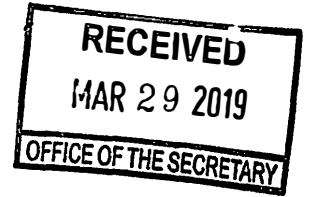


U.S. SECURITIES AND EXCHANGE COMMISSION



Matter of

UNITED DEVELOPMENT FUNDING III, L.P.,
UNITED DEVELOPMENT FUNDING IV, *and*
UNITED DEVELOPMENT FUNDING INCOME
FUND V,

A.P. No. 3-18832

Respondents.

MOTION AND SUPPORTING MEMORANDUM

Dated: March 28, 2019

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MOTION AND SUPPORTING MEMORANDUM

Respondents move for summary disposition under Rule 250, as directed by the Commission's 2/26/2019 order. The points supporting this motion are set forth below and in the accompanying declaration of Hollis M. Greenlaw and exhibits.

I. Respondents Should Be Allowed to Become Current in Reporting

On 11/9, 11/13, and 11/16/2015, Respondents filed Form 10-Q periodic reports for the period ended 9/30/2015. At that time, Respondents were, and had consistently been, current in their periodic reporting. The Division of Enforcement seeks deregistration of Respondents' securities under Securities Exchange Act §12(j) for delinquency in reporting thereafter.

In advising on delinquency in periodic reporting, the Division of Corporation Finance's Financial Reporting Manual, §1320.4, informs registrants that ordinarily to become current an "omnibus" or "comprehensive" report is the proper method. The Manual says that "generally" the Division "will not issue comments asking a delinquent registrant to file separately all of its delinquent filings if the registrant files a comprehensive annual report on Form 10-K that includes all material information that would have been included in those filings."

Respondents are in the process of doing exactly this. Respondents' independent auditors EisnerAmper and Riveron Consulting are presently working to enable Respondents to promptly file the following with the Commission:

- An "omnibus" comprehensive annual report on Form 10-K for the fiscal years ended 12/31/2015, 2016, 2017 and 2018, with audited financial statements, including summarized unaudited quarterly information for 2017 and 2018; and
- Quarterly reports on Form 10-Q for the periods ended 3/31/2019 and 6/30/2019.

While issuers are regularly permitted to become current through such omnibus filings, this case is very different from the typical delinquent filing case. Here, as described below, it is especially appropriate to allow Respondents to use the omnibus approach and thus to become current without deregistration in view of unique circumstances not found in any prior late filing case the Commission has considered. An omnibus filing should be permitted here.

At the heart of any fair consideration of this matter is the indisputable fact that, beginning in 2015, Kyle Bass and his Hayman Capital-related entities (collectively "Hayman") perpetrated a short-and-distort manipulation scheme, which included multiple materially false statements to the SEC, other federal agencies, and the investing public, in order to profit by approximately \$48M from an undisclosed short position in UDF securities. When Hayman believed officials

were too slow to take action on its bogus information, Hayman launched its own campaign to publish materially false and fraudulent misrepresentations directly to investors and to Respondents' auditors in order to capitalize on its short position.

This targeted big-dollar campaign by Hayman to illegally manipulate the price of UDF securities unquestionably prevented Respondents from obtaining the audited financial statements and reviews they needed for periodic reporting. Respondents have since filed an action for damages against Hayman in state court in Dallas, and the court has allowed Respondents to obtain preliminary discovery to substantiate their claims against Hayman. After reviewing Respondents' submissions and holding a five-hour evidentiary hearing, the court denied Hayman's motion to dismiss and ruled that Respondents had made a prima facie case of intentional business disparagement and tortious interference by Hayman. The denial of Hayman's dismissal motion is now on interlocutory appeal.

These circumstances must be considered by way of both defense and mitigation, and they demonstrate that a suspension or revocation of registration is not necessary or appropriate in this matter. The Commission has made plain that not every late filing case requires a §12(j) sanction. Instead, in considering an appropriate remedy, the Commission "will consider, among other things, the seriousness of the issuer's violations, the isolated or recurrent nature of the violations, the degree of culpability involved, the extent of the issuer's efforts to remedy its past violations and ensure future compliance, and the credibility of its assurances, if any, against further violations." *Matter of Advanced Life Sciences Holdings, Inc.*, 2017 WL 3214455 at *3 (2017), quoting *Matter of Gateway International Holdings, Inc.*, 2006 WL 1506286 at *4 (2006). "These factors are non-exclusive, and no single factor is dispositive." *Id.*

We will discuss Hayman's false and misleading statements to federal law enforcement to perpetrate its manipulation (**Point II** below); Hayman's false and misleading statements to investors and auditors (**Point III**); Hayman's misconduct that effectively blocked Respondents' repeated efforts to get audits (**Point IV**); Respondents' current ability to obtain audits, which are presently underway (**Point V**); and finally the Commission's articulated factors that under these unprecedented circumstances should not result in deregistration, but should instead result in permitting Respondents to efficiently become current with the omnibus filing that is already in progress (**Point VI**).

II. Hayman's Misrepresentations to Federal Agencies While Secretly Building a Massive UDF Short Position

Hayman commenced its manipulation scheme by making repeated false and misleading statements about UDF to federal agencies, including the SEC Fort Worth Regional Office ("FWRO"), the Federal Bureau of Investigation ("FBI"), and the U.S. Attorney's Office ("USAO") for the Northern District of Texas, all while secretly building a huge short position:

- **1/1/2015-3/31/2015:** Hayman has no short position in UDF IV before 1/1/2015. But by 3/31/2015, Hayman has built a 1,215,964 share short position in UDF. [Ex.3]¹ (In building its short far beyond this initial position, Hayman works multiple angles: (i) shorting UDF IV stock; (ii) shorting a basket of stocks it believed would trade in concert with UDF; and (iii) marketing a “Real Estate Distressed Debt Opportunity Fund” (“DDO Fund”) that would acquire valuable UDF properties at a discount following a prolonged SEC enforcement investigation that would force UDF into bankruptcy.)
- **3/19/2015:** Hayman delivers a 17-page presentation on UDF to FWRO and USAO. Hayman falsely states that UDF “exhibits characteristics emblematic of a Ponzi-like scheme” in which new invested capital “is used to fund distributions to existing investors.” [Ex.1] Hayman then sets up a 4/3/2015 call with FWRO, and internally discusses that Hayman’s goal is to “walk through” the presentation “and provide enough specifics to set the hook with the hope that [they] request a follow-up to do the deep dive.” [Ex.4 (emphasis added)]
- **4/17/2015:** Hayman meets with FWRO, FBI, USAO. [Exs.5, 10] Hayman delivers a misleading 80-page presentation on UDF that repeats the false statements in its 3/19/2015 presentation. But Hayman adds additional false claims, including that the “development sites which secure UDF IV loans” show that “the loans are significantly undercollateralized and would be impaired by potentially 50-75% under reasonable valuation parameters”; that the explanation is “the relationship (and conflict of interest) that exists between UDF IV’s manager/key executives and UDF IV’s largest borrower”; and finally that UDF’s “business is about extracting an exorbitant amount of fees from unsuspecting investors and perpetuating the scheme by continuing to funnel new unsuspecting investors behind older investors.” [Ex.6, p.20]
- **5/26/2015:** Hayman has a 5-hour meeting with FBI. After presenting “specific items” that Bass wanted conveyed, Hayman’s representative reports back that FBI is “very engaged.” Hayman’s short position reaches 1,767,471 shares (a \$30.6M position) through additional trading during the meeting with the FBI. [Ex.7] Hayman also emails a 61-page “revised presentation” to FWRO. [Ex.8]
- **6/2-6/15/2015:** Hayman meets at FWRO on 6/2/2015. [Ex.9] Hayman emails 13-page presentation to FWRO on 6/12/2015. [Ex.11] Hayman has an “update” call with FWRO on 6/15/2015, and misrepresents UDF V loan as an example of UDF’s Ponzi-like structure and sends the same false and misleading information to the FBI. [Exs.5, 13, 14, 78]

¹ Exhibits cited herein are identified and incorporated in, and furnished with, the accompanying 3/28/2019 Hollis M. Greenlaw Declaration.

- The 6/15/2015 communication illustrates Hayman’s approach to misleading federal officials – a series of detailed false statements to create a larger false picture. For example, discussing UDF V’s loan to Centurion’s Shahan Prairie development, Hayman contrasts what it portrays as the “success” of the adjacent Wildridge development to make it appear that Shahan Prairie was headed for failure. Hayman falsely states that Wildridge is being developed in just 3 years when in truth it was already held for 11 years (like Shahan), and presents photos of a corner of the Shahan development to suggest no activity when available aerials show substantial grading for development at Shahan.
- **6/23-6/25/2015:** Hayman meets twice with FBI and provides additional false information. [Ex.5] Again Hayman is shorting around the meetings with the FBI, and by 6/30/2015, Hayman’s short position jumps to 2,067,513 shares. [Ex.3]
- **7/31/2015:** Hayman’s UDF short position reaches 2,242,513 shares. [Ex.3] Hayman separately begins shorting a “basket” of other securities that Hayman expects will be impacted by a negative UDF event.” [Exs.16, 17]
- **8/18/2015:** Hayman internally reports that its “UDF basket” of short positions in non-traded REITs, expected to “react/trade in sympathy following a UDF event,” has reached \$58.2M (5.6% of its AUM), and that it has prepared a new 55-page presentation on UDF “to send to the relevant authorities” that day “and follow up with a call.” [Exs.18, 19] Hayman has call with FWRO on 8/26/2015. [Ex.5]
- **8/31/2015:** FWRO meets with UDF auditor Whitley Penn, questions whether UDF has misled Whitley Penn about a particular spreadsheet relating to one borrower, and prohibits Whitley Penn from asking UDF questions about the spreadsheet. Whitley Penn adds six additional procedures to its 3Q2015 review as a result of this meeting, but does not withdraw prior opinions.
- **9/20/2015:** Hayman planning for its DDO Fund to buy UDF assets after a negative UDF “event.” Plan is to deploy \$100M of capital, with the general partner getting 30% of the profit “split,” plus fees of \$15M to \$25M. [Ex.20]
- **9/25/2015:** Hayman holds pitch meeting for its DDO Fund. Pitch premised on purchasing UDF assets cheaply after SEC puts UDF into bankruptcy/receivership. Hayman says its “well planned strategy” will give its fund “first mover advantage” to capitalize on the upcoming “news about UDF.” Hayman presentation stated that “30 priority assets in the DFW area have already been identified [including Shahan Prairie] and preliminary diligence on collateral values is largely complete; senior lenders in each situation have also been identified.” [Exs.21, 22]

- **11/12/2015:** Just as UDF is filing its Forms 10-Q, Hayman provides FWRO with draft letter that Hayman plans to send anonymously to UDF’s auditors, Whitley Penn. Draft letter given to FWRO misrepresents, among other things, “likely material misstatements” in UDF’s financials; loan values “likely materially overstated”; “inflated management fees”; UDF’s largest borrower “likely insolvent”; “material conflicts” with largest borrower. [Exs.27, 28]
- **11/9, 11/13, 11/16/2015:** UDF files its quarterly reports on Form 10-Q. Days later, Whitley Penn advises UDF that it will not stand for reappointment as UDF’s auditor. UDF immediately begins approaching other audit firms to engage so that UDF can remain current in its periodic reporting. UDF ultimately selects Grant Thornton to be its new auditor.

As described below, Hayman next proceeded to aggressively push its campaign of misrepresentations out directly to unsuspecting investors and auditors. This scheme paid off handsomely for Hayman. On ultimately closing out its massive and undisclosed UDF short position later in 2016, Hayman reaped approximately \$48M in profits through its unlawful manipulation of UDF’s stock price.

III. Hayman’s Misrepresentations to UDF Investors and Auditors While Cashing in on Its Massive UDF Short Position

By 11/24/2015, Hayman’s carrying costs on its UDF short position were over \$84,000 per day, and Bass was proclaiming that a negative UDF event “will happen in December one way or the other.” [Ex.24] On 12/4/2015, Hayman’s UDF short position was 3,337,350 shares (\$58M), with its trader under orders to “short as much UDF everyday as we can get a locate on.” [Ex.30]

Success on Hayman’s massive short bet against UDF was critical for Hayman during this 2015-16 timeframe. Bass and Hayman’s overall performance was then being questioned in the press, amid reports that investors were withdrawing their capital:

- “Bass has had a dismal time of it recently in the land of investment. Suddenly, the former luminary can’t seem to get anything right. ... And by Bass’ own admission in a recent interview..., things aren’t looking all that good in 2015. ‘It’s been a tough year,’ he acknowledged. ...” Barron’s, “Kyle Bass’ Comeback Plan” (8/13/2015). [Ex.89]
- “Over the past ... nearly eight years, Hayman Capital’s main fund had an annualized performance of just 1.56 percent, according to calculations from Hayman Capital letters to investors, which were obtained by The Post. That’s slightly better than a Treasury bond ETF – but not much else. After a 1.4 percent loss last year [2014], investors had enough. They pulled out almost a quarter of the firm’s capital, forcing Bass to liquidate most of his stock portfolio by year end, according to Hayman documents and regulatory

filings. ..." New York Post, "Kyle Bass' Post-Crash Returns Small-Caliber" (8/22/2015). [Ex.90]

- Problems for Hayman were continuing. Reporting on Hayman's bet on the oil market in early 2016, "[f]or Bass, the low [oil] prices have resulted in a 7% loss in his main fund this year, and the biggest losing streak in the history of his Hayman Capital, the Wall Street Journal reported. In the same period, the S&P 500 has gained 1.3%. 'I had no idea crude would fall so low,' Bass said in an interview with the Journal, acknowledging that he bought in too early. ... In a January episode of Wall Street Week, Bass noted that his fund in 2015 suffered 'one of the worst years in the last ten....' Fortune, "The Price of Oil is Slamming Kyle Bass' Hedge Fund" (5/23/2016). [Ex.91]

By late October 2015, with still no SEC or FBI action generating Hayman's desired public negative event as to UDF, Hayman adopted a new proactive approach that involved making material misrepresentations directly to investors through the media and internet posts, and presenting similar misrepresentations to UDF's auditors, with direct consequences for UDF's ability to produce audited financials:

- **11/20/2015:** Hayman sends an expanded misleading presentation on UDF to the Wall Street Journal, having previously told WSJ reporter on 11/3/2015 that Hayman "will be at your service as you work through this Ponzi scheme." Also sends a misleading presentation to a Dallas-based news magazine, and has a 90-minute follow-up call to the reporter on 11/20/2015. [Exs.26, 29]
- **12/4/2015:** Hayman delivers a revised version of its anonymous false and misleading letter to UDF's former auditor, Whitley Penn. Hayman copies Wall Street Journal, telling reporter that letter "will likely become public next week," and that the public release "will also be done anonymously." Also copies SEC and FBI. [Exs.31, 32, 33]
 - In the anonymous letter to Whitley Penn, Hayman challenges auditor's statement ("which shareholders and the market have clearly relied upon") that it had no disagreements with UDF management and no reportable events, and questions whether auditor "intentionally, recklessly or negligently ignored obvious red flags." Hayman misrepresents, among other things, that loan values "appear to be materially overstated"; management fees were improperly inflated; loans to UDF's largest borrower Centurion "do not appear to be arms-length"; Centurion "may be insolvent"; "material conflicts exist" with Centurion; UDF operates "similar to a Ponzi scheme."
- **12/10/2015:** Hayman's short position in UDF stands at 3,437,250 shares [Ex.3], and it holds an additional short position in its "UDF basket" of other REITs and stocks expected to "react/trade in sympathy following a UDF event."

- **12/10/2015:** Hayman anonymously publishes on the Harvest Exchange “investor community” website the first in a series of anonymous and misleading Hayman posts about UDF (“A Texas-Sized Scheme Exposing the Darkest Corner of the REIT Business”), and sends the link to multiple media outlets. Hayman also anonymously posts its 12/4/2015 anonymous letter to the auditor Whitley Penn. [Exs.34, 35] UDF stock price immediately drops from \$17.60 to \$9.46, wiping out \$237M in shareholder value in just one day.
 - On 12/9/2015, the day before the 12/10/2015 anonymous post that crashed UDF’s stock price, Hayman’s GC again previews an advance copy of the post to the FWRO, FBI and USAO. On the evening of 12/9/2015, the FWRO emails back “Thank you for the heads up.” (Hayman otherwise remains anonymous in its series of posts attacking UDF until Hayman launches its UDFExposed website on 2/2/2016, below.)
 - From Hayman’s 12/10/2015 anonymous post: “The UDF umbrella exhibits characteristics emblematic of a Ponzi scheme: (1) new capital, both equity and debt, is used to fund distributions to existing investors; (2) subsequent UDF companies provide significant liquidity to earlier vintage UDF companies, allowing them to pay earlier investors; and (3) if the funding mechanism funneling retail capital to the latest UDF company is halted, the earlier UDF companies do not appear to be capable of standing alone and the entire structure will likely unravel, with investors left holding the bag.”
- **12/11-12/15/2015:** Hayman publishes four more anonymous posts and provides them to FWRO and FBI. Posts call UDF a “Ponzi scheme,” describe UDF as “underwater,” allege “potential misappropriation,” question whether UDF was a “legitimate lender,” claim UDF’s largest borrower “may be insolvent,” and question “veracity” of UDF’s auditors. [Exs.36, 40, 42]
 - Hayman’s 12/11/2015 post compares UDF’s “scheme” to “Enron, Madoff, and Stanford,” and contains multiple material misrepresentations about the status of several developments funded by UDF. Its 12/14/2015 post recaps prior misleading posts with links. Its 12/15/2015 post contains material misrepresentation about UDF and its largest borrower.
- **12/23/2015:** Hayman begins working with PR consultants to “control the situation, manage inbound and outbound communications and escalate issues as necessary.” “An example of controlling the narrative would be to offer an exclusive on or off the record to a national media outlet ... in order to generate increased awareness around both the situation and Hayman’s Capital’s position.” The PR firm also suggests monitoring online and offline conversations to “control message.” [Ex.43]

- **1/2016:** Hayman begins to effectuate its “Communications Campaign” against UDF, including “paid amplification,” “paid support for media coverage,” “paid support to drive microsite traffic,” and “paid Twitter to micro target followers of” reporters covering story. Hayman identifies existing outreach to FWRO and FBI to be used as what it calls “3rd Party Influencers.” Hayman registers “UDFExposed.com” site. [Exs.43, 44, 45]
 - **1/4/2016:** Hayman discusses with PR consultants at Edelman the need to clearly communicate “the summary concepts of A) UDF’s ponzi-like real estate scheme, B) management’s continually misleading investors / management’s lack of credibility, C) the insolvency of UDF’s borrowers and D) ultimately the insolvency and likely bankruptcy of UDF IV.” Hayman explains this is “key if we want to communicate how this all translates to the pending impact to UDF’s share price.” [Ex.46]
 - **1/22/2016:** Hayman and Edelman PR team planning detailed “media blitz” around “launch day” for Hayman’s UDFExposed website. [Ex.47]
- **1/29/2016:** Hayman previews the “udfexposed” website with the FBI and informs them, “We will be going live with our website next Tuesday [2/2/2016]. It is still under embargo as we put the finishing touches on it but I am going to include the site and passwords for you to look through it now... Password: letmein.” [Ex.92]
- **2/2/2016:** Hayman’s UDFExposed.com website goes live. Hayman’s “plan is to promote the website tomorrow and begin media outreach following Kyle’s appearance on CNBC.” Hayman has “communicated our plans to the SEC and FBI” (which executes a search warrant at UDF’s offices two weeks later, on 2/18/2016). [Exs.48, 49]
 - On its UDFExposed website, Hayman finally sheds its anonymity and refers to UDF as a “billion dollar house of cards” it is “exposing.” Says it is shorting UDF IV based on Hayman’s “research” showing it is a billion-dollar “Ponzi” preying in retail investors. Says UDF is a “significant bankruptcy risk” that is on the “verge of collapse.” Also posts several tabloid-style “research” reports that expand on its material misrepresentations. [Ex.50]
 - Hayman publicly states *for the first time* that it is short UDF IV stock and that it will profit if the price declines
 - Hayman kicks off its UDFExposed website with 5 separate posts: (i) “How the Scheme Works, From One UDF Fund to the Next”; (ii) “UDF’s High Flying Conflicts of Interest”; (iii) “A Rolling Loan Gathers No Loss: Irregular Patterns Related to UDF’s Largest Borrower”; (iv) “Anatomy of a Billion Dollar House of Cards: The Case Against UDF IV”; and (v) “Shareholders in UDF’s Public

Companies are being victimized by a Ponzi-like real estate scheme to keep the companies afloat.”

- **2/4/2016:** Hayman analyst expresses concern about losing control of the public narrative by having the website live but not promoting it publicly, saying, “I just don’t like the fact that the website is just sitting out there to be found and leaked by a blog at any time, we partially lose control in that environment.” [Ex.51]
- **2/4/2016:** Hayman begins what it calls its “massive push” against UDF, and instructs Hayman personnel to “make sure each and every plaintiffs attorney gets the website” UDFExposed.com. The “massive push” includes buying Google marketing links to drive UDF search traffic to Hayman’s UDFExposed website. [Ex.52]
- **2/5/2016:** Hayman succeeds in getting wide press coverage of its UDFExposed.com misrepresentations. The market reacts quickly as UDF stock drops in that single day from \$10.13 to a low of \$5.21, a further \$151M decline in market cap.
 - Hayman emails FINRA, calling UDF a “scheme” that is “ongoing” and “continues to take advantage of small mom and pop investors.” Hayman’s Kyle Bass then internally comments “Bombs away.” [Tab 53]
- **2/12/2016:** Hayman’s Kyle Bass is quoted extensively in The Dallas Morning News. Claims Hayman made big profits shorting UDF IV, and that his actions stopped UDF V from completing a large capital raise, calling it his “civic duty.” Compares UDF’s denials of Hayman’s allegations to how Bernie Madoff would respond.
- **2/16/2016:** Hayman publishes another post on its UDFExposed website entitled “UDF Management Lacks Credibility – How UDF Management Has Not Recognized Realized Losses in a Public Affiliate.”
- **2/18/2016:** After hearing months of Hayman’s repeated false Ponzi and other allegations against UDF, the FBI executes search warrant at UDF’s headquarters. Media is onsite to videotape the FBI-jacketed agents entering UDF’s building and carrying out boxes of UDF materials into waiting FBI vans. The video of the raid appears on television news, in addition to print media coverage. Nasdaq suspends trading in UDF stock, with last trade at \$3.20.
- **4/2016:** Grant Thornton, after meeting extensively with UDF and assembling an audit engagement team, advises UDF that it has determined not to move forward with its preparations to become UDF’s auditor.

- **5/12/2016:** Hearing that UDF has not yet been able to formally engage a new auditor, Hayman's Bass responds that this "is a great sign," and expresses frustration that UDF has not been delisted. [Ex.55]
- **6/8/2016:** UDF announces that it has engaged EisnerAmper as its new auditors. [Ex.57] Several days later, EisnerAmper gets an anonymous package containing Hayman's UDFExposed.com materials [Ex.59].
- **8/11/2016:** Hayman continues efforts to block UDF from getting audited financials needed for periodic reporting. Hayman's PR firm Edelman circulates its "UDF Exposed Paid Promotion Strategy," involving a targeted multi-week campaign to respond to "Hayman's desire to push the UDF presentation to a primary audience of accounting/auditing firm employees." This will let Hayman "narrowly target accountants at targeted firms in the [Dallas-Fort Worth] area." Some of the targeting was once again intended to be anonymous, with "promoted dark posts from Hayman's account that are targeted toward these segment(s) but will not be seen by the general public when they view Hayman's profile." [Ex.62]
- **8/11/2016-9/9/2016:** To impede UDF's audit process in advance of the 9/12/2016 Nasdaq deadline, Hayman publishes additional misleading posts on UDFExposed.com.
 - **8/11/2016:** Post entitled "Is UDF IV a Legitimate Real Estate Investment Trust?" Hayman's messaging points for this post include, "The information provided in the presentation posted to UDFExposed.com is highly relevant to the audit work currently being conducted by UDF's auditor." On this same day, Hayman's PR consultants prepare the UDF Exposed Paid Promotion Strategy described above that was targeted at "a primary audience of accounting/auditing firm employees."
 - **8/30/2016:** Post entitled "UDF's Ponzi-Like Real Estate Scheme Continues to Unravel: The Precarious Preston Manor."
 - **9/9/2016:** Post entitled "UDF's Ponzi-Like Scheme Continues to Unravel: The Northpointe Crossing Quandary." The Hayman analyst writes about this post, "I know Friday afternoon is not an optimal to release but we're not exactly going for a media rush so we just want to get out before the weekend." [Ex.93]
- **9/14/2016:** UDF IV announces that Nasdaq has granted an extension to 10/17/2016. [Ex.85] Kyle Bass emails the Hayman analyst, "We will discuss UDF at 1 pm today Parker." [Ex.86] Kyle Bass then sends a calendar invitation with the subject, "KB, PL, JL to discuss UDF listing Status and next steps." [Ex.87]
- **9/29/2016:** FWRO issues Wells notices to UDF and individuals.

- **10/4-10/12/2016:** After UDF’s Nasdaq deadline is extended to 10/17/2016, Hayman takes further actions to impede UDF’s audit process and influence Nasdaq’s listing decision.
 - **10/4/2016:** Hayman engages law firm Morgan Lewis to send a letter to Nasdaq on its behalf regarding the continued UDF halt. The letter makes no reference to Hayman’s multiple attempts to influence the auditors and delay the audit. Instead, “Hayman requests that the Panel not grant UDF any further extensions.” [Ex.88]
 - **10/5/2016:** Misleading post entitled “A UDF Residential Development Life Cycle: Alpha Ranch – Four Years Later.”
 - **10/12/2016:** Misleading post entitled “United Development Funding IV Stated Financial Position vs. Reality.”
- **10/19/2016:** UDF resumes trading in the grey market, closing at \$1.75 Its \$1 low represents a nearly \$500M market cap decline since Hayman began its scheme. Within days, Hayman covers its short position, reaps approximately \$48M in profits, and ceases its campaign against UDF.

Hayman’s campaign against UDF thus resembles a case the Commission filed just a few months ago, *SEC v. Lemelson*, 18-cv-11926 (D. Mass.), L.R. 24267, 2018 WL 4431430 (9/13/2018). As alleged in the Commission’s litigation release: Lemelson and his advisory firm, after taking a short position for their hedge fund, “issued false information about” Ligand, a publicly-traded pharma company, through “written reports, interviews, and social media” to spread untrue claims, “including that Ligand was ‘teetering on the brink of bankruptcy,’” and that its own IR firm agreed that Ligand’s flagship drug “was going to become obsolete.” This alleged short-and-distort scheme yielded “more than \$1.3 million of gains” after “Ligand’s stock lost more than one-third of its value during the course of Lemelson’s alleged scheme.” Several weeks ago, the court sustained the Commission’s fraud complaint under Securities Exchange Act §10(b) and Rule 10b-5, Dkt. #29 (1/23/2019). The \$1.3M in profits alleged in *Lemelson* pales in comparison with Hayman’s profits of approximately \$48M.

Meanwhile, the independent trustees on UDF IV’s audit committee had retained law firm Thompson & Knight, assisted by independent forensic accountants from PwC, to conduct an independent investigation into Hayman’s allegations. This included individual interviews, analysis of thousands of relevant documents, searches of 1.7 million emails, and analysis of financial reporting. After four months of work, the investigators concluded that there was no evidence of fraud or misconduct; no evidence to substantiate Hayman’s Ponzi allegations; no evidence of deception; no evidence that Whitley Penn was misled; and no evidence of efforts to defraud investors. Thompson & Knight and PwC presented these findings to the FWDO on 4/12 and 4/26/2016, and to the FBI and USAO on 5/11/2016.

IV. Hayman Manipulation's Impact on UDF's Periodic Reporting

While Hayman made an illegal fortune at the expense of investors in UDF, Hayman's scheme also thwarted UDF's extensive efforts to engage auditors to allow it to resume periodic reporting, as described below. Each current or prospective auditor felt Hayman's barrage.

Grant Thornton. Following Whitley Penn's declination, UDF promptly began a search for a new audit firm. Over the next two months, UDF approached EY, PwC, KPMG and Grant Thornton. UDF proceeded with Grant Thornton as its new auditor. Grant Thornton thereupon met extensively with UDF and assembled an engagement team in preparation for being formally engaged as auditors. This would have allowed UDF to continue its periodic reporting.

As noted above, however, Hayman launched its UDFExposed website containing material misrepresentations about UDF in early February, whereupon UDF stock dropped sharply. Hayman's Bass followed up with a 2/12/2016 press interview calling UDF a Ponzi and comparing it to Madoff. After communicating with Hayman, the FBI executed a search warrant at UDF headquarters with a television crew recording the event.

Just a few weeks later, in April, Grant Thornton responded to Hayman's above-described multi-faceted campaign against UDF. Grant Thornton's response was to advise UDF that it had made a determination not to move forward with the steps it had taken to become UDF's auditor. This left UDF without an auditor, which it would obviously be required to have in order to continue its periodic reporting.

EisnerAmper. With Grant Thornton deciding not to proceed as UDF's auditor, UDF proceeded to contact Crowe Horwath and other audit firms for possible engagement. In June 2016, UDF engaged EisnerAmper as its new auditor, and disclosed the engagement on Form 8-K. However Hayman continued to interfere with UDF's audit process by forwarding anonymous and other misleading submissions directly to UDF's new auditor EisnerAmper, which continued to have the intended effect of impeding the audit.

Over the ensuing months Hayman also continued to post false statements on its UDFExposed website. Hayman particularly stressed its Ponzi allegations. These Hayman claims were also reported in the Dallas news media. Hayman also used its professional marketing firm to craft a negative digital campaign specifically targeting "accounting/audit firm employees" through social media in the Dallas area.

On 9/29/2016, with Hayman's campaign against UDF in its 18th month, the FWRO issued Wells notices to UDF III, UDF IV and seven individuals associated with UDF, and a Wells notice to another individual on 10/14/2016. EisnerAmper thereupon advised that it would not move forward with its UDF audit work until after it had reviewed and fully considered the Wells submissions then being prepared.

In addition, EisnerAmper required UDF to engage a third party to review a select number of portfolio loans, together with historical loan narratives, on a quarterly basis from 12/31/2014 forward. This included assembling all loan underwriting documentation for that time period. In October 2016, UDF engaged Riveron Consulting as the third party to perform this additional work. The scope of the Riveron Consulting engagement was later expanded to include the entire loan portfolio.

The FWRO determined on 11/9/2016 to provide UDF with certain materials as “Wells discovery.” After reviewing these materials, UDF filed its Wells submission on 12/23/2016. In mid-2017, the FWRO indicated that it was prepared to recommend a resolution that would not charge a scienter-based violation, that would not include any officer-and-director or other bars or suspensions, and that would conclude the matter as to UDF III, IDF IV and five individuals. UDF thereupon indicated that they would agree to settle, without admitting or denying, on this non-scienter basis.

In coming to this settlement recommendation, the FWRO necessarily rejected Hayman’s relentless misrepresentations about UDF to federal officers, and then to UDF’s investors and auditors. Contrary to what Hayman had been misrepresenting to federal officers, investors and auditors, UDF was not a “billion dollar house of cards,” was not a billion-dollar “Ponzi” preying in retail investors, and was not a “significant bankruptcy risk” on the “verge of collapse.”

The settled complaint, filed in July 2018, included non-scienter charges under Securities Act §§17(a)(2) and (3), and related non-scienter reporting, record-keeping and internal controls charges, alleging that UDF (i) had “not adequately disclosed” that UDF IV funds could be loaned to developers to use to pay down UDF III loans; (ii) “failed to adequately disclose the nature of multi-phase projects” that began with the acquisition of unimproved properties; and (iii) while UDF III’s financial statements reflected general reserves, it failed to take a specific impairment when “unlikely to fully collect on an approximately \$80 million loan to its second largest borrower.”

V. With Hayman’s Manipulation Campaign Concluded, the Audit UDF Has Consistently Sought Is Now Possible

On 6/2/2017, as part of UDF’s continuing efforts to become current in its periodic reporting, UDF met with EisnerAmper’s Risk Management Office and its General Counsel’s Office to discuss the FWRO’s proposed non-scienter settlement. At this meeting, EisnerAmper advised that it was prepared to proceed, and that it would be able to rely on management’s representations in connection with the audit, but only if the FWRO’s charges remained non-scienter and did not ultimately result in any officer or director bars.

The FWRO discussed the non-scienter settlement terms and language with UDF on 7/5/2017, and both sides continued to work to finalize the non-scienter settlement. On 8/31/2017, the FWRO had UDF execute four-month tolling agreements, to 12/26/2017. The

FWRO said it would send its settlement recommendation to the Commission during the week of 12/20/2017. Thereafter, the FWRO had UDF further toll for an additional eight months, to 3/26/2018, to 6/19/2018, and to 8/20/2018.

During Fall 2017, EisnerAmper received audit materials and was ready to proceed. Approximately eight months later, the FWRO obtained Commission approval of the non-scienter settlement on 6/18/2018. The FWRO filed the case on 7/3/2018, and the court entered the consent judgment on 7/31/2018.

Following entry of the non-scienter consent judgment on 7/31/2018, UDF was for the first time since late 2015 able to obtain the audit it had consistently sought during Hayman's manipulation campaign – first from Grant Thornton and other firms UDF approached, and ultimately from EisnerAmper – and thus to again become current in its periodic reporting. However just a few weeks later, this proceeding was instituted on 9/24/2018. Both EisnerAmper and Riveron Consulting remain engaged, and both are at work on the audit and related services.

VI. Under the Commission's Decisional Factors for §12(j) Cases, There Should Be No Deregistration of Respondents' Securities

Under the particular facts and circumstances described above, and with an audit underway, deregistration or suspension of Respondent's securities would be unnecessary and inappropriate. In deciding §12(j) cases, the Commission has said it “will consider, among other things, the seriousness of the issuer's violations, the isolated or recurrent nature of the violations, the degree of culpability involved, the extent of the issuer's efforts to remedy its past violations and ensure future compliance, and the credibility of its assurances, if any, against further violations.” *Matter of Advanced Life Sciences Holdings, Inc.*, 2017 WL 3214455 at *3 (2017), quoting *Matter of Gateway International Holdings, Inc.*, 2006 WL 1506286 at *4 (2006).

“These factors are non-exclusive, and no single factor is dispositive.” *Advanced Life Sciences* at *3. In weighing these factors, Commission begins by assessing the seriousness of violation, recurrent nature, and degree of culpability factors. If the Commission finds the facts to be serious under these three factors, it then it applies a “strong presumption in favor of revocation” unless there is a “strongly compelling showing” on the remaining two principal factors – the remedial efforts to ensure compliance factor, and the credibility of assurances against future violations factor. *Id.* at *3-*4.

In the factors discussed in *Advanced Life Sciences* and other cases, the Commission has made plain that it does not view Section 12(j) as a strict liability provision. Instead, consistent with due process, the Commission requires each Section 12(j) case to be resolved based on a careful consideration and weighing of the particular evidence presented against clearly articulated factors. In this respect, the Commission has confirmed that its Section 12(j) cases are part of the Commission's and the courts' longstanding approach to administrative adjudication illustrated in cases like *Matter of KPMG Peat Marwick LLP*, 2001 WL 47245 at *98-99 and

n.115 (Jan. 19, 2001), *aff'd*, 289 F.3d 109, 120 (D.C. Cir. 2002), citing and relying on the D.C. Circuit's decision in *SEC v. Steadman*, 967 F.2d 636, 647-648 (D.C. Cir. 1992).

(1) Seriousness, Recurrence and Culpability Factors. Under the unique facts presented here, these three factors do not warrant deregistration. As detailed above, after Hayman built a huge and secret short position while engaging in months of repeated misrepresentations to federal officers at both the FWRO and the FBI, the FWRO told Whitley Penn that UDF had misled Whitley Penn about a spreadsheet. In this environment it was not surprising, and certainly not UDF's fault, that Whitley Penn declined to continue as UDF's auditor. Notably, Whitley Penn still determined there were "no reportable events" to disclose. Shortly thereafter, Hayman sent a 12/4/2015 anonymous letter to Whitley Penn challenging this determination, accusing Whitley Penn of ignoring "obvious red flags," accusing UDF of operating a Ponzi scheme, and contending that UDF's largest borrow Centurion may be insolvent. And a few days later, on 12/10/2015, Hayman anonymously posted its anonymous Whitley Penn letter online. Imagine any issuer trying to engage a new auditor after such an attack on an outgoing auditor.

To remain current in its periodic reporting, UDF then quickly approached EY, PwC, KPMG and Grant Thornton to take over as auditor, ultimately determining to engage Grant Thornton, which then met extensively with UDF and assembled an engagement team in preparation for being formally engaged. However by then Hayman had moved on to the second stage of its short-and-distort manipulation, which began with its series of anonymous posts and continuing with its professional "Communications Campaign" and "media blitz" against UDF, and then proceeded on to Hayman's "massive push" on its new UDFExposed website calling UDF a Ponzi and a "significant bankruptcy risk" that was "on the "verge of collapse." A few days later, the FBI raided UDF's headquarters with the television cameras rolling. Whereupon Grant Thornton abandoned its ongoing steps to take over as UDF's auditor in April. Hayman's Kyle Bass then commented internally on 5/12/2016 that it was a "great sign" that UDF did not yet have a new auditor.

UDF kept trying and proceeded to approach more audit firms including Crowe Horwath. In June UDF was able to engage EisnerAmper as its auditor, which it announced in a 6/8/2016 Form 8-K. However several days later EisnerAmper received an anonymous package containing Hayman's UDFExposed materials. And a few weeks later, on 8/11/2016, Hayman's PR firm Edelman circulated a new Hayman strategy to push its UDF allegations "to a primary audience of accounting/auditing firm employees" to "narrowly target accountants at targeted firms in the area." The following month, the FWRO issued its 9/29/2016 Wells notices to UDF.

Understandably, EisnerAmper stood back from audit work and told UDF it first wanted to see the Wells submissions and then to see confirmation that the matter was settled with a federal court judgment on a non-scienter basis. After: the FWRO's Wells discovery (11/9/2016), UDF's Wells submission (12/23/2016), the FWRO's response (4/17/2017), the FWRO's agreement to recommend a non-scienter settlement (5/22/2017), discussion of settlement

language (7/5/2017), another year of tolling agreements (8/31/2017-8/20/2018), Commission approval of the non-scienter settlement (6/18/2018), the filing of the settled case (7/3/2018), and entry of judgment (7/31/2018), UDF could finally get an audit. But a few weeks later, on 9/24/2018, this §12(j) proceeding was instituted.

Under these circumstances, no issuer could have done more to get an audit and become current in its periodic reporting. These untiring efforts are the opposite of the “serious” and “recurrent” and “culpable” behavior that results in a §12(j) sanction. These unique facts and circumstances distinguish this case from *Matter of Eagletech Communications, Inc.*, 2006 WL 1835958 (2006), which may be the only other Section 12(j) Commission opinion involving short selling. In *Eagletech*, the issuer was subjected simply to “naked” short selling and argued that the Commission’s adoption of Regulation SHO with a “grandfathering” clause then resulted in a Constitutional “taking” without due process. However the Commission observed, albeit without a formal finding, that the issuer there actually stopped its periodic reporting while itself “experiencing extreme financial difficulties at the time.” *Id.* at *1. Here as discussed in detail above, UDF was subjected to a sophisticated, long-term and illegal short-and-distort attack designed to crater its stock price and drive off the series of audit firms UDF kept trying to engage and pay in full to do its audit work. Nothing like this has ever been seen in a Section 12(j) proceeding.

(2) Remedial Efforts Factor. Before and since this proceeding was instituted, Respondents have been working hard to finalize their audited financials and become current in their periodic reporting. To assist in the completion of Respondents’ audit workplan and become current in their filings, Respondents retained Riveron Consulting, an independent accounting consulting firm. Respondents and Riveron have been working to assemble comprehensive loan packages for every loan in UDF IV’s and UDF V’s respective portfolios. These loan packages comprise voluminous and detailed contemporaneous analyses, information and documentation. Efforts to compile auditable loan-related documentation were hampered by the FBI’s seizure of documents during its execution of a search warrant at Respondents’ headquarters over three years ago, as described above.

Riveron Consulting has already examined the documentation for all 158 loans in the UDF IV portfolio, including the 59 loans outstanding as of 12/31/2017. Riveron Consulting has also examined the documentation for the 8 loans in the UDF V portfolio, including the 5 loans outstanding as of 12/31/2017. This thorough and time-consuming work required Riveron to prepare a consistent loan review package for each loan that includes loan agreements and modifications, appraisal reports, condensed loan timelines, loan rollforward, cash flows, and investment committee notes. Riveron Consulting has also been providing and will continue to provide assistance with technical accounting matters and financial reporting, as needed.

The events outside Respondents’ control described above significantly impeded Respondents’ ability to complete the auditable documentation and assemble the detailed backup support required to complete a multi-year audit. Despite these challenges, Respondents have

made substantial progress towards finalizing the required auditable documentation for UDF IV and UDF V, and EisnerAmper has a designated team working on this engagement. EisnerAmper is continuing its work on audits and related quarterly reviews, including meetings with management on both UDF IV and UDF V; meetings with the audit committee for UDF IV; continuing field work for audits and reviews for UDF IV and V; finalizing procedures and reaching conclusions; coordination with management regarding review of SEC filings for UDF IV and UDF V; further meetings with the UDF IV audit committee; and finalizing the audit and issuing opinions for both UDF IV and UDF V.

Respondents will also continue to work to bring UDF III into current compliance at their earliest opportunity. In addition to the resources being prioritized to update reporting for the other two funds, UDF III presents different issues in large part due to the allegation in the settled enforcement case that UDF III should have recognized a specific loan allowance relating to a particular borrower's loan, in addition to its general reserve balance, and put the loan on non-accrual status with suspended income recognition as early as UDF III's 2013 Form 10-K. However Respondents will continue to work to overcome these challenges to assure that UDF III joins UDF IV and UDF V in compliance with the periodic reporting requirements.

(3) Credibility of Assurances Factor. Respondents submit that suspension or deregistration would not be in the interest of investors. With Respondents working hard alongside respected independent professionals to become current in their periodic reporting, and doing so at their first opportunity to obtain audits following resolution of the Division's non-scienter enforcement action, Respondents submit that a suspension or deregistration would be extremely harmful to UDF's shareholders and to the public interest. Under these circumstances, the public interest would be better served by permitting UDF to become current and resume providing shareholders and the market with the information provided in periodic reports under the Exchange Act.

Conclusion

For the reasons above, the Commission should grant Respondents' summary disposition motion. If Respondents' motion is not granted, they request that this matter be set for an evidentiary hearing in order to afford Respondents an opportunity to present testimony and exhibits to establish their defenses, and thus to show that it is neither necessary nor appropriate to suspend or revoke the registration of any securities issued by Respondents.

Dated: March 28, 2019

/s/ William E. Donnelly

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Certificate of Compliance

The undersigned certifies that this brief contains 7482 words, based on the word-count function of the Microsoft Word software used to prepare the brief.

/s/ William E. Donnelly

Certificate of Service and Filing

Pursuant to Rule 150(c)(2), I certify that on March 28, 2019, I caused the foregoing to be sent: **(1) By courier service (original and 3 copies)** directed to the Office of the Secretary, Securities and Exchange Commission, 100 F Street NE, Washington DC 20549-1090, with an electronic courtesy copy by **email** to apfilings@sec.gov. **(2) By email and express delivery service** directed to Keefe M. Bernstein and David Whipple, Fort Worth Regional Office, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102, and BernsteinK@sec.gov and WhippleDa@sec.gov.

/s/ William E. Donnelly

U.S. SECURITIES AND EXCHANGE COMMISSION

Matter of

UNITED DEVELOPMENT FUNDING III, L.P.,
UNITED DEVELOPMENT FUNDING IV, *and*
UNITED DEVELOPMENT FUNDING INCOME
FUND V,

A.P. No. 3-18832

Respondents.

HOLLIS M. GREENLAW DECLARATION

Hollis M. Greenlaw declares as follows:

1. I am a resident of Texas and an attorney admitted to practice and in good standing of the Bars of the State of Texas, the District of Columbia, and with inactive status the State of Maine. I have a BA from Bowdoin College and a JD from Columbia Law School, and practiced business and taxation law at Williams & Connolly in Washington, DC, before founding the UDF businesses described below.

2. I make this declaration in support of Respondents' motion for summary disposition under Rule 250, as directed by the Commission's 2/26/2019 order. If given the opportunity to testify at a hearing in this matter, I could and would testify as to the following facts and relevant background and circumstances, which are important for a fair understanding of the issues presented in this matter.

3. I have served as President or Chief Executive Officer of UMT Services, Inc. ("UMT Services") since its inception in 2003. UMT Services is the general partner of UMTH Land Development, L.P. ("UMTH LD"), which is the general partner of **Respondent United Development Funding III, L.P.** ("UDF III"). I have also served as Chief Executive Officer and chairman of the board of trustees of both **Respondent United Development Funding IV** ("UDF IV") since its formation in 2008, and **Respondent United Development Funding Income Fund V** ("UDF V") since its formation in 2013.

4. The UDF Funds are externally managed, a common practice also utilized by other real estate investment funds, such as those under the umbrella of industry giant Starwood Capital Group. UMT Services is the general partner of UMT Holdings, L.P. ("UMTH"), which manages the UDF Funds, including Respondents UDF III, UDF IV and UDF V. UMTH's subsidiary UMTH General Services, L.P. ("UMTH GS") provides services for the UDF Funds.

5. In other UDF roles, I am a Director of United Development Funding, Inc. (“UDF Inc.”), which is the general partner of United Development Funding, L.P. (“UDF I”), and a Director of United Development Funding II, Inc. (“UDF II Inc.”), which is the general partner of United Development Funding II, L.P. (“UDF II”), and I have served in those roles since the formation of UDF Inc. and UDF II Inc. in 2003-4. I am also the Chief Executive Officer of UDF Land GP, LLC, which is the general partner of UDF Land GenPar, L.P., which in turn is the general partner of United Development Funding Land Opportunity Fund, L.P. (“UDFLOF LP”) and the managing member of United Development Funding Land Opportunity Fund Investors, LLC (“UDFLOF LLC”), and these entities are also managed by UMTH LD. UMTH GS is the advisor to United Mortgage Trust (“UMT”).

6. Throughout this declaration I refer to certain facts regarding UDF’s business. Unless otherwise indicated, these facts all apply to UDF’s business as of 12/10/2015, the date of the initial attacks on UDF by Kyle Bass and his Hayman Capital-related entities (collectively “Hayman”) described in Respondents’ answer. Where this declaration refers to activities of others and activities of Respondents or their related entities, it is based on my information and belief resulting from my review of the materials obtained in discovery in this proceeding and related private litigation.

7. Filed herewith and incorporated into this declaration are binders containing a set of **Exhibits** relevant and necessary for fair consideration of this matter. These are identified in a table at the end of this declaration.

UDF’s Business Model

8. The UDF Funds are based in Grapevine, Texas, which is located between Dallas and Fort Worth. I founded UMT Services and UMTH, which manages the assets for the UDF Funds, in 2003 along with my colleague Todd Etter. Mr. Etter and I identified an opportunity to build a family of companies that would offer a full suite of debt and equity capital solutions to leading developers and homebuilding companies. Our plan was to assist, through capital and debt, the creation of new finished lot and housing inventory to serve markets in Texas. Our business plan included supporting developers and homebuilders in all phases of development and evolved to include financing the construction of single-family homes, from the acquisition of land and the development of finished lots to the construction of single-family homes.

9. The UDF Funds (other than UMT) primarily concentrated their investments in Texas. The UDF Funds concentrated their investments in Texas because we believe the Texas real estate markets, although temporarily weakened in 2007 by the financial crisis, remain healthy due to strong demographics, economies and job growth, balanced housing inventories, stable home prices and high housing affordability ratios. Texas has favorable residential real estate market characteristics that help mitigate housing risk. For example, Texas exhibits positive fundamentals in the primary factors affecting new home sales: home price stability; home

affordability; balanced housing supply and demand; job growth; the relative strength of the economy and consumer confidence; household formations and population growth. Texas also has structural protections that mitigate housing risk as evidenced by Texas' relatively stable performance in the housing bubble and subsequent crash during 2007-2009.

10. At the end of 2014, Texas was the largest single-family homebuilding market in the country measured by single-family building permits. Houston and Dallas/Fort Worth (DFW) were the first and second largest markets in the country, and Austin was the sixth largest. At the end of 2014, Texas had the 12th largest Gross Domestic Product in the world. Fifty-two of the Fortune 500 companies were headquartered in Texas as of 2014, 21 of which were in the DFW area.

11. Data that UDF analyzes regularly from Metrostudy (a leading provider of market information to the housing and residential construction industry), Residential Strategies, Inc. (another leading provider of market information in selected Texas markets to the housing and residential construction industry), the Department of Housing and Urban Development, the Real Estate Center at Texas A&M University and other data providers has consistently illustrated that Texas homes have higher affordability than the national average.

12. While the creation of jobs and the formation of new households in Texas has increased the demand for housing in Texas over the past several years, the Great Recession (the sharp decline in economic activity around 2007-2009, with continuing effects thereafter) and the ensuing global credit crisis drastically reduced the available funding for finished lot development and home construction. Despite strong fundamentals in housing, local and regional Texas banks remained unable or unwilling to lend to developers and homebuilders at previous levels, particularly in early-stage land acquisition and development loans. Substantially all land development is undertaken by private developers and over 70% of new homes in the United States are sold by private homebuilders. Thus, without alternative funding sources for new development and the construction of homes, the demand for housing would far exceed the supply of finished lots and houses and dramatically drive up prices in Texas.

13. This confluence of events – strong growth in demand for Texas homes and a supply constraint after the Great Recession of capital to support much-needed housing development – allowed the UDF Funds to create a successful business as “non-bank” finance companies to step in and support residential real estate development and home construction in Texas.

14. In 2014, UDF IV began expanding its lending activities outside of Texas, following the housing recovery into the states of North Carolina, South Carolina and Florida. Also, UDF IV acquired new clients, including a public homebuilder, the largest private homebuilder in the country and the developer associated with the largest private homebuilder in the Charlotte, North Carolina market.

UDF's Executives and Employees

15. UDF's management team and principals include seasoned real estate professionals, with many decades of collective real estate experience. For example, prior to co-founding UMTH, Todd Etter had over twenty-nine years of experience in both the Texas and the United States real estate industries, including experience in homebuilding, land development and real estate finance. Stacey Dwyer, the Chief Operating Officer of UDF IV, worked 22 years for D. R. Horton, Inc. a leading national homebuilder (including serving in the roles of Executive Vice President and Treasurer) before joining UDF in 2014. Ms. Dwyer was also an auditor with Ernst and Young in Fort Worth. Brandon Jester, the Director of Asset Management at UMTH Land Development, worked as the Senior Land Administrator of Highland Homes, one of the largest regional homebuilders. Ben Wissink, President of UMTH LD and Chief Operating Officer of UMT Services previously worked as the Controller and analyst for the DFW land division of the national homebuilder Lennar Corporation. Melissa Youngblood, Chief Operating Officer and Vice President of UMTH LD and Executive Vice President of UMT Services, practiced law for 18 years before joining UDF.

16. UDF also employed six asset managers, all of whom had significant real estate experience prior to joining UDF, including management positions with David Weekley Homes, Toll Brothers, Inc., Grand Homes, Buffington Capital Holdings, Walton Development and Management USA, Wilbow Corporation and Beazer Homes USA. UDF also has a Senior Collateral Manager who had over 11 years of banking experience including loan administration, branch operations, branch management, consumer lending, managing loan operations and managing interim construction financing.

17. Prior to the Hayman attacks on UDF's business described in Respondents' answer, UMTH had 67 full-time employees. This included a 21-person accounting department, including six Certified Public Accountants, all of whom reported to our Chief Financial Officer Cara Obert. The remaining employees assisted in the day-to-day operations. On 12/31/2017, as a result of Hayman's attack on UDF, UMTH had 45 employees. The employee count has been reduced by 22 employees as a direct result of Hayman's attack.

The Development Process and UDF's Role

18. The activities of a developer in the single-family residential development process involve several steps during its lifecycle. These include purchasing the land, designing and engineering the subdivision, including the utilities and streets to be installed and any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including water, sewer and drainage facilities, as well as telephone and electric service), in some cases establishing municipal reimbursement districts for the reimbursement of costs associated with public improvements, and selling improved lots to builders, developers or other third parties.

19. Larger residential developments are usually developed in multiple phases, which means that it is common for a large residential development project to have a life of 6-10 years or sometimes even longer, depending upon economic, market or other conditions.

20. The UDF Funds provide developers and homebuilders with a diverse range of capital sources including equity investments, joint venture participations, senior loans, subordinated loans and credit enhancements. Generally, credit enhancements allow our borrowers to obtain a bank loan at a more favorable loan rate than they would otherwise be able to obtain, because UDF provides a loan guarantee. Prior to Hayman's attack, UDF was able to provide this credit enhancement because the banks viewed UDF as strong credit. UDF is paid a credit enhancement fee by the borrower as compensation for providing the credit enhancement.

21. Prior to investing in a project or funding a loan, UDF applies a rigorous underwriting review, including a multi-step project evaluation. UDF conducts site visits and prepares an economic feasibility study to determine if the developer or builder can justify the project assumptions and estimates and if the project can support the cost of the UDF loan over time. UDF performs an engineering due diligence, which generally includes a review of project plans, civil engineering, the availability of utilities, permits and reimbursement districts and a review of costs. UDF reviews the lot purchase contracts, home sales data, market absorption data, current economic conditions, trends and projections in housing starts and risk analysis.¹ UDF also analyzes the exit strategies, identifying potential alternative buyers and uses for lots as well as various pricing models to facilitate sales in the event the market changes.

22. Once an investment is made or a loan is funded, UDF's asset managers are responsible for monitoring site improvements, senior draws, application of funds and administration of development contracts. UDF also monitors lot sales and corresponding debt repayment rates. A UDF asset manager is responsible for monitoring the performance and payment of the assets they are monitoring. Asset managers meet frequently (often weekly) with UDF's developer and homebuilder clients, and UDF holds periodic asset management meetings to review and discuss the progress of assets in UDF's portfolio.

¹ UDF monitors the economic fundamentals in each of the markets in which it operates by analyzing demographics, household formation, population growth, job growth, migration, immigration and housing affordability. UDF also monitors movements in home prices and the presence of market disruption activity, such as speculator activity that can create false demand and an oversupply of homes in a market. UDF also analyzes new home starts, new home closings, finished home inventories, existing home sales, existing home prices, foreclosures, absorption, prices with respect to new and existing home sales, finished lots and land and the presence of sales incentives or discounts in a market. The data sources UDF monitors and utilizes in its investment decisions includes: SEC Public Disclosures, U.S. Census Bureau, National Association of Realtors, National Association of Homebuilders, Federal Housing Finance Agency, Freddie Mac, Fannie Mae, Federal Reserve Banks, Corporate Debt Rating Agencies, Investment House Proprietary Data, Industry/Analyst Presentation Materials, State and University Real Estate Divisions, Public Homebuilder Earnings Calls, Financial News Sources, Proprietary Industry Knowledge and proprietary independent market studies from Residential Strategies, Inc. and Metrostudy.

23. UDF's receipt of payment on its loans follows different processes and timing depending upon whether the loan is an acquisition and development loan or a home construction loan. Home construction loan interest is generally paid by the borrower to UDF monthly, while the principal is repaid when a home is sold to a consumer. In acquisition and development loans, UDF provides cash to purchase the land and complete development. The note accrues interest while the borrower develops the property. It is common in the industry that interest accrues on the acquisition and development loan until there are liquidity events associated with the collateral.

24. For example, there are several liquidity events that may provide cash from a development. For example, a borrower may work with another lender to obtain a senior loan at a lower cost of capital, which will generally result in a partial payment to UDF. A developer will frequently subdivide the land into several phases and develop those phases one at a time, rather than developing the entire property at once. After the developer has done entitlement and engineering work the value of the land generally increases and the developer can sell a phase (which is referred to as a "pod") to a homebuilder or another developer and use those proceeds to make a partial payment to UDF or other lenders. After development of a phase is complete and finished lots are ready for home construction, the value of the lots generally increases again, and the developer will sell the finished lots to a homebuilder. These sales may happen as bulk sales of many lots at once or over time according to a pre-planned schedule. Generally, any lot purchase contracts are pledged as additional collateral for the UDF loans.

25. Additionally, a developer may also pay down a loan with funds received as reimbursements of development costs under agreements with districts and cities, for example a Municipal Utility District ("MUD"). A MUD is a political subdivision of the State of Texas authorized by the Texas Commission on Environmental Quality. The purpose of the MUD is generally to provide various services such as water, sewer and drainage and other utility-related services within its boundaries. A developer can obtain reimbursements from the MUD for expenses incurred to develop such services. UDF generally has a lien on MUD proceeds pledged by a borrower for a specific project, and MUD proceeds are used to make a partial repayment to UDF. Information regarding MUDs is publicly available in the real property records and at the website for the Texas Commission on Environmental Quality, including date of formation, status and bonding capacity.

26. The UDF Funds' loans are generally secured by real property collateral. The assets securing the UDF Funds' loans are generally in desirable locations with positive supply and demand fundamentals. UDF's loans are generally secured by one or more of the following: development projects, finished lots and lot purchase contracts, pledges of equity interest, homes under construction and MUD reimbursements. As the projects progress through the development phases, the collateral correspondingly increases in value.

Developers UDF Works With

27. UDF attracts and concentrates its acquisition and development lending activities with seasoned and accomplished land developers. UDF looks for developers that have a track record of successfully identifying multi-year, multi-phase single-family residential communities. Our developer clients have established relationships with state and local governments and have experience designing communities and receiving approvals. Our developers have good relationships with banks, allowing them to secure financing and refinancing opportunities. Our developer clients also have good relationships within the developer and homebuilding community, giving them the ability to sell pods and finished lots.

28. UDF considers the prior performance of the developer, whether the developer has relationships with homebuilders on the local, regional and national level, whether the developer has homebuilding vertically integrated into its business structure, and whether the developer has relationships within the financial community.

29. UDF developer clients provide finished lots to publicly-owned homebuilders, such as D.R. Horton, Inc., Lennar Corporation, Pultegroup, Inc., KB Home, Meritage Homes, LGI Homes, Inc., Beazer Homes USA, Inc., Toll Brothers, Inc., AV Homes, Inc., Taylor Morrison Home Corporation, M/I Homes, Inc. and Century Communities, Inc., as well as large regional homebuilders such as David Weekley Homes, First Texas Homes, True Homes, Megatel Homes, Gehan Homes, Brohn Homes (now part of Berkshire Hathaway), Ashton Woods, NewLeaf Homes, Bella Vista Homes, Liberty Home Builders, Perry Homes, Drees Homes, Highland Homes, Pacesetter Homes, Colina Homes, Historymaker Homes, RSI Communities, Scott Felder Homes, Wilshire Homes, Sitterle Homes, Darling Homes (now part of Taylor Morrison Home Corporation), Centerra Homes, Bloomfield Homes, American Legend Homes, Crescent Signature Homes, Buffington Homes and Scott Homes.

30. UDF's largest group of borrower entities, including CTMGT, LLC and its subsidiaries, are affiliates of Centurion American, L.P. ("Centurion"). Centurion has a strong track record as a developer. Centurion has extensive experience with many Texas municipalities and local governments, and generally gets their support in entitling Centurion's projects. Centurion routinely gets the entitlements needed from the government, including the desired density to make projects profitable. Centurion routinely obtains municipal reimbursements and other support that Centurion needs from municipalities to bring projects to fruition. Centurion has a long track record of being able to put together MUDs and Public Improvement Districts (PIDs). Centurion was the first developer in the state of Texas to create a PID. A PID is a district put together by a city, whereby the city raises bond funds and advances money to the developer during the development process to pay for water, sewer, and public improvements. In contrast, a MUD provides reimbursement after the municipal tax base has been increased by substantial home construction in the development and after the developer provides documentation of the development dollars incurred, which may be months or even years after the developer has incurred the development costs. Centurion has relationships with the top

management at some of the largest production home builders, such as D.R. Horton, Inc. and Lennar Corporation. Production home builders are important to developers because they purchase lots to construct homes at a more rapid pace than custom homebuilders.

31. Founded in 1990, Centurion has successfully developed almost 25,000 single-family lots in dozens of premier communities surrounding North Texas. Centurion is currently developing over seventy master-planned communities in Texas and also redeveloped the historic Statler Hilton Hotel. Centurion has received over forty awards during the almost thirty years it has been in business, including Chamber of Commerce Business of the Year (2008), the John Harbin Visionary Award (2013), Greater Fort Worth Builder's Association Developer of the Year (2013) and Dallas Home Builders Community of the Year (2014). Centurion has won multiple awards for its developments, including many that were for UDF-financed projects.

32. UDF's homebuilding clients are generally larger regional homebuilders, and have included Megatel Homes, Buffington Homes, Crescent Signature Homes, NuWay Homes and Colina Homes.

UDF's Investors

33. The UDF Funds have primarily funded their operations by raising equity capital through FINRA-member independent broker-dealers. The UDF Funds had raised more than \$1.0 billion from over 30,000 investors from inception until the Hayman attacks.² The majority of UDF's investors are small retail investors. In return for the higher (fully disclosed) risk of a real estate investment, they have the opportunity to receive a higher rate of return.

Other Sources of Capital – Banks

34. Prior to Defendants' attack, UDF also utilized credit facilities with various banks and other institutions as additional sources of capital to lend to developers and homebuilders. Banks considered UDF Funds to be a good credit risk and generally lent to UDF on favorable terms. Thus, UDF was able to borrow from the banks at low interest rates and lend this capital to its clients at higher rates. Prior to Defendants' attack, UDF had credit facilities of over \$200 million. At the time of Defendants' attack, UDF had outstanding loans and lines of credit with Legacy Texas Bank, Bank SNB, Origin Bank (formerly Community Trust Bank), Independent Bank, Capital Bank of Texas, American Momentum Bank, Texas Capital Bank, Prosperity Bank, Affiliated Bank, Southwest Bank and Veritex Community Bank.

² UDF, like other alternative investment real estate sponsors such as Dallas-based Highland Capital Realty ("Highland"), raises capital through blind pool offerings structured as non-traded public REITs and limited partnerships. Like UDF, Highland charges sales commissions (e.g. dealer manager fees and broker dealer/rep sales commissions) to investors, although Highland has set up an affiliated entity to serve as dealer manager and retain the dealer manager fees, whereas UDF's dealer manager fees were paid to an unaffiliated dealer manager to distribute its offerings (UDF IV, UDF V and UDF LOF).

Relationship Between the Various UDF Funds

35. The different UDF funds may focus on different phases of development. For example, UDF I, II, III and V focused their investments on the acquisition and development phase, whereas UDF IV provided acquisition and development loans but also offered finished lot loans, finished lot banking and home construction loans. The decision as to which funds will invest in which project and each phase of the project is governed by the applicable Allocation Policy Agreement and/or Participation Agreement by and among the funds. Such agreements are publicly filed by UDF. Generally, the decision is based upon the cash available in each fund, and each fund's particular investment parameters.

UDF's Success and Continued Growth Before Hayman's Attack

36. The UDF funds have collectively funded over \$2.7 billion in equity investments and loans to our clients. These investments have resulted in the creation of over 200 residential communities, containing thousands of single family homes.

37. UDF has participated in the capital structure of many award-winning communities, including The Villages of Woodland Springs, Sendera Ranch, Trophy Club, Williamsburg, Verandah, The Residence at the Stoneleigh and The Dominion.

38. From inception through 9/30/2015, the UDF Funds received over \$1.3 billion in repayments and returned over \$493 million to investors through cash distributions, dividend reinvestment programs (DRIPs) and redemptions. Since the beginning of Hayman's attack on December 10, 2015, UDF has made repayments of over \$211 million on the notes payable and lines of credit that were outstanding. UDF's assets as of 9/30/2015 were over \$1.4 billion. At the time of the attack, the two largest funds were UDF III and UDF IV.

39. From its inception in 2005 to December 2014, UDF III had originated 62 loans totaling over \$600 million, and approximately two-thirds of the loans had been repaid in full. As of September 30, 2015, UDF III had assets of approximately \$391 million. Net income for the nine months ended September 30, 2015 totaled approximately \$31.2 million. From inception through September 2015, UDF III distributed approximately \$264 million to its investors through cash distributions and DRIP and repurchased \$12 million of its limited partnership interests.

40. As of 12/31/2014, UDF IV had originated or purchased 171 loans totaling over \$1 billion, 40 of which had been repaid in full. UDF IV's assets grew from \$336.5 million in 2012 to \$570.9 million in 2013 and to \$682.2 million in 2014. During that same time period, its revenue grew from \$27.6 million to \$87.9 million while net income grew from approximately \$13.9 million to approximately \$50.1 million. From inception through 9/30/2015, UDF IV distributed approximately \$164 million to its investors through cash distributions and DRIP and repurchased approximately \$41 million of its shares.

41. On 6/4/2014, to create liquidity for its shareholders and to gain access to capital markets to facilitate future growth, UDF IV listed its common shares on Nasdaq under the ticker symbol "UDF." From its listing on Nasdaq until 12/10/2015 (the beginning date of Hayman's attack described herein), UDF IV had been a consistently strong performing commercial mortgage REIT, with its shares trading in a range of \$16.02 to \$19.95, and virtually always at a premium to book value. In June 2015, UDF IV's market capitalization qualified it for inclusion in the Russell 2000 Index.

42. UDF IV had performed very well in comparison to its peers and was a high performer right up until Hayman's attacks. For example, an 10/23/2015 Weekly Commercial Mortgage REIT Update published by investment bank Keefe, Bruyette & Woods reports that UDF IV's share price of \$17.99 equated to 1.09 times the most recent quarter book value, and was yielding a 9.1% dividend. Starwood Property Trust, Inc., a well-known REIT that is nine times larger than UDF IV, was trading at 1.18 times most recent quarter book value and was yielding a 9.4% dividend. Likewise, the 12/4/2015 report shows UDF IV trading at 1.05 book value, and yielding a 9.4% dividend, the same yield as Starwood.

43. UDF V, our most recent fund, sought to sell 37,500,000 common shares of beneficial interest for \$20 per share and 13,157,895 common shares of beneficial interest pursuant to our distribution reinvestment plan for \$19 per share for total offering proceeds of \$1.0 billion. Prior to Hayman's attack, UDF V had been steadily selling shares in the fund. UDF V's assets grew from \$23 million as of December 31, 2014 to \$55 million as of 9/30/2015. During that same time, its revenue grew from \$152,000 in calendar year 2014 to \$3.1 million for the nine months ended 9/30/2015. From inception through 9/30/2015, UDF V distributed approximately \$1.6 million through cash distributions and DRIP to its investors.

44. As part of its growth strategy, in 2015, UDF IV was also working on a finished lot securitization and was in the rating process with Standard and Poor's for this finished lot securitization, which would have raised approximately \$75-100 million. UDF IV was also preparing to place a \$125 million to \$175 million general obligation credit facility just before Hayman's attack.

45. These new capital raises were expected to support projects our clients had presented to UDF for potential future financing (pipeline). As of December 2015, before Hayman's attack, our clients had submitted proposals for hundreds of millions of dollars in future projects.

Interactions With Bass Prior to the Hayman Attacks

46. Prior to Hayman's attack on UDF, I was aware that Kyle Bass managed a hedge fund based in Dallas. I was also aware that Bass was involved in Texas real estate investments beginning in at least 2008. Bass was involved in various real estate development entities with Jonas Woods ("Woods"), a Dallas real estate investor who acquired distressed properties.

47. In 2008, UDFLOF LP became a limited partner in a residential development fund managed by Bass and Woods called Hayman Woods Residential Strategies Fund, L.P. (“Hayman Woods”). The stated strategy of the fund was to “acquire, hold, maintain, operate, develop, lease, sell, manage, improve, mortgage, encumber and otherwise use for profit, direct or indirect interests in Real Property Interests, or to provide capital (whether debt, equity or both) to owners, managers and developers of Real Property Interests, whether office, warehouse, retail, land, multi-family residential or hotel properties.” UDFLOF LP originally planned to invest \$2 million in Hayman Woods’ fund.

48. The first investment Hayman Woods made was a participation in a development loan for a condominium project in Florida. The interest rate was 12% with an additional 2% exit fee, as well as other fees. Consistent with the practice in the industry, the Hayman Woods’ loan provided for the accrual of interest on the loan.

49. The second set of investments Hayman Woods intended to make was for lot development projects in South Phoenix. I wrote to Bass, explaining our concerns about South Phoenix as an investment at that time due to foreclosures, broken communities, bankrupt homebuilders, excessive supply, declining demand and no clear exit strategy. I also expressed my concern that Bass was pushing undesirable deals, because his fund had excessive overhead and no attractive transactions or deal sources. I was also uncomfortable with and had objected to the fund’s practice of charging management fees on the unfunded portion of capital contributed as opposed to fees based on invested assets.

50. I told Bass that UDFLOF LP had originally invested with Hayman Woods out of deference to Bass, but that I was now uncomfortable with that path, given what I had seen of his planned investment strategy. I told Bass we wished to exit Hayman Woods. Bass’ response suggested to me that he was upset with my comments and UDFLOF LP’s desire to exit his fund. However, I could not in good conscience continue to invest funds with Bass’ Hayman Woods. In 2009, UDFLOF LP withdrew its investment with Hayman Woods.

51. In 2009, Hayman Woods made a bid in a bankruptcy proceeding to purchase Stoneleigh Residences, a partially built luxury condominium building in uptown Dallas that had fallen victim to the financial crisis and ended up in bankruptcy. Hayman Woods lost its bid to Centurion, a substantial borrower from UDF.

Hayman’s Attack on UDF

52. On 11/9, 11/13, and 11/16/2015, Respondents filed Form 10-Q periodic reports for the period ended 9/30/2015. At that time, Respondents were, and had consistently been, current in their periodic reporting.

53. Beginning in 2015, Hayman perpetrated the attack on UDF described in Respondents' answer.

54. Respondents have since filed an action for damages against Hayman in state court in Dallas, and the court has allowed Respondents to obtain preliminary discovery to substantiate their claims against Hayman. After reviewing Respondents' submissions and holding a five-hour evidentiary hearing, the court denied Hayman's motion to dismiss and ruled that Respondents had made a prima facie case of intentional business disparagement and tortious interference by Hayman. The denial of Hayman's dismissal motion is now on interlocutory appeal.

55. Meanwhile, the independent trustees on UDF IV's audit committee retained law firm Thompson & Knight, assisted by independent forensic accountants from PwC, to conduct an independent investigation into Hayman's allegations. This included individual interviews, analysis of thousands of relevant documents, searches of 1.7 million emails, and analysis of financial reporting. After four months of work, the investigators concluded that there was no evidence of fraud or misconduct; no evidence to substantiate Hayman's Ponzi allegations; no evidence of deception; no evidence that Whitley Penn was misled; and no evidence of efforts to defraud investors. Thompson & Knight and PwC presented these findings to the FWDO on 4/12 and 4/26/2016, and to the FBI and USAO on 5/11/2016.

Exhibits Filed Herewith and Incorporated Herein

56. Filed herewith and incorporated into this declaration are true and correct copies of the following exhibits relevant and necessary for fair consideration of this matter:

- Ex. 1 "United Development Funding Executive Summary" (March 19, 2015).
- Ex. 2: Hayman email chain with potential investors (March 20-24, 2015).
- Ex. 3: Interrogatory response re: Hayman UDF short position on specific dates.
- Ex. 4: Hayman email chain (April 1, 2015).
- Ex. 5: List of Hayman's formal meetings and conference calls with the SEC.
- Ex. 6: "United Development Funding Overview."
- Ex. 7: Hayman email chain (May 26, 2015).
- Ex. 8: "UDF Q1_2015 Update (SEC 5.26.15)" (May 26, 2015).
- Ex. 9: Calendar invite for "Meeting SEC UDF" (June 2, 2015).

- Ex. 10: Bass affidavit, excerpts including ¶21.
- Ex. 11: “UDF V Loan Issued 6.9.15” (June 12, 2015).
- Ex. 12: Hayman email (June 12, 2015).
- Ex. 13: Calendar invite for "UDF Call" (June 15, 2015).
- Ex. 14: Hayman text messages (June 15, 2015).
- Ex. 15: Hayman email chain (July 6, 2015).
- Ex. 16: Hayman email (July 28, 2015).
- Ex. 17: Hayman email (July 30, 2015).
- Ex. 18: Hayman email (August 7, 2015).
- Ex. 19: Hayman email string (August 18, 2015).
- Ex. 20: Hayman email (September 20, 2015).
- Ex. 21: Hayman email (September 24, 2015).
- Ex. 22: “Real Estate Distressed Debt Opportunity” (September 24, 2015).
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- Ex. 33: Hayman email to WSJ (December 4, 2015).
- Ex. 34: Hayman/Harvest email string (December 10, 2015).
- Ex. 35: Hayman/Harvest email string (December 9, 2015).
- Ex. 36: 3205 Hayman/Harvest email string (December 11, 2015).
- Ex. 37: Hayman/Harvest email string (December 10, 2015).
- Ex. 38: Hayman/Harvest email string (December 10, 2015).
- Ex. 39: Hayman/SEC email (December 11, 2015).
- Ex. 40: Hayman/SEC email (December 15, 2015).
- Ex. 41: Hayman email (December 10, 2015).
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- Ex. 43: "Strategic and Crisis Communications" (December 23, 2015).
- Ex. 44: Hayman email (December 28, 2015).
- Ex. 45: "Communications Campaign Summary and Timeline Re: United Development Funding (UDF) IV" excerpt (January 3, 2016).
- Ex. 46: Hayman/Edelman email string (January 3-4, 2016).
- Ex. 47: Launch Day Planning and Media Plan (January 22, 2016).
- Ex. 48: Hayman/Edelman email string (February 2, 2016).
- Ex. 49: Hayman email (February 2, 2016).
- Ex. 50: Business Insider article with letter from Kyle Bass (February 5, 2015).

- Ex. 51: Hayman email string (February 4, 2016).
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- Ex. 55: Hayman email string (May 12, 2016).
- Ex. 56: Hayman email string (June 3, 2016).
- Ex. 57: UDF press release UDF press release (June 8, 2016).
- Ex. 58: Hayman/Edelman email string (June 17, 2016).
- Ex. 59: Peter Bible affidavit, including ¶¶3-5.
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- Ex. 61: Hayman/Edelman email (August 10, 2016).
- Ex. 62: "UDF Exposed Paid Promotion Strategy" (August 11, 2016).
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- Ex. 68: Hayman/SEC email (December 10, 2015).
- Ex. 69: Hayman/Forbes email (December 10, 2015).
- Ex. 70: Hayman/Forbes email (December 11, 2015).
- Ex. 71: Kitchens affidavit, excerpts including ¶13.

- Ex. 72: Greenlaw affidavit, excerpts including ¶127.
- Ex. 73: Kitchens affidavit, excerpts including ¶23(b) and 23(d).
- Ex. 74: Moayedi affidavit, excerpts including ¶9.
- Ex. 75: Greenlaw affidavit, excerpts including ¶¶27-29.
- Ex. 76: Brown affidavit, excerpts including ¶6.
- Ex. 77: Sommers affidavit, excerpts including ¶¶5-6, Annexes 3-4 at RFA No. 3, Ex. C at 6.
- Ex. 78: Hayman/SEC email string (June 12-15, 2015).
- Ex. 79: Hayman email (June 8, 2015).
- Ex. 80: Hayman/V3 Captail email string (December 30, 2015).
- Ex. 81: Harvest press release (June 18, 2015).
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- Ex. 83: Hayman email string (October 8, 2016).
- Ex. 84: Highland press release (November 15, 2017).
- Ex. 85: UDF release announcing Nasdaq extension (September 14, 2016).
- Ex. 86: Bass email (September 14, 2016).
- Ex. 87: Bass calendar invitation (September 14, 2016).
- Ex. 88: Letter to Nasdaq (October 4, 2016).
- Ex. 89: Barron's article (August 13, 2015).
- Ex. 90: New York Post article (August 22, 2015).
- Ex. 91: Fortune article (May 23, 2016).
- Ex. 92: Hayman email (January 29, 2016).

- Ex. 93: Hayman email (September 9, 2016).

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I declare under penalty of perjury, pursuant to 28 U.S.C. §1746, that the foregoing is true and correct. Executed on March 28, 2019.


Hollis M. Greenlaw

Certificate of Service and Filing

Pursuant to Rule 150(c)(2), I certify that on March 28, 2019, I caused the foregoing to be sent: **(1) By courier service (original and 3 copies)** directed to the Office of the Secretary, Securities and Exchange Commission, 100 F Street NE, Washington DC 20549-1090, with an electronic courtesy copy by **email** to apfilings@sec.gov. **(2) By email and express delivery service** directed to Keefe M. Bernstein and David Whipple, Fort Worth Regional Office, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102, and BernsteinK@sec.gov and WhippleDa@sec.gov.

/s/ William E. Donnelly

U.S. SECURITIES AND EXCHANGE COMMISSION



Matter of

UNITED DEVELOPMENT FUNDING III, L.P.,
UNITED DEVELOPMENT FUNDING IV, *and*
UNITED DEVELOPMENT FUNDING INCOME
FUND V,

A.P. No. 3-18832

Respondents.

EXHIBITS FILED WITH AND INCORPORATED INTO
HOLLIS M. GREENLAW DECLARATION
MARCH 28, 2019

Exhibits to Hollis M. Greenlaw Declaration, March 28, 2019

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Ex. 69: Hayman/Forbes email (December 10, 2015).

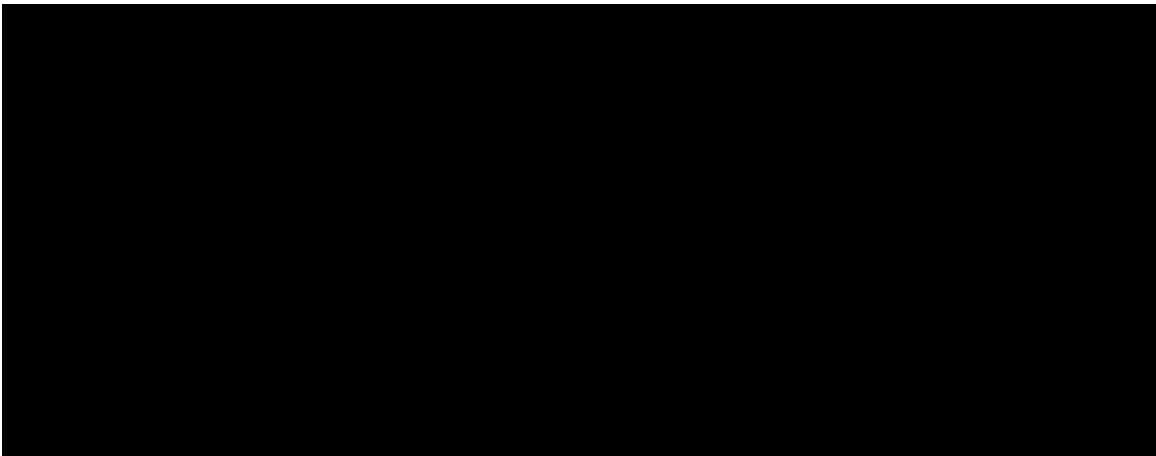
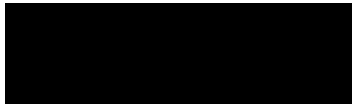
Ex. 70: Hayman/Forbes email (December 11, 2015).

Ex. 71: Kitchens affidavit, excerpts including ¶13.

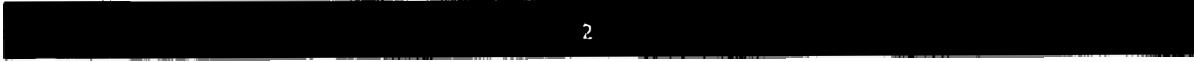
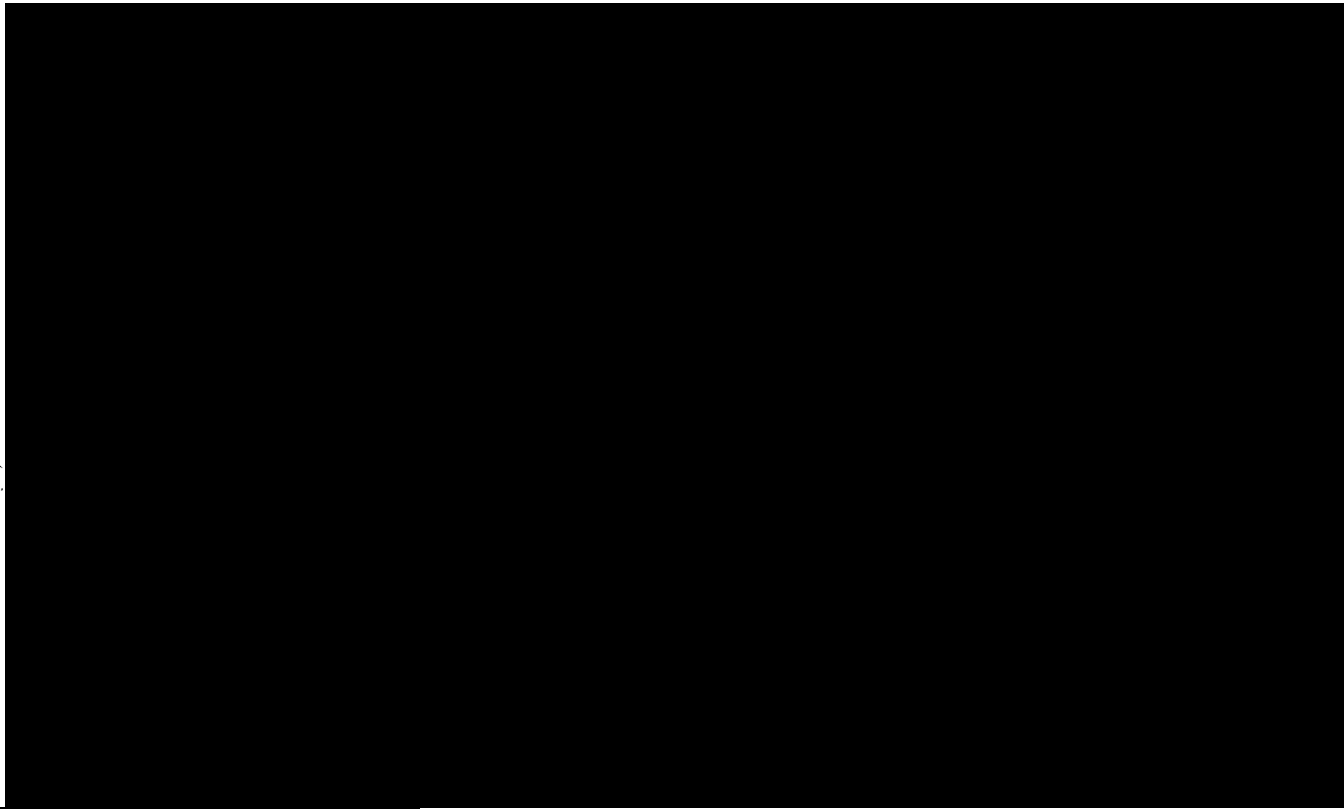
Ex. 72: Greenlaw affidavit, excerpts including ¶127.

Ex. 73: Kitchens affidavit, excerpts including ¶23(b) and 23(d).

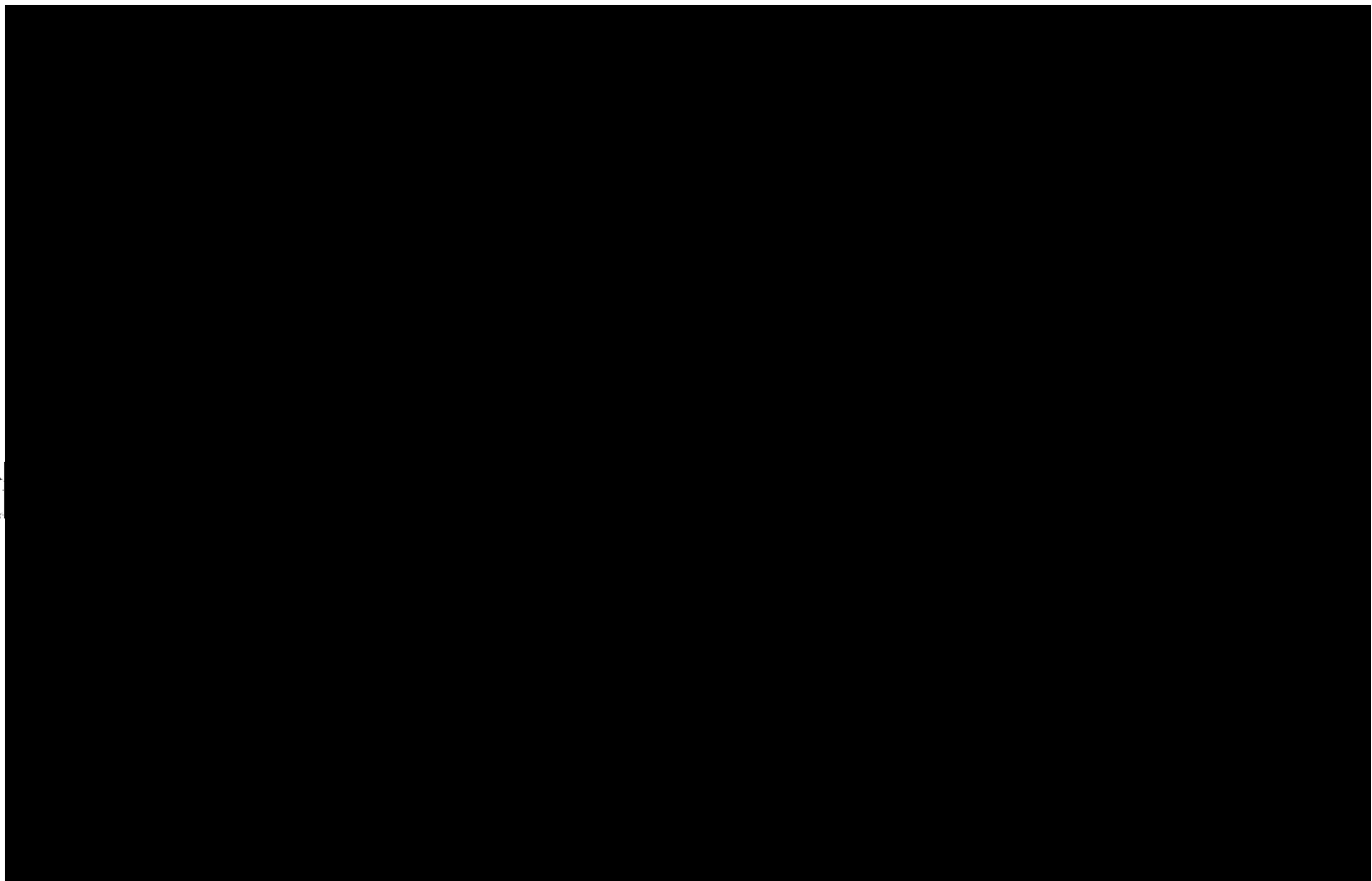
- Ex. 74: Moayedhi affidavit, excerpts including ¶9.
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- Ex. 79: Hayman email (June 8, 2015).
- Ex. 80: Hayman/V3 Captail email string (December 30, 2015).
- Ex. 81: Harvest press release (June 18, 2015).
- Ex. 82: Hayman email string (October 8, 2016).
- Ex. 83: Hayman email string (October 8, 2016).
- Ex. 84: Highland press release (November 15, 2017).
- Ex. 85: UDF release announcing Nasdaq extension (September 14, 2016).
- Ex. 86: Bass email (September 14, 2016).
- Ex. 87: Bass calendar invitation (September 14, 2016).
- Ex. 88: Letter to Nasdaq (October 4, 2016).
- Ex. 89: Barron's article (August 13, 2015).
- Ex. 90: New York Post article (August 22, 2015).
- Ex. 91: Fortune article (May 23, 2016).
- Ex. 92: Hayman email (January 29, 2016).
- Ex. 93: Hayman email (September 9, 2016).



