction volumes and loan originations, as well as an increased level of servicer advances and losses from ACM's risk-sharing obligations.

The Level of Losses from Risk-Sharing Obligations. Under the Fannie Mae DUS program, ACM shares risk of loss on nearly all the loans it sells. In the majority of cases, ACM absorbs the first 5% of any losses on the UPB of a loan at the time of default, and above 5% it shares a percentage of the loss with Fannie Mae, with its maximum loss capped at 20% of the OPB of a loan (the first loss percentage is subject to doubling or tripling and the maximum loss cap can increase to 30% or 40% if the loan does not meet specific underwriting criteria or if the loan defaults within 12 months of its sale to Fannie Mae). As a result, a continuing rise in delinquencies could have an adverse effect on the ACM Agency Business.

The Price of Loans in the Secondary Market. The ACM Agency Business's profitability is determined in part by the fees received to originate a loan and the premium it recognizes on the sale of a loan. Stronger investor demand typically results in larger premiums while weaker demand results in little to no premium.

Market for Servicing Commercial Real Estate Loans. Servicing fee rates for new loans are set at the time of loan sale commitments and are based on origination volumes, competition, prepayment rates and any risk-sharing obligations undertaken. Changes in future servicing fee rates impact the value of future MSRs and future servicing revenues, which could impact the ACM Agency Business's profit margins and operating results over time.

Human Resources. The ACM Agency Business's profitability can be affected based on its ability to hire and retain quality staff. In particular the hiring or loss of an established loan originator can have an impact on operating results.

Interest Rates. Rising interest rates can reduce loan origination volume but increase the value of MSRs due to the expected benefit of higher earnings on escrow balances. A drop in interest rates has the opposite effect.

The Percentage of Adjustable Rate Loans Originated. The adjustable rate mortgage loans ("*ARMs*") ACM originates typically have less stringent prepayment protection features than fixed rate mortgage loans ("*FRMs*"), resulting in a shorter expected life for ARMs than FRMs. The shorter expected life for ARMs results in smaller MSRs recorded than for FRMs. Absent an increase in originations, an increase in the proportion of ACM's loans

originated that are ARMs could adversely impact the gains from mortgage banking activities ACM records.

Results of Operations

Following is a discussion of the ACM Agency Business's results of operation for the years ended December 31, 2015, 2014 and 2013. The ACM Agency Business's historical financial results are not necessarily indicative of future results. The ACM Agency Business is not typically subject to seasonal trends. However, the ACM Agency Business's results have fluctuated in the past and are expected to fluctuate in the future, reflecting the interest rate environment, the volume of transactions and general economic conditions.

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues

Interest earned increased $3.5 million, or 53%, for 2015 as compared 2014, primarily due to an increase in the average daily balance of ACM's loans held-for-sale, as a result of a 53% increase in its agency origination volume during 2015 as compared to 2014.

Fee-based services, including gain on sales, net increased $10.4 million, or 25% for 2015 as compared to 2014, primarily due to a 35% increase in loan sales from $2.3 billion in 2014 to $3.1 billion in 2015, partially offset by a 7% decrease in fee-based services as a percentage of loan sales volume ("*sales margin*") from 181 basis points in 2014 to 168 basis points in 2015. The decrease in the sales margin was largely attributable to ACM's Fannie Mae volume in 2015 as a result of an increase in average loan size, modified risk-sharing loans as well as adjustable-rate loans, all of which ACM receives lower fees from.

Originated mortgage servicing rights increased $8.0 million, or 20% for 2015 as compared to 2014, primarily due to the significant increase in agency loan sales in 2015 compared to 2014, partially offset by a decrease in OMSR income as a percentage of loan sales volume ("*OMSR rate*"). The OMSR rate declined 19 basis points in 2015 as compared to 2014, as a result of a significant increase in Freddie Mac loan volume in 2015, which have lower servicing fees.

Servicing revenue, net increased $4.4 million, or 19%, for 2015 as compared to 2014, primarily due to a 21% increase in ACM's servicing portfolio from $9.0 billion at December 31, 2014 to $10.9 billion at December 31, 2015.

Expenses

Interest expense increased by $3.5 million, or 97%, for 2015 as compared to 2014, primarily due to a higher average warehouse balance in 2015 as compared to 2014 due to the aforementioned increase in agency loan origination volume combined with an increase in financing of ACM's GSE collateral funding requirements.

