

## Conservative Lending, Focusing Primarily on Multifamily Bridge Loans offers Arbor Realty Trust, Inc. the Best Risk-Adjusted Returns

**Financial  
REIT - Mortgage  
(ABR-NYSE)**

**Arbor Realty Trust, Inc.**

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**Paul Elenio  
Chief Financial Officer**

**BIO:**

As Chief Financial Officer, Mr. Elenio is responsible for overseeing all aspects of Arbor Commercial Mortgage and Arbor Realty Trust's financial operations. This includes financial reporting, tax planning, budgeting and the appropriate utilization of Arbor's capital. He is also in charge of Investor Relations for Arbor Realty Trust.

Mr. Elenio joined Arbor National Holdings, the predecessor company of

Arbor Realty Trust's external manager, Arbor Commercial Mortgage, in 1991. As the Financial Reporting and Tax Supervisor, he was involved in Arbor National Holding's 1992 Initial Public Offering. In 1995, he was promoted to Vice President, Controller, and in 2002 he assumed the position of Vice President of Finance. In that role, he implemented the necessary financial planning and analysis required to successfully transition Arbor Realty Trust to a public company in April 2004. He was named Senior Vice President of Finance shortly thereafter.

Prior to joining Arbor, Mr. Elenio was employed with Ernst & Young from 1989 to 1990 in the auditing department. He graduated Cum Laude with a Bachelor of Business Administration degree in Accounting from St. Bonaventure University.

Mr. Elenio is a member of Arbor Realty Trust's Loan and Risk Management Committees and is a member of the National Association of Real Estate Investment Trusts.

**Company Profile:**

Arbor Realty Trust, Inc. is a real estate investment trust that invests in a diversified portfolio of multifamily and commercial real estate-related bridge and mezzanine loans, preferred equity investments, mortgage-related securities and other real estate related assets. Arbor commenced operations in July of 2003 and conducts substantially all of its operations through its operating partnership, Arbor Realty Limited Partnership and its subsidiaries. Arbor is externally managed and advised by Arbor Commercial Mortgage, LLC, a national commercial real estate finance company

specializing in debt and equity financing for multifamily and commercial real estate.

**Interview conducted by:  
Lynn Fosse, Senior Editor  
CEOCFO Magazine**

**CEOCFO:** Mr. Elenio, what is the focus today at Arbor?

**Mr. Elenio:** Arbor Realty Trust is a commercial mortgage specialty finance company, and we essentially have two significant lines of business. We focus on short-term commercial mortgage lending and we invest in mortgage-related securities.

**CEOCFO:** What, if anything, has changed in your strategy during the past few years?

**Mr. Elenio:** Certainly, right before the real estate market dislocation occurred, we anticipated its arrival like many did, and we had to refocus our objectives on making sure we not only weathered the storm, but also prepared ourselves to re-emerge in an advantageous position when the market stabilized. What we have learned from that crisis is the need to continue to lend conservatively, sticking to strong fundamental real estate values with experienced sponsorship. Right now, we primarily focus on multifamily bridge loans. We have a long history going back to 1993 of expertise in the multifamily lending arena and we feel, in this current market, that this product offers the best risk-adjusted returns.

**CEOCFO:** When you decide to loan, what do you look for that others might not?

**Mr. Elenio:** Like any other lender, we look for solid real estate fundamentals

and underwriting criteria. We have a long history of working with repeat borrowers, and focus on making sure the borrower is a high quality, reputable operator. The borrower needs to have a substantial amount of experience and expertise in the market in which he is involved. When we make loans, we are not only looking to see if the real estate works, we are also looking to make sure that there is a substantial financial commitment from the borrower. In addition, we look at each borrower's track record of developing and operating successful properties and how each has performed in his or her specific arenas.

**CEOCFO:** Is there a particular geographic area you like? Is there secondary criteria over and above multifamily that interests you?

**Mr. Elenio:** I think there is. We examine several other factors besides the strength of the borrower and the strength of the asset itself. We look at its market and where it is specifically located within that market. We are certainly staying away from the tertiary markets throughout the country. We will lend throughout the entire United States, but we have significant expertise and are very comfortable within the New York City area. We currently have a substantial amount of our portfolio concentrated in the New York metropolitan area, which is obviously our backyard. We do lend in other markets throughout the country, especially the markets that seem to recover more quickly and have always exhibited stability and growth.

**CEOCFO:** Why do borrowers like to work with Arbor?

**Mr. Elenio:** One of the things we do well here, and this is essentially our franchise tag, is we provide customized solutions to borrowers in any market in any cycle. Borrowers like to work with Arbor because they know us well and they are comfortable knowing that their lender is somebody that wants to work with them on all of their unique projects. We build financial partnerships with our borrowers that yield long-term, repeat business. Capability-wise, we are also quite crea-

tive and responsive as a commercial real estate lender. Unlike some of the larger banks and larger institutions that are deliberate and even slow in closing loans and limit themselves to a specified box that they have to conduct business within, Arbor is uniquely creative and entrepreneurial with its transactions, customizing and moving expeditiously to meet borrowers' needs.