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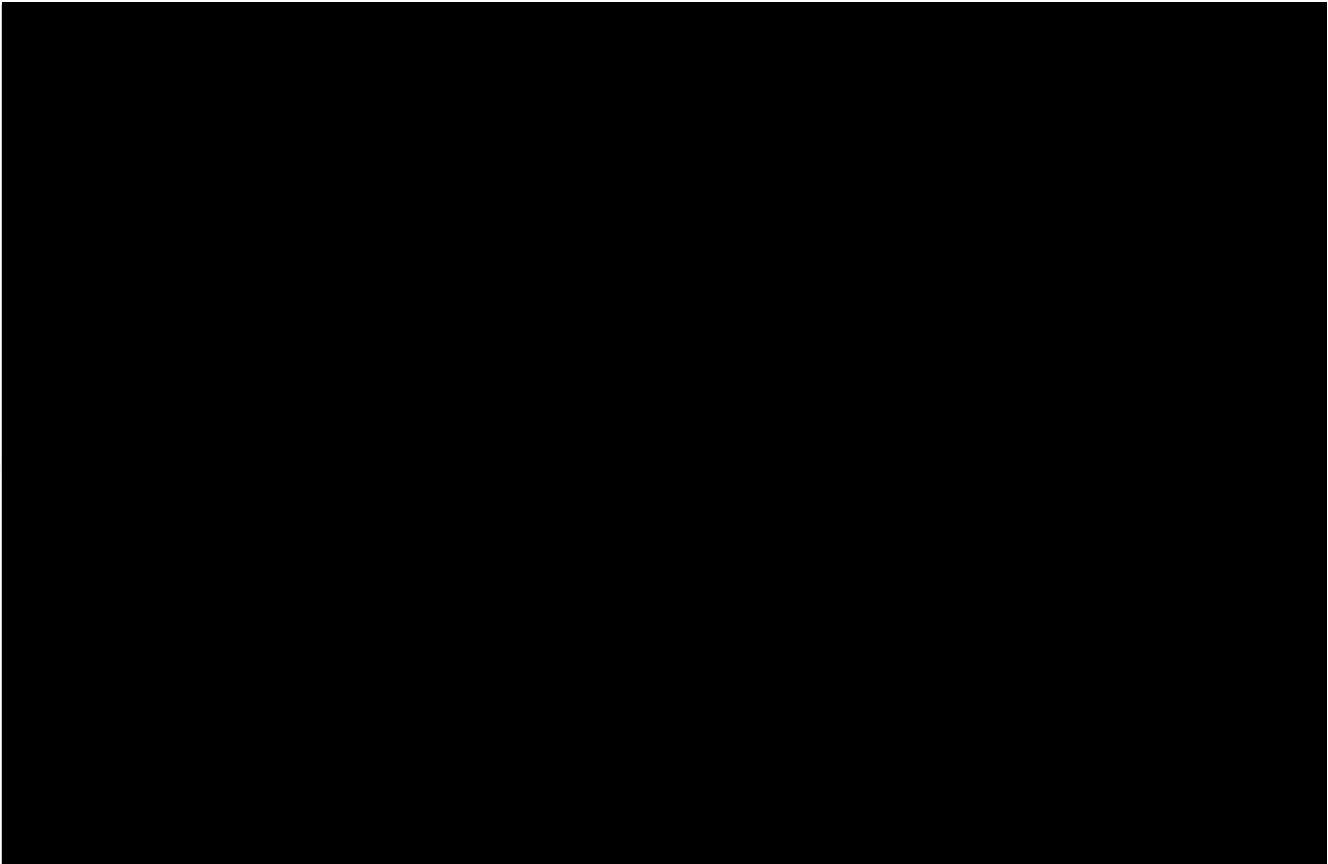


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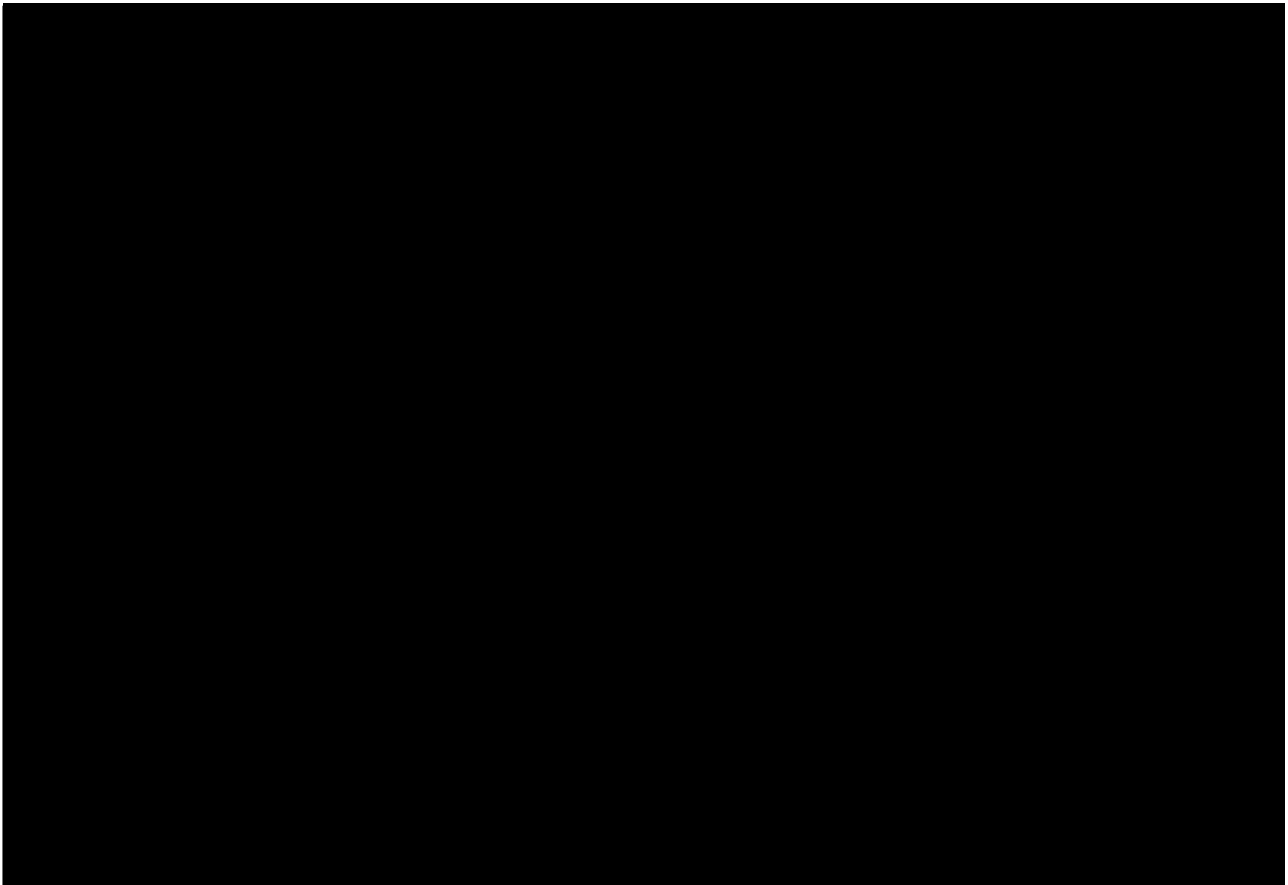


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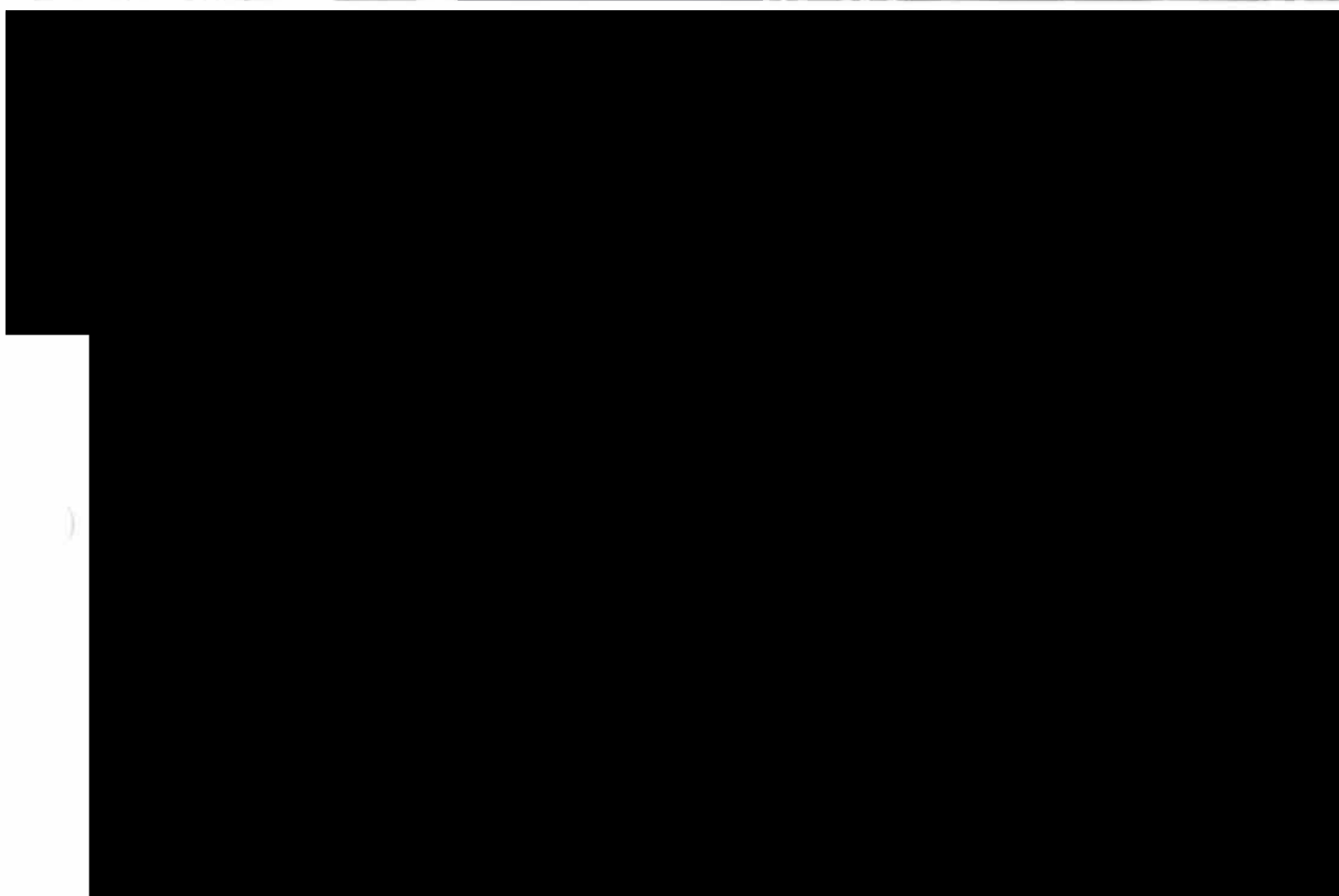
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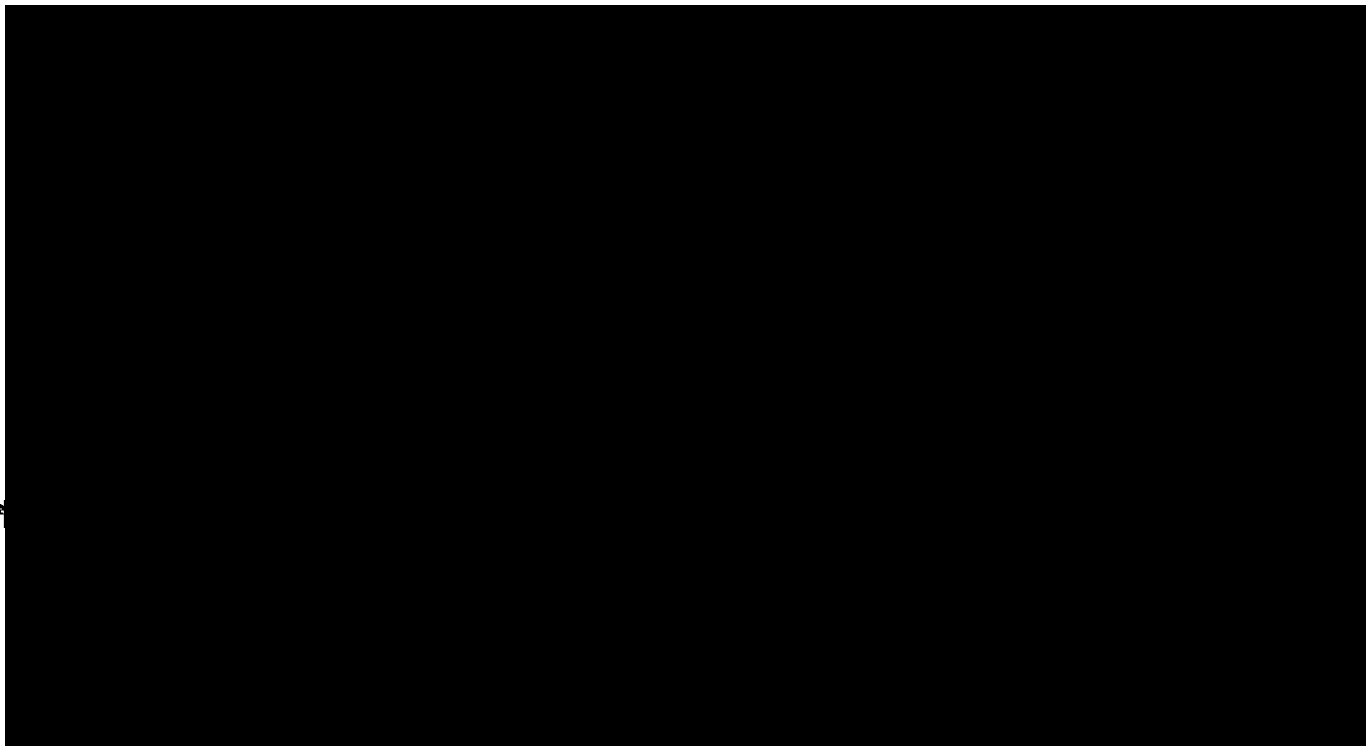


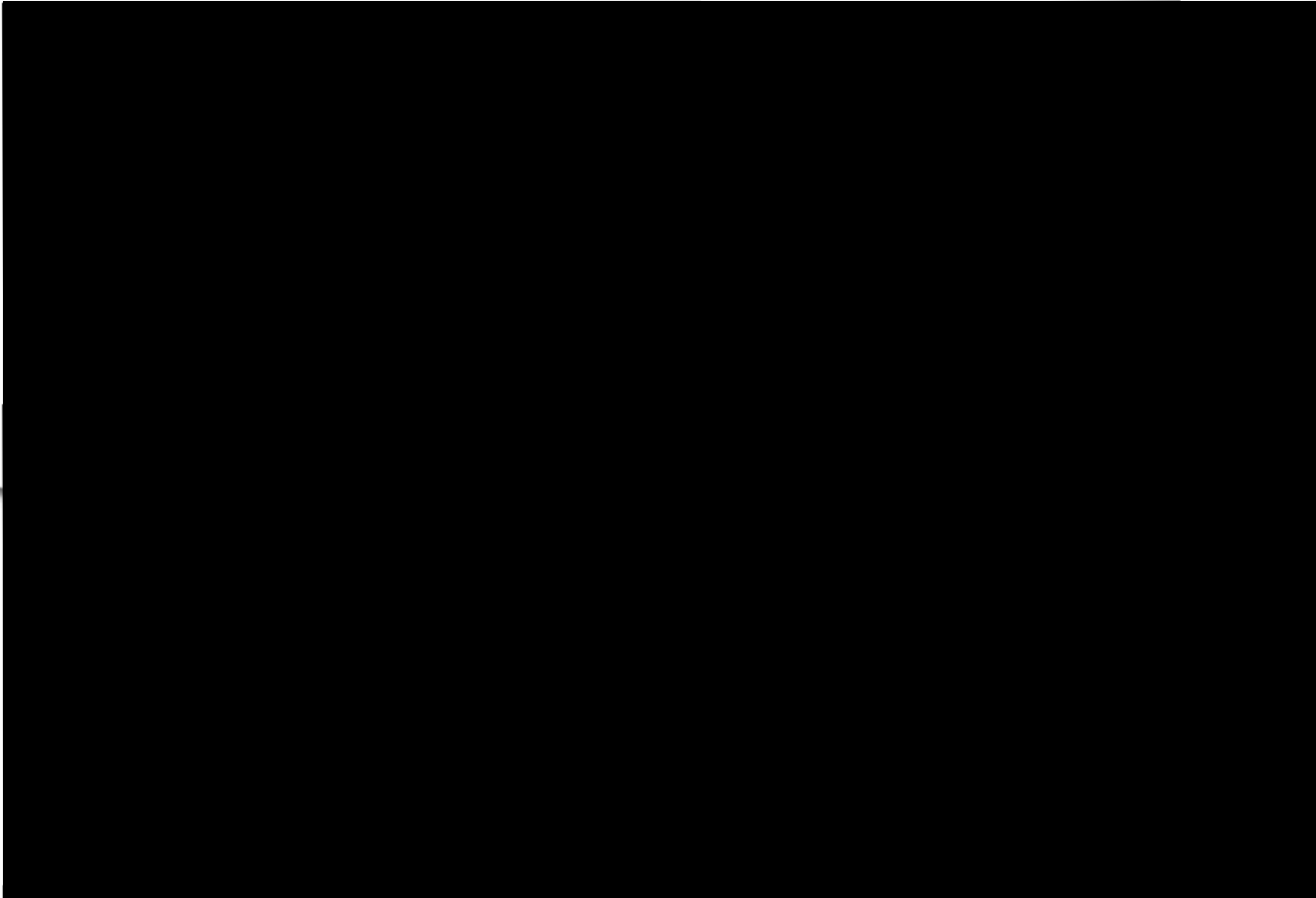
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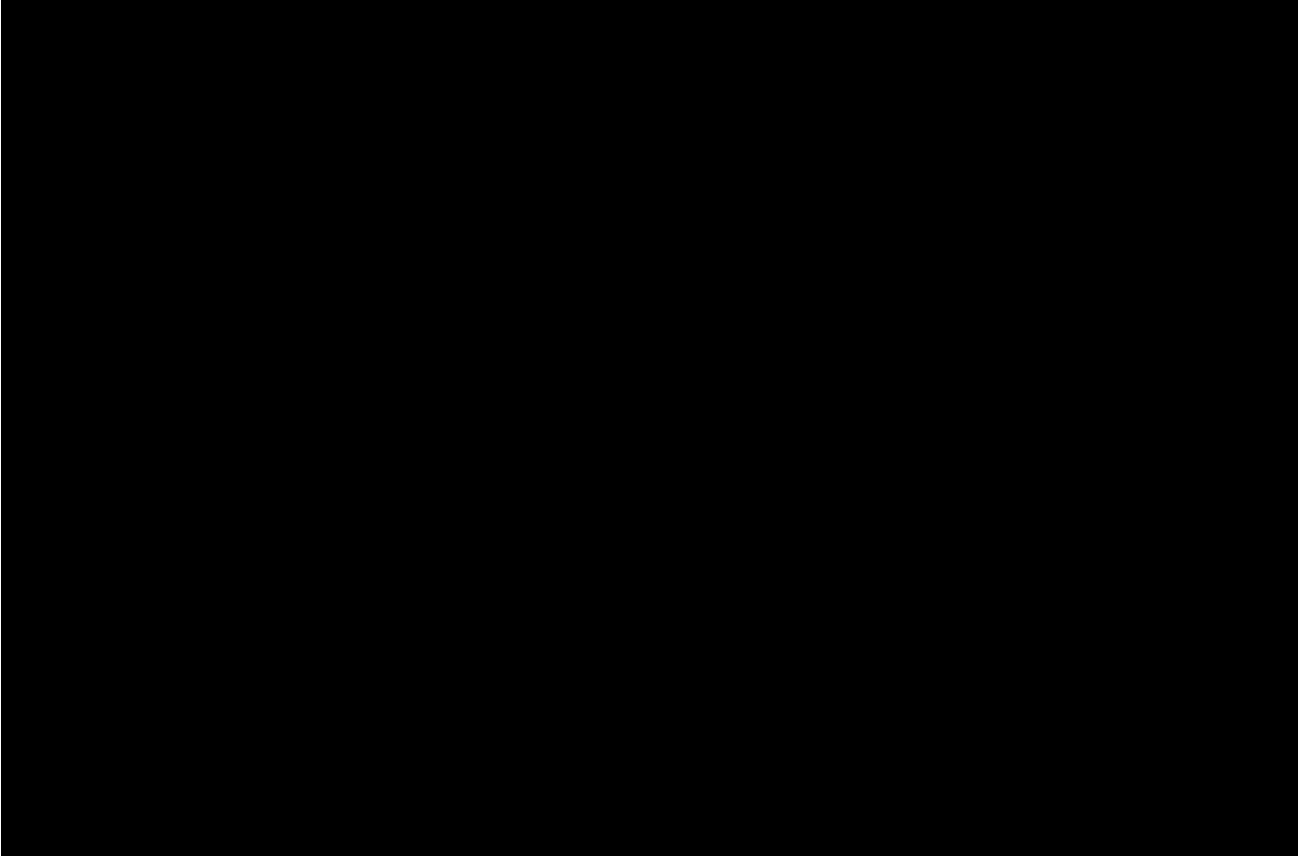


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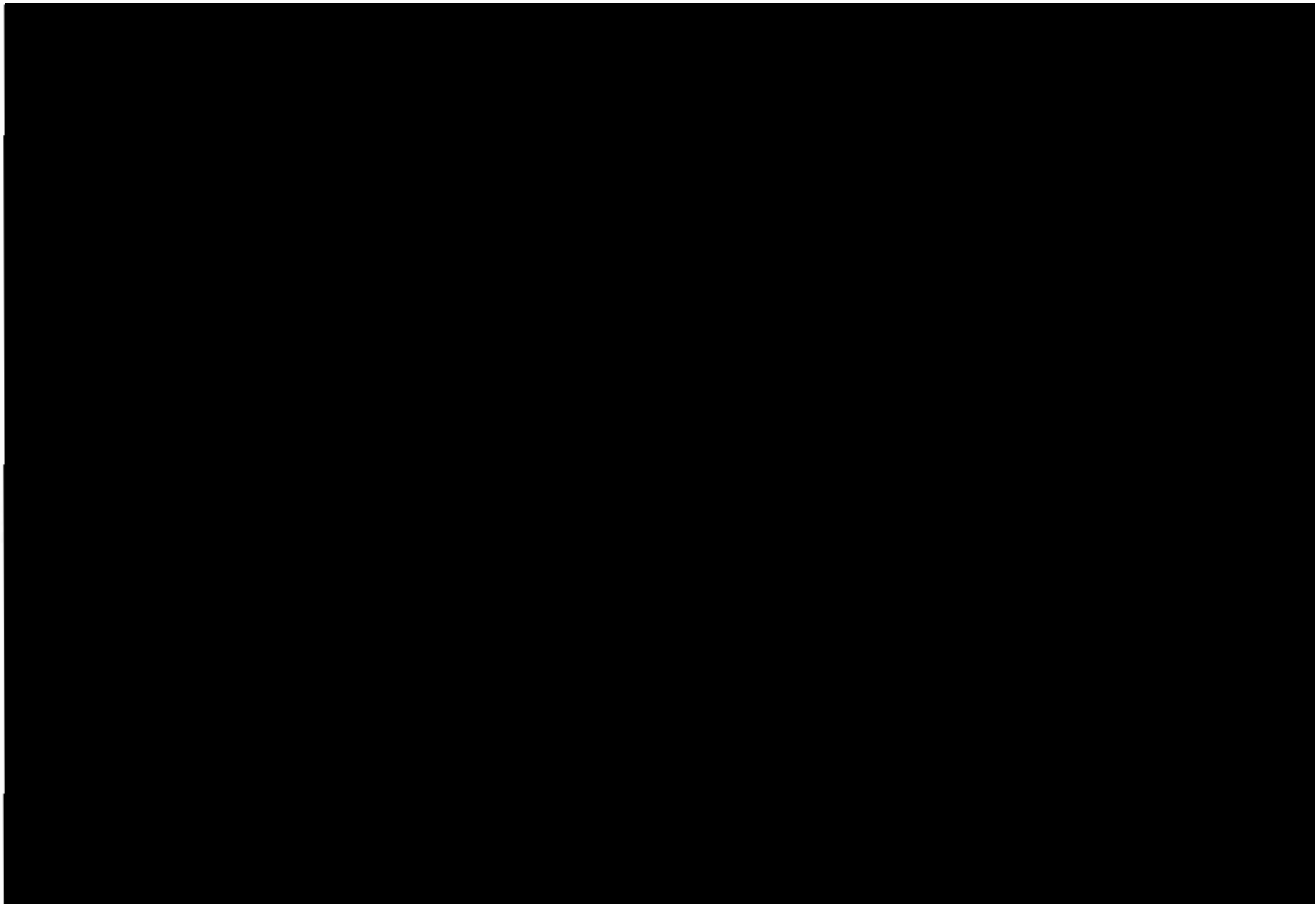




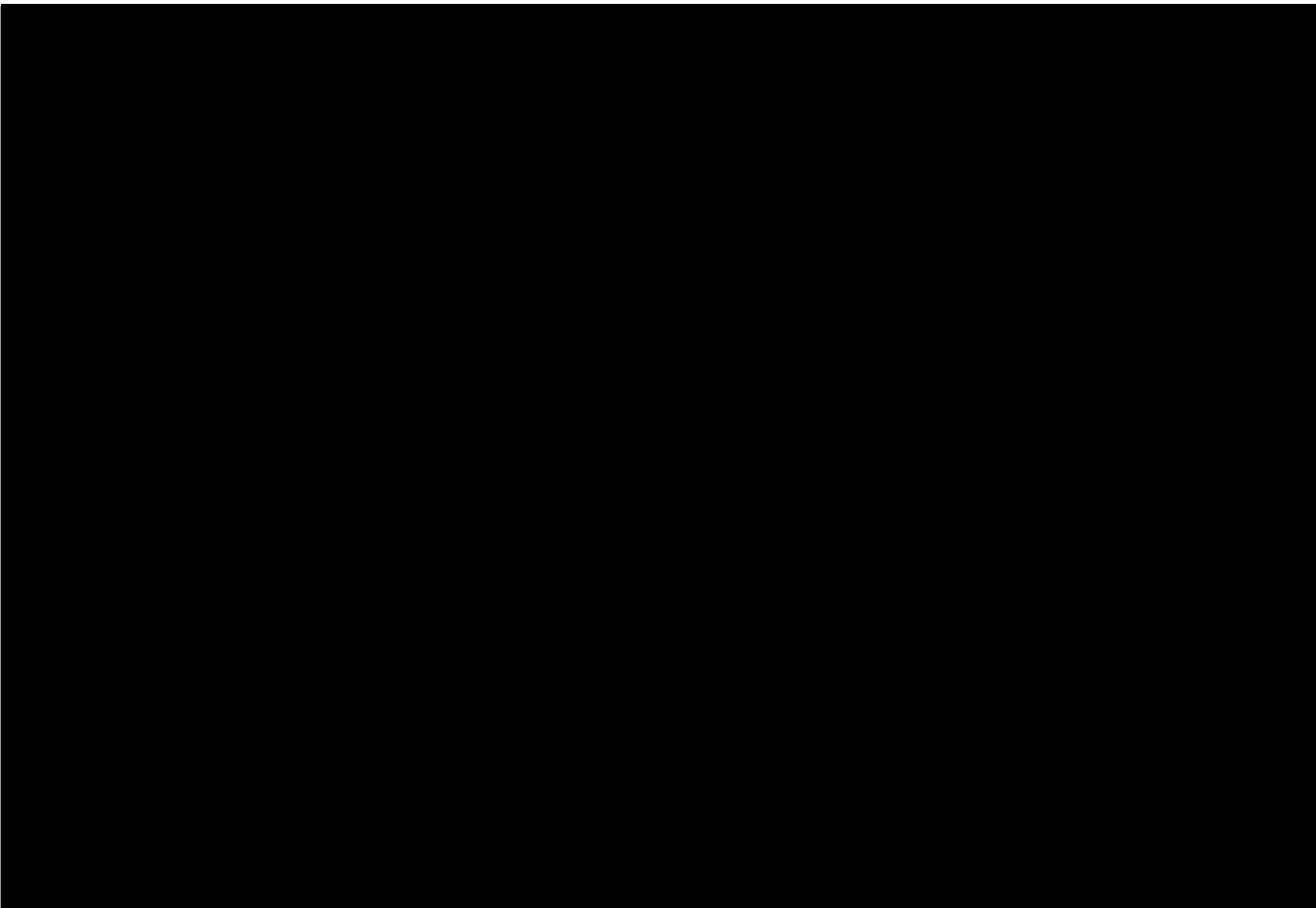


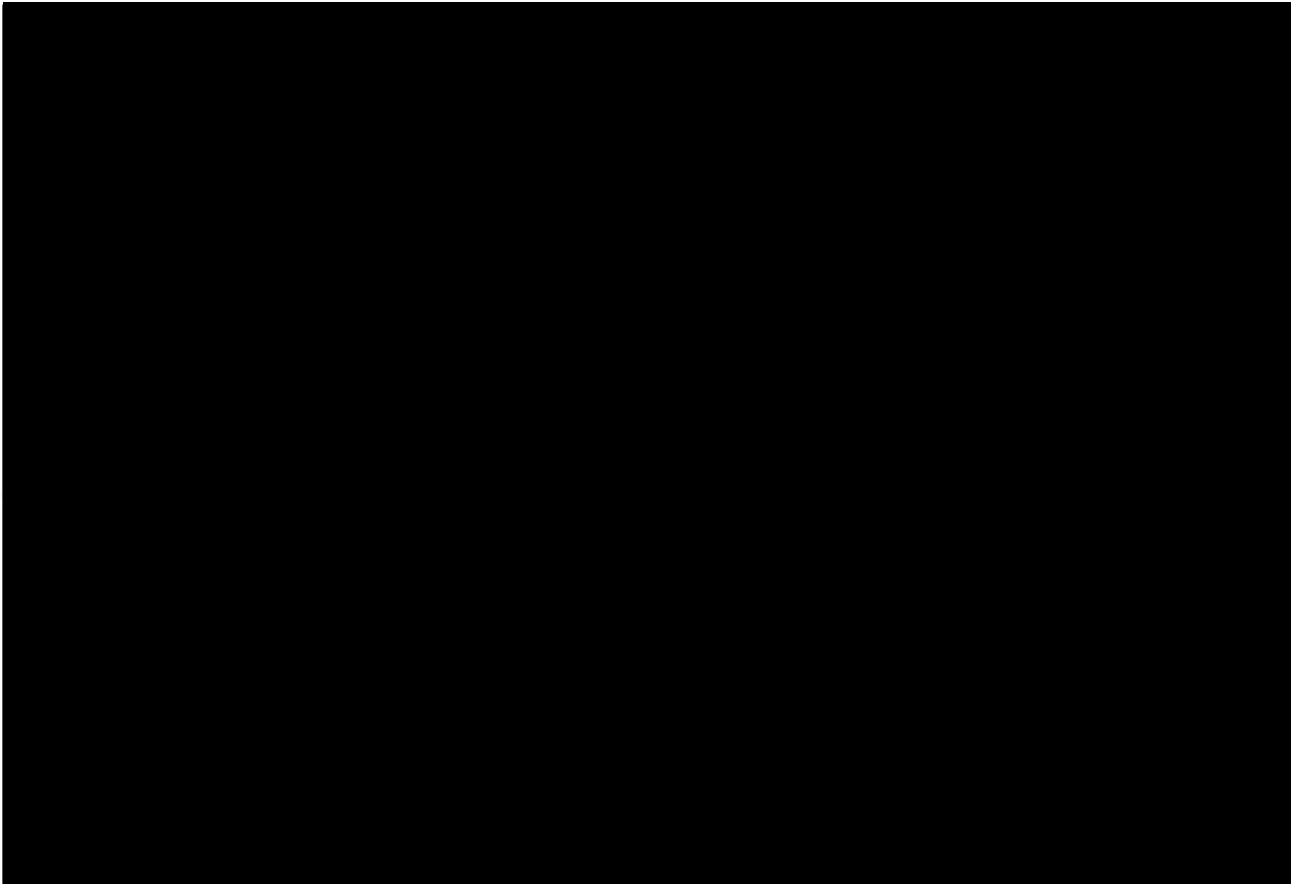
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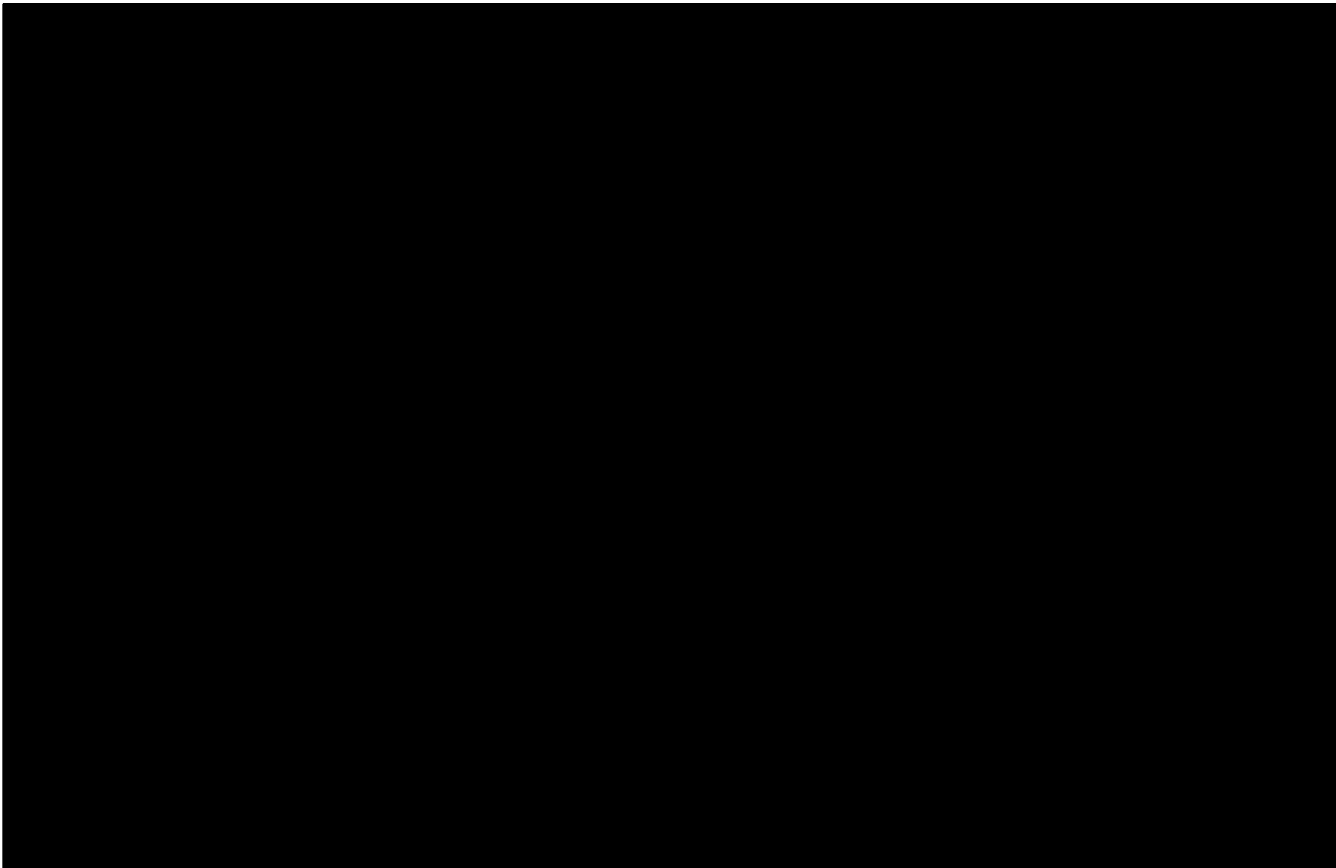
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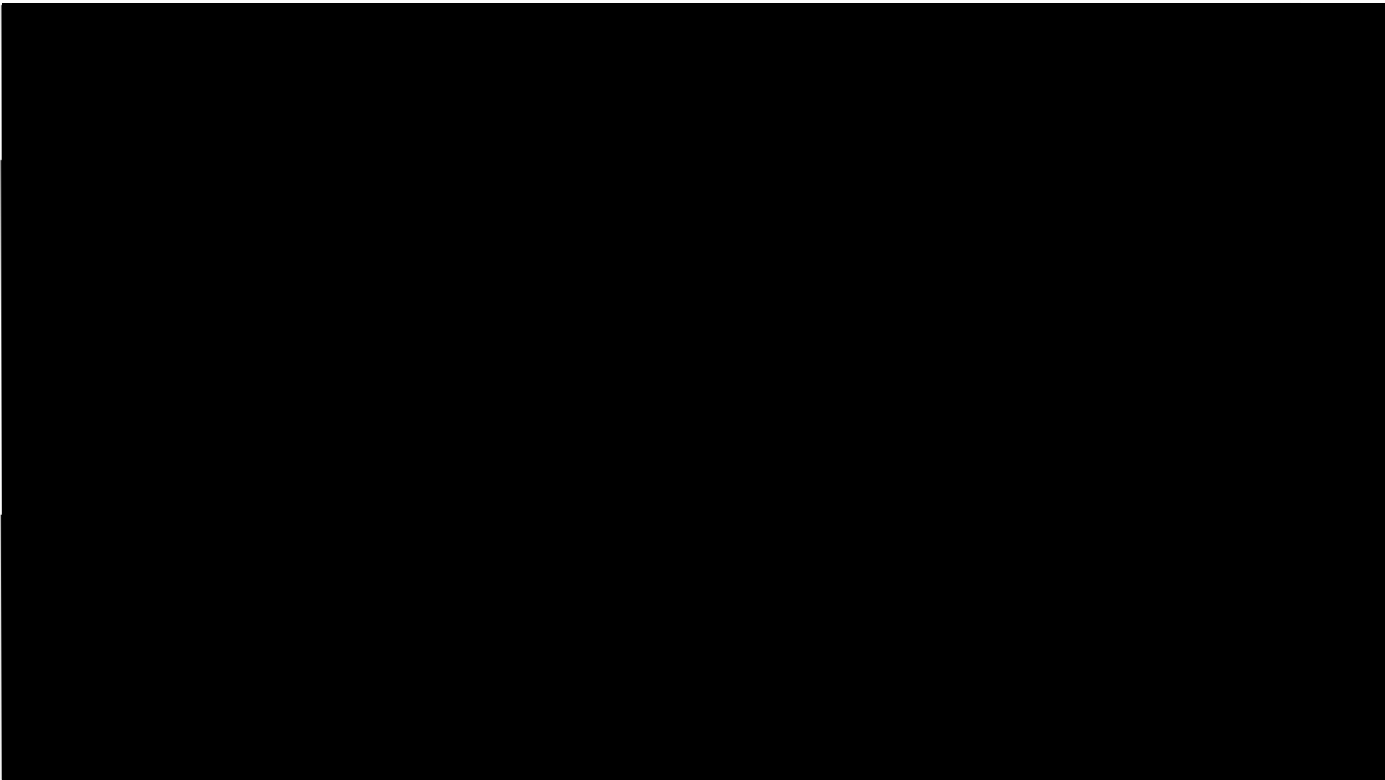


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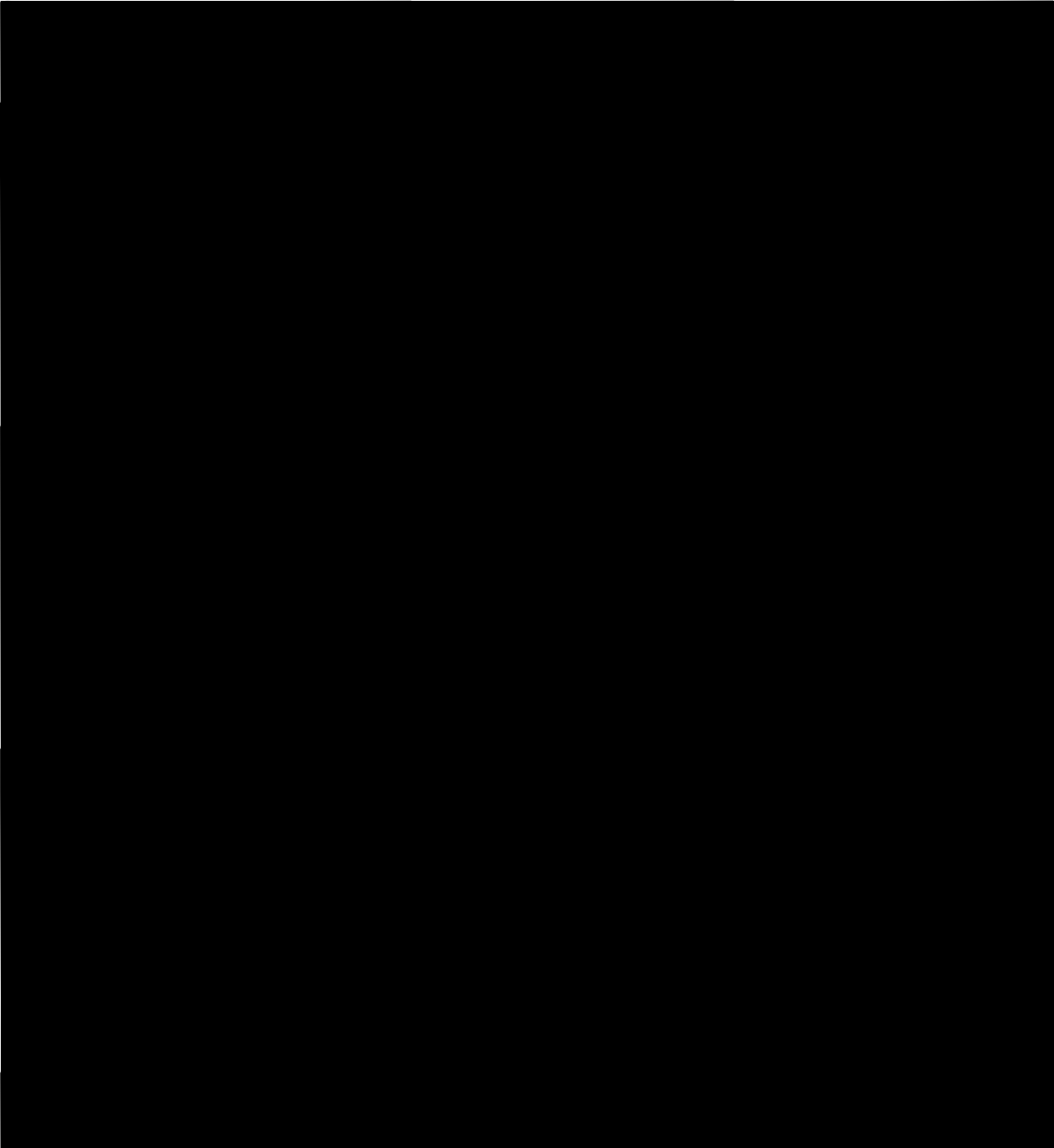
Not So Kind Words from the SEC

SEC words used to describe non-traded REITs:



- “Significant upfront costs”
- “External managers...paid high fees...not aligned with shareholders”
- “...often make distributions in excess of taxable income using borrowed funds and offering proceeds”
- “displaying a REIT security’s immutable offering price as its per share estimated value...throughout the offering period...which could span several years, notwithstanding the fluctuation in value of the REIT security during that period”

Source: SEC’s Office of the Investor Advocate Annual Report.



Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 3/24/2015 2:39:09 PM
To: Parker Lewis [PL@haymancapital.com]
CC: Chris Mahowald [cmahowald@rsfpartners.com]; Bennie Bray [bbray@specialtybakeryllc.com]
Subject: Re: Ponzi Scheme and Real Estate
Attachments: image001.jpg

If Legacy has underwritten a 30% ltv first lien that accrues each year up to a threshold that they have internally set (maybe it's 50% ltv), it simply continues to prime UDF and its investors. The UDF second liens continue to pick and destroy value to the current (and more importantly...future) investors in UDF V.

I can easily understand that the banks have underwritten these properties to protect themselves but the unregulated lending side is going to be destroyed.

Tell your friend at Legacy that he might be involved in a bankruptcy proceeding soon. It looks to be as good as a Ponzi scheme gets. The seconds get annihilated.

JKB a

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

On Mar 24, 2015, at 10:32 AM, Parker Lewis <PL@haymancapital.com<mailto:PL@haymancapital.com>> wrote:

Legacy only represents \$11mm (between 2 facilities) of the \$170mm of UDF IV debt but it would be interesting to know which 10 projects comprise Legacy's collateral. The \$5mm Legacy revolver was just extended for 2 years in January (extended to January 2017). The \$10mm legacy revolver (\$6mm drawn) is due to mature in August 2015.

"The Legacy Revolver has been amended three times to extend the maturity date and, pursuant to a modification agreement entered into on January 21, 2015, the Legacy Revolver is scheduled to mature on January 12, 2017. The Legacy Revolver is secured by a first priority collateral assignment and lien on certain mortgage notes and construction loans held by UDF IV FIII. The Legacy Revolver is guaranteed by us (UDF IV). In connection with the Legacy Revolver, as amended, UDF IV FIII has agreed to pay origination fees totaling \$100,000 to Legacy "

<image001.jpg>

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
[REDACTED] Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

From: Chris Mahowald [mailto:cmahowald@rsfpartners.com]
Sent: Tuesday, March 24, 2015 8:53 AM
To: J. Kyle Bass; Bennie Bray
Cc: Parker Lewis
Subject: RE: Ponzi Scheme and Real Estate

Kyle/Parker

Thanks for lunch and your time yesterday. We are working on the sample collateral underwriting and will report back. I spoke to the CEO of Legacy this morning and he was clueless about UDF. He characterized them as very sharp guys who know what they're doing. He believes that the collateral for the financing they have provided to UDF comprises of ~10 projects and said they (Legacy) did a thorough underwriting of each project.

From: J. Kyle Bass [mailto:k@haymancapital.com]
Sent: Monday, March 23, 2015 12:11 PM

To: Bennie Bray
Cc: Chris Mahowald; Amber Shoevlin; Parker Lewis
Subject: Re: Ponzi Scheme and Real Estate

I may be 10-15 mins late. This Mri takes 40 mins from now.

Amber, pls make sure we have a res for 4 at ocean prime at 1pm.

I will be there asap.

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

On Mar 23, 2015, at 7:43 AM, Bennie Bray
<bbray@specialtybakeryllc.com<mailto:bbray@specialtybakeryllc.com>> wrote:
See you at 1

Sent from my iPhone

On Mar 23, 2015, at 7:37 AM, J. Kyle Bass <k@haymancapital.com<mailto:k@haymancapital.com>> wrote:

Thanks guys. Let's do Ocean Prime if it's easier for you guys. 1pm works perfectly for us.

As for the PowerPoint, I will give you a physical copy and will send you the PowerPoint after lunch today. I want to make sure we have an understanding about its use beforehand.

Thanks!

JKB

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

On Mar 20, 2015, at 7:02 PM, Chris Mahowald <cmahowald@rsfpartners.com<mailto:cmahowald@rsfpartners.com>> wrote:
Kyle

Good to see you at the game. Looking forward to lunch. Please forward the PowerPoint you mentioned. Also - just connected with Bennie and we're happy to move lunch to Ocean Prime or some other place close to wear we all office. Why don't you pick a spot and just email us when you're finished with your MRI? Since Bennie and I office in the same building, we'll just leave together when we hear from you. Note new address listed below:

Chris Mahowald
[cid:image001.gif@01D02A0C.A28F7870]
Old Parkland - Commonwealth Hall
3899 Maple Avenue | Suite 250 | Dallas, TX 75219<x-apple-data-detectors://2/0>
(214) 849-9815 - Phone | (214) 855-9407<tel:(214)%20855-9407> - Fax
www.rsfpartners.com<http://www.rsfpartners.com/>

On Mar 20, 2015, at 10:37 AM, J. Kyle Bass <k@haymancapital.com<mailto:k@haymancapital.com>> wrote:

Chris,

We have been working on something that I would like to share with you on Monday at lunch if you happen to be free. We think that a billion dollar Ponzi scheme is about to unravel and it has implications for a few real estate projects in the DFW area.

Let me know if you are free around 1pm on Monday. Bennie is going to join as well.

JKB

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

Response: Defendants hereby object to this request as not relevant, not relevant to a stated cause of action and not reasonably calculated to lead to the discovery of admissible evidence, as well as not reasonably limited in time and scope. Subject to and without waiving these or the general objections, Hayman Capital Master Fund, LP held the following short position in UDF IV stock.

Date:	01/01/2015	03/31/2015	06/30/2015	07/31/2015	12/10/2015	02/04/2016
Shares	None.	(1,215,964)	(2,067,513)	(2,242,513)	(3,437,250)	(3,088,130)
Mkt Value	None.	(\$21,303,689)	(\$36,140,127)	(\$40,679,186)	(\$38,325,338)	(\$31,498,926)

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 4/1/2015 9:06:09 PM
To: Chris Kirkpatrick [CK@haymancapital.com]
Subject: FW: UDF Update
Attachments: image001.jpg

Fyi - sent this email to andy so he is aware

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management, L.P.
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Dallas, TX 75201

214.347.8043 Direct
512.699.7480 Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

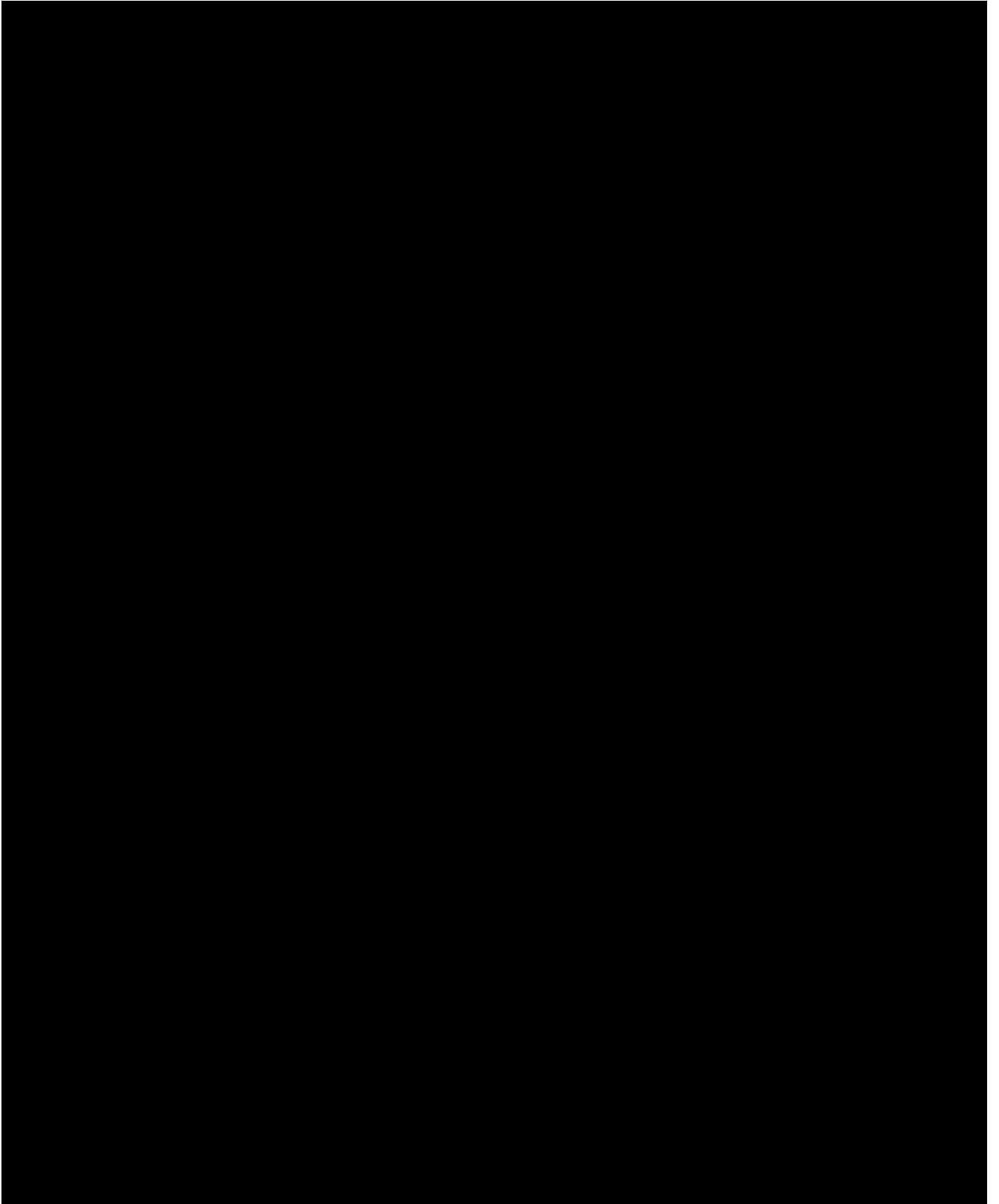
From: Parker Lewis
Sent: Wednesday, April 01, 2015 4:05 PM
To: Andy Jent
Subject: UDF Update

Andy - the SEC reached out to chris and wants to have a short call tomorrow morning to walk through the summary presentation rather than an in person meeting at this stage. They requested 8:30am, chris and I are planning to just walk them through it to get the ball rolling. Plan is to make sure they understand the 1,000 foot view, answer any preliminary questions and provide enough specifics to set the hook with the hope that request a follow-up to do the deep dive

[cid:image001.jpg@01C84251.44A3D170]

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Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

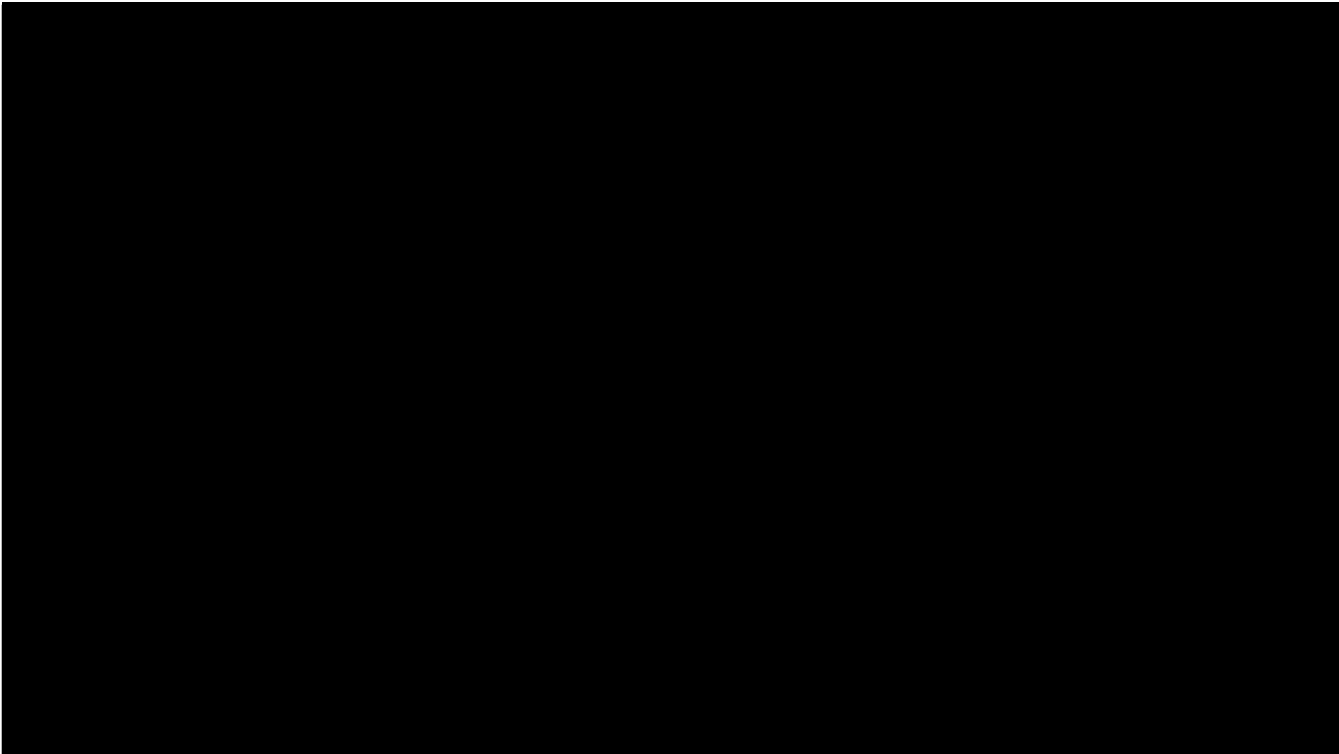
214.347.8043 Direct
[REDACTED] Mobile
tal.com<mailto:PL@HaymanCapital.com>



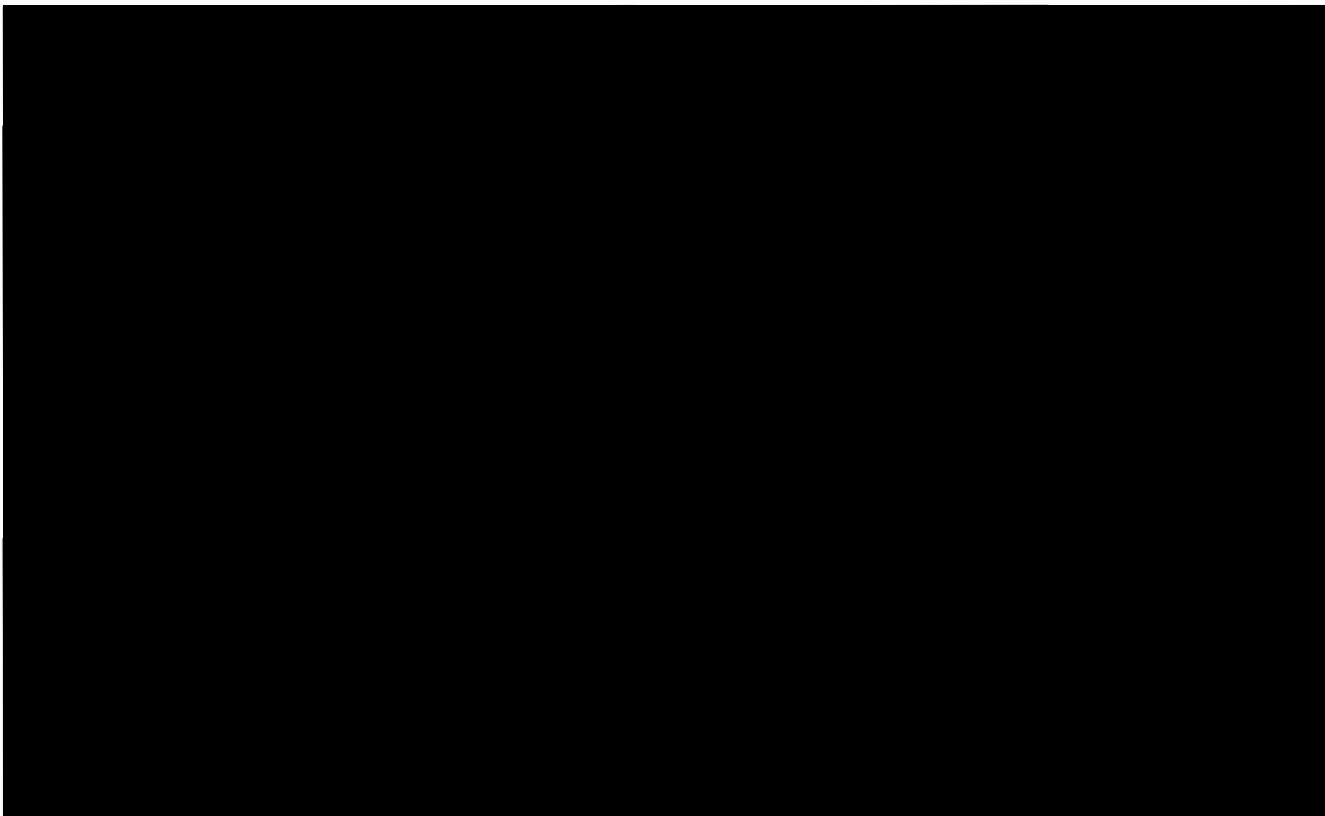


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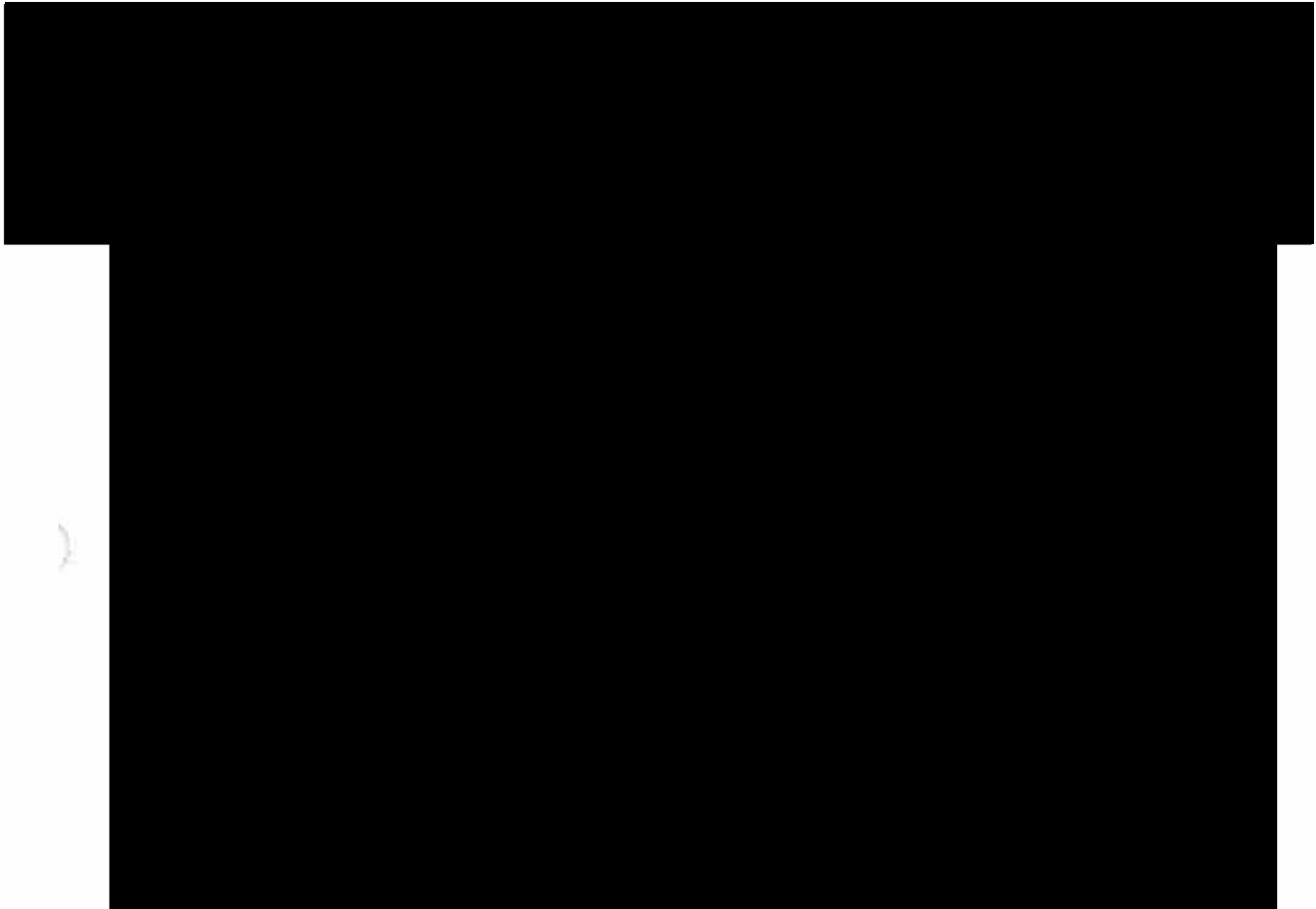
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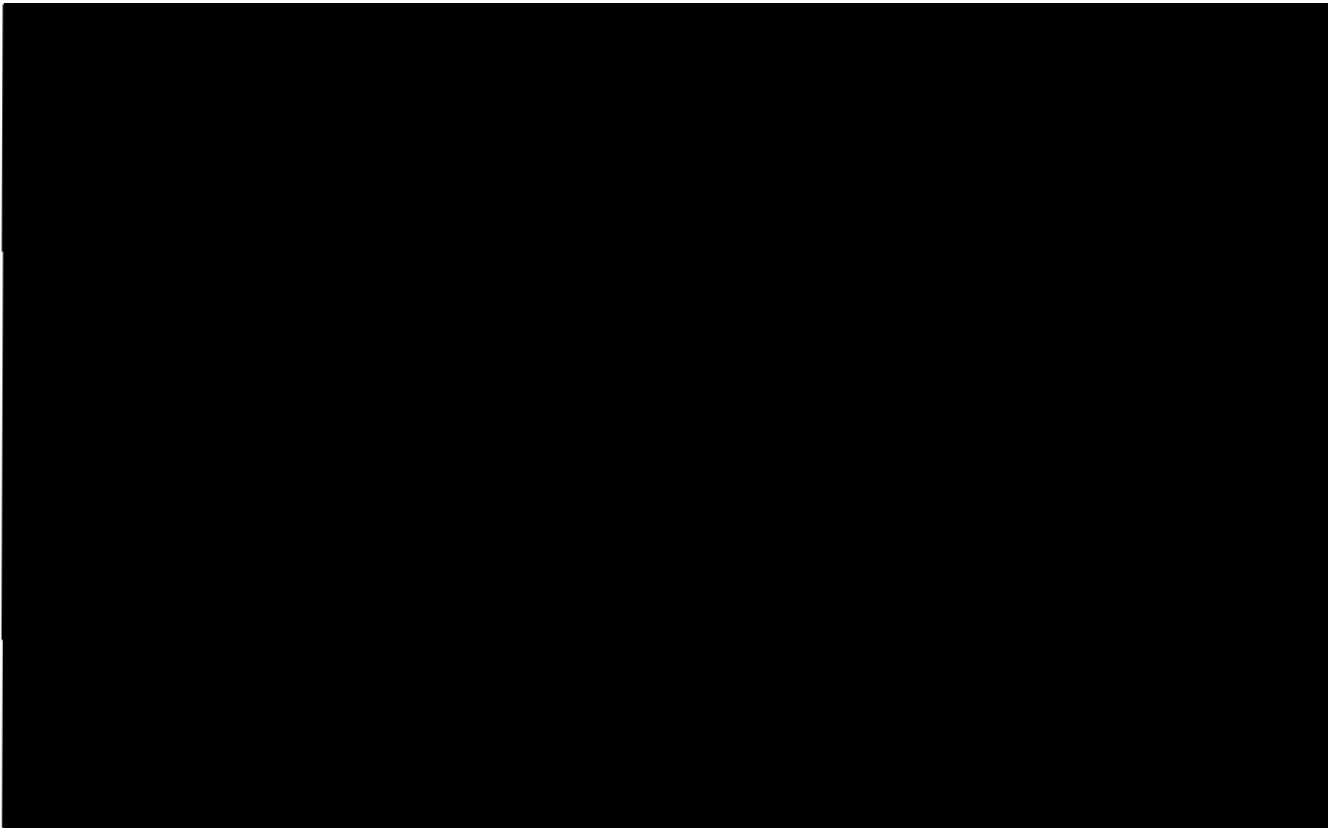


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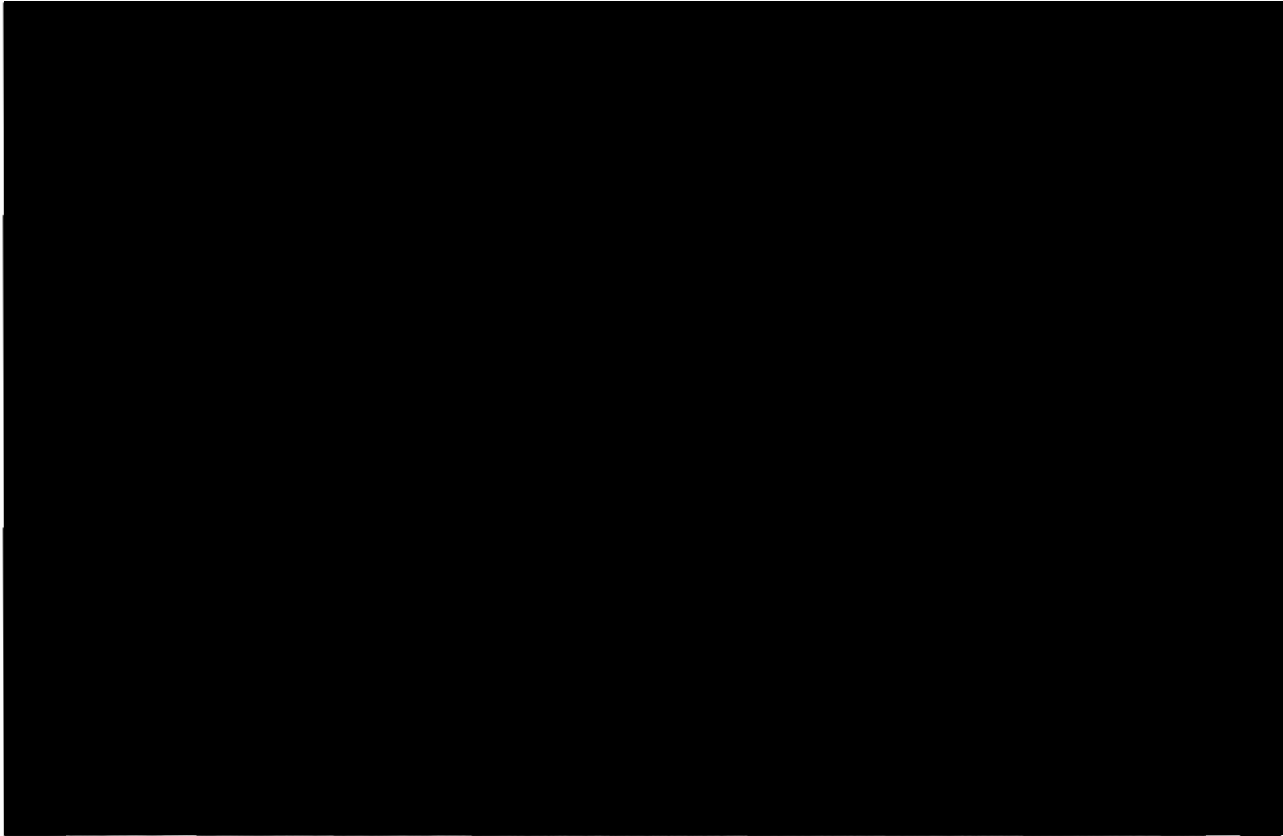
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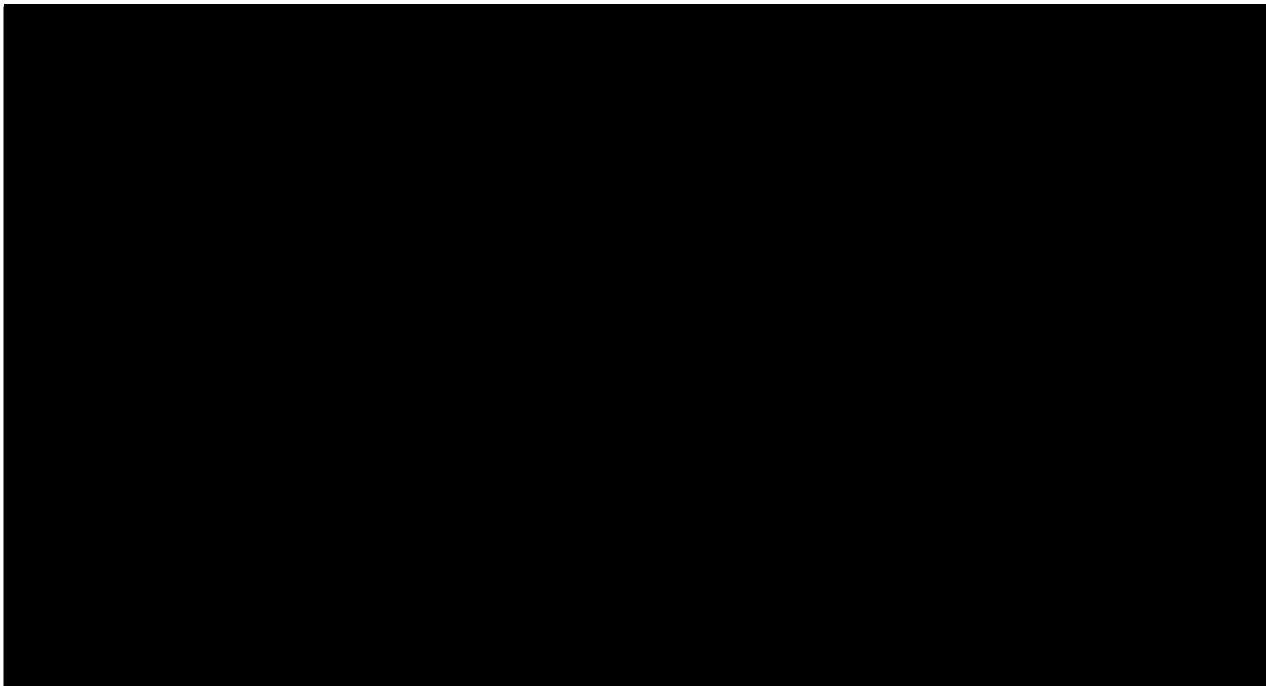
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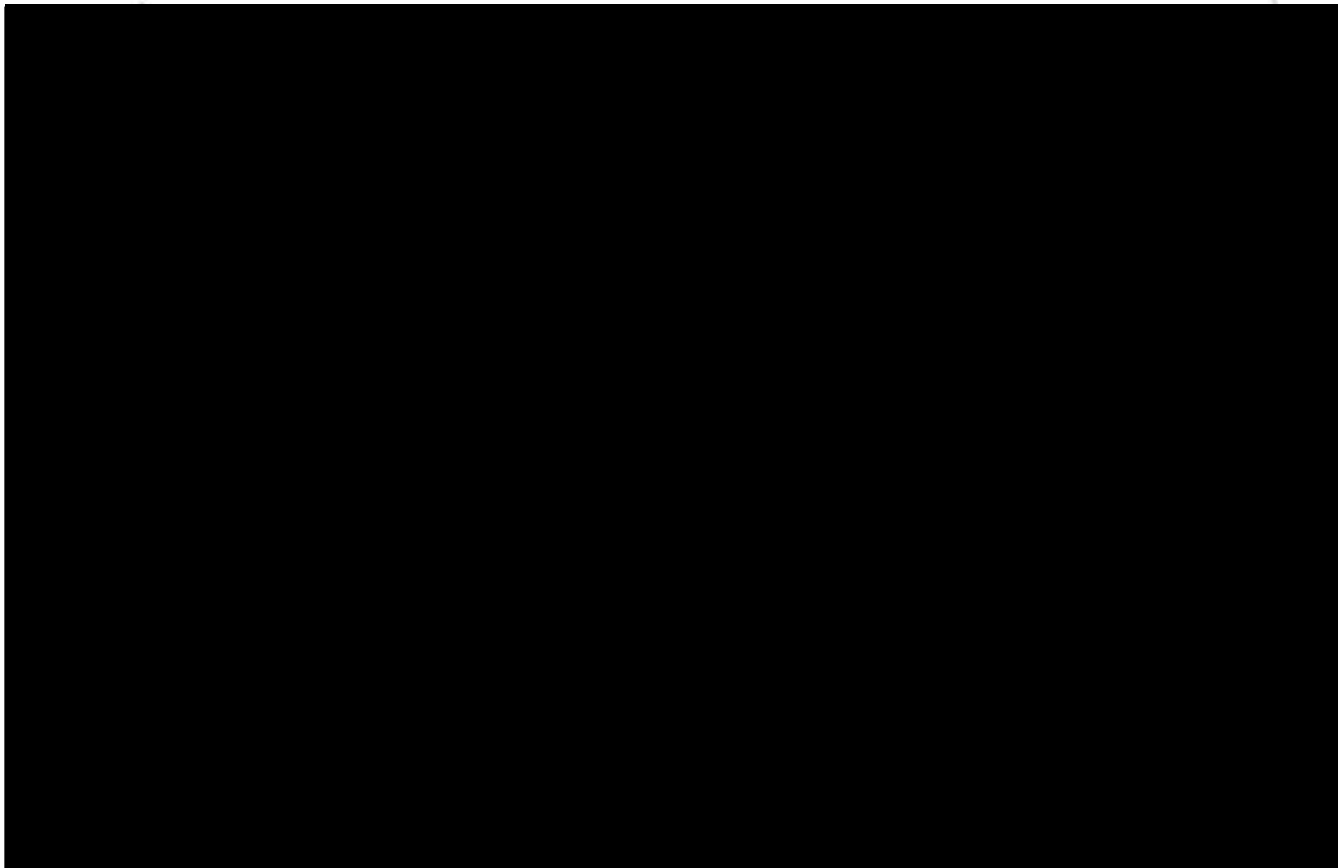
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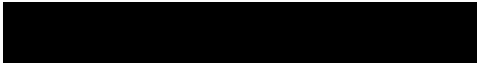
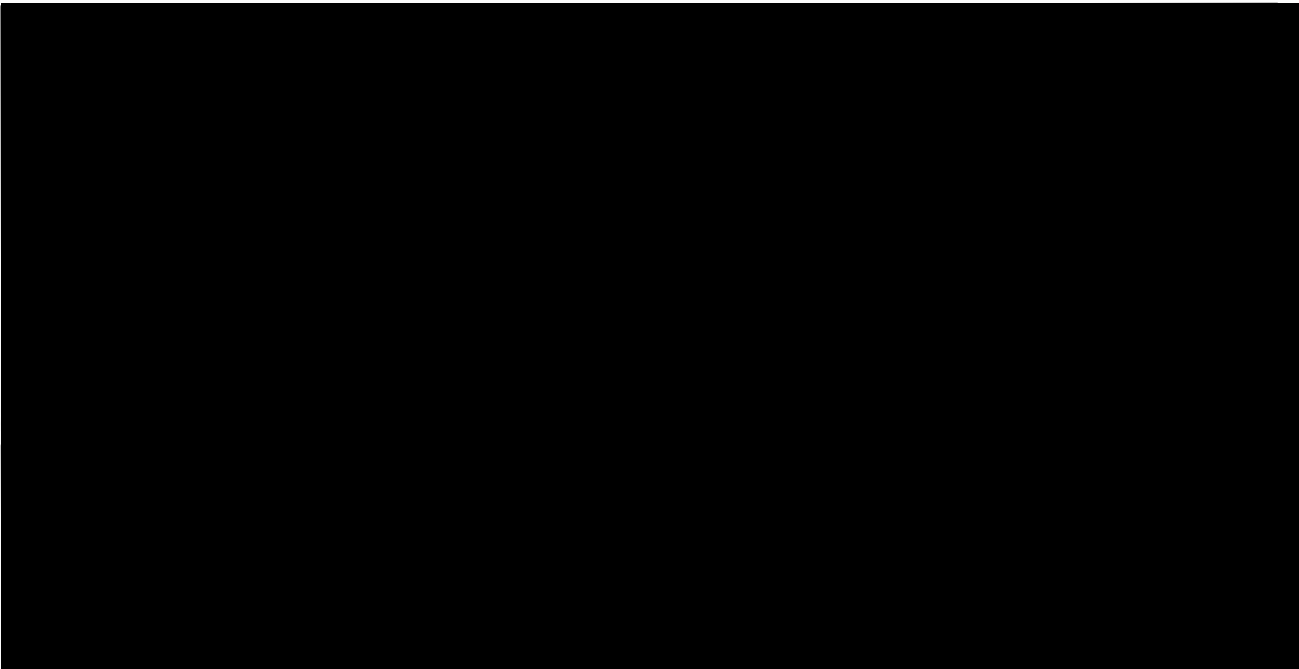
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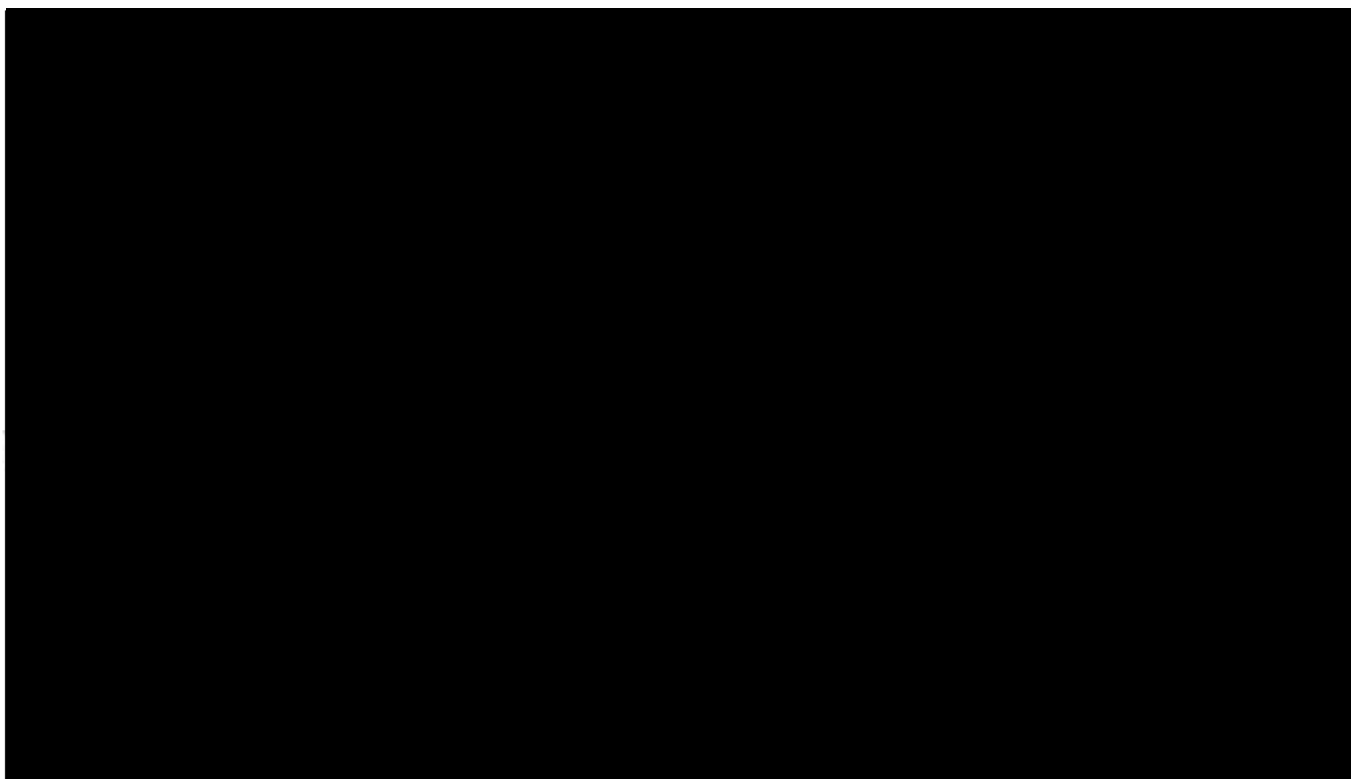
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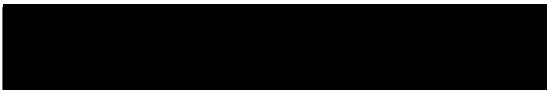
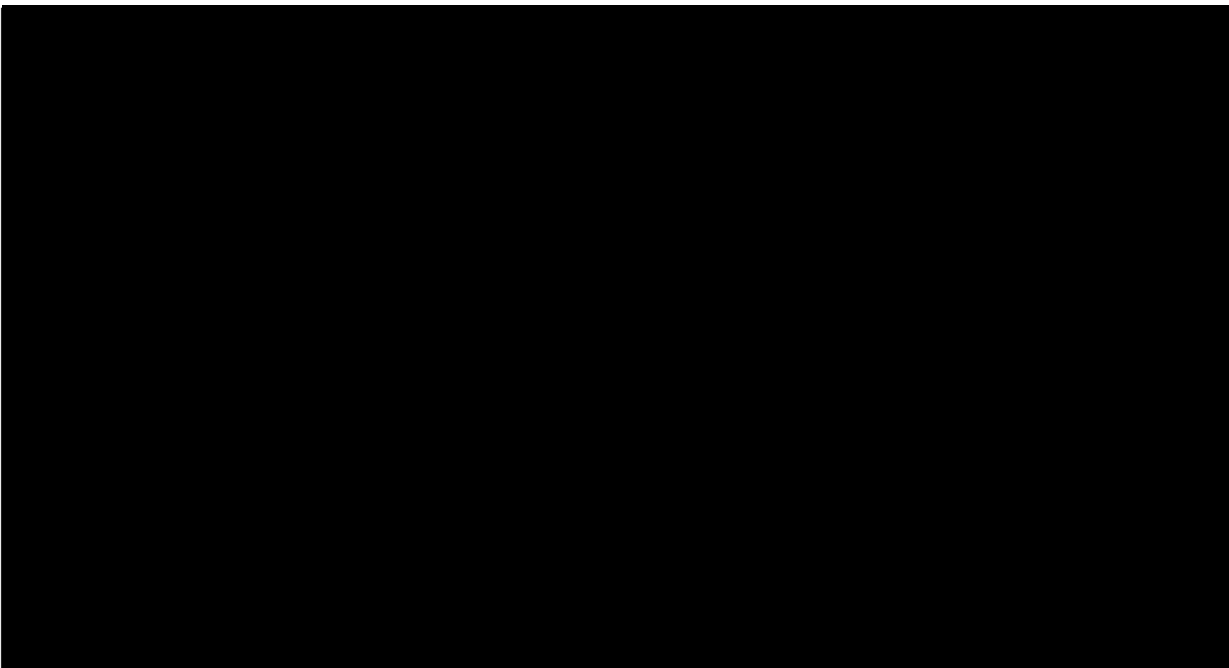
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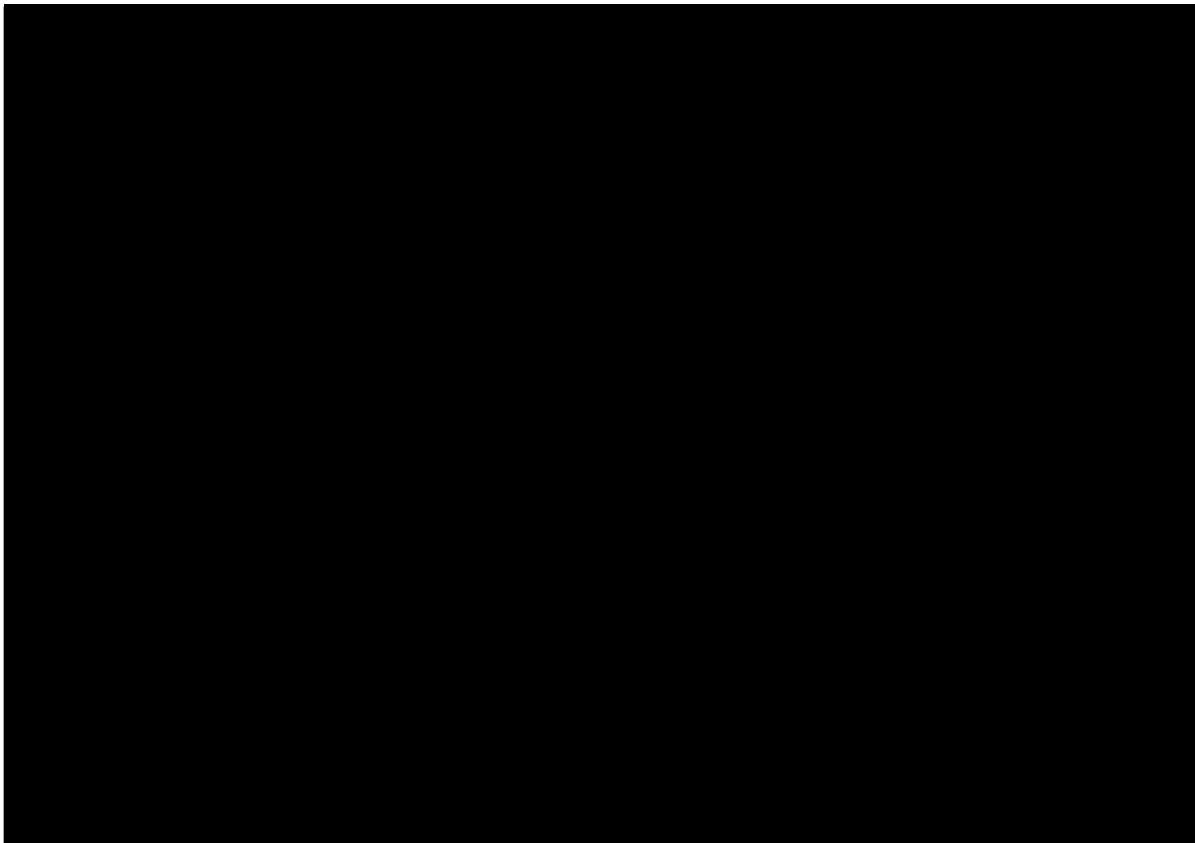
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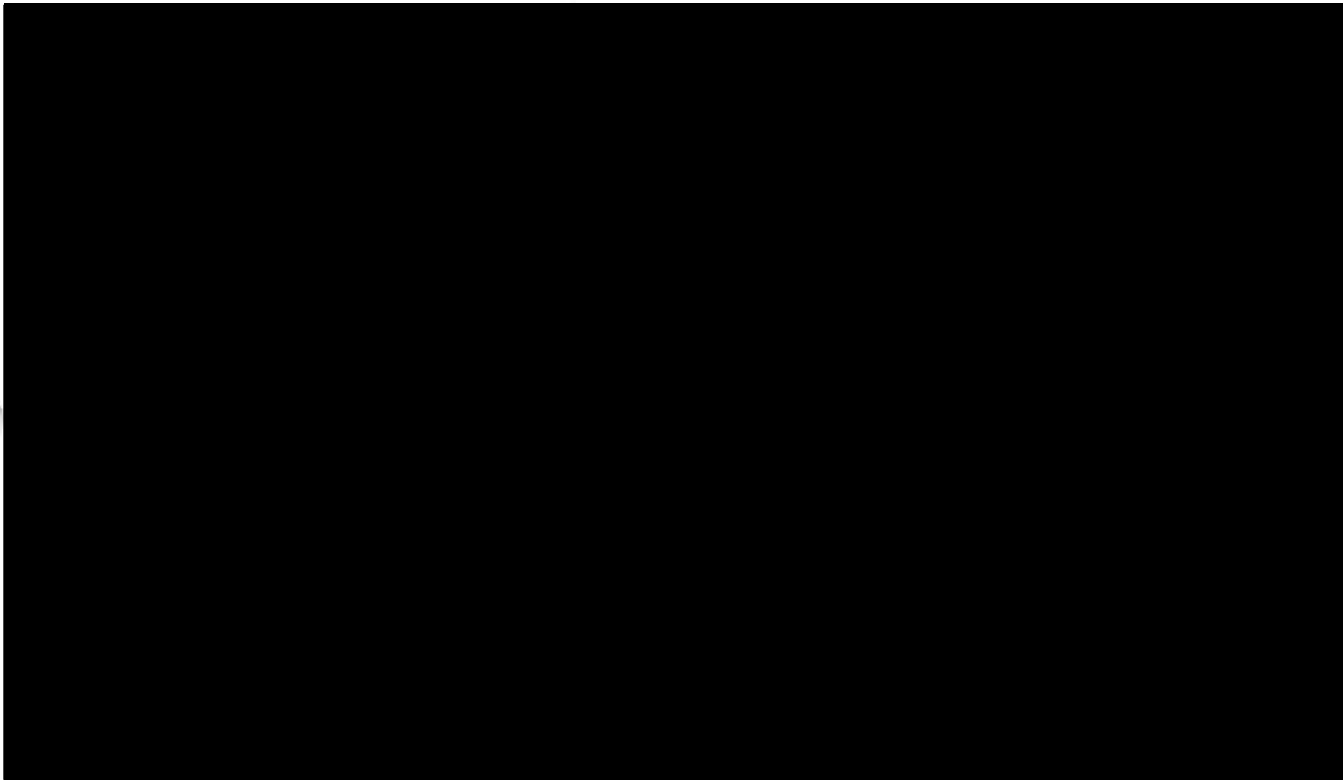
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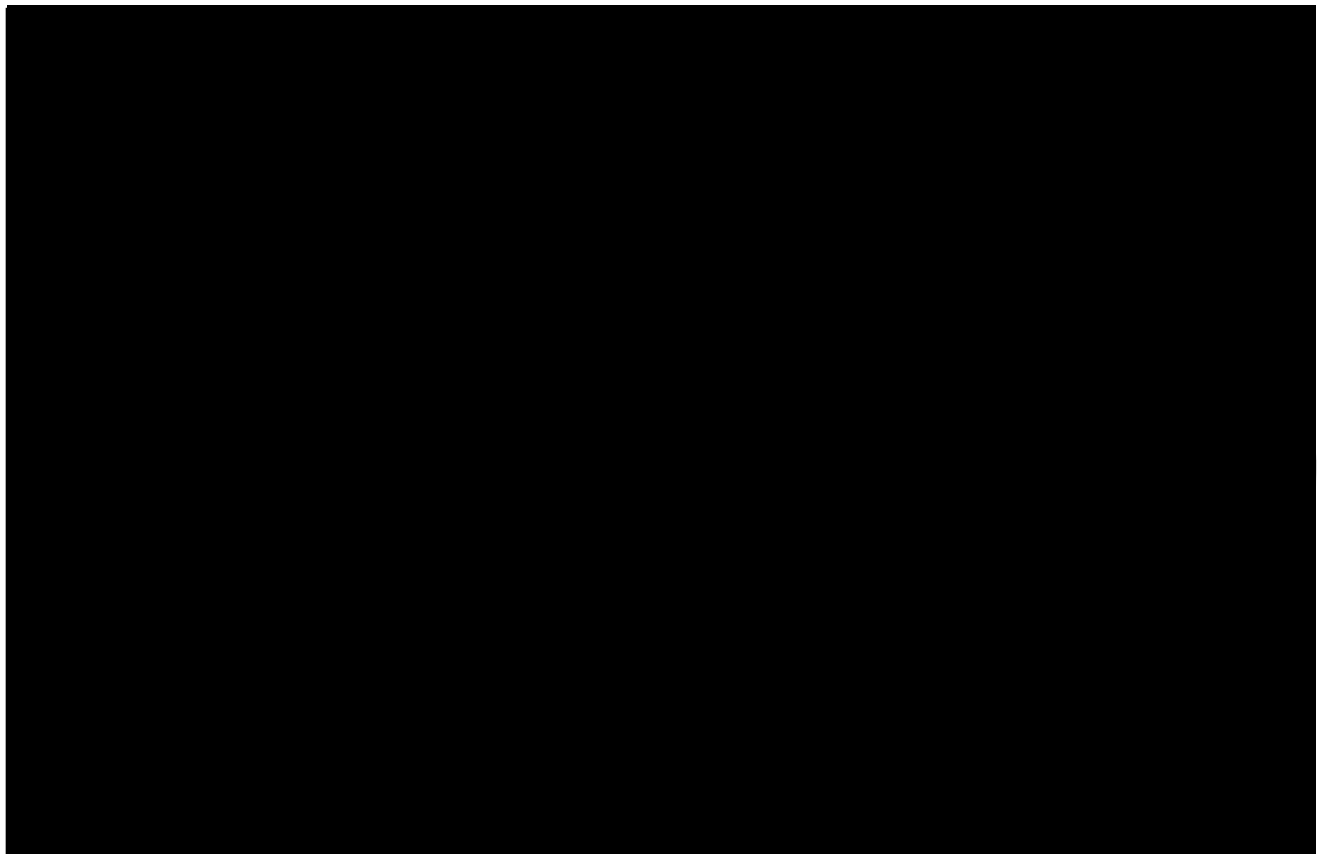
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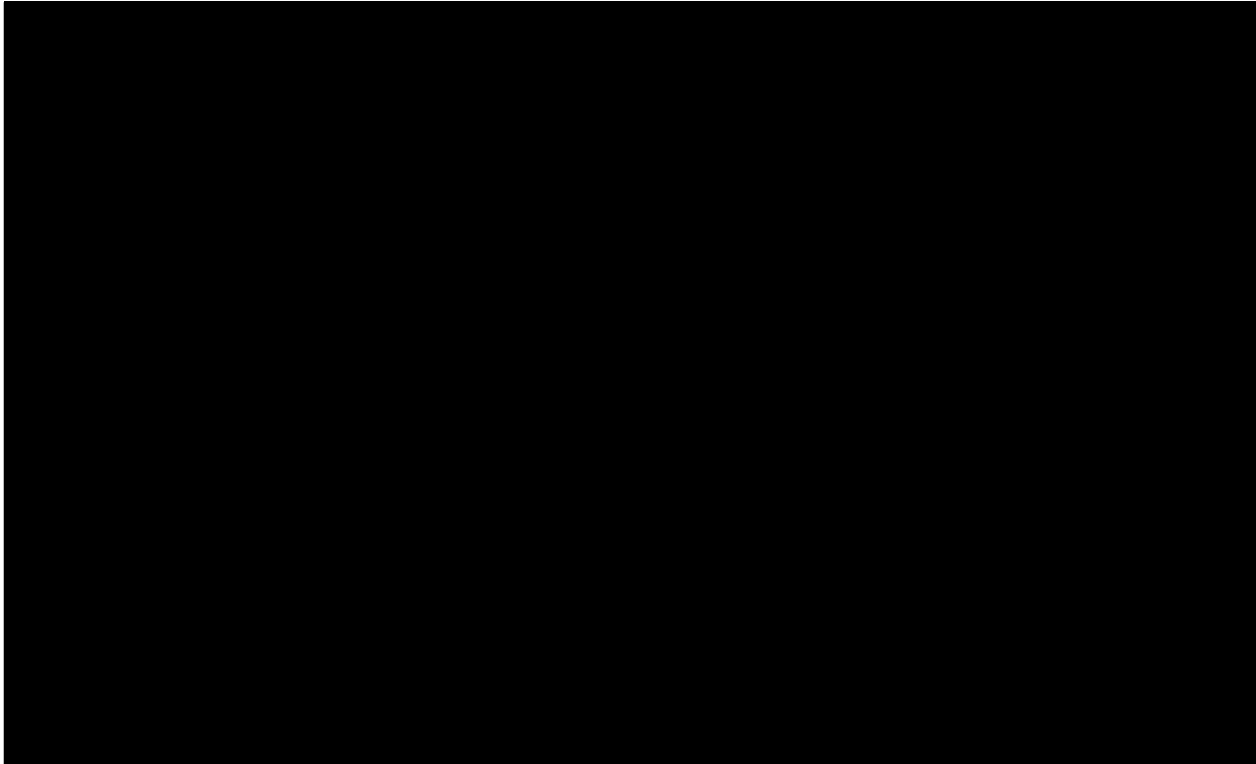