Employee compensation and benefits expense increased $6.8 million, or 14%, for 2015 as compared to 2014, primarily due to higher originator commission costs and increased operations related staffing costs due to a significant increase in originations in 2015 compared to 2014.

Selling and administrative expense increased $3.4 million, or 30%, for 2015 as compared to 2014, primarily attributable to increases in professional fees of $1.0 million, computer software and maintenance of $0.7 million, rent expense of $0.5 million, travel related expenses of $0.5 million as well as marketing related expenses of $0.4 million. The increase in professional fees was due to underwriting services associated with increased originations in 2015 compared to 2014. The increase in computer software and maintenance primarily related to a servicing system software upgrade. The increases in

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rent, travel and marketing are associated with the growth of ACM's origination volume and servicing portfolio in 2015.

Provision for loss sharing increased by $1.2 million, or 45%, for 2015 as compared to 2014, due to an increase in the provision related to Fannie Mae loss sharing obligations primarily resulting from an increase in the Fannie Mae servicing loan portfolio from loan sales of $1.9 billion in 2015 as compared to $1.6 billion in 2014.

Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

Revenues

Interest earned increased $1.9 million, or 42%, for 2014 as compared 2013, primarily due to an increase in the average daily balance of ACM's loans held-for-sale, as a result of a 28% increase in its agency origination volume during 2014 as compared to 2013, as well as an increase in rates on new originations in 2014.

Fee-based services, including gain on sales, net increased $9.3 million, or 29% for 2014 as compared to 2013, primarily due to a 21% increase in loan sales from $1.9 billion in 2013 to $2.3 billion in 2014, combined with a 6% increase in sales margin from 170 basis points in 2013 to 181 basis points in 2014. The increase was primarily due to increased sales margins on ACM's Fannie Mae and conduit loan sales in 2014 as compared to 2013.

Originated mortgage servicing rights increased $1.0 million, or 3% for 2014 as compared to 2013, primarily due to a 15% increase in Fannie Mae loan sales in 2014, partially offset by a decrease in OMSR rate on Fannie Mae loans in 2014, as compared to 2013.

Servicing revenue, net increased $4.5 million, or 24%, for 2014 as compared to 2013, primarily due to a 17% increase in ACM's servicing portfolio from $7.7 billion at December 31, 2013 to $9.0 billion at December 31, 2014. Additionally, ACM's servicing portfolio's weighted average servicing fee increased from 47 basis points at December 21, 2013 to 48 basis points at December 31, 2014.

Expenses

Employee compensation and benefits expense increased $5.5 million, or 13%, for 2014 as compared to 2013, primarily due to higher originator commission costs and increased operations related staffing costs due to a significant increase in originations in 2014 compared to 2013.

Liquidity and Capital Resources

Sources and Uses of Liquidity

Liquidity is a measure of the ACM Agency Business's ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain its assets and operations, make distributions and other general business needs. The ACM Agency Business's primary sources of cash generally consist of unused borrowing capacity under its credit facilities, servicing fees from its MSR portfolio, fee income from loan sales and other cash generated from its operating activities. The ACM Agency Business's cash flow needs consist of:

- Liquidity necessary to fund mortgage loans, primarily funded by short-term warehouse financing;
- Day-to-day operating cash flows, including operating expenses of the business, debt service payments and servicing advances related to its agency loans;
- 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;

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Working capital to meet the operational liquidity requirements of the GSE agencies and warehouse facility lenders; and

Risk-sharing obligations on loans originated under the Fannie Mae DUS program.

Historically, the ACM Agency Business's cash flows from operations and warehouse facilities have been sufficient to enable it to meet its short-term liquidity needs and other funding requirements. ACM believes its existing sources of funds will be adequate for meeting its short-term and long-term liquidity needs for the foreseeable future.

The following table sets forth changes in cash and cash equivalents:

	Years Ended December 31,			Change	
(in thousands)	**2015**	**2014**	**2013**	**2015 vs. 2014**	**2014 vs. 2013**
Net cash provided by / (used in) operating activities	$ 23,743	$ (60,093)	$ 70,964	$ 83,836	$ (131,057)
Net cash (used in) / provided by investing activities	(25,099)	20,135	(4,775)	(45,234)	24,910
Net cash provided by / (used in) financing activities	3,525	59,169	(59,243)	(55,644)	118,412
Net increase (decrease) in cash and cash equivalents	2,168	19,211	6,947	(17,043)	12,264
Cash and cash equivalents at beginning of year	39,060	19,849	12,902	19,211	6,947
Cash and cash equivalents at end of year	$ 41,228	$ 39,060	$ 19,849	$ 2,168	$ 19,211

Changes in cash flows from operations were driven primarily by the timing of loans held-for-sale acquired and sold. Such loans are held for short periods of time, generally less than 60 days, and impact cash flows presented as of a point in time. Excluding cash flows from the origination and sale of loans, the change in cash flows provided by operations was $14.9 million from 2014 to 2015 and $16.9 million from 2013 to 2014, primarily due to an increase in profitability.

