

COVER PAGE

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Collateral and Loan Obligation Management Brochure

Arbor Realty Collateral Management, LLC

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

375 Park Ave, Suite 3401
New York, New York 10152

www.arbor.com
1-800-878-5160

This brochure provides information about the qualifications and business practices of Arbor Realty Collateral Management, LLC. If you have questions about the content of this brochure, please contact us at 800-878-5160. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any other federal or state securities authority.

Additional information about Arbor Realty Collateral Management, LLC also is available on the SEC's website.

MATERIAL CHANGES

The information in this brochure has been prepared for use by the clients of Arbor Realty Collateral Management, LLC (“ARCM”) and has been obtained from sources believed to be reliable. ARCM is a registered investment adviser with the Securities and Exchange Commission and as such, this brochure and the contents are a matter of public record or have been provided in sources available to the public.

Please note that the registered status of ARCM with the Securities and Exchange Commission does not imply a certain level of skill or training.

This brochure is the first document of this kind prepared and distributed by ARCM, and as such, does not constitute an amendment to a previously existing document. As such, there is no prior version of this brochure from which to disclose material changes, and this document contains all information about ARCM’s qualifications and business practices as deemed relevant by the Securities and Exchange Commission.

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ADVISORY BUSINESS

About Us

Arbor Realty Collateral Management, LLC (“ARCM”) is a collateral and loan obligation manager, established in 2005, for the purpose of providing certain advisory, administrative and monitoring services in connection with specific collateralized debt obligations of Arbor Realty Mortgage Securities Series 2004-1, Ltd., Arbor Realty Mortgage Securities Series 2005-1, Ltd., Arbor Realty Mortgage Securities Series 2006-1, Ltd. (collectively, the “CDOs”), and more recently, providing those same services in connection with the specific collateralized loan obligations of Arbor Realty Collateralized Loan Obligation 2012-1 Ltd. and Arbor Realty Collateralized Loan Obligation 2013-1 Ltd. (collectively, the “CLOs”). Each CDO is an issuer of certain collateral debt obligations and each CLO an issuer of certain collateralized loan obligations. ARCM is a wholly owned subsidiary of Arbor Realty SR, Inc. (“ARSR”), which in turn is a publicly traded real estate investment trust wholly owned by Arbor Realty Trust, Inc. (“ART”), a real estate investment trust. While ARCM is authorized to provide advisory services to third parties, its current role is solely as a collateral and loan obligation manager of the CDOs and CLOs, respectively.

ARCM was established and is directly and wholly owned by ARSR and an indirect, wholly owned subsidiary of ART. Collectively, ART and its subsidiaries and affiliates have extensive experience in mortgage origination, servicing and securitization.

ARCM’s role, pursuant to the collateral and loan obligation management agreements executed between ARCM and each CDO and CLO (“Collateral Management Agreements” and “Loan Obligation Management Agreements,” respectively), is to ensure that the CDOs and CLOs perform in accordance with their indentures and for the benefit of their investors. Specifically, ARCM manages the portfolios in order to generate sufficient returns to meet the CDOs and CLOs payment obligations and to optimize the returns to certain CDO and CLO investors. ARCM plays a pivotal role in the management and maintenance of the securities related to the CDOs and CLOs. Its role is embedded in the issuance of the CDOs and CLOs, the “ramp-up” period following issuance, during the active life of the CDOs and CLOs and through maturity.

ARCM does not currently participate in any wrap fee programs. Additionally, ARCM does not manage any clients’ assets at present.

Subject to the terms and conditions of the agreements relating to the CDOs and CLOs, ARCM has the authority to make decisions regarding the credit quality of the CDOs and CLOs and their portfolios. This role of collateral and loan obligation manager is an important one and requires a commitment to quality and accuracy, an appreciation for a strict adherence to rules and regulations, while maintaining needed flexibility to react to changing circumstances. The experienced team employed by ARCM consistently exhibits these qualities through their unwavering and skillful execution of the management of the assets in the CDOs and CLOs.