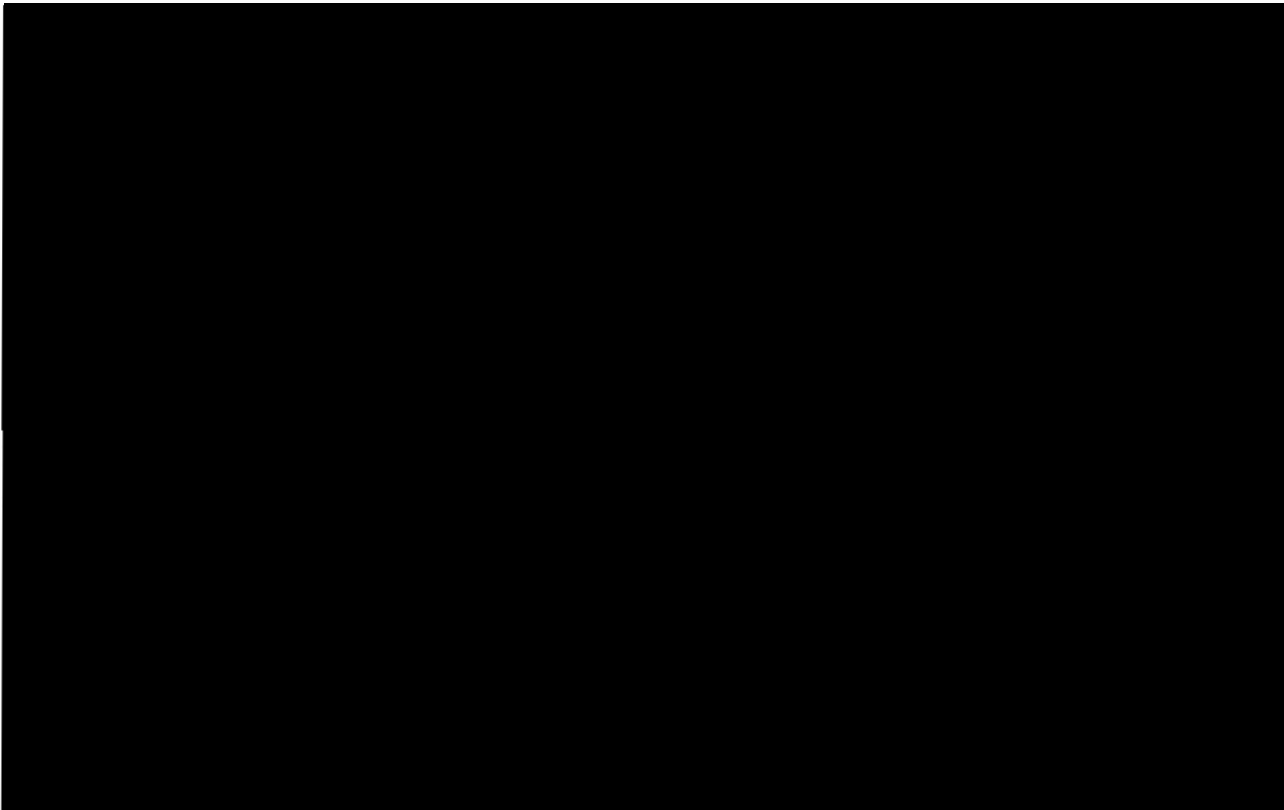
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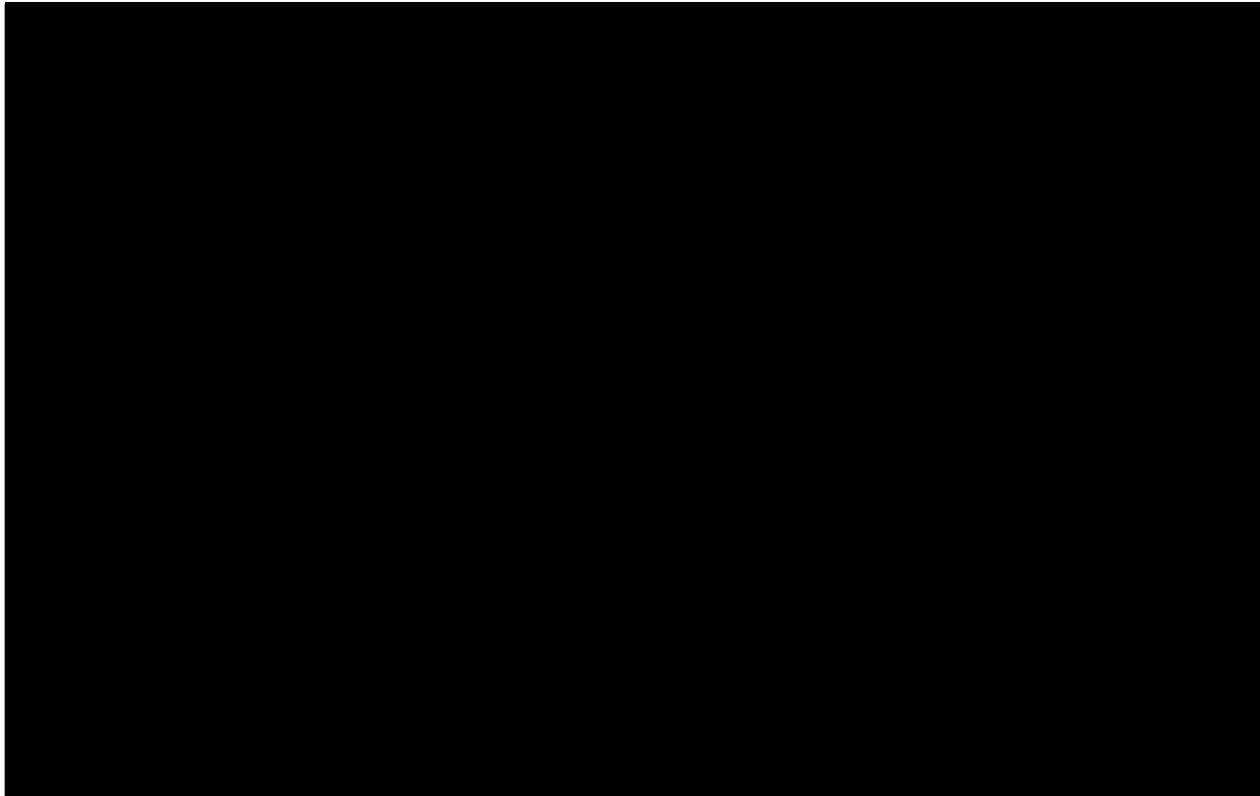


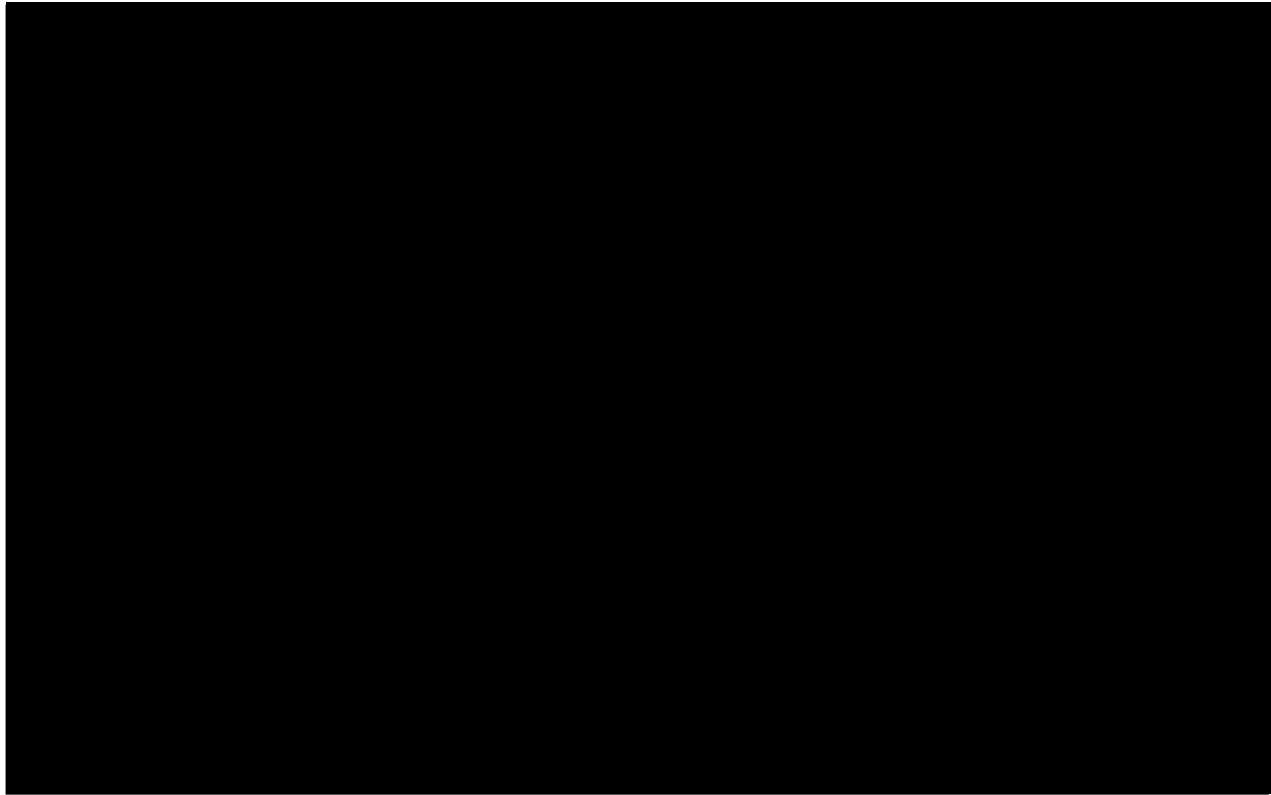
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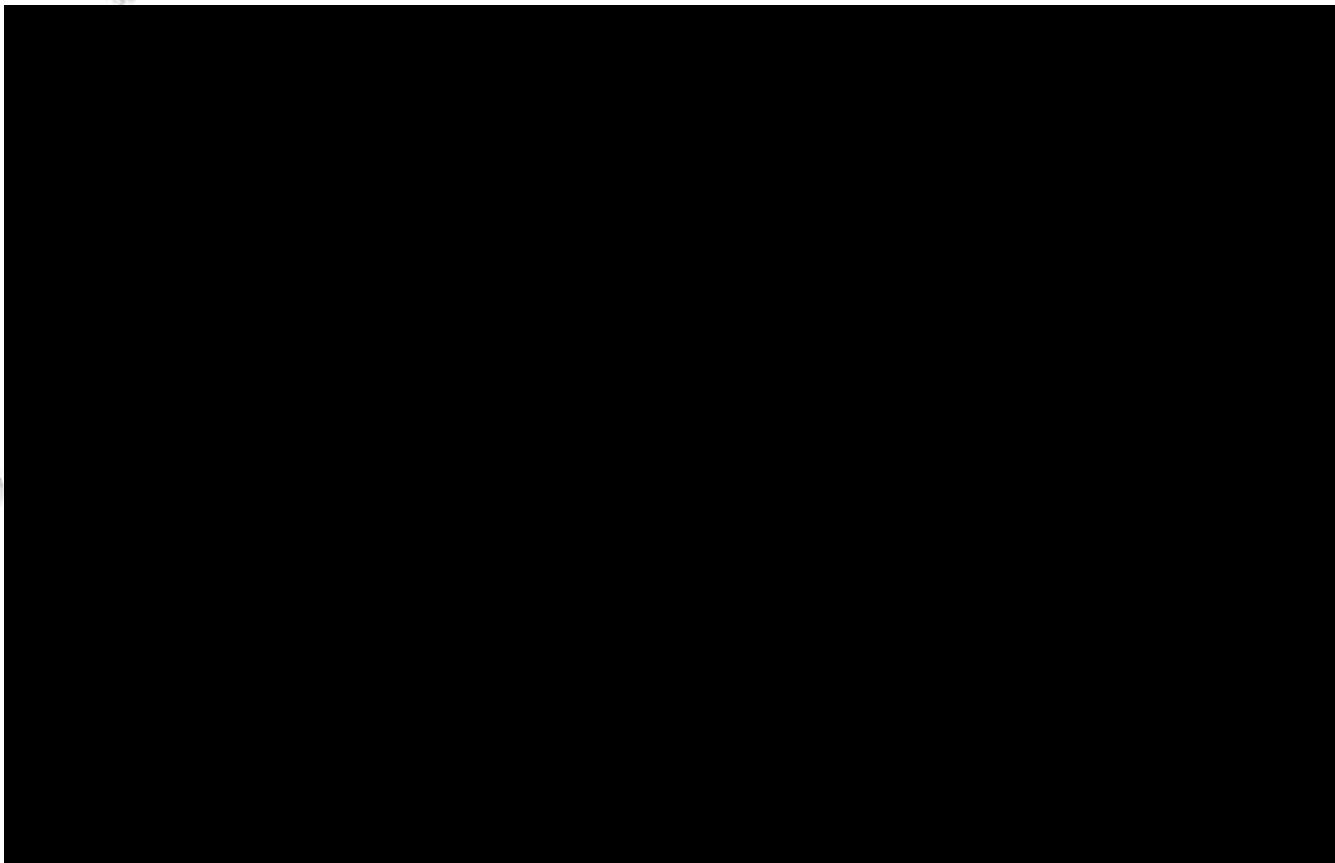
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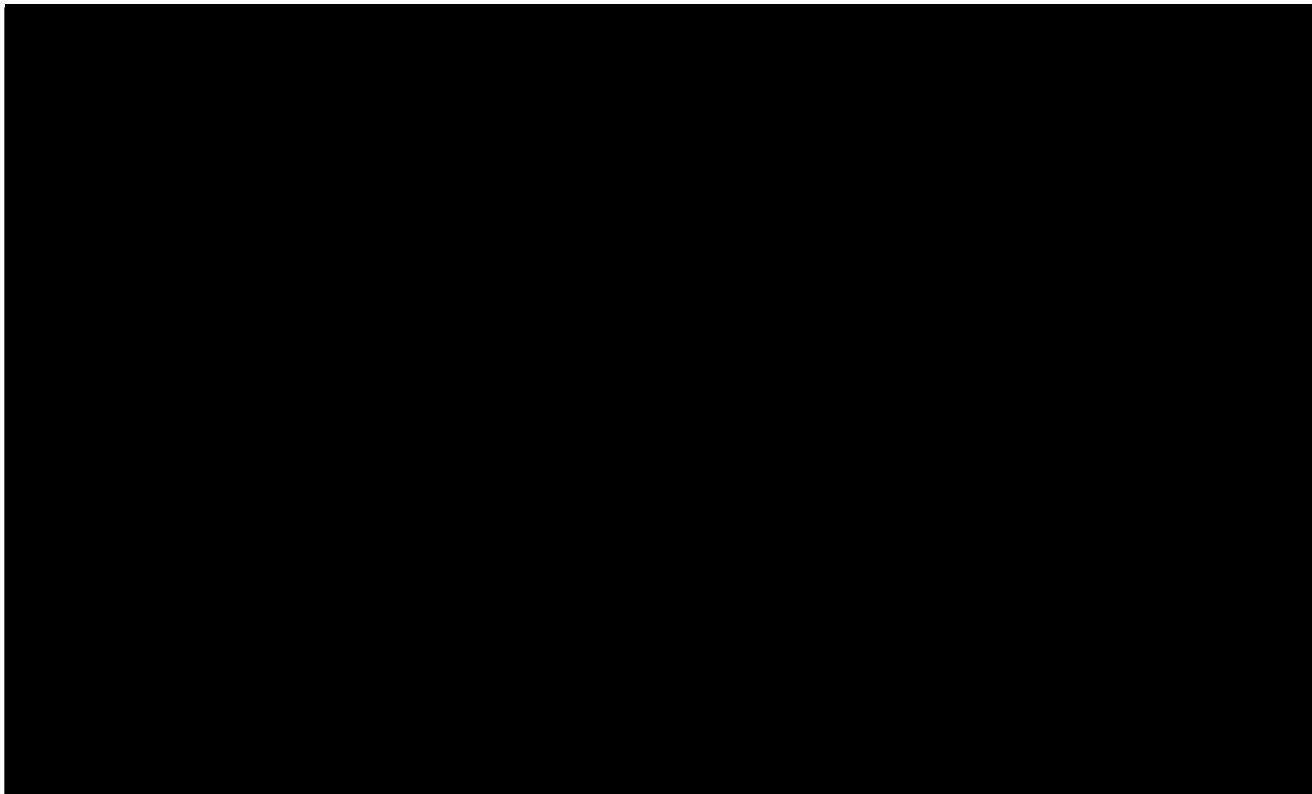


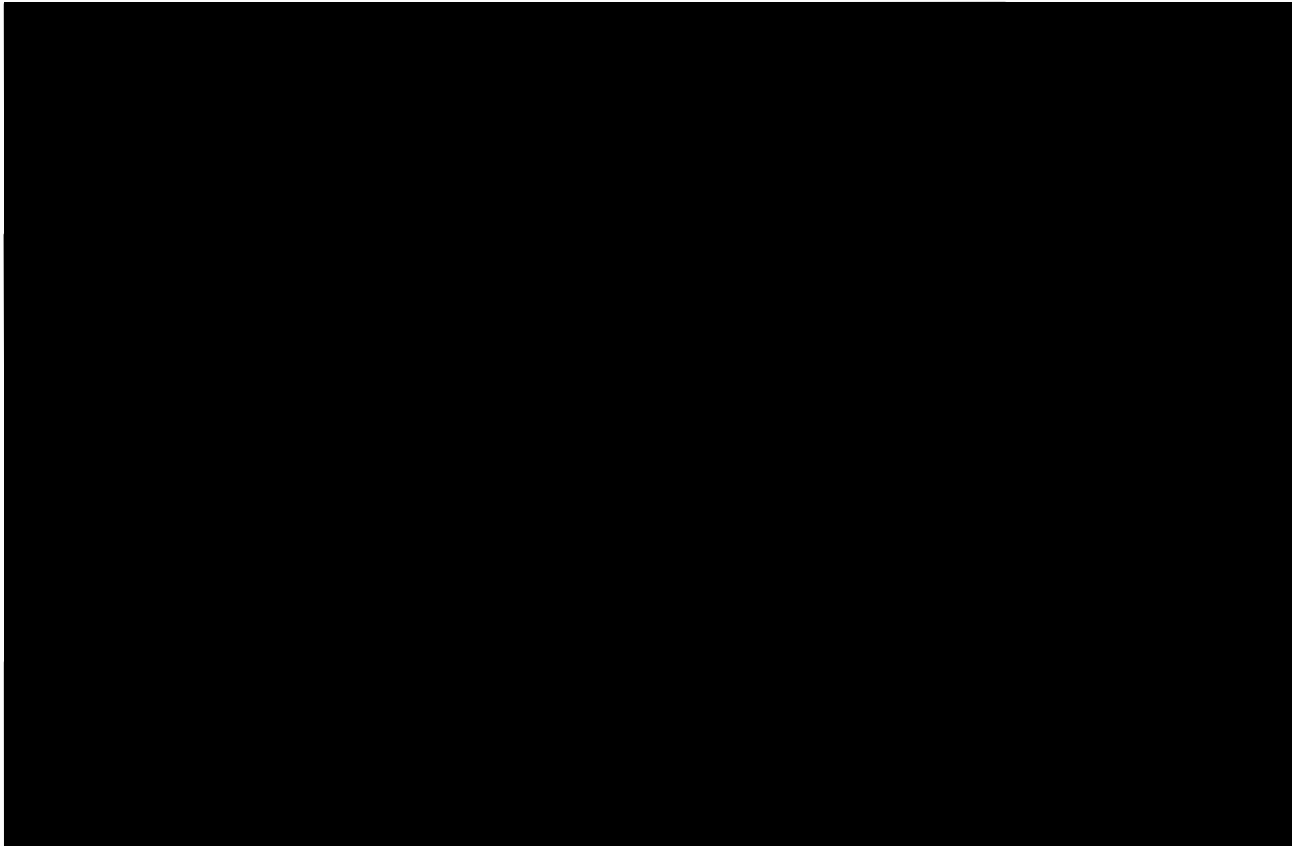


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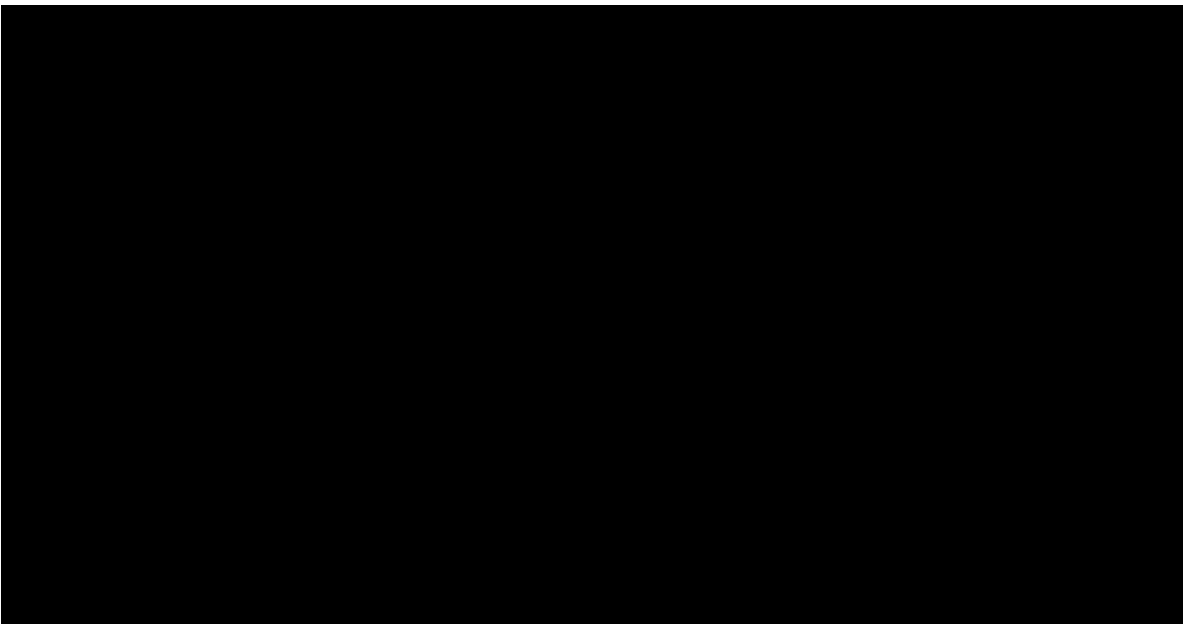
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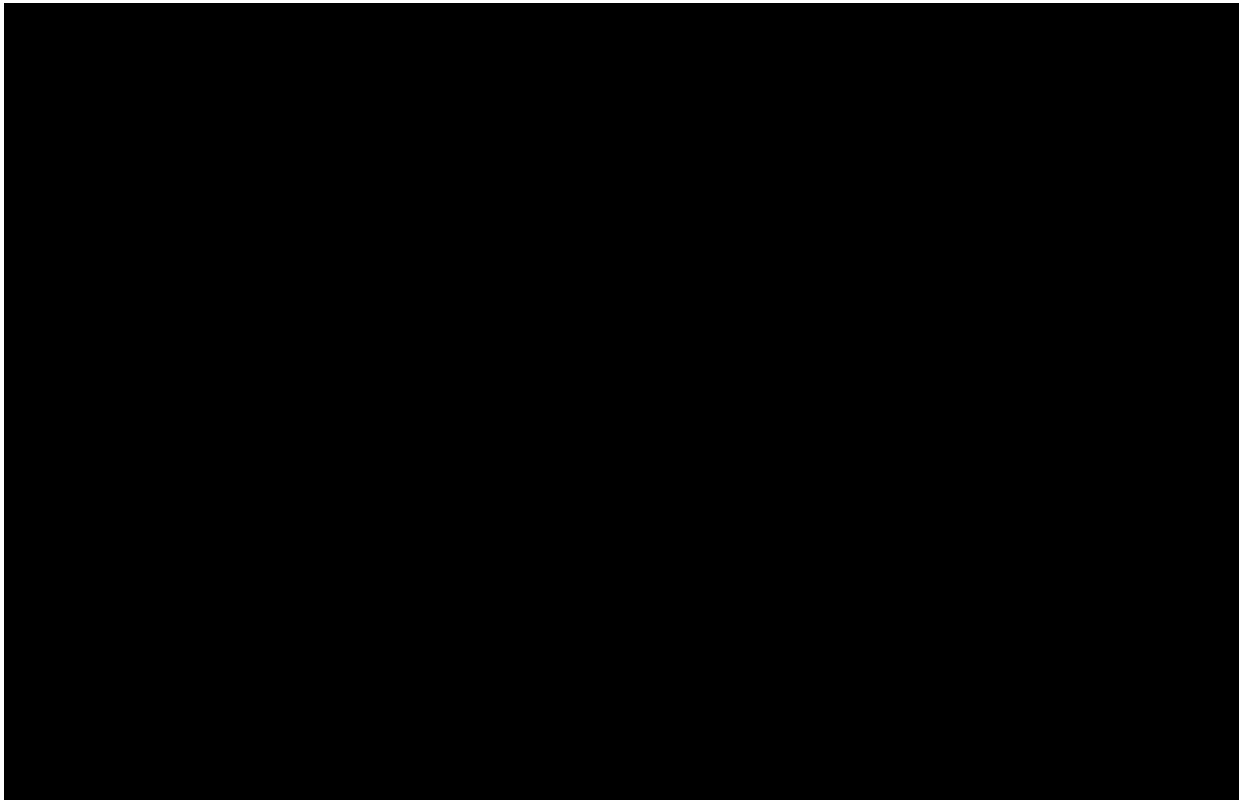


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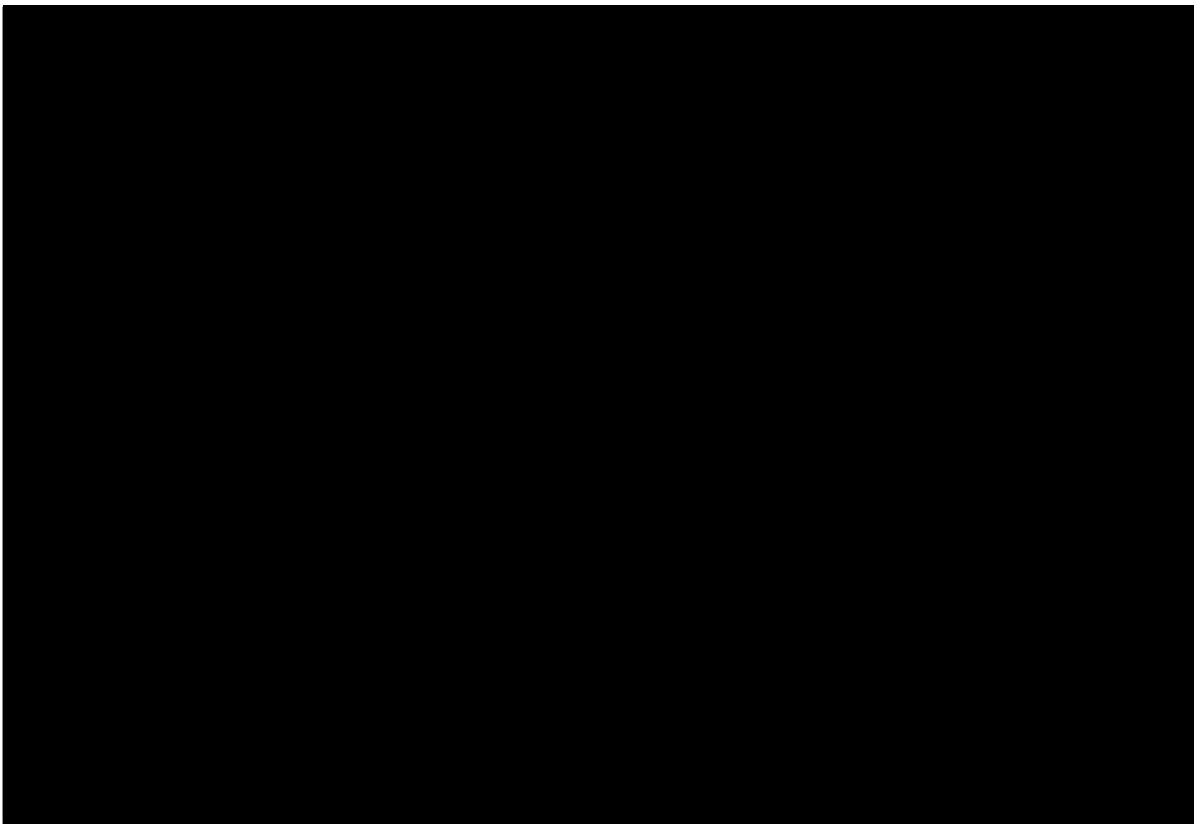


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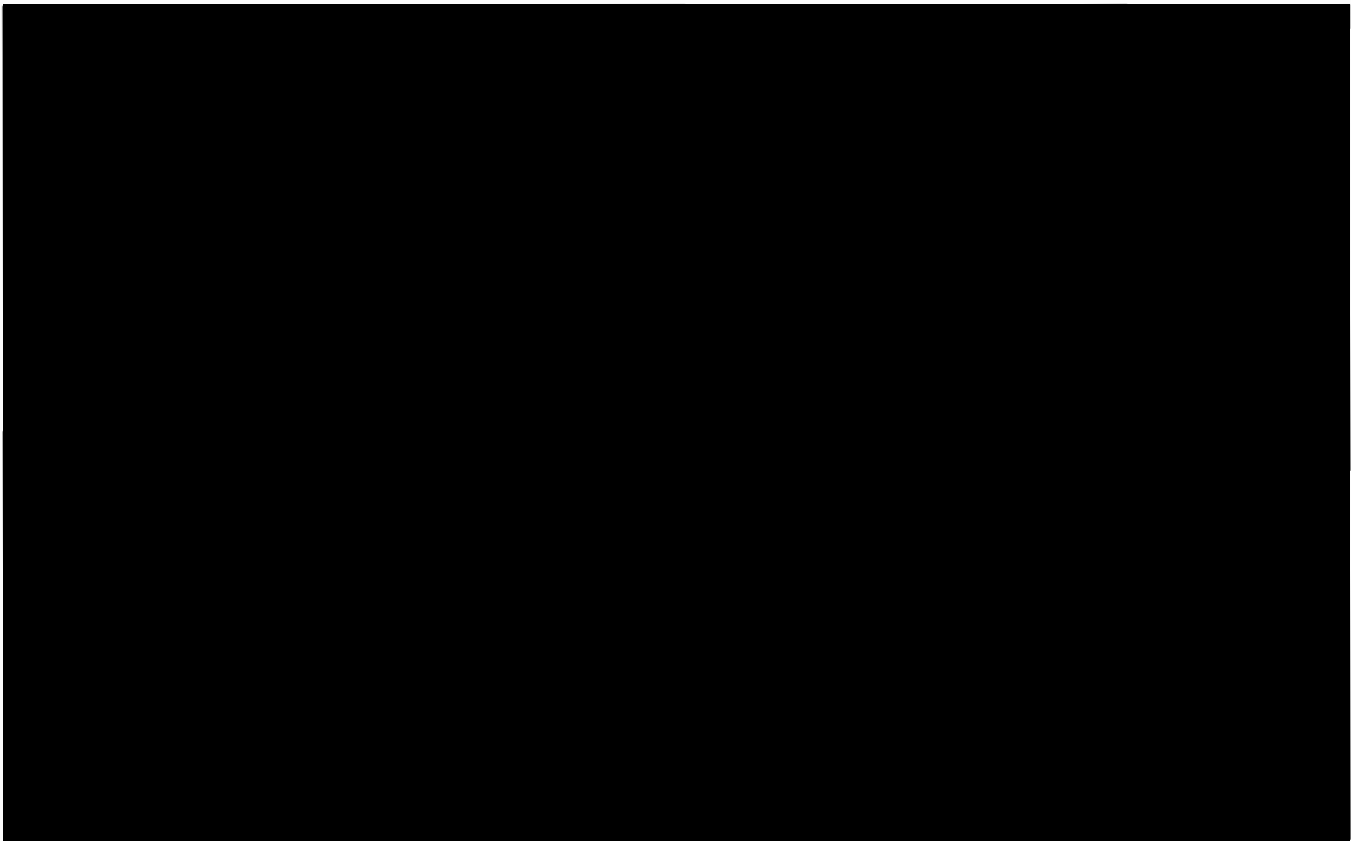
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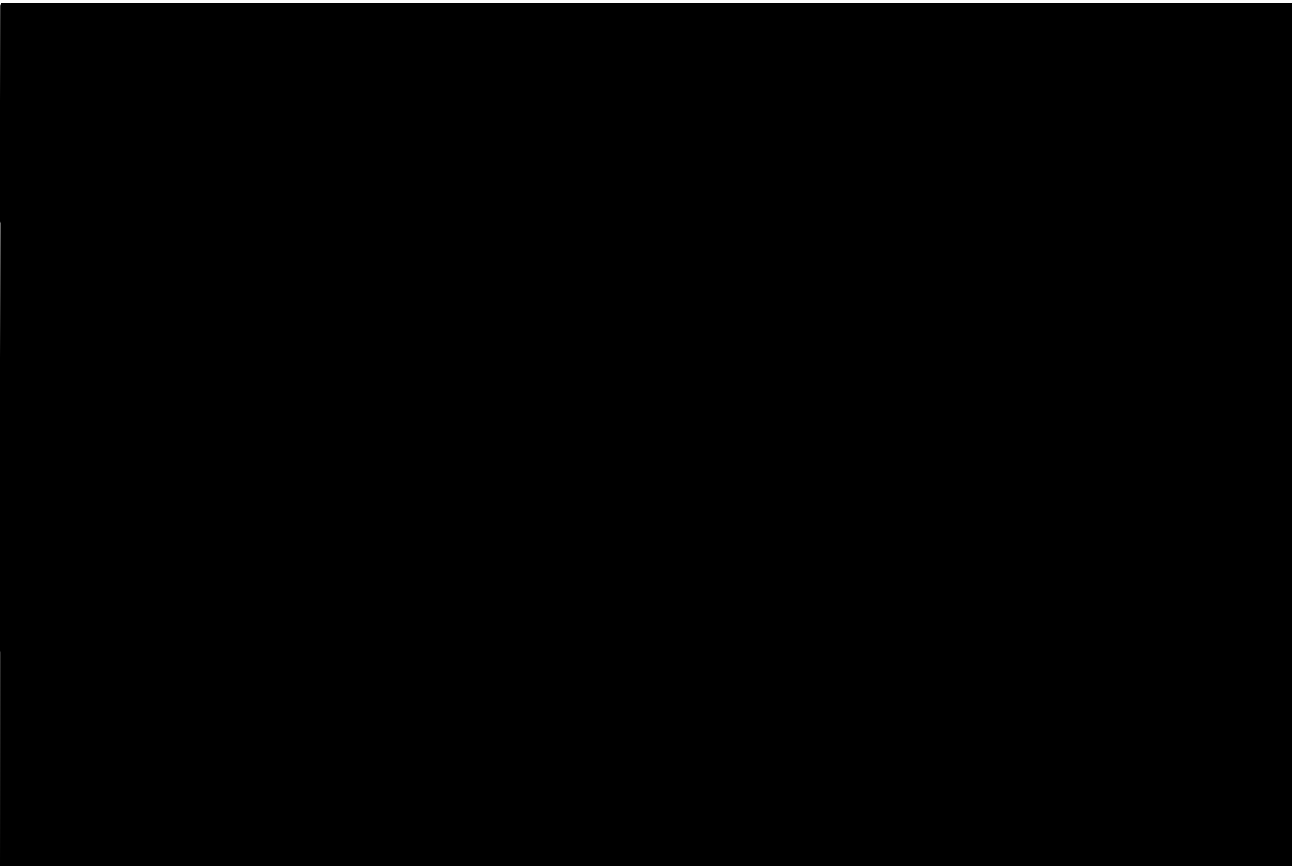


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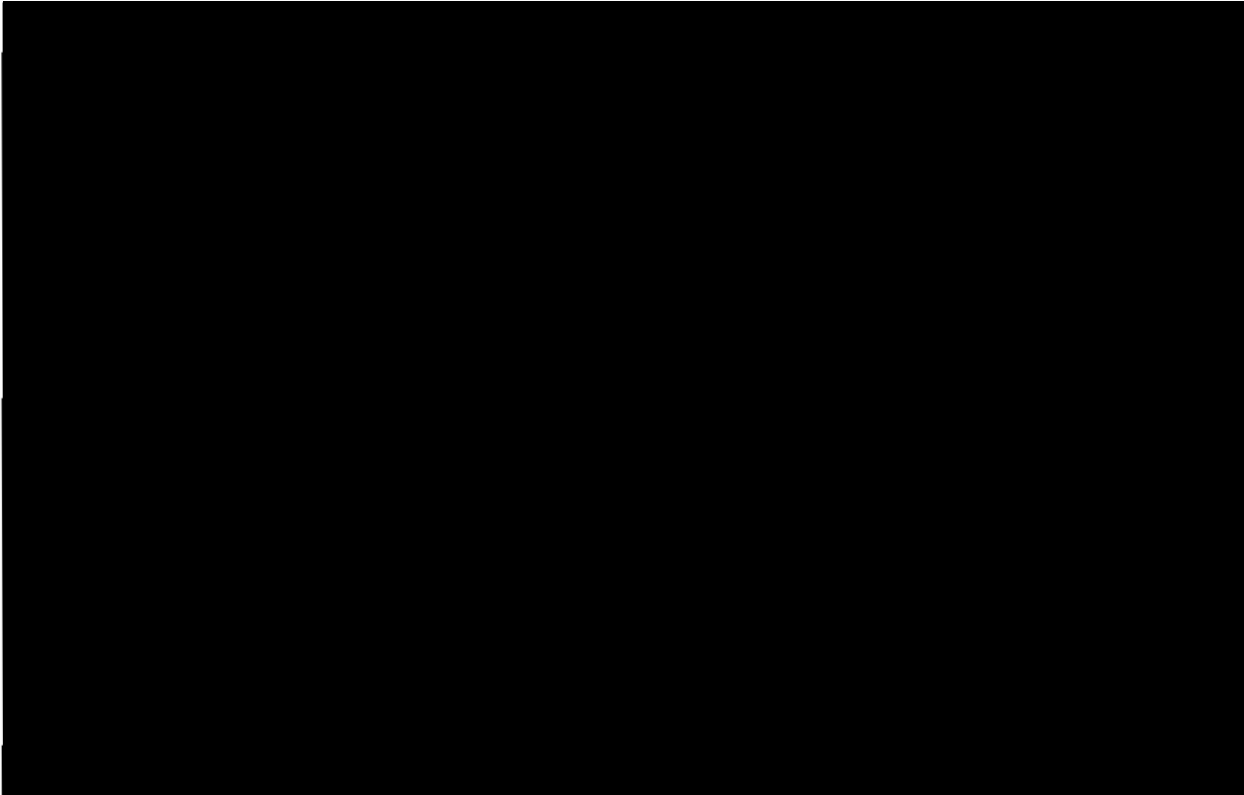


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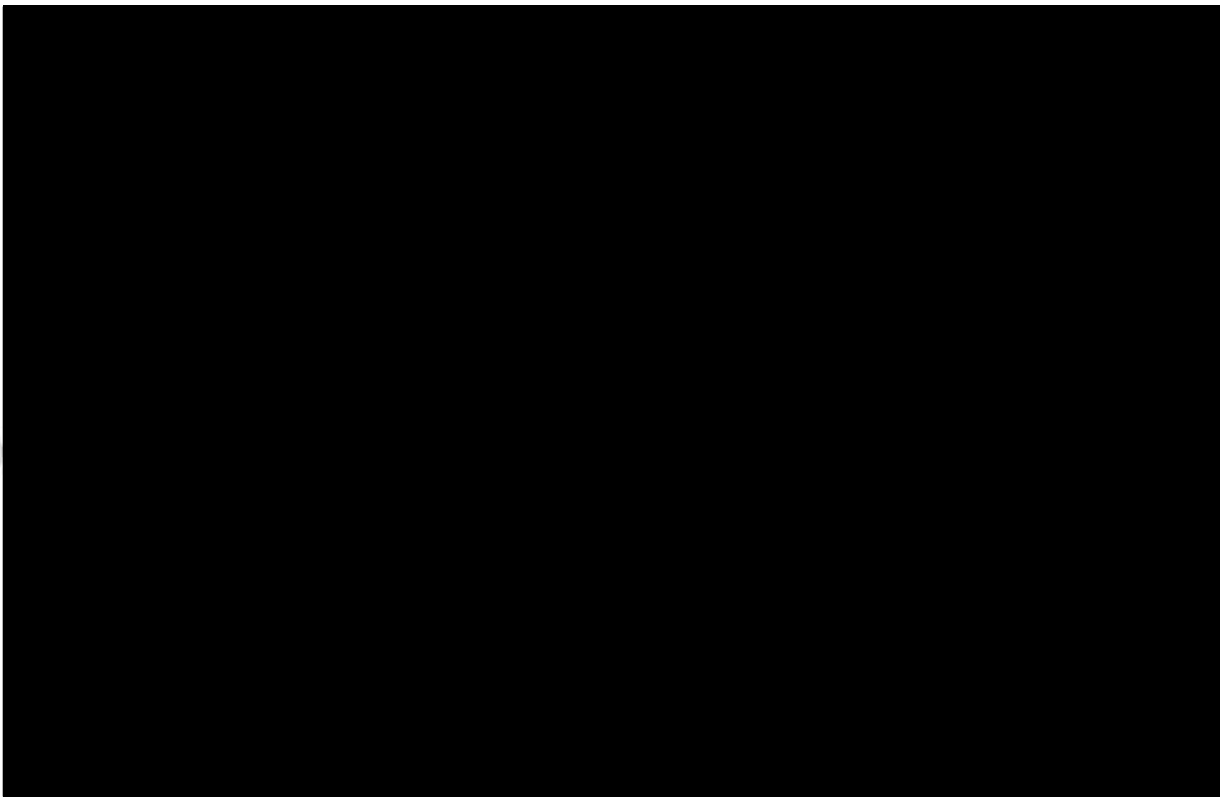
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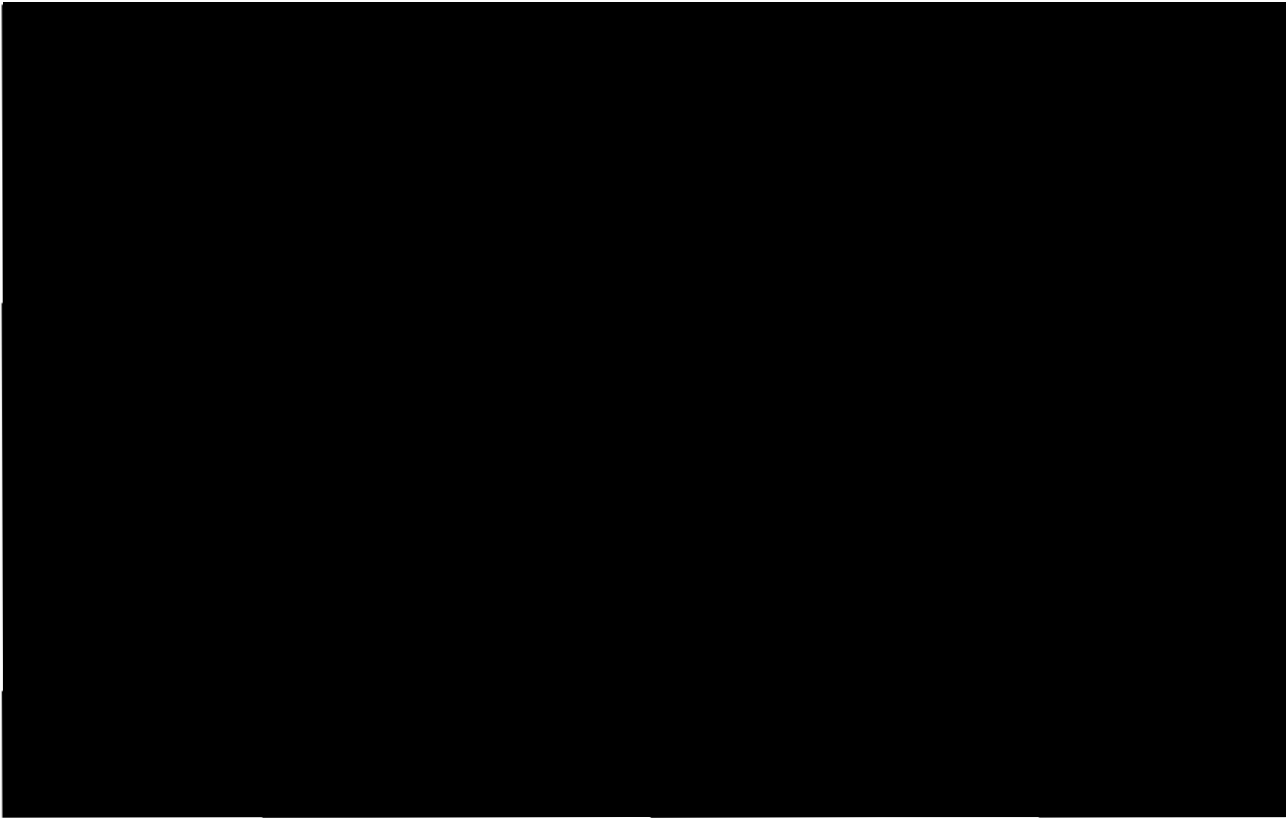
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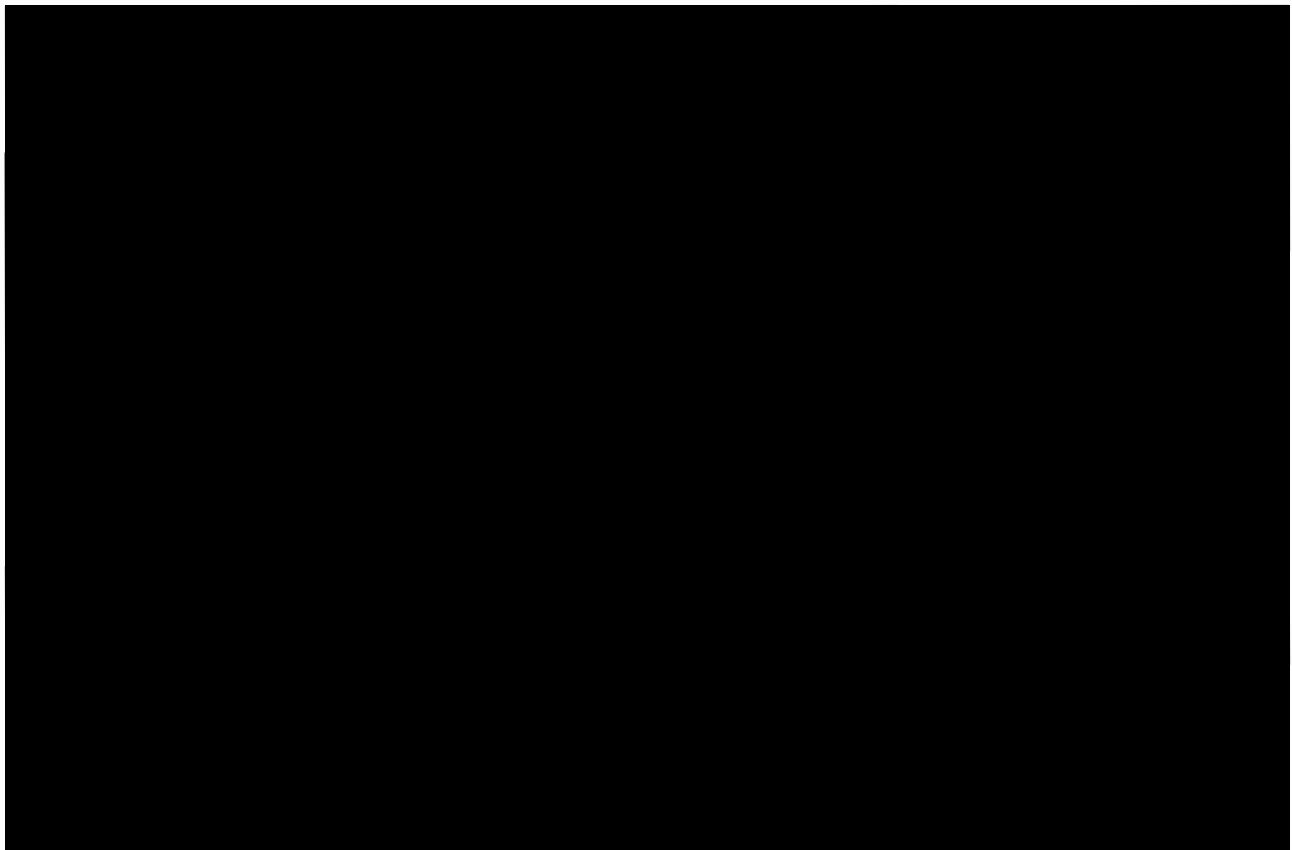
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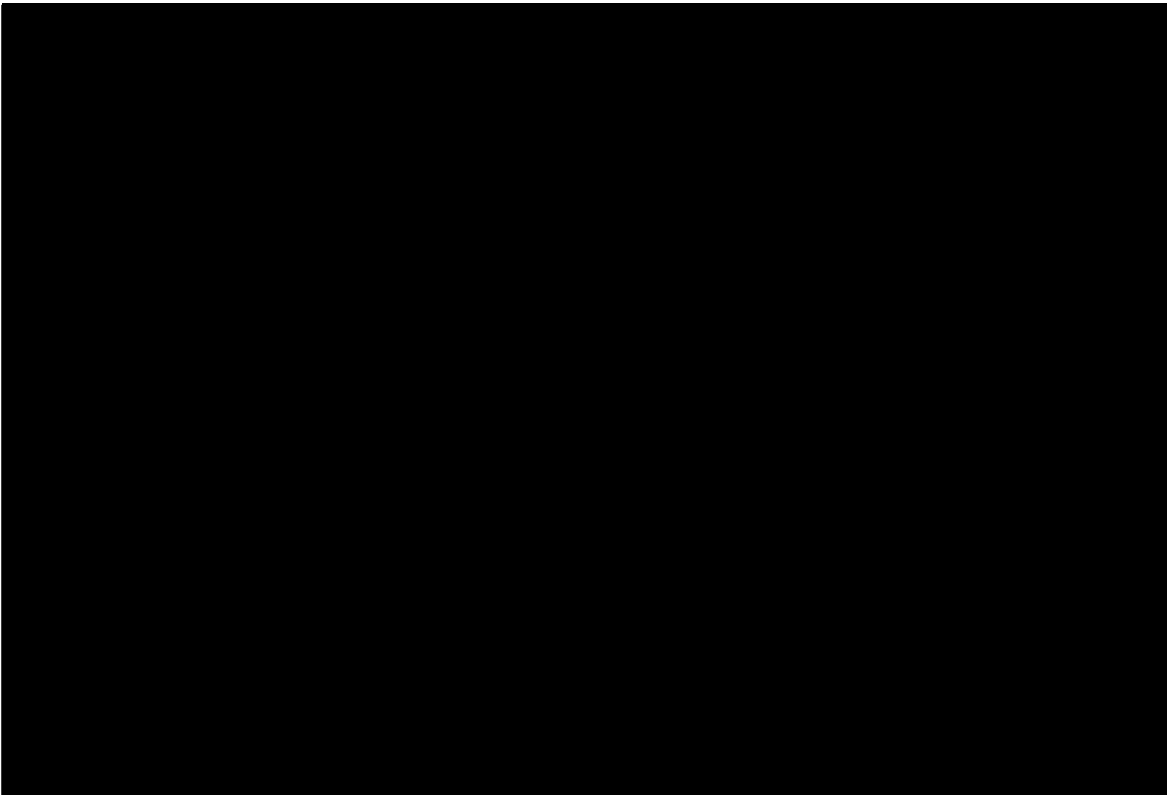
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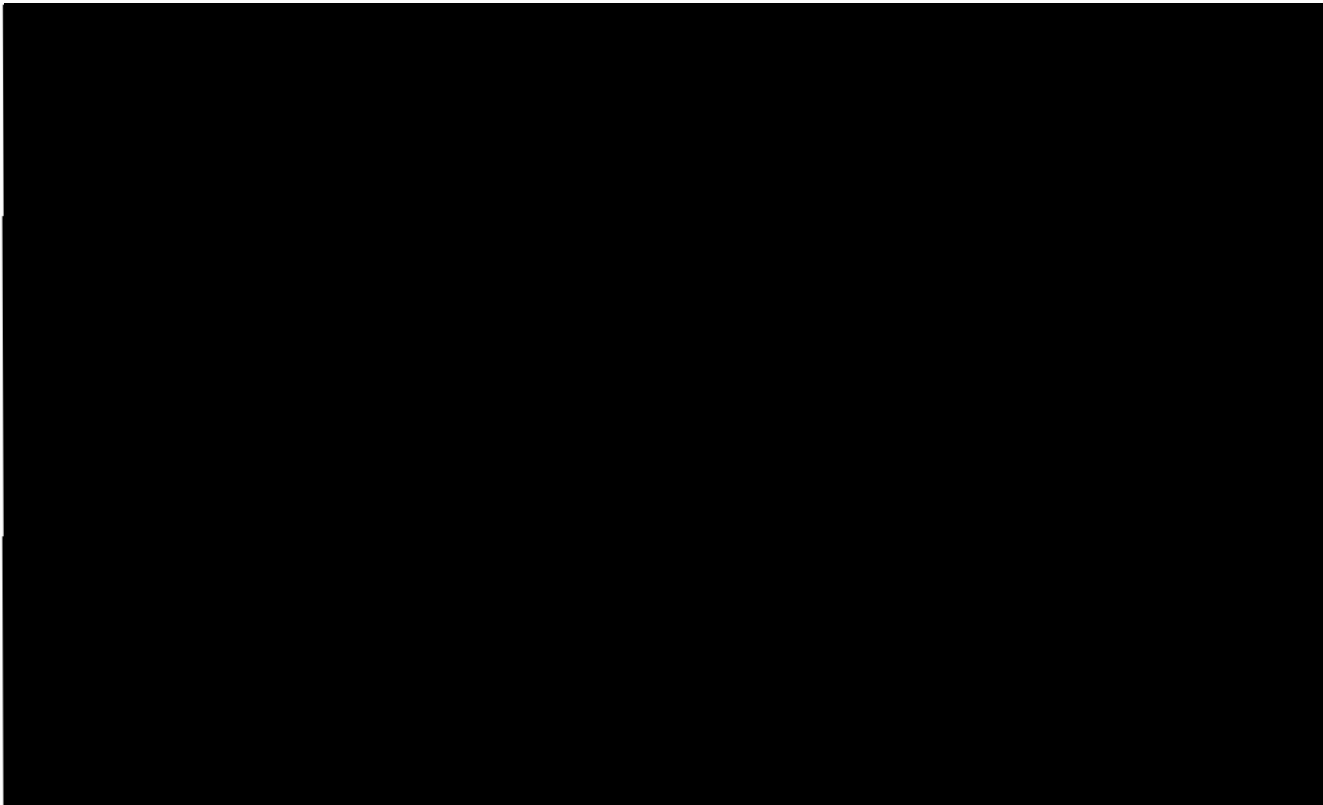
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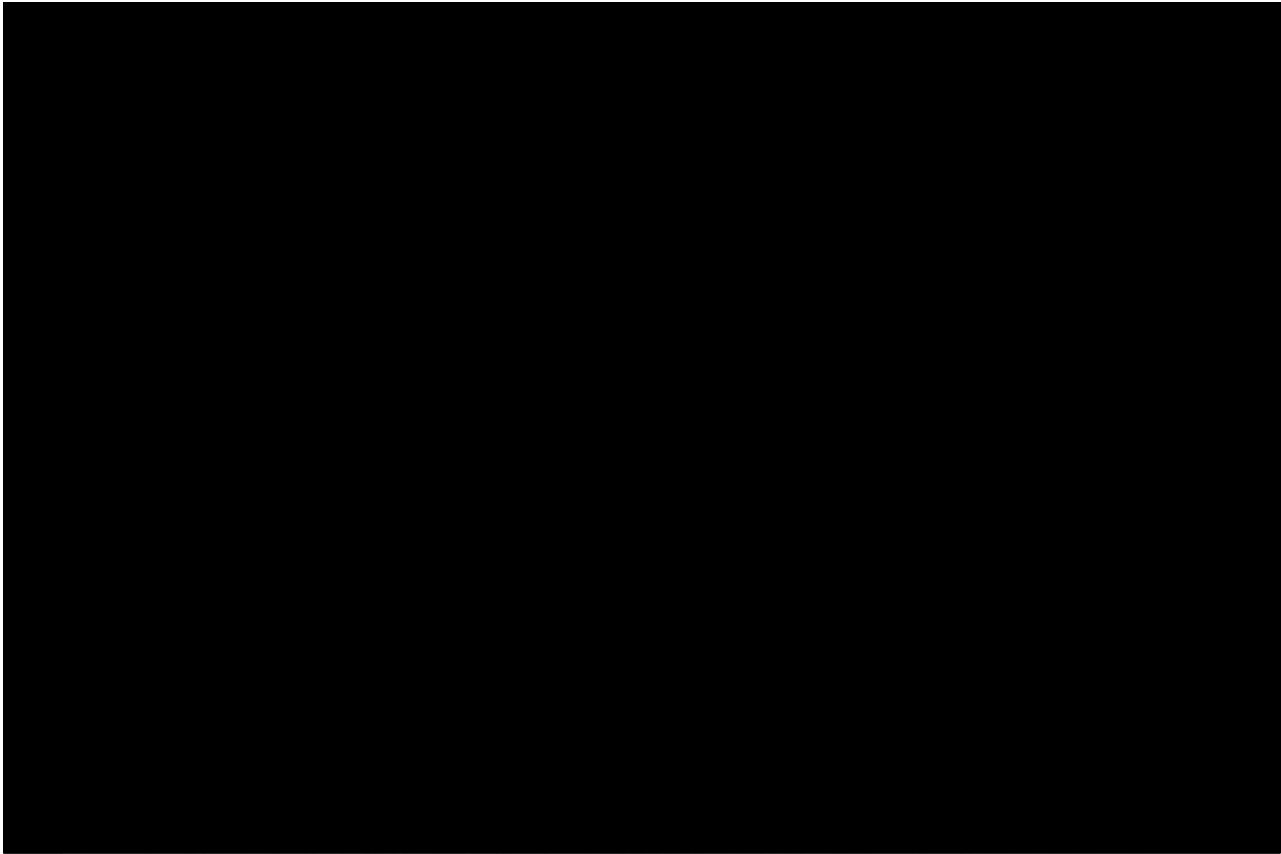
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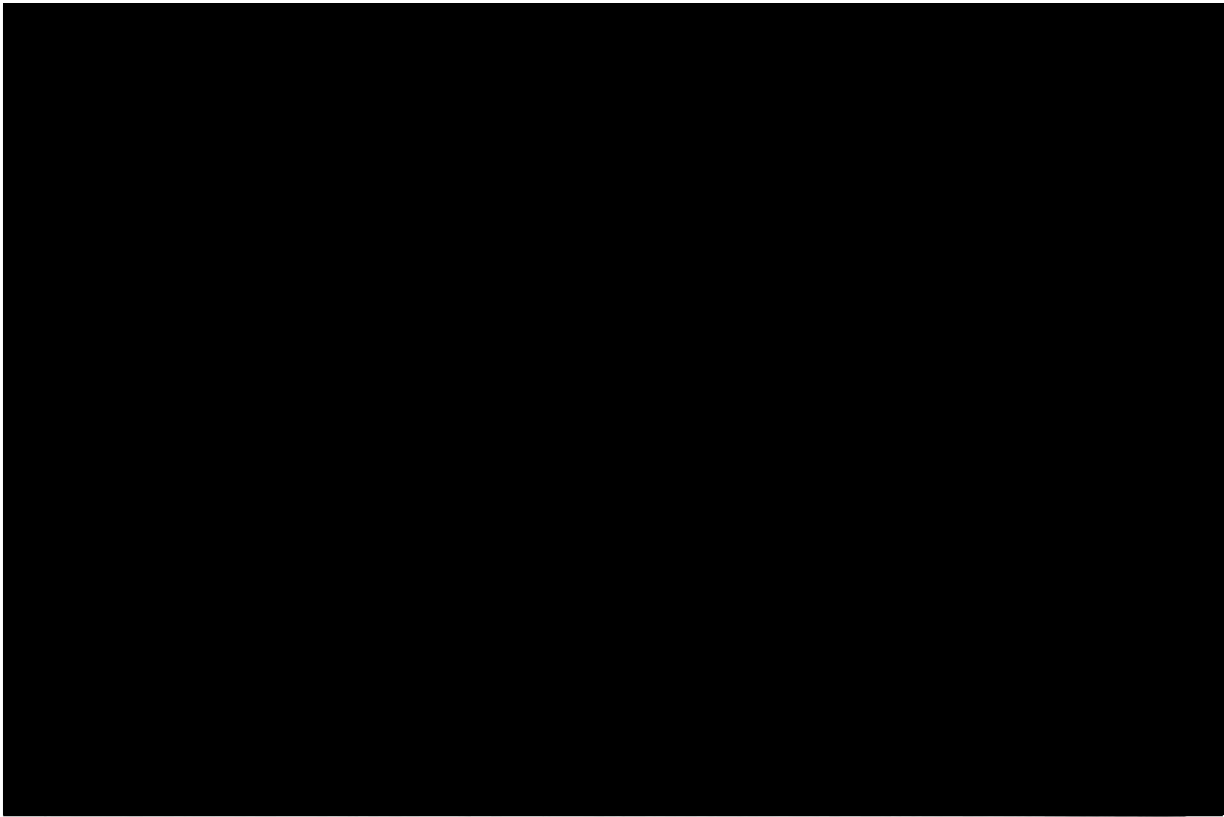


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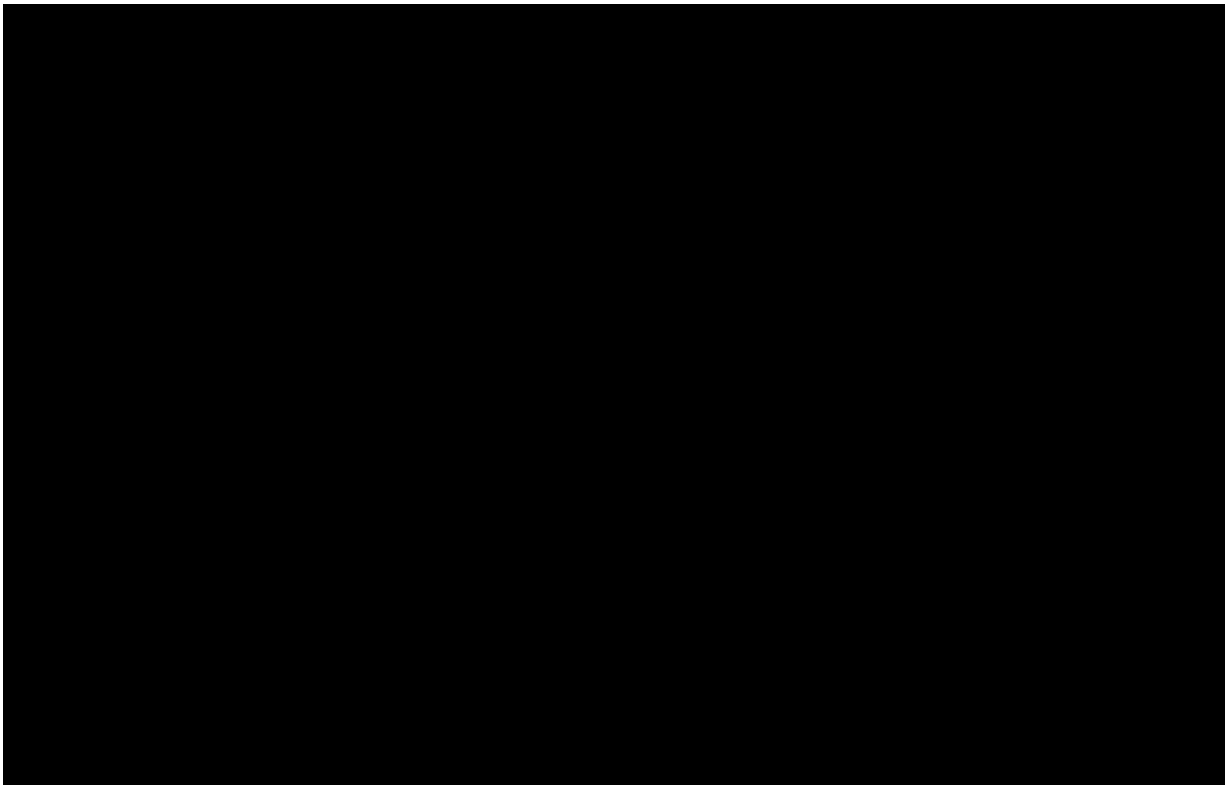
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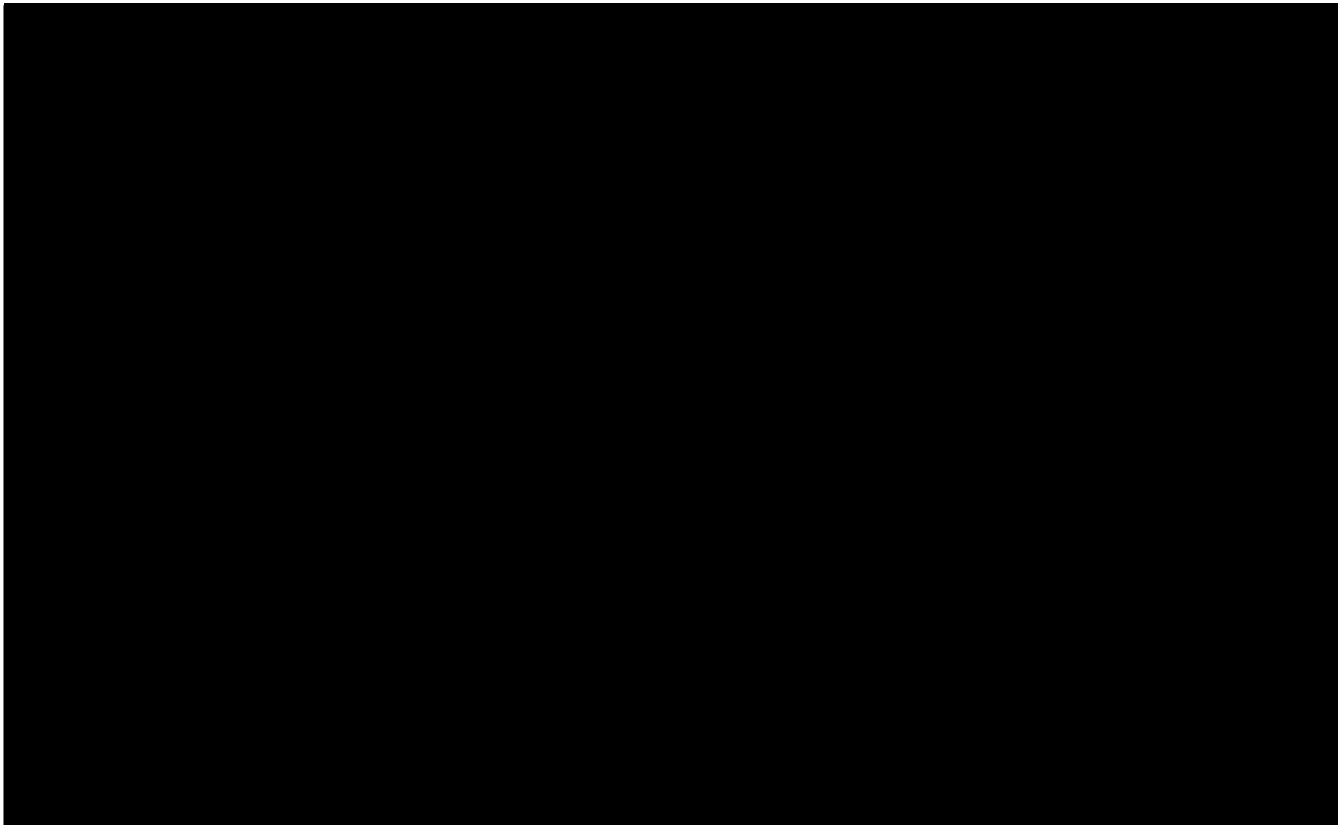


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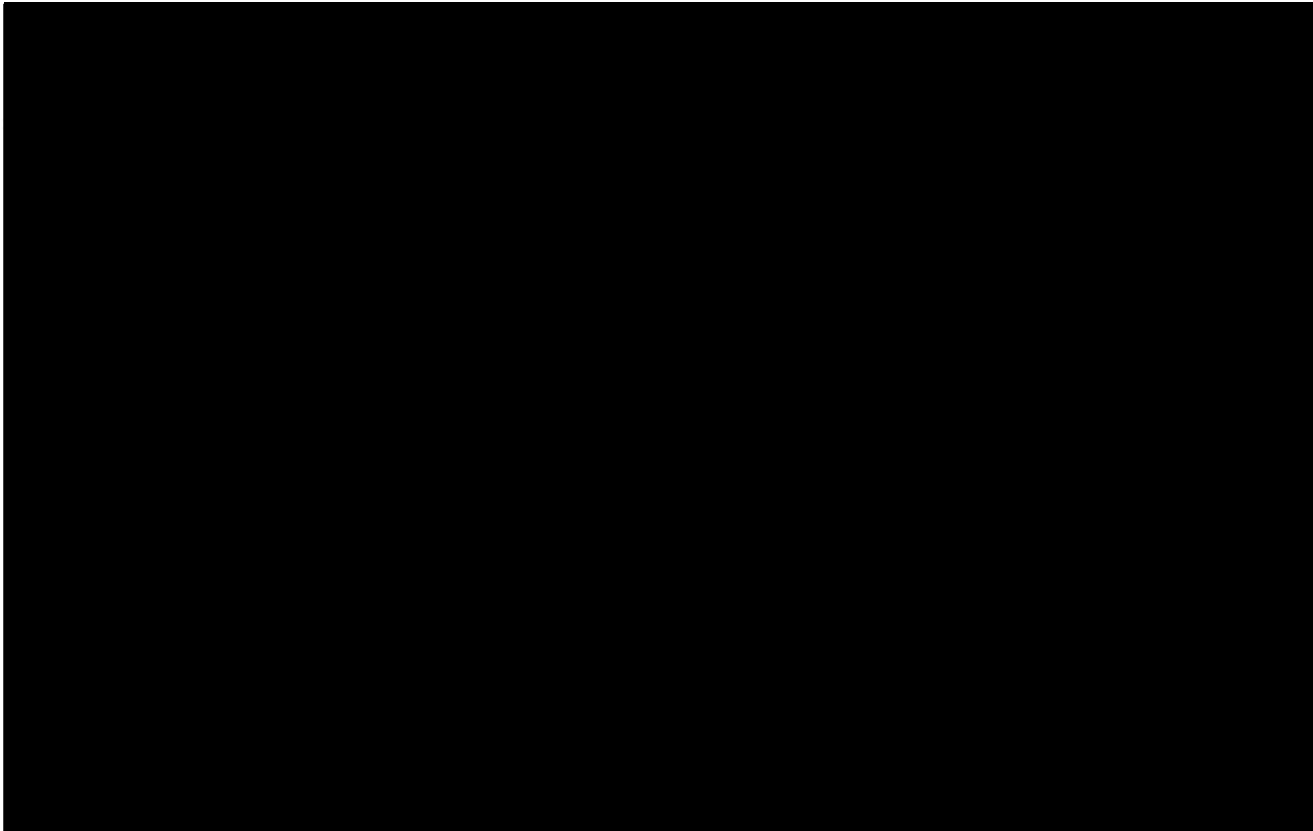