The decrease in cash flows from investing activities from 2014 to 2015 was primarily attributable to cash flows used in and provided by the ACM Agency Business's restricted cash GSE agency requirements. In 2015, cash used for restricted cash funding increased primarily due to cash collateral of $20.6 million posted in satisfaction of the SBL Program requirements. In 2014, ACM replaced cash collateral posted to satisfy its Fannie Mae restricted cash requirements with a $30.0 million letter of credit. The increase in cash flows from investing activities from 2013 to 2014 was primarily attributable to the aforementioned replacement of its restricted cash collateral with a letter of credit.

The decrease in cash flows from financing activities from 2014 to 2015 was due in part to the timing of credit facility financings of the ACM Agency Business's loans held-for-sale acquired and sold and the impact on cash flows presented as of a point in time as well as the partial financing of the SBL Program cash collateral requirements totaling $15.7 million at December 31, 2015. Excluding cash flows from these credit facilities, the change in cash flows used in financing activities was $11.0 million from 2014 to 2015, primarily due to an increase in distributions year over year. The increase in cash flows from financing activities from 2013 to 2014 was also due in part to the timing of credit facility financings of ACM's loans held-for-sale combined with repayment of a $5.0 million term loan in 2014 which was used to finance a portion of ACM's Fannie Mae restricted cash requirement. Excluding cash flows from these credit facilities, the change in cash flows used in financing activities was $25.6 million from 2013 to 2014, primarily due to an increase in net distributions year over year.

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Restricted Cash and Agency Requirements

Due to the nature of the ACM Agency Business's mortgage banking activities, it 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. ACM's adjusted net worth and liquidity required by the agencies at December 31, 2015 and 2014 exceeded these requirements.

ACM is generally required to share the risk of any losses associated with loans sold under the Fannie Mae DUS program, and as such, ACM is required to secure this obligation by assigning cash collateral 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 December 31, 2015, ACM met the restricted liquidity requirement with a $33.5 million letter of credit and $0.9 million of cash collateral. Additionally, substantially all of the loans for which ACM has risk sharing are Tier 2 loans.

As of December 31, 2015, restricted liquidity requirements for the December 31, 2015 Fannie Mae DUS loan portfolio will require ACM to fund $19.0 million in additional restricted liquidity over the next 48 months, assuming no further principal paydowns, prepayments, or defaults within ACM's at risk portfolio. Fannie Mae periodically reassesses these collateral requirements and may make changes to these requirements in the future. ACM generates sufficient cash flow from its operations to meet these capital standards and does not expect any changes to have a material impact on its future operations; however, future changes to collateral requirements may adversely impact ACM's available cash.

As of December 31, 2015, the ACM Agency Business's cash and cash equivalents balance exceeded the requirement to maintain at least $9.6 million of liquid assets to meet its operational liquidity requirements for Fannie Mae.

ACM is subject to various capital requirements in connection with seller/servicer agreements that ACM has entered into with secondary market investors. Failure to maintain minimum capital requirements could result in ACM's inability to originate and service loans for the respective investor and, therefore, could have a direct material effect on the ACM Agency Business's combined financial statements. As of December 31, 2015, ACM met all capital amounts required for capital adequacy purposes.

