

ARBOR REALTY TRUST INC
Form 10-Q
November 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the quarterly period ended September 30, 2014

Or

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

For the transition period from _____ to _____

Commission file number: 001-32136

Arbor Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

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Maryland
(State or other jurisdiction of
incorporation)

20-0057959
(I.R.S. Employer
Identification No.)

333 Earle Ovington Boulevard, Suite 900
Uniondale, NY
(Address of principal executive offices)

11553
(Zip Code)

(516) 506-4200

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common stock, \$0.01 par value per share: 50,477,308 outstanding (excluding 2,650,767 shares held in the treasury) as of November 7, 2014.

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ARBOR REALTY TRUST, INC.

FORM 10-Q

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CAUTIONARY STATEMENTS

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

This report contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, the operating performance of our investments and financing needs. Forward-looking statements are generally identifiable by use of forward-looking terminology such as may, will, should, potential, intend, expect, seek, estimate, believe, could, project, predict, continue or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Our ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results in future periods to differ materially from forecasted results. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to, changes in economic conditions generally and the real estate market specifically; adverse changes in the financing markets we access affecting our ability to finance our loan and investment portfolio; changes in interest rates; the quality and size of the investment pipeline and the rate at which we can invest our cash; impairments in the value of the collateral underlying our loans and investments; legislative/regulatory changes; the availability and cost of capital for future investments; competition; and other risks detailed from time to time in our reports filed with the Securities and Exchange Commission (SEC). Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect management's views as of the date of this report. The factors noted above could cause our actual results to differ significantly from those contained in any forward-looking statement. For a discussion of our critical accounting policies, see Management's Discussion and Analysis of Financial Condition and Results of Operations of Arbor Realty Trust, Inc. and Subsidiaries Significant Accounting Estimates and Critical Accounting Policies in our Annual Report on Form 10-K for the year ended December 31, 2013 (the 2013 Annual Report).

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

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

	September 30, 2014 (Unaudited)	December 31, 2013
Assets:		
Cash and cash equivalents	\$ 72,874,163	\$ 60,389,552
Restricted cash (includes \$142,343,488 and \$54,051,439 from consolidated VIEs, respectively)	143,848,917	54,962,316
Loans and investments, net (includes \$1,210,637,703 and \$1,196,434,032 from consolidated VIEs, respectively)	1,526,641,987	1,523,699,653
Available-for-sale securities, at fair value	2,529,104	37,315,652
Investments in equity affiliates	5,022,502	4,680,306
Real estate owned, net (includes \$80,787,215 and \$80,787,215 from consolidated VIEs, respectively)	90,738,137	111,718,177
Real estate held-for-sale, net	26,430,595	11,477,676
Due from related party (includes \$0 and \$91,988 from consolidated VIEs, respectively)	628,320	98,058
Prepaid management fee related party		19,047,949
Other assets (includes \$17,311,015 and \$19,861,310 from consolidated VIEs, respectively)	48,441,712	54,083,143
Total assets	\$ 1,917,155,437	\$ 1,877,472,482
Liabilities and Equity:		
Credit facilities and repurchase agreements	\$ 71,306,110	\$ 159,125,023
Collateralized debt obligations (includes \$371,733,279 and \$639,622,981 from consolidated VIEs, respectively)	371,733,279	639,622,981
Collateralized loan obligations (includes \$545,750,000 and \$264,500,000 from consolidated VIEs, respectively)	545,750,000	264,500,000
Senior unsecured notes	97,860,025	
Junior subordinated notes to subsidiary trust issuing preferred securities	159,695,009	159,291,427
Notes payable	1,300,000	2,500,000
Mortgage note payable real estate owned	25,022,701	42,745,650
Mortgage note payable real estate held-for-sale	23,791,205	11,005,354
Due to related party	2,046,667	2,794,087
Due to borrowers	31,383,434	20,326,030
Deferred revenue		77,123,133
Other liabilities (includes \$8,993,416 and \$13,944,737 from consolidated VIEs, respectively)	53,100,605	60,842,515
Total liabilities	1,382,989,035	1,439,876,200
Commitments and contingencies		

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Equity:

Arbor Realty Trust, Inc. stockholders' equity:

Preferred stock, cumulative, redeemable, \$0.01 par value: 100,000,000 shares authorized; 8.25% Series A, \$38,787,500 aggregate liquidation preference; 1,551,500 shares issued and outstanding at September 30, 2014 and December 31, 2013; 7.75% Series B, \$31,500,000 aggregate liquidation preference; 1,260,000 shares issued and outstanding at September 30, 2014 and December 31, 2013; 8.50% Series C, \$22,500,000 aggregate liquidation preference; 900,000 shares issued and outstanding at September 30, 2014, no shares issued and outstanding at December 31, 2013	89,295,905	67,654,655
Common stock, \$0.01 par value: 500,000,000 shares authorized; 53,128,075 shares issued, 50,477,308 shares outstanding at September 30, 2014 and 51,787,075 shares issued, 49,136,308 shares outstanding at December 31, 2013	531,280	517,870
Additional paid-in capital	629,579,966	623,993,245
Treasury stock, at cost 2,650,767 shares at September 30, 2014 and December 31, 2013	(17,100,916)	(17,100,916)
Accumulated deficit	(150,966,676)	(212,231,319)
Accumulated other comprehensive loss	(17,173,157)	(25,237,253)
Total equity	534,166,402	437,596,282
Total liabilities and equity	\$ 1,917,155,437	\$ 1,877,472,482

See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Interest income	\$ 29,657,960	\$ 25,742,973	\$ 80,062,244	\$ 73,060,911
Interest expense	12,334,034	10,645,725	34,148,009	31,621,042
Net interest income	17,323,926	15,097,248	45,914,235	41,439,869
Other revenue:				
Property operating income	8,443,877	7,538,852	26,703,348	24,666,108
Other income (loss), net	518,318	(251,424)	1,526,901	1,733,351
Total other revenue	8,962,195	7,287,428	28,230,249	26,399,459
Other expenses:				
Employee compensation and benefits	3,639,722	2,995,322	10,578,219	9,047,639
Selling and administrative	2,330,033	3,300,071	7,507,097	8,459,087
Property operating expenses	7,266,859	6,664,704	21,687,062	20,696,197
Depreciation and amortization	1,806,683	1,868,670	5,776,719	5,328,396
Impairment loss on real estate owned			250,000	
Provision for loan losses (net of recoveries)	1,326,538	750,231	590,695	4,072,108
Management fee - related party	2,450,000	2,800,000	7,400,000	8,400,000
Total other expenses	18,819,835	18,378,998	53,789,792	56,003,427
Income before gain on sale of equity interest, incentive management fee, gain on extinguishment of debt, loss on sale of real estate and (loss) income from equity affiliates	7,466,286	4,005,678	20,354,692	11,835,901
Gain on sale of equity interest	77,123,133		84,974,399	
Incentive management fee related party	(19,047,949)		(19,047,949)	
Gain on extinguishment of debt		1,167,772		4,930,772
Loss on sale of real estate	(199,749)		(199,749)	
(Loss) income from equity affiliates	(51,170)	(81,723)	29,371	(245,412)
Net income	65,290,551	5,091,727	86,110,764	16,521,261
Preferred stock dividends	1,888,430	1,410,333	5,367,825	3,096,278
Net income attributable to noncontrolling interest		16,715		124,199
Net income attributable to Arbor Realty Trust, Inc. common stockholders	\$ 63,402,121	\$ 3,664,679	\$ 80,742,939	\$ 13,300,784
Basic earnings per common share	\$ 1.26	\$ 0.08	\$ 1.61	\$ 0.33
Diluted earnings per common share	\$ 1.26	\$ 0.08	\$ 1.60	\$ 0.33
Dividends declared per common share	\$ 0.13	\$ 0.13	\$ 0.39	\$ 0.37
Weighted average number of shares of common stock outstanding:				
Basic	50,477,308	43,397,555	50,031,205	40,129,718
Diluted	50,477,308	43,832,271	50,331,623	40,576,633

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See Notes to Consolidated Financial Statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Net income	\$ 65,290,551	\$ 5,091,727	\$ 86,110,764	\$ 16,521,261
Unrealized (loss) gain on securities available-for-sale, net	(276,368)	235,157	(305,763)	293,946
Reclassification of unrealized gain on securities available-for-sale realized into earnings			(431,476)	(100,000)
Unrealized gain (loss) on derivative financial instruments	265,078	(1,383,491)	(813,366)	(98,429)
Reclassification of net realized loss on derivatives designated as cash flow hedges into earnings	3,059,660	3,551,371	9,614,701	10,564,021
Comprehensive income	68,338,921	7,494,764	94,174,860	27,180,799
Less:				
Preferred stock dividends	1,888,430	1,410,333	5,367,825	3,096,278
Comprehensive income attributable to noncontrolling interest		16,715		124,199
Comprehensive income attributable to Arbor Realty Trust, Inc. common stockholders	\$ 66,450,491	\$ 6,067,716	\$ 88,807,035	\$ 23,960,322

See Notes to Consolidated Financial Statements.

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ARBOR REALTY TRUST, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

Nine Months Ended September 30, 2014

		Preferred Stock Shares	Preferred Stock Value	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance	January 1,	2,811,500	\$ 67,654,655	51,787,075	\$ 517,870	\$ 623,993,245	(2,650,767)	\$ (17,100,916)	\$ (212,231,319)	\$ (25,237,253)	\$