Services and Products

The services offered by ARCM include but are not limited to the following:

- ❖ Determination of collateral debt securities to be purchased or sold and the timing of such;
- ❖ Determination of eligible investments to be purchased or sold and the timing of such;

- ❖ Providing direction in connection with the purchase of collateral debt securities and eligible investments and directing the investment or reinvestment of applicable proceeds;
- ❖ Negotiating with obligors related to collateral debt securities as to proposed modifications and/or waivers of the documentation governing such collateral debt securities;
- ❖ Taking action, with the trustees where required, with respect to the issuer's exercise of any rights;
- ❖ Facilitating and fostering appropriate communication with the rating agencies, where requested and required;
- ❖ Determination of the status of assets and collateral debt securities (i.e. defaulted, credit risk, etc.);
- ❖ Periodically reporting to the investors;
- ❖ Monitoring assets on an on-going basis; and,
- ❖ Managing the investments of the issuer in accordance with the applicable documents;

As of February 29, 2012, ARCM has \$1,647,163,105 in client assets under management on behalf of its existing clients, the CDOs and CLOs. All collateralized debt obligations and collateralized loan obligations with an established agreement with ARCM have equal access to the service provided by ARCM and ARCM applies said services in a uniform manner. However, ARCM delivers such services with an understanding of the individual needs of each CDO and CLO and tailors its application appropriately.

FEES AND COMPENSATION

Pursuant to the existing management agreements with the CDOs and CLOs, as compensation for the performance of its obligations as collateral manager, ARCM is entitled to receive fees, payable quarterly in arrears, equal to certain percentages of the CDOs and CLOs assets under management. These fees are allocated and paid in accordance with the designated 'Priority of Payments' or waterfall payments.

The treatment, calculation, and payment of ARCM's fees are described in further detail within the management agreement executed by and between ARCM and the CDOs and CLOs. Certain organizational and structuring fees and expenses, including legal fees and expenses of counsel of ARCM are to be paid from a portion of the gross proceeds from the issuance and sale of securities. Otherwise, ARCM is responsible for all expenses and costs incurred by it in the course of performing its obligations under its management agreements with the CDOs and CLOs, except for the hiring of independent consultants, accountants or legal advisers by, or on behalf of, the CDOs and CLOs in connection with certain services provided by ARCM as described in the management agreements which shall be covered by the CDOs. Reasonable travel expenses undertaken in connection with the

performance by ARCM of its duties as collateral manager are also to be covered by the CDOs and CLOs.

If a client elects to terminate its management agreement with ARCM, any accrued fees owed to ARCM will be prorated, as required, and charged to the client.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Neither ARCM nor any of its supervised persons currently (i) accepts performance-based fees, or (ii) manages both accounts that are charged a performance-based fee and accounts that are charged another type of fee.

TYPES OF CLIENTS

ARCM was established for the purpose of providing collateral and loan obligation management services for the CDOs and CLOs. Currently, ARCM exclusively provides its services to collateralized debt obligations or pooled investment vehicles. Given ARCM's select client base, it does not currently have a need for establishing particular guidelines in connection with opening or maintaining an account, with exception of a management agreement, executed by both parties, governing the terms of the relationship.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

ARCM utilizes a sizable asset portfolio, a strong platform, available technology, and a highly experienced team in order to provide the CDOs and CLOs with superior collateral and loan obligation management; delivering enhanced service and results to the investors in the CDOs and CLOs.

ART currently holds approximately \$1.8B in assets within its portfolio and the CDOs and CLOs have a collective value of approximately \$1.6B, giving the Arbor brand, and ARCM specifically, a notable presence in the Structured Finance market. This presence along with the relationships established by the securitization team employed by ARCM, affords ARCM certain advantages in the leveraging of information and negotiation of the purchase and sale of securities and assets.

ARCM's securitization team has worked over the last seven years to develop its own suite of proprietary models and analytical tools which facilitate the efficient monitoring of the CDOs' and CLOs' investments. The legal team behind ARCM further analyzes all aspects of the portfolios and investment choices such that a balanced, well-rounded decision making process is utilized on behalf of the clients.

While ARCM has access to skilled underwriting, securitization and legal teams covering the full breadth of the investment process, there are standard risks inherent to management of vehicles of this nature. Any collateral debt and loan obligation securities are subject to credit, liquidity and interest rate risks, and some will be subject to timing risks. Any losses and expenses incurred as a result of the purchase, sale and holding process, are generally borne first by the subordinated collateral debt securities and then by the related more senior tranche or tranches. The amount and nature of the underlying assets have been and are typically established with a view to withstand certain assumed deficiencies in payment occasioned by defaults in respect of the collateral debt and loan obligation securities. Of course, the assumed thresholds can be exceeded, and to the extent that a default occurs with respect to any collateral debt or loan obligation security, it is not likely that the full amount of principal and interest owed will be forthcoming.