Credit Facilities

ACM funds loans that it originates related to the GSE and HUD programs through several committed and uncommitted warehouse lines of credit and are primarily secured by ACM's loans held

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for sale. Additionally, ACM has other credit arrangements it has entered into to meet various operational liquidity needs. These credit facilities consist of the following:

	December 31, 2015			
Credit Facilities	Debt Principal Balance	Debt Carrying Value	Weighted Average Note Rate	Maturity Dates
$150 million warehouse line of credit	$ 128,582,653	$ 128,358,137	1.93%	Nov. 2016
$150 million warehouse line of credit	62,716,000	62,527,212	1.93%	Aug. 2016
$200 million multifamily as soon as pooled plus agreement	56,621,000	56,621,000	1.53%	Uncommitted
$100 million warehouse line of credit	21,944,900	21,943,242	1.93%	Jun. 2016
Warehouse lines GSE	269,864,553	269,449,591	1.85%	
Facility agreement	15,720,403	15,703,736	4.44%	May 2017
$3.1 million master security agreement	3,105,456	3,105,456	3.18%	Jun./Oct. 2020
Total	$ 288,690,412	$ 288,258,783	2.00%	

ACM has three warehouse lines of credit with three different financial institutions to finance GSE loan originations prior to sale. As of December 31, 2015, these three facilities had a combined commitment of $400 million, interest at a variable rate based on LIBOR, maturities ranging from June to November of 2016 and as collateral, the financial institutions have a security interest in the underlying mortgage notes. The warehouse lines are generally one-year commitments that renew annually and are subject to various financial covenants and restrictions under the terms of each facility. ACM's ability to originate mortgage loans depends upon its ability to secure and maintain these types of short-term financing on acceptable terms.

Since 2008, ACM has continued use of a $200 million Multifamily As Soon as Pooled Plus ("*MASAP*") agreement with Fannie Mae. The agreement has no commitment amount or expiration date and interest is based on a spread over LIBOR (with a LIBOR Floor of 0.35%). The MASAP provides ACM with another warehousing credit facility for mortgage loans that are to be sold and serviced under the Fannie Mae DUS program.

As an approved designated seller/servicer of Freddie Mac's SBL Program, ACM is required to post collateral to ensure that it is able to meet certain purchase and loss obligations required by this program. ACM has a facility agreement with a third party investor for the purpose of funding a portion of this SBL Program collateral requirement. In addition, as part of this agreement, the third party investor has agreed to meet certain purchase obligations under the SBL Program. The facility bears interest at a fixed rate and matures in May 2017.

ACM has a master security agreement with a financial institution to finance up to $3.3 million for the renovation of its corporate office. The facility bears interest at a fixed rate, requires monthly amortization payments and matures in 2020.

ACM has a letter of credit of up to $35.0 million which is used to satisfy its restricted cash requirements in accordance with the terms of the loss sharing agreement with Fannie Mae. The letter of credit bears interest at a fixed rate, matures in December 2017, has two one-year extension options and is collateralized by ACM's servicing revenue as approved by Fannie Mae.

Each of the credit facilities contains various financial covenants and restrictions, including minimum tangible net worth, debt to equity ratio, debt service coverage ratio and a minimum servicing portfolio. ACM was in compliance with all financial covenants and restrictions at December 31, 2015 and 2014.

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Financial Instruments with Off-Balance-Sheet Risk

ACM enters into financial instruments with off-balance-sheet risk 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. Financial instruments with off-balance-sheet risk include commitments to extend credit and mandatory forward commitments. These instruments involve, to varying degrees, elements of credit and interest rate risk. ACM manages credit risk by entering into agreements only with Wall Street investment bankers having primary dealer status and with permanent investors meeting our standards. At any time, ACM's risk, in the event of default by the purchaser, is the difference between the contract price and current market price.

Until a locked interest rate commitment is extended by ACM to a borrower, ACM has no interest rate risk.

Simultaneous to a locked interest rate commitment being extended, ACM enters into mandatory forward commitments used to minimize interest rate exposure on loans held-for-sale and loan commitments which have been rated locked. As of December 31, 2015, there were ten commitments outstanding to borrowers that had a locked interest rate and corresponding mandatory forward commitments totaling approximately $46.9 million. As of December 31, 2014, there were four commitments outstanding to borrowers that had a locked interest rate and corresponding mandatory forward commitments totaling approximately $53.3 million. At both December 31, 2015 and 2014, the values of these commitments were de minimus.

Contractual Obligations

The ACM Agency Business has contractual obligations to make future payments on credit facilities and lease agreements. Maturities of credit facilities as well as minimum annual operating lease payments under leases with a term in excess of one year in effect as of December 31, 2015 are as follows:

Year	Credit Facility Maturities	Minimum Annual Operating Lease Payments	Total
2016	$ 269,864,553	$ 3,184,986	$ 273,049,539
2017	15,720,403	3,097,858	18,818,261
2018		3,543,485	3,543,485
2019		3,214,504	3,214,504
2020	3,105,456	2,727,385	5,832,841
Thereafter		6,962,397	6,962,397
	$ 288,690,412	$ 22,730,615	$ 311,421,027

New/Recent Accounting Pronouncements

There were no accounting standards that were issued and required to be implemented that were not implemented that would have or are expected to have a material impact on the financial position or results of the ACM Agency Business as of December 31, 2015. See Combined Financial Statements of the Carve-Out Agency Business of Arbor Commercial Mortgage, LLC and Subsidiaries included herein for a description of recent accounting pronouncements that are effective for us in future periods.