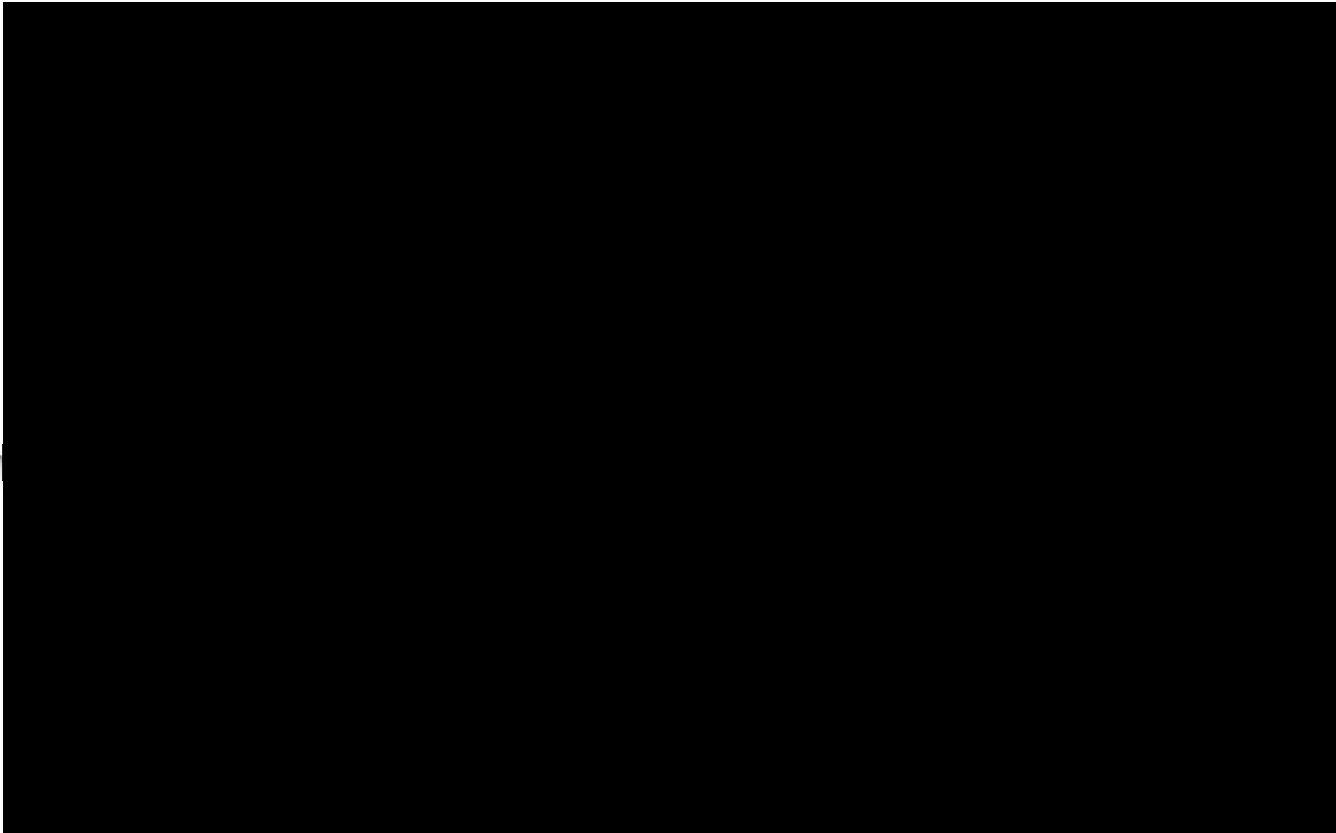
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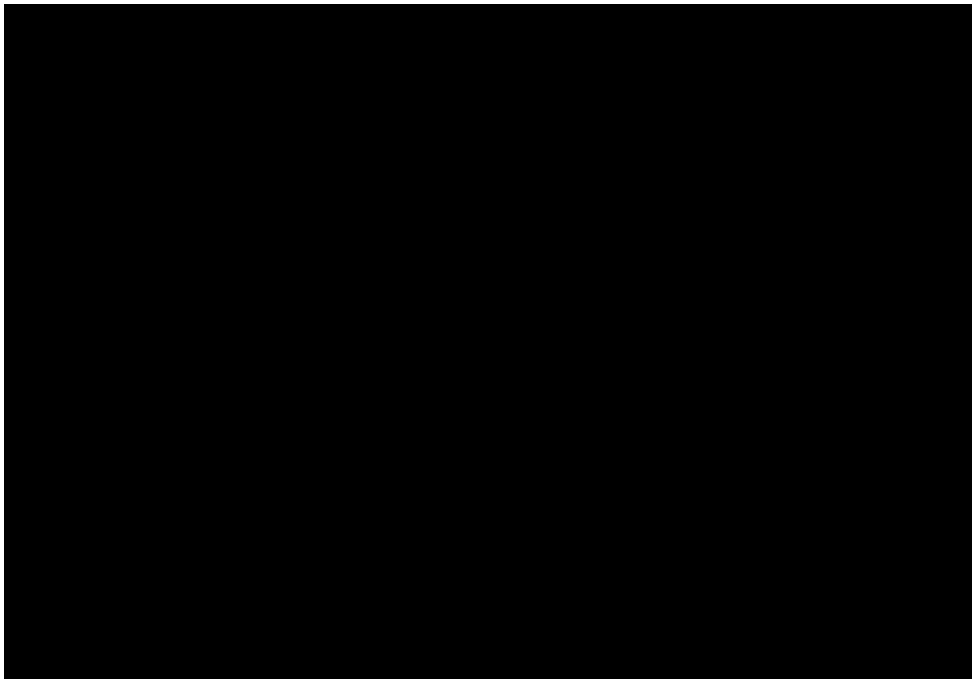
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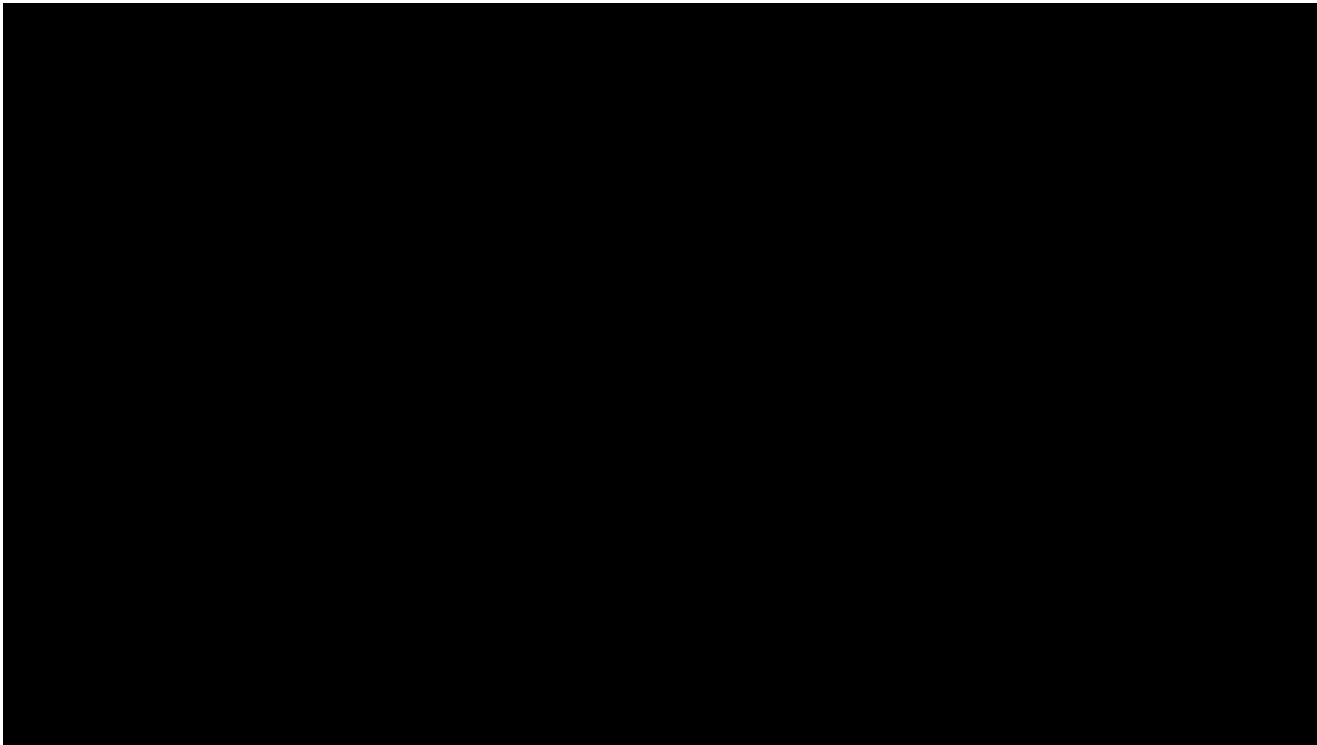
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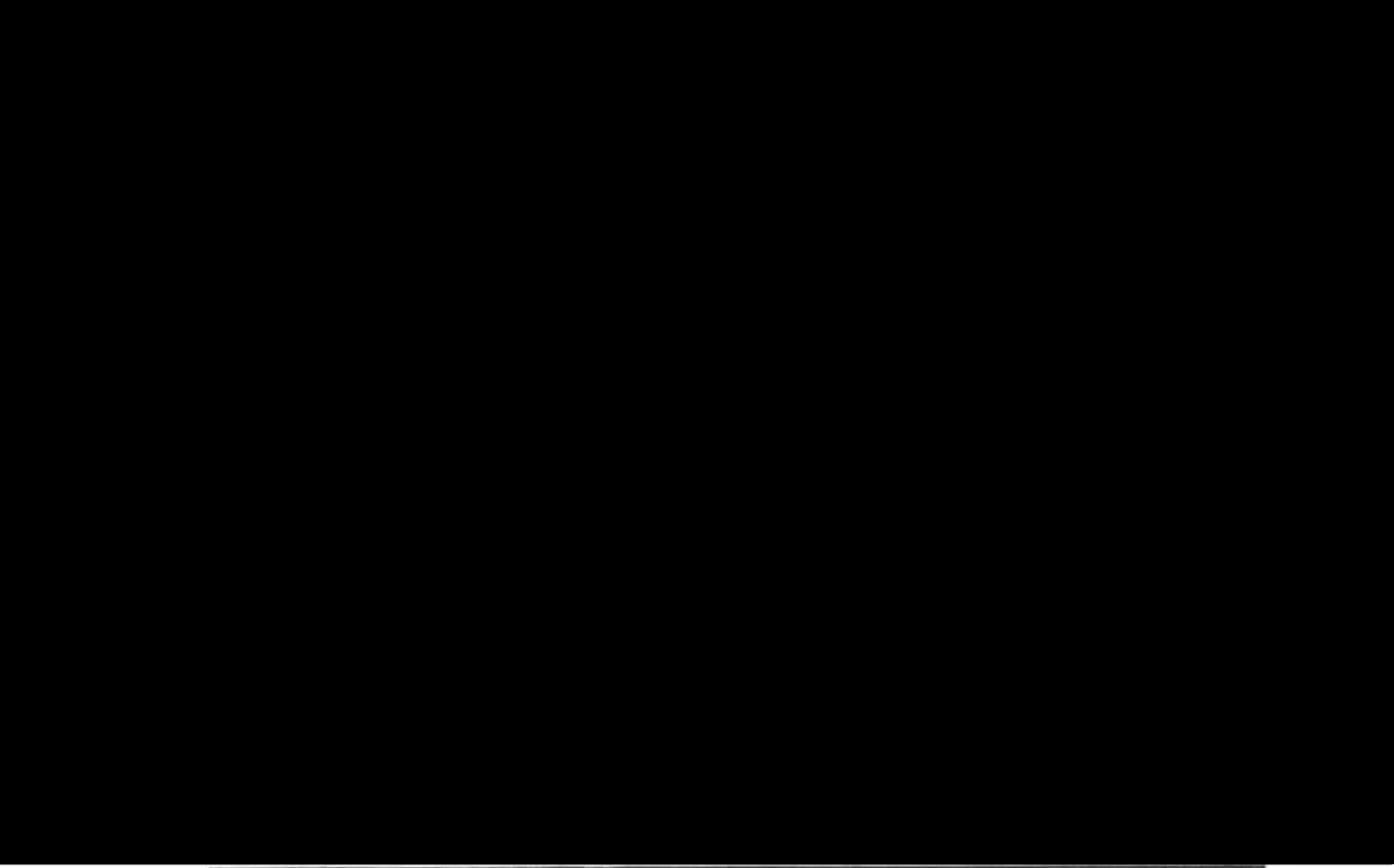
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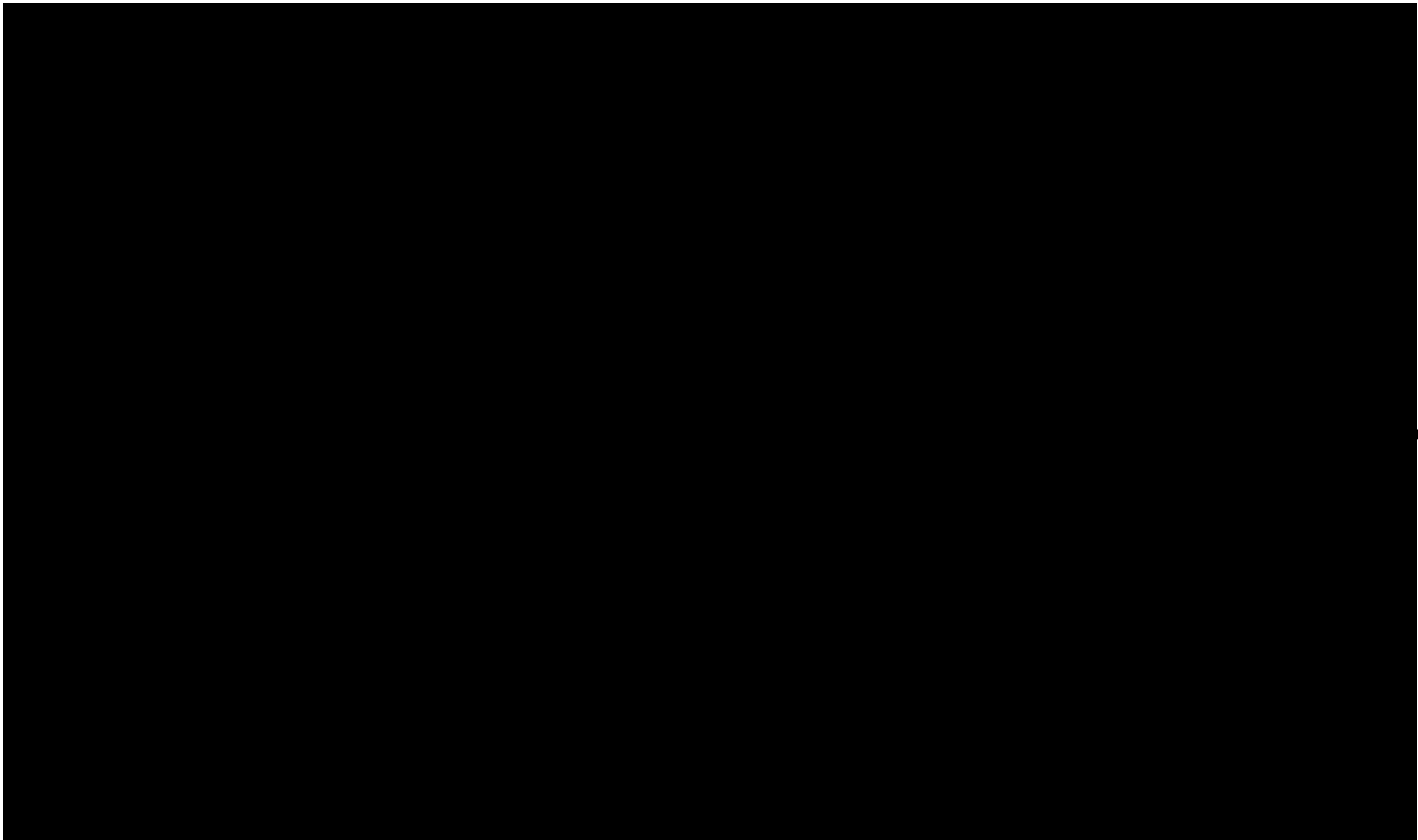
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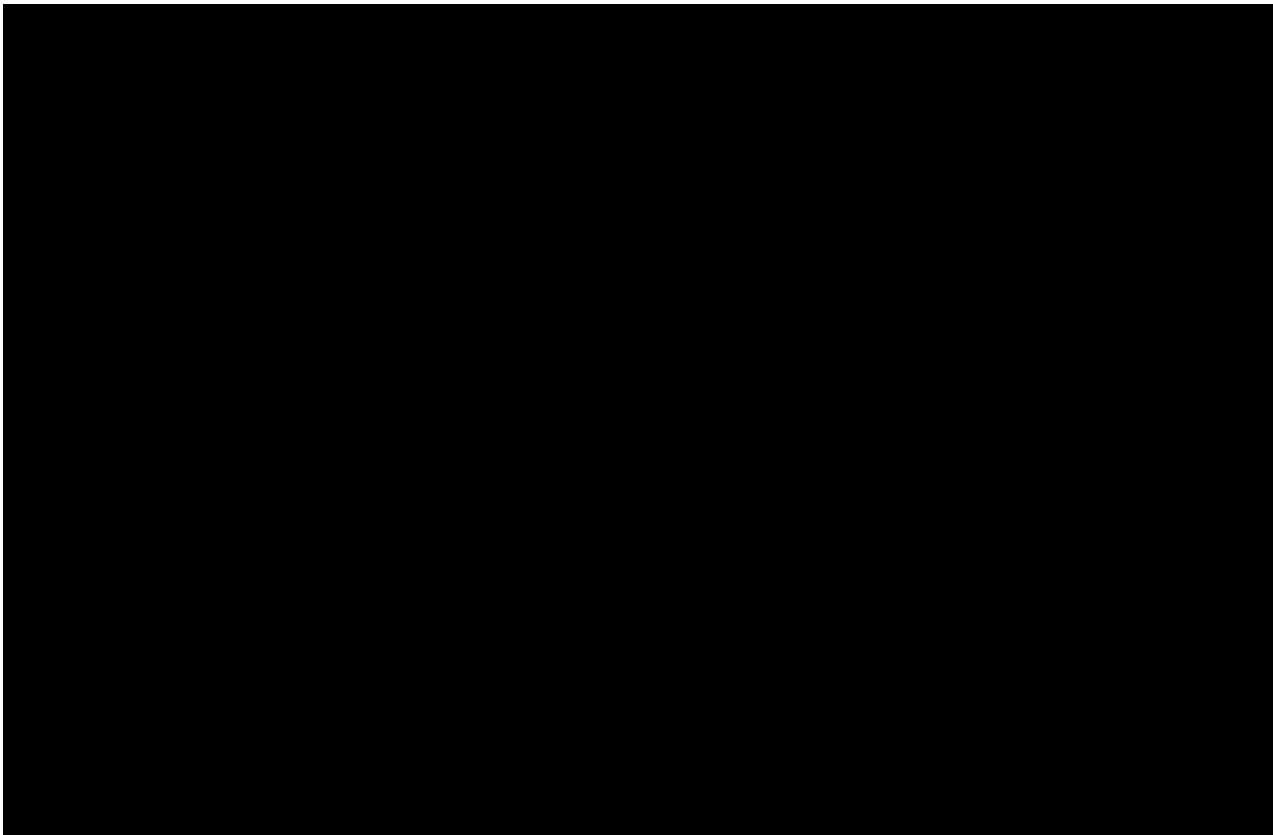
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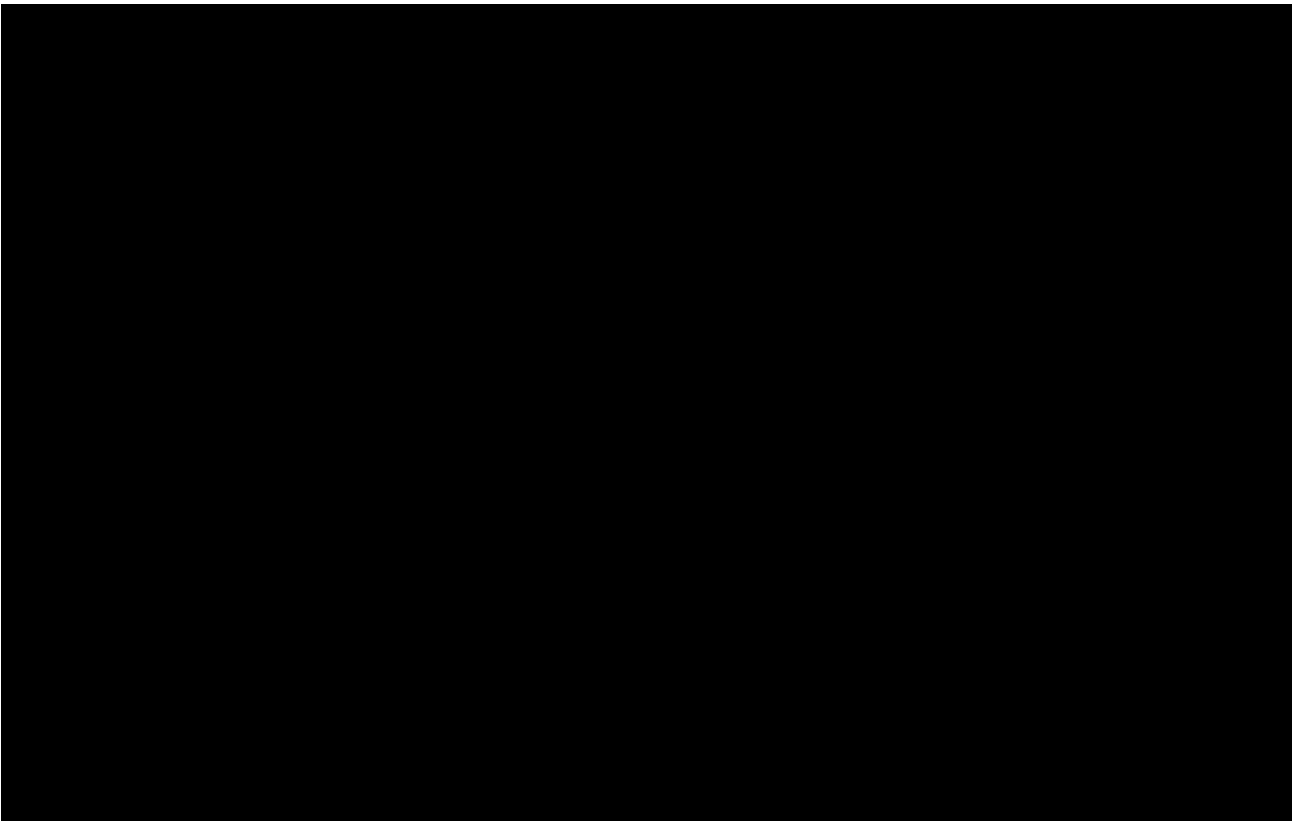


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FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP

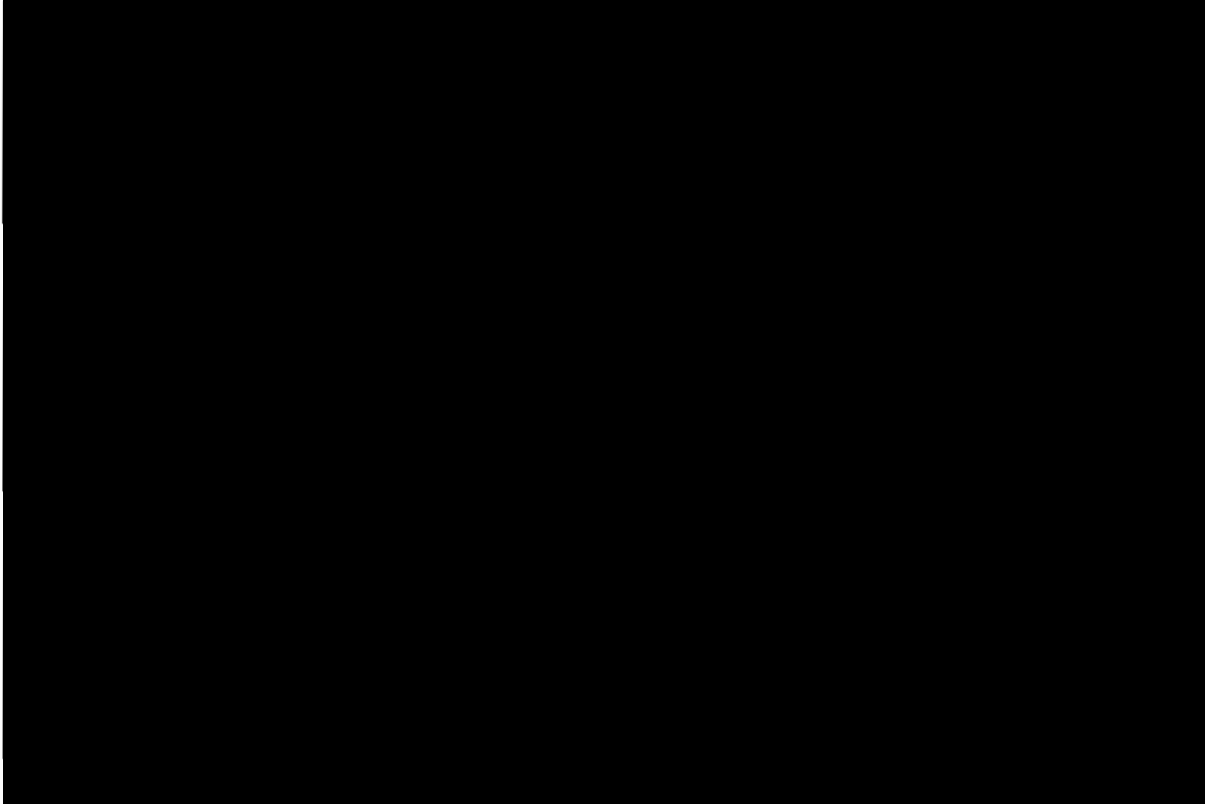


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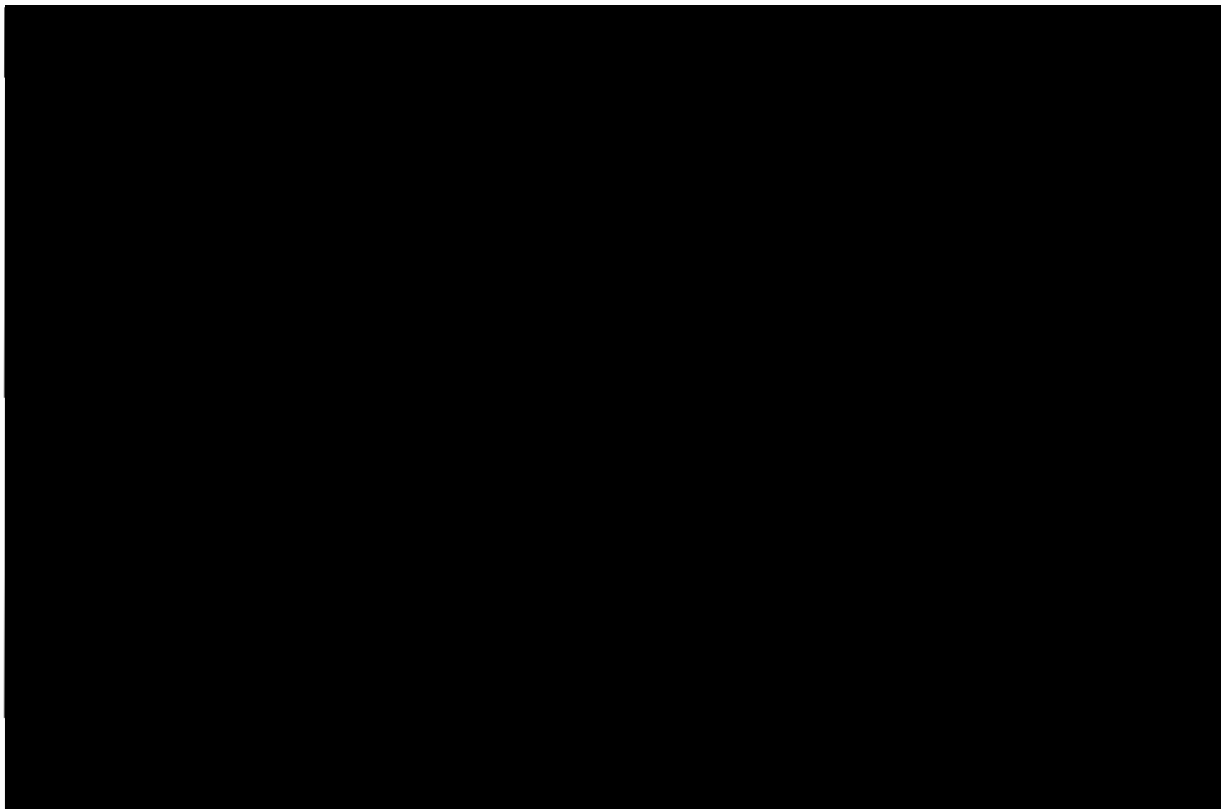


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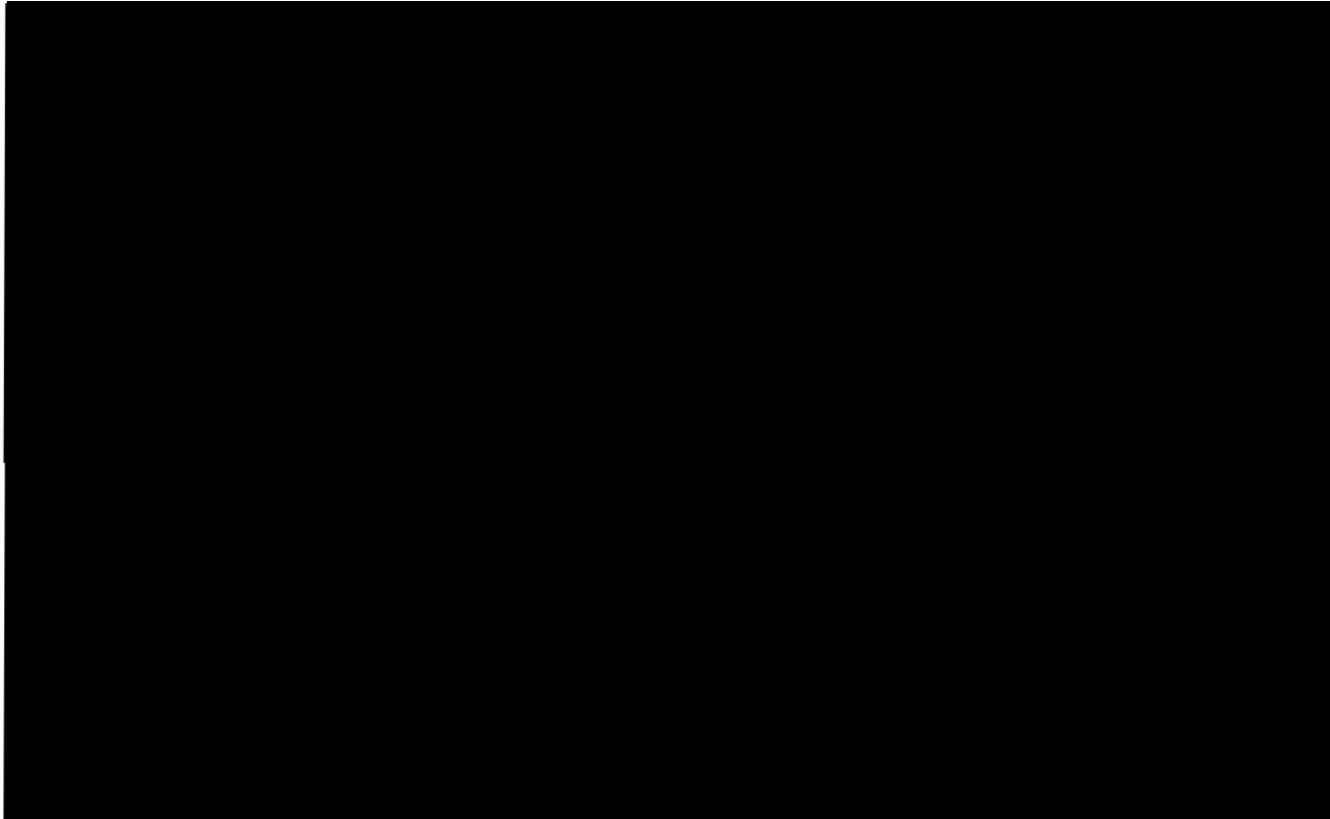
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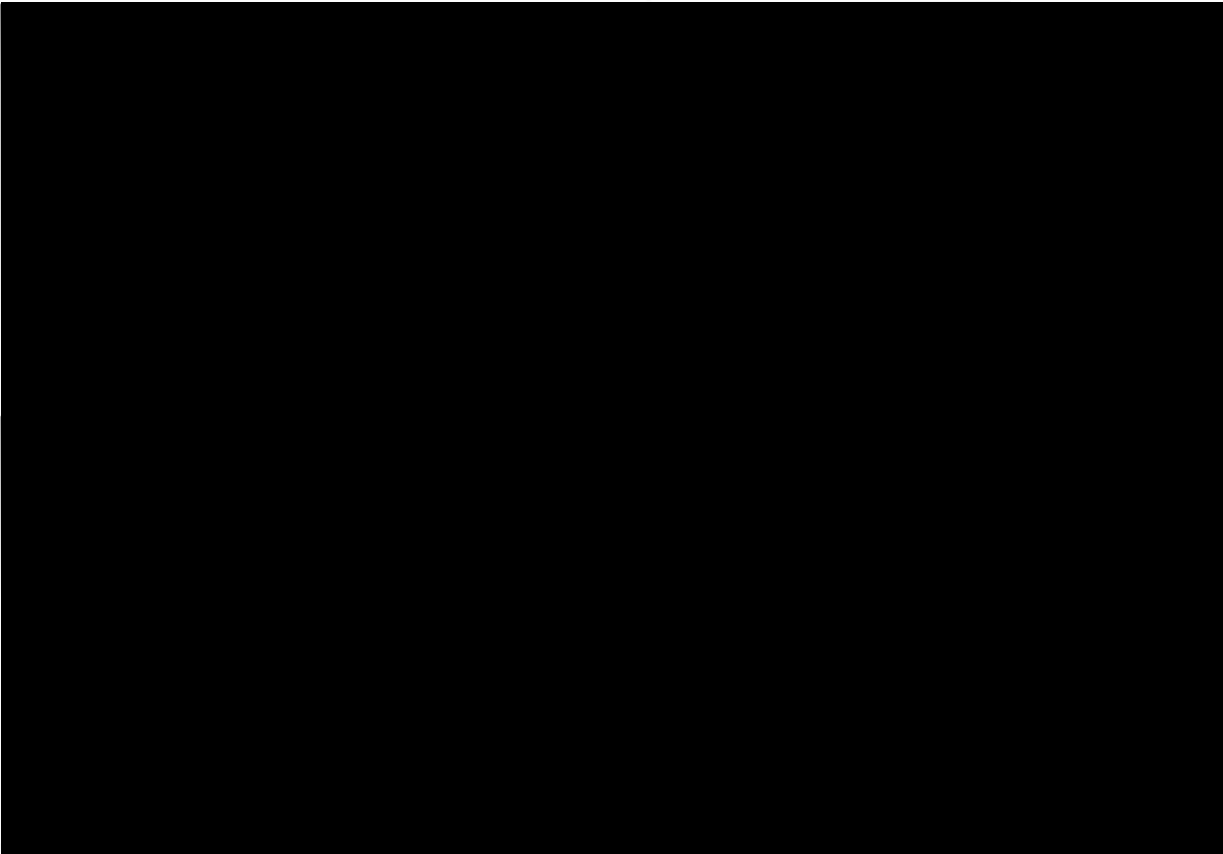
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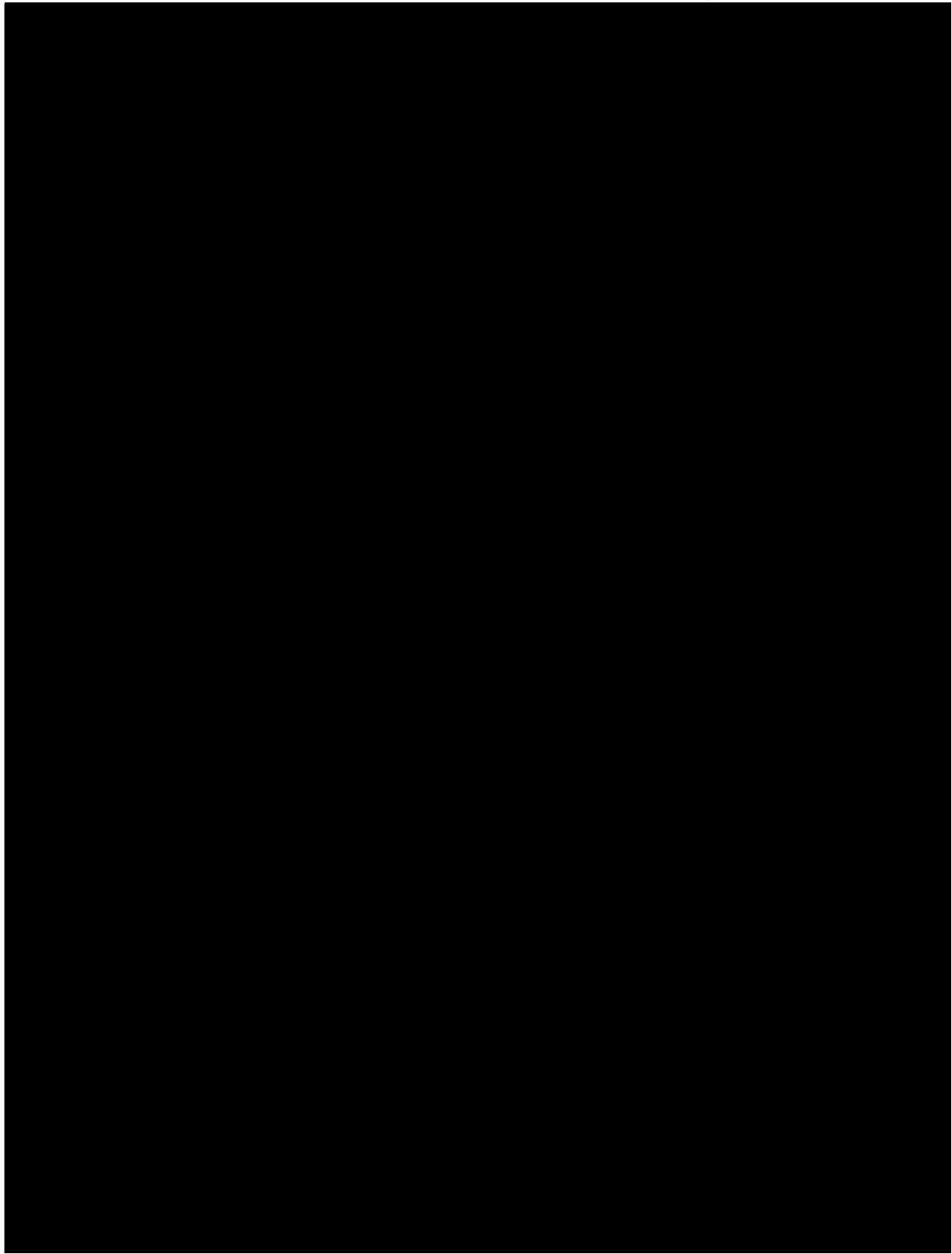
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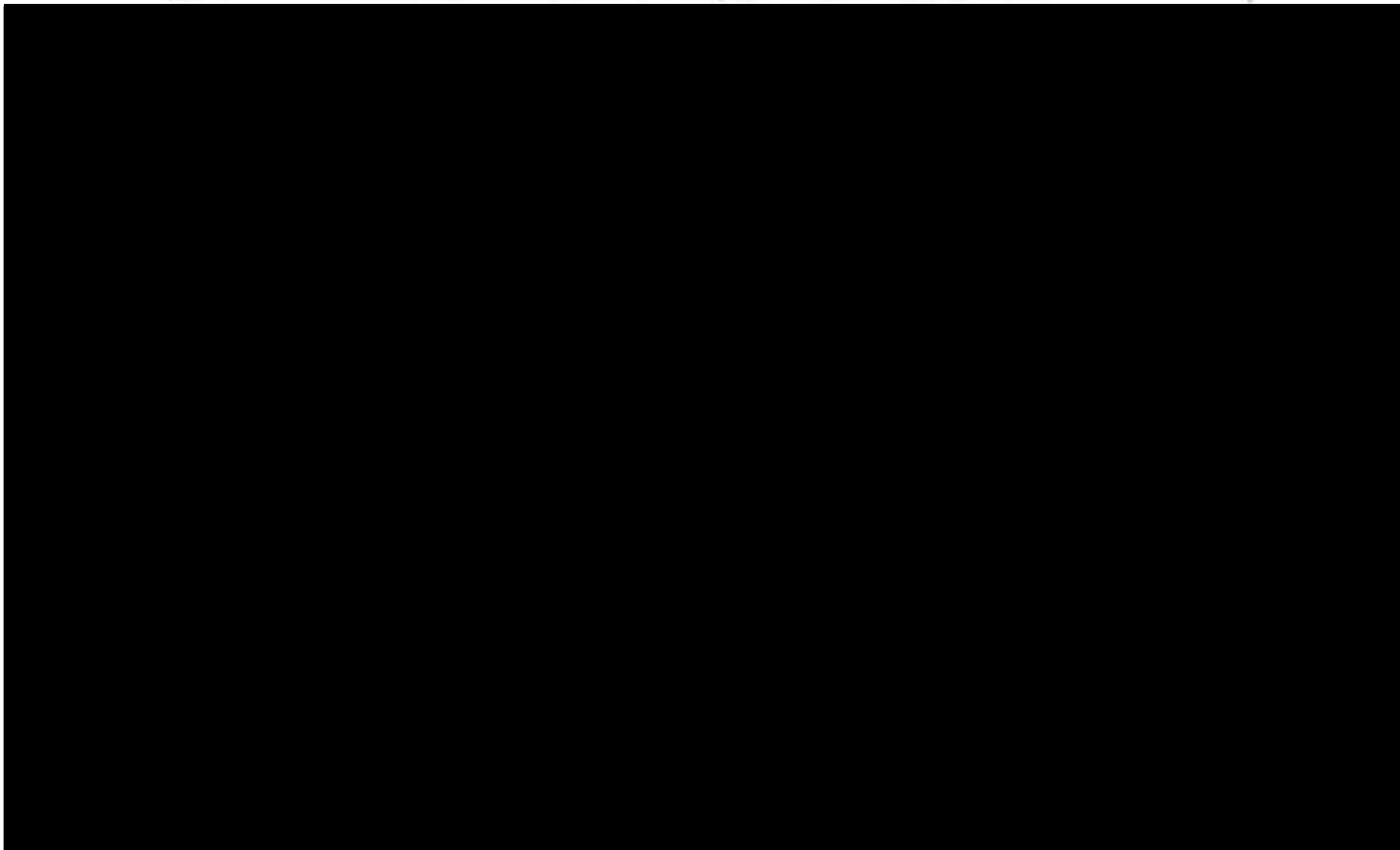
FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



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REQUESTED BY KATTEN L.P

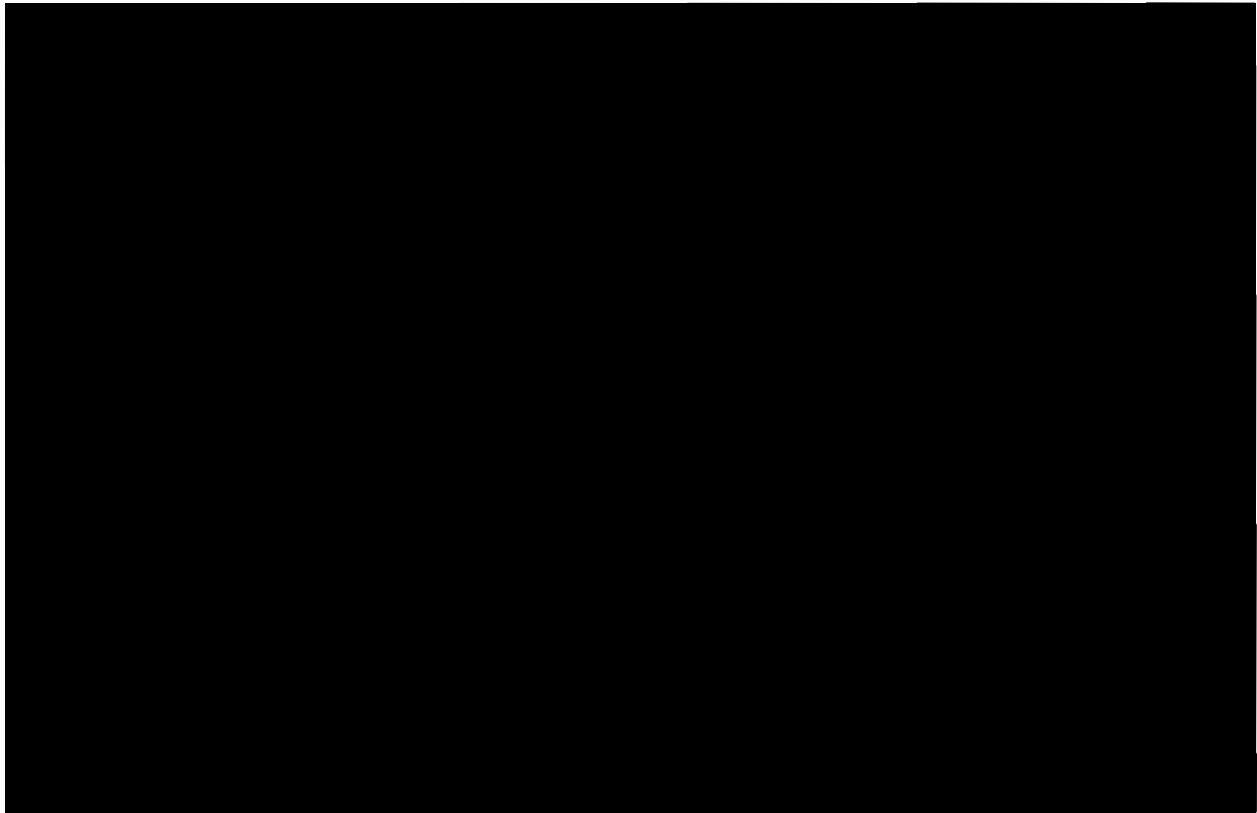


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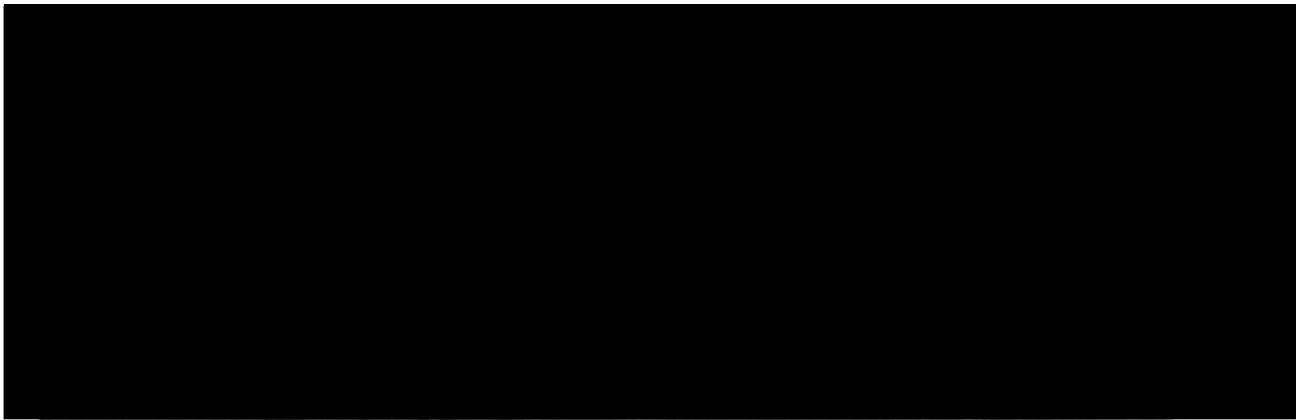
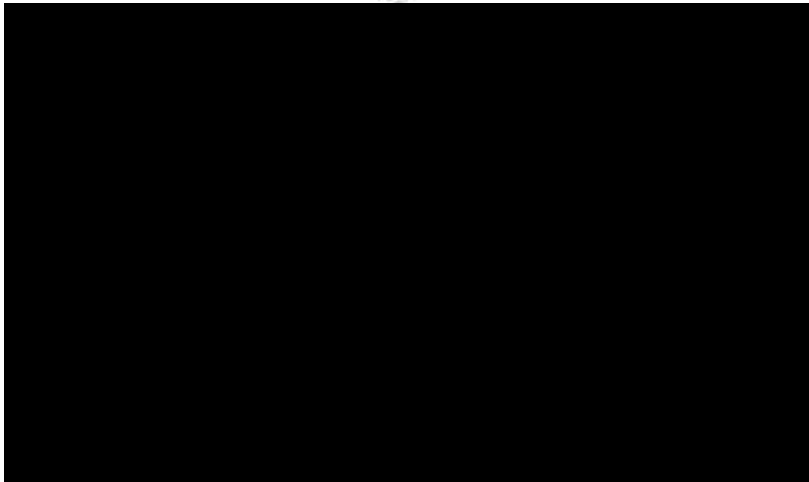


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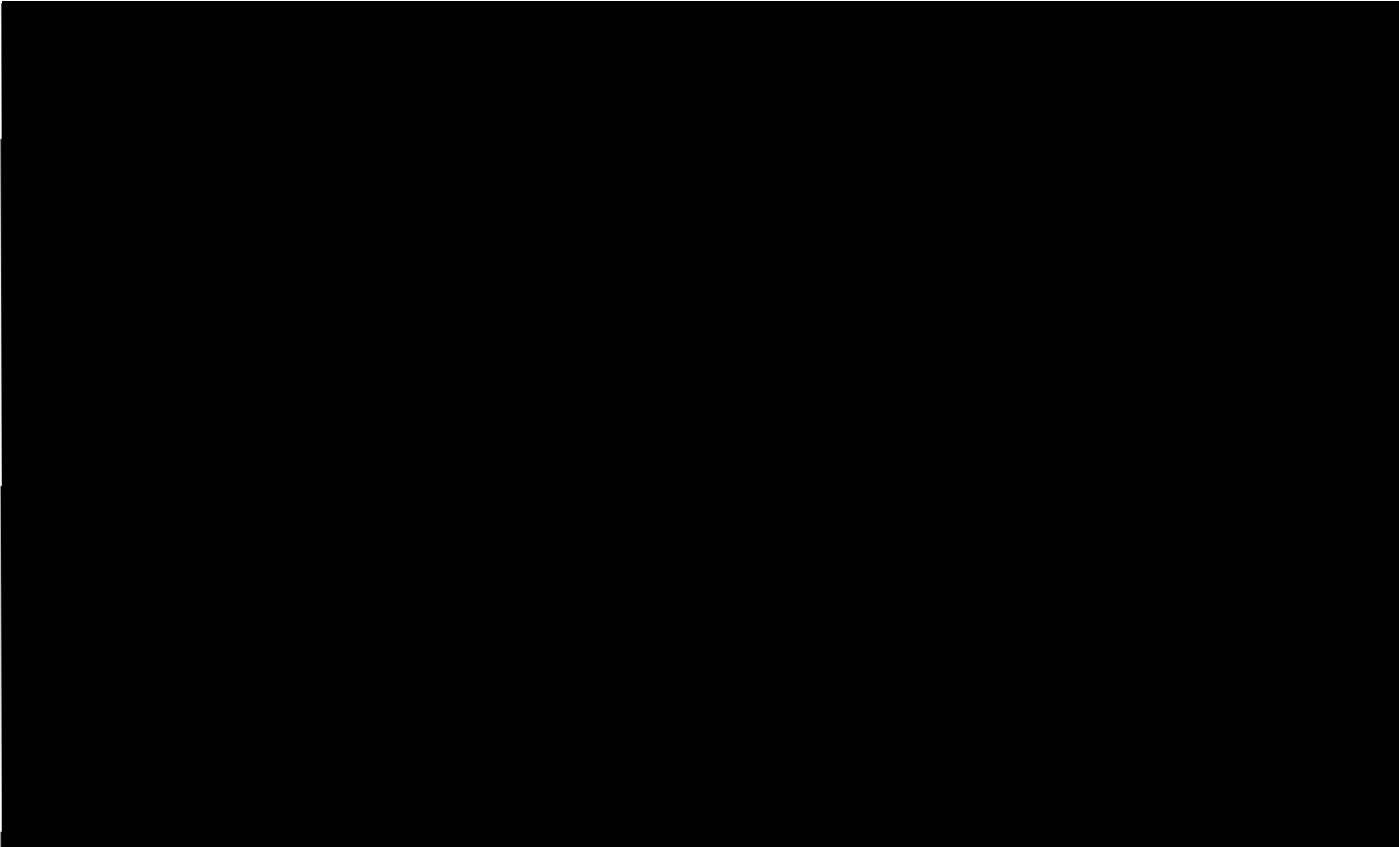
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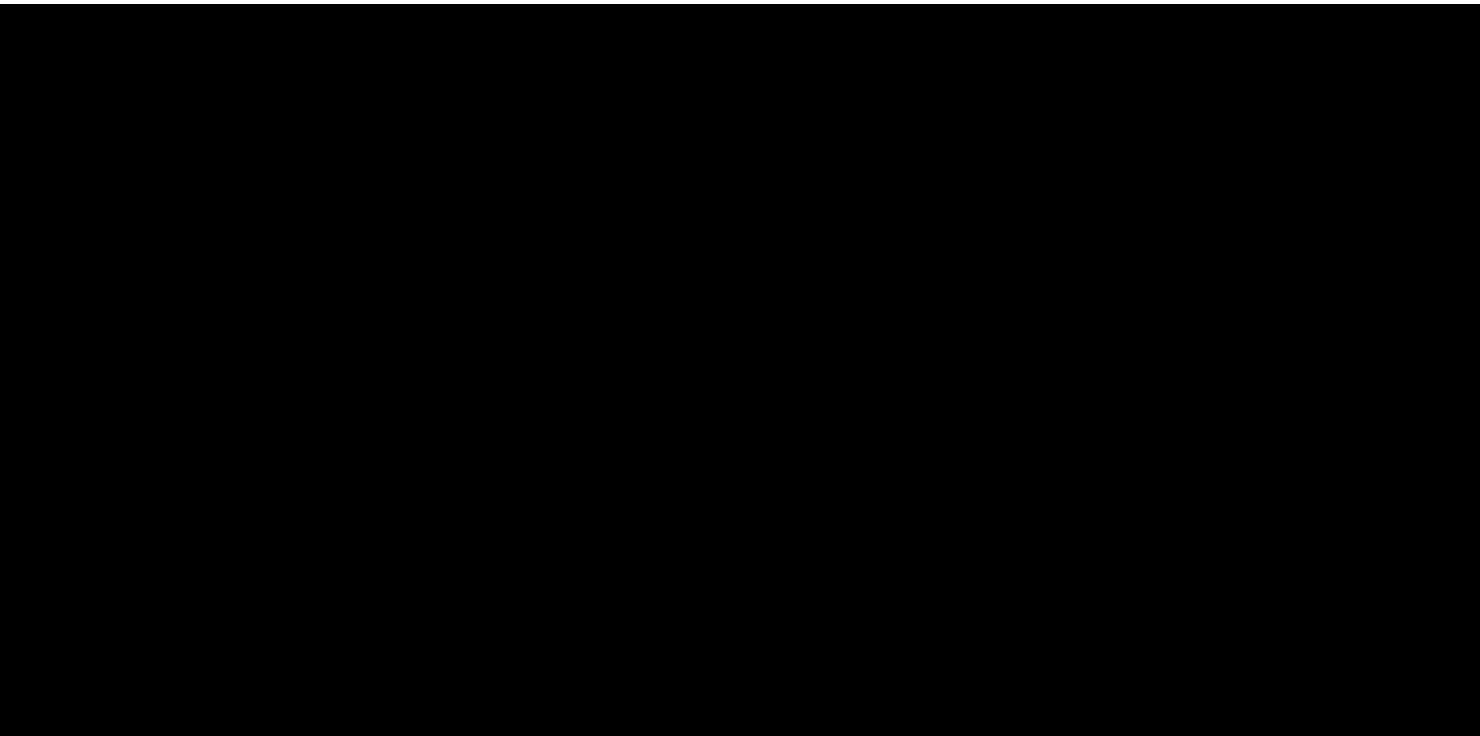
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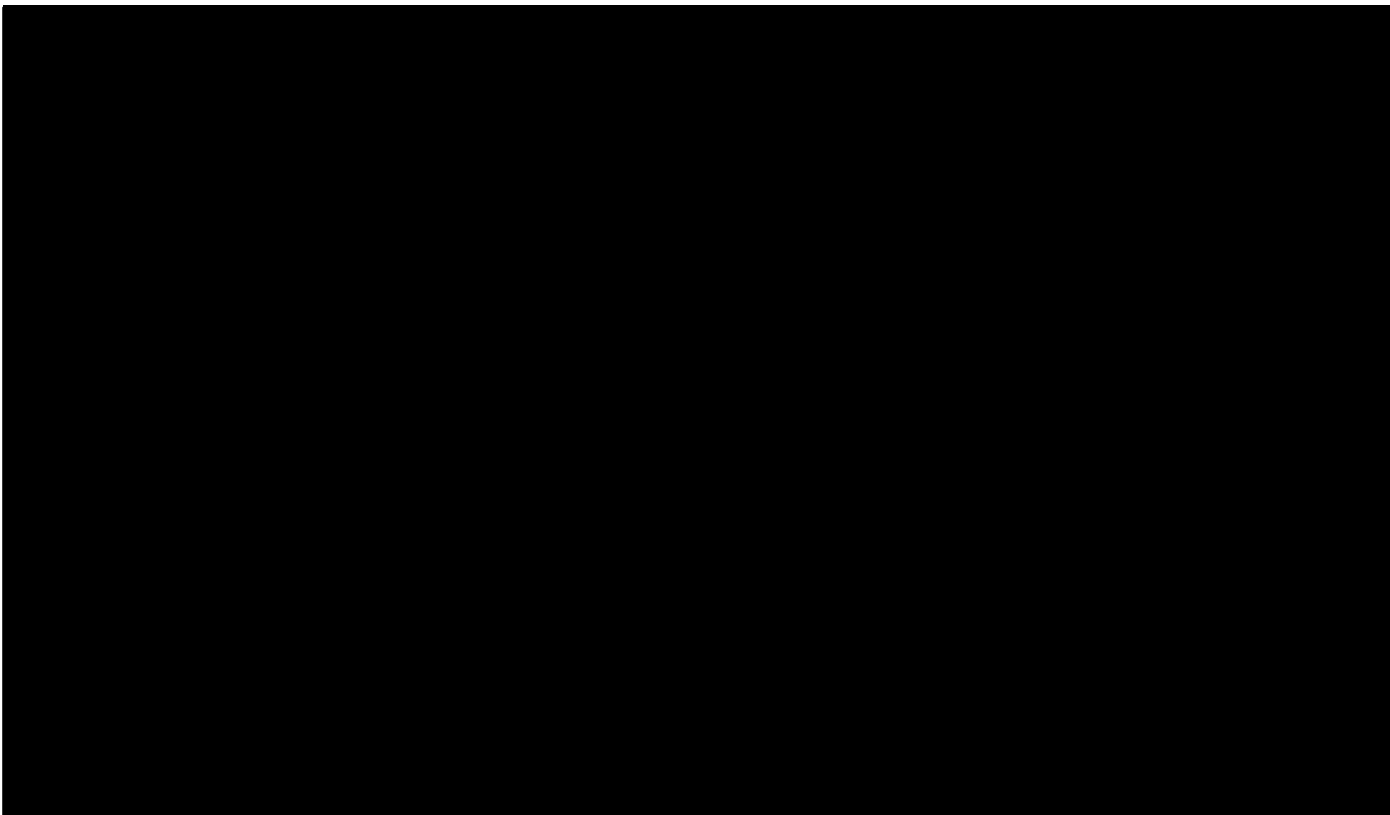


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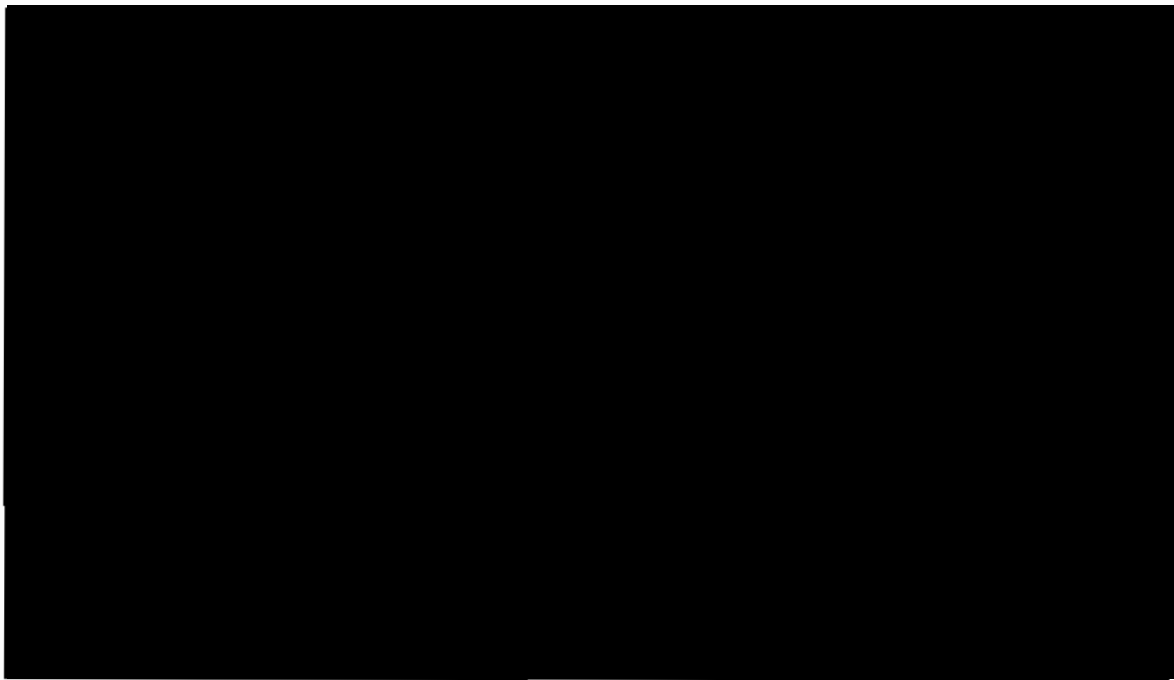
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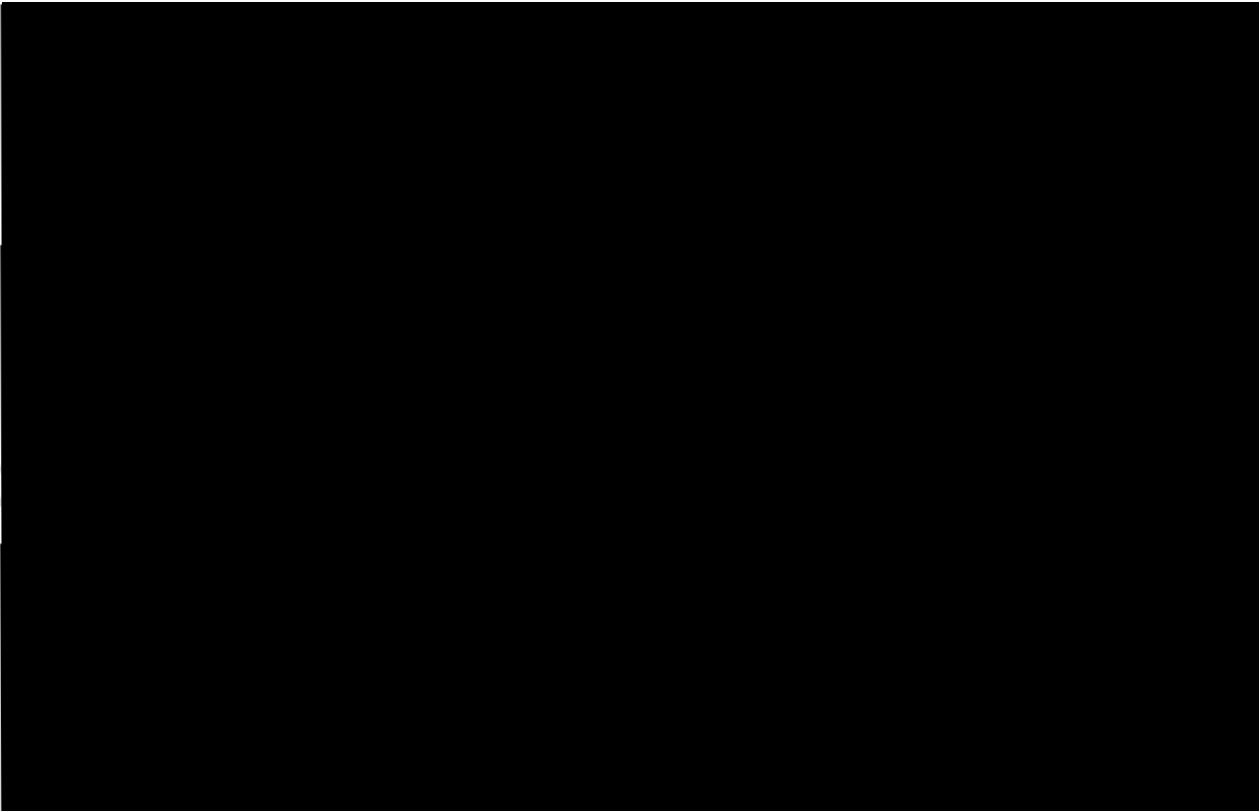
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REQUESTED BY KWATTEN LLP

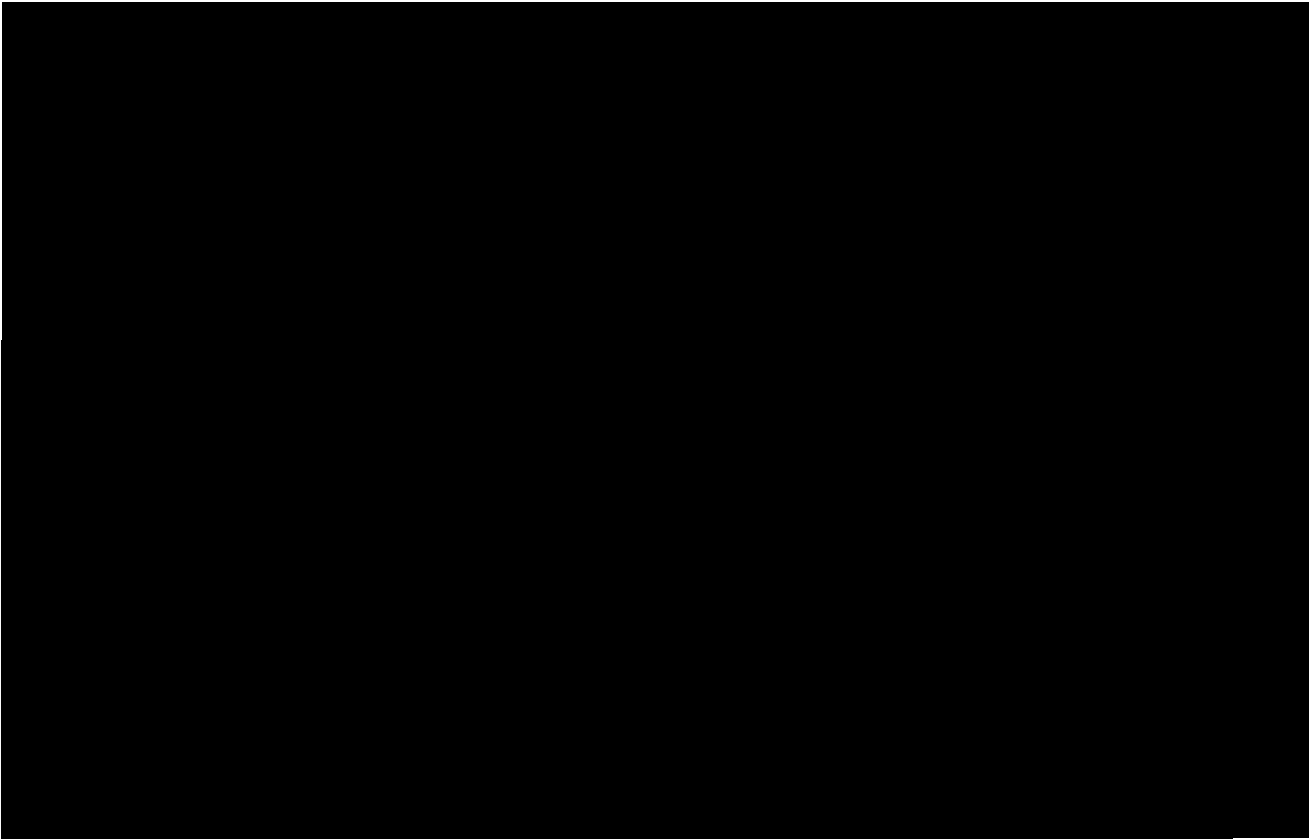


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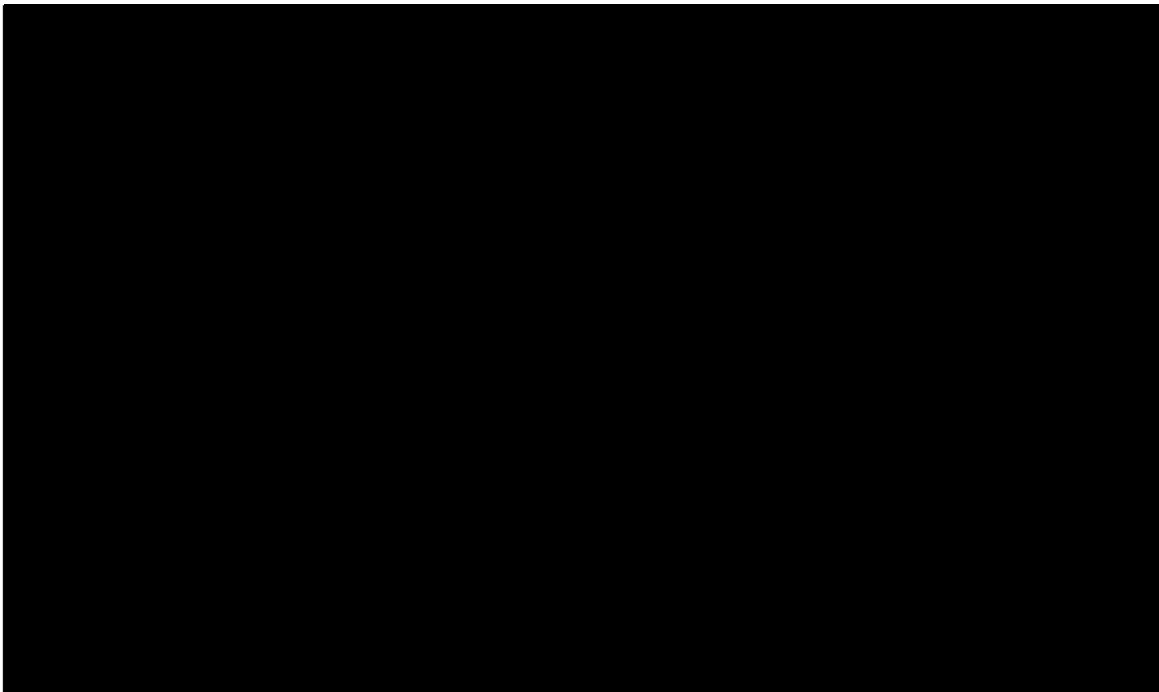


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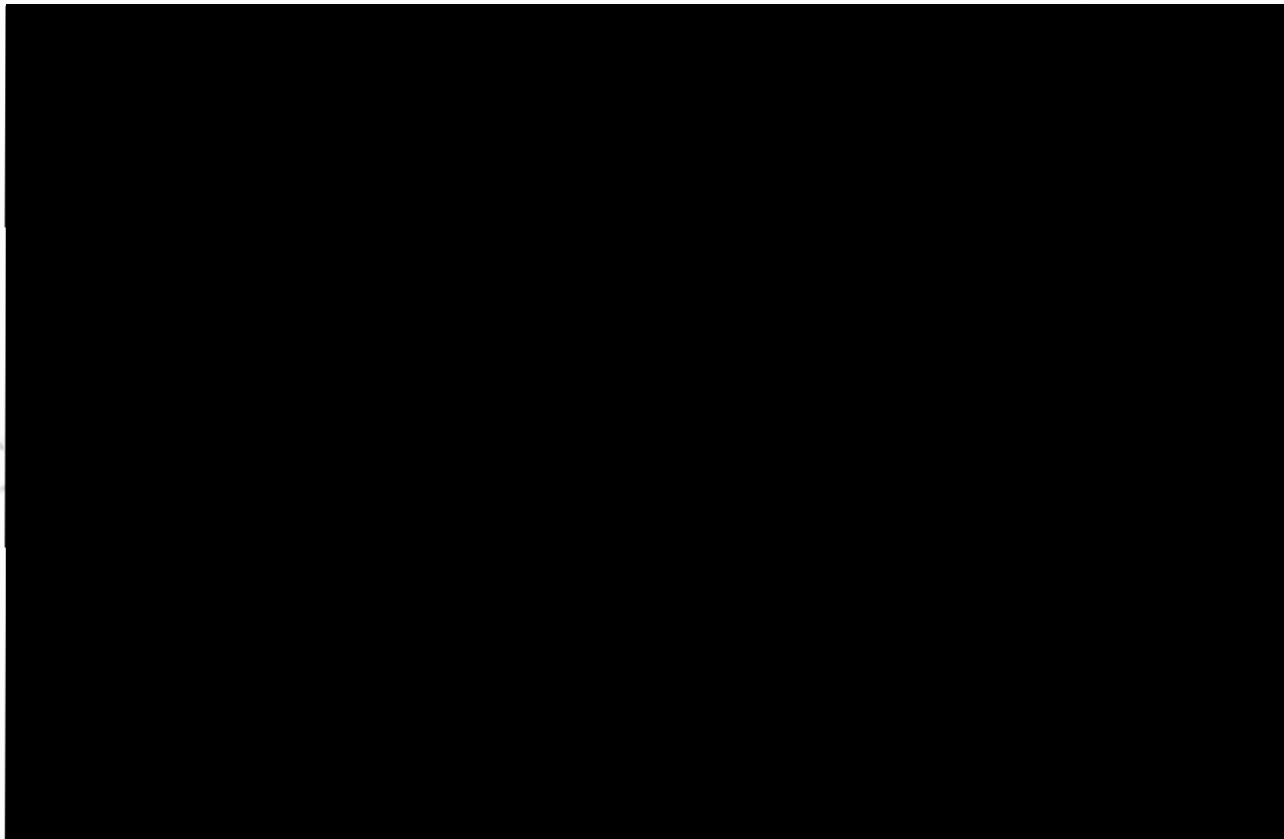
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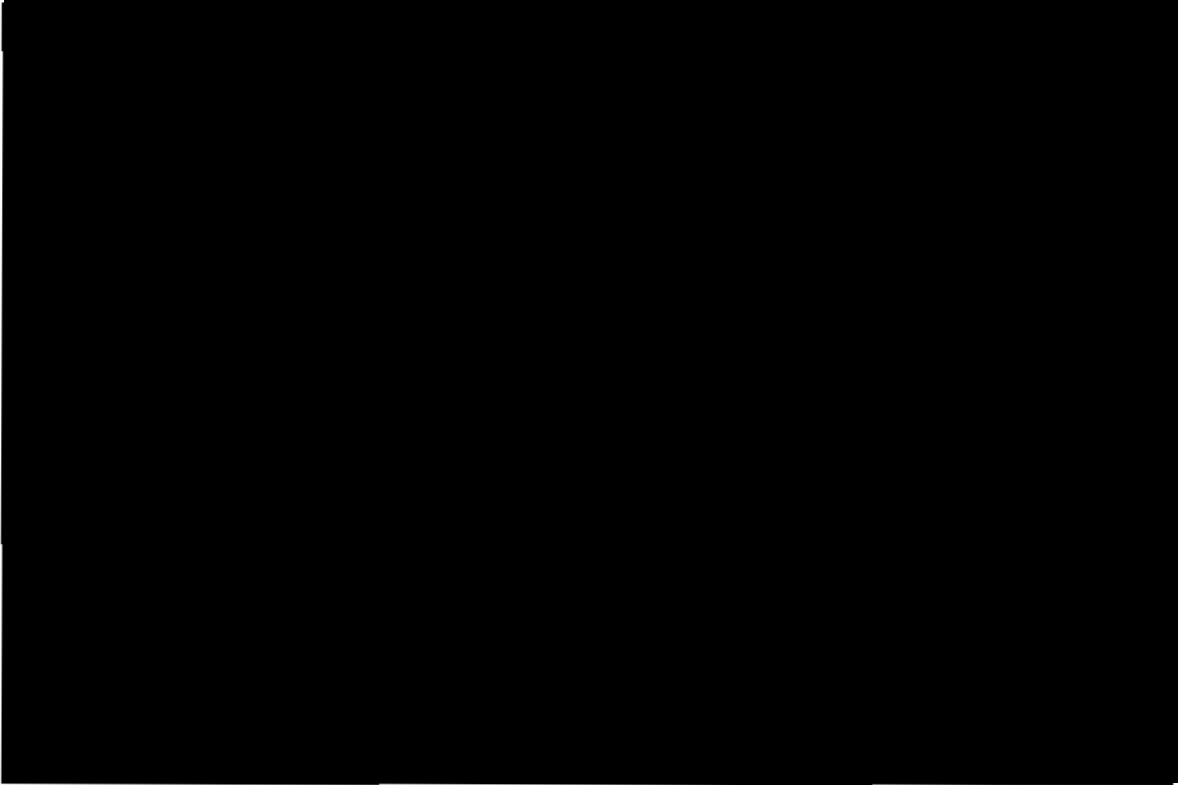


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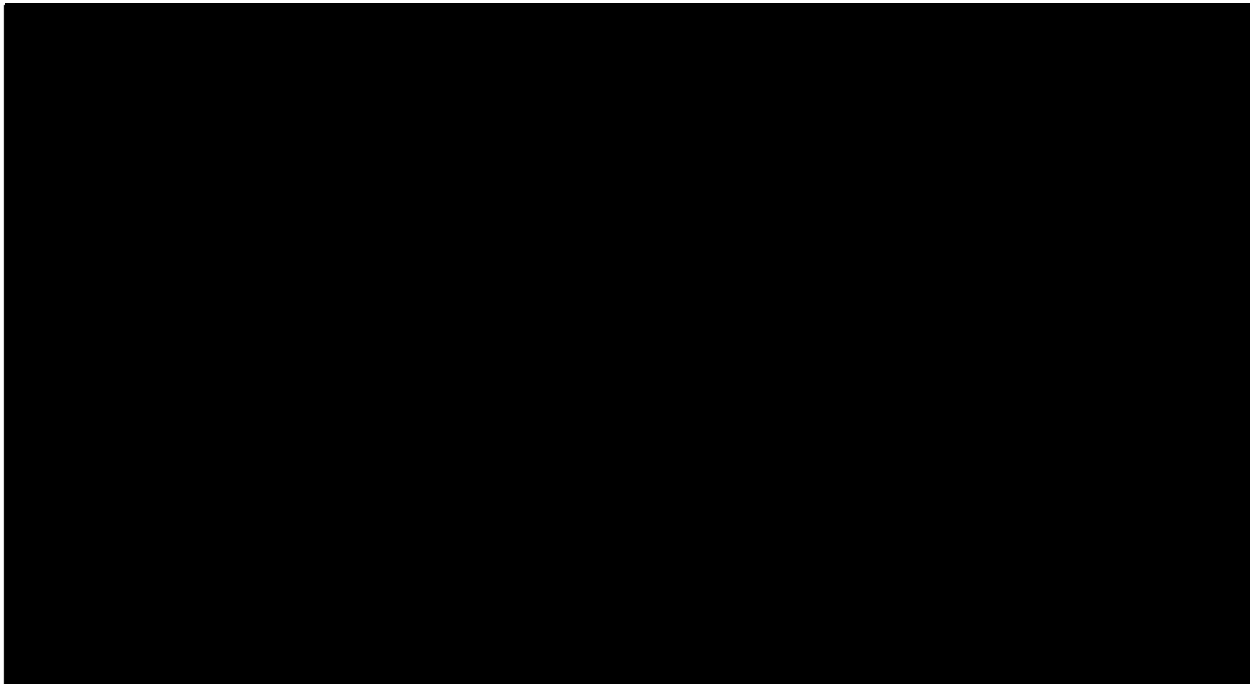


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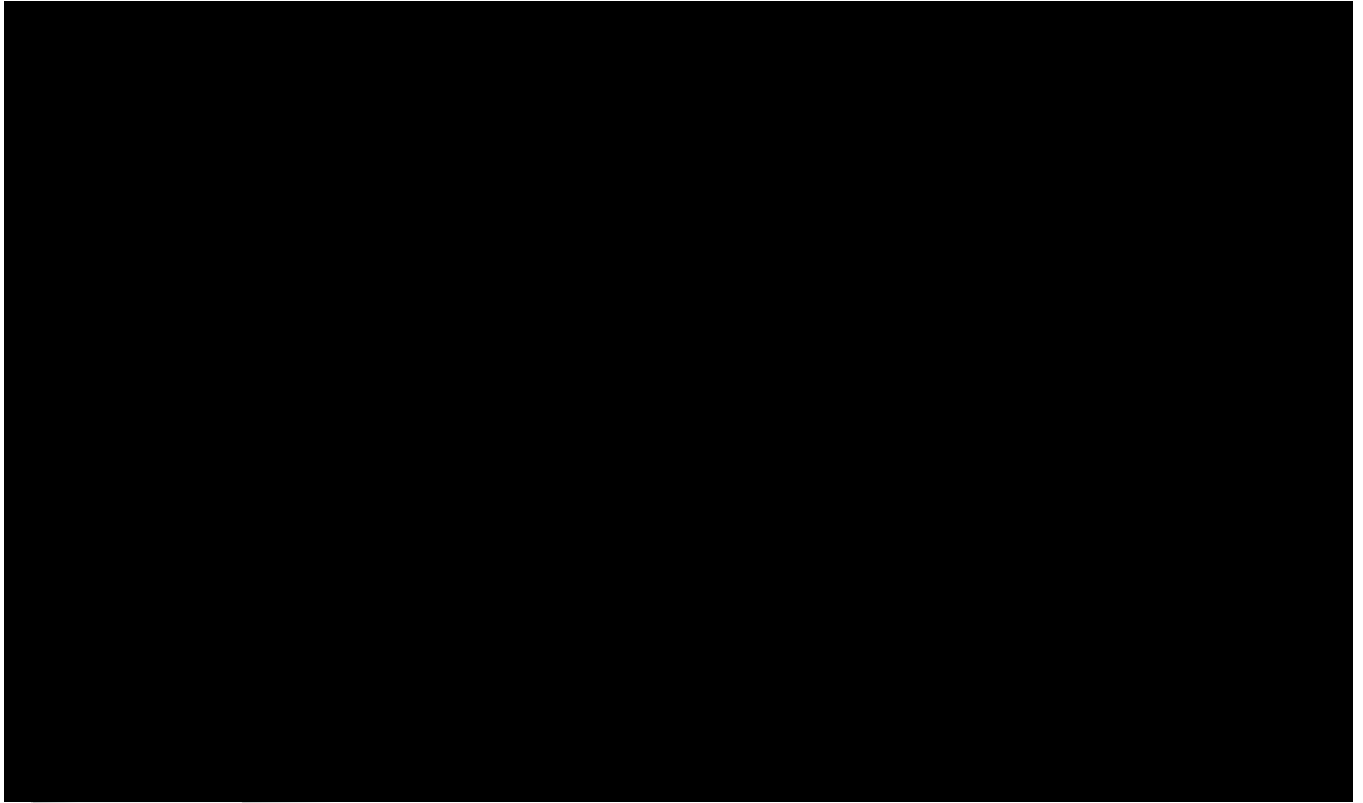
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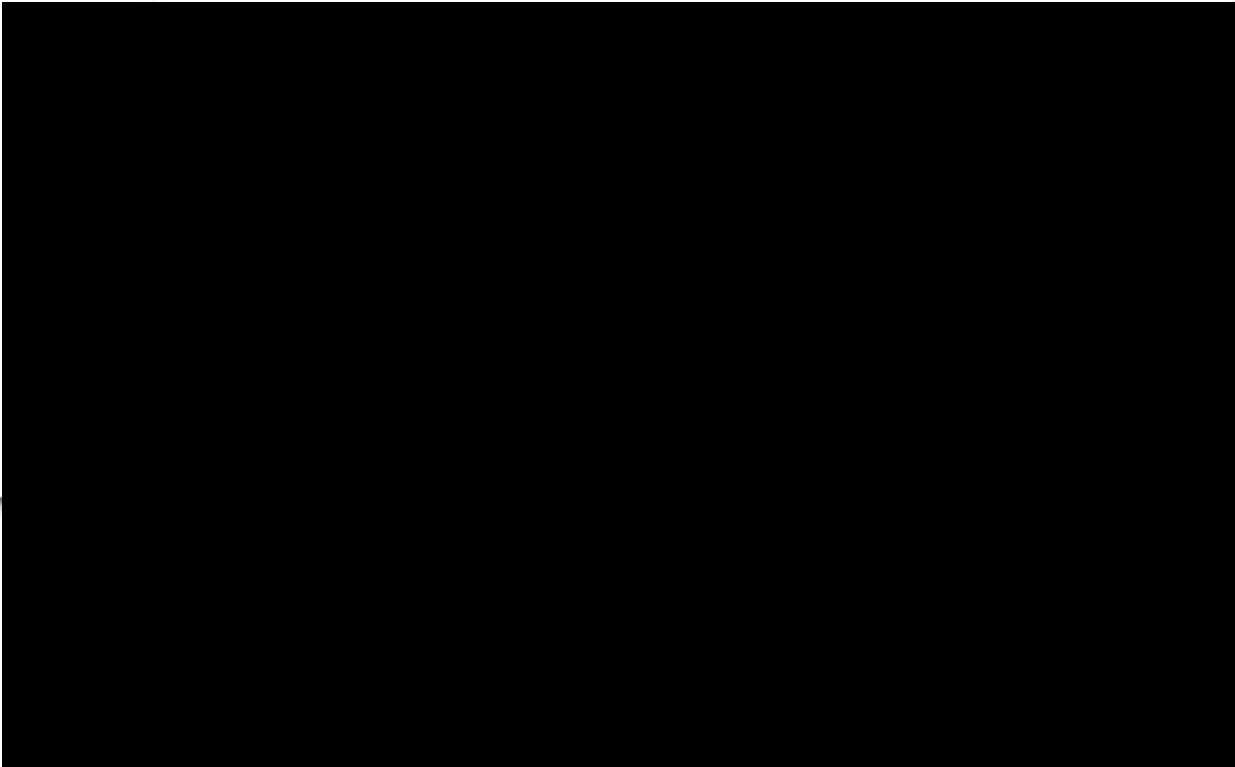
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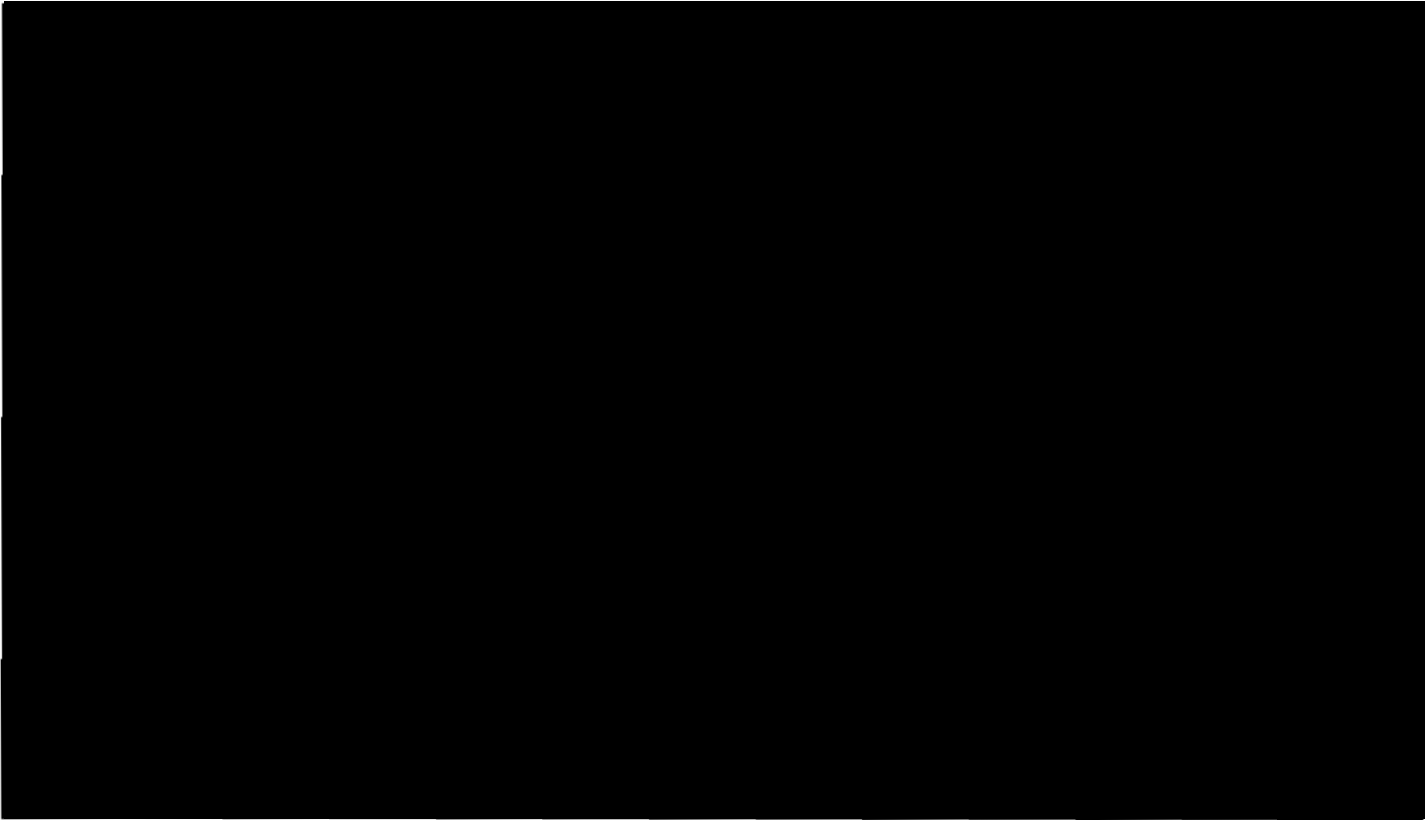
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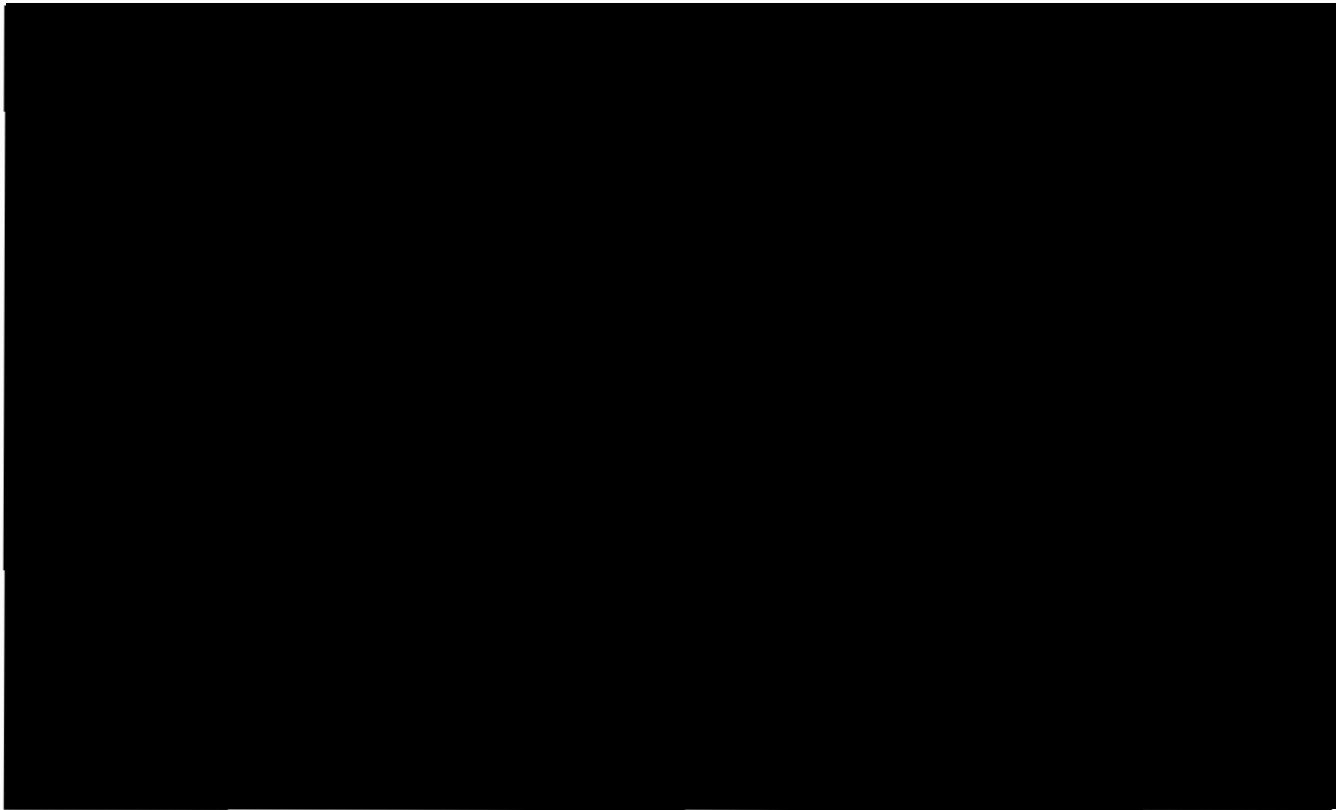
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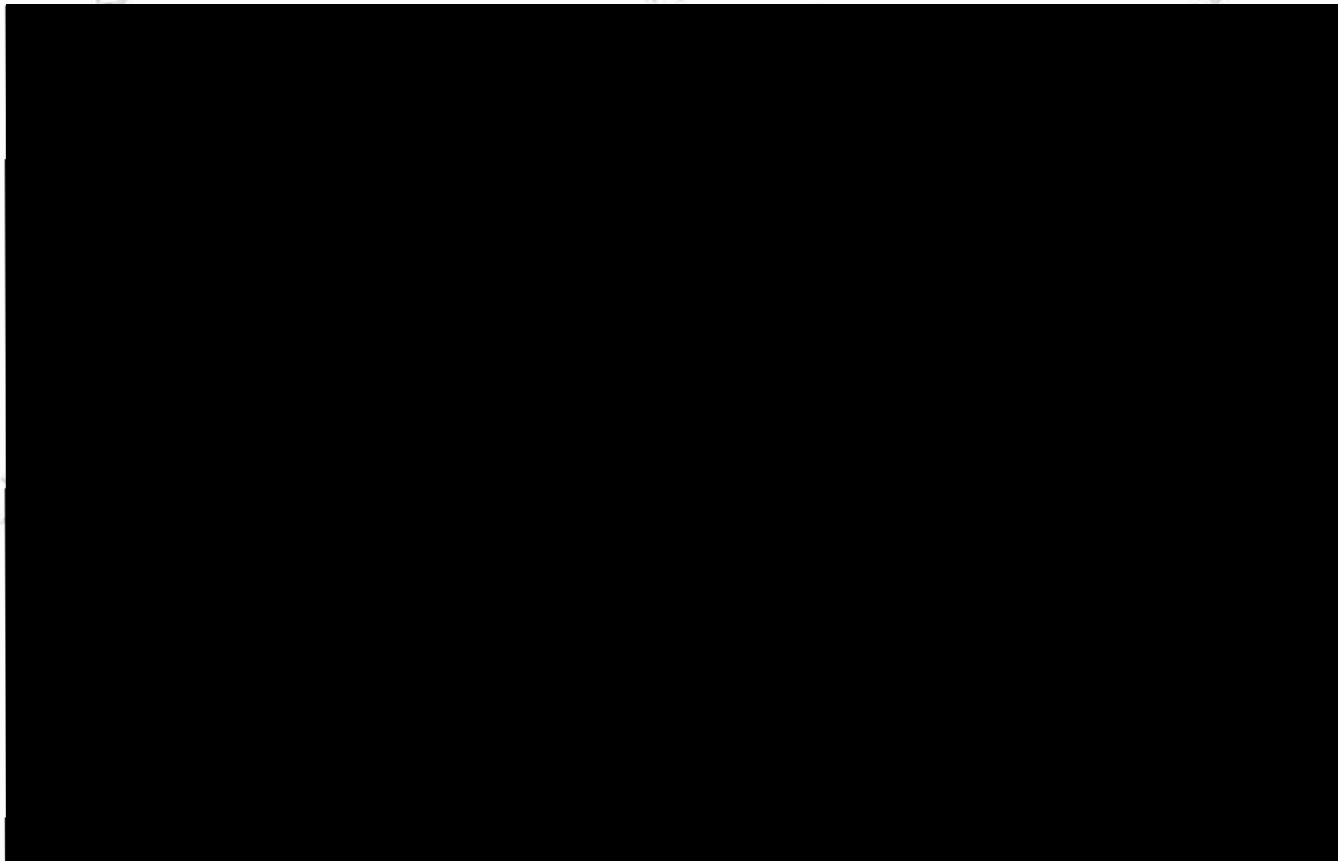
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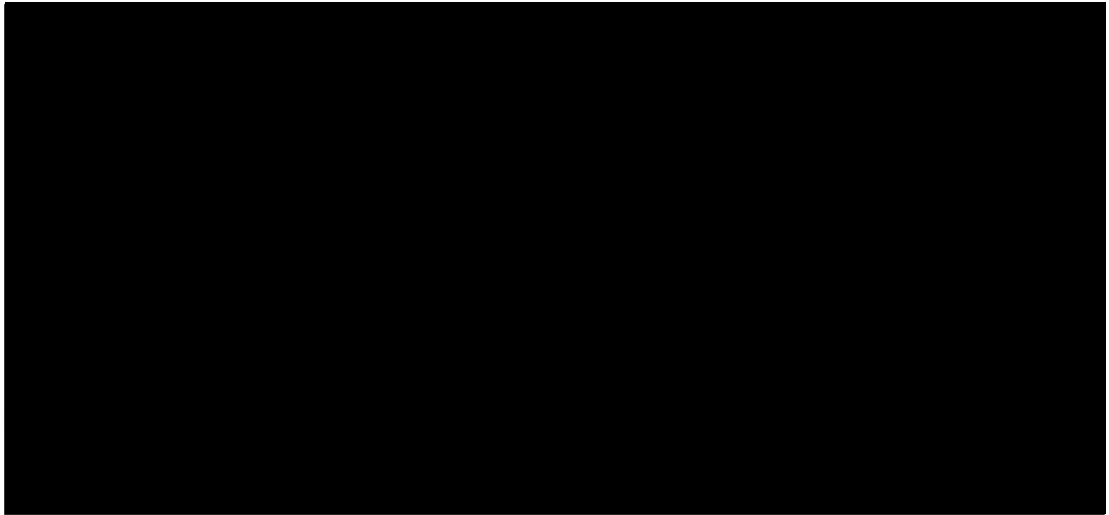


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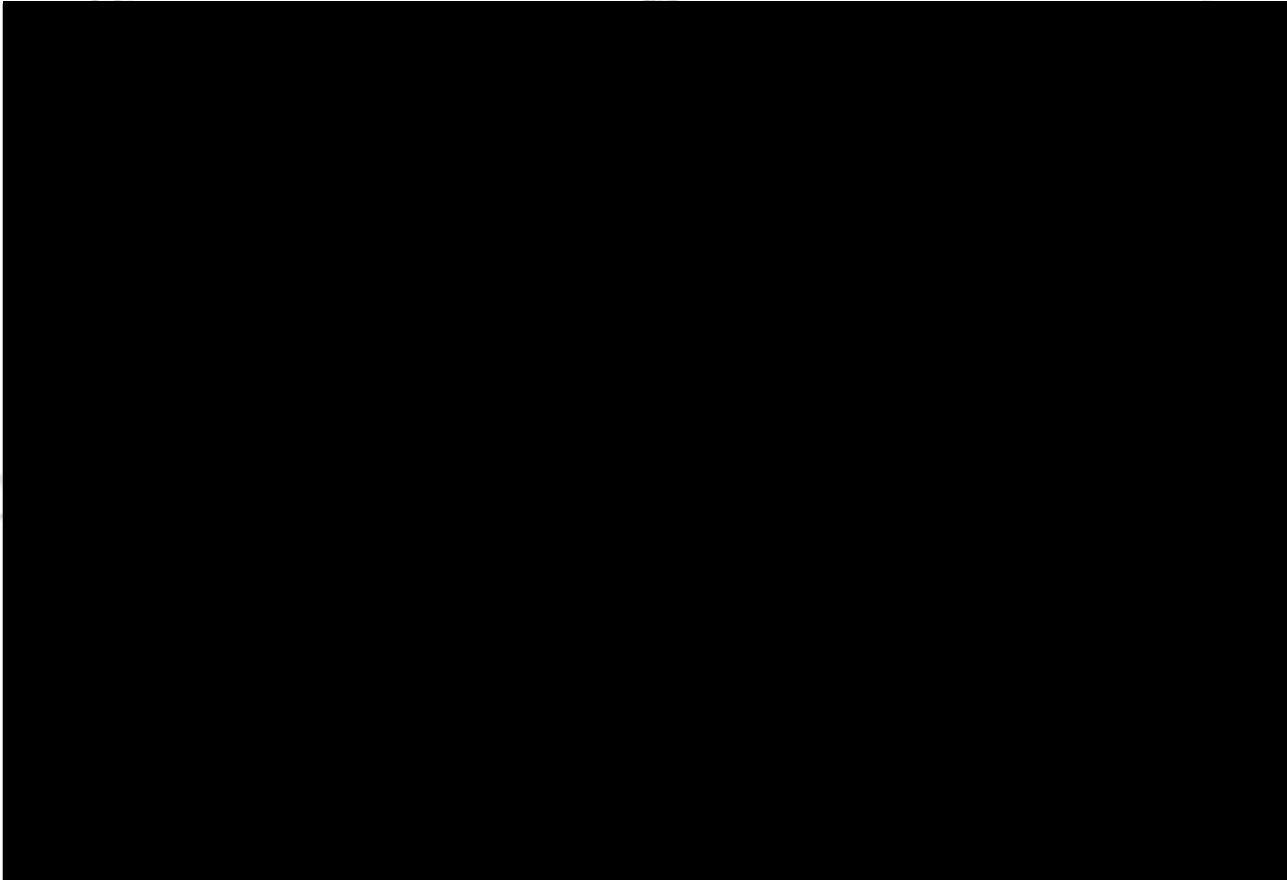
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7



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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 5/26/2015 8:28:12 PM
To: J. Kyle Bass [k@haymancapital.com]; Henry Becker [HB@haymancapital.com]
CC: k2 [k2@haymancapital.com]; Andy Jent [aj@haymancapital.com]
Subject: RE: UDF Borrow...
Attachments: image001.jpg

Kyle - we just wrapped up a little while ago, the meeting lasted for about 5 hours. It was just David Klimek from the FBI and we had our restructuring contacts (that helped restructure a similar real estate lender gone bad) join for the last 2 hours which was really helpful and informative.