In addition, the market value of the collateral debt and loan obligation securities generally will fluctuate with, among other things, the financial condition of the obligors on or issuers of the collateral debt and loan obligation securities, the credit quality of the underlying asset or pool of assets securing any collateral debt security, the remaining term thereof to maturity, general economic conditions, the condition of certain financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. ARCM does not have or hold any liability or obligation to the investors as to the amount or value of, or decrease in the value of, the collateral debt or loan obligation securities from time to time. In the event that a collateral debt or loan obligation security becomes a Credit Risk or a Defaulted Security, ARCM may either sell or retain the affected asset. However, there can be no assurance as to the timing of the Collateral or Loan Obligation Manager's sale of the affected asset, or if there will be any market for such asset or as to the rates of recovery on such affected asset.

Although the inherent risk is borne by the investors, CDOs and CLOs are ultimately established for the purpose transferring credit risk and as such, that risk is stringently monitored and managed by ARCM with consideration to ultimate reward or profitability.

DISCIPLINARY INFORMATION

There are currently no legal or disciplinary events to disclose that would be considered material to any client's or prospective client's evaluation of ARCM's advisory business or the integrity of its management.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

At this time, neither ARCM nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. In addition, ARCM does not have any relationship or arrangement that is material to its advisory business or to its clients with any broker dealer, municipal securities dealer, government securities dealer or broker, investment company or other pooled investment vehicle, other investment adviser or financial planner, futures commission merchant, commodity pool operator, commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer or sponsor or syndicator of limited partnerships. ARCM does not select other investment advisers for its clients.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

ARCM is committed to the highest standards of business conduct in its relationships with clients, employees and others. ARCM's Code of Business Conduct and Ethics (the "Code") helps in this endeavor by providing a statement of the fundamental principles and key policies and procedures that govern the conduct of business.

The Code is a statement of policies for individual and business conduct and does not, in any way, constitute an employment contract or an assurance of continued employment. Employees of the Company are employed at-will except when they are covered by an express, written employment agreement. A copy of the Code is available to any client or prospective client upon request.

ARCM, pursuant to separate Collateral Management Agreements and Loan Obligation Management Agreements, is responsible for managing the assets held by each of the CDOs and CLOs. When recommending to any of the securities in which a related party or an affiliate has a material financial interest, ARCM is obligated to solely represent that CDOs and CLOs interests. ARCM only engages in transactions with related parties which adhere to its responsibilities pursuant to the Collateral Management Agreements and Loan Obligation Management Agreements. Any sale of an asset by one of the CDOs or CLOs to a party related to ARCM, or purchase by one of the CDOs or CLOs of an asset owned by a party related to ARCM, must adhere to the terms and conditions of (i) an Indenture which governs the securities held by each such entity and (ii) the respective Collateral Management Agreement. When engaging in such transactions, ARCM ensures that it is adhering to the terms of the respective Collateral Management Agreement or Loan Obligation Management Agreement and Indenture. It should be noted that this process often includes a certification to the third-party trustee (which is a party to the Indenture) that the transaction in question is in compliance with the terms of the Indenture.

BROKERAGE PRACTICES

ARCM does not use broker-dealers for client transactions.

REVIEW OF ACCOUNTS

ARCM performs monthly and quarterly reviews of clients' accounts with the trustees assigned to those accounts, in order to determine the status of said accounts and to analyze the accounts based on the metrics and parameters set forth in the governing documentation. In addition to monthly and quarterly reviews, there are individual and global reviews performed when a particular action is taken in connection with the client's account (i.e. a trade) to properly assess compliance with in-place eligibility criteria. The final action taken on behalf of the clients and within the clients' accounts is memorialized in appropriate documentation sent to the trustees (i.e. memorandum) such that they can then report such to the investors.

CLIENT REFERRALS AND OTHER COMPENSATION

ARCM does receive or provide economic benefit for client referrals.

CUSTODY

ARCM does not maintain custody of client funds.

INVESTMENT DIRECTION

ARCM does not accept discretionary authority to manage securities on behalf of clients.

VOTING CLIENT SECURITIES

ARCM does not accept authority to vote client securities.

FINANCIAL INFORMATION

ARCM does not require or solicit prepayment of more than \$1,200 in fees per client six months in or more in advance and does not have discretionary authority or custody of client funds or securities. ARCM has not been the subject of a bankruptcy petition at any time during the past ten years.

REQUIREMENT FOR STATE-REGISTERED ADVISERS

ARCM is not a state-registered investment adviser.