Quantitative and Qualitative Disclosures About Market Risk

ACM is 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 effectuated within 60 days of closing. The coupon rate for the loan is set after ACM has established the interest rate with the investor.

Some of ACM's assets and liabilities are subject to changes in interest rates. The borrowing cost of ACM's warehouse facilities are based on LIBOR. ACM's loans held sale are predominately fixed rate loans. Therefore, a 100 basis point increase in 30-day LIBOR would decrease the ACM Agency Business's annual net interest income by approximately $2.7 million based on outstanding warehouse balances as of December 31, 2015, compared to $2.3 million as of December 31, 2014. A decrease in 30-day LIBOR to zero would increase the ACM Agency Business's annual net interest income by approximately $1.0 million based on outstanding warehouse balances as of December 31, 2015, compared to $0.2 million as of December 31, 2014

Earnings on escrow balances are generally based on a negotiated fixed rate that may be indirectly associated with interest rate benchmarks such as LIBOR. Therefore, while changes in benchmark rates such as LIBOR may increase or decrease the ACM Agency Business's annual earnings in the future, the changes may not necessarily move in direct correlation with such interest rate benchmarks.

The fair value of ACM's MSRs is subject to market risk. A 100 basis point increase or decrease in the weighted average discount rate would decrease or increase, respectively, the fair value of ACM's MSRs by approximately $6.7 million as of December 31, 2015 compared to approximately $5.0 million as of December 31, 2014.

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma consolidated balance sheet is presented as if the Proposed Acquisition had occurred on December 31, 2015. The unaudited pro forma consolidated statement of income for the year ended December 31, 2015 is presented as if the Proposed Acquisition had occurred on January 1, 2015.

The accompanying unaudited pro forma consolidated financial statements are based on the historical financial statements of the Company after giving pro forma effect to the Company's acquisition of the ACM Agency Business and related assets, liabilities and personnel.

The unaudited pro forma consolidated financial statements have been prepared using the historical consolidated financial statements of the Company and the ACM Agency Business. The unaudited pro forma consolidated financial information, including the notes thereto, should be read in conjunction with the following historical financial statements and accompanying notes for the applicable periods, which are incorporated by reference or included in this proxy statement:

- The Company's audited consolidated financial statements for the year ended December 31, 2015 included in our Annual Report on Form 10-K which we filed with the SEC on February 26, 2016 (incorporated by reference); and

- The audited carve-out financial statements of the ACM Agency Business for the year ended December 31, 2015 included herein.

The unaudited pro forma consolidated financial information has been prepared by management and is based upon available information, preliminary estimates and certain assumptions that management believes are reasonable and factually supportable to reflect the effects of the Proposed Acquisition. The unaudited pro forma consolidated financial information is preliminary and is being furnished solely for informational purposes and, therefore, is not necessarily indicative of the consolidated results of operations or financial position that might have been achieved by the consolidated company for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position of the consolidated company that may occur in the future.

The unaudited pro forma consolidated financial statements have been prepared using the acquisition method of accounting for business combinations under accounting principles generally acceptable in the United States, or GAAP. The unaudited pro forma adjustments related to the Proposed Acquisition are preliminary and do not reflect the final purchase price or final debt and equity components of the Proposed Acquisition. The completion of the valuation, accounting for the Proposed Acquisition, the allocation of the purchase price and the impact of ongoing integration activities could cause significant differences in the purchase price, debt and equity components and allocation of the purchase price, which may affect the value assigned to the tangible or intangible assets and amount of depreciation and amortization expense recorded in the consolidated statement of income.

The unaudited pro forma consolidated financial statements do not reflect any non-recurring revenues or charges related to integration activity that may be incurred by the Company or the ACM Agency Business with respect to the Proposed Acquisition. The unaudited pro forma consolidated financial statements also does not reflect any cost savings or synergies that we may realize after the consummation of the Proposed Acquisition.