**CEOCFO:** Would you give us an example of a way that you would customize, and what can you do for a borrower that is not available elsewhere?

**Mr. Elenio:** One differentiating factor is that we can originate smaller loan sizes. Certainly some of the larger banks and institutions' focus is on larger transactions that make sense for their specific capital structures. Because of the fact that we are entrepreneurial and nimble, we can origi-

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nate smaller-sized mortgages, which allows us to address the significant demand in the marketplace among smaller, local borrowers. We can customize loans in certain ways, whether it is through second mortgages, mezzanine positions or even by bifurcation between a loan and an equity component. It is quite technical, but we can develop extremely creative structures from a loan and investment standpoint that many of the larger institutions and more conventional mortgage lenders are not able to pursue because of their restrictions.

**CEOCFO:** Your website shows that you have a number of locations outside of New York, how does that help you in finding the right people to lend money to?

**Mr. Elenio:** I think local expertise is the key when you are dealing in real estate lending, so while we do possess two corporate headquarter locations, in Manhattan and Long Island, we also have several different sales offices throughout the country as well.

I think that employing a local originator, a local underwriter, a local broker who is much more in touch with a market in a particular region, as well as the more prominent borrowers in that region, is the key to being able to provide loan products throughout the country. It is significantly harder, for example, to access the California market if you are solely based in New York and do not have that local California presence. Having offices strategically located throughout the country allows us to access borrowers nationwide and partner with them wherever their business takes them.

**CEOCFO:** How is business these days?

**Mr. Elenio:** Business is good. We are definitely seeing a nice progression here, and things have recovered slowly but steadily. The market in general is returning to a more normalized environment as liquidity has returned to the space. We are seeing a significant amount of high-quality opportunities to invest our capital. We are quite pleased with the opportunities and growth we have had during the past two to three quarters and we are optimistic that will continue. We will be patient and we will be cautious, as we always are, but we are starting to see some truly unique opportunities, and our origination pipeline is growing at a rapid pace.

**CEOCFO:** Are there any concerns or thoughts on the current economic situation and where it is going?

**Mr. Elenio:** You still have to be concerned about emerging from the crisis we endured and you need to be diligent. We think fundamentals are recovering and there are some signs that the economy is recovering quicker within the commercial mortgage multifamily arena specifically. We have seen signs of increased stabilization. You still have to be concerned with several factors such as housing, jobs, consumer spending, Europe and all the components that factor into the overall global economy. You also want to remain aware of the types of people you are lending to and the types of transactions they are pursuing, making sure there is

real hard capital in these transactions and making sure the borrowers are committed to the plan to make the asset work. In addition, you want to ensure that the asset in question is in a location that you ascertain to be either improving or stabilized, so that you are not negatively impacted by the loans you are originating.

**CEOCFO:** Is there a particular number of deals that you want to have going at one time or is it strictly opportunistic?

**Mr. Elenio:** It is opportunistic, and that is how we operate. We are risk-adjusted-return-based, so we could be pursuing multiple deals in one month and then only two or three deals the subsequent month.

**CEOCFO:** What is the financial picture like for Arbor Realty Trust today?

**Mr. Elenio:** The financial picture is sound. We just reinstated our dividend back in May and we think that is a sign that we are back on the offen-

sive and progressing nicely. In June we raised capital for the first time in five years, which we think is a tremendous indicator that the capital markets are available again, that there is access to capital and that we are the type of firm that is able to access capital opportunistically. We have a strong reputation in the marketplace. We feel that our financial picture is strong. We believe we will be able to invest our capital into high-yielding opportunities and, hopefully, be able to continue to access capital in the future to expand our platform.

**CEOCFO:** Why should investors pay attention to Arbor Realty Trust?

**Mr. Elenio:** Investors should pay attention to us for two reasons, which we think are unique to our company. One is that we believe there is a significant value play based on where the stock is trading relative to what we evaluate to be the adjusted book value of the company. We think the stock is trading well below the com-

pany's true value. An investor purchasing our stock today will realize substantial upside because of the fact that we will eventually return to trading, hopefully, above book value. In that scenario, investors have the ability to see significant appreciation in the stock. The second component is a yield play. As I previously mentioned, we have recently reinstated our dividend and we feel confident that we will be able to continue to increase our core earnings and grow our dividend over time, providing investors with an attractive return on their money. Therefore, with publicly traded companies there is always the potential for a yield play or a value play, but right now, with Arbor Realty Trust, you have both in our stock. You also may have seen recently that our CEO personally purchased stock, and clearly we think that is an indicator that he believes the stock is significantly undervalued and poised for greater appreciation and returns.



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