I need iOS 8 to download the Signal app, I'm working on an older iPhone and need to update the iOS which I will do, then download the app and send you a test.

Rather than provide a full update in email, I will wait until we get a chance to speak but obviously given the length of the meeting, David K was very engaged. We communicated the specific items that you wanted us to articulate and we also laid out the most black and white situations that we think they should focus in on which appeared to be very helpful in simplifying what is otherwise a very complicated set of facts.

Look forward to catching up on the phone and will give you the full download.

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
[REDACTED] Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

From: J. Kyle Bass
Sent: Tuesday, May 26, 2015 2:00 PM
To: Henry Becker
Cc: k2; Andy Jent; Parker Lewis
Subject: Re: UDF Borrow...

How many guys in suits? And what time is it now?

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

On May 26, 2015, at 7:56 PM, Henry Becker <HB@haymancapital.com<mailto:HB@haymancapital.com>> wrote:
He is still in there...since 9:30...

<image001.png>

Henry V. Becker Jr.
Hayman Capital Management, LP
2101 Cedar Springs Road, Suite 1400
Dallas, TX 75201
Direct: 214-296-4913
Cell: [REDACTED]
hb@haymancapital.com<mailto:hb@haymancapital.com>

From: J. Kyle Bass
Sent: Tuesday, May 26, 2015 1:55 PM
To: Henry Becker
Cc: k2; Andy Jent; Parker Lewis
Subject: Re: UDF Borrow...

Thanks. Parker, when is your big meeting? Have you downloaded signal? Download Signal in the App Store and send me a test message asap.

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

On May 26, 2015, at 7:47 PM, Henry Becker <HB@haymancapital.com<mailto:HB@haymancapital.com>> wrote: 17.30...

<image001.png>

Henry V. Becker Jr.
Hayman Capital Management, LP
2101 Cedar Springs Road, Suite 1400
Dallas, TX 75201
Direct: 214-296-4913
Cell: [REDACTED]
hb@hay

From: J. Kyle Bass
Sent: Tuesday, May 26, 2015 1:47 PM
To: Henry Becker
Cc: k2; Andy Jent; Parker Lewis
Subject: Re: UDF Borrow...

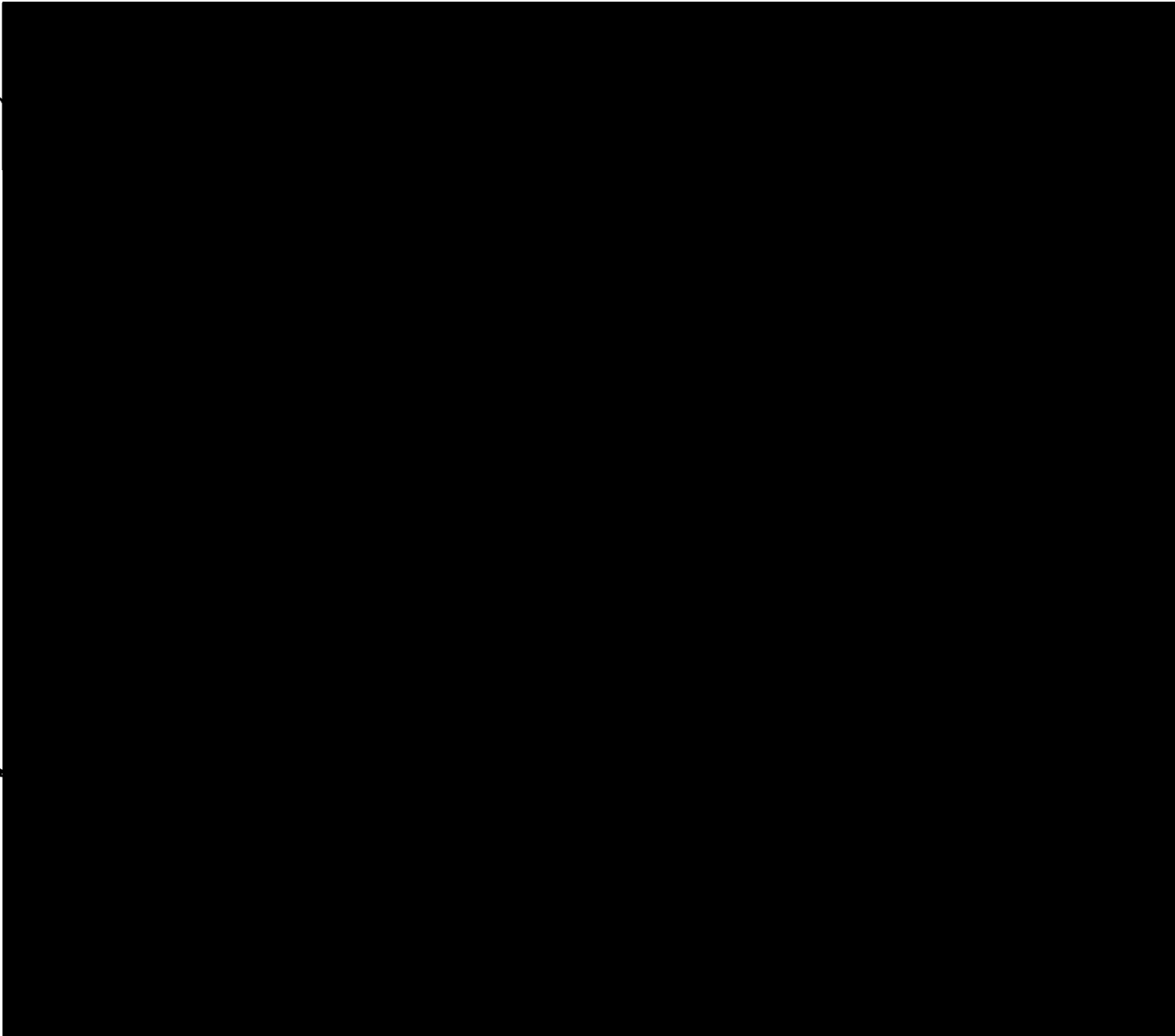
Thanks. Where is it trading now?

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

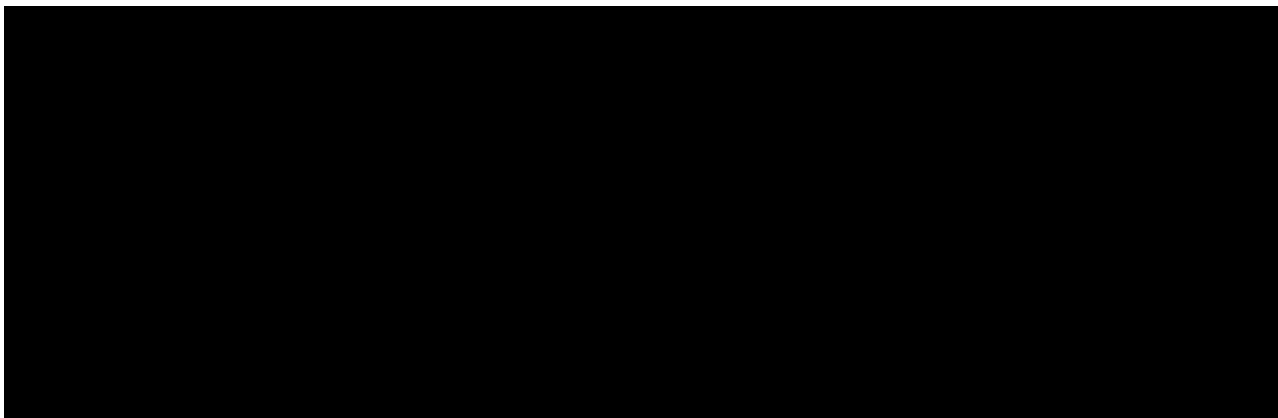
On May 26, 2015, at 7:38 PM, Henry Becker <HB@haymancapital.com<mailto:HB@haymancapital.com>> wrote: The borrow on the street is up to 18% and becoming unstable. We were able to borrow 25k today, but we are getting really tight. JPM will hold the 9.5% for now. Quant funds starting to play in it, Russell related. As of right now it looks as though we will not be able to lock down a chunk. I will continue to monitor daily. We are short 1,767,471 or 2.4% of AUM.

<image001.png>

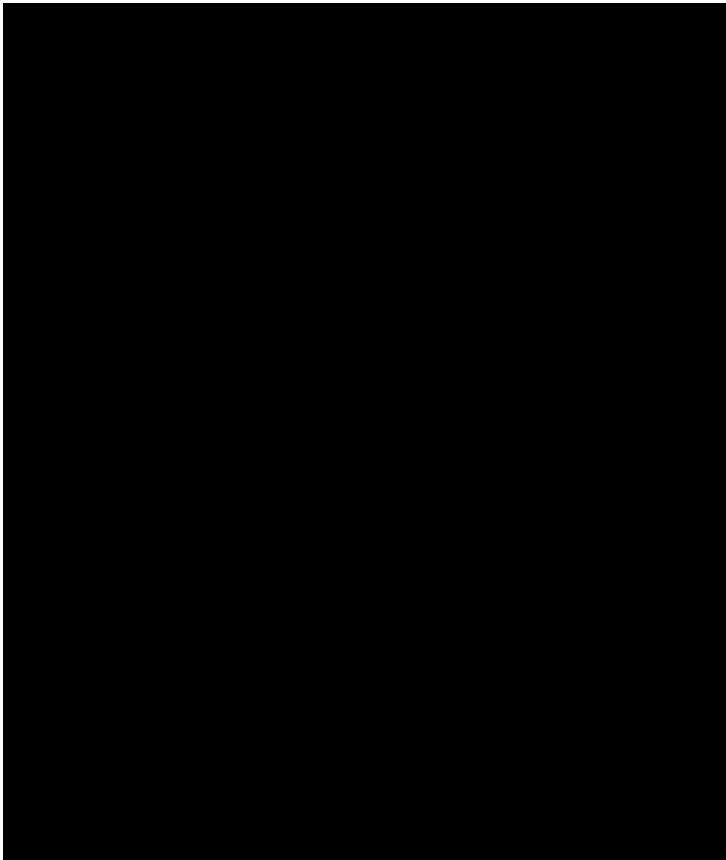
Henry V. Becker Jr.
Hayman Capital Management, LP
2101 Cedar Springs Road, Suite 1400
Dallas, TX 75201
Direct: 214-296-4913
Cell: [REDACTED]
hb@haymancapital.com<mailto:hb@haymancapital.com>

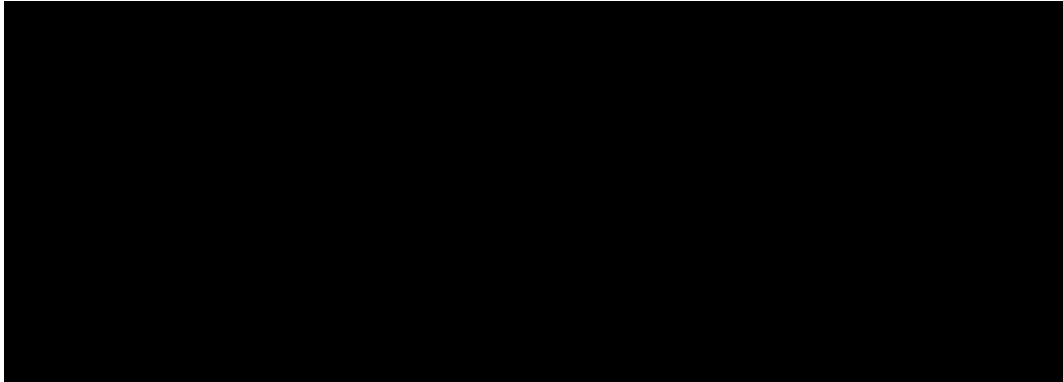


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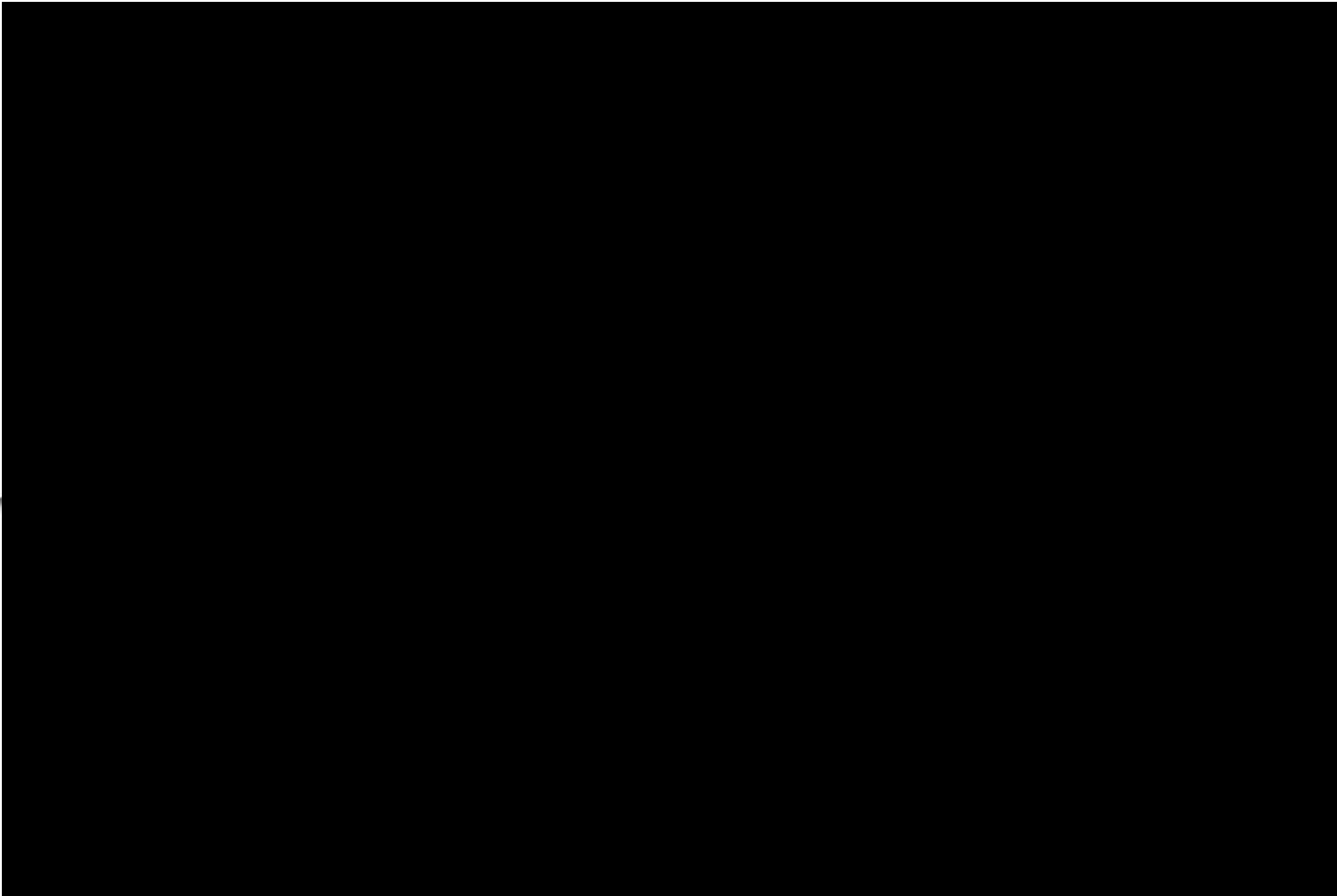


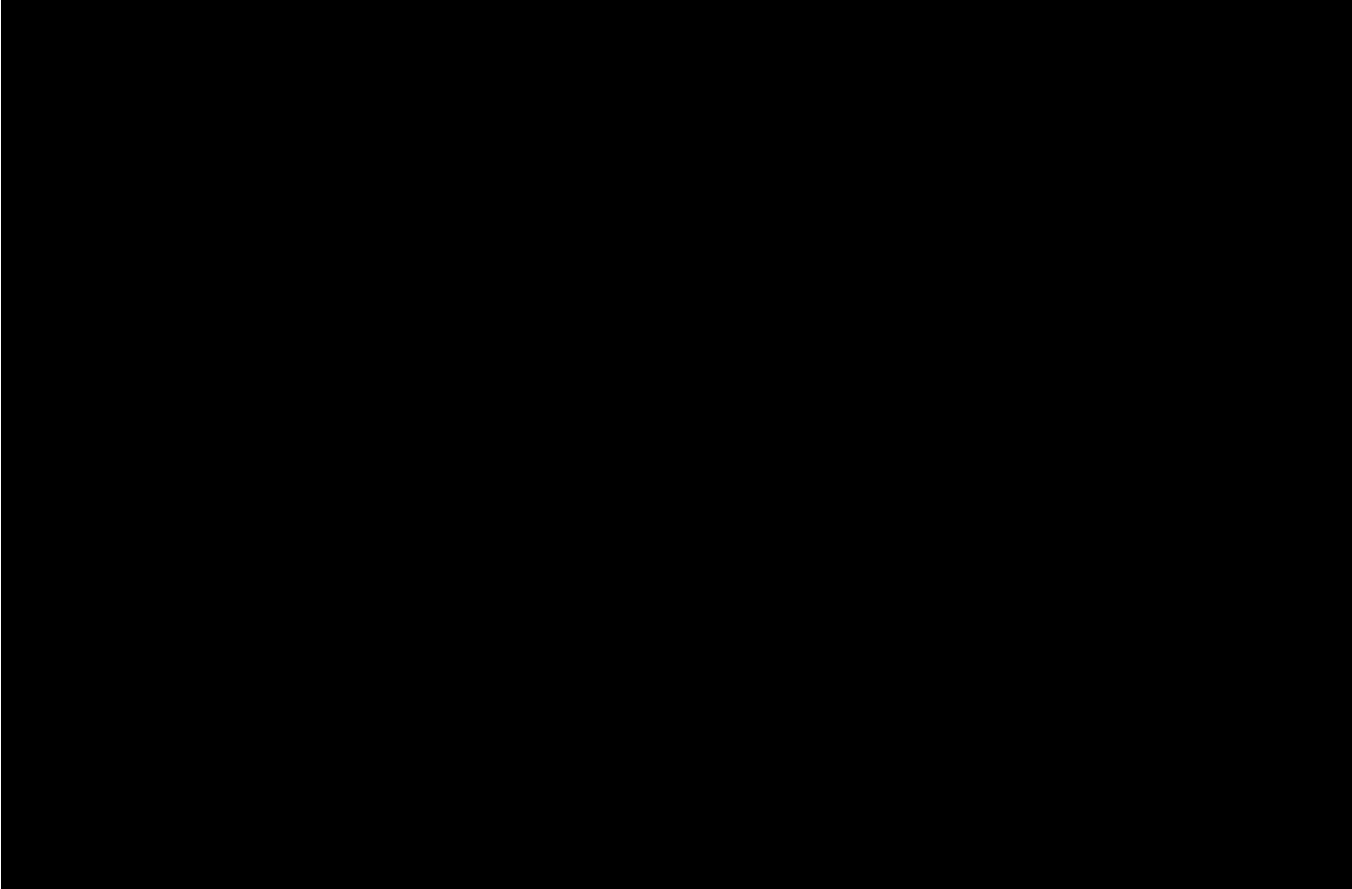
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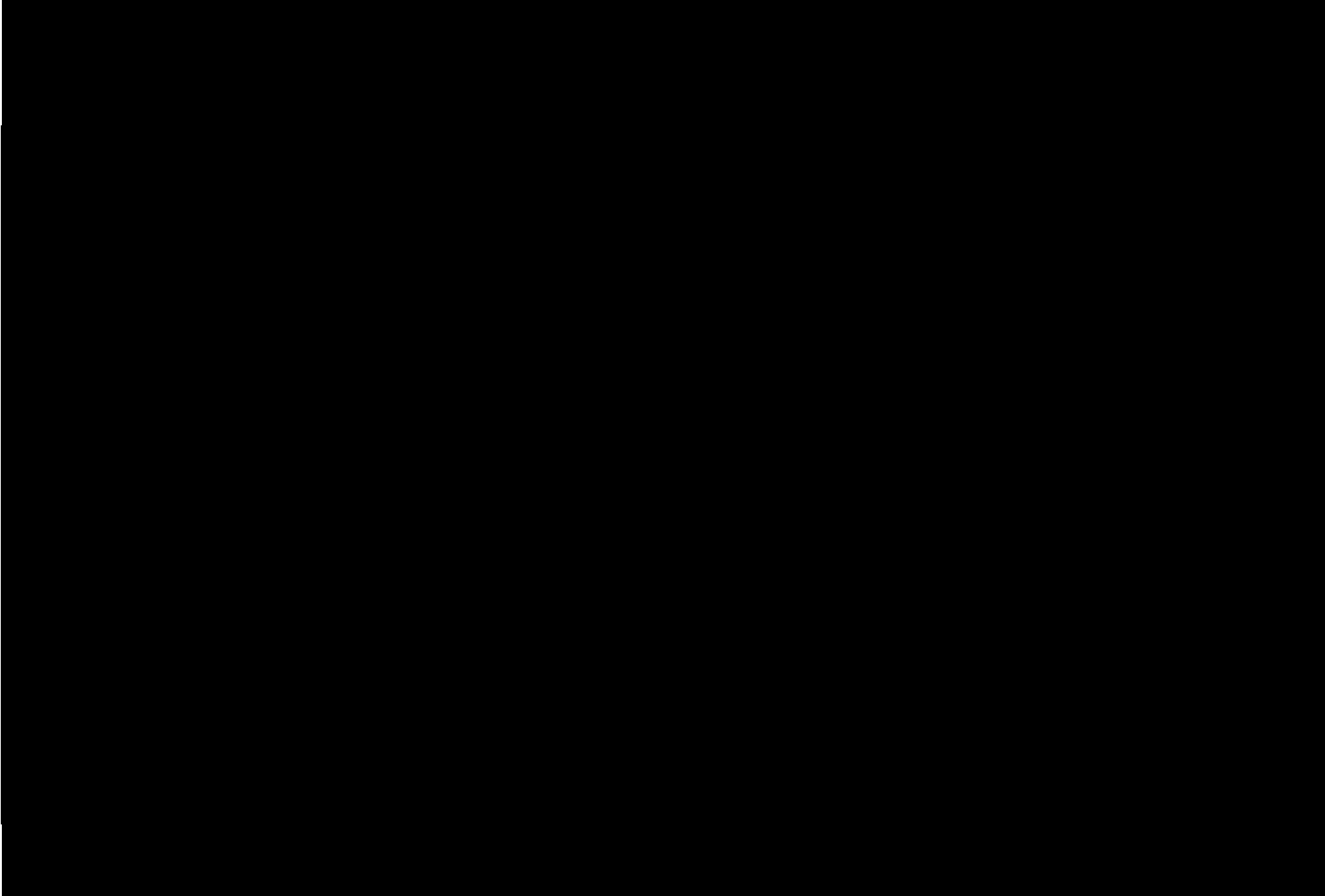
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REQUESTED BY KATIE N LLP



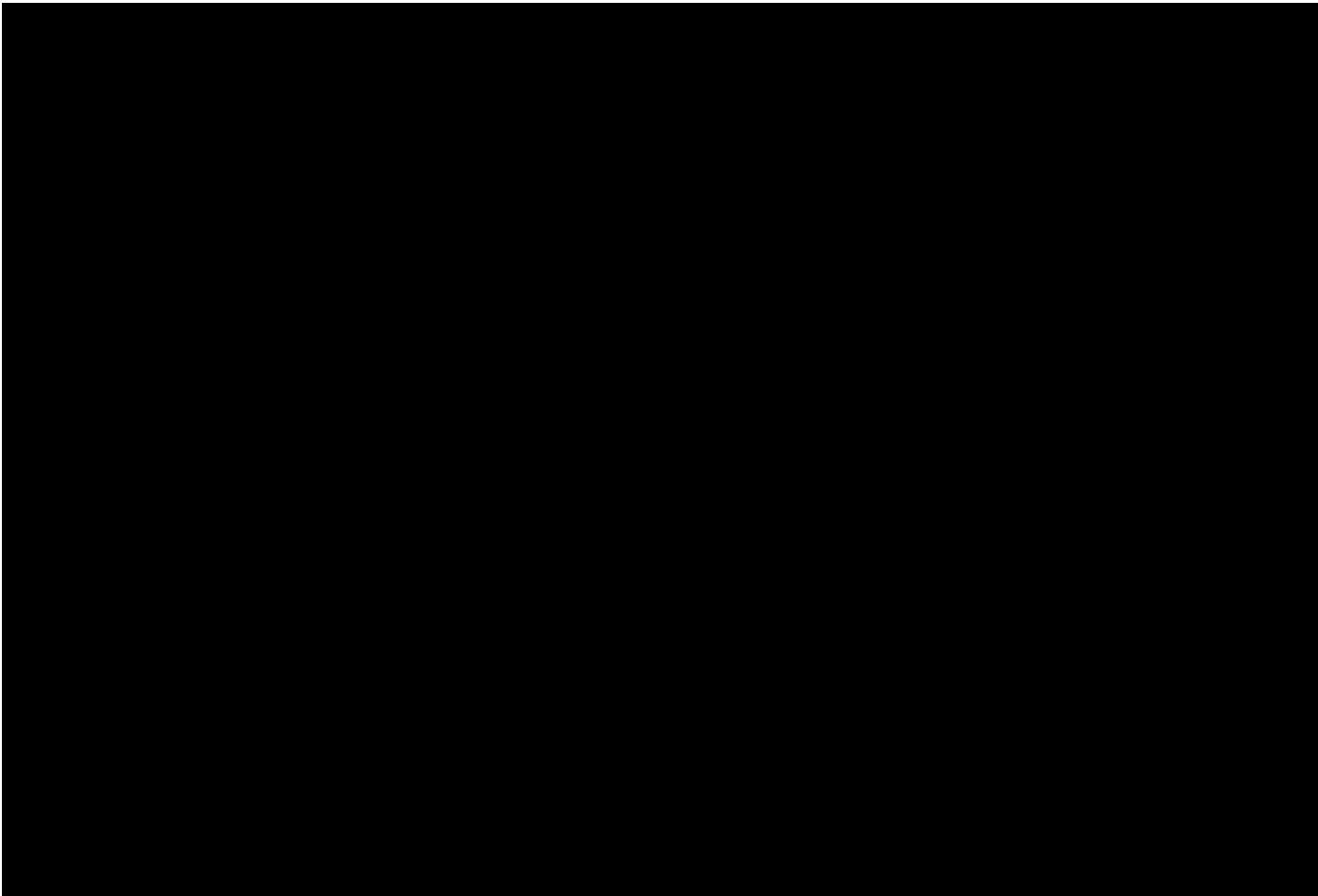


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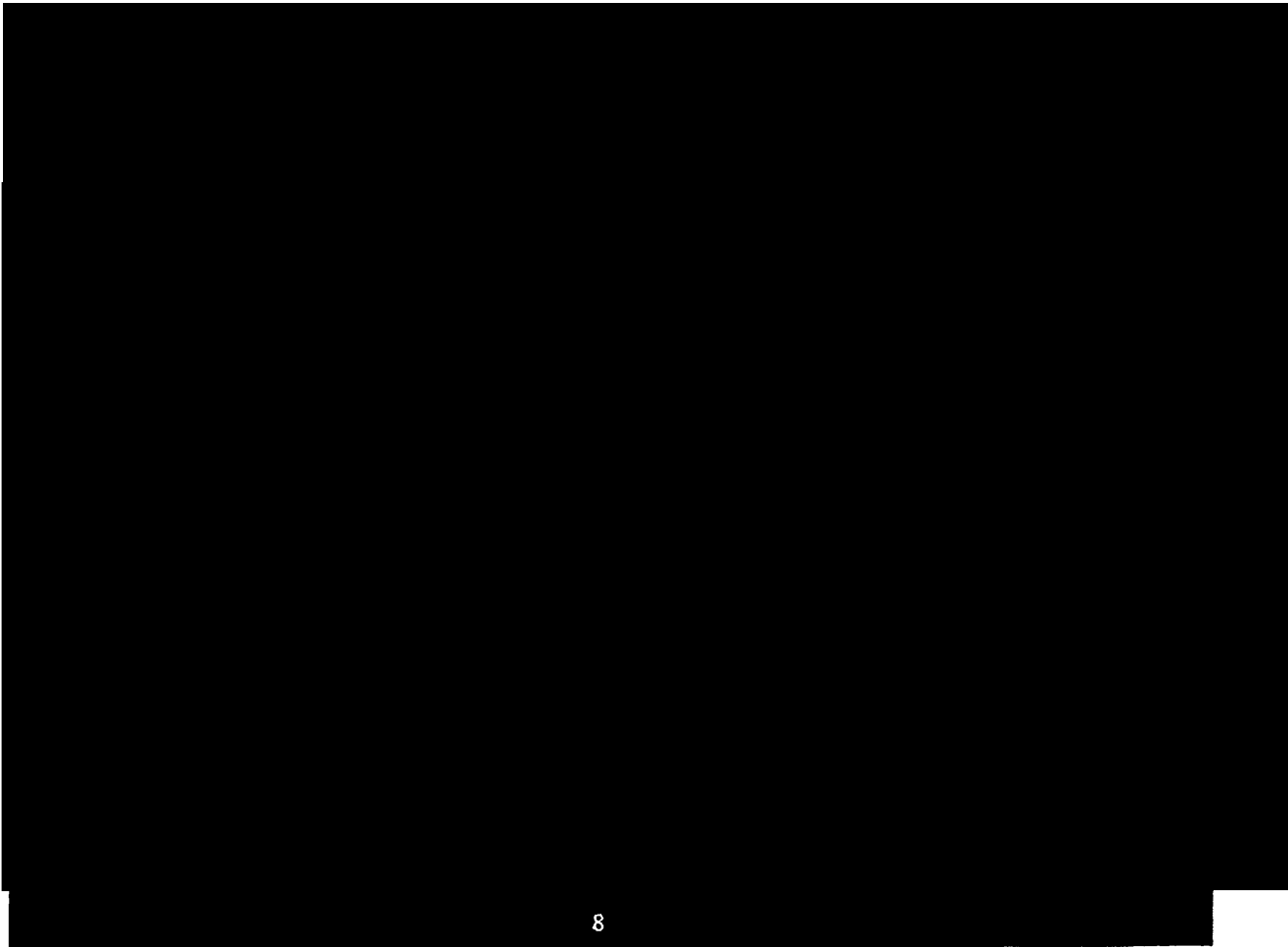


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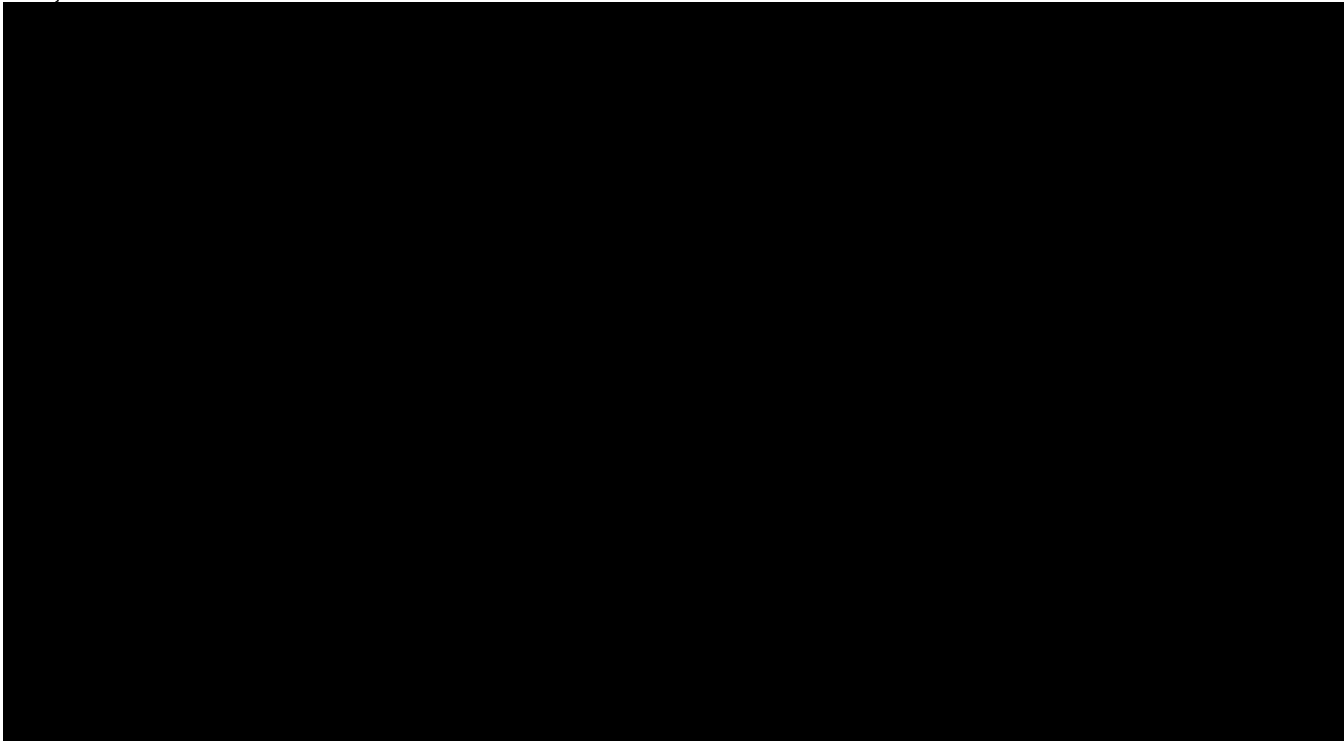


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REQUESTED BY KATTEN LLP

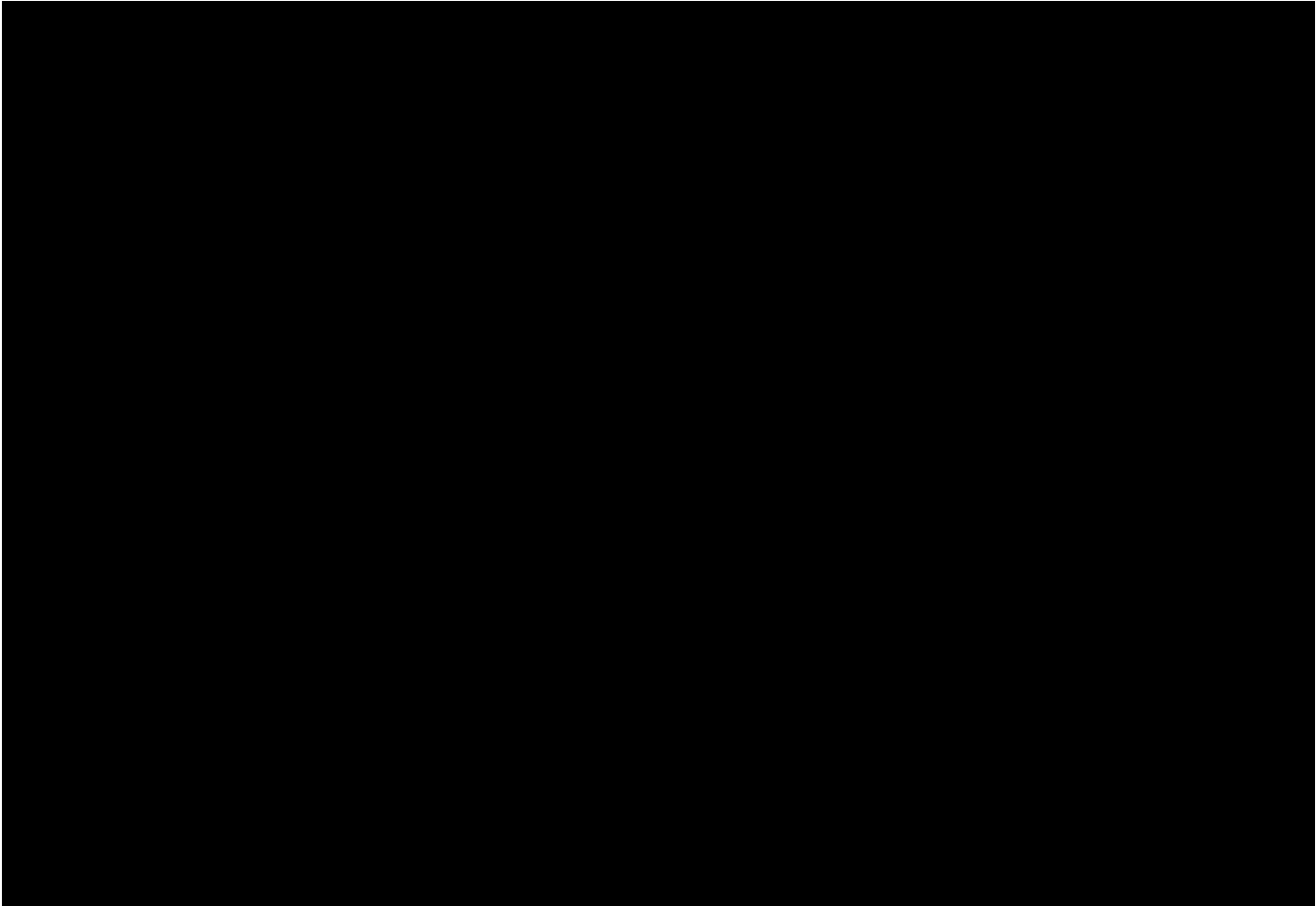


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REQUESTED BY PATTERSON



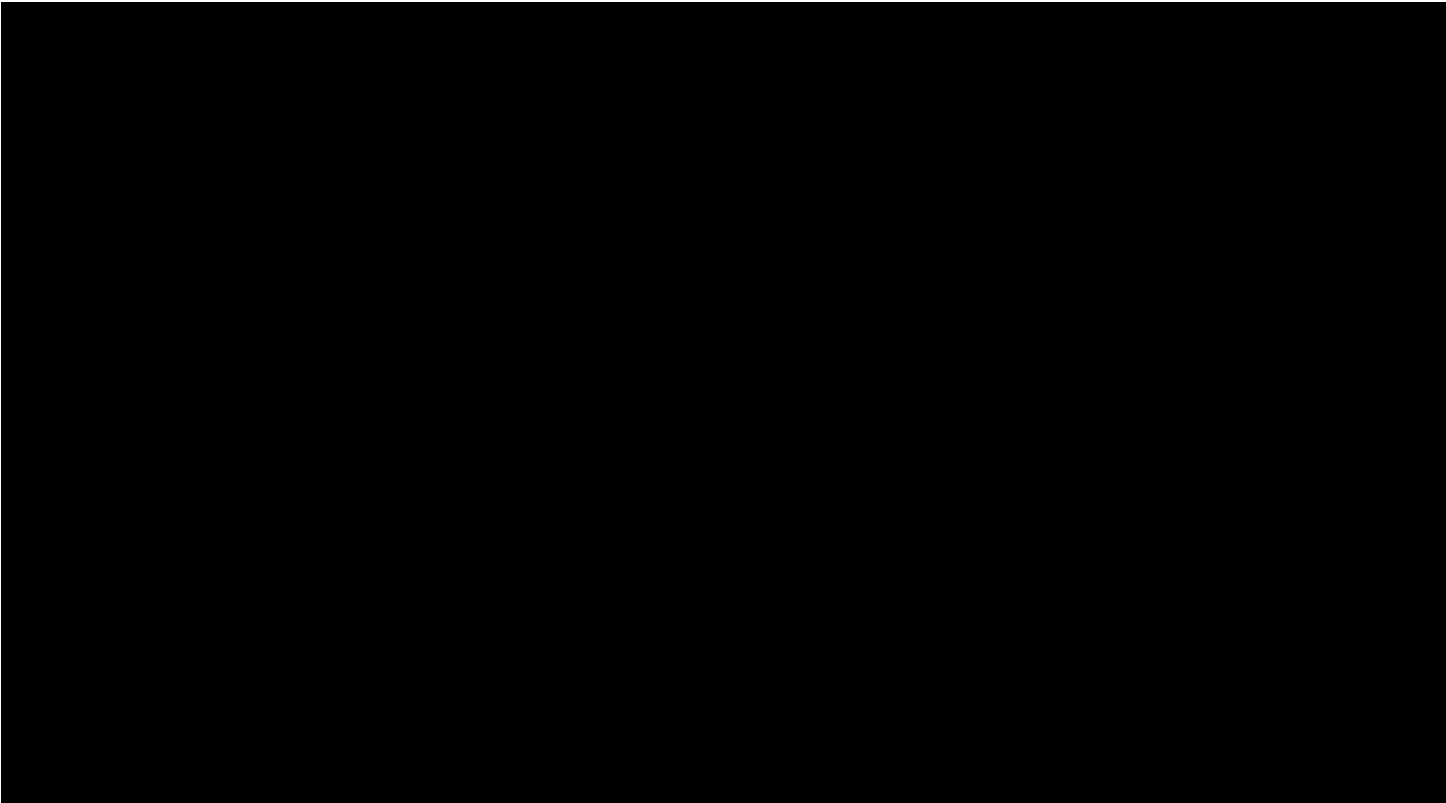
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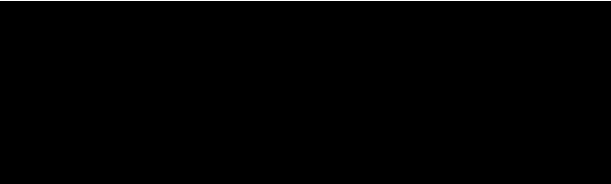
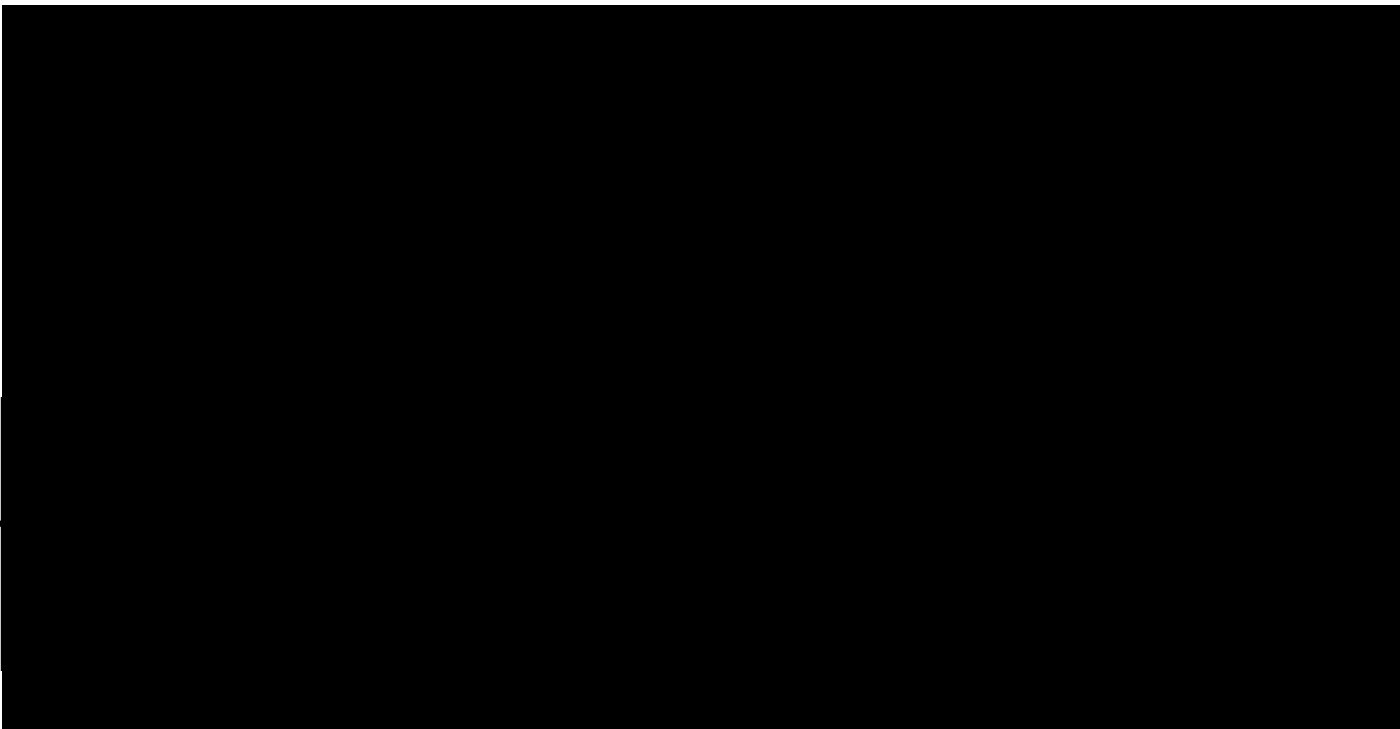
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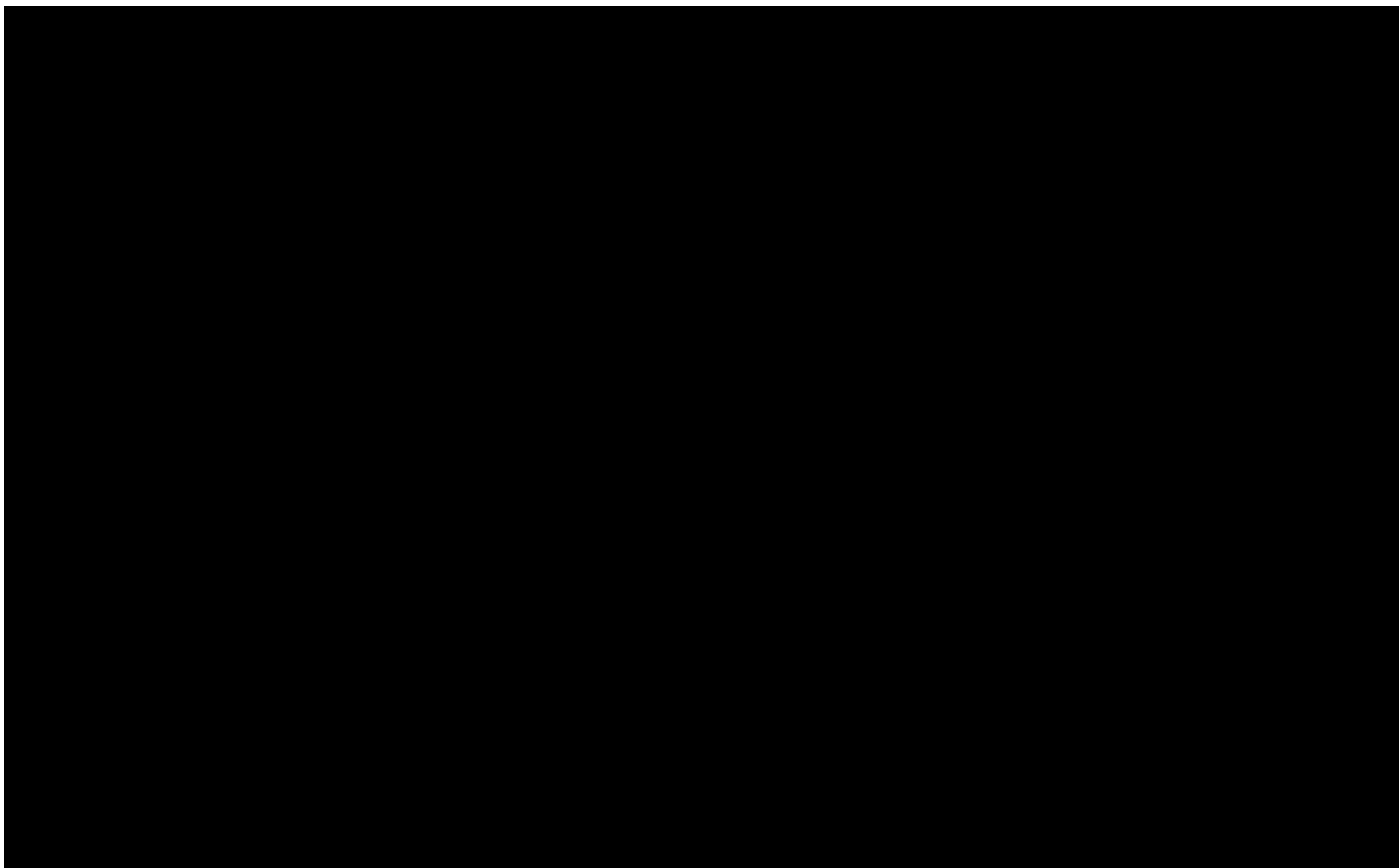
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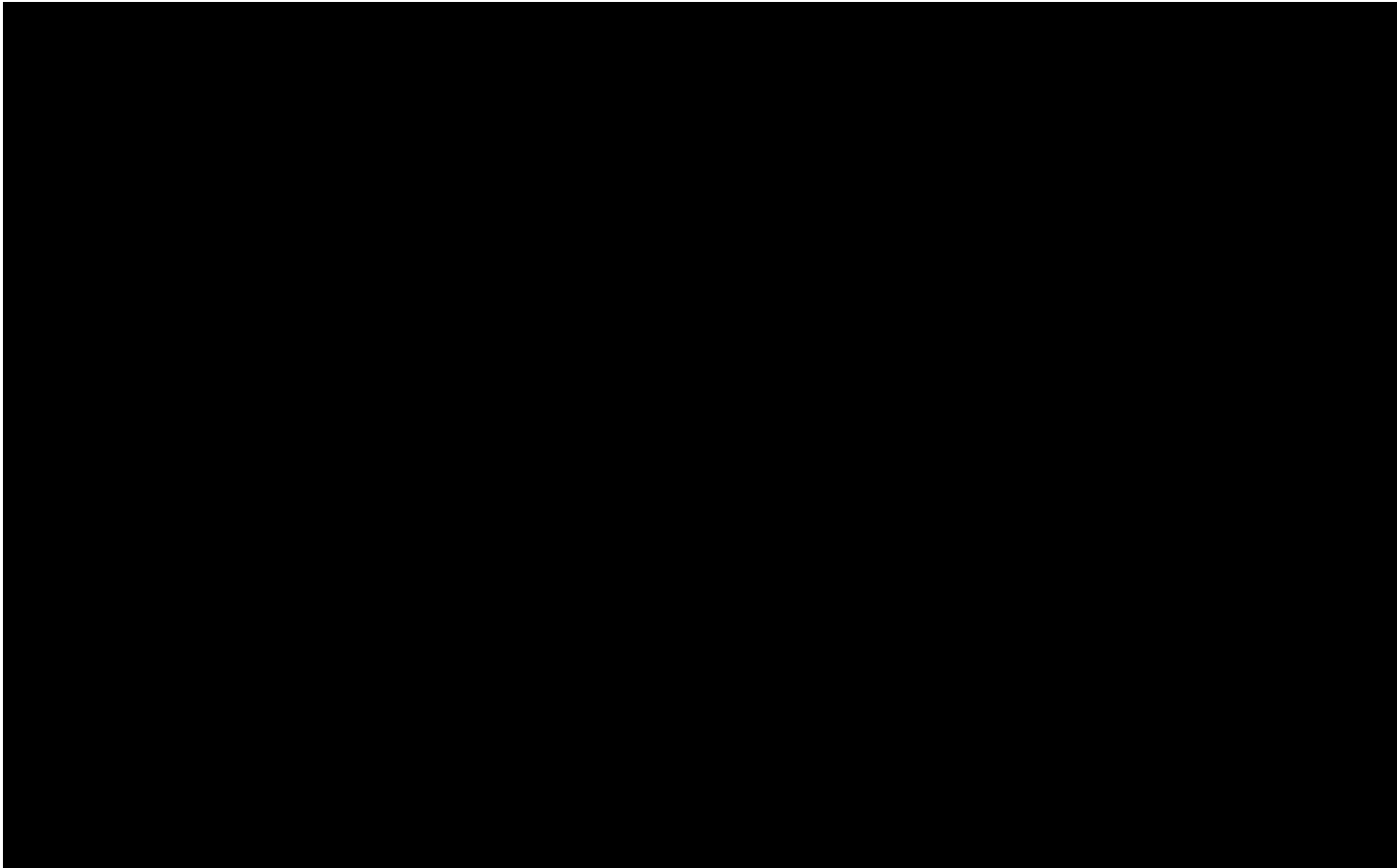


Source: UIDF IV SEC Filings (10Ks/10Qs)

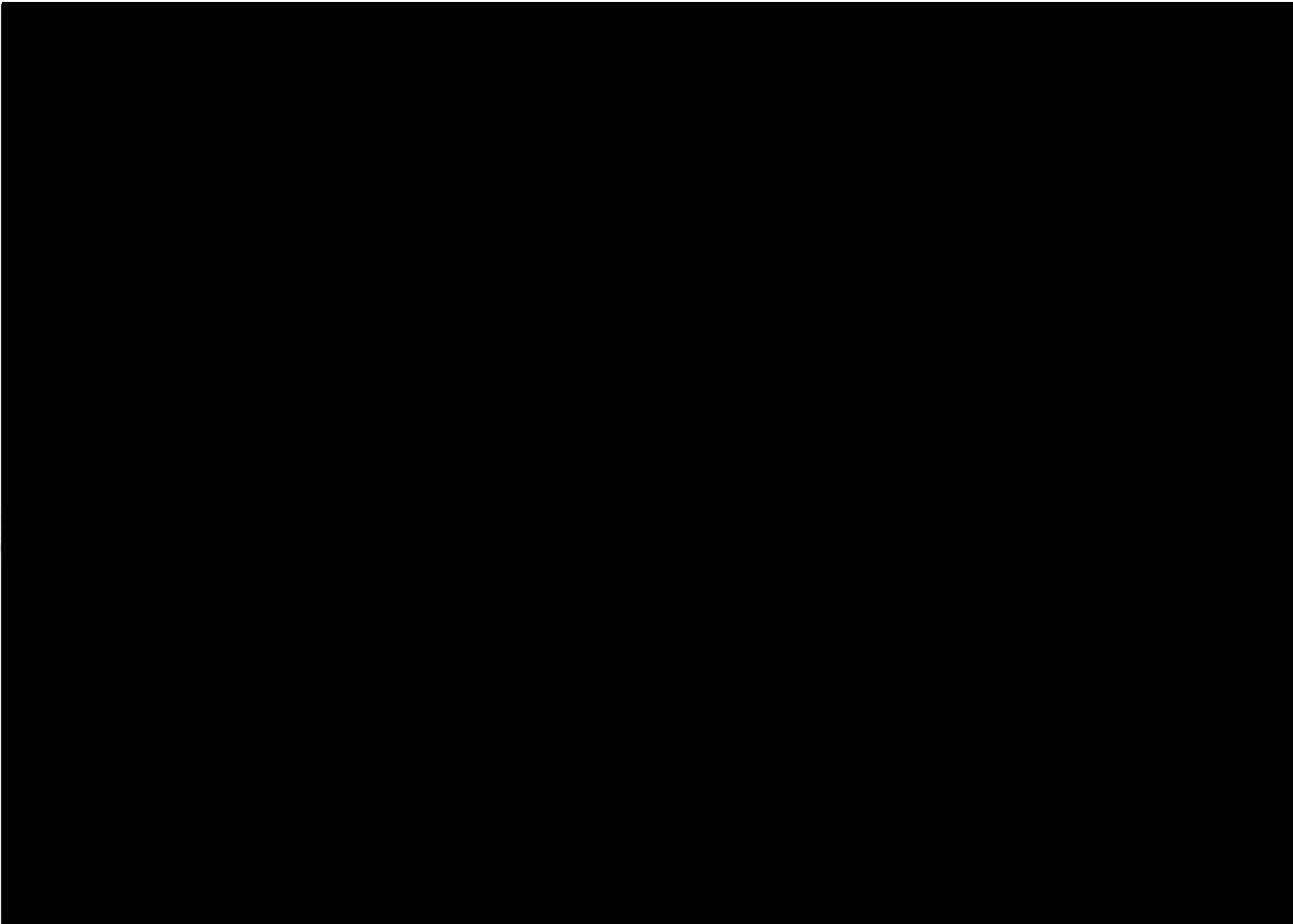


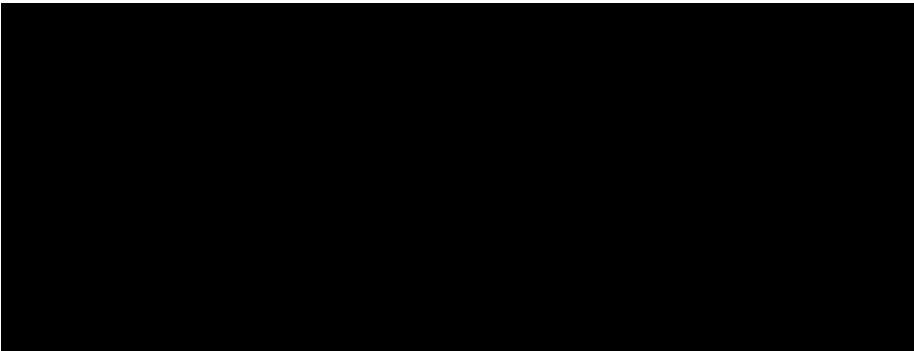




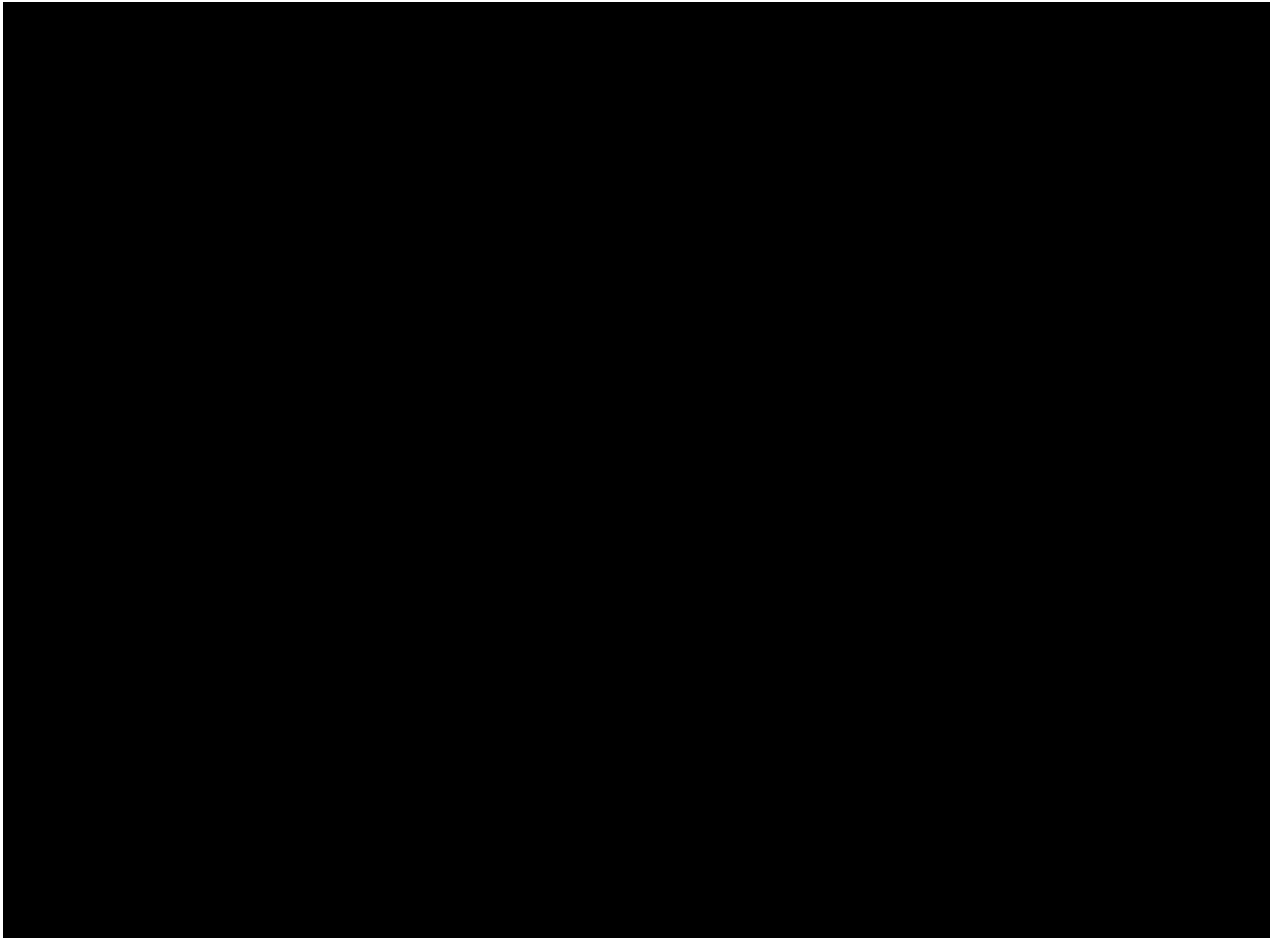


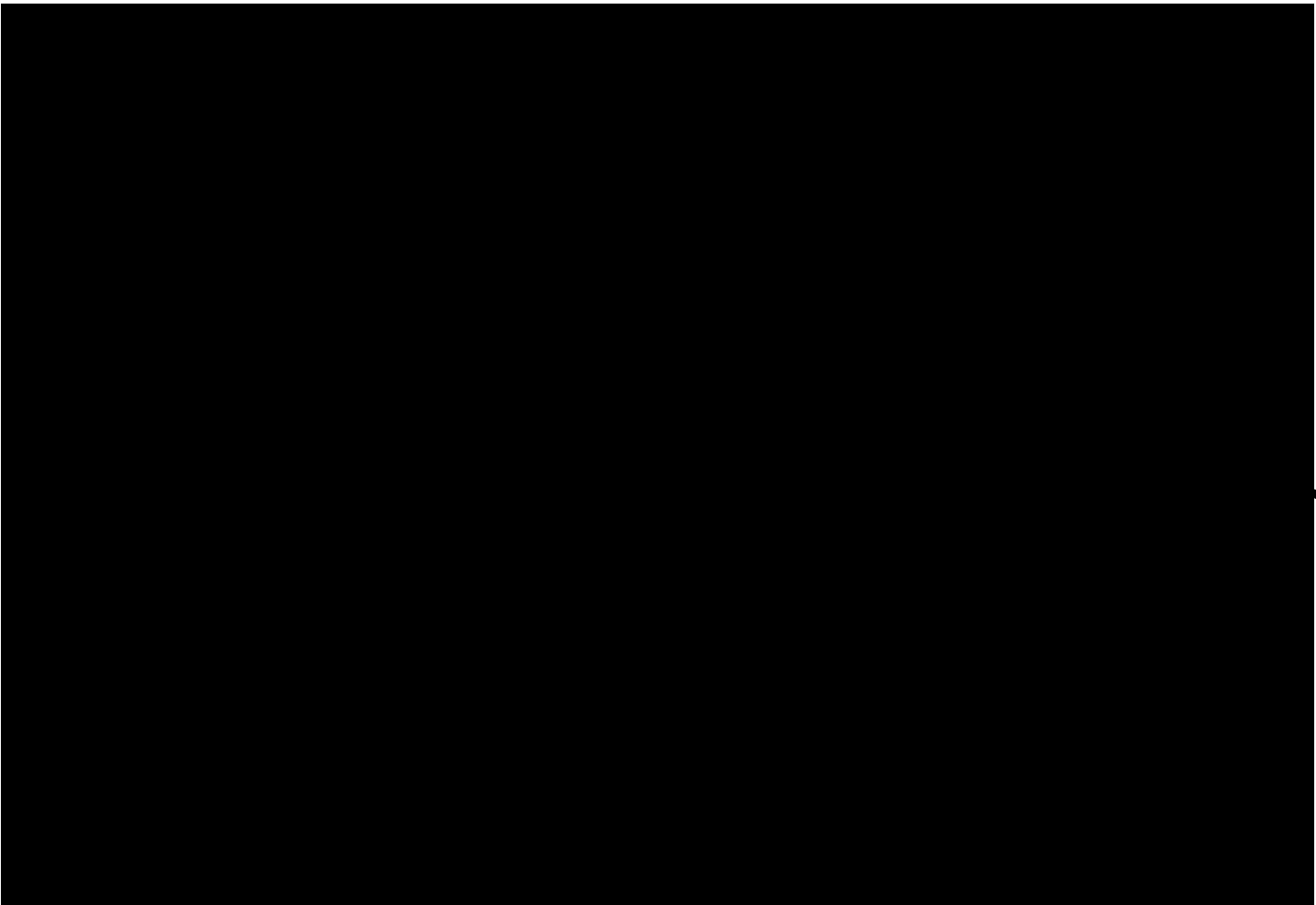


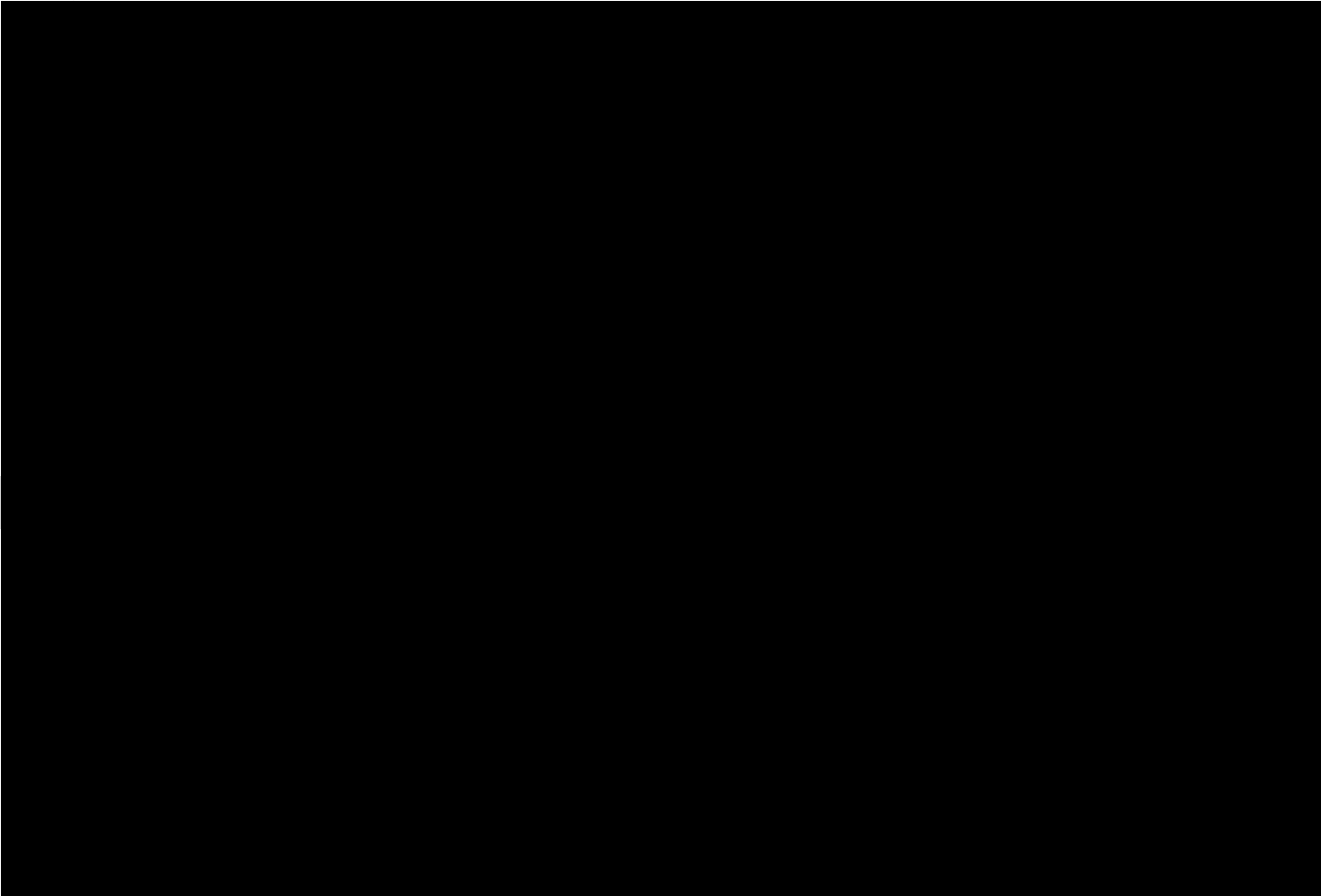




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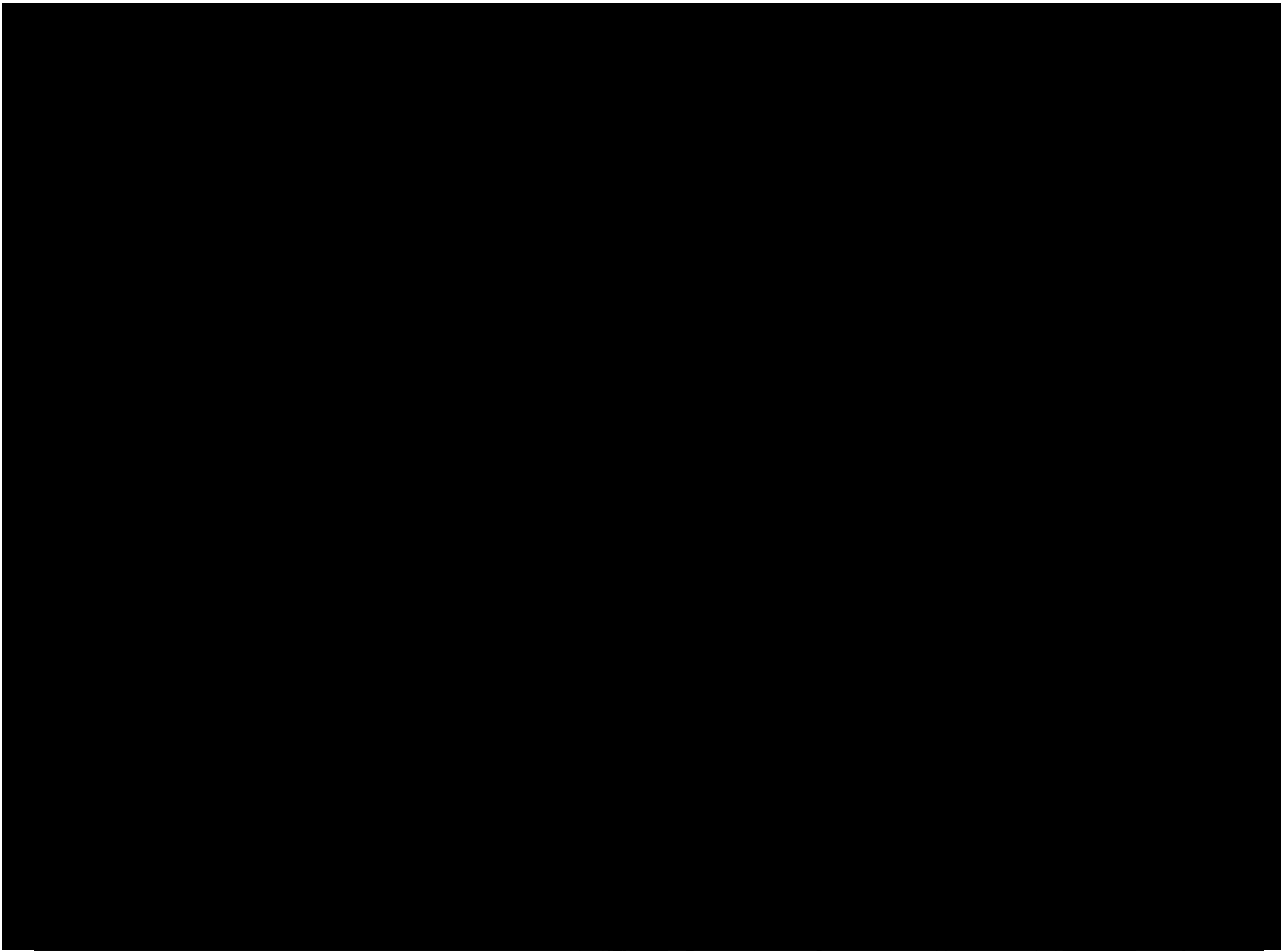




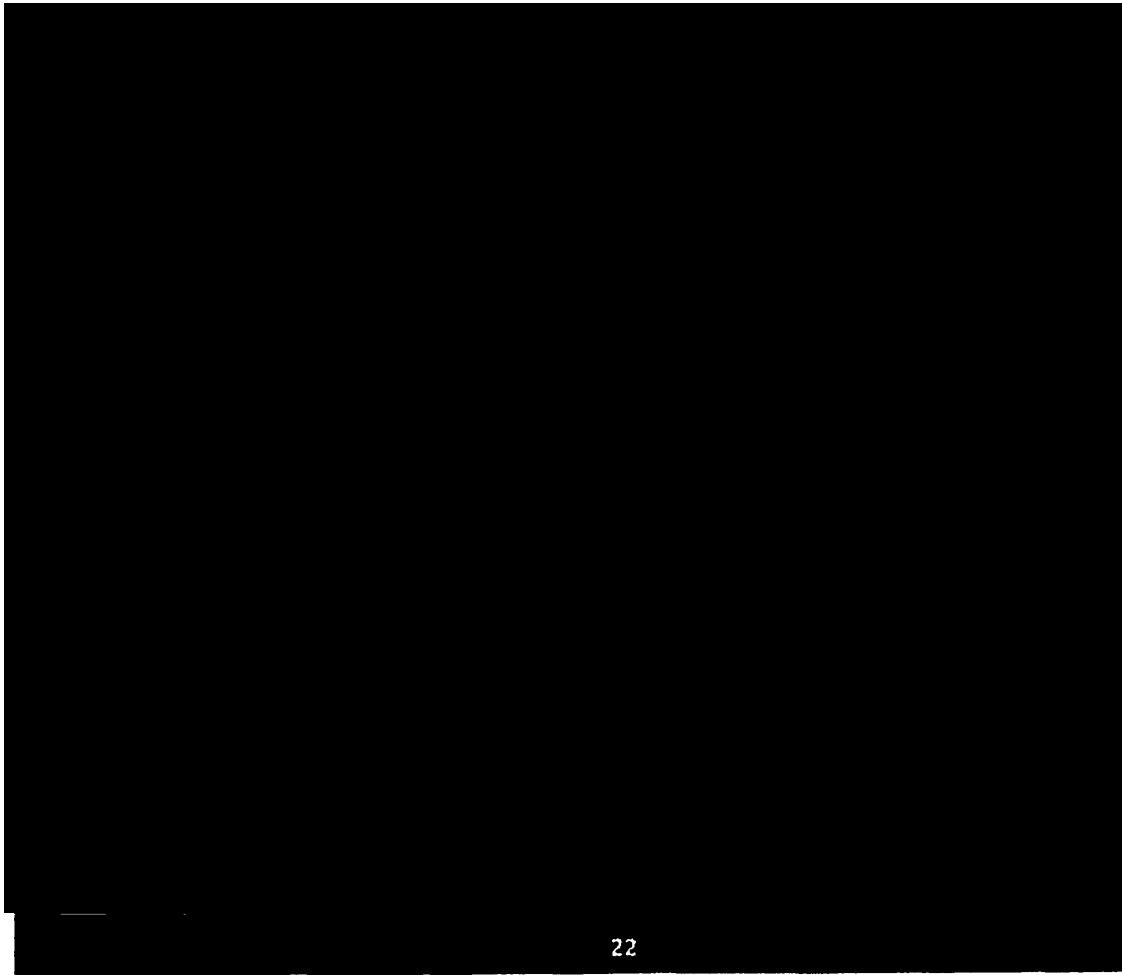


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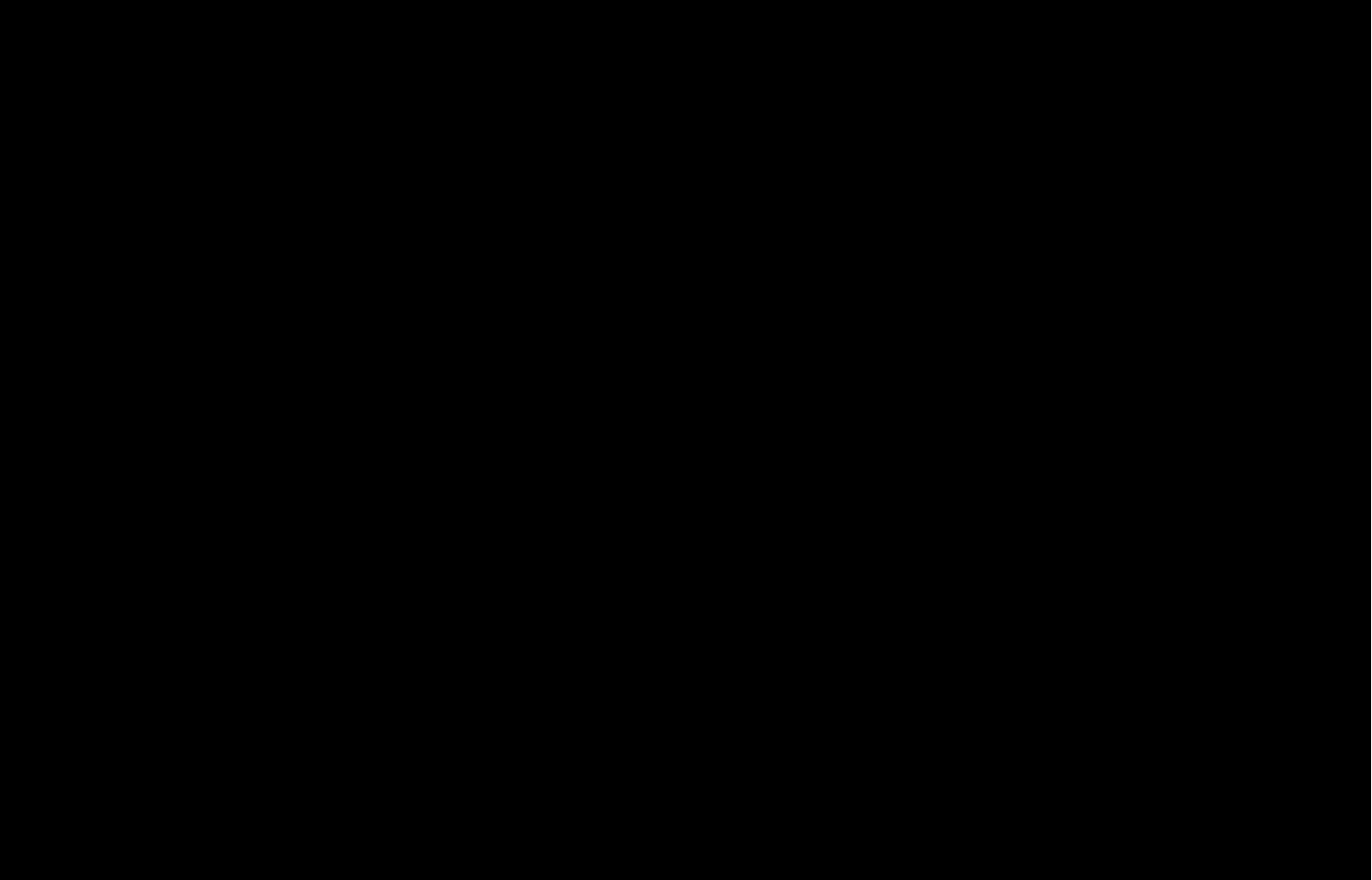


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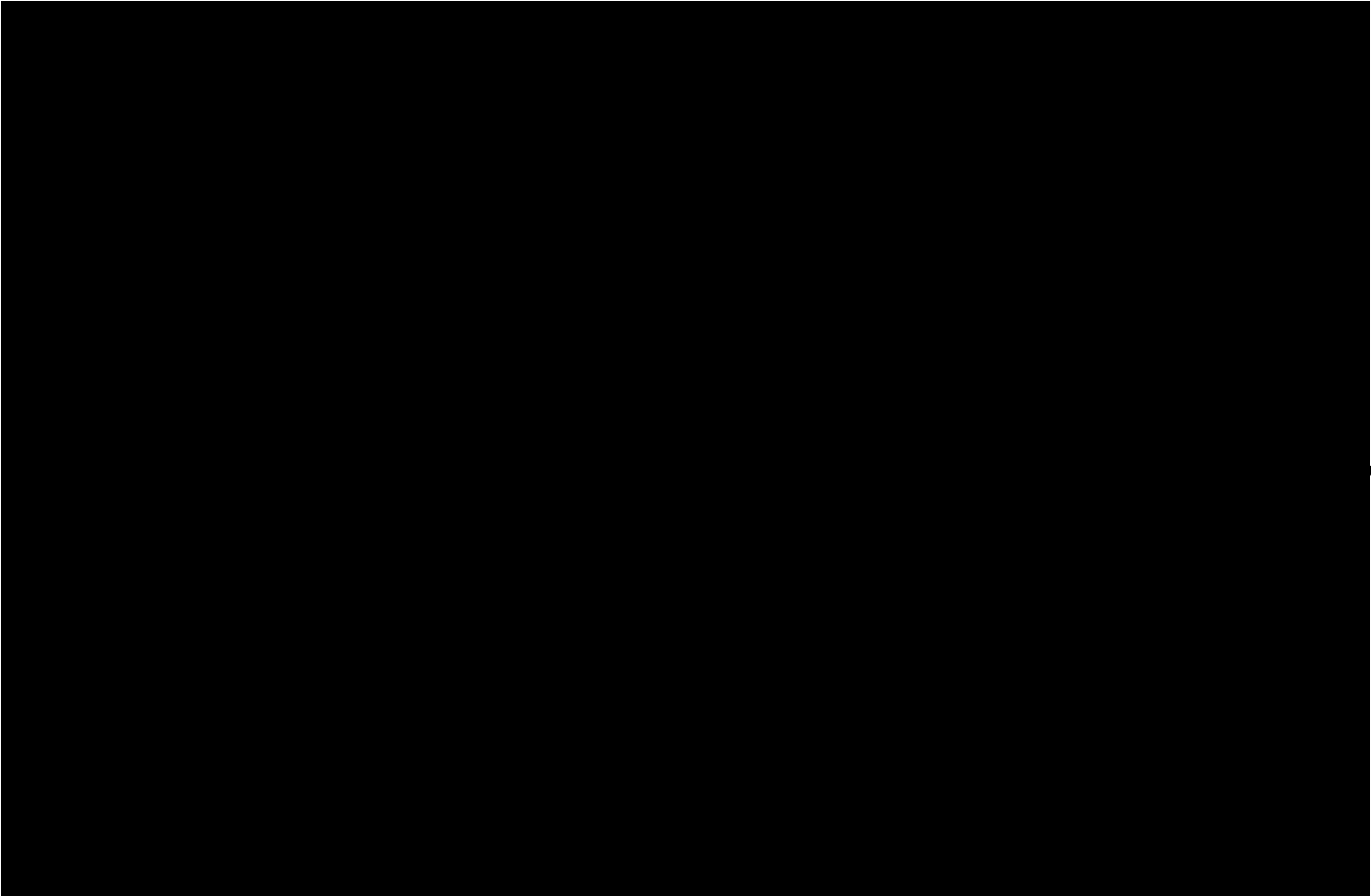


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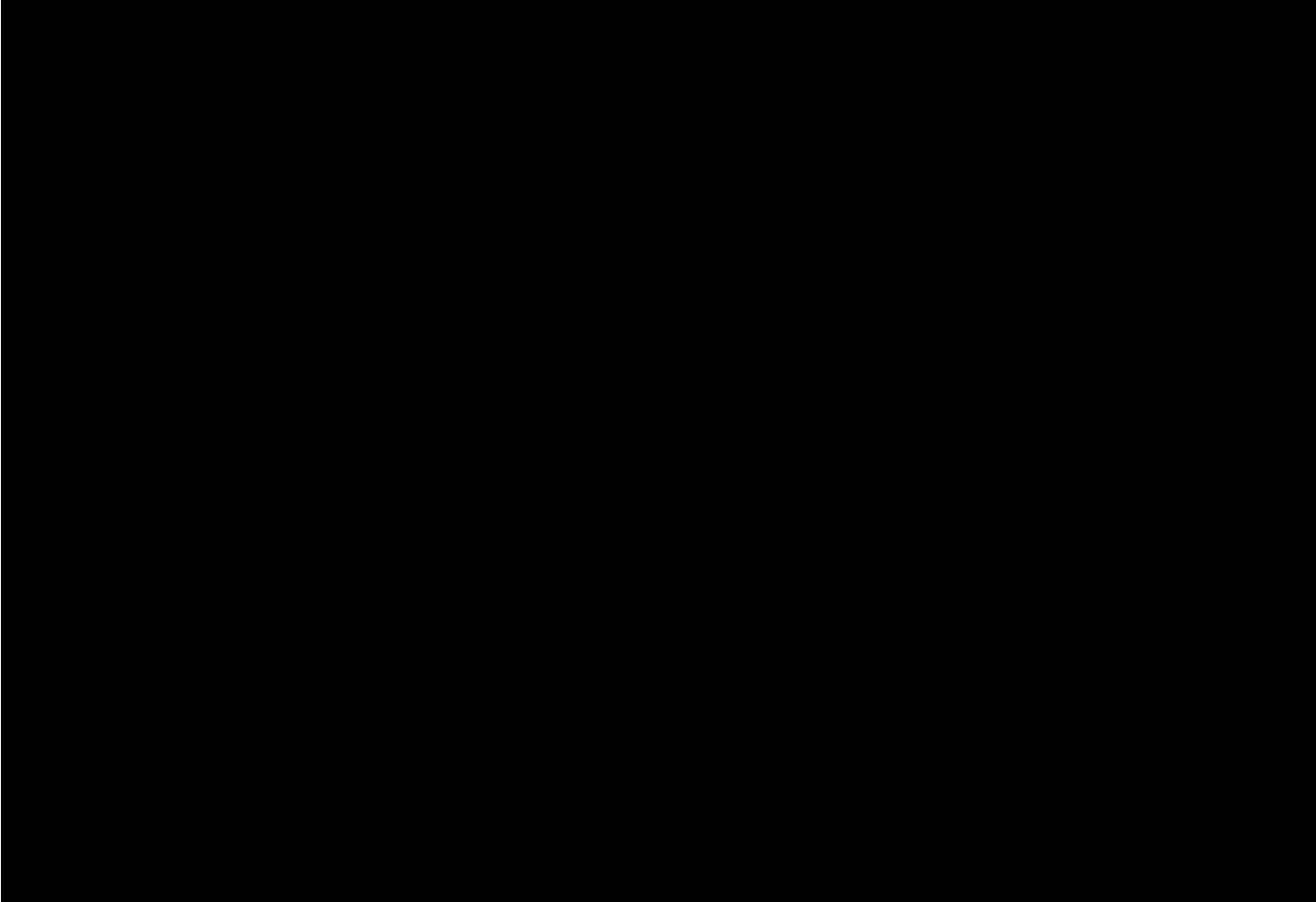


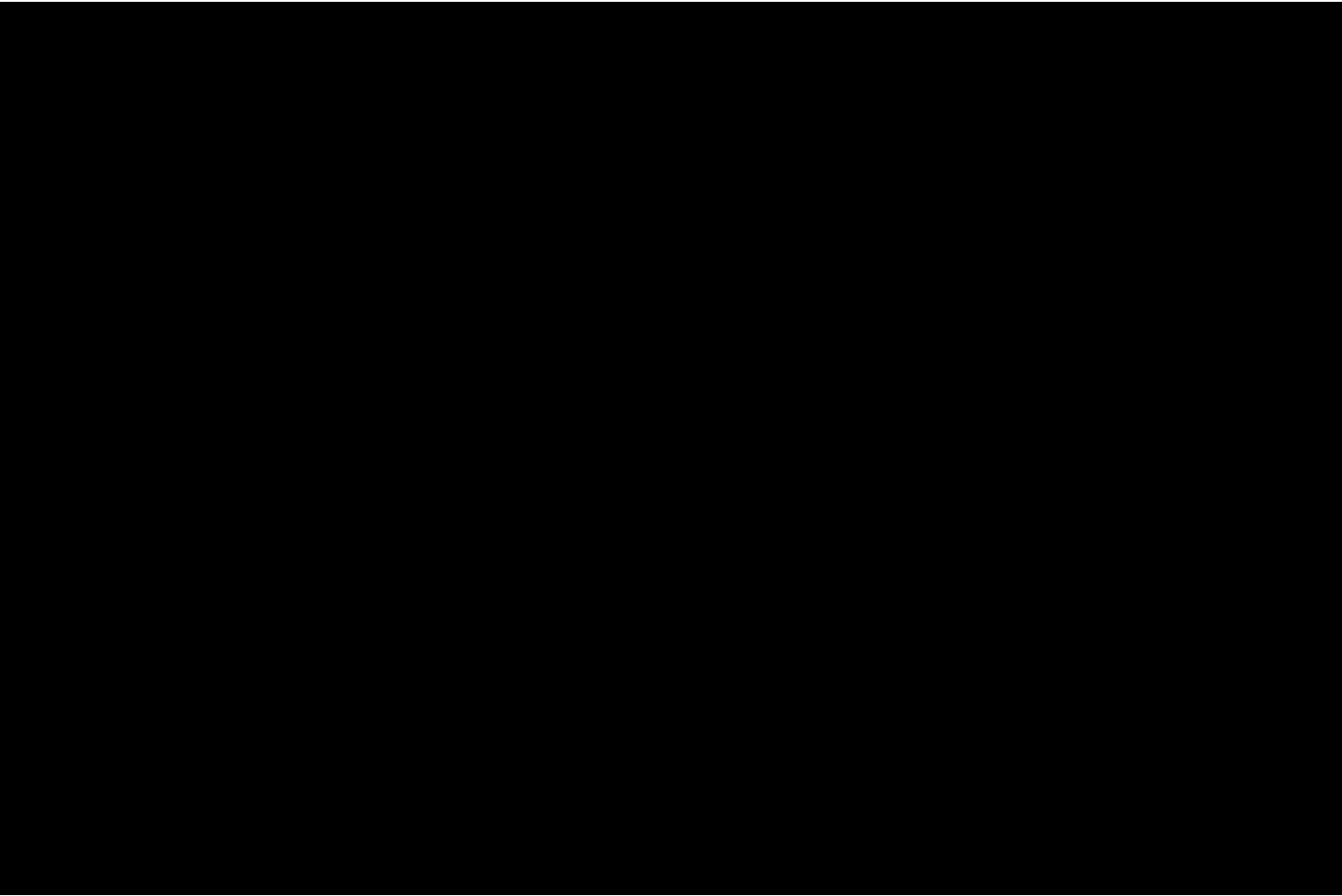
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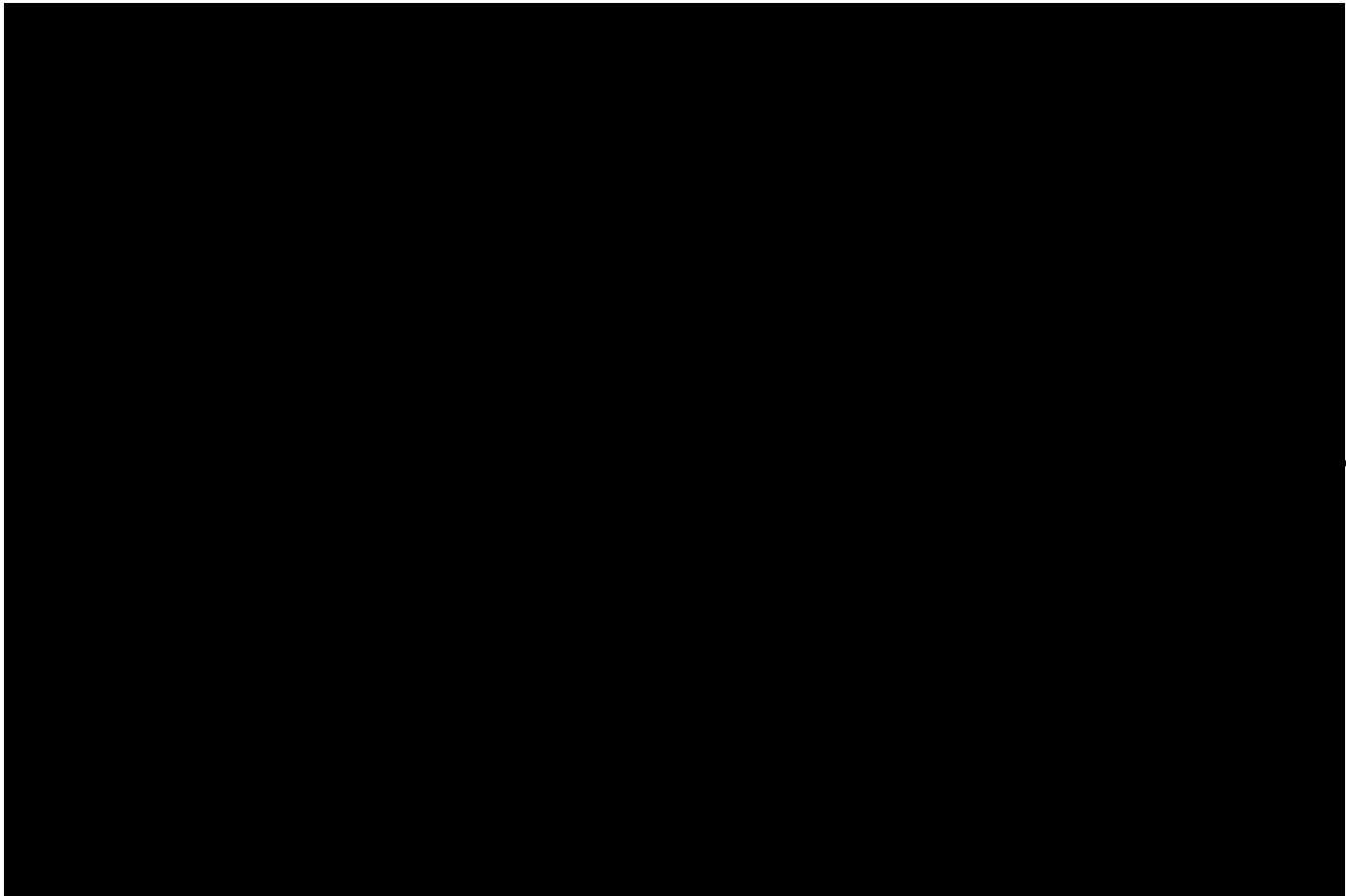
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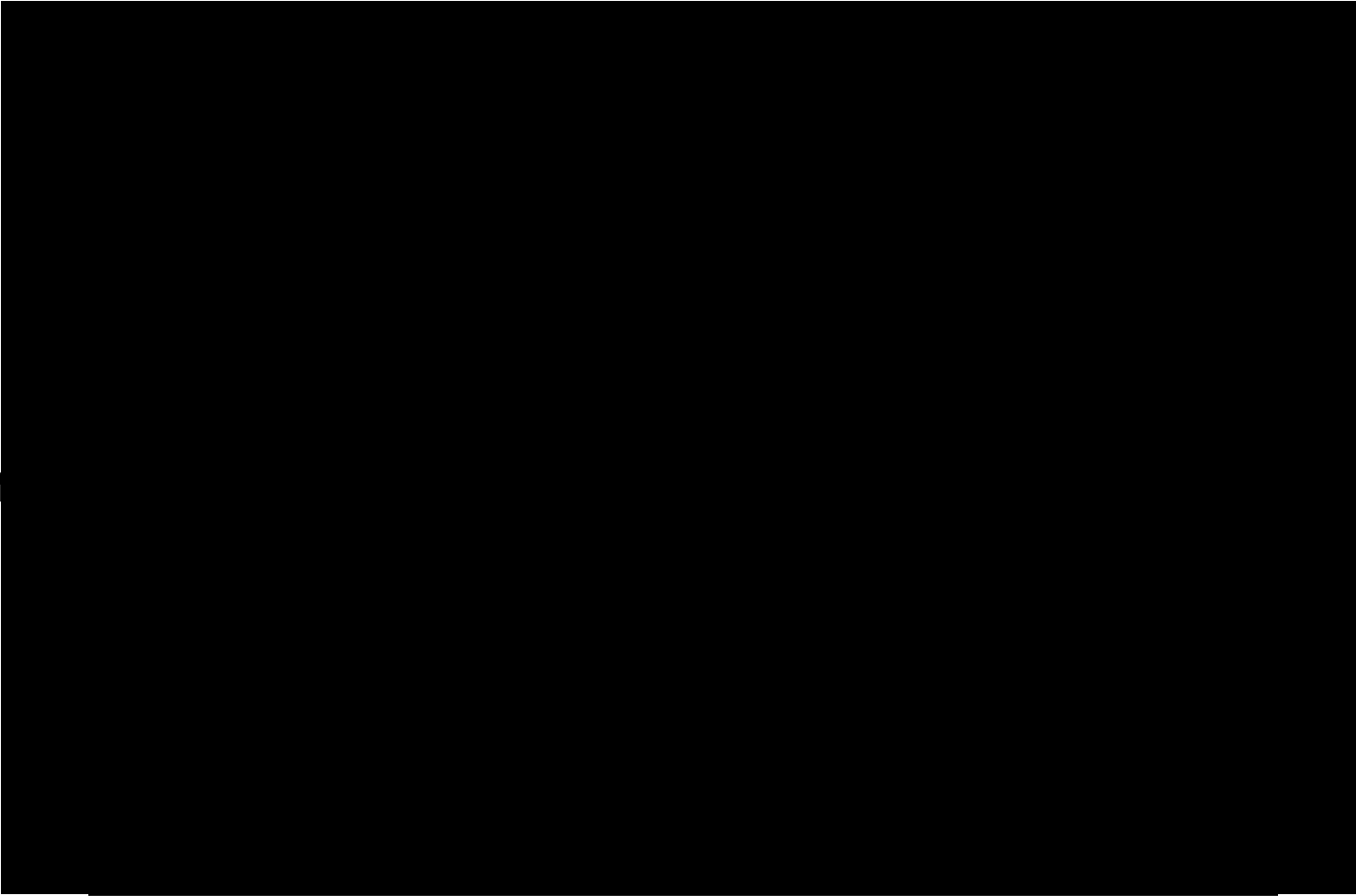




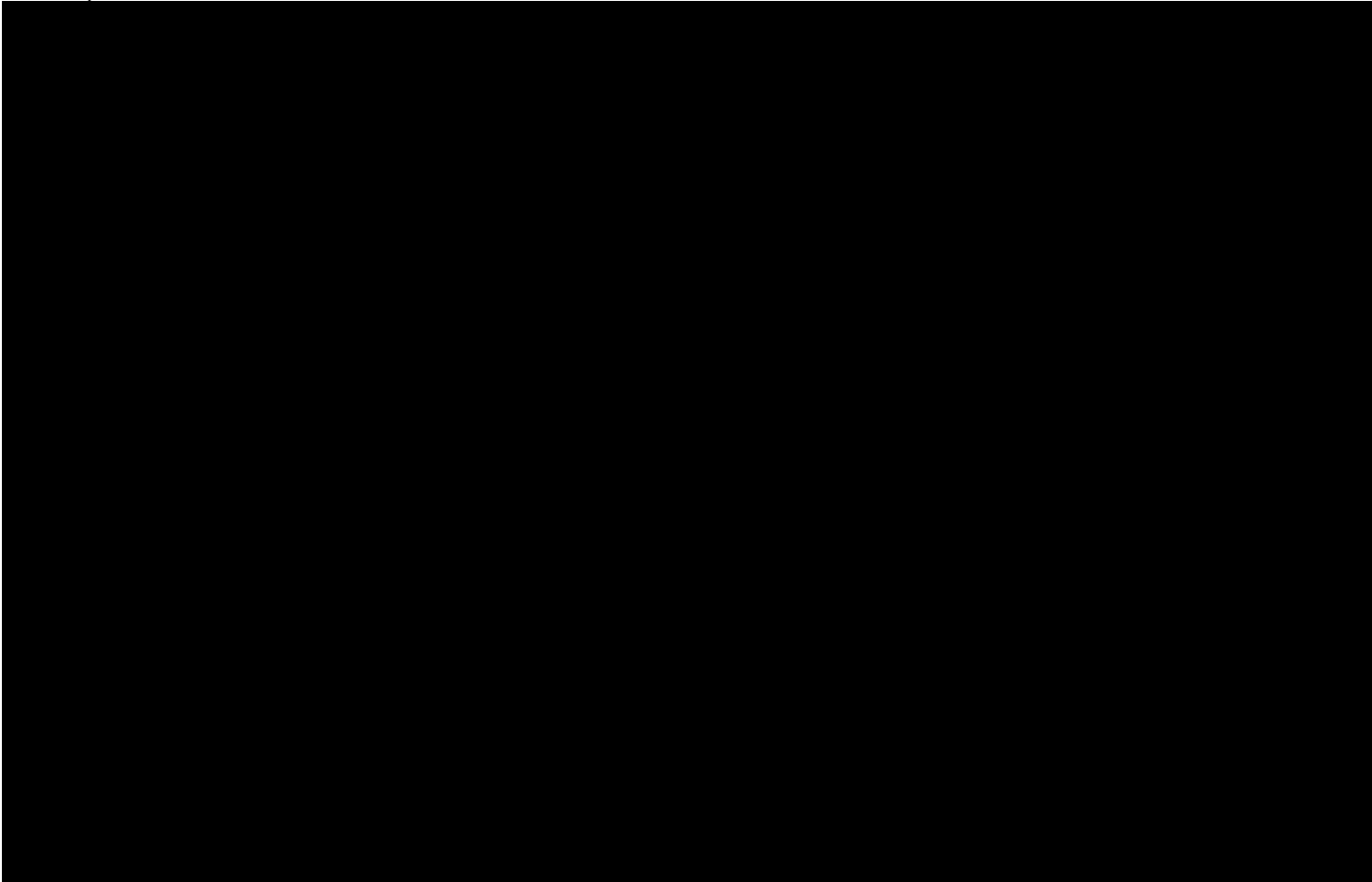


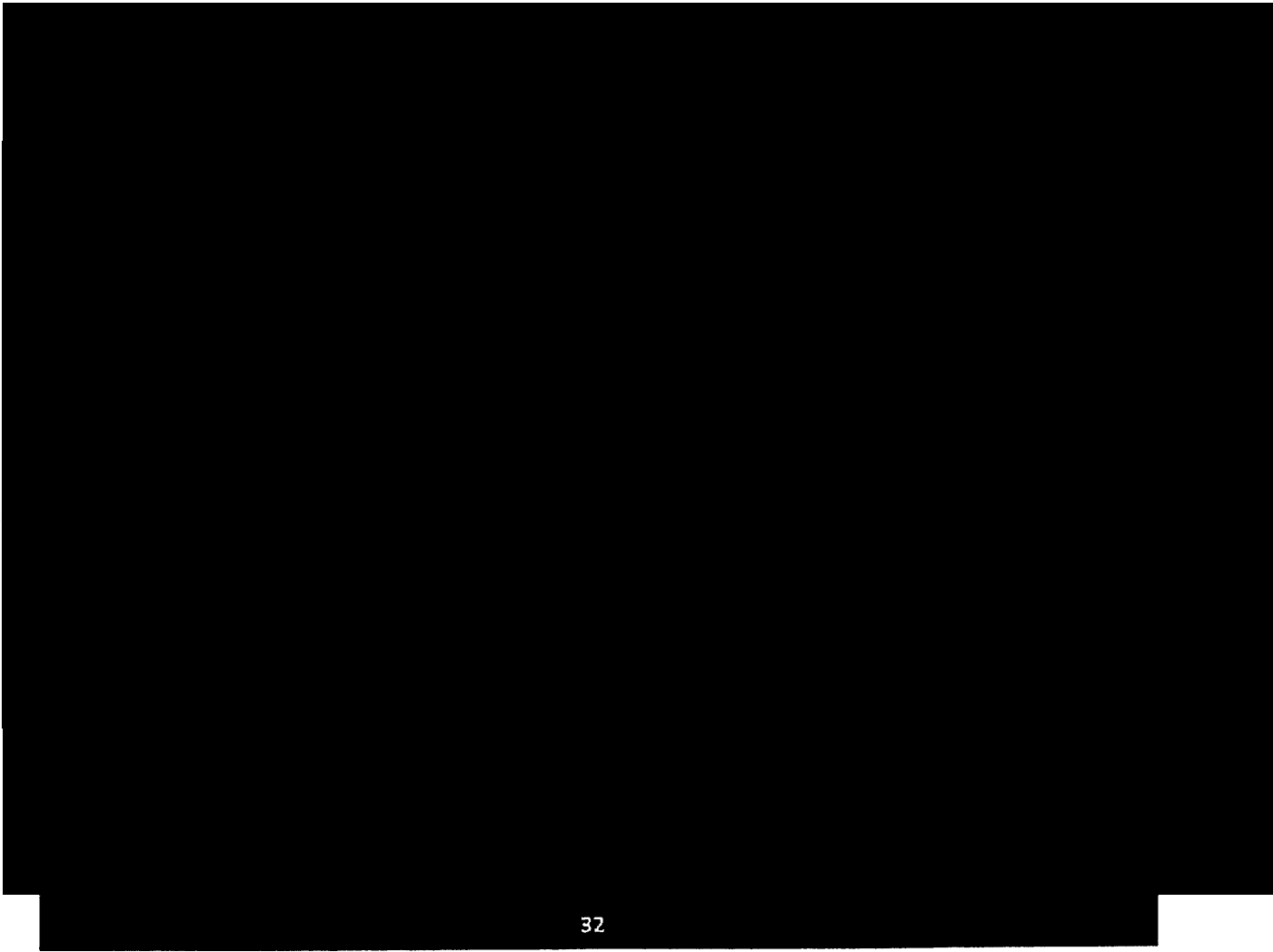
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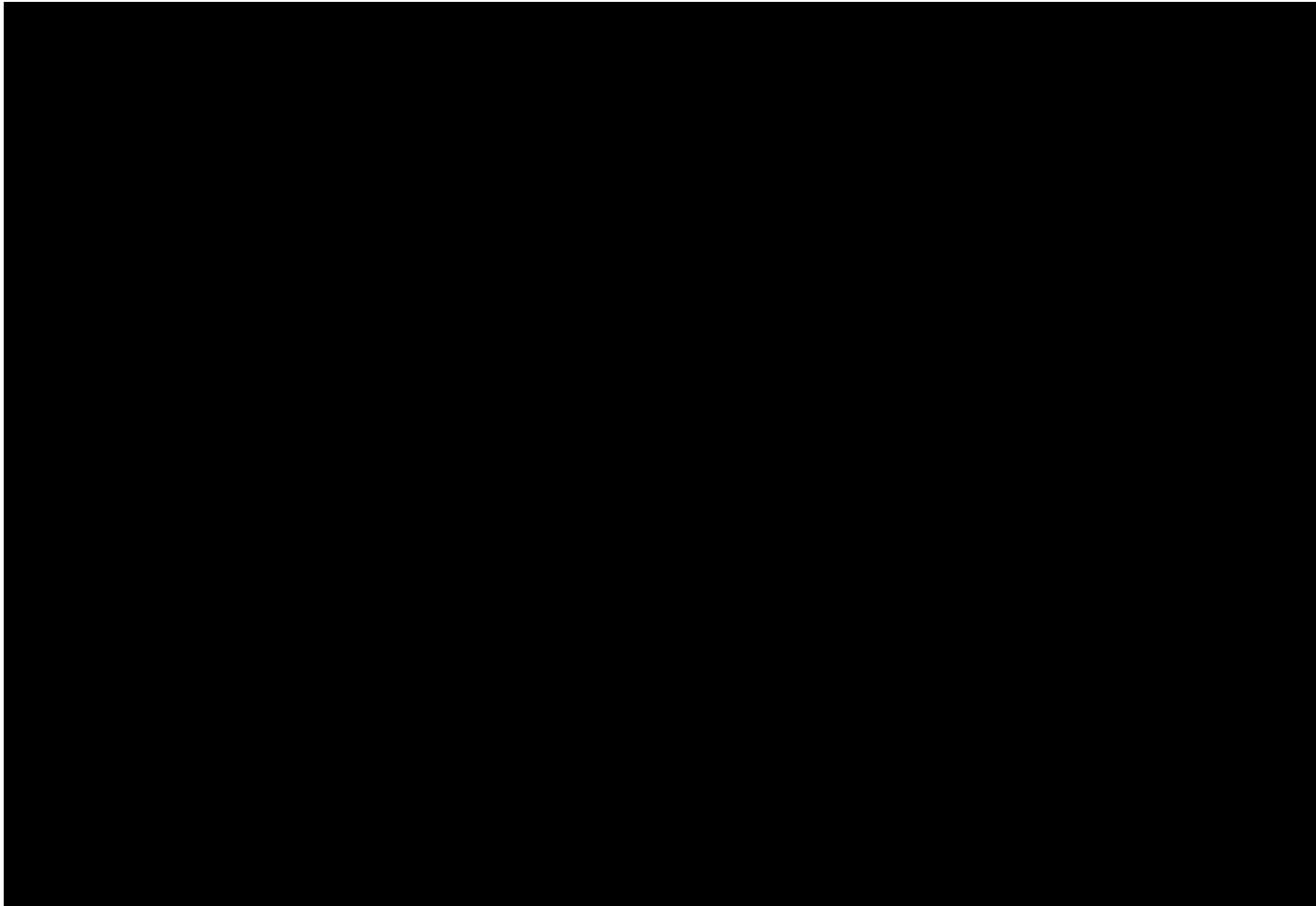
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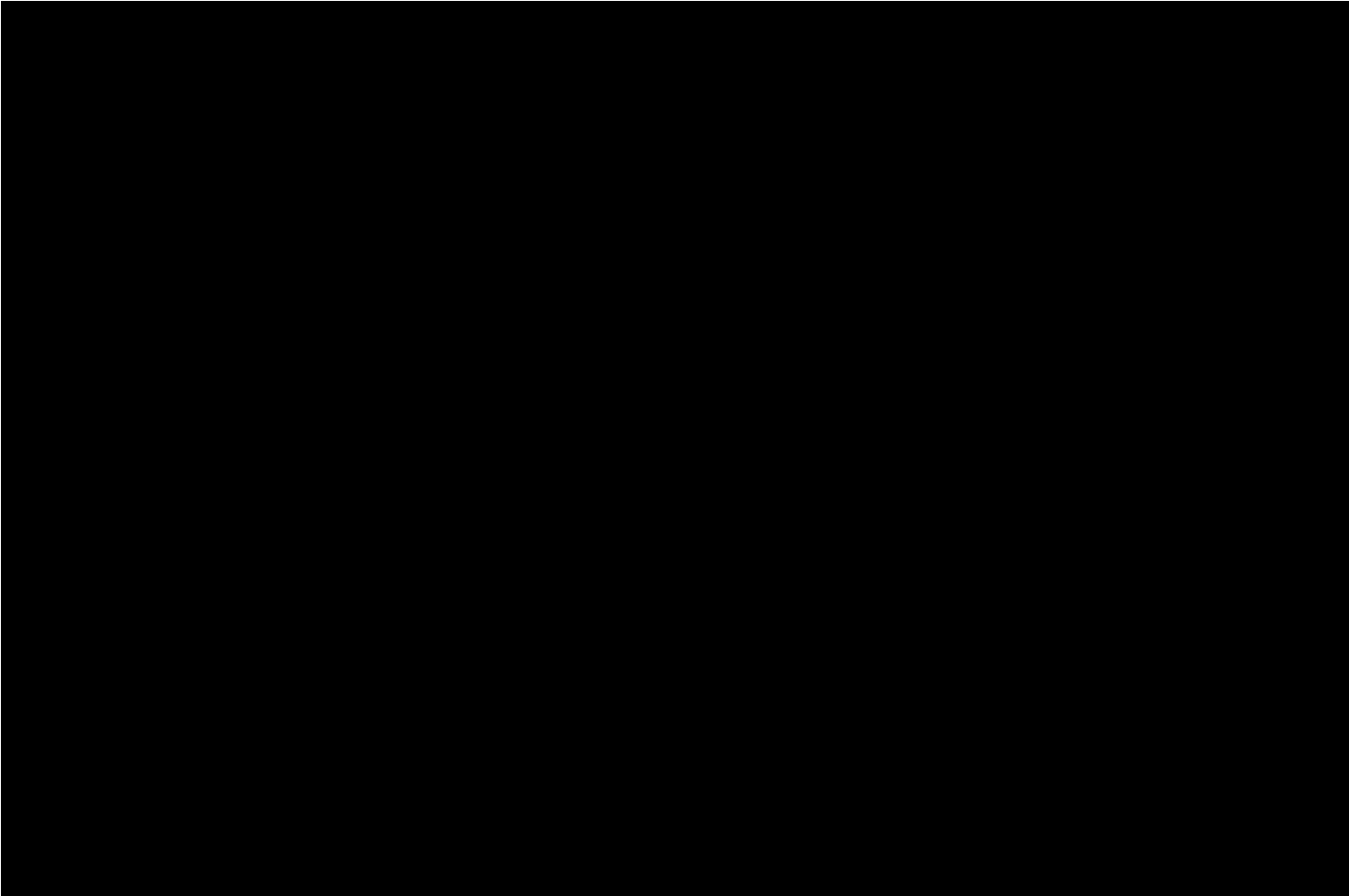
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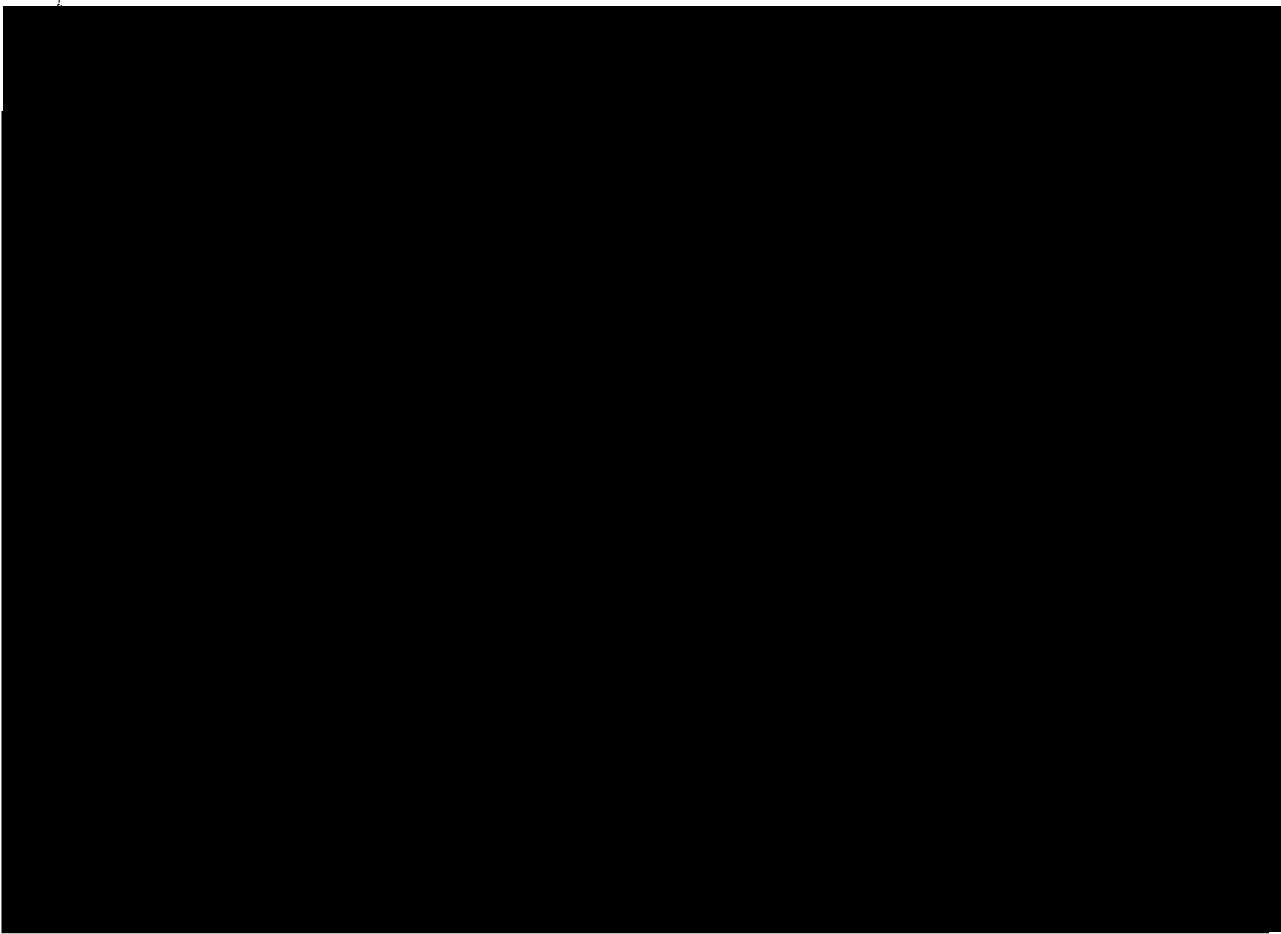


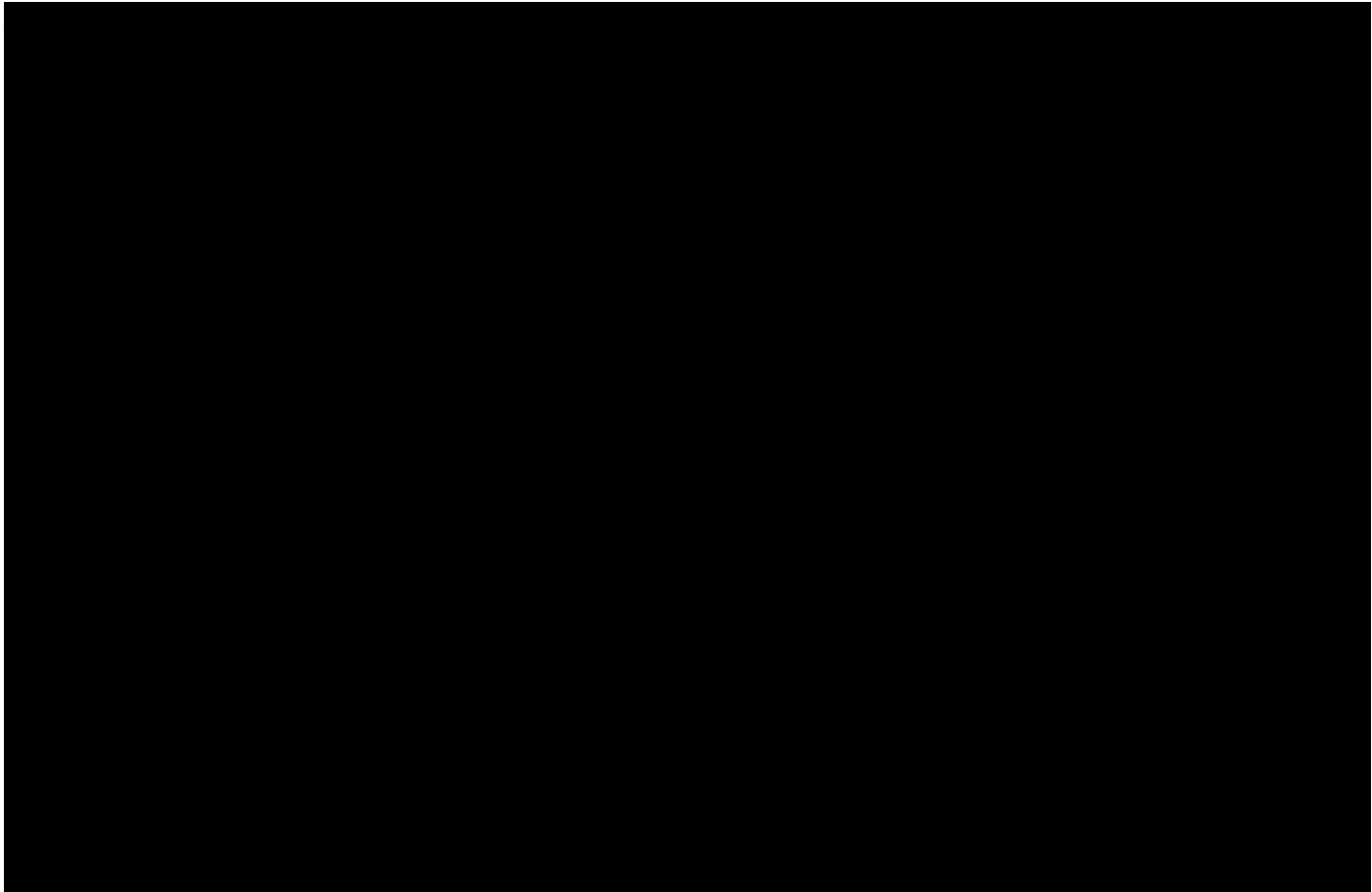


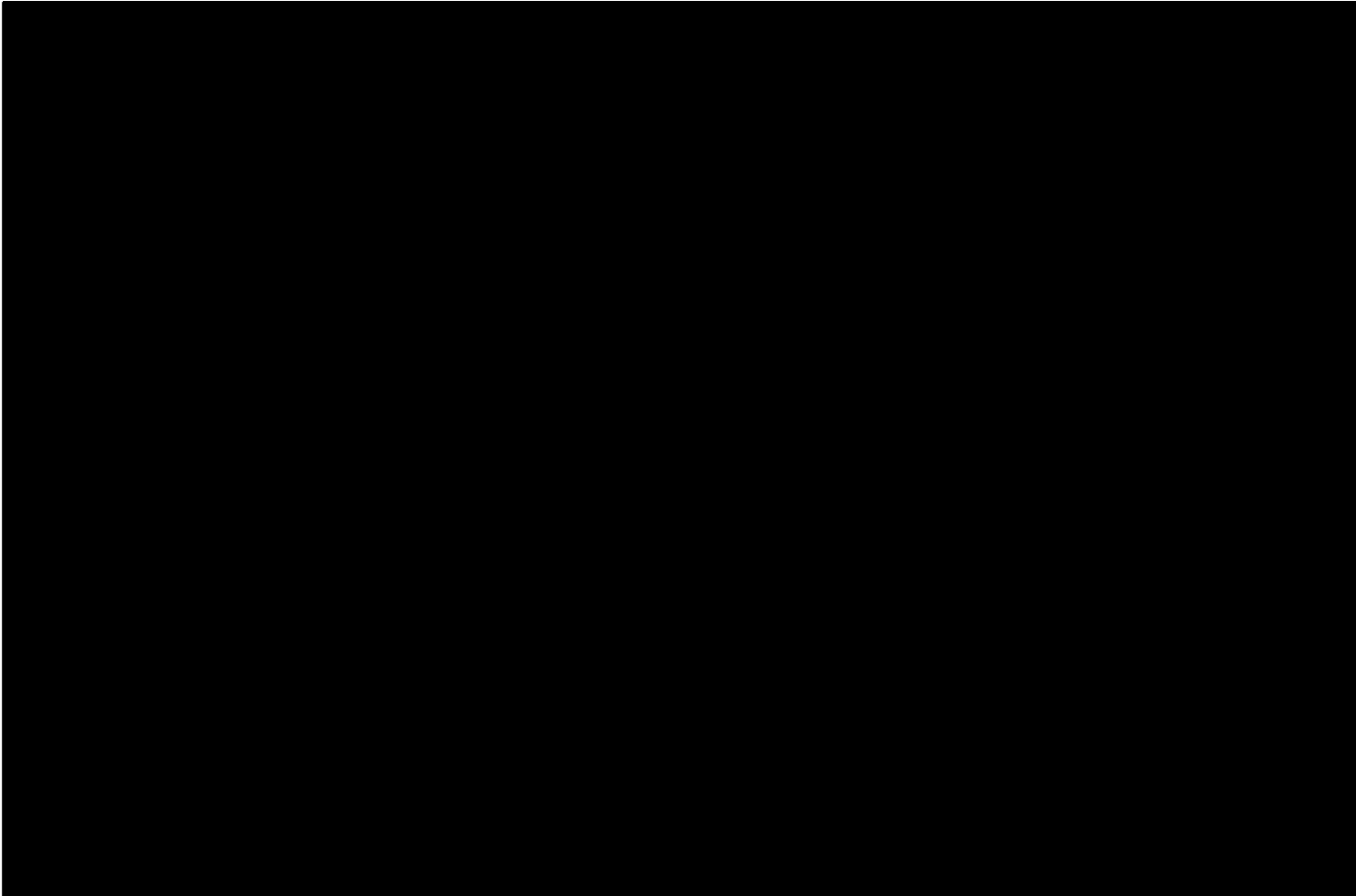
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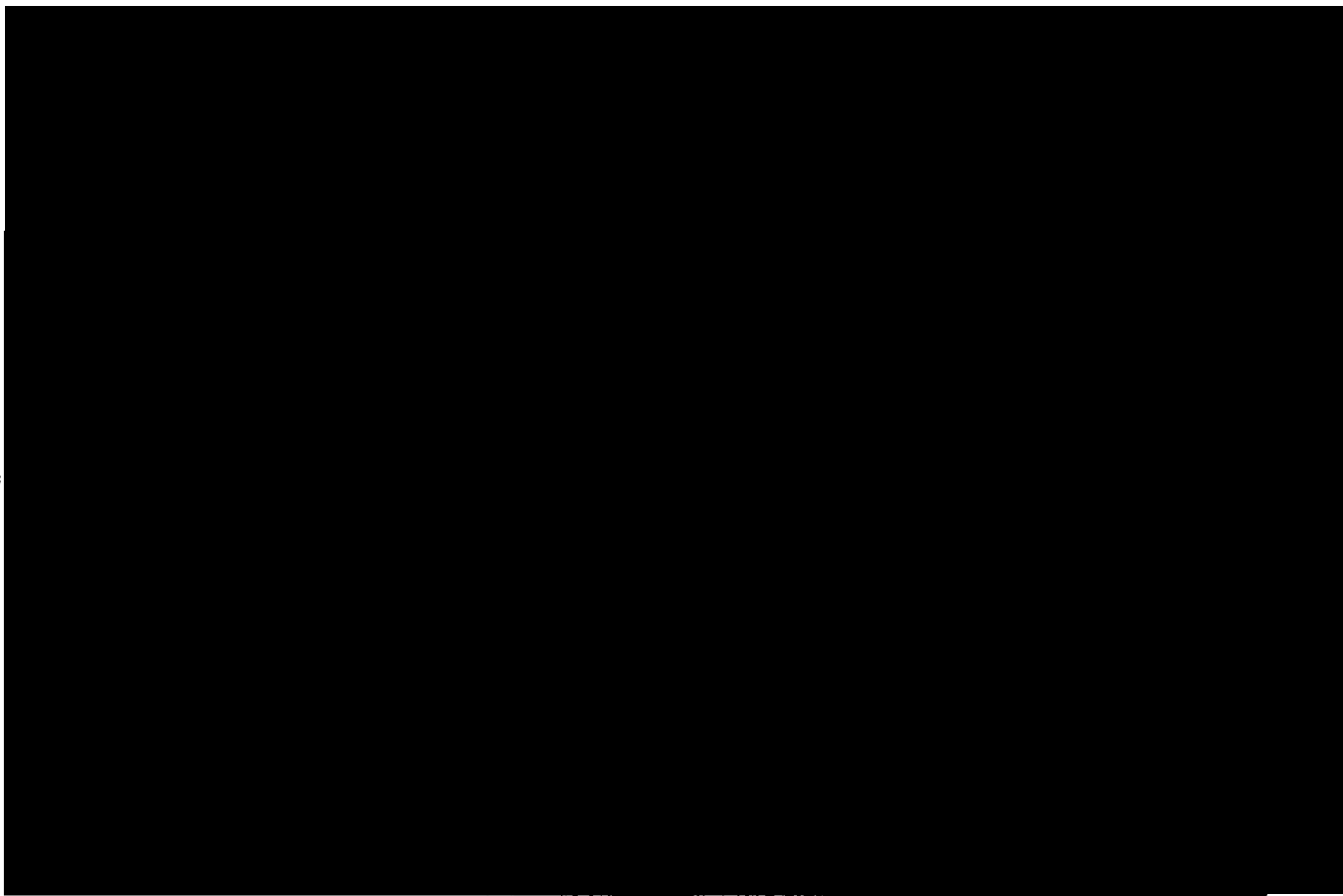


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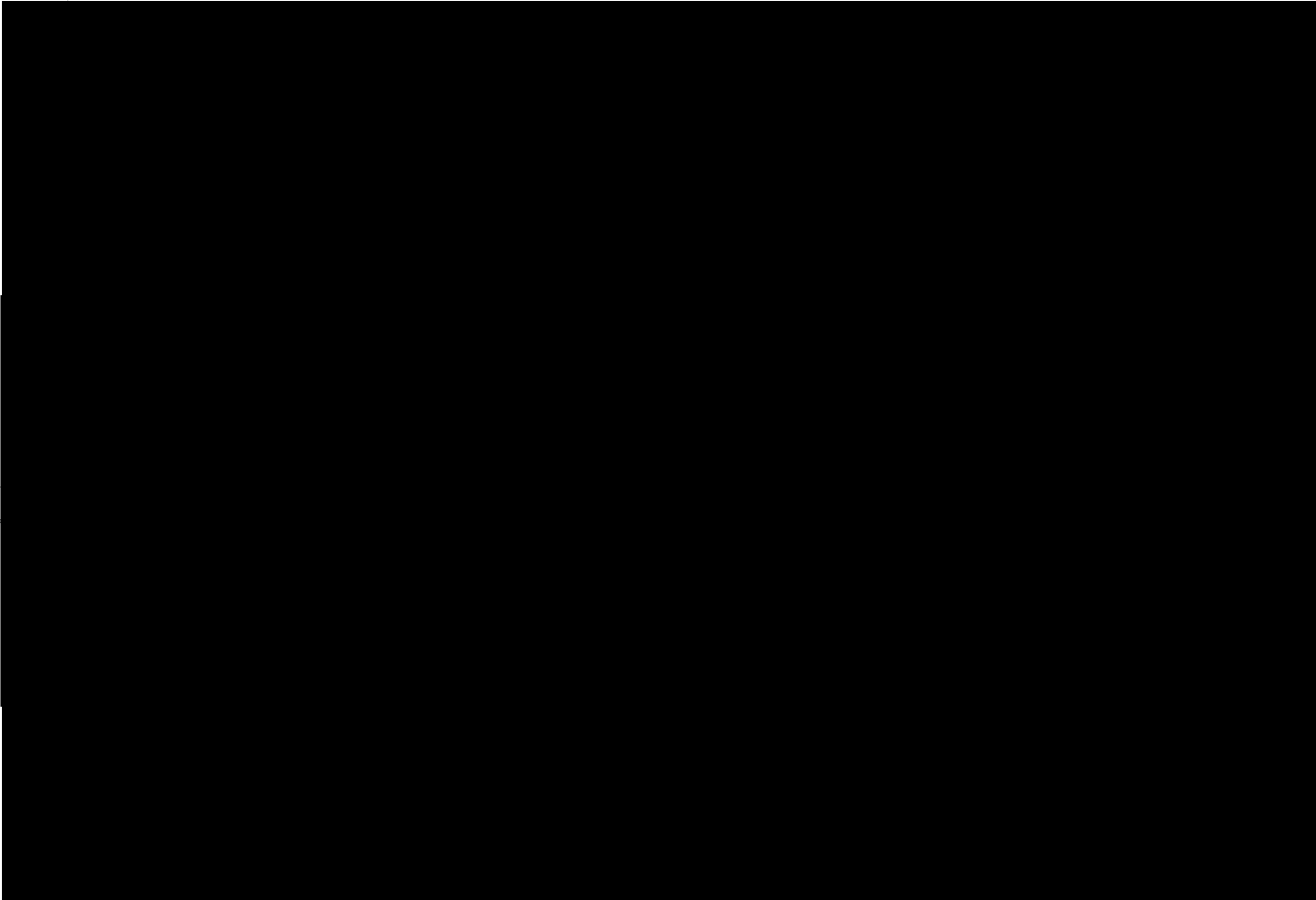






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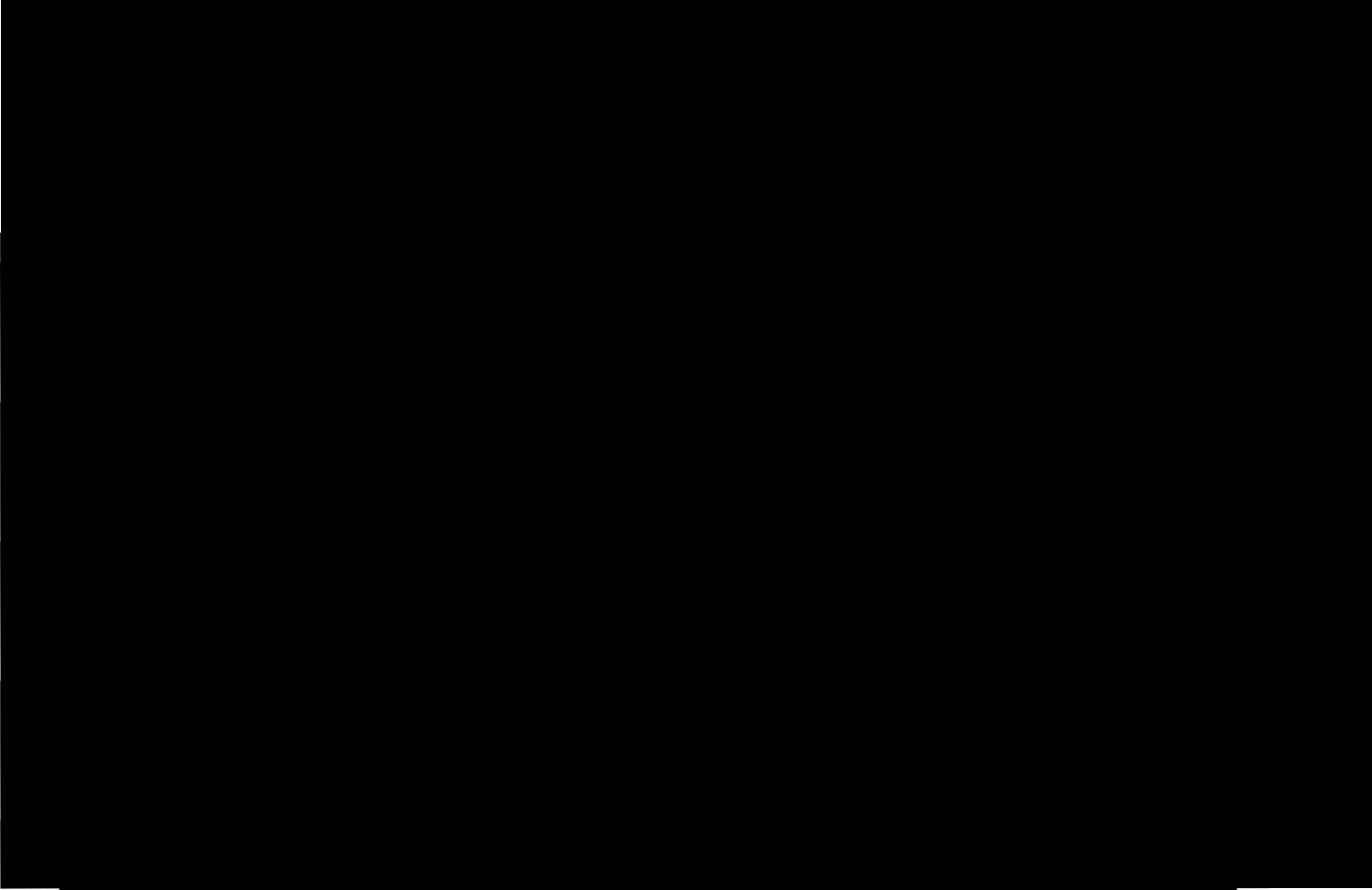
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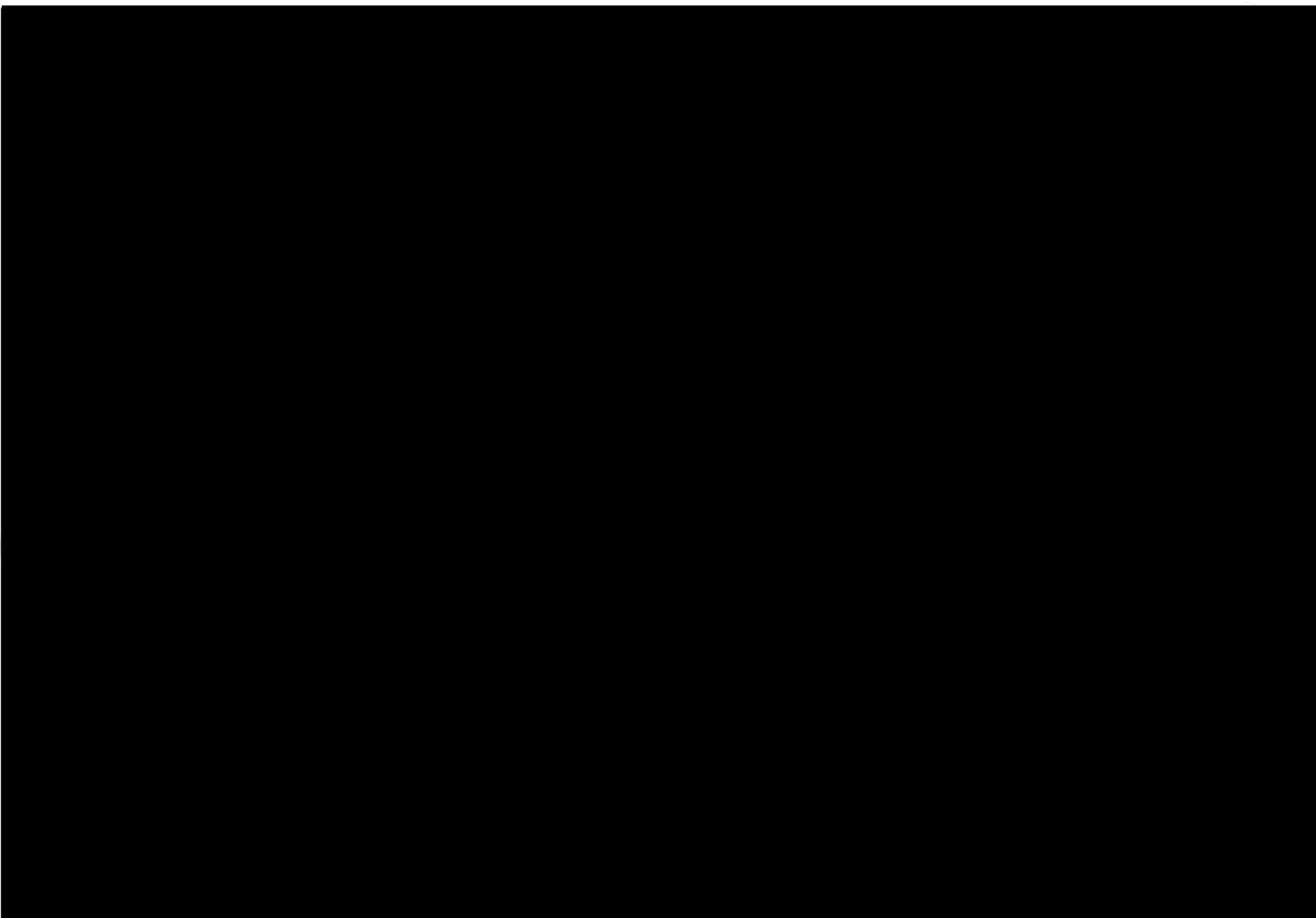


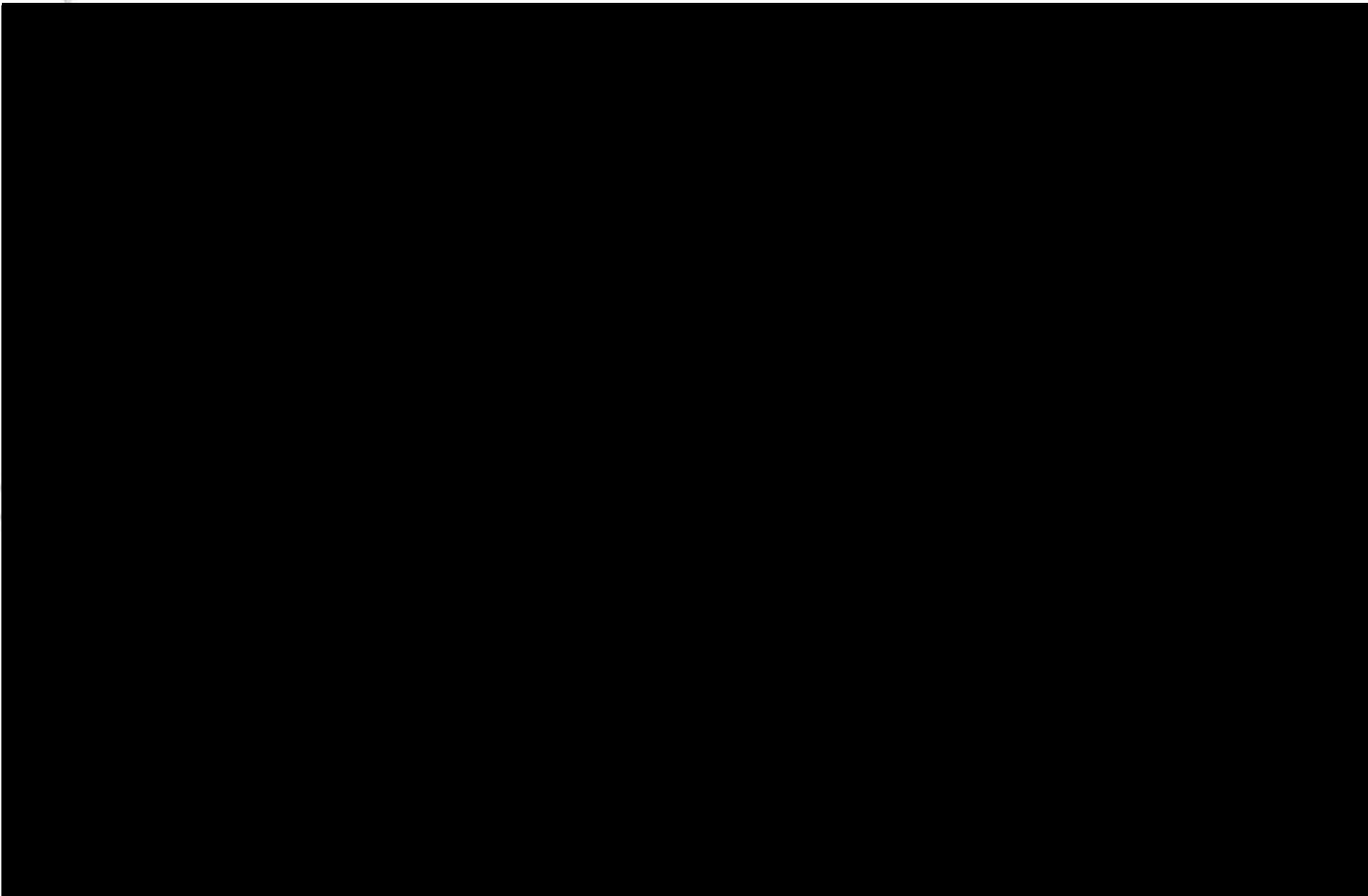
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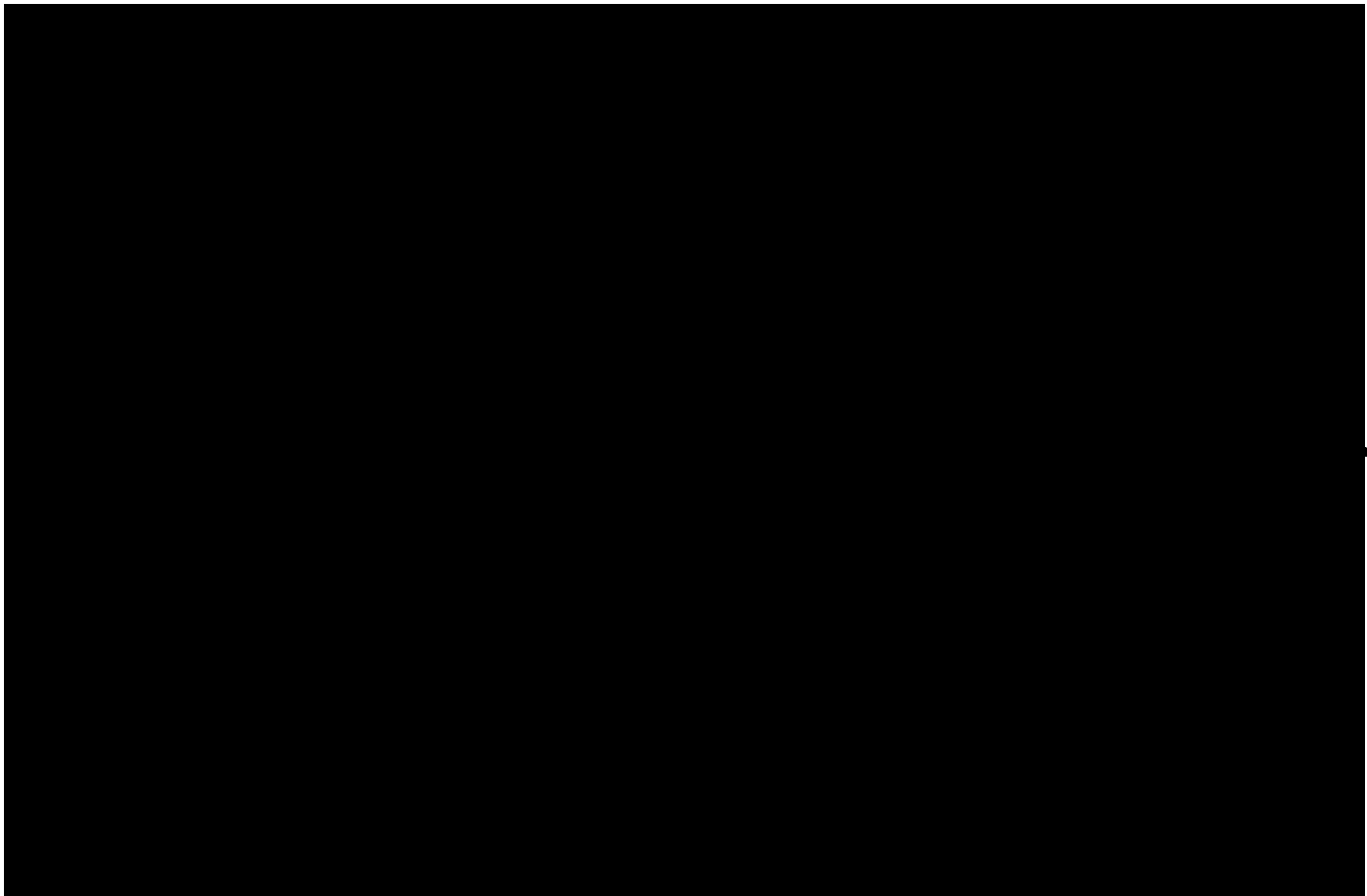
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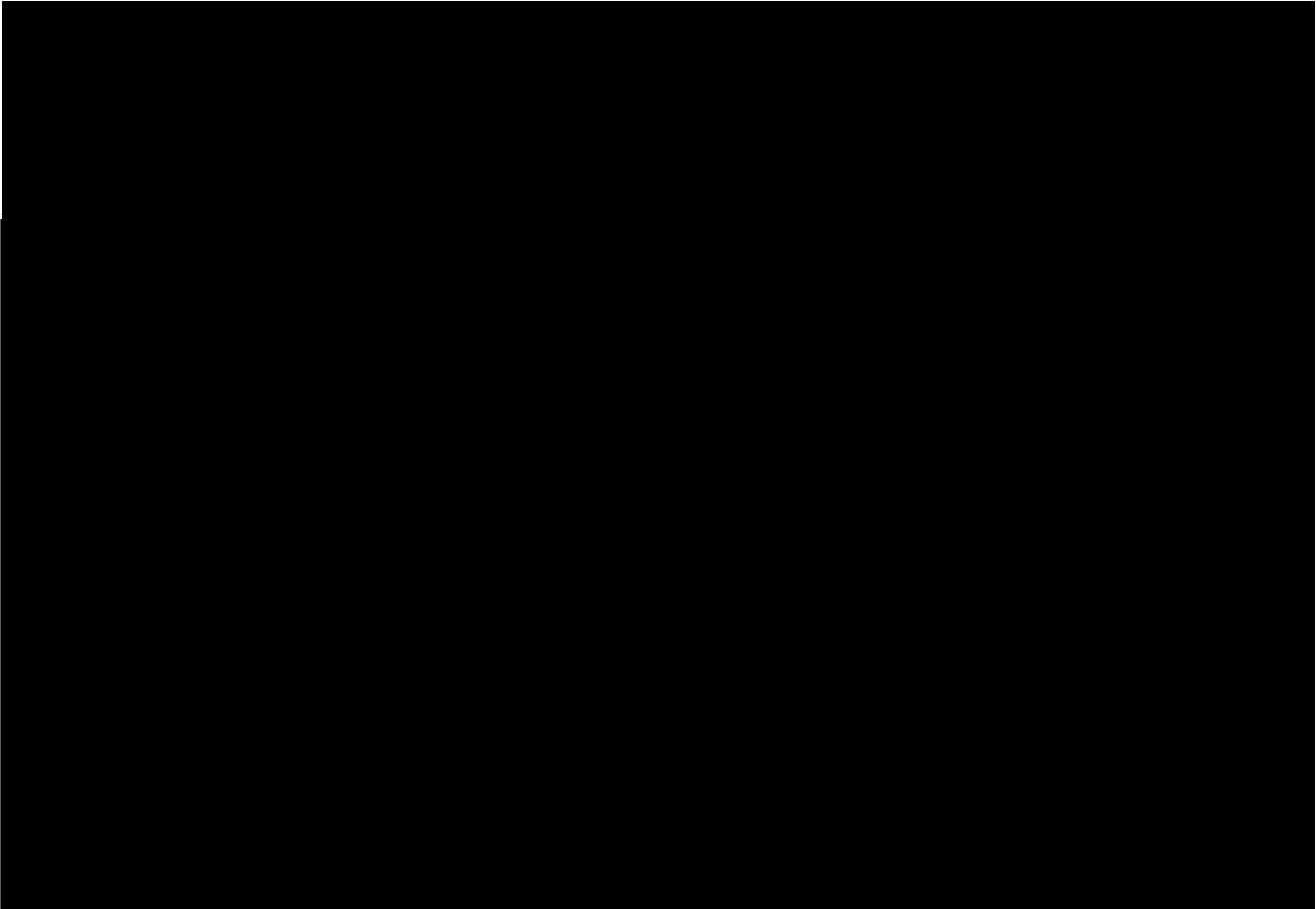
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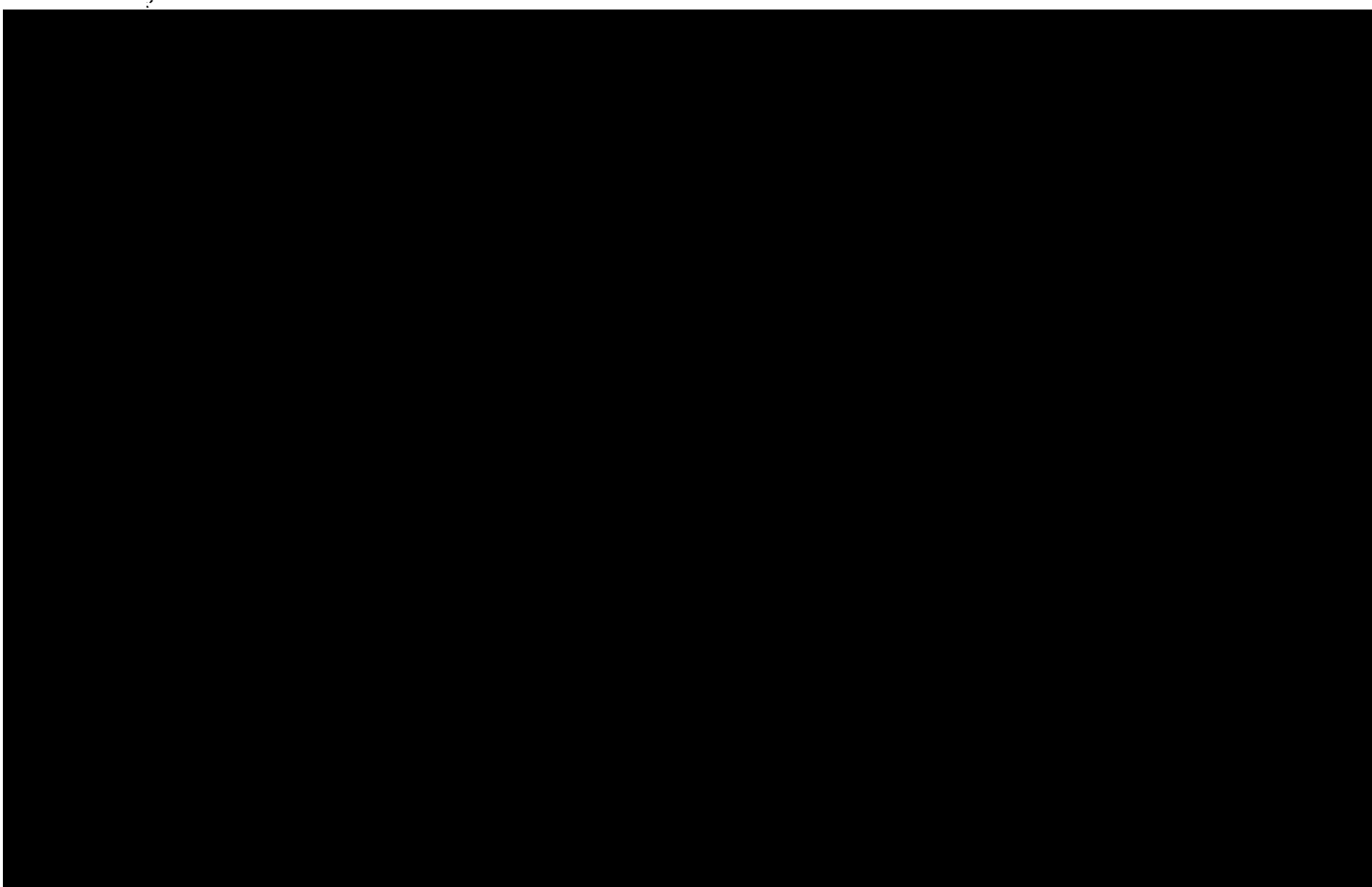


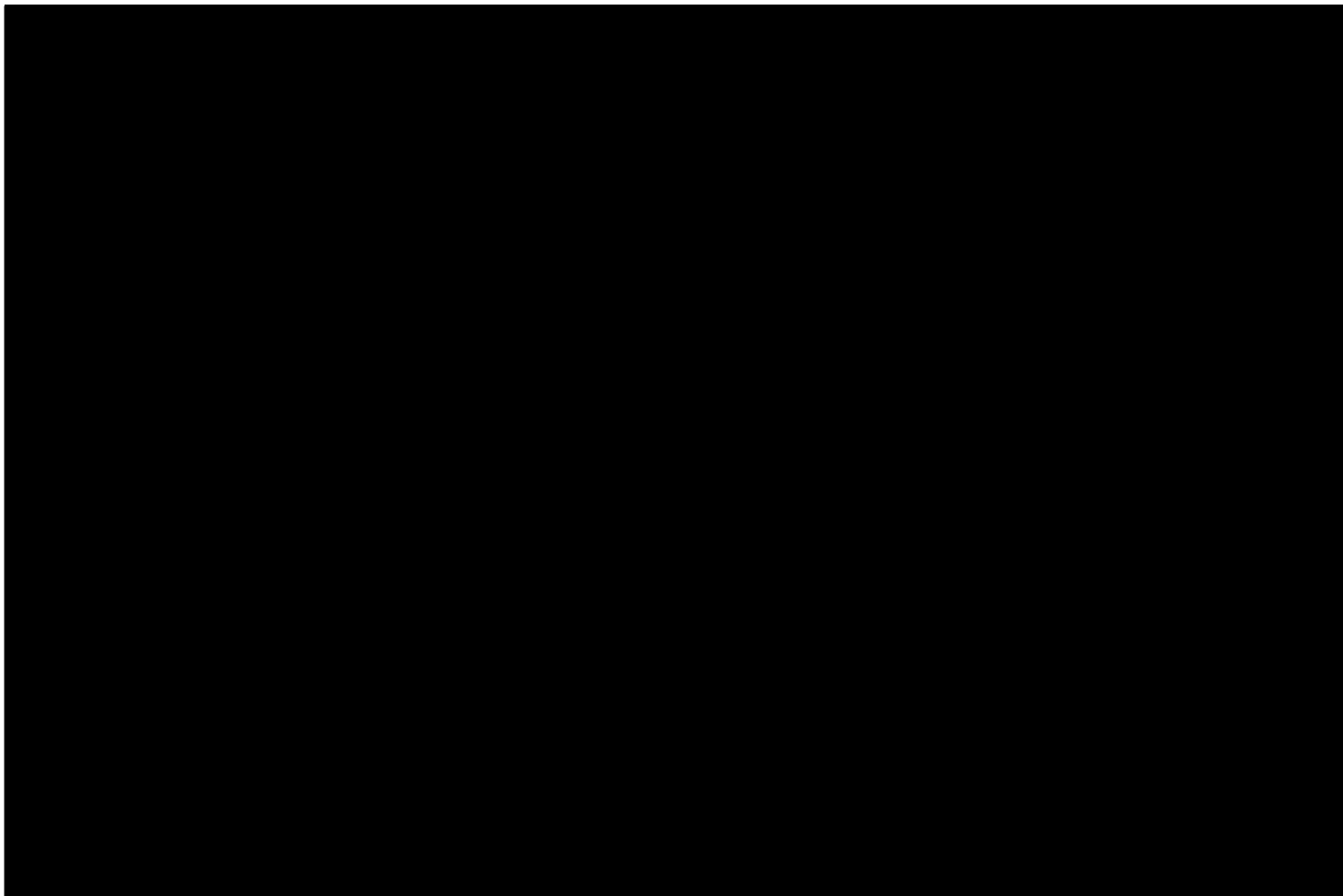


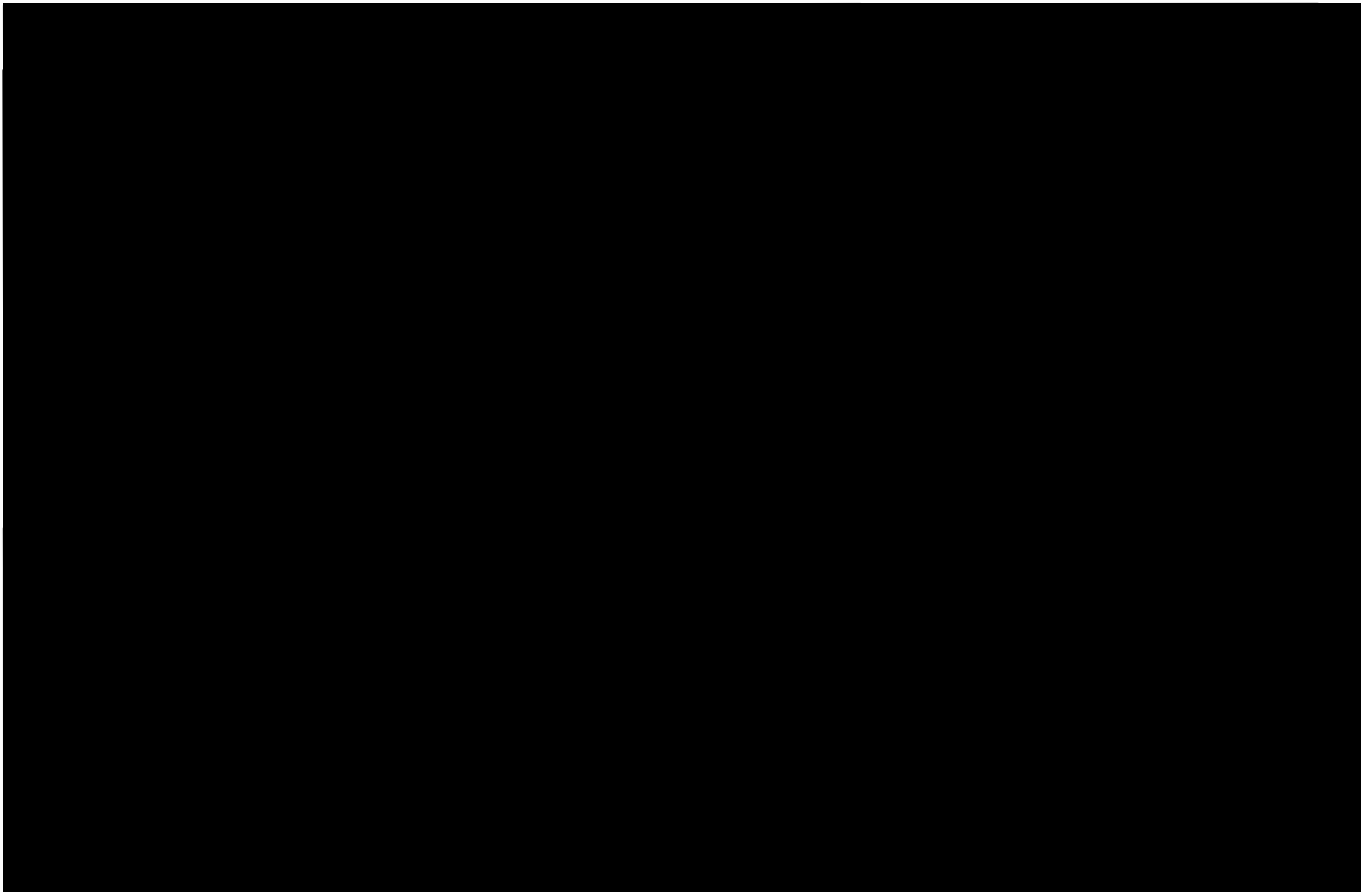


FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



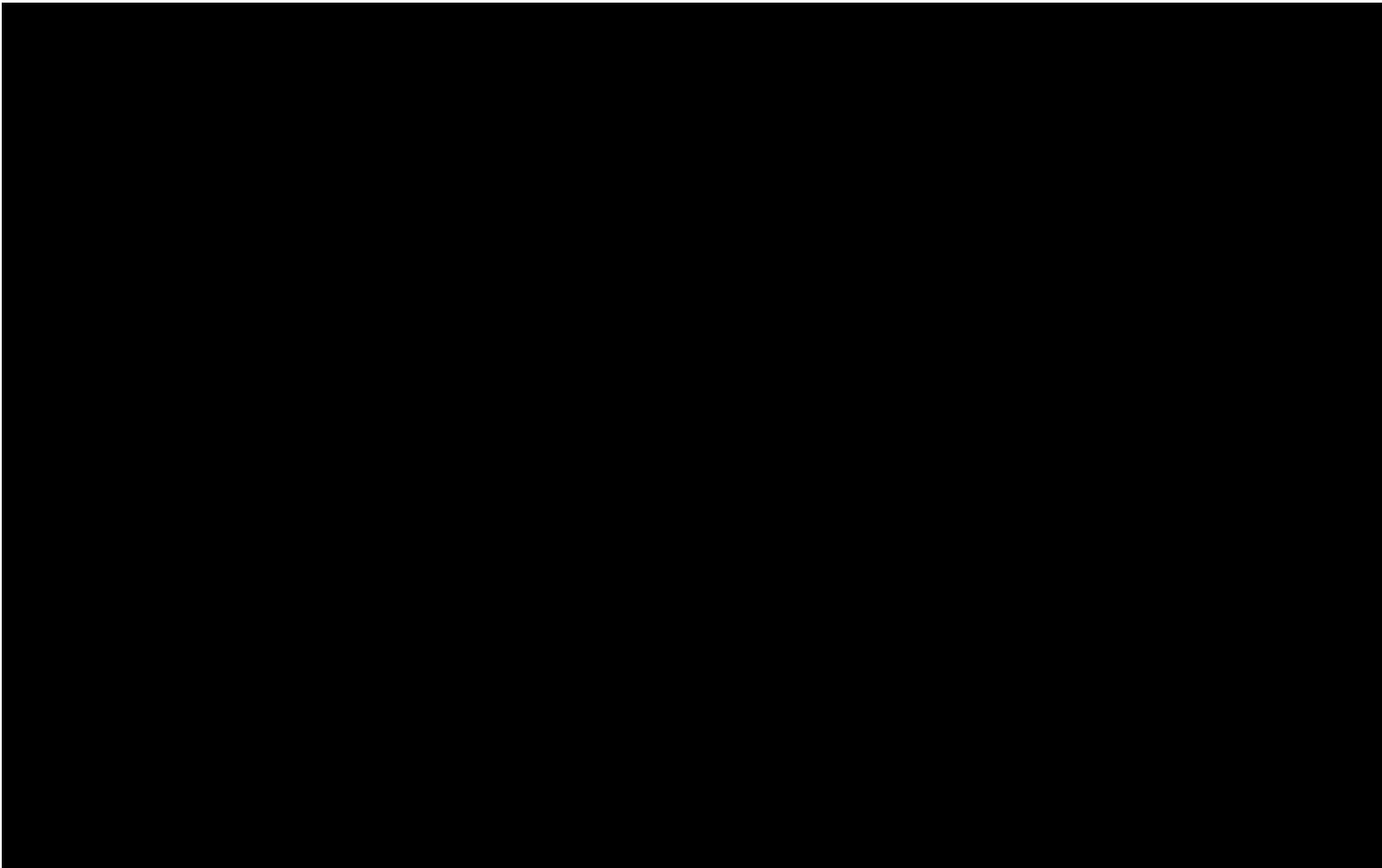


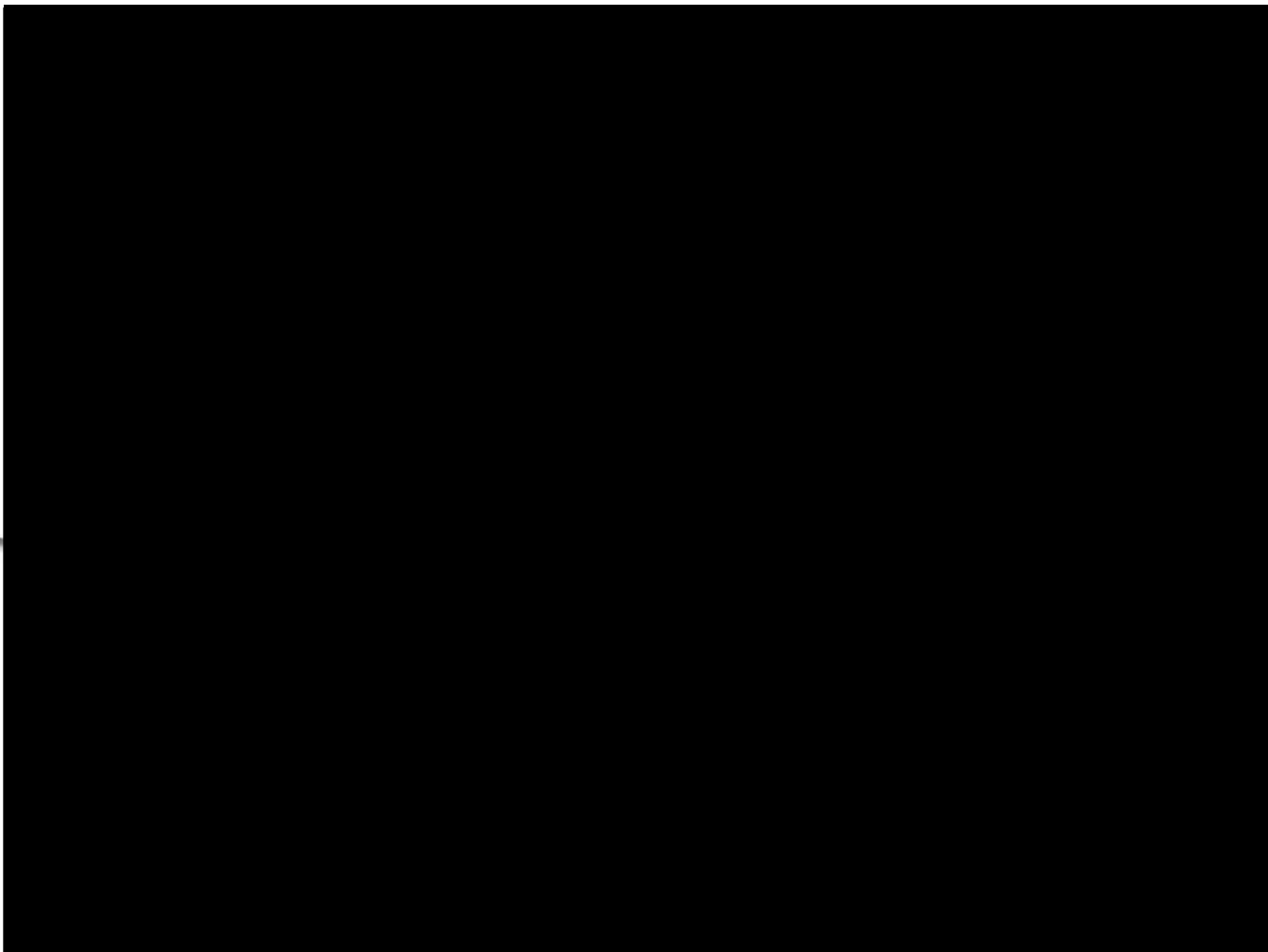


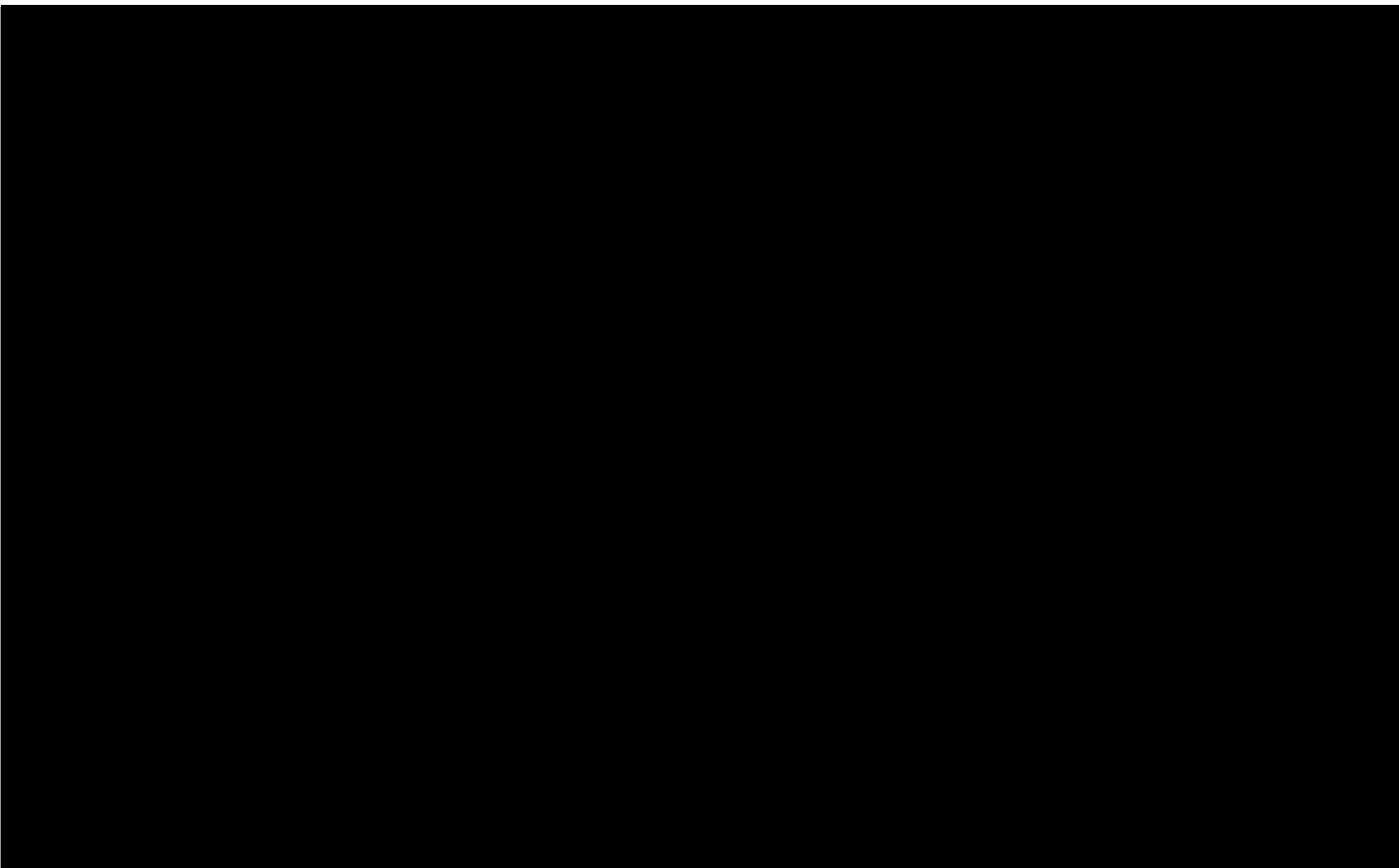


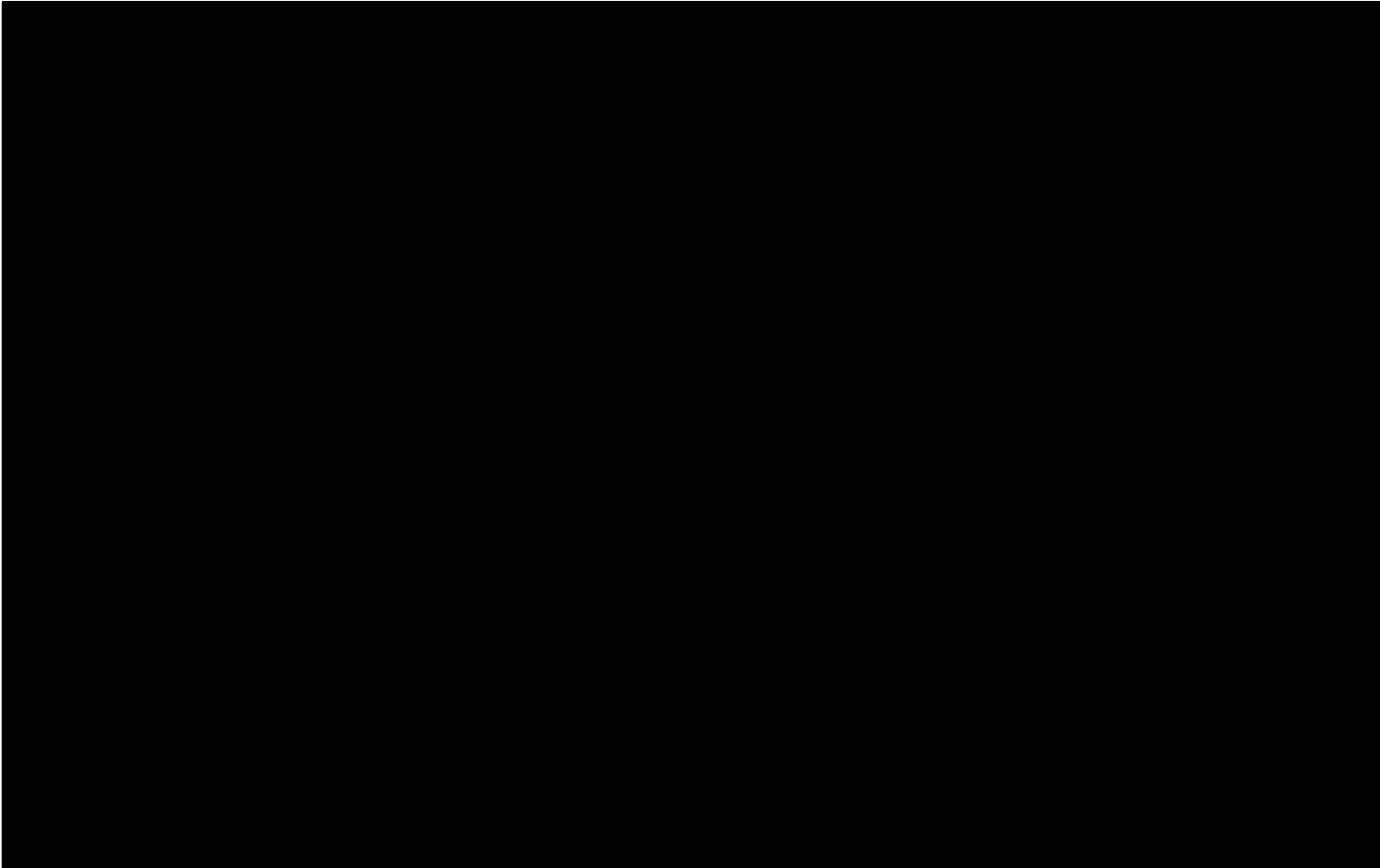
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FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP

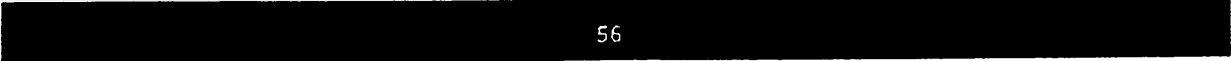
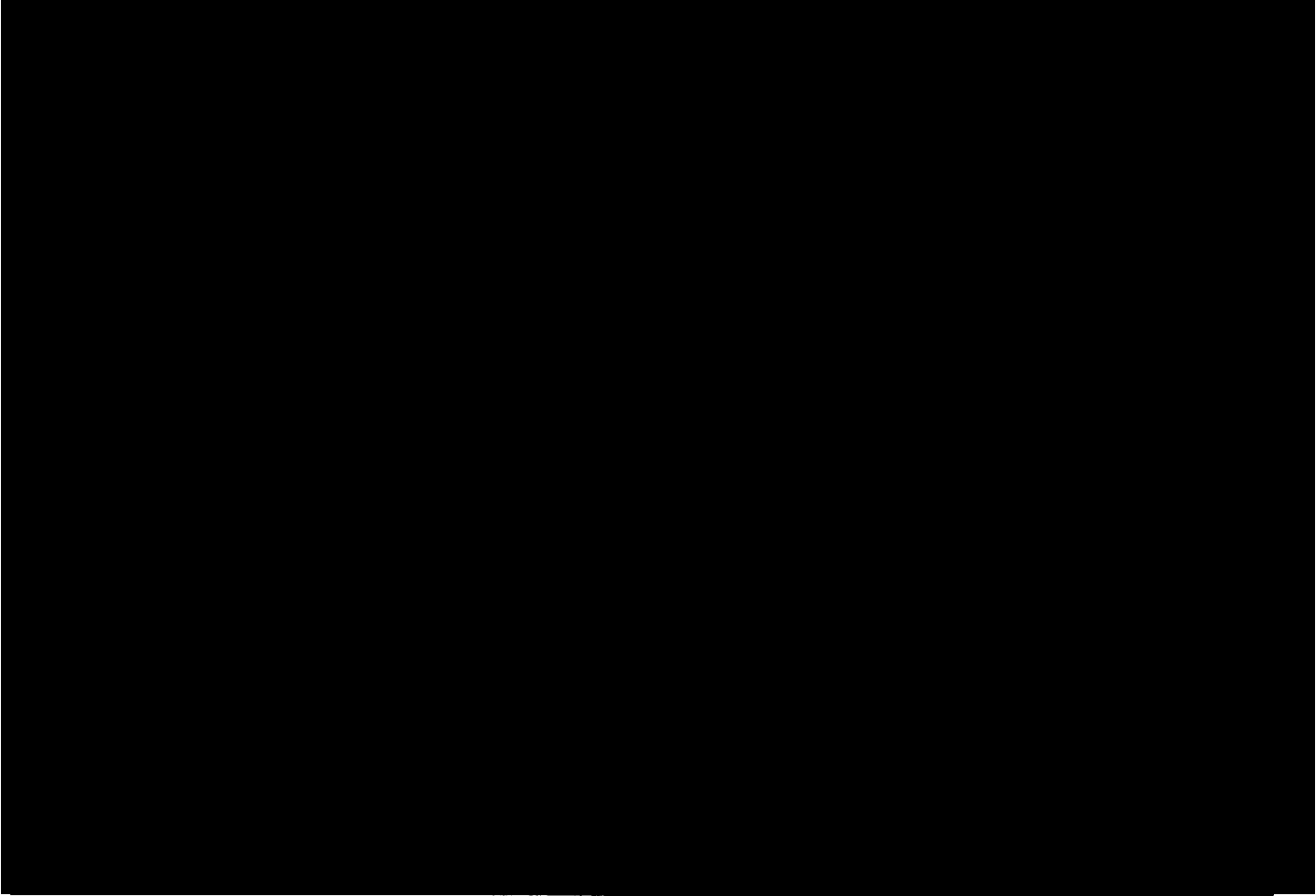


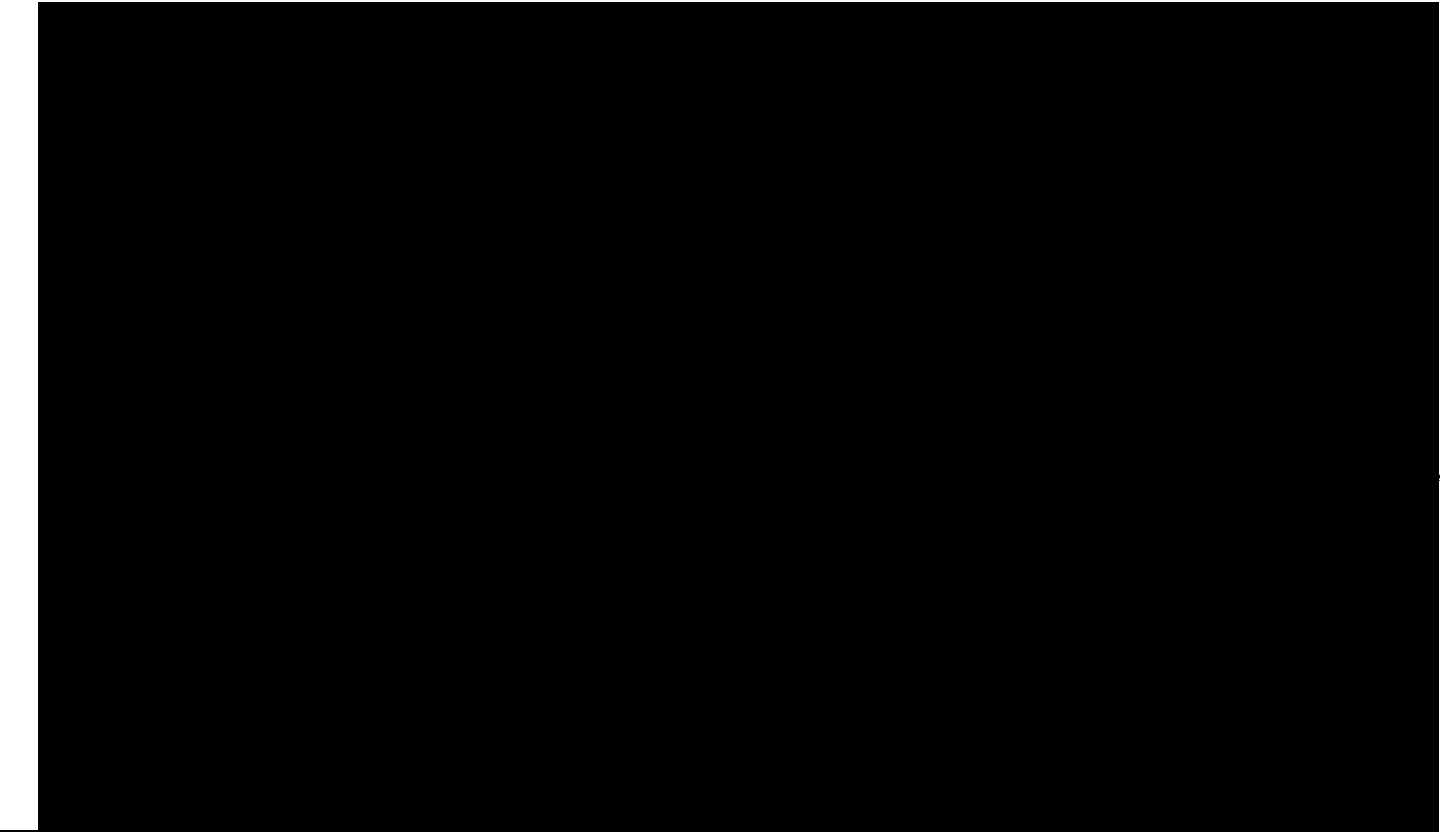






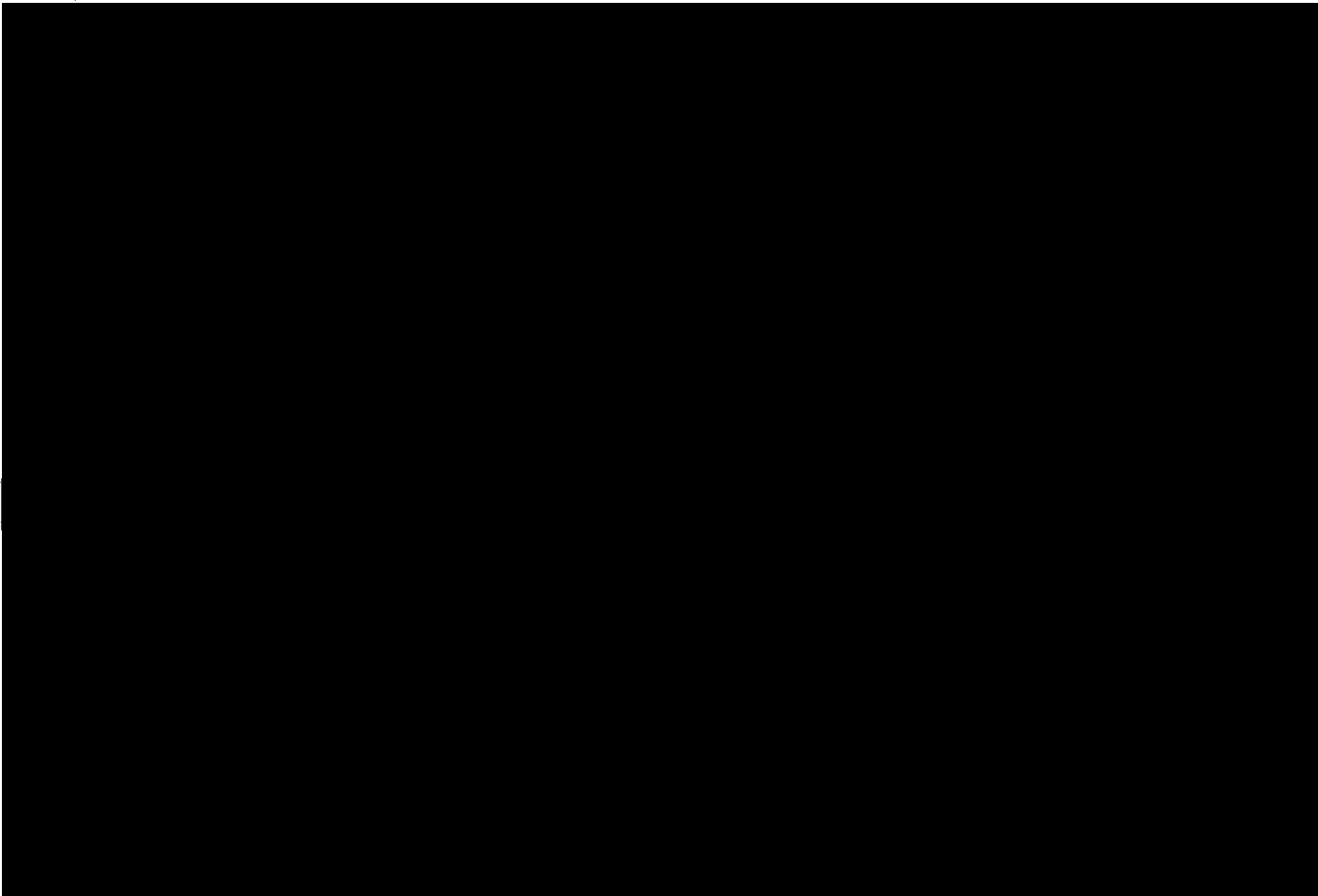
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REQUESTED BY KATTEN LLP







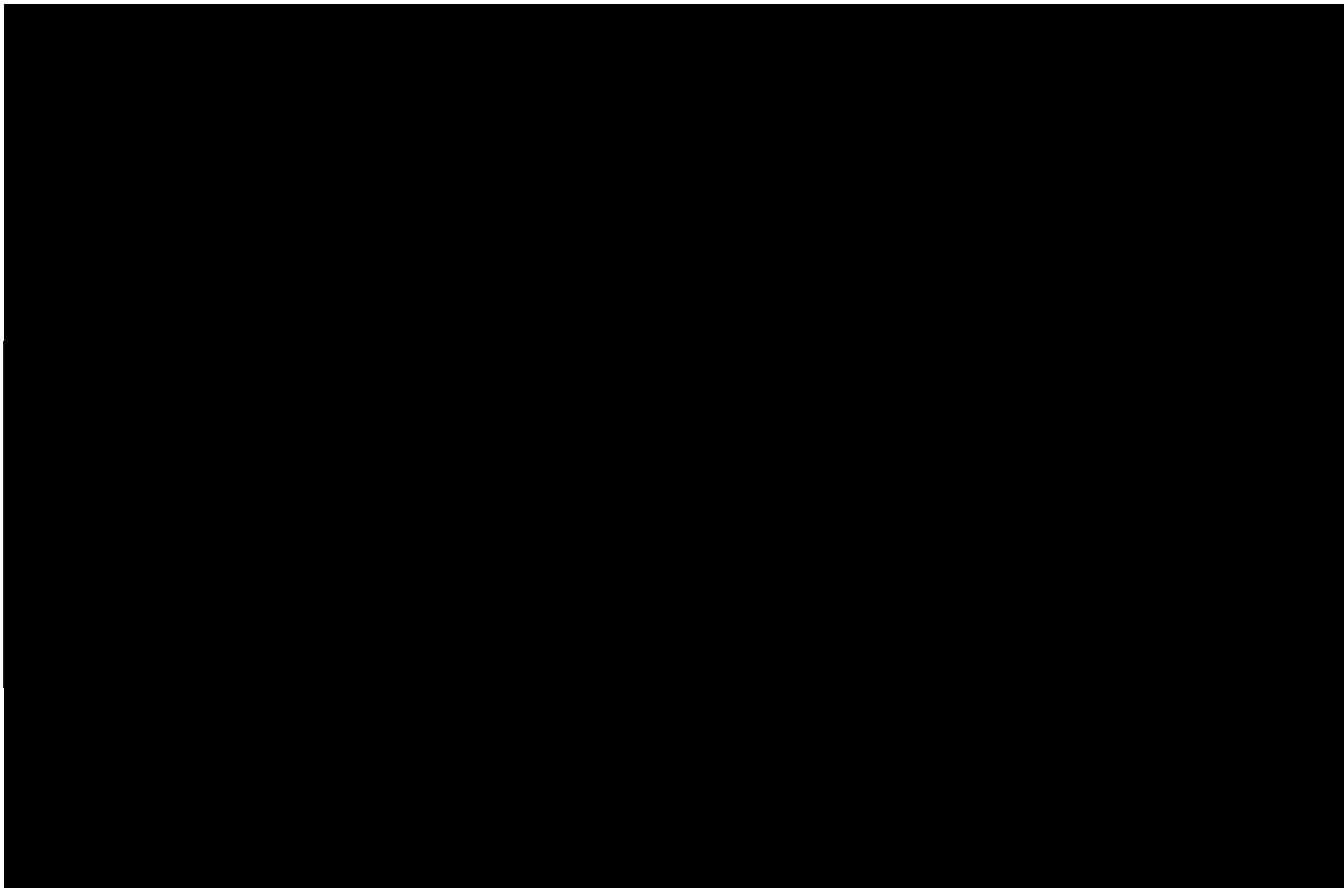
FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



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FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP

FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP

Appointment

From: Chris Kirkpatrick [CK@haymancapital.com]

Sent: 5/28/2015 5:46:51 PM

To: Chris Kirkpatrick [CK@haymancapital.com]

Subject: Accepted: Meeting SEC UDF

Location: 801 Cherry Street 19th Floor Fort Worth TX 76102

Start: 6/2/2015 2:00:00 PM

End: 6/2/2015 7:00:00 PM

Show Time As: Busy

Recurrence: (none)

CAUSE NO. CC-17-06253-B

UNITED DEVELOPMENT FUNDING, § IN THE COUNTY COURT OF
L.P., et al., §
§
Plaintiffs, § DALLAS COUNTY, TEXAS
§
v. §
§
J. KYLE BASS et al., § COUNTY COURT OF LAW NO. 2
§

AFFIDAVIT OF J. KYLE BASS

BEFORE ME, the undersigned authority, on this day personally appeared J. Kyle Bass, personally known to me and who, after having been by me duly sworn upon his oath, deposed and said:

1. My name is J. Kyle Bass. I am over 21 years of age, of sound mind, have never been convicted of any felony, and am fully competent to make this affidavit. I have personal knowledge of all facts stated in this affidavit and they are true and correct.

2. I am the Founder and Chief Investment Officer of Hayman Capital Management L.P. ("Hayman"). Hayman is an SEC-registered asset management firm with a global footprint that manages assets of privately-offered pooled investment vehicles. Hayman is an investment advisor to funds and accounts that are in the business of actively buying and selling securities and other financial investments. Hayman primarily manages the assets of institutional investors, as well as ultra-high net worth individual investors.

3. I have over twenty-five years of experience in the financial markets, with particular expertise in global event-driven investing, and hold a Bachelor's Degree in Finance from Texas Christian University. Prior to forming Hayman, I was a Managing Director at Legg Mason and a Senior Managing Director at Bear Stearns. In my career I have managed private funds with strategies focused on sub-prime credit, the pharmaceutical industry, and Asia.

19. In April 2015 Hayman gave a presentation to the FBI concerning Hayman's UDF related research.

20. In or about late May or early June 2015, at the request of the FBI, Hayman attended an additional meeting with the FBI related to the UDF research. Forensic accountants attended this meeting.

21. In or about late May or early June 2015, Mr. Kirkpatrick attended a meeting with the SEC head of enforcement of the Fort Worth office to discuss Hayman's UDF-related research. Mr. Kirkpatrick previously worked as an SEC Enforcement attorney.

22. In its entirety, Hayman spent approximately two-years conducting UDF related research, and in the process reviewed thousands of pages of documents believed to be reliable from sources which include, without limitation, SEC filings, county court records, county land and deed recordings, central appraisal district websites, the Secretary of State taxable entity search records, and visits to various physical sites. Guided by this extensive research as well as the institutional knowledge and experience of myself and Mr. Lewis, and Hayman's expansive industry experience in financial reporting, restructuring, accounting, and evaluating financial disclosures, Hayman identified patterns of financial irregularities and solvency concerns among Plaintiffs that Hayman could not in good faith just ignore.

23. Once Hayman learned the financial irregularities of the Plaintiffs and their potentially fraudulent conduct, Hayman believed that it had an obligation to share the conclusions it derived from the UDF related research. Hayman believed that this information presented critical information to stakeholders including investors, financial institutions, lenders, auditors, and investigative authorities related to a matter of public concern, notwithstanding Hayman having a financial interest in the situation.

24. After over a year of extensive research, review and analysis of thousands of pages of publicly available resources, Hayman publicly disseminated communications concerning the UDF-related research, after extensive internal analysis of numerous patterns of striking financial irregularities within Plaintiffs. My understanding is that before Hayman publicly disseminated any information related to Plaintiffs, Hayman notified government agencies that it intended to make public information related to Hayman's UDF related research.

25. Hayman engaged First Amendment counsel at Cahill Gordon, Landis Best ("First Amendment Counsel"), in connection to the dissemination of information

Message

From: Chris Kirkpatrick [CK@haymancapital.com]
Sent: 6/12/2015 6:13:16 PM
To: David Whipple [WhippleDa@SEC.GOV]; Keith J. Hunter [HunterK@SEC.GOV]
Subject: Fwd: UDF V Loan - 6.9.15
Attachments: UDF V Loan Issued 6.9.15.pdf; ATT00001.htm; image001.jpg; ATT00002.htm

Here the presentation that I referenced in my voicemail. Let me know if you would like to set up a call to have Parker walk you through it.

Begin forwarded message:

From: "Parker Lewis" <PL@haymancapital.com<mailto:PL@haymancapital.com>>
To: "Chris Kirkpatrick" <CK@haymancapital.com<mailto:CK@haymancapital.com>>
Subject: UDF V Loan - 6.9.15

Chris - see attached, this our review of the latest loan issued by UDF V. The entity which received the loan is a Mehrdad Moayedi entity. I reviewed the deed history and UDF III has or had (prior to this loan from UDF V) a \$4.8 million second lien loan to the same entity that was issued pre-financial crisis (2007) and has continued to grow for the past 7-8 years. In addition to attached analysis of the history of this entity and various loans, I also included a link to the UDF V S-K that was put out yesterday. I'm going to look at the property this afternoon but let's not delay sending.

http://www.sec.gov/Archives/edgar/data/1591330/000114420415036674/v412974_8k.htm

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road suite 1400
Dallas, TX 75201

214.347.8043 Direct
512.699.7480 Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com><mailto:PL@HaymanCapital.com>

**Shahan Prairie:
UDF V Development Loan
June 2015**

FOIA CONFIDENTIAL TREATMENT
REQUESTED BY FATTEN LLP

Shahan Prarier – A Centurion American Development

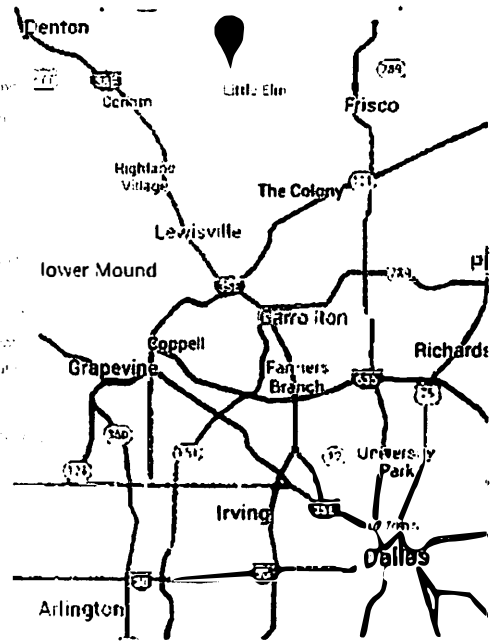


SHAHAN PRAIRIE

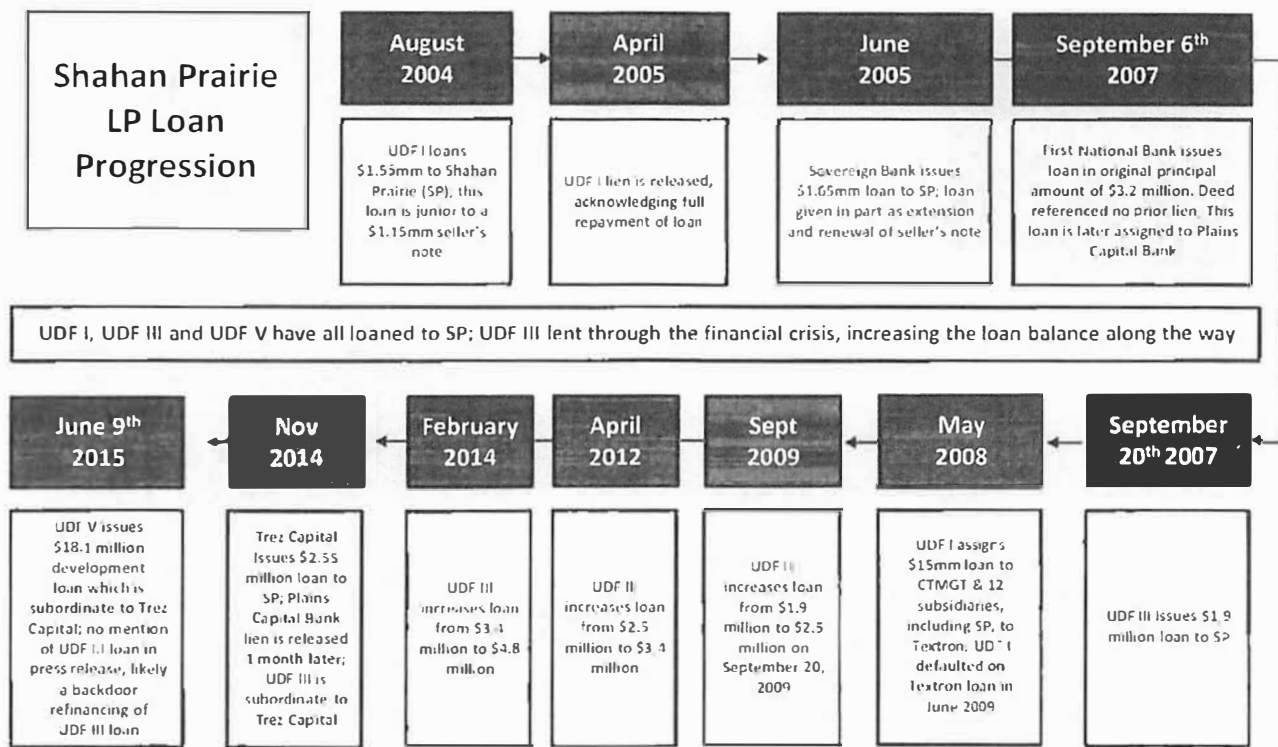
County: Dallas | Fort Worth, Denton County, Tarrant County
 Phase: Single-Build, Large Estate, Single Home
 5,000+ Acres
 1000+ Homes

Shahan Prairie is a large-scale development in the Fort Worth area, spanning across several counties including Denton, Tarrant, and Dallas. The project is a multi-phase development, with the first phase being a large estate development. The project is currently in the planning and construction phase, with the first homes expected to be completed in 2015. The development is located in a prime location, with easy access to major highways and schools. The project is a significant investment in the Fort Worth area, and is expected to create many jobs and increase the local economy.

UDF I originally loaned to Shahan Prairie (Mehrdad Moayed) as a junior lender in 2004; UDF III entered the picture in 2007, extending and increasing its loan through the financial / housing crisis (the latest increase coming in 2014); UDF V is the latest to enter the picture, issuing a \$18.1 million subordinate development loan on June 9, 2015



Shahan Prairie Loan Timeline



UDF I Loan to Shahan Prairie – 2004

UDF I issued a second lien to Shahan Prairie in August 2004 for \$1.55 million; this was a second lien subordinate to a seller's note of \$1.15 million

SPECIAL WARRANTY DEED

Date: August 27, 2004

Grantor: Frederick E. Olden

Grantor's Mailing Address:

30 Ashton Court
Dallas, Texas 75230

Grantee: Shahan Prairie, L.P., a Texas limited partnership

Grantee's Mailing Address:

Shahan Prairie, L.P.
1901 Airport Freeway, Suite 200
Bedford, Texas 76021

Consideration: Cash and other good and valuable consideration to the undersigned paid by the Grantee herein named, the receipt of which is hereby acknowledged and the further consideration of the execution and delivery of a first lien purchase money promissory note in the original amount of \$1,150,000.00 payable to the Grantor and being secured by a vendor's lien herein and further secured by a Deed of Trust of even date to David B. Baxter, Trustee and in consideration of the execution and delivery of a second lien purchase money promissory note in the original amount of \$1,650,000.00 payable to United Development Funding, L.P., a Nevada Limited partnership and being secured by a subordinate vendor's lien herein and further secured by a second lien Deed of Trust of even date to Hollis Greenlaw, Trustee.

Property (including any improvements): Being a 102.324 acre tract of land situated in the E.A. Shahan Survey, Abstract No. 1204, E.A. Shahan, Abstract No. 1205 and the Lawson Clark Survey, Abstract 311, Denton County, Texas and being more particularly described by notes and bounds on

UDF I Loan to Shahan Prairie Assigned to Textron – 2008

On May 1st 2008, UDF issued a secured promissory note in the amount of \$15 million to CTMGT and 12 CTMGT subsidiaries, including Shahan Prairie, LP

On May 7th 2008, this loan was assigned to Textron Financial Corporation.

On June 14th 2009, UDF defaulted on its loan to Textron.

ASSIGNMENT OF SECURED PROMISSORY NOTE, DEED OF TRUST AND LOAN DOCUMENTS (CTMGT, LLC)

For and in consideration of the sum of one dollar (\$1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, UNITED DEVELOPMENT FUNDING, L.P., a Delaware limited partnership ("Assignor"), whose mailing address is 1812 Cindy Lane, Suite 300, Bedford, Texas 76021, does hereby, through its duly appointed and authorized officers, bargain, sell, give, grant, convey, transfer, set over and assign, WITHOUT RECOURSE, to TEXTRON FINANCIAL CORPORATION, its successors and assigns, all of Assignor's rights, title and interest in, to and under the following instruments and documents:

- (i) that certain Secured Promissory Note, dated effective as of May 1, 2008, executed by CTMGT, L.L.C., a Texas limited liability company ("Borrower"), and Shahan Prairie, L.P., a Texas limited partnership, One Woodland Springs, Ltd., a Texas limited partnership, One Prairie Meadows, Ltd., a Texas limited partnership, 287 Waxahatchie, L.P., a Texas limited partnership, W.S. Mineral Holdings, L.L.C., a Texas limited liability company, Suite-114, L.P., a Texas limited partnership, 261 CW Springs, L.P., a Texas limited partnership, Valencia on the Lake, L.P., a Texas limited partnership ("Valencia"), One SR, L.P., a Texas limited partnership, Two SR, L.P., a Texas limited partnership, CTMGT Sanger, L.L.C., a Texas limited liability company, and CTMGT Coppell L.L.C., a Texas limited liability company (the "Subsidiaries") and in favor of Assignor in the original principal amount of Fifteen Million and no/100 Dollars (\$15,000,000.00) (the "Note"). The continuing indebtedness of Valencia to Assignor (formerly,

UDF III Deed of Trust – Further Increased 2012

On April 1, 2012, UDF III's loan to
Shahan Prairie was further increased
from \$2.5 million to \$3.37 million.

SHAHAN PRAIRIE, L.P., a Texas limited partnership,
Grantor,

TODD ETHER, Trustee,

and

UNITED DEVELOPMENT FUNDING III, L.P.,
a Delaware limited partnership

**DEED OF TRUST, ASSIGNMENT OF LEASES AND TENANTS,
SECURITY AGREEMENT AND FUTURE FILING**
(Denton County, Texas)

This instrument affects certain real and personal property
located in Denton County, State of Texas

EXHIBIT "A"

BEING A 101.438 ACRE TRACT OF LAND SITUATED IN THE E.A. SHAHAN SURVEY, ABSTRACT NO. 1104, E.A. SHAHAN SURVEY, ABSTRACT NO. 1105, AND THE LAWSON CLARK SURVEY, ABSTRACT NO. 311, DENTON COUNTY, TEXAS, AND BEING PART OF A CALLED 101.314 ACRE TRACT OF LAND, CONVEYED TO SHAHAN PRAIRIE, L.P. BY DEED RECORDED IN INSTRUMENT 1014-115495 REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS, AND BEING ALL OF A 49.137 ACRE TRACT OF LAND KNOWN AS SHAHAN LAKEVIEW ADDITION, PHASE 1, AN ADDITION TO THE CITY OF OAK POINT, AS RECORDED IN CABINET X, PAGE 542, PLAT RECORDS, DENTON COUNTY, TEXAS, SAID 101.438 ACRE TRACT, WITH CLEARING BASIN BEING GRID NORTH TEXAS STATE PLANNING COORDINATE SYSTEM NAD83 (CORS), NORTH CENTRAL ZONE 4102 BASED ON GRS MEASUREMENTS ON JULIAN DAY 329, 2004 FROM COLLIN COUNTY CORNER ARP (PIN 15F5982) DENTON CORNER ARP (PIN 10F968) AND ARLINGTON TRIP CORNER ARP (PIN 10F5387), BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

Note: That certain Secured Promissory Note dated as of or about September 20, 2007, issued by Borrower and payable to the order of Beneficiary in the amount of \$1,397,200.00 as increased by \$2,000,000.00 pursuant to that certain First Loan Modification Agreement dated effective as of September 20, 2009, as further increased to \$3,370,000.00 pursuant to that certain Second Loan Modification Agreement dated effective as of April 1, 2012, and any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or of these given in renewal, substitution or replacement thereof.

UDF III Deed of Trust – Further Increased 2014

On February 27, 2014, UDF III issued a second junior loan to Shahan Prairie in the amount of \$1.39 million, "the Supplemental Junior Note".

Including the "Original Junior Note" in the amount of \$3.37 million, the total amount of promissory notes from UDF III to Shahan Prairie was \$4.76 million as of February 2014.

The loan was also extended to March 6, 2015.

SHAHAN PRAIRIE, L.P.
a Texas limited partnership
(the "Grantor")

TODD ETTER,
Trustee

and

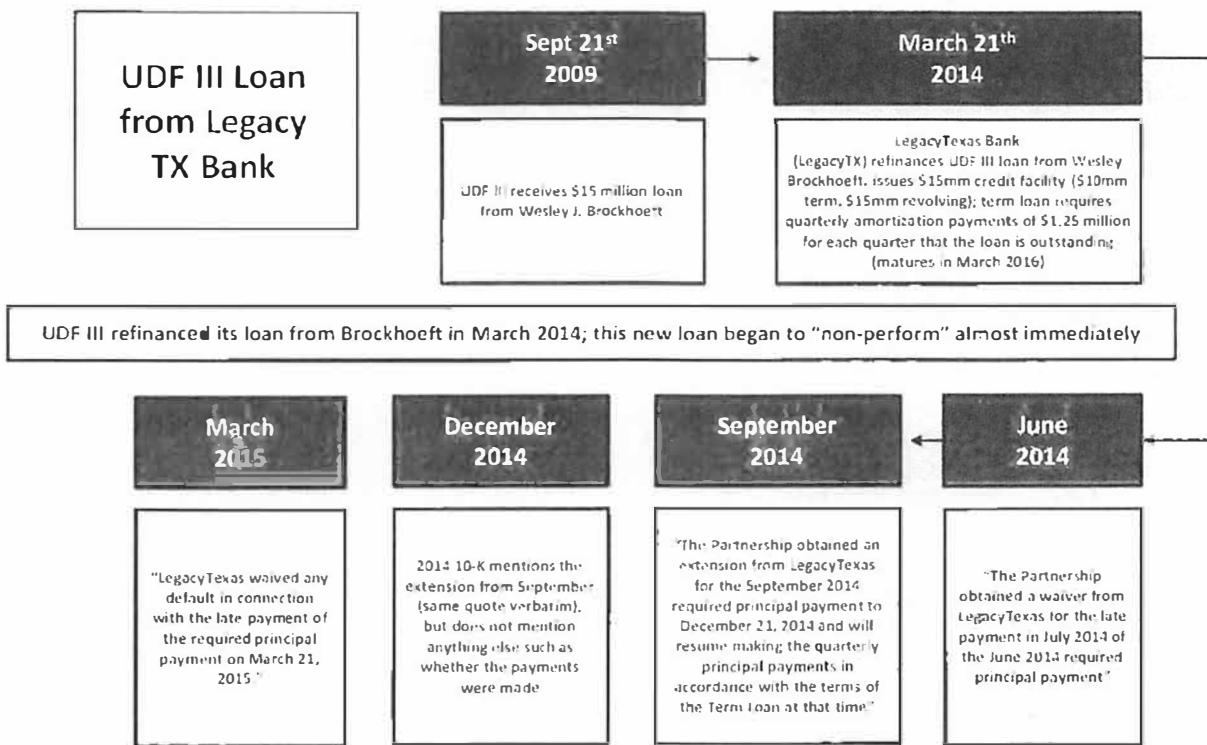
UNITED DEVELOPMENT FUNDING III, L.P.,
a Delaware limited partnership
(the "Beneficiary")

On or about September 26, 2007, Borrower executed first secured Promissory Note in the original principal amount of \$1,597,000, dated effective as of September 26, 2007 payable to the order of Junior Lender (as modified by that certain First Loan Modification Agreement, dated September 26, 2009), which among other things increased the face amount of the Secured Promissory Note to \$2,500,000; that certain Second Loan Modification Agreement, dated as of April 1, 2012 which among other things increased the face amount of the Secured Promissory Note to \$3,370,000; that certain Third Loan Modification Agreement, dated as of March 6, 2014, that certain Fourth Loan Modification Agreement, dated as of February 27, 2014, and First of record as Document Number 2014-24553 in the Real Property Records of Denton County, Texas, and the certain Fifth Loan Modification Agreement dated as of the date hereof (the "Original Junior Note"); that Secured Promissory Note in the original principal amount of \$1,597,000 dated as of September 27, 2007 (the "Supplemental Junior Note") and together with the Original Junior Note (the "Junior Note"), all evidencing together with all other amounts due and payable under other Junior Loan Documents (as hereinafter defined) a loan (together with the Junior Note, the "Junior Loan") from Junior Lender to Borrower for the purpose of partially funding the initial acquisition and development of the Land, which Junior Loan is covered by, among other things, (i) that certain deed of trust Security Agreement and Fixture Filing Financing Statement dated effective as of September 26, 2007, executed by Borrower in favor of Junior Lender covering the Land (as the same may hereafter be amended, extended, renewed, supplemented, increased, consolidated, renewed or otherwise modified or replaced from time to time, the "Original Junior Deed of Trust"), and filed of record as Document Number 2007-120597 in the Real Property Records of Denton County, Texas creating a lien on the Land, (ii) that certain Deed of Trust, Security Agreement and Fixture Filing Financing Statement dated effective as of November 6, 2009, executed by Borrower in favor of Junior Lender covering the Land (as the same may hereafter be amended, extended, renewed, supplemented, increased, consolidated, renewed or otherwise modified or replaced from time to time, the "First Supplemental Junior Deed of Trust"), and filed of record as Document Number 2009-231281 in the Real Property Records of Denton County, Texas

TRACT

BEING A 106.45 ACRE TRACT OF LAND SITUATED IN THE E.A. SHAHAN SURVEY, ABSTRACT NO. 1247, A SHAHAN SURVEY, ABSTRACT NO. 1252, AND THE LAWSON PARK SURVEY, ABSTRACT NO. 711, DENTON COUNTY, TEXAS, AND BEING PART OF A CALLED 102.021 ACRE TRACT OF LAND CONVEYED TO SHAHAN PRAIRIE, L.P. BY DEED RECORDED IN INSTRUMENT 2004-125339 REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS, AND BEING ALL OF A 19.15 ACRE TRACT OF LAND KNOWN AS SHAHAN LAKEVIEW ADDITION, PHASE I, IN ADDITION TO THE CITY OF DAK POINT, AS RECORDED IN GARINET V. PAGE, 532, 1141 RECORDS, DENTON COUNTY, TEXAS, SAID 102.021 ACRE TRACT, WITH BEING BASIS BEING GRID NORTH TEXAS STATE PLANE COORDINATE SYSTEM NAD83 CORSE, NORTH CENTRAL ZONE 4202 BASED ON GPS MEASUREMENTS ON JULIAN BAY 5/2/2004 FROM COLLEEN COUNTY CORNERS ARP 401N D89923, DENTON CORNERS ARP 101N D08946, AND ARLINGTON CORNERS ARP 101N D89923, BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

While UDF III CANNOT Make Timely Payments to Bank...



Source: UDF III 10Ks & 10Qs

Remember UDF V's Disclosure About Not Lending to Affiliates

- UDF V, the newest fund in the UDF family of funds, "will not participate in any investments with our advisor entities or any of their affiliates, including any prior program sponsored by affiliates of UDFH";
- So unlike UDF III or UDF IV, UDF V will not directly loan money to affiliates nor will it acquire participations interest in related party / affiliate originated loans.

United Development Funding Income Fund V

UDF V is a newly organized Midland real estate investment trust that intends to qualify as a REIT under federal tax law. We were formed to generate current interest income by investing in secured loans and producing profits from investments in residential real estate.

We will derive a significant portion of our income by originating, purchasing and holding for investment secured loans for the acquisition and/or development of parcels of real property into single-family residential lots. We also will make direct investments in land for development into single-family lots.

We also will provide credit enhancements to real estate developers, land bankers and other real estate investors. Such credit enhancements may take the form of a loan guarantee, the pledge of assets, a letter of credit or an inter-creditor agreement provided by us to a third-party lender for the benefit of a borrower and is intended to enhance the creditworthiness of the borrower, thereby affording the borrower credit at terms it would otherwise be unable to obtain. UDF V will not participate in any investments with our advisor entities or any of their affiliates, including any prior program sponsored by affiliates of UDFH.

- UDF V Prospectus Form S-11 (February 26, 2014)

- While UDF V, technically, has not lent to an affiliate program, it practically has by lending to an entity that previously received and currently has a 2nd lien loan from an affiliate (UDF III), not to mention this entity is controlled by its affiliate's largest borrower (although none of this relevant information is disclosed).

FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 6/12/2015 3:15:28 PM
To: J. Kyle Bass [k@haymancapital.com]
CC: Andy Jent [aj@haymancapital.com]; Henry Becker [HB@haymancapital.com]
Subject: RCAP Up on Citi Note
Attachments: image001.png; image002.png; image003.png; image004.png; image005.png; image006.png; image007.jpg

Not a lot of analysts cover RCAP but Citi does and their analyst is one of its biggest cheerleaders; the one thing that he mentions that will concretely give the stock support is if the company can get a waiver or amendment on its leverage covenant, which they are apparently in the process of working on. I've spoken with this analyst several times; he definitely drank the cool-aid. Even if RCAP gets a waiver or extension, it will not change the ultimate outcome for the business and it's downward trajectory, especially when news breaks of UDF

Can The Stock Pull Out Of Its Gravitational Descent? Favorable Q&A with CEO And CFO

RCS Capital Corporation (RCAP)

12 June 2015

This company belongs to Focus List
Buy/High Risk

Price (11 Jun 15)

US\$6.94

Target price

US\$18.00

Expected share price return

159.4%

Expected dividend yield

0.0%

Expected total return

159.4%

Market Cap

US\$536M

* Favorable Q&A with Management

Given the further decline in the shares, we ran through a series of topics with the CEO + CFO. Our discussion covered: 1) debt dynamics; 2) EBITDA disclosure; 3) wholesale economics; 4) recent regulatory filings (and implications); and, 5) an update on the DoL proposal. While clearly the decline in the shares has us second guessing ourselves, we believe the recent trading reflects adverse technicals owing to the decline in the shares themselves (against thin float); the absence of action by management since 1Q results; and, developments elsewhere, notably at Neutral-rated LPLA, but not due to adverse fundamental changes. Our conversation was constructive but...

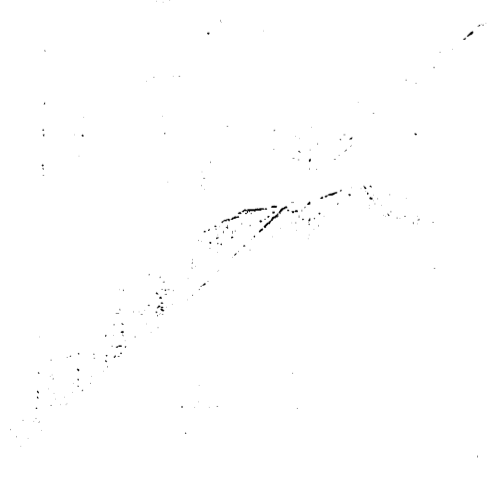
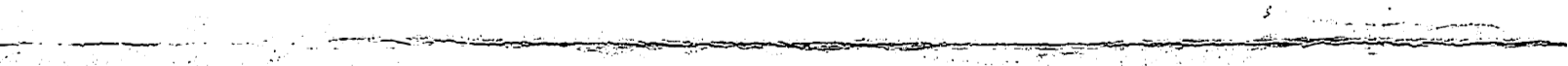
* ...2Q Will Be Make Or Break On Management Credibility

As the firm will need to deliver on: 1) Retail B/D adjusted EBITDA targets; 2) wholesale profitability; and, 3) restructuring of debt covenants, the latter likely to stem the negative feedback loop on the shares, we believe. However, given management's inability to deliver on financials recently, 2Q is now "make or break" time around credibility. No question, the shares screen cheaply, and we now think rate leverage alone (see also 5/11, No Debt (or Equity) Call Likely; Still See A "Double"

Appointment

From: J. Kyle Bass [k@haymancapital.com]
Sent: 6/15/2015 3:33:48 PM
To: Chris Kirkpatrick [CK@haymancapital.com]
Subject: Accepted: UDF Call
Location: Dial In: (866) 906-2797 Code: 6468800
Start: 6/15/2015 9:00:00 PM
End: 6/15/2015 10:00:00 PM
Show Time As: Busy
Recurrence: (none)

Production BegBates	Production EndBates	Production BegAttach	Production EndAttach	Sent From	Sent To	TEXT_Message Id	TEXT_Is Sent	TEXT_Type	TEXT_User Account	Extracted Text	Date Sent (Date & Time)	Date Received (Date & Time)
HAYMAN0005531	HAYMAN0005531				Parker Lewis (+15126997480)	6827	Yes	Outbox	p:+19172075823	I love it. Did you jump the fence?	6/12/2015 16:37	6/12/2015 16:37
HAYMAN0005532	HAYMAN0005532			Parker Lewis (+15126997480)		6829		Inbox	p:+19172075823	I kept my arms and legs inside the vehicle...in case I was being followed, ha		6/12/2015 16:43
HAYMAN0005533	HAYMAN0005533				Parker Lewis (+15126997480)	6830	Yes	Outbox	p:+19172075823	I figured!	6/12/2015 17:16	6/12/2015 17:17
HAYMAN0005534	HAYMAN0005534				Parker Lewis (+15126997480)	6831	Yes	Outbox	p:+19172075823	Make sure you send along the photos to SEC and FBI	6/12/2015 17:17	6/12/2015 17:20
HAYMAN0005535	HAYMAN0005535			Parker Lewis (+15126997480)		6833		Inbox	p:+19172075823	We will, call set up with SEC on Monday, 4pm		6/12/2015 17:21
HAYMAN0005536	HAYMAN0005536				Parker Lewis (+15126997480)	6834	Yes	Outbox	p:+19172075823	Perfect. Pls set up a dial-in and send it to me.	6/12/2015 17:28	6/12/2015 17:29
HAYMAN0005537	HAYMAN0005537			Parker Lewis (+15126997480)		6835		Inbox	p:+19172075823	Will do		6/12/2015 17:49



Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 7/6/2015 1:41:12 PM
To: J. Kyle Bass [k@haymancapital.com]
Subject: RE: Investment Team Meeting Recap from 7/21
Attachments: image001.png; image002.png; image003.png; image004.jpg; image008.png; image005.png; Naspers Financial Analysis.xlsx

Kyle - see attached analysis on Naspers.

The 'stub' trades at ~0.7x revenue and ~11.1x EBITDA]

[cid:image001.png@01D0B7C2.790BA890]

Based on gross public market valuations (not tax effecting), \$1.2 billion, or 2% of the value is attributed to the stub (98% is attributed to Tencent)

[cid:image002.png@01D0B7C2.790BA890]

Naspers trading performance tracks Tencent (last 12 month performance)

[cid:image003.png@01D0B7C2.790BA890]

The stub has revenue of USD\$5.9 billion and EBITDA of USD\$350million (ecommerce + pay TV + print media)...with the ecommerce business having revenue of \$2billion and an operating loss of ~\$400 million

[cid:image005.png@01D0B7C2.790BA890]

[cid:image006.png@01D0B7C6.F08F11A0]

Summary of Initial Thoughts

" The ecommerce business is small on a revenue basis, complex and publicly disclosed information in financials on the individual businesses + markets within ecommerce is limited - difficult to even determine which markets / business are profitable which makes valuing, even on a revenue multiple basis, challenging (negative net earnings)

" 'Retail' accounts for 59% of revenue of the ecommerce business, with the other 41% coming from classifieds, online services, payments, OCS and marketplaces. For the 'retail' business, 55% of the volume is attributed to India and Southeast Asia, 35% Europe and 10% Africa/Middle East.

" The ecommerce business operates across 40 different markets globally.

" The value ascribed to the stub (ecommerce + pay TV + print media) is relatively small compared to value attributable to Tencent.

" The earnings / value of Tencent likely subsidize the investment in the ecommerce business

" If the Tencent/Mail.ru stakes were spun off, the company may not be able to invest as significantly in the growth of the ecommerce businesses (does activism really make sense if so?).

" Ultimately, I view the ecommerce business as a small cap tech stock that operates across a significant number of markets for which we have very limited visibility.

" I think it will be difficult for us to have an edge / gain an advantage given the 1) limited information 2) complexity and 3) geographies in which these businesses operate.

" If we want long term exposure, there are better, cleaner stories than Naspers (not that Naspers is particularly unattractive; but rather that there are other opportunities that we will be better suited to make informed / convicted investment decisions).

I am happy to do more work and dig in; these are just my initial thoughts upon preliminary review and talking to a few people. I have been focusing more on looking for shorts because everything I look at seems very expensive, especially on the tech side (with the caveat that I continue to think that Pandora is incredibly underappreciated/undervalued).

I'm also happy to discuss further, down in Nicaragua for the week so I'm an hour behind Dallas, apologies for being a little slow in responding.

[cid:image001.jpg@01c84251.44A3D176]

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From: J. Kyle Bass
Sent: Monday, July 06, 2015 5:00 AM
To: Parker Lewis
Subject: FW: Investment Team Meeting Recap from 7/2
Importance: High

Parker,

When will you be able to update on the potential for activism? Please send me a spreadsheet with the stub valuation as soon as possible (show me the valuation methodology that you use in valuing the private companies. What are your initial thoughts?

Kyle

From: Jeff Cate
Sent: Sunday, July 5, 2015 1:12 PM
To: J. Kyle Bass
Cc: Brandon Osmon; Andy Jent
Subject: Investment Team Meeting Recap from 7/2

JF (Parker)

- 1)n Update on meetings - pace seems to be accelerating
- 2)n Trying to grow position - Tight borrow leading to some buy-ins around the street
- 3)n Recommendation: Add when we can get borrow

GM (Parker & Andy)

- 1)n Q: What is the bear case? A: SA is a headwind, China tailwind fading, and NA concerned about FX impact on competitive dynamics
- 2)n Truck segments doing very well
- 3)n Should easily meet earnings estimates
- 4)n Recommendation: None at moment; Revisit after earnings

Naspers (Parker)

- 1)n Discussion of high-level background & thesis
- 2)n Complex situation w/ many open questions to address:
 - a.n Can you short Tencent and mail.ru to isolate the stub and how capital efficient is it?
 - b.n What are tax implications of breakup, and is there room for activism?
 - c.n How do we get an edge on disparate "core" businesses across multiple countries?
-) Recommendation: Parker continuing to investigate

Puerto Rico (Dan)

- 1)n Governor's speech on restructuring spooked the market, but it seems to be settling down

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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 7/28/2015 5:48:34 PM
To: J. Kyle Bass [k@haymancapital.com]
CC: Andy Jent [aj@haymancapital.com]
Subject: Non-Traded REIT Recommendation
Attachments: image002.jpg; image003.png; Other Non-Traded REIT Opportunities.xlsx

Kyle - see below and attached. We recommend a basket including LPLA, NSAM, APLE and NRF (2 broker dealers and 2 REITs) to add exposure around a negative UDF/RCAP event, with a heavy weight toward the broker dealers; we believe there will be more volatility in the broker-dealer names immediately following an event which is why we prefer these names. All of these companies report Q2 earnings between August 6-11. We can discuss in the investment team meeting on Thursday or anytime between now and then.

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[cid:image001.jpg@01C84251.44A3D170]

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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 7/30/2015 2:08:04 PM
To: J. Kyle Bass [k@haymancapital.com]
CC: Henry Becker [HB@haymancapital.com]
Subject: Non-Traded REIT Execution
Attachments: image001.jpg

Kyle - if we complete the execution today, we will have to AT LEAST be 27% of LPLA volume and 31% of NSAM volume but likely more. If we do this, we will affect the stocks and not get effective execution. We would like to spread over the next few days to make sure that we get the best execution. Based on everything that I know, there will not be an event in the next week related to UDF.

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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 8/7/2015 2:01:46 PM
To: J. Kyle Bass [k@haymancapital.com]; Andy Jent [aj@haymancapital.com]
CC: Henry Becker [HB@haymancapital.com]; Brandon Osmon [bo@haymancapital.com]; Jeff Cate [jc@haymancapital.com]
Subject: Apple Hospitality REIT Earnings
Attachments: image001.jpg; image002.png; image003.png

Below are notes from Apple's earnings release; summary of call notes and earnings are below; it appears that the same-store comps performed well in the quarter. Average room rates and occupancy both improved; that being said, I do not think there is much risk to being short for our horizon because 1) market views on growth should be limited given where average daily rates/occupancy rates currently stand and 2) this is primarily still owned by retail investors seeking liquidity which should react / trade in sympathy following a UDF event.

Relevant notes from Apple Hospitality REIT's earnings call (APLE)

- * Comparable hotel properties performing well (average daily rate up 5%, occupancy up 1% Y-o-Y to 82%)
- * Company has view that we are in the "maturing" stage of a cycle (based on demand and occupancy)
- * Company's Buyback \$17.80 average thus far (through July 31, had only acquired 186,000 shares or \$3.3 million)
- * Have a target of NAV range which guides buyback
- * Buyback Set to be more aggressive when get further below NAV range
- * In market every day since July 31 buying back stock
- * Tender at \$19 was below Company's view of NAV which gives sense of view of NAV range
- * Balance sheet could be used to pursue acquisitions
- * Apple Ten could be an attractive acquisition target but Apple Ten has an independent Board and Board has not yet begun to pursue alternatives; if it does, Apple Hospitality REIT does not have any first right to the Apple Ten asset
- * Houston hotel properties located near energy concentrated areas down 4-15%

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[cid:image003.png@01D0D0EE.FA9A6280]

[cid:image001.jpg@01C84251.44A3D170]

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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 8/18/2015 2:38:02 PM
To: J. Kyle Bass [kj@haymancapital.com];
Cc: Andy Jent [aj@haymancapital.com];
Subject: RE: Parker...pls update me on our UDF 'basket' that remains open (excluding RCAP);
Attachments: image002.png; image003.jpg; image004.png

Kyle - see below, the % of AUM assumes \$1,040,000,000. Total exposure across the four names (LPLA, NSAM, NRF and APLE) is ~\$58.2 million (5.6% of AUM). Current net P&L is ~\$632K. By position break out is below, let me know if you have any questions or if you would like to discuss.

RCAP is completely closed out for now; excluding the borrow cost, my estimate for the total P&L on RCAP is +\$8.9 million including common and options (will figure out the next borrow cost and confirm with stu, will revert back).

Otherwise on UDF, I have prepared a 55 page presentation on the Q2 update to send to the relevant authorities. We plan to send today and follow up with a call. I will send you guys the presentation and update on what we learn; a few of the interesting data points from Q2 include the fact that UDF IVi currently has three separate facilities that, as of the filing of the 10Q, have matured but had not been extended. Two facilities are with Community Trust Bank with outstanding balances of \$41 million and the other one is with Legacy Texas Bank with an outstanding balance of \$10 million. Disclosures in the 10Q note the Company is currently negotiating extensions of these agreements; the disclosures do not say anything about whether or not UDF IV is technically in default given they have debt that has matured and remains outstanding.

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[cid:image002.png@01D0D998.8E6DFD60]

[cid:image001.jpg@01C84251.44A3D170]

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From: J. Kyle Bass
Sent: Tuesday, August 18, 2015 8:54 AM
To: Parker Lewis <PL@haymancapital.com>
Cc: Andy Jent <aj@haymancapital.com>
Subject: Parker...pls update me on our UDF 'basket' that remains open (excluding RCAP)
Importance: High

Please send me total position in shares, \$, and % of AUM...our cost basis...and current p&L by position.

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

As of	Ticker	Shares	Status	Avg Cost	Mkt Price	Cost Value	Market Value	P&L	Dividends	Net P&L
08/18/15	LPLA	619,111	Active	\$ 46.00	\$ 43.30	\$ 28,481,989	\$ 26,807,506	\$ 1,674,483	\$ (154,778)	\$ 1,519,705
08/18/15	NSAM	852,501	Active	18.02	18.86	15,564,976	16,078,169	(713,193)	(85,250)	(798,443)
18/15	NRF	320,718	Active	15.87	15.53	5,089,384	4,980,751	108,634	(128,287)	(19,654)
08/18/15	APLE	574,105	Active	17.90	18.02	10,273,936	10,343,191	(69,254)	-	(69,254)
						\$ 59,210,285	\$ 58,209,616	\$ 1,000,669	\$ (368,315)	\$ 632,354

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As of	Ticker	% of AUM		
		Cost Value	Market Value	Net P&L
08/18/15	LPLA	2.7%	2.6%	0.1%
08/18/15	NSAM	1.5%	1.5%	(0.1%)
08/18/15	NRF	0.5%	0.5%	(0.0%)
08/18/15	APLE	1.0%	1.0%	(0.0%)
	Total	5.7%	5.6%	0.1%

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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 9/20/2015 3:36:52 PM
To: Jeyle Bass [k@haymancapital.com]
C: Dan Bubich [DB@haymancapital.com]
Subject: Distressed Debt Opportunity
Attachments: image001.jpg; image003.png; Distressed Debt Model.xlsx

Kyle - see below (summary of returns/fees) and attached model on the real estate distressed debt opportunity. The baseline in the model assumes that we can deploy \$100mm of capital with a 1.25% management fee, 6.5% preferred return and a 70/30 split (LP/GP) after the preferred return hurdle. In terms of the key operating sensitivities, we assume that the notes that we acquire will generate default interest of 9%-11% and that we will acquire the notes at a 20%-30% discount to par. Based on these parameters, this would result in IRRs to our LPs of 13%-19% and total fees to the GP of \$15mm to \$25mm, assuming a 3-yr time horizon.

I've received initial feedback from land advisors on underlying collateral values; while the analysis still needs to be refined, the collateral values support the 1st lien bank loans (not UDF loans) on the target/priority deals which we have been focused on to this point. We believe there will be more opportunities than just the 30 priority deals/loans but most immediately, we think it is best to focus on the cleanest (relatively speaking) and most straight forward targets.

Dan and I met with Farley on Friday and we think it makes sense for you to have a conversation with him to discuss how our prospective partnership would be structured if we were to proceed. Hopefully, we can get something scheduled early this week (Mon/Tues); we could have Farley come to our office to video conference with you or we could just arrange for a phone call between the two of you.

I'm working on the shell of the presentation that we would use to take to LPs at the appropriate time, with the idea of having Farley/Mackinac collaborate on the deck and largely completing by the end of this week so we can be in position to go out should any news break.

Let us know your thoughts, I'm around if you'd like to discuss

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11

Total Cash Available for Investor Returns (After Management Fee)

(\$ in millions)

		Discount Assumed on Acquisition of Loans				
		0.0%	10.0%	20.0%	30.0%	40.0%
Average Default Interest Rate	8.0%	\$ 20.2	\$ 34.2	\$ 51.6	\$ 74.1	\$ 104.1
	9.0%	\$ 23.8	\$ 38.1	\$ 56.1	\$ 79.2	\$ 110.0
	10.0%	\$ 27.4	\$ 42.1	\$ 60.6	\$ 84.3	\$ 116.0
	11.0%	\$ 31.1	\$ 46.3	\$ 65.2	\$ 89.6	\$ 122.2
	12.0%	\$ 34.8	\$ 50.4	\$ 69.9	\$ 95.0	\$ 128.5

Limited Partner IRRs

		Discount Assumed on Acquisition of Loans				
		0.0%	10.0%	20.0%	30.0%	40.0%
Average Default Interest Rate	8.0%	6.3%	9.2%	12.5%	16.6%	21.7%
	9.0%	7.1%	9.9%	13.3%	17.4%	22.6%
	10.0%	7.8%	10.7%	14.1%	18.3%	23.5%
	11.0%	8.5%	11.4%	14.9%	19.2%	24.4%
	12.0%	9.2%	12.2%	15.8%	20.0%	25.4%

Total GP Fees (Management Fee + Promote)

(\$ in millions)

		Discount Assumed on Acquisition of Loans				
		0.0%	10.0%	20.0%	30.0%	40.0%
Average Default Interest Rate	8.0%	\$ 3.9	\$ 8.0	\$ 13.3	\$ 20.0	\$ 29.0
	9.0%	\$ 4.8	\$ 9.2	\$ 14.6	\$ 21.5	\$ 30.8
	10.0%	\$ 5.9	\$ 10.4	\$ 16.0	\$ 23.1	\$ 32.6
	11.0%	\$ 7.0	\$ 11.6	\$ 17.3	\$ 24.7	\$ 34.4
	12.0%	\$ 8.1	\$ 12.9	\$ 18.8	\$ 26.3	\$ 36.3

Message

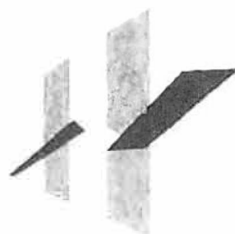
From: Parker Lewis [PL@haymancapital.com]
Sent: 9/24/2015 2:24:22 PM
To: J. Kyle Bass [k@haymancapital.com]
Subject: Distressed Debt Presentation
Attachments: image001.jpg; Real Estate Distressed Debt Opportunity Fund (Draft 9.24.15).pdf; Real Estate Distressed Debt Opportunity Fund (Draft 9.24.15).pptx

Kyle - attached is the distressed debt presentation that we will pitch at 11:30am

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Real Estate Distressed Debt Opportunity

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- Opportunity Overview
- Strategy Overview
- Potential Return Profile



Mackinac
PARTNERS

Introduction to Mackinac

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Mackinac Partners – Select Bios



Farley Dakan

Principal

Contact Information:

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fdakan@mackinacpartners.com



Professional Experience

- Farley has 17 years of real estate experience and has completed valuation, advisory, and asset management engagements on behalf of Diamond Resorts International, Lone Star Funds, Fortress Investment Group and Goldman Sachs for assets valued in excess of \$5 billion, including NPLs, PLS, RFO, bank holding companies and several real estate operating companies.
- He is currently leads the asset management efforts of FE Loans, LLC which consummated emergence from Chapter 11 bankruptcy in 2012. He is currently overseeing the disposition of a portfolio of REO and loans with an aggregate unpaid principal balance of over \$700 million, located in 19 states.
- Farley began his career in the real estate advisory practice of Ernst & Young Kenneth Leventhal. While at EYK, Farley was involved in providing financial advisory, operations consulting, and MSA valuation, transaction, and integration advisory services to several Fortune 500 real estate companies. Former client engagements included KB Home, Lewis Homes, The Rouse Co company, The Howard Hughes Corporation, Terrabrook (now Newland Communities), Equity Office Properties and Coretek.

Education & Certifications

- Bachelor's in Business Administration in Finance from Baylor University
- Member of the Urban Land Institute and Habitat for Humanity
- Member of American Enterprise Institute

Mackinac Partners – Select Bios (continued)



James Weissenborn

Principal

Contact Information:
Bloomfield Hills, MI
Office: (248) 258-5000
jweissenborn@mackinacpartners.com



Professional Experience

- Jim has more than 25 years of business experience including positions of Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer of several major national and international public and private corporations.
- His experience spans various industry sectors including vacation ownership, banking and financial services, real estate, entertainment, and investment banking. He has extensive capital markets experience and has raised more than \$5 billion in capital.
- Jim served as the Interim President and Chief Executive Officer of one of the world's largest vacation ownership companies. He guided this \$400 million publicly traded company through an out-of-court restructuring and tender offer for all of the company's shares, valued at \$750 million.
- Prior to founding Mackinac Partners, Jim held executive positions in several prominent capital markets including a private holding company (Detroit Tigers' stadium financing) and Little Caesars Pizza Corporation and National Mortgage Corporation.
- Jim was a senior officer at Pulte Corporation, where he oversaw the company's financing strategy and the restructuring of its international homebuilding ventures.

Education & Certifications

- Cum laude graduate of the University of South Florida
- MBA from the University of Texas at Austin

Mackinac Partners – Select Bios (continued)



Ronald Rakunas

Principal

Contact Information:
Southern California Office
Mobile: 949-274-0641
rrakunas@mackinacpartners.com



Professional Experience

- Ron has over 25 years of experience in US domestic and international real estate investment, development, finance and restructuring. In addition to being a Principal in Mackinac Realty Capital Management, he is a Managing Director with Mackinac Partners where he co-manages the firm's real estate practice and his responsibilities include financial advisory, restructuring and asset management. Most recently involved with the restructuring, bankruptcy advisory and asset management of a lender, including a \$700 million portfolio of notes and REO throughout the US.
- Ron is currently acting as the CEO for the largest Mexican homebuilder (GEO SABI).
- Previously he was the founder and Managing Partner of Rydel Holdings, LLC, a private real estate investment and asset management company, involved with the asset management and disposition of the Southern California portion of \$500 million portfolio of assets owned by two hedge funds and a private equity group.
- Ron has also held senior management positions at public homebuilders Lennar Corp and Pulte Corporation. As Regional Vice President for Lennar in Los Angeles and Ventura Counties, he managed several divisions representing a combined \$500 million balance sheet and was responsible for the operational, financial and strategic planning for Lennar's homebuilding activities for the company's 30,000 unit Newhall Ranch master planned community.
- At Pulte Corporation he was Chief Financial Officer of Pulte International, Corporate VP Finance & Operations and Division President. Ron was directly involved with more than \$1 billion of both corporate and land acquisitions, including Pulte's \$1.8 billion acquisition of Del Webb. As Division President in Southern California, he restructured and quickly established the operation as a consistently high performing division with annual revenues in excess of \$700 million, \$40 million of pre-tax income, 1,700 closings and control of 70,000 lots.
- His commercial real estate investment and development experience includes Kohn Realty Investors, an operational subsidiary of the Morgan Stanley Real Estate Fund, and The Koll Company, a large private development company based in Newport Beach, CA.

Education & Certifications

- MBA from Columbia University, JD from the University of Southern California, BA from UCLA.

Mackinac Partners – Select Bios (continued)



Mark O'Brien

Advisor

Contact Information
Tampa/Orlando Office



Professional Experience

- Mr. O'Brien has over 35 years of experience in the real estate industry including positions of Chief Executive Officer and President of major homebuilding companies. Mark has experience in every major market in the US and Mexico.
- Served as President and Chief Executive Officer of Pulse Homes Inc. While Mark was President of the company, revenues grew from approximately \$1 billion to over \$10 billion. Under his leadership, Pulse raised in excess of \$2 billion from the capital markets, including considerable levels of investment grade 30-year debt. The company also engaged in significant M&A activity, most notably its \$1.2 billion acquisition and integration of Del Webb Corp.
- While at Pulse, led the development and implementation of a strategy to increase market share based on a segmentation plan that allowed the company to attack all price points in all major markets with a variety of products, including single family, multi family, and condominiums.
- During Mark's tenure with Pulse, he successfully developed a planned community development business. Mark's experience in this area includes golf courses, amenity design and management, land planning, product design, value engineering and community positioning against a competitive environment.
- Mark is currently serving as CEO of Walter Investment Management, a \$1 billion and publicly traded (NYSE "WAC") mortgage servicing and origination company, in addition to being a principal at Mackinac Realty Capital Management.

Education & Certifications

- BA from the University of Miami



Mackinac Partners Special Situations Case Study

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Mackinac Partners Case Study: RE Loans





Industry	Real Estate (Real Estate assets, industrial property, multiple states and NY)
Capital Structure	Mortgage Senior Facility (MSF) - \$400 million, Senior, Non-Banking
Assets	MSF Secured Loans, REIT, 115% spread in its non-performing
Responsibilities	Disposition, Foreclosure, Litigation, Loan modifications, Debtor bankruptcies
Strategy	Value preservation by obtaining control and implementing strategic corporate strategies

Transaction Background

- Mackinac Partners (MP) was initially engaged as a financial advisor and subsequently became the Chief Restructuring Officer of R.E. Loans LLC ("REL"), a senior secured high yield lender, based in the Bay Area of California.
- MP navigated the enterprise through a successful bankruptcy and restructuring.
- Upon emergence from bankruptcy, MP was engaged as asset manager on behalf of the liquidating trust to maximize value of the remaining assets.
- Over the past 40 months MP has managed the workout and disposition of a portfolio comprised primarily of negative carry assets throughout the United States.
- MP developed a strategy for each individual asset, including the capitalization, risk management, and execution of that strategy.
- MP has successfully managed through 26 non-performing notes and REOs.

Company Background

- REL was setup as a high yield, "hard money", lender and specialty highasset loans secured by senior mortgages or deeds of trust on real property.
- In July 2007, the Company obtained a working capital senior secured debt facility from Wells Fargo Capital Finance (formerly known as Wells Fargo Institutional). REL defaulted on the Original loan agreement and entered into a series of amendments and forbearance agreements from January 2010 through August 2011.
- On September 13, 2011, REL filed for Chapter 11 protection and on June 29th 2012, RE Loans successfully confirmed a Plan of Reorganization and formed an exit financing facility from WCF.

Texas

Real Estate

Distressed,
Secured Debt



(+)



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Opportunity Overview

Confidential

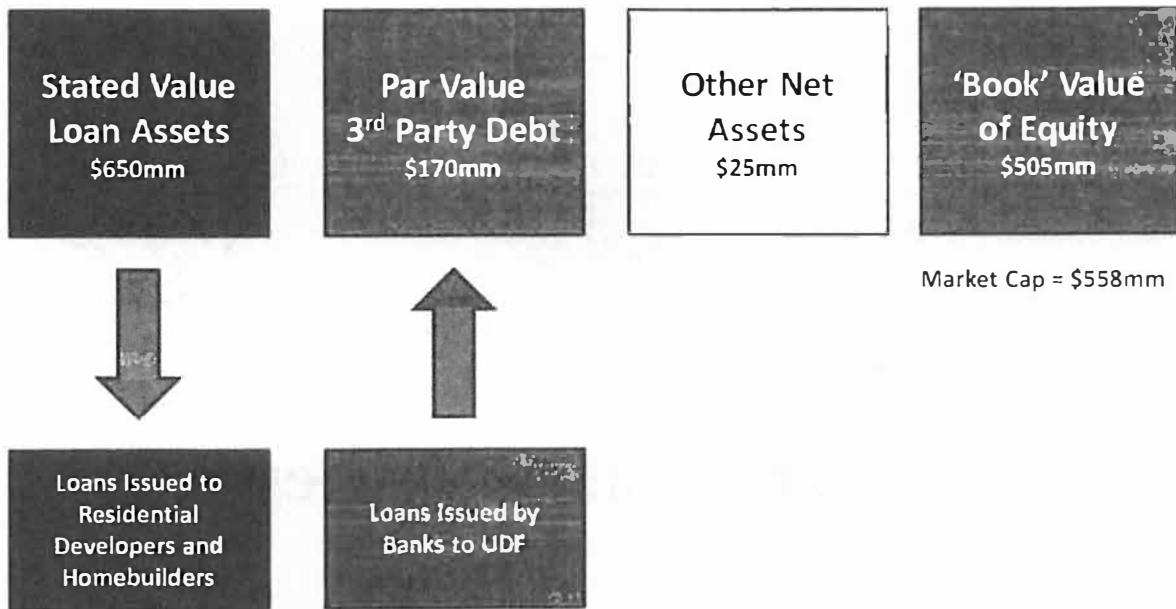


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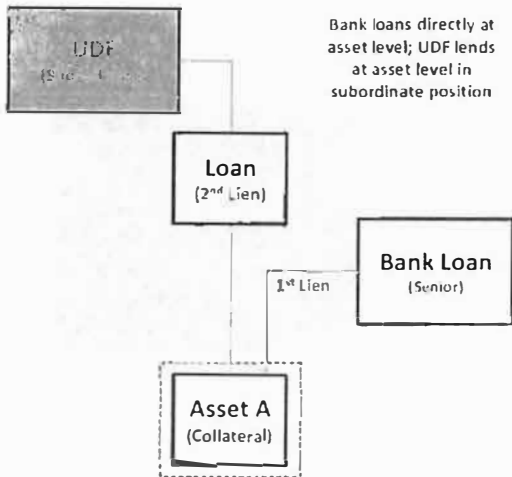
United Development Funding (UDF) is a Real Estate Lender

Using UDF IV as an example, UDF IV raised capital from retail investors for the purported use of issuing new loans to residential real estate developers and homebuilders to develop land, mostly in North Texas.

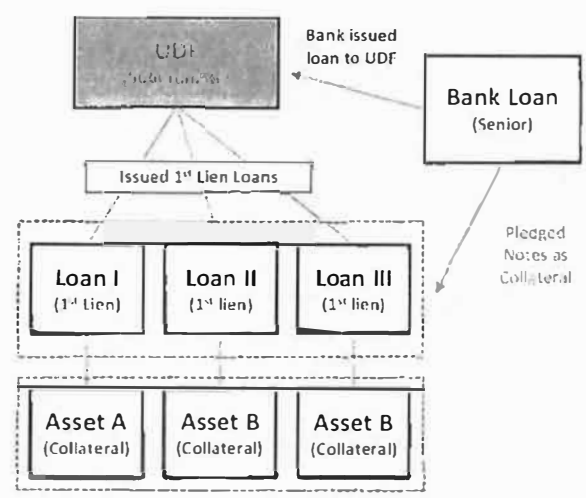


Illustrative UDF Lending Structures

2nd Liens Secured by Real Property



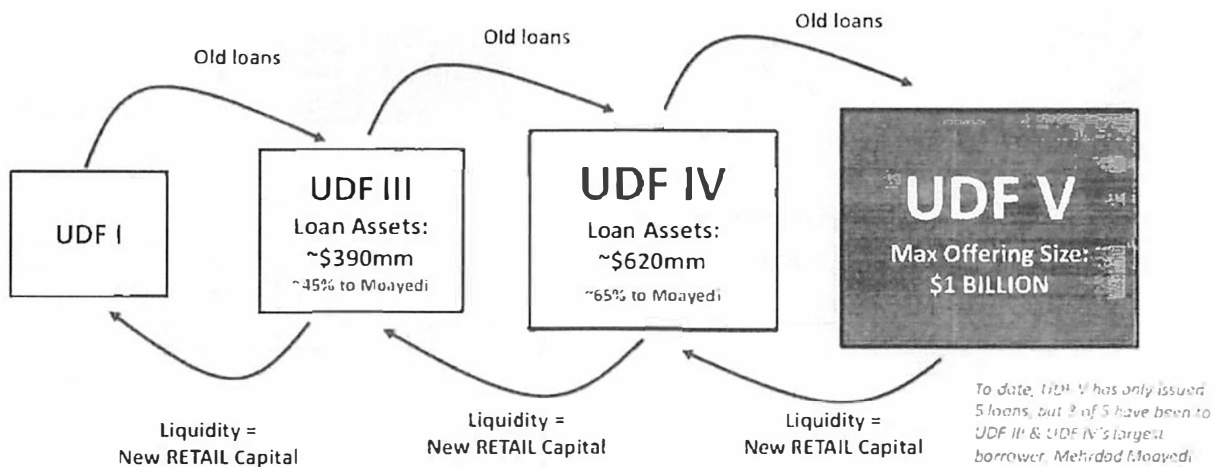
1st Liens Secured by Real Property That Have Been Pledged to Banks



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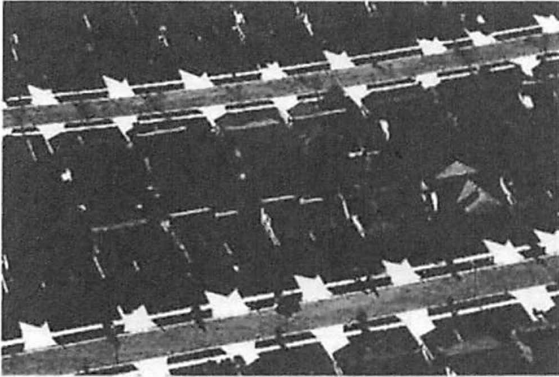
It Evolved into a Ponzi-Scheme

Real estate securing by bad loans was passed from old fund to new fund and the mountain of debt grew as unassuming retail investors were continually sold a false (and larger) bill of impaired goods.



It Started by Putting Too Much Debt on Real Estate

Imagine the consequences of holding too much debt on real estate (primarily on tract developments in North Texas) in and around the financial crisis.



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Now Imagine Bad Actors Tried to Keep the Dream Alive



Retail Capital

Unsuspecting, unsophisticated retail investors



Someone to Raise the Capital

Network of 12,000 self-serving brokers and RIAs sacrificing best interests of clients for high fees and commissions.



Brokers/RIAs

Nick Schorsch
Founder and Former Chairman of RCS Capital (RCAP)



Architects

Unregulated lender and a complicit borrower with disclosure issues at best but more likely committing fraud.



Hollis Greenlaw
*Chairman of S&D and CEO of UDF IV
 Real Estate - Lender*



Mehrdad Moayed
*CEO and Founder
 Centurion American
 Real Estate - Developer*

United Development Funding (UDF) has raised over \$1bn across 4 different public entities; RCS Capital (RCAP) raised the capital for UDF IV and is currently raising capital for UDF V, representing ~60% of equity raised to date.

It Wasn't A Pretty Ending



One Man's Trash is Another Man's Treasure

Quality Assets

- North Texas Real Estate
- Strong Underlying Fundamentals

Unsustainable Capital Structure

- Too Much Debt
- Combined with Poor Stewardship

Opportunity

- Acquire secured notes
- Restructure real estate
- Re-position / Sell

Strategy Overview



- Structure Expert
- Capital Partners

(+)



- Real Estate Workout
- Operational Expertise

(+)



- Market Expert
- Nationwide Reach

Confidential



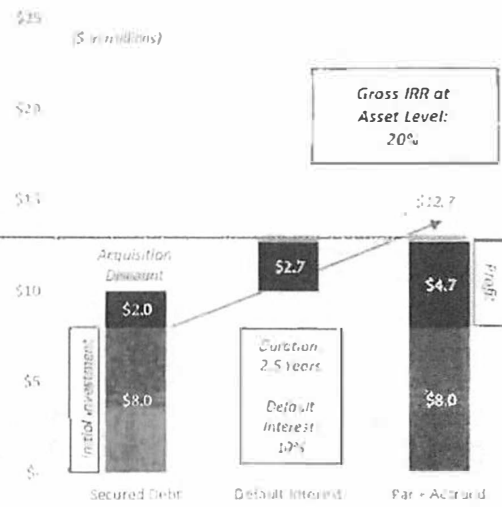
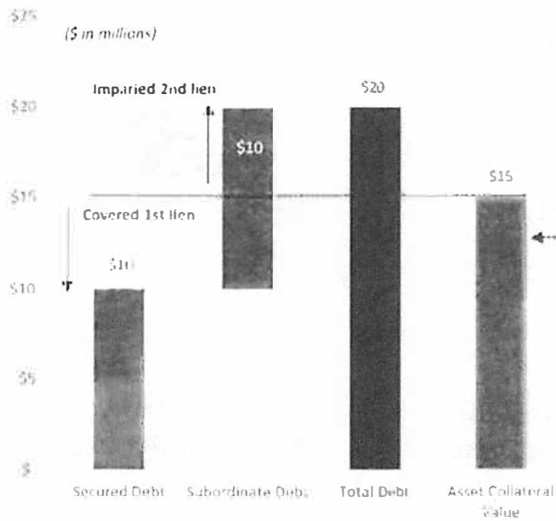
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The Investment Strategy – Buying Distressed Loans

1. Acquire over-secured 1st lien loans on real property at a discount

Workout Loans, Accrue Default Interest, Re-position, Sell (Profit = OID + Default Interest)



Note: Default interest and IRR assume interest payments to be limited to the balance of loan (paid in current pass and par + accrued is repaid upon exit)

Why a Bank Will Sell An Over-Secured Loan At a Discount

- Regulated lending institutions will not want to keep troubled loans on books due to 1) **headline risk**, 2) **reputational risk** and 3) associated risks of **uncertainty**.
- Provides immediate **liquidity** and a **timely** resolution
- ‘Loss-given-default’ reserved on troubled assets – threshold prior to incremental losses
- Hard **cost** and **time** required to **workout** – lending banks **DO NOT** typically have workout groups in place to resolve troubled assets
- Potential to resolve **multiple troubled loans** at same time with one counterparty
- Lender liability and indemnifications
- **Market timing** and **execution risk**

Oversecured Creditor Default Interest is Key to Returns

Section 506(b) of the Bankruptcy Code provides that an oversecured creditor (i.e., a creditor whose claim is secured by collateral of a value that is greater than the amount of the claim) is entitled to "interest on such claim, and any reasonable fees, costs, or charges provided for under the agreement or State statute under which such claim arose."

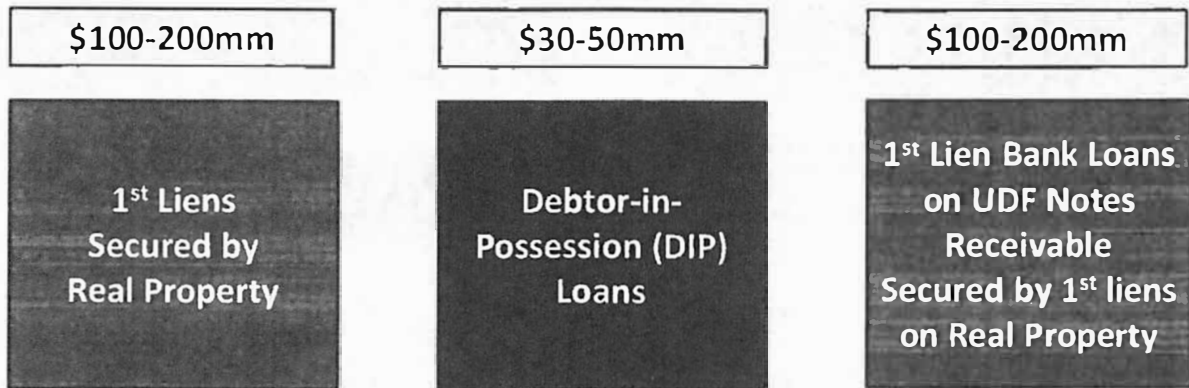
Key Considerations:

- The statute does not specify at what date the overcollateralization is determined nor how to calculate it, nor the rate of interest.
- The key issue will be the rate of post-petition interest; the legal principle is that a debtor has a rebuttable right to contractual default interest rate and that the debtor has the burden of proof to prove that the result is inequitable.
- The finance documents should contain language which enables us to roll up legal fees into our secured claim.

Key Precedent (Southland Case, 5th Circuit of Appeals 97-10474):

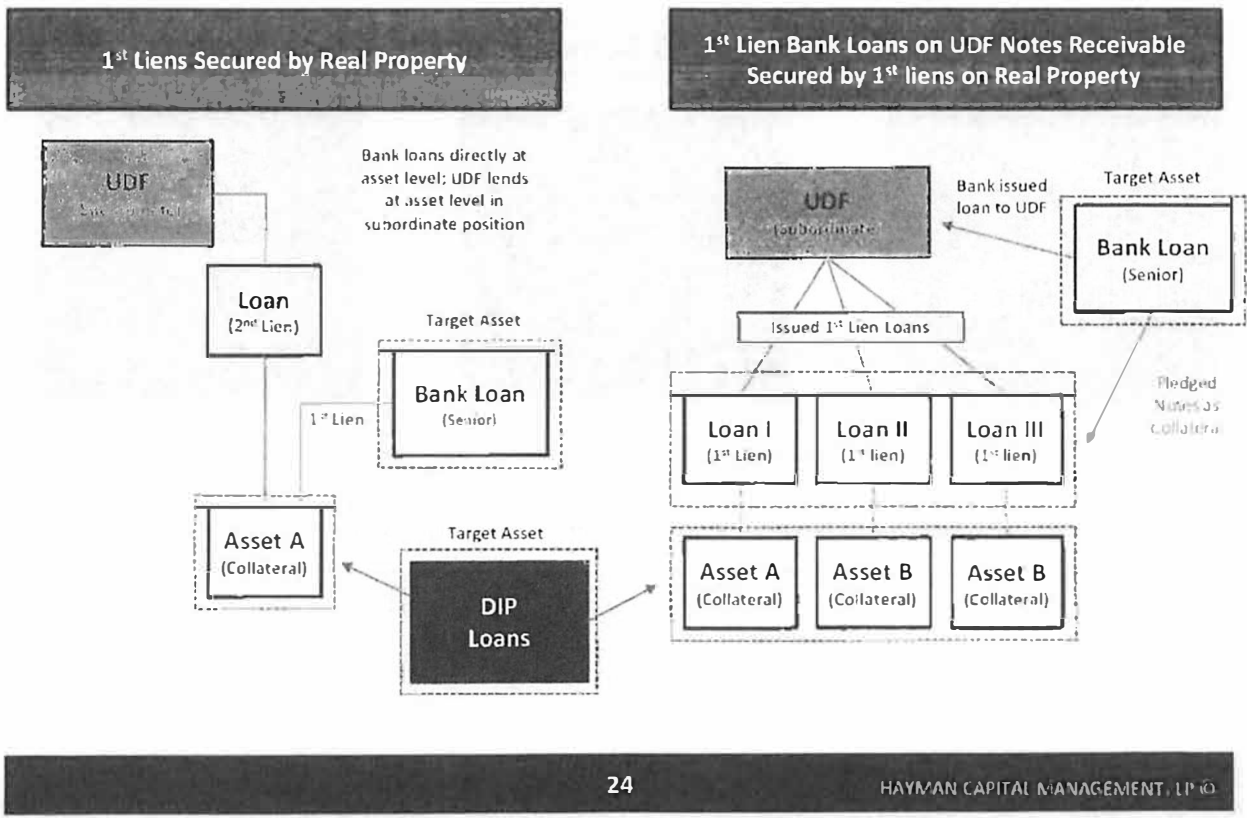
- This is the key case in the 5th Circuit which affirms the right to post-petition interest for an oversecured creditor at contractual rates, subject to "the equities of the case".
- In re W.S. Shepley & Co., 62 B.R. 271, 277 (Bankr. N.D.Iowa 1986) lays out what the typical equities are, although the 5th circuit has held that these are not all inclusive. Below is a list of the typical "equities" that will be considered:
 - Is default rate of interest a penalty?
 - Will unsecured creditors be harmed? Will equity holders be hurt?
 - Is the spread small, i.e. (2-3)%?
 - Is the default rate an attempt to prevent filing bankruptcy?
 - Is it legal under state law? (i.e., usury laws)
 - Is the only default a bankruptcy ipso facto clause?

Identifying & Quantifying the Opportunity Set



30 priority assets in the DFW area have already been identified and preliminary diligence on collateral values is largely complete; senior lenders in each situation have also been identified.

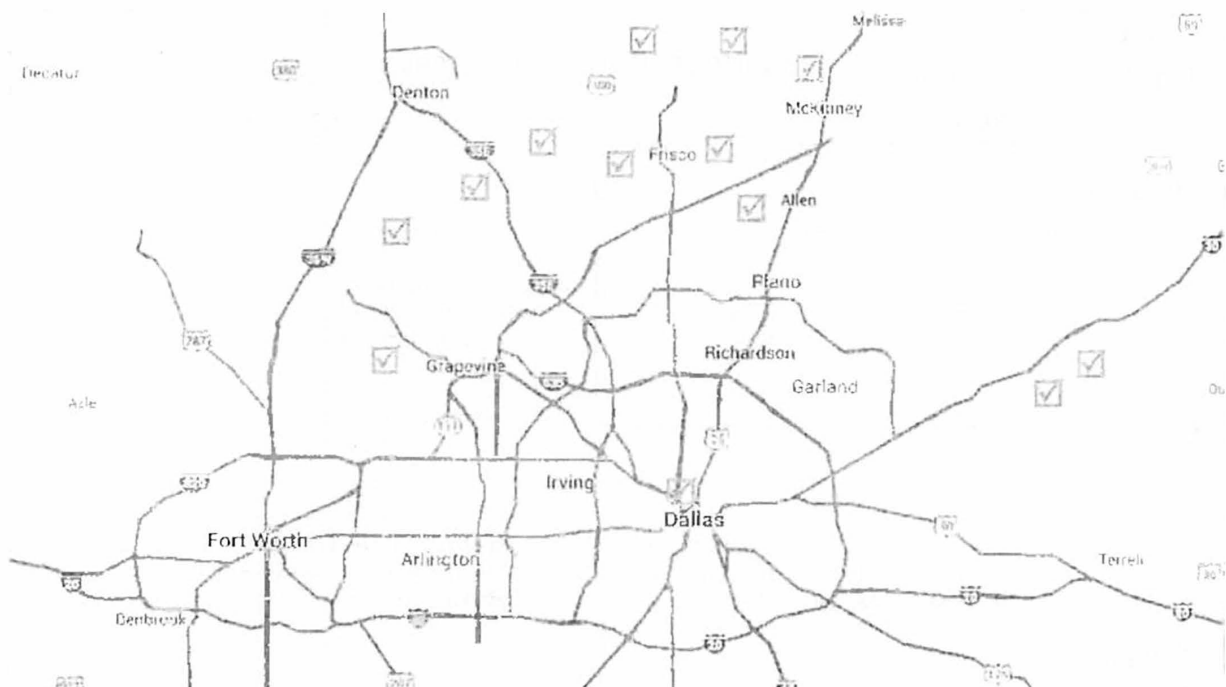
Illustrative Structures / Loan Assets to Target



Narrowing the Universe of Opportunities

Fund Targets		Quality of Underlying Asset	
		Well Positioned	Poorly Positioned
Security Interest	1 st Lien	<p>Example:</p> <p>Bank loan on single purpose entity in attractive sub-market with strong absorption characteristic</p>	<p>Example:</p> <p>Bank loan on single purpose entity in a tertiary market, with poor underlying development economics</p>
	2 nd Lien	<p>Example:</p> <p>UDF note that is subordinate to 1st lien bank lender; attractive real estate but unattractive collateral interest</p>	<p>Example:</p> <p>UDF note that is subordinate to 1st lien bank lender; unattractive real estate and unattractive collateral interest</p>

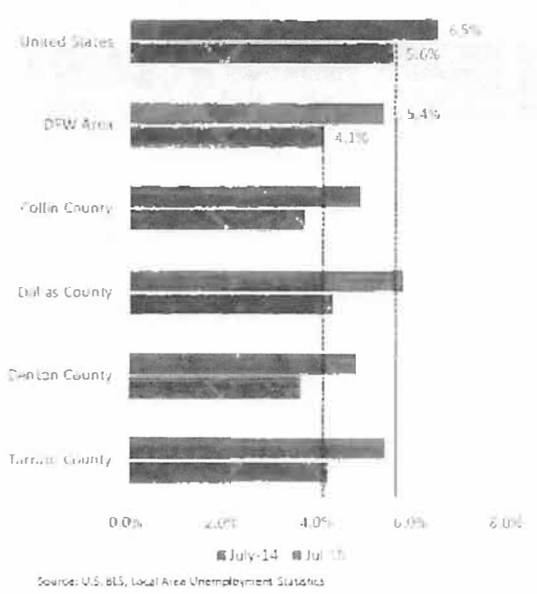
Well Positioned Assets – Example DFW Locations



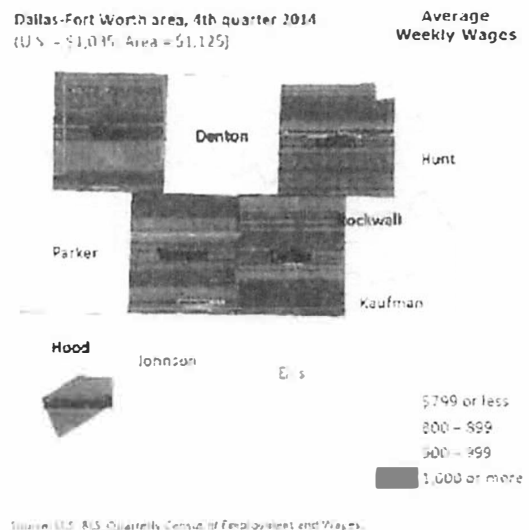
Concentrated portfolio in DFW submarkets, with potential opportunities in Austin and San Antonio

Well Positioned Assets – DFW Economic Overview

Lower Unemployment than National Average



Higher Wages than National Average



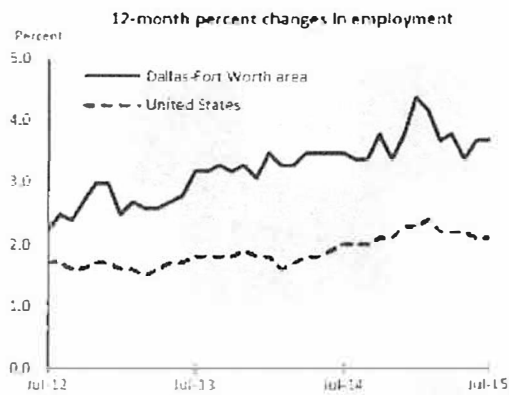
Diverse economy with strong underlying fundamentals supporting stable, steady growth

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Well Positioned Assets – DFW Economic Overview (continued)



Faster Employment Growth than National Average



Source: U.S. BLS, Current Employment Statistics.

Large, Diversified Economy

Dallas-Fort Worth area employment (numbers in thousands)	Jul. 2015	Change from Jul. 2014 to Jul. 2015	
		Number	Percent
Total nonfarm	3,390.0	121.7	3.7
Mining, logging, and construction	197.1	0.2	0.1
Manufacturing	268.4	2.6	1.1
Trade, transportation, and utilities	709.1	27.7	4.1
Information	81.4	-1.4	-1.7
Financial activities	275.6	9.1	3.0
Professional and business services	567.0	26.7	5.1
Education and health services	421.2	24.4	6.1
Leisure and hospitality	364.1	24.9	7.1
Other services	120.5	2.7	2.3
Government	393.6	9.2	2.4

Source: U.S. BLS, Current Employment Statistics.

Diverse economy with strong underlying fundamentals supporting stable, steady growth

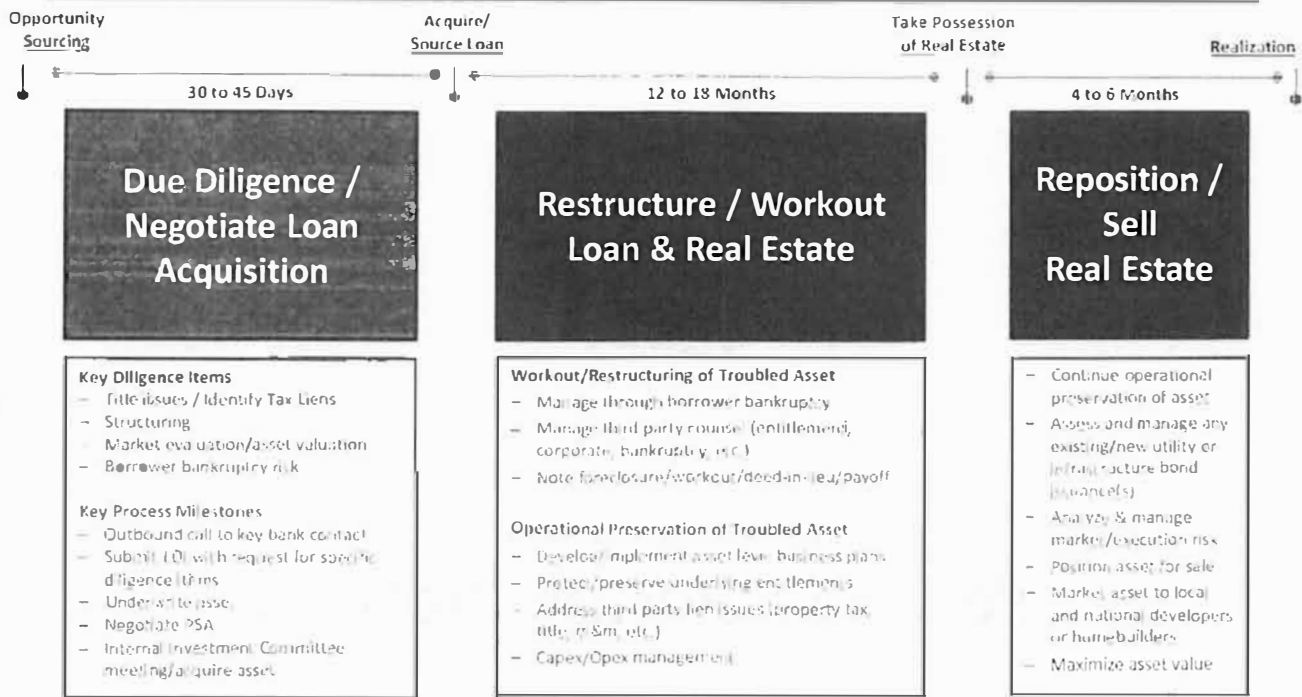
The Hayman / Mackinac Competitive Advantage

Knowledge of Complex Structure	First Mover Advantage with Scale	Workout & Operational Expertise	Key Relationships in Relevant Market(s)	Playbook from Past Special Situation
<p>12 months of diligence on the complex UDF structure which provides a unique understanding of:</p> <ul style="list-style-type: none"> - The various UDF entities (III, IV, V, etc.) - The lenders to UDF - The assets backing each loan to UDF - The developers to whom UDF has lent - The banks that have lent to developers at the asset level - Security interests and priority at asset level 	<p>Advanced diligence, fund formation and well planned strategy will allow us to be a first mover.</p> <ul style="list-style-type: none"> - Priority opportunity set already identified - Preliminary diligence on asset values largely complete - Expect to engage bank lenders within first two weeks of news about UDF breaking - Disciplined but flat investment process will allow us to act quickly, moving to acquire loans in first 45 days - Our scale will be attractive to key lenders with multiple loans in structure 	<p>Combination of workout/restructuring capabilities, structuring & operational expertise will be key.</p> <ul style="list-style-type: none"> - Lending banks do not have workout groups - Understanding of priorities/priorities of lenders to act - Ability to navigate in and out of court restructurings & likely multiple bankruptcies - Ability to negotiate/structure DIP loans - Ability to preserve, protect and enhance collateral value - Ability to take possession of asset and effectively monetize to maximize value 	<p>Relationships with local lenders, developers, lane brokers and bankruptcy trustees is a differentiator.</p> <ul style="list-style-type: none"> - Relationship with Lend Advisers will provide access to market data to support diligence as well as enhance ability to direct assets at maximum values. - Relationships with local law firms and potential trustees will allow us more clarity and insight into resolution of the assets we plan to own. - Relationships with current lenders and area developers will aid in acquisition of notes and divesting of real estate. 	<p>Mackinac's experience in a past, almost identical special situation, provides us with a unique playbook.</p> <ul style="list-style-type: none"> - Who to call at lending banks and how best to engage for best execution. - Key decision points of lenders; leverage in negotiations when acquiring notes. - Key risks to factor in underwriting assets; negotiating discounts. - Developing asset by asset business plans. - Effectively and efficiently facilitating a significant number of processes in parallel, minimizing cost.

The Competition and Capabilities

	Traditional Distressed Funds	High Net Worth Individuals and/or Insiders	Local Developers and Homebuilders	Main Competition	
				Beal Bank	Hayman / Mackinac
First Mover / UDF Structure Knowledge	x	x	x	x	✓
Scale of Individual Investments	x (too fragmented)	✓	✓	✓	✓
Local Real Estate Expertise	x	✓	✓	✓	✓
Workout/Special Situation Experience	✓	x	x	✓	✓
Credit Experience / Scale	✓	x	x	✓	✓
Lowest Cost of Capital	x	x	x	✓	x

Investment Scope and Horizon – Playbook for Success



Expect capital to be deployed over first twelve months, with total fund duration of three to four years



Potential Return Profile

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Key Return Profile Assumptions

▪ Default Interest Rate	9% to 11%
▪ Acquisition Discount to Par	20% to 30%
▪ Capital Invested	\$50-\$100 million
▪ Management Fee	1.25%
▪ Preferred Return	6.5%
▪ Upside Profit Share (LP/GP)	70% / 30%

Investment Return Sensitivities - \$100mm Capital Invested



We expect that we will be able to deploy ~\$100mm of capital; based on this amount of capital invested, we expect gross returns of \$50 to \$90 million and an unlevered IRR range of 13%-19%, assuming a time horizon of 3 to 4 years.

Based on the fee structure contemplated, this would result in total fees to the GP of \$15-25 million including both management fee and promote.

Expected Gross Returns on Invested Capital

(\$ in millions)

Average Default Interest Rate	Discount Assumed on Acquisition of Loans				
	0.0%	10.0%	20.0%	30.0%	40.0%
8.0%	\$ 20.7	\$ 24.2	\$ 27.6	\$ 31.1	\$ 34.6
9.0%	\$ 23.8	\$ 28.1	\$ 31.5	\$ 35.0	\$ 38.5
10.0%	\$ 27.9	\$ 32.3	\$ 35.7	\$ 39.2	\$ 42.7
11.0%	\$ 31.1	\$ 36.3	\$ 39.7	\$ 43.3	\$ 46.6
12.0%	\$ 34.8	\$ 40.4	\$ 43.7	\$ 47.0	\$ 50.5

Total GP Fees (Management Fee + Promote)

(\$ in millions)

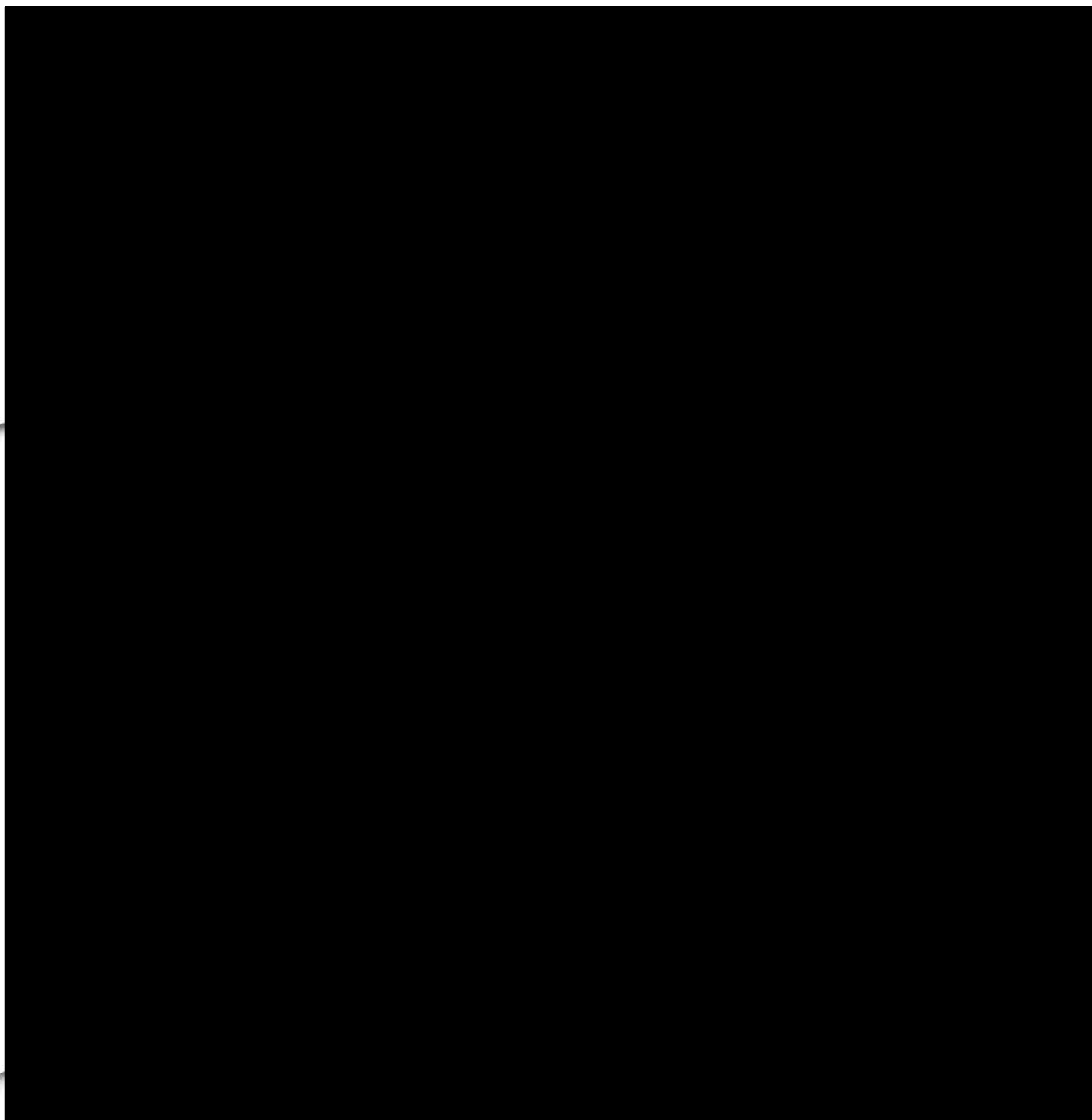
Average Default Interest Rate	Discount Assumed on Acquisition of Loans				
	0.0%	10.0%	20.0%	30.0%	40.0%
8.0%	\$ 3.9	\$ 8.0	\$ 12.3	\$ 16.8	\$ 21.5
9.0%	\$ 4.8	\$ 9.2	\$ 14.4	\$ 19.1	\$ 23.8
10.0%	\$ 5.9	\$ 10.4	\$ 16.6	\$ 21.1	\$ 26.1
11.0%	\$ 7.0	\$ 11.6	\$ 17.3	\$ 24.7	\$ 31.4
12.0%	\$ 8.1	\$ 12.9	\$ 18.8	\$ 26.3	\$ 33.3

Limited Partner IRRs

Discount Assumed on Acquisition of Loans

Average Default Interest Rate	Discount Assumed on Acquisition of Loans				
	0.0%	10.0%	20.0%	30.0%	40.0%
8.0%	6.5%	9.2%	12.5%	16.6%	21.2%
9.0%	7.1%	9.6%	13.3%	17.4%	22.6%
10.0%	7.8%	10.7%	14.1%	18.3%	23.5%
11.0%	8.5%	11.4%	14.9%	19.2%	24.4%
12.0%	9.2%	12.2%	15.8%	20.0%	25.4%

3



Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 10/27/2015 11:55:12 PM
To: Parker Lewis [PL@haymancapital.com]
CC: Andy Jent [aj@haymancapital.com]; Brandon Osmon [bo@haymancapital.com]
Subject: Re: Cypress Fiduciary Update: Wagner bill approved 245-86
Attachments: image001.png; image002.jpg; image002.jpg; image001.png

Agreed. Let's hope a udf event happens before then. I trust you have all sell-side analysts on nsam and Lpla listed and ready to call to discuss any event that may happen.

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

On Oct 27, 2015, at 4:47 PM, Parker Lewis <PL@haymancapital.com<mailto:PL@haymancapital.com>> wrote:

Just wanted to make sure you guys had seen this, The Wagner bill passed the house but Jeb/cypress expects that it is unlikely to advance in the senate. This bill is aimed at stopping the Department of Labor from finalizing its fiduciary rulemaking until the Securities and Exchange Commission acts first. Originally, this had more broad bi-partisan support but only passed the house with 3 democrat votes

I spoke with Jeb and his view is that the most near-term 'real' hurdle for the DoL fiduciary rule is the early December Omnibus spending bill; there is an effort to defund the Department of Labor's ability to implement the fiduciary rule as part of this bill. As there have been some democrats sympathetic to industries concerns, Jeb believes if the senate could find 6 democrats to support defunding the implementation of the rule, the president would be unlikely to veto (therein allowing the fiduciary rule to die for the time being).

Ultimately Jeb believes that the Department of Labor will wait until after the omnibus bill passes to finalize the rule so that democrats who are sympathetic to industry concerns will have cover not to support the defunding of the implementation - "don't vote to defund the fiduciary rule before DoL has finalized the rule, the final rule will address your concerns"

Given the most legitimate near-term hurdle is early December, I think we should plan to close NSAM/LPLA after a UDF event but before the fiduciary rule defunding effort becomes front and center

From Cypress on the House Bill:

"Wagner to Pass, but Go Nowhere. We expect the Wagner bill to pass the House, but it is unlikely to advance in the Senate. The White House opposes the measure and has threatened a veto (their Statement of Administration policy released yesterday is attached). Moreover, many Democrats who have been receptive to critiques of the DoL rulemaking, do not support the Wagner approach."

<image002.jpg>

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
512.699.7480 Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

From: Jeb Mason [mailto:jeb@cypressgroupdc.com]
Sent: Tuesday, October 27, 2015 5:35 PM
To: Jeb Mason <jeb@cypressgroupdc.com<mailto:jeb@cypressgroupdc.com>>
Subject: Cypress Fiduciary Update: Wagner bill approved 245-286 (3 Democrats supported)

1. Lynch amendment (Failed 184 - 246):Replaces the bill's existing requirement that the Department of Labor (DOL) stop its rulemaking pending a final Securities and Exchange Commission (SEC) rule with a

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 11/24/2015 6:04:02 PM
To: Parker Lewis [PL@haymancapital.com]; Andy Jent [aj@haymancapital.com]
Subject: RE: UDF Short Cost
Attachments: image001.png; image002.jpg

This will happen in December one way or the other. Thanks for sending this over.

From: Parker Lewis
Sent: Tuesday, November 24, 2015 11:58 AM
To: J. Kyle Bass <k@haymancapital.com>; Andy Jent <aj@haymancapital.com>
Subject: UDF Short Cost

Kyle - this is my current estimate for the cost to carry the UDF position, which is part of what is driving my view to not wait past Monday December 14, combined with the uncertainty of timing and (my) concern that we will be left in the exact same situation 60 days out (middle of January) that we found ourselves in following the end of October.

[cid:image001.png@01D126B0.34C76F40]

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
[REDACTED] Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

UDF Short Cost Estimate

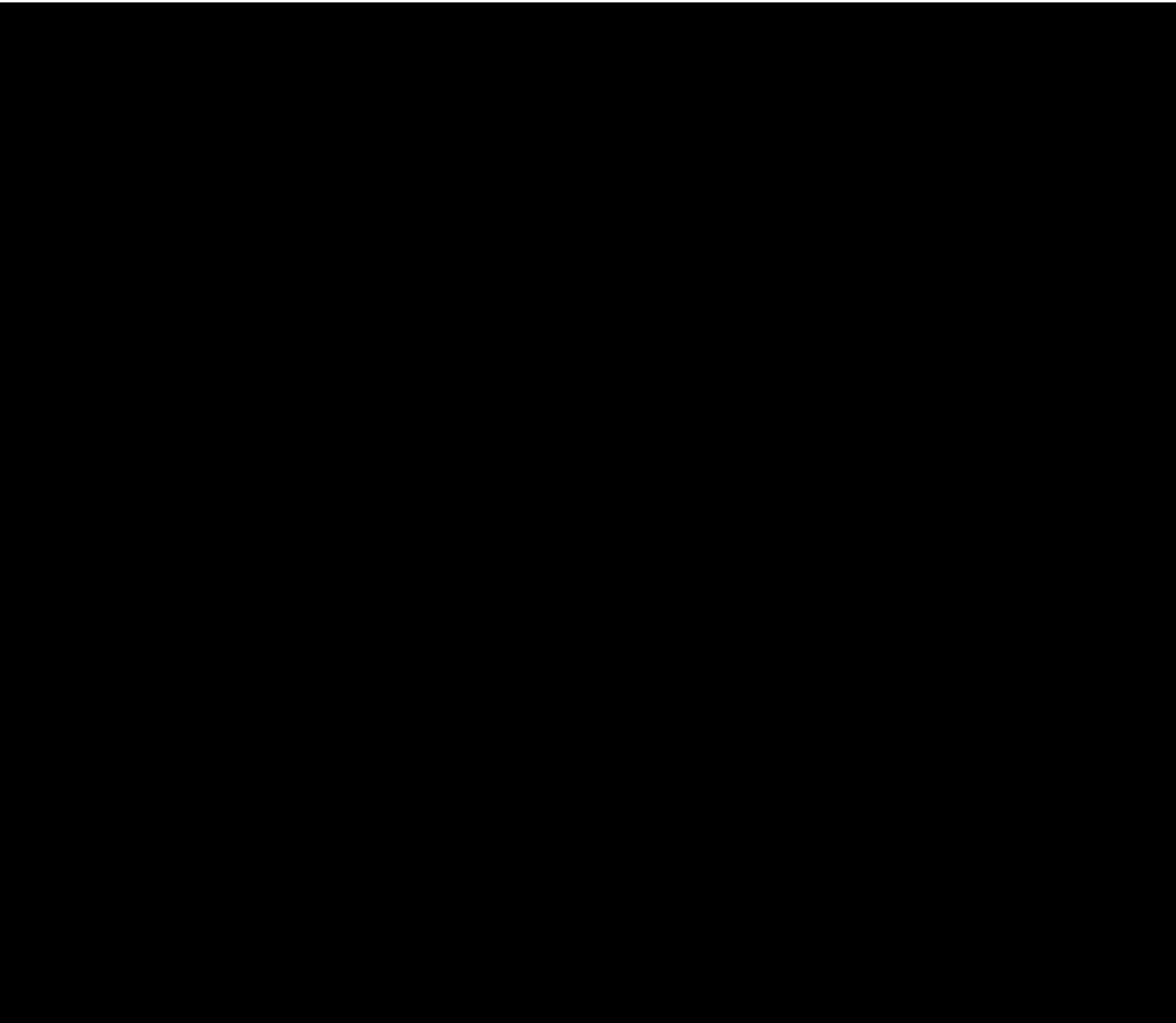
	<u>Per Day</u>	<u>YTD Est</u>	<u>Mkt Value</u>	<u>% spent</u>
JPM	\$ 60,906	\$ 6,798,043	\$49,832,552	13.6%
GS / MS Estimate	\$ 8,907	\$ 994,146	\$ 6,207,448	16.0%
Total	\$ 69,813	\$ 7,792,189	\$56,040,000	13.9%

Days to Hold Until Jan 12 50
Incremental Short Fee Cost \$ 3,490,671 A

Dividend Per Month \$ 0.1367
 Shares 3,127,250
 Dividend Per Month \$ 427,495
Dividend Until Jan 12 \$ 712,492 B


Total Cost to Hold 50 Days \$ 4,203,162 A + B
 % of current market value 7.5%
Total Cost Per Day \$ 84,063



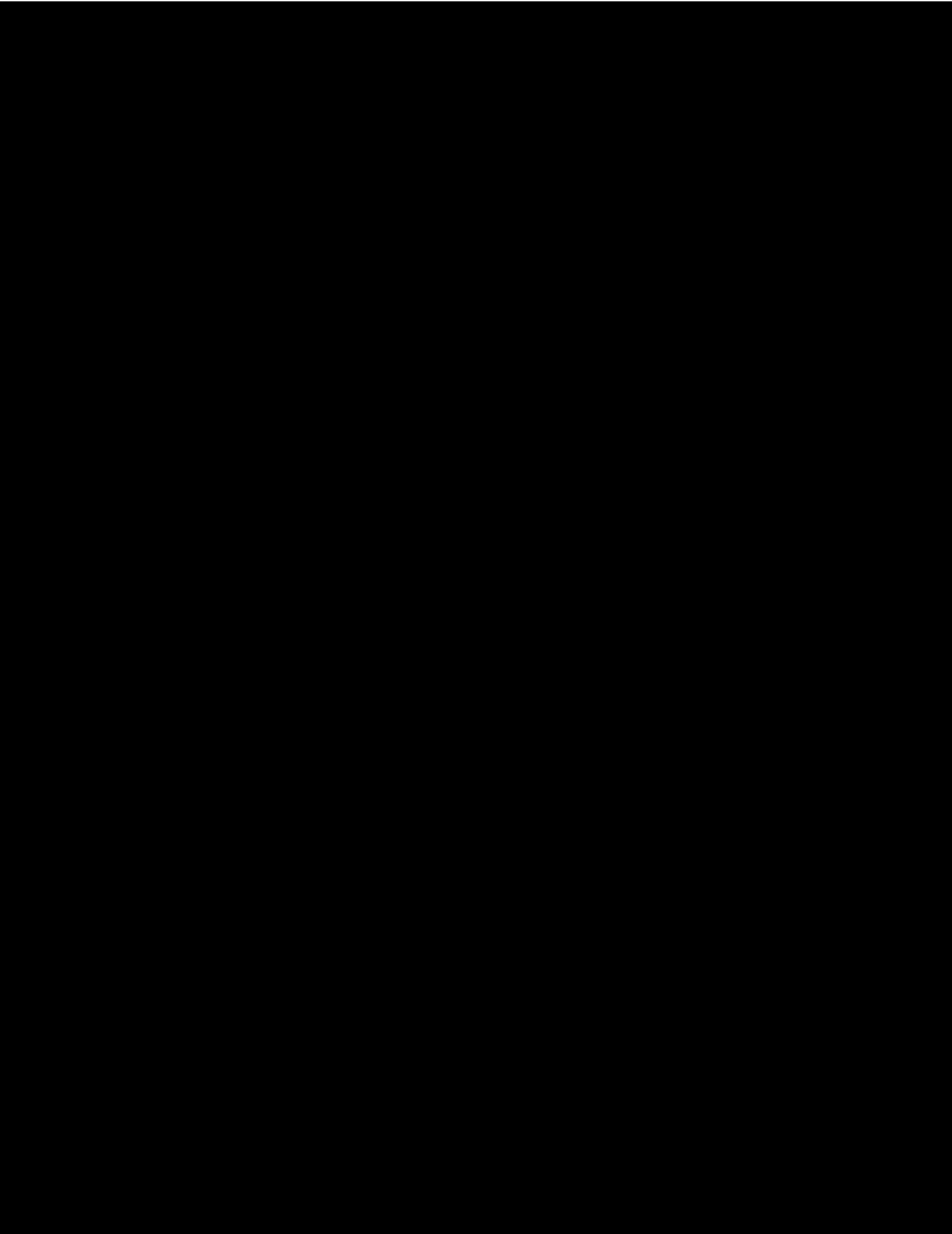


From: Trip Kuehne [mailto:tkuehne@doubleeaglecapital.com]
Sent: Thursday, January 28, 2016 11:54 AM
To: J. Kyle Bass <k@haymancapital.com>
Subject: FW: Joe Beard - westdale

Trip Kuehne
Double Eagle Capital
1301 Solana Boulevard
Building One, Suite 1480
Westlake, Texas 76262
Direct: 972.869.6882
Main: 972.869.6880
Fax: 972.869.6883
Cell: 214.665.1944e

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Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 11/3/2015 9:58:29 PM
To: Greg Zuckerman (Gregory.Zuckerman@wsj.com) [Gregory.Zuckerman@wsj.com]
CC: Parker Lewis [PL@haymancapital.com]
Subject: Great Talking with you today Greg - here is a brief intro to UDF
Attachments: Non-Traded REIT_UDF Introduction (Nov 2015).docx
Importance: High

Greg,

You will find a limited overview attached with much more detailed presentation to follow in the next email. I will also send the SEC 'Cease and Desist' order for Apple reit as well as the new rule to be implemented in early 2016 governing the pricing of these positions on customer statements from the broker-dealers on public non-traded reits.

Parker Lewis is the associate in my office in charge of the UDF investigation. He will be at your service as you work through this Ponzi scheme. His direct dial number is 214-347-8043 and he is ccd here.

Best,

Kyle

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management
214-347-8052

To: Whipple, David[WhippleDa@SEC.GOV]
From: Chris Kirkpatrick
Sent: Thur 11/12/2015 6:34:59 PM (UTC)
Subject: Letter to Auditors
[DQC111215-001.pdf](#)

David:

Attached is the letter that is going to be hand delivered to Whitley Penn, the trustees and management this afternoon.

Best,

Chris

Chris Kirkpatrick
General Counsel
Hayman Capital Management, L.P.
2101 Cedar Springs Road, Suite 1400
Dallas, Texas 75201

214-646-8800 Tel
972-372-0336 Fax
ck@haymancapital.com

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November 12, 2015

Mr. Larry Autrey
Managing Partner
Whitley Penn LLP
8343 Douglas Avenue, Suite 400
Dallas, Texas 75225

Mr. James Penn
Mr. B. Glen Whitley
1400 West 7th Street, Suite 400
Fort Worth, Texas 76102

Gentlemen:

This letter is directed to Whitley Penn, LLP ("Whitley Penn") as the auditor for United Development Funding III, L.P. ("UDF III"), United Development Funding IV ("UDF IV"), United Development Funding Income Fund V ("UDF V"), and United Mortgage Trust ("UMT") (collectively, the "Companies"), which file periodic reports with the Securities and Exchange Commission ("SEC") and are affiliates of each other. Each of the Companies is externally managed or advised by the same principal group of related individuals. As you know, the Companies generally engage in the business of unregulated lending to residential real estate developers, primarily in North Texas and to the same group of developers. Based on a review of the Companies' periodic filings (10-Ks, 10-Qs, 8-Ks, proxy statements and offering documents) (the "Filings"), visits to numerous project and development sites, and a review of county property records (central appraisal districts and deed recordings), a number of questions are raised about (i) the legitimacy of the financial and other relationships between affiliated entities and individuals and (ii) several accounting irregularities. There are not only significant issues regarding the adequacy of the disclosures in the Filings, but there are likely material misstatements in the audited financial statements for the fiscal years ending 2012, 2013 and 2014 and the interim quarterly filings for the same periods. The questions raised about the UDF structure and the reliability of the published financial statements are detailed below.

Entity	Commission File Number	Corporate Address	Total Assets (Book Value)
United Mortgage Trust	000-32409e	1301 Municipal Way, Suite 220 Grapevine, Texas 76051	\$187.6 million
United Development Funding III, L.P.	000-53159e	1301 Municipal Way, Suite 100 Grapevine, Texas 76051	\$392.0 million
United Development Funding IV	001-36472e	1301 Municipal Way, Suite 100 Grapevine, Texas 76051	\$684.1 million
United Development Funding Income Fund V	333-194162e	1301 Municipal Way, Suite 100 Grapevine, Texas 76051	\$43.9 million
Total Assets			\$1.3 billion

Summary of Key Observations:

- The primary assets of the Companies are loans, and the book value of assets is likely materially overstated, either because the loans have insufficient reserves or have inadequate collateral supporting them.
- Loans accrue larger and larger balances for years (more than doubling in some cases) without ever generating any cash receipts, which lead to concerns about the accounting treatment of these loans, including how income is recognized and later capitalized to long-term asset accounts. This raises serious questions about the carrying value of the loans and the potential for materially overstated book value of assets.
- Management fees are assessed on the value of assets under management. If the book value of the Companies' assets is materially overstated, the external manager has and is improperly receiving inflated management fees.
- UDF III and UDF IV are not accruing any provision for loan losses despite a material outstanding balance of past due loans (loans that have matured without being repaid or extended).
- UDF III, UDF IV and UMT are not reserving against loans that have a high probability of being impaired (loans that remain outstanding but that have not matured).
- Loans to UDF IV's largest borrower do not appear to be arms-length transactions. These loans are typically not repaid upon maturity and UDF IV does not receive any compensation for such extensions.
- The largest borrower of UDF III represents 43% of loans. The largest borrower of UDF IV represents 66% of loans. While this concentration risk is disclosed, it is not disclosed that the largest borrower of both UDF III and UDF IV is the same.
- The largest borrower of UDF III and UDF IV is likely insolvent.
- 100% of UDF IV loans are classified as fully collectable which is likely a material misrepresentation since the largest borrower is likely insolvent.
- Material conflicts exist between executives/officers and the largest borrower which are likely negatively impacting shareholders. UDF III and UDF IV fail to disclose the business relationship between the borrower, affiliates and directors/officers as required by Auditing Standard No. 18 – Related Parties.
- There are disclosure issues regarding the percentage of loans secured by unimproved real property.
- UDF V's principal business activity involves issuing loans to entities that have (or had) loans due to UDF III and UDF IV. UDF V funds are being used to repay loans owed to UDF III and UDF IV, which, at minimum, is not disclosed to UDF V shareholders.
- UDF V loans are being issued to UDF III and UDF IV's largest borrower, and the relationship between this borrower and UDF V's affiliates is not disclosed. In fact, UDF V's Filings include statements that it will not make loans to, or participate in loans with, affiliates.
- Insiders have made loans to themselves through affiliates at interest rates below the 10-Yr US treasury rate in the form of unsecured deficiency notes and recourse obligations totaling \$63 million. At the same time, the insiders

lend to themselves at an interest rate of 1.75% to the detriment of shareholders while the same form of unsecured deficiency notes to non-affiliated parties bear interest at 14%.

Specific Issues and Examples

- 1)e Loans issued by UDF IV have matured without being repaid or extended and should be considered impaired based on the disclosures provided in the 10-Qs filed for the quarters ended September 30, 2015, June 30, 2015, March 31, 2015 and the 10-K filed for the fiscal year ended December 31, 2014, which Whitley Penn audited. Despite the status of these loans, UDF IV has not accrued any reserves against the loans. How has Whitley Penn gained comfort regarding valuation of these assets in the financial statements?e
- 2)e Six UDF IV loans related to the same borrower have matured without being extended or repaid based on disclosures in the 10-Q filed for the quarter ended September 30, 2015. This borrower accounts for approximately 10% of UDF IV's total loan assets and has past due loans owed to UDF III that represent approximately 25% of UDF III's portfolio. The impact of this borrower would seem to be material as it is the second largest "non-affiliated" borrower of both UDF III and UDF IV. Has Whitley Penn questioned management about why UDF IV has not reserved against these loans or disclosed that its affiliate, UDF III, has significant exposure to the same borrower and also has loans that are similarly past due. Has Whitley Penn considered whether the circumstances of these loans and this borrower are material to the financial conditions of UDF III and UDF IV?e
- 3)e Most lending institutions typically accrue a provision for loan losses in the normal course of business based on historical loss rates. UDF III and UDF IV regularly accrued provisions for loan losses through the fiscal year ended December 31, 2014. Based on the 10-Qs filed for the quarters ended March 31, 2015, June 30, 2015, and September 30, 2015, UDF III and UDF IV have not recorded any provisions for loan losses in the consolidated statement of income for the first nine months of 2015. They have not accrued even the "normal course" provision for loan losses despite having a significant balance of outstanding loans come due without being extended or repaid. Has Whitley Penn questioned management regarding (i) why UDF III and UDF IV have not accrued provisions for loan losses in 2015 or (ii) whether UDF III and UDF IV are adequately reserved in light of the significant balance of loans that came due without being repaid or extended? e
- 4)e A material number of UDF IV loans accrue interest, do not generate any cash (according to company disclosures – not current pay) and are repeatedly extended upon maturity. Based on disclosures in the 10-Ks for the fiscal years ended December 31, 2012, December 31, 2013 and December 31, 2014, the outstanding balances of some of these loans have doubled during the 3-5+ year periods that they have been outstanding **without ever generating any cash**. None of the loans that share these characteristics have been reserved against according to UDF IV's financial disclosures for these periods. This is evidenced by the fact that the ending balance of the "allowance for loan losses" for loans individually evaluated for impairment was zero based on the disclosures in UDF IV's 10-Qe filed for the quarter ended September 30, 2015. How has Whitley Penn gained comfort with UDF IV's stated value of these loans at the accrued balance given the pattern of non-payment? Has Whitley Penn considered whether loans of this nature should be reserved against?e

- 5)a The CEO of UDF IV was added to the "Dallas Regional Board" of the UDF IV's largest creditor bank in January 2014 according to a press release by the bank. Has the effect of this insider relationship been questioned or discussed with management? Has Whitley Penn considered whether this relationship should be disclosed to shareholders?
- 6)a Three loans issued to UDF IV by banks had matured without being extended or repaid as of the filing of its 10-Q for the 2nd quarter 2015. These loans were owed by UDF IV to two banks, including the bank that UDF IV's CEO was on the Dallas Regional Board. At the time of the 2nd quarter 10-Q filing, UDF IV disclosed that it was "currently negotiating an extension." These loans were extended at some point in the 3rd quarter 2015 according to the 10-Qa filing. Understanding that Whitley Penn does not (and did not) audit the 2nd quarter financials, does Whitley Penn have any reason to believe that UDF IV was, at any time, in technical default or otherwise not in compliance with its credit facilities? Do any of the other publicly-traded companies that Whitley Penn audits (and that are in good financial standing) typically allow maturity dates of credit facilities to pass without either repaying the loan, receiving a waiver in advance or entering into a loan modification in advance? Is Whitley Penn aware of any material facts related to the negotiation of the extension of the credit facilities that would have resulted in the delay of UDF IV receiving extensions? Does Whitley Penn believe that UDF IV adequately disclosed the facts as it relates to the status of its credit facilities?
- 7)a UDF III had \$390mm of assets and \$10mm of debt as of the quarter ended June 30, 2015, and it consistently discloses that it has not made payments on its debt in a timely manner. As disclosed in the 10-Q filed for the quarter ended June 30, 2014, UDF III obtained a waiver "for the late payment in July 2014 of the June 2014 required principal payment and will resume making the quarterly principal payments in accordance with the terms of the Term Loan in September 2014." In the subsequent 10-Q filed for the quarter ended September 30, 2014, UDF III disclosed that it "obtained an extension . . . for the September 2014 required principal payment to a December 21, 2014 and will resume making the quarterly principal payments in accordance with the terms of the Term Loan at that time." Continuing this pattern, in the 10-Q filed for the quarter ended March 31, 2015, UDF III disclosed that the lending bank had "waived any default in connection with the late payment of the required principal payment on March 21, 2015." Why does UDF III struggle to make \$1.25mm quarterly amortization payments on its debt if it has \$390mm of assets in the form of interest bearing loans? Does Whitley Penn have any reason to believe that UDF III is not in good financial standing? Does Whitley Penn have any reason to believe there is doubt about the entities ability to continue as a going concern?
- 8)a The largest borrower of both UDF III and UDF IV is the same. This borrower accounts for 43% and 66% of the total loan balances for UDF III and UDF IV, respectively, according to 10-Qs for the quarter ended June 30, 2015. This borrower defaulted on a 2nd lien loan owed to UDF IV in June 2015 as well as a 1st lien owed to a senior lender according to deed records filed with Denton County. The appointment of substitute trustee was executed June 10, 2015, and was filed in Denton County. This document outlined that "Default has been made in the payment of the indebtedness secured by the Deed of Trust" and that "Beneficiary hereby requests the Substitute Trustee to sell the property described in the Deed of Trust." The senior lender effectively moved to enforce the deed and sell the land in order to be repaid by the proceeds of the sale. Given the materiality of this borrower to the financial condition of UDF III and UDF IV, has Whitley Penn questioned management about the solvency of this borrower and the implications to UDF III and UDF IV if this borrower is or becomes insolvent? If the borrower is insolvent, assets are likely materially overstated in the financial statements.

9)e Why has the full extent of the relationship between UDF III and UDF IV's largest borrower not been disclosed to their shareholders as required by Auditing Standard No. 18, Related Parties? Below are examples that highlight the relationship between borrower and lender that are outside the typical relationship of a borrower and lender:

- a.e The CEO of UDF III and UDF IV and the CEO of the largest borrower at one time (if not currently) jointly owned an entity that owned a private jet. Public records show that both, in the past, were members of the Texas limited liability company G-III N77BT, LLC. ***This was not disclosed in UDF III or UDF IV's Filings.***
- b.e UDF I's 2014 financials, which were attached as an exhibit to UMT's 10-K filed with the SEC for the fiscal year ended December 31, 2014 (exhibit 99-2), disclosed that there was a 50/50 partnership formed between UDF I and an entity controlled by UDF III and UDF IV's largest borrower for the purpose of acquiring "finished home lots in Lakeway, Texas." ***This was not disclosed in UDF III or UDF IV's Filings.***
- c.e The largest borrower and a private affiliate of UDF III and UDF IV, United Development Fund Land Opportunity Fund (UDF LOF), have a partnership through which a Dallas high-rise condominium building (The Stoneleigh) is owned. UDF IV has also issued a loan to the same entity that owns the high-rise. While it was disclosed that UDF IV issued a loan to an affiliate and that that affiliate is partially owned by UDF LOF, ***it was not disclosed in UDF III or UDF IV's Filings that UDF III and UDF IV's largest borrower also owns an economic interest in the high rise.*** The borrower's website suggests this and a search of the legal entity, Maple Wolf Stoneleigh, LLC, on the Texas Comptroller of Public Accounts website confirms that an entity controlled by UDF III and UDF IV's largest borrower is one of the members of the LLC.

While these are just a few examples that have been identified through public records, it appears that the relationship between lender and borrower goes far beyond that of a typical lender and borrower. Is Whitley Penn aware of these outside business dealings? If so, why have the full facts regarding the relationship between lender and borrower not been disclosed to the shareholders of UDF III and UDF IV? ***This borrower accounts for 43% of outstanding loans issued by UDF III and 66% of outstanding loans issued by UDF IV as of June 30, 2015, accounting for outstanding indebtedness owed by this borrower to UDF III and UDF IV of approximately \$585 million combined.*** In Whitley Penn's opinion, has this relationship affected the decisions to extend this borrower's loans without compensation being paid to the relevant funds or how assets have been marked as fully collectable?

10)e UDF IV issued a loan to its largest borrower during the fiscal year ended December 31, 2011. The primary intended use of the loan proceeds was to acquire two loans that UDF I, itself, had defaulted on according to the loan agreement between UDF IV and its largest borrower (see Exhibit 10-1 to UDF IV's 10-Q for the quarter ended September 30, 2011). Following the issuance of the UDF IV loan, this borrower agreed to pay \$8 million to UDF I as part of a "profits interest agreement" in consideration for "advisory services and assistance" with the property securing UDF IV's loan. The payments were made by UDF IV's borrower, and UDF I recognized the income during the fiscal years ending December 31, 2011, and December 31, 2012. These disclosures were made in UDF I's financials that were included as an exhibit to United Mortgage Trust's 10-K filed for the fiscal year ended December 31, 2012 (see Exhibit 99-2). When UDF I originally defaulted on the two loans, a substitute trustee was appointed to enforce the deed; however, while the loans were in default, the substitute trustee never foreclosed. The substitute trustee filed two "Substitute Trustee's Deed and Bill of Sale", the first on November 1, 2011, and the second on February 7, 2012, evidencing both the amount for which the Substitute Trustee sold the defaulted notes and the entity to which the notes were sold in the public records of Rockwall County, Texas. The amount that UDF

IV lent to its largest borrower was far in excess of the amount required to buy the notes from the Substitute Trustee. The excess amount was, however, *more than sufficient to cover the amount paid by UDF IV's borrower to UDF I. Based on UDF I and UDF IV's disclosures as well as the public property records, it appears that UDF IV funds were in essence used to pay UDF I and its private limited partners.* The loans which UDF I originally defaulted on were significantly impaired, the lending bank failed and the FDIC was appointed as receiver. Why were the details of this insider transaction not fully disclosed? Whitley Penn audits United Mortgage Trust and UDF IV and as a result, had access to all of this information. Why were the details of this insider transaction not disclosed to UDF IV shareholders? Is Whitley Penn aware of whether UDF IV funds were used to pay UDF I and not disclosed? Did Whitley Penn review the profits interest agreement? Was this an arms-length transaction? What "advisory services" and "assistance" were provided to justify the payment? If the same individuals manage UDF I and UDF IV, how was it determined that UDF I provided the services rather than UDF IV? Why did this payment accrue to the benefit of UDF I and its private limited partners rather than to UDF IV and its public shareholders, in general, but also specifically considering that UDF I could not repay the original lending bank on the loans in question?

- 11) As disclosed in the 10-K filed for the fiscal year ended December 31, 2014, UDF IV issued a loan to a homebuilding group, the proceeds of which were used to acquire a separate homebuilding group. The acquiring homebuilding group that received the loan was 75% owned by directors and officers of UDF IV (as disclosed). As such, directors and officers of UDF IV are now creditors of UDF IV via the loan to the homebuilding group which the directors and officers own. The directors and officers who own the homebuilding group also owe deficiency notes to United Mortgage Trust (an affiliate of UDF IV) through UMT Holdings (UMTH). According to SEC disclosures, a deficiency note arises "if the borrower or the Company [United Mortgage Trust] foreclosed on property securing an underlying loan, or *if the Company foreclosed on property securing a purchased loan, and the proceeds from the sale were insufficient to pay the loan in full*, the originating company had the option of (1) repaying the outstanding balance owed to the Company associated with the underlying loan or purchased loan, as the case may be, or (2) *delivering to the Company an unsecured deficiency note in the amount of the deficiency.*" This appears to imply that a deficiency note is a realized loss, but is not extinguished and continues to remain an obligation of the original counterparty, in this case UMTH, an affiliate of UMT. UMTH is owned by 10 limited partners according to UMT disclosures in its 10-K filed for the fiscal year ended December 31, 2014. The same directors and officers of UDF IV that own a majority of the homebuilding group (previously mentioned) also own a majority of UMTH according to disclosures in UDF IV's 10-K filed for the fiscal year ended December 31, 2014. UMTH's principal asset is the fee stream generated by UDF IV (and UDF III, UDF V and UMT) to the respective external management entities. *The unsecured deficiency notes (e.g. realized losses) bear interest at 1.75% (to the benefit of UMTH insiders and to the detriment of UMT shareholders) while the 10-year US Treasury currently yields 2.32%.* In contrast, similar UMT deficiency notes owed by non-related parties to UMT bear interest at 14%. Why do insiders borrow at 1.75% when third parties borrower at 14%? Given Whitley Penn is the auditor of both UDF IV and UMT, it should be aware of both arrangements with the insiders. Has Whitley Penn considered whether the full extent of insider lending relationships between directors and officers and affiliates should be disclosed in accordance with Auditing Standard No. 18, Related Parties? Has Whitley Penn determined that these lending relationships do not create conflicts of interest that otherwise would need to be disclosed?

12) Several loans are secured by undeveloped land, that remains undeveloped land years after these loans were issued (2, 3, 5, 10 years in some cases). UDF IV discloses in its 10-K filed for fiscal year end December 31, 2014, that, while it *may* invest in loans secured by unimproved real property, it *has not* invested in loans secured by unimproved real property. Unimproved real property is defined by UDF IV as land that has no construction in process or no development or construction on such land is planned in good faith to commence within one year. If there are loans that are secured by unimproved real property 3 and 5 years after the loan was originated, how is this note materially misleading? ***These loans do not generate any cash, but do accrue larger and larger balances each quarter.*** How is income being recognized for loans of this type that share these characteristics? Do the loans have PIK features where interest is capitalized into the loan balance? If so, are these activities treated as financing activities in the Statement of Cash Flows and are the non-cash transactions appropriately disclosed? Further, these loans in question are typically 2nd lien loans (presumably development loans) that are subordinate to 1st lien bank loans (presumably acquisition loans). If there are 1st lien bank loans and 2nd lien UDF IV loans secured by the same property and there is not any horizontal or vertical development, where did the tens of millions of dollars that were originally lent go? Is Whitley Penn aware of loans of this nature? Is Whitley Penn concerned at all that loan proceeds may have been misappropriated? Has Whitley Penn questioned management about the status of the underlying collateral, and why such collateral remains raw land and has not been improved multiple years after receiving loans that bear interest at 13%?

13) The theme of loans secured by unimproved property is a consistent one. When these loans are sold by and between affiliates, it should raise a significant red flag for any auditor, especially in light of Auditing Standard No. 18, Related Parties, which was issued in June of 2014. According to a disclosure in UDF IV's 10-K for the fiscal year ended December 31, 2014, UDF IV acquired a "participation interest . . . in a 'paper' lot loan from UDF III" to the largest borrower of UDF III and UDF IV on June 30, 2010. The UDF IV disclosure explains that the paper lot loan is secured by a pledge of equity rather than a real property lien, effectively subordinating UDF IV's loan to all real property liens. As UDF III was the initial originator of this loan, it also has a disclosure regarding the same loan. The UDF III disclosure in the 10-K for the fiscal year ended December 31, 2014 explains that UDF III originated an \$8.1 million loan to its largest borrower in September 2009 and the loan bears interest at 15%. UDF III also discloses that it no longer holds any economic interest in the loan that it originated to the borrower. ***While UDF IV discloses that it acquired a "participation interest" in UDF III's loan, UDF IV does not disclose that UDF IV acquired 100% of the loan from its affiliate.*** Whitley Penn is the auditor for UDF III and UDF IV and should have had access to all of this information. Has Whitley Penn questioned management about why this loan was sold by UDF III to UDF IV, and why it has not been disclosed to UDF IV shareholders that UDF IV acquired 100% of the loan? How was it determined that this loan was an appropriate investment for UDF IV shareholders, but no longer an appropriate investment for UDF III shareholders? How was the market value of the loan determined at the time of the affiliate transaction? Did the external manager (management) receive origination fees for the origination of the same loan twice, once through UDF III and once through UDF IV? According to UDF IV's 10-Q filed for the quarter ended September 30, 2015, the outstanding balance of this loan is \$17.8 million (vs. \$8.1 million original principal balance when UDF III originated the loan). The underlying collateral is described as 401 acres (undeveloped) and 106 finished lots (developed) in Rockwall County, Texas. As such, the collateral appears to be almost exclusively undeveloped land ***six years after the loan was originally issued after the loan balance has more than doubled and after the loan was transferred between affiliates (with different public shareholder groups).*** All the while the loan has continued to accrue interest at 15%. The loan has been modified and extended four times. Has

Whitley Penn reviewed the facts and circumstances of this loan or opined on management's determination that full collectability of this loan is considered probable? How has Whitley Penn gained comfort that the carrying value of this subordinate loan is supportable? **UDF IV has recognized \$5.4 million of cumulative current income** related to this loan for the fiscal years ending December 31, 2013 and December 31, 2014 as well as the nine months ended September 30, 2015. **UDF IV has disclosed less than \$1 million of cash receipts attributable to this loan implying that the vast majority of all income recognized is non-cash.** Is Whitley Penn comfortable that the loan assets and related income are not misstated? Periodically, the accrued interest receivable balance is transferred to loan balance, which is mechanically how the loan balance has doubled. Is this reflected as a financing activity in the Statement of Cash Flows? Is the non-cash transaction appropriately disclosed? As a REIT, UDF IV is required to distribute at least 90% of its taxable income to shareholders in order to maintain its taxable status as a REIT. Conceptually, given that a significant number of loans increase in size, but do not generate cash, has Whitley Penn considered how UDF IV funds the required distributions to its shareholders since a large portion of the current income is non-cash?

14)e **UDF I originated a 2nd lien loan to the largest individual borrower of UDF III and UDF IV** (current as of September 2015) in 2004 according to deed records filed with Denton County, Texas. This loan was secured by land in Denton County. **UDF III originated a 2nd lien loan in 2007 to the same entity, secured by the same piece of land** (verified by comparing the legal description of the land in the respective deeds filed with the county). The financial (and housing) crisis and the great recession followed over the years subsequent to the origination of the UDF III loan. Throughout this period, the land securing the loan was never developed. The loan was modified and increased by UDF III in 2009, 2012, and 2014, throughout the recession and into the recovery. The land remained undeveloped throughout this period, and the borrower's own website describes the status of the development as "raw land." **In June 2015, UDF V originated a new loan to the same borrower, secured by the same land.** The proceeds of the UDF V loan were used to repay the loan owed to UDF III according to the borrower's statement that was filed with the deed of trust in Denton County. UDF V filed an 8-K on June 11, 2015 announcing that it had originated this loan, which it disclosed was subordinate to a senior loan that remained outstanding. Seven months following the origination of the new UDF V loan that bears interest at 13%, **there are still no signs of construction at the development site.** UDF V did not disclose that the entity receiving the loan was the single largest borrower of both UDF III and UDF IV or that UDF III had a loan outstanding to the same entity at the time the new loan was issued by UDF V. Whitley Penn is the auditor of both UDF III and UDF V. Has Whitley Penn considered whether this information would be relevant to an investor in UDF V and whether it should be disclosed as required by Auditing Standard No. 18, Related Parties? Has Whitley Penn questioned management as to why the collateral for a 2nd lien development loan remains undeveloped land 10 years after UDF I originated a loan and 8 years after UDF III originated a loan? Does Whitley Penn consider whether transactions such as this loan are arms-length, market transactions when forming its opinion as to the accuracy of financial statements and marking of assets? How has Whitley Penn gained comfort that the carrying value of this loan is not overstated?

15)e As has previously been discussed, UDF III has had issues making small \$1.25 million quarterly amortization payments on its lone \$15 million credit facility that has \$10 million outstanding. A portion of the credit facility is a term loan with the remaining portion structured as a line of credit. According to disclosures in UDF III's 10-Q filed for the quarter ended March 31, 2015, the "line of credit matures on June 21, 2015". According to disclosures in UDF III's 10-Q filed for the quarter ended June 30, 2015, UDF III entered into a loan modification and extension

agreement with its lender in June 2015 which “extended the due date of the June 21, 2015 quarterly principal payment to September 10, 2015 . . . the Line of Credit, as amended, matures on September 21, 2015.” The end result was an extension of both principal amortization payments on the term loan and the maturity of the line of credit from June 2015 to September 2015. Given UDF V originated a loan in June 2015 that was used to repay the loan owed to UDF III by UDF III’s largest borrower, is Whitley Penn at all concerned that UDF V funds were used by UDF III directly or indirectly to make payments due on its credit facilities? As the independent registered public accounting firm for both UDF III and UDF V, Whitley Penn should have had access to all of this information and financial activity.

16) In continuation of the previous set of questions, UDF V specifically discloses in its S-11, filed with the SEC on February 26, 2014, that it “will not make loans to, or participate in real estate investments with, or provide credit enhancements for our affiliates or affiliates of our co-sponsors, our advisor entities or our asset manager, including other United Development Funding funds.” ***Based on its disclosures, UDF V has only issued seven loans to date; it is not disclosed that of the seven loans, four have been issued to UDF III and UDF IV’s largest borrower.*** A search of the entities that have received loans from UDF V on the website for the Texas Comptroller of Public Accounts (taxable entity search) shows that this is the case. Further, not only have the loans been issued to UDF III and UDF IV’s largest borrower, but each of the four loans was issued to an entity that previously (and at the time of issuance) had a loan outstanding due either to UDF III or UDF IV. In the specific loan example detailed above, the public records actually show that UDF V funds were used to repay UDF III. It appears that this is also the case for the other loans to UDF III and UDF IV’s largest borrower based on the fact patterns. As such, it appears that the principal function of UDF V, to date, has been to provide loans to repay UDF III and UDF IV for older loans at the expense of UDF V shareholders. Whitley Penn is the auditor for UDF III, UDF IV and UDF V. As such, Whitley Penn should be familiar with the entities that have received loans from multiple UDF entities. In its review, does Whitley Penn question whether these are arms-length transactions? Is Whitley Penn aware of UDF V loan proceeds being used to repay UDF III and UDF IV loans? Has Whitley Penn questioned management as to the accuracy of the UDF V disclosure that states that UDF V will not make loans to or participate in investments with affiliates or whether its actions are consistent with the spirit of the disclosure? Has Whitley Penn considered whether not disclosing the relationship of this borrower to its affiliates (UDF III and UDF IV) is a material omission from UDF V’s financial statements? Does Whitley consider this to be a concentration issue that needs to be disclosed?

cc:

Phillip K. Marshall, Independent Trustee, Chairman of Audit Committee, United Mortgage Trust

J. Heath Malone, Independent Trustee

Steven J. Finkle, Independent Trustee

William M. Kahane, Trustee

Eustace W. Mita, Independent Trustee

Bobby Ray, Trustee

Charles M. Gillis, Independent Trustee

Michele A. Cadwell, Independent Trustee

Roger C. Wadsworth, Independent Trustee

Leslie J. Wylie, Independent Trustee

Hollis M. Greenlaw, Chairman of the Board of Trustees and CEO UDF IV

Todd Etter, Chairman and Partner UDF IV
Michael Wilson, Executive Vice President, Director and President UDF IV
Cara Obert, Chief Financial Officer, Partner UDF IV
Ben Wissink, President, Partner UDF IV
Melissa Yougblood, Partner UDF V
Stacy Dwyer, Chief Operating Officer UDF IV
Dave Hanson, Chief Accounting Officer UDF IV
Brandon Jester, Director of UMTH Land Development
T. Stuart Ducote, President and CFO, UMT

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 11/20/2015 9:36:39 PM
To: J. Kyle Bass [k@haymancapital.com]
Subject: RE: question
Attachments: image001.jpg; image002.png; image003.png; image004.png; image005.png

I just spoke with the reporter from D Magazine (Brantley Hargrove) that Tim has staffed. We spoke for about an hour and a half, mainly answering various questions he had after reviewing the presentation, full speed ahead.

No other word from Greg following my email.

[cid:image001.jpg@01C84251.44A3D170]

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From: J. Kyle Bass
Sent: Friday, November 20, 2015 1:14 PM
To: Parker Lewis <PL@haymancapital.com>
Subject: RE: question

Perfect and thanks

From: Parker Lewis
Sent: Friday, November 20, 2015 11:07 AM
To: J. Kyle Bass <k@haymancapital.com<mailto:k@haymancapital.com>>; Andy Jent <aj@haymancapital.com<mailto:aj@haymancapital.com>>
Subject: FW: question

FYI...will let you know if he comes back to me with any other requests or updates

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
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2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

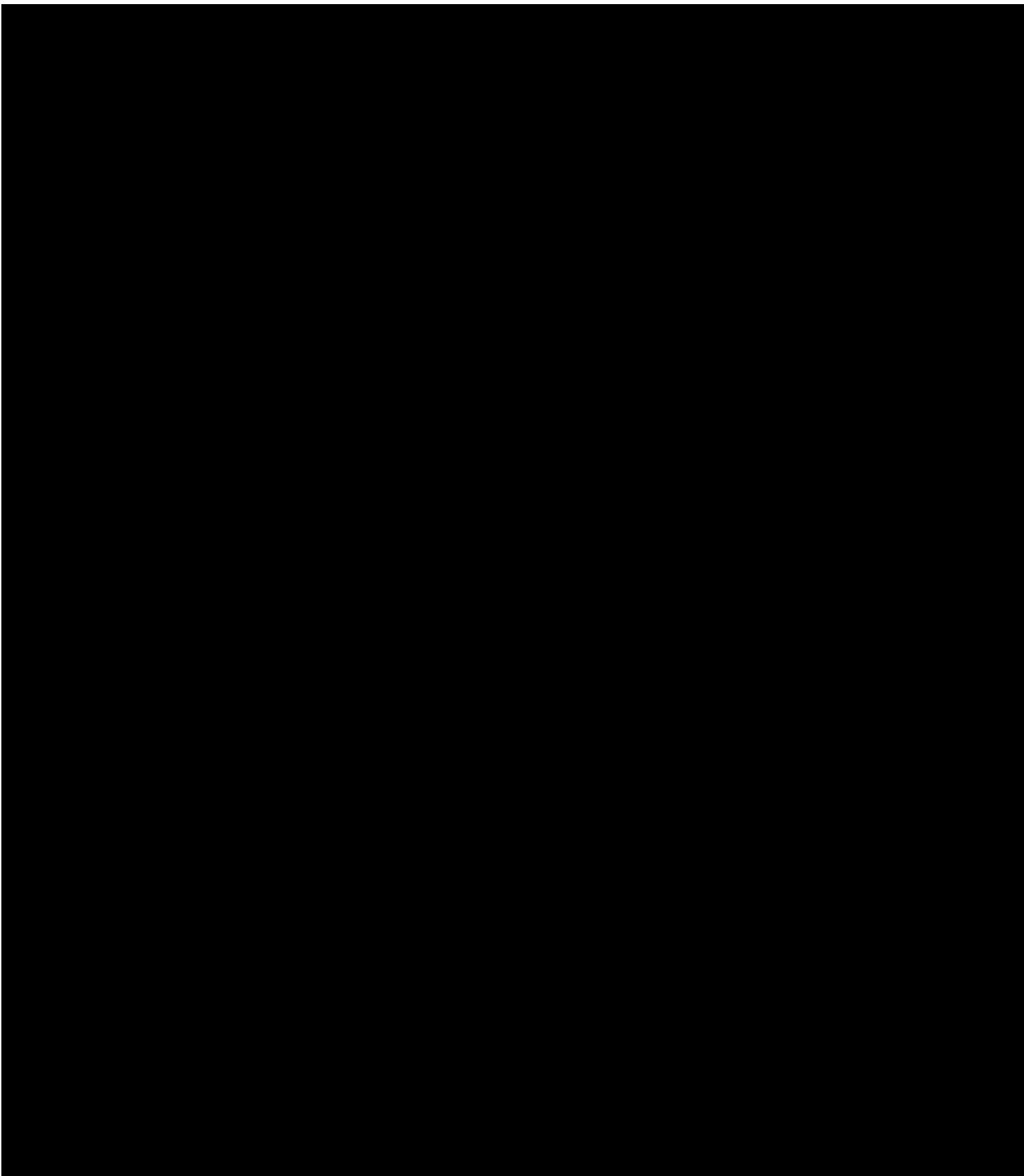
214.347.8043 Direct
512.699.7480 Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

From: Parker Lewis
Sent: Friday, November 20, 2015 1:06 PM
To: 'Zuckerman, Gregory' <Gregory.Zuckerman@wsj.com<mailto:Gregory.Zuckerman@wsj.com>>
Subject: RE: question

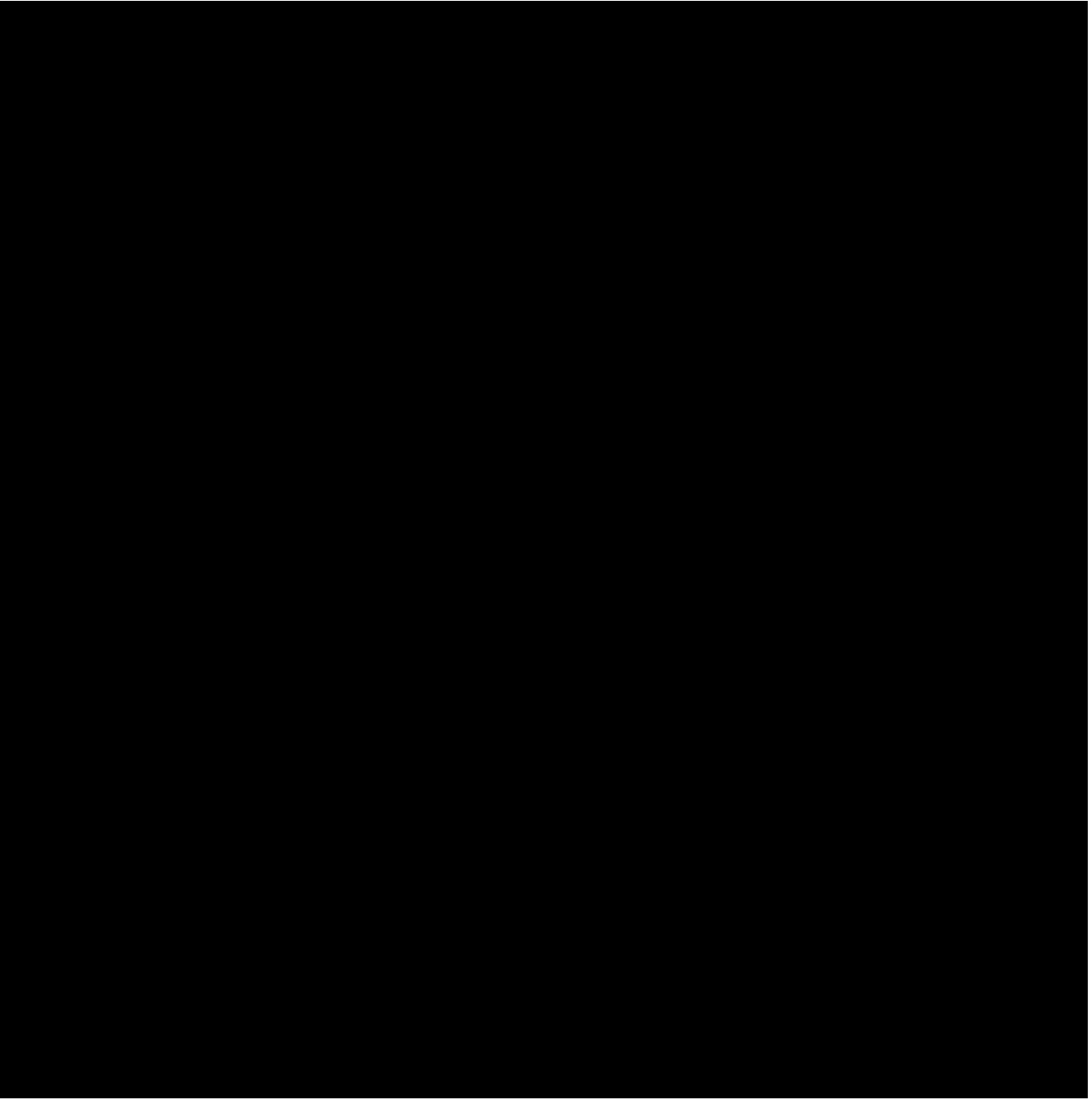
Greg - following up on my prior email which was just for UDF IV, below is a summary of all of the equity capital raised through the public UDF affiliated programs (UDF III, UDF IV, UDF V and United Mortgage Trust); the total is ~\$1.3 billion in equity capital raised. When accounting for debt raised, the total capital raised in these programs is between \$1.5-\$1.6bn (\$200-\$300 million of debt). I can get you the specifics on the debt if you need but it seems you're focused on the equity raised so that is what I've detailed below. As I did for UDF IV, I've also included a link to the source document and a cut/paste of the specific disclosure within the source document for UDF III, UDF V and United Mortgage Trust).

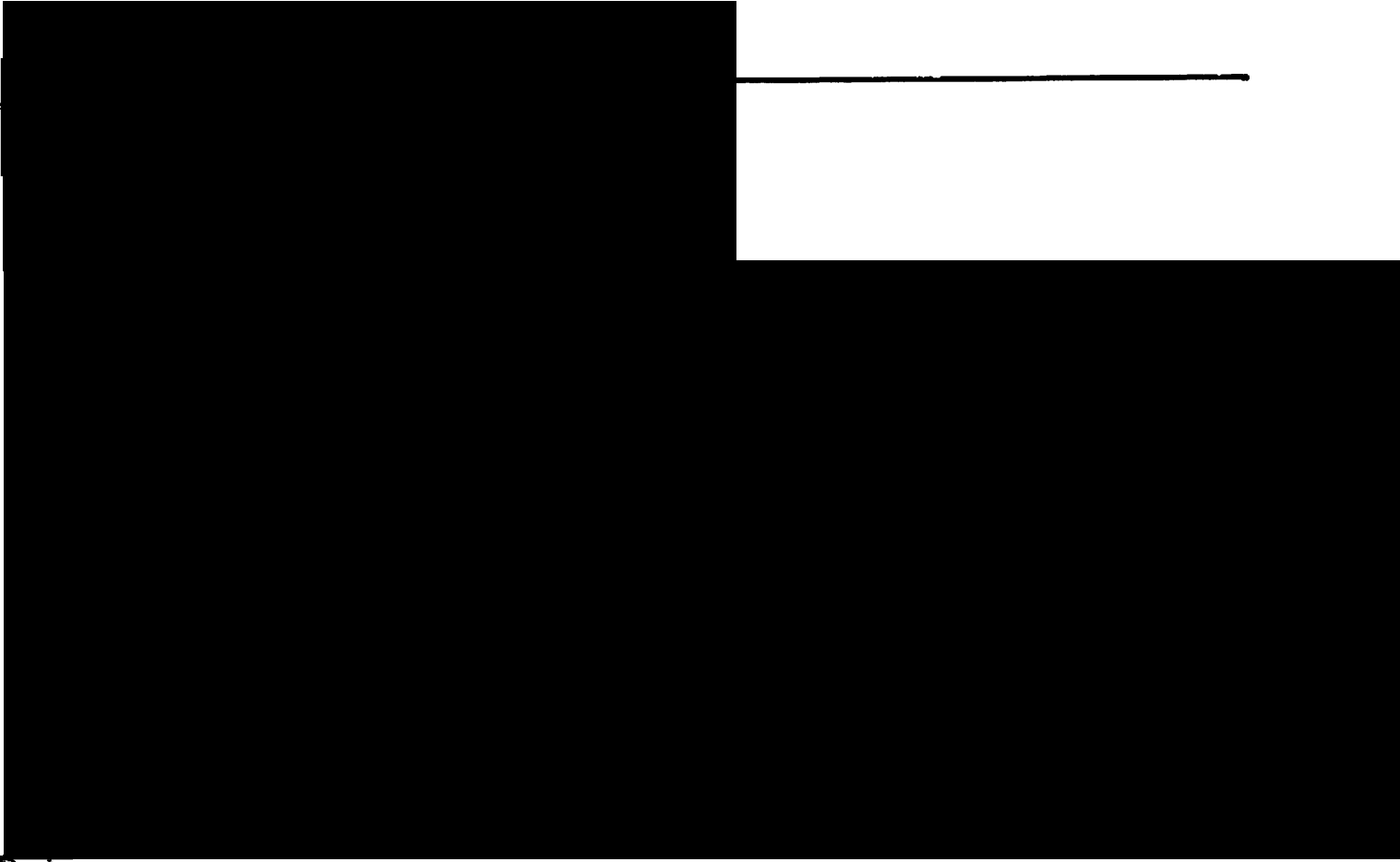
Let me know if you have any questions or if there is anything else I can help run down

Best, Parker

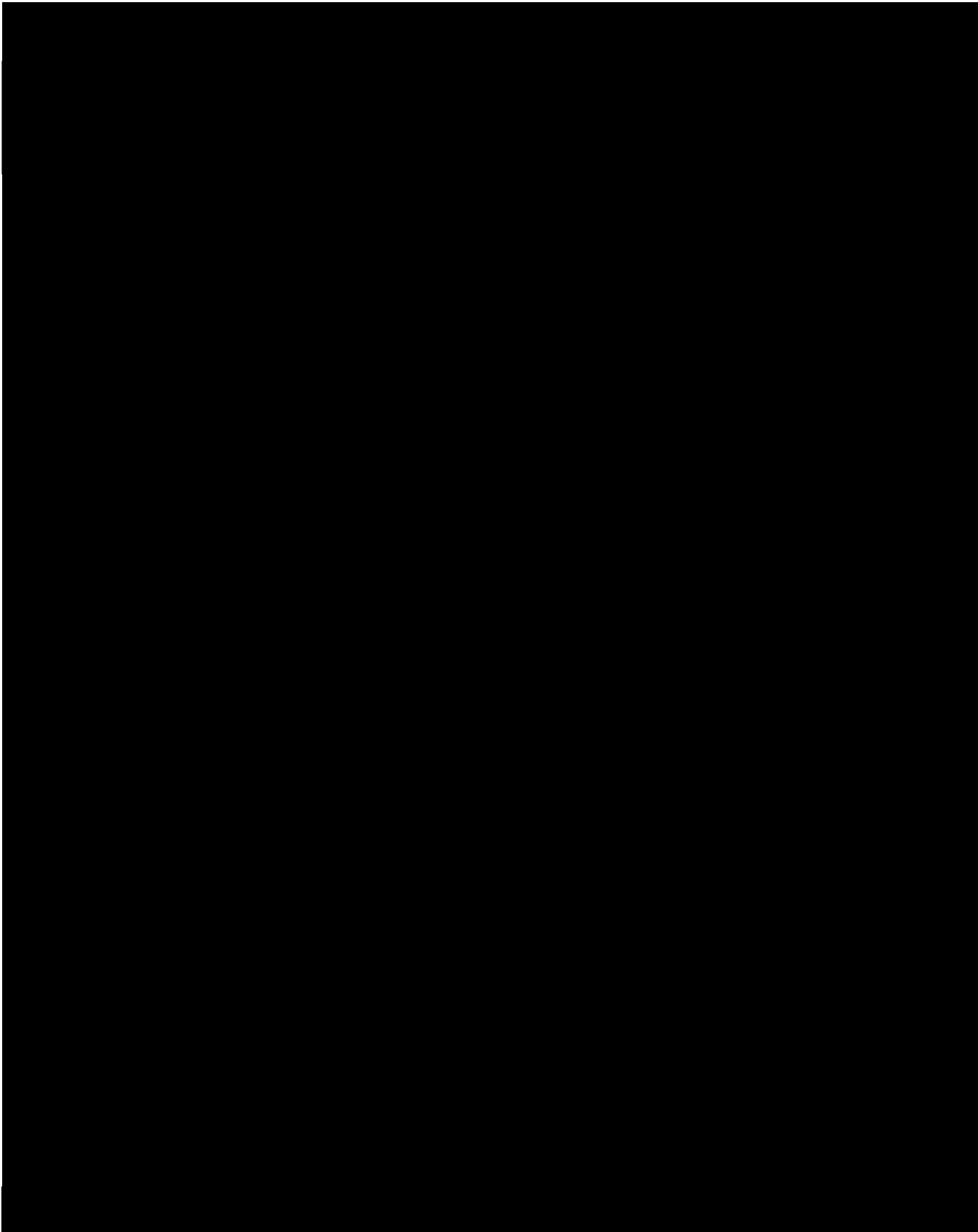


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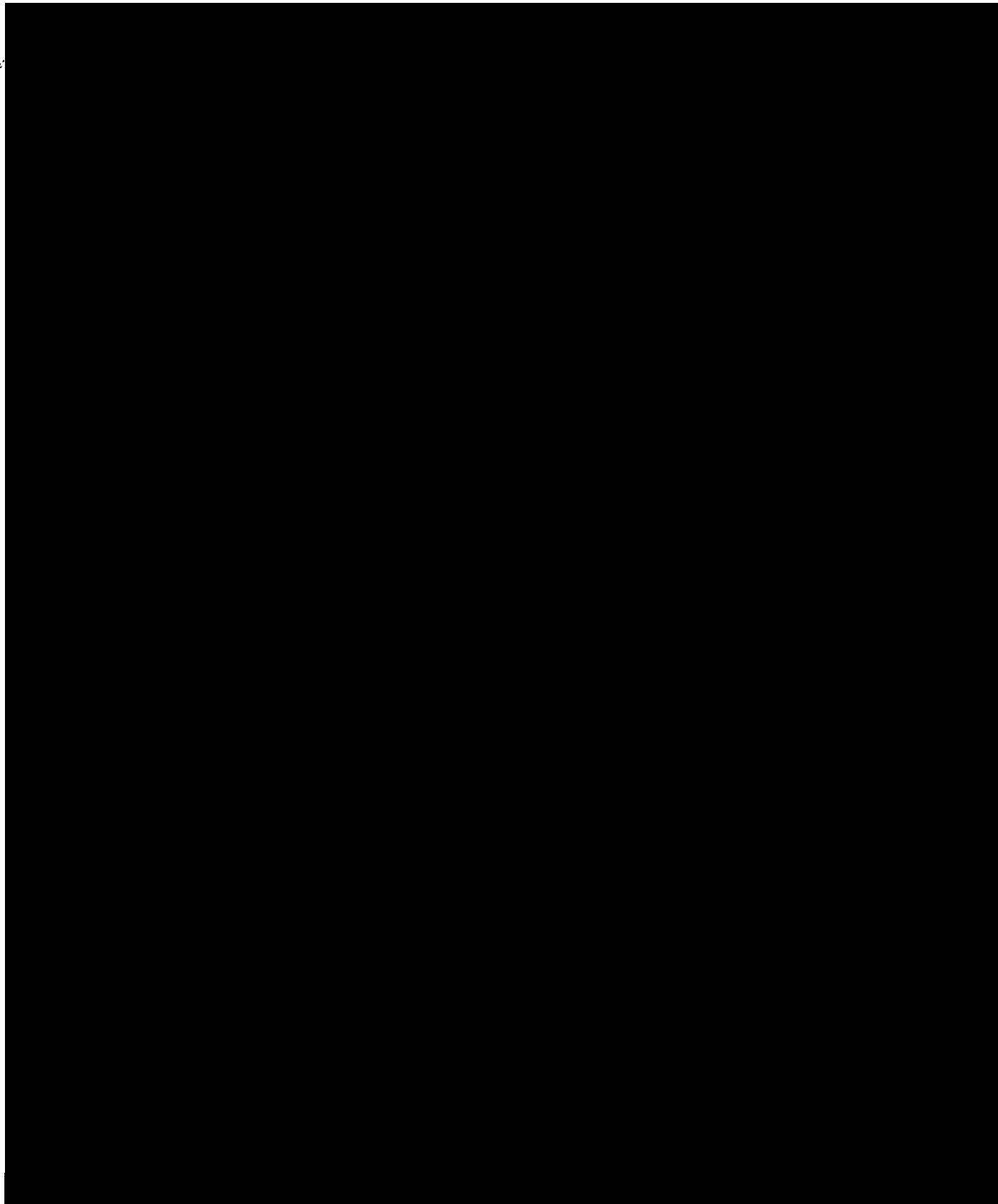


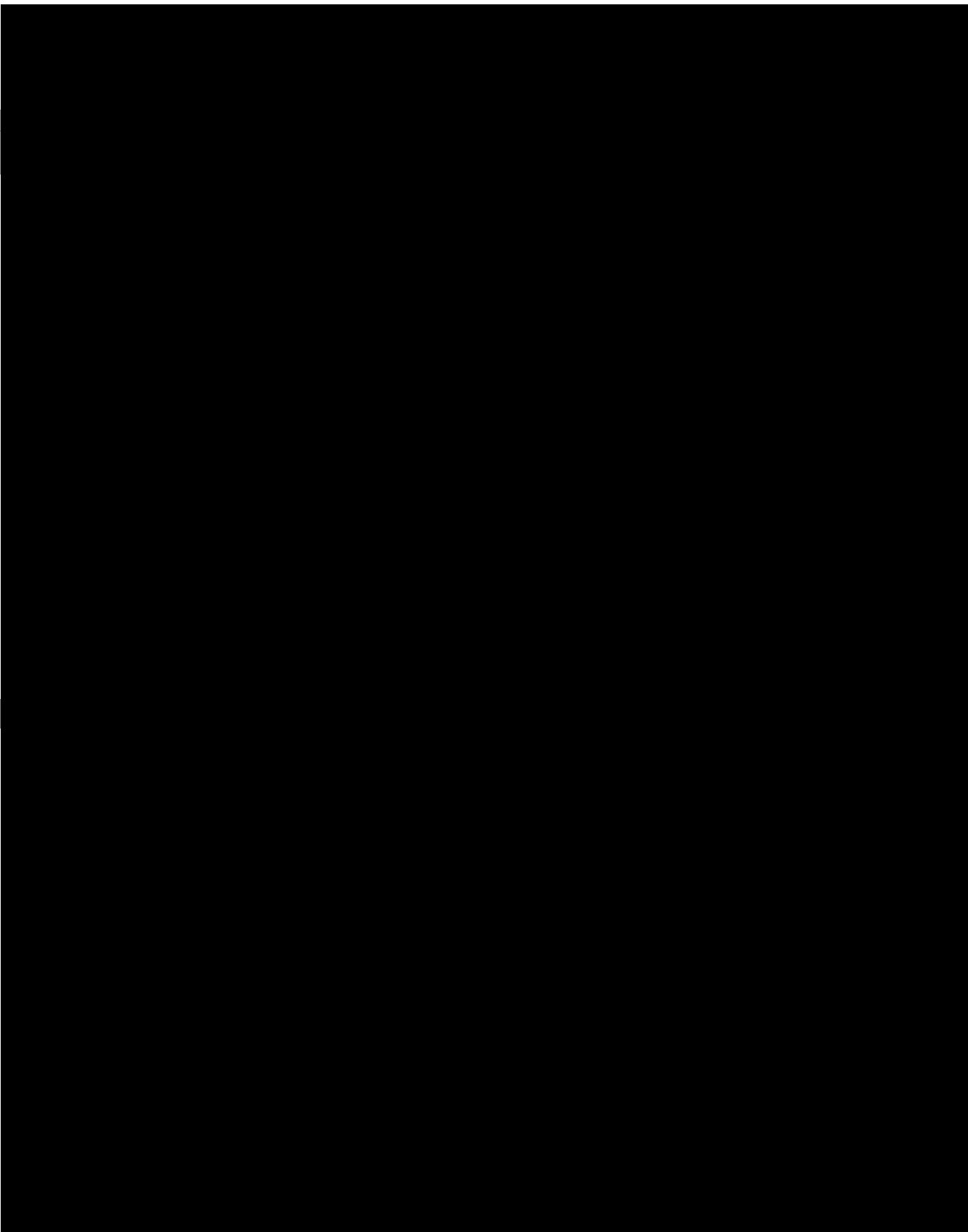


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Message

From: Chris Kirkpatrick [CK@haymancapital.com]
Sent: 12/4/2015 9:37:41 PM
To: David Whipple [WhippleDa@SEC.GOV]; Hunter, Keith J. [HunterK@SEC.GOV]
Subject: Letter to Whitley Penn
Attachments: Letter to Auditor (FINAL Dec 4 2015).pdf

David:

Attached are (i) the letter that we sent to Whitley Penn this afternoon concerning their resignation, (ii) an involuntary petition for bankruptcy filed by UDF III against a Buffington related entity (Lennar Buffington Stonewall Ranch, L.P.), and (iii) the original petition filed against, among others, Buffington and Starley, individually, and a Buffington entity and UDF IV.

Also, here's a link to the recent resignation of William Kahane, a director of UDF V's board of directors. http://www.sec.gov/Archives/edgar/data/1591330/000114420415068511/v425695_8k.htm. Kahane is affiliated with AR Capital, RCS Capital and Nick Schorsch. Although his resignation was announced on November 30th, it was effective on the same day that Whitley Penn resigned as UDF's auditor.

Let me know if you have any questions.

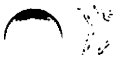