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ARBOR REALTY TRUST, INC.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

As of December 31, 2015

(In thousands, except share and per share data)

	Historical ART	Historical Agency Business	Pro Forma Adjustments		Pro Forma Total
Assets:					
Cash and cash equivalents	$ 188,709	$ 41,228	$ (109,162)	**A**	$ 120,775
Restricted cash	48,301	21,484	(857)	**B**	68,928
Loans held-for-sale		268,918	3,158	**C**	272,076
Loans and investments, net	1,450,334				1,450,334
Available-for-sale securities, at fair value	2,022				2,022
Investments available-for-sale		2,676			2,676
Investments in equity affiliates	30,870				30,870
Real estate owned, net	60,846				60,846
Real estate held-for-sale, net	8,669				8,669
Due from related party	8,082				8,082
Capitalized mortgage servicing rights, net		155,750	52,771	**D**	208,521
Goodwill			17,663	**E**	17,663
Intangible assets			45,030	**F**	45,030
Property and equipment, net		4,801			4,801
Other assets	29,559	3,486			33,045
Total assets	$ 1,827,392	$ 498,343	$ 8,603		$ 2,334,338
Liabilities and Equity:					
Credit facilities and repurchase agreements	$ 136,252	$ 288,259	$ 431	**G**	$ 424,942
Related party financing			50,000	**H**	50,000
Collateralized loan obligations	758,900				758,900
Senior unsecured notes	93,765				93,765
Junior subordinated notes	157,117				157,117
Mortgage note payable real estate owned	27,155				27,155
Accounts payable and accrued expenses		22,209			22,209
Due to related party	3,428				3,428
Due to borrowers	34,630				34,630
Allowance for loss-sharing obligations		28,564			28,564
Other liabilities	51,054				51,054
Total liabilities	1,262,301	339,032	50,431		1,651,764
Noncontrolling interest in Operating Partnership			124,807	**I**	124,807
Equity:					
Preferred stock	89,296		192	**I**	89,488
Common stock, $0.01 par value	510				510
Additional paid-in capital	616,244				616,244
Accumulated deficit	(136,118)		(7,516)	**J**	(143,634)
Accumulated other comprehensive loss	(4,841)				(4,841)
Invested equity		159,311	(159,311)	**K**	

Total equity		565,091		159,311		(166,635)		557,767
Total liabilities and equity	$	1,827,392	$	498,343	$	8,603	$	2,334,338

The accompanying notes are an integral part of these combined financial statements.

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ARBOR REALTY TRUST, INC.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2015

(In thousands, except share and per share data)

	Historical ART	Historical Agency Business	Pro Forma Adjustments		Pro Forma Total
Interest income	$ 106,769	$ 10,126	$		$ 116,895
Other interest income, net	7,884				7,884
Interest expense	49,720	7,070	3,750	L	60,540
Net interest income	64,933	3,056	(3,750)		64,239
Other revenue:					
Property operating income	27,666				27,666
Fee-based services, including gain on sales, net		51,317			51,317
Originated mortgage servicing rights		47,614			47,614
Servicing revenue, net		27,822	(7,229)	M	20,593
Other income, net	270				270
Total other revenue	27,936	126,753	(7,229)		147,460
Other expenses:					
Employee compensation and benefits	17,500	54,616	(5,835)	N	66,281
Selling and administrative	12,526	14,626	(3,515)	O	23,637
Property operating expenses	23,238				23,238
Depreciation and amortization	5,436		8,445	P	13,881
Provision for loss sharing		3,785			3,785
Provision for loan losses (net of recoveries)	4,467				4,467
Management fee related party	10,900		5,343	Q	16,243
Total other expenses	74,067	73,027	4,438		151,532
Income from operations, net	18,802	56,782	(15,417)		60,167
Gain on acceleration of deferred income	19,172				19,172
Loss on termination of swaps	(4,630)				(4,630)
Gain on sale of real estate	7,784				7,784
Income from equity affiliates	12,301				12,301
Provision for income taxes			(6,300)	R	(6,300)
Net income	53,429	56,782	(21,717)		88,494
Preferred stock dividends	7,554				7,554
Net income attributable to noncontrolling interest			22,208		22,208
Net income attributable to common stockholders	$ 45,875	$ 56,782	$ (43,925)		$ 58,732
Basic earnings per common share	$ 0.90				$ 1.15

Diluted earnings per common share	$	0.90	$	1.15
Weighted average number of shares of common stock outstanding:				
Basic		50,857,750		50,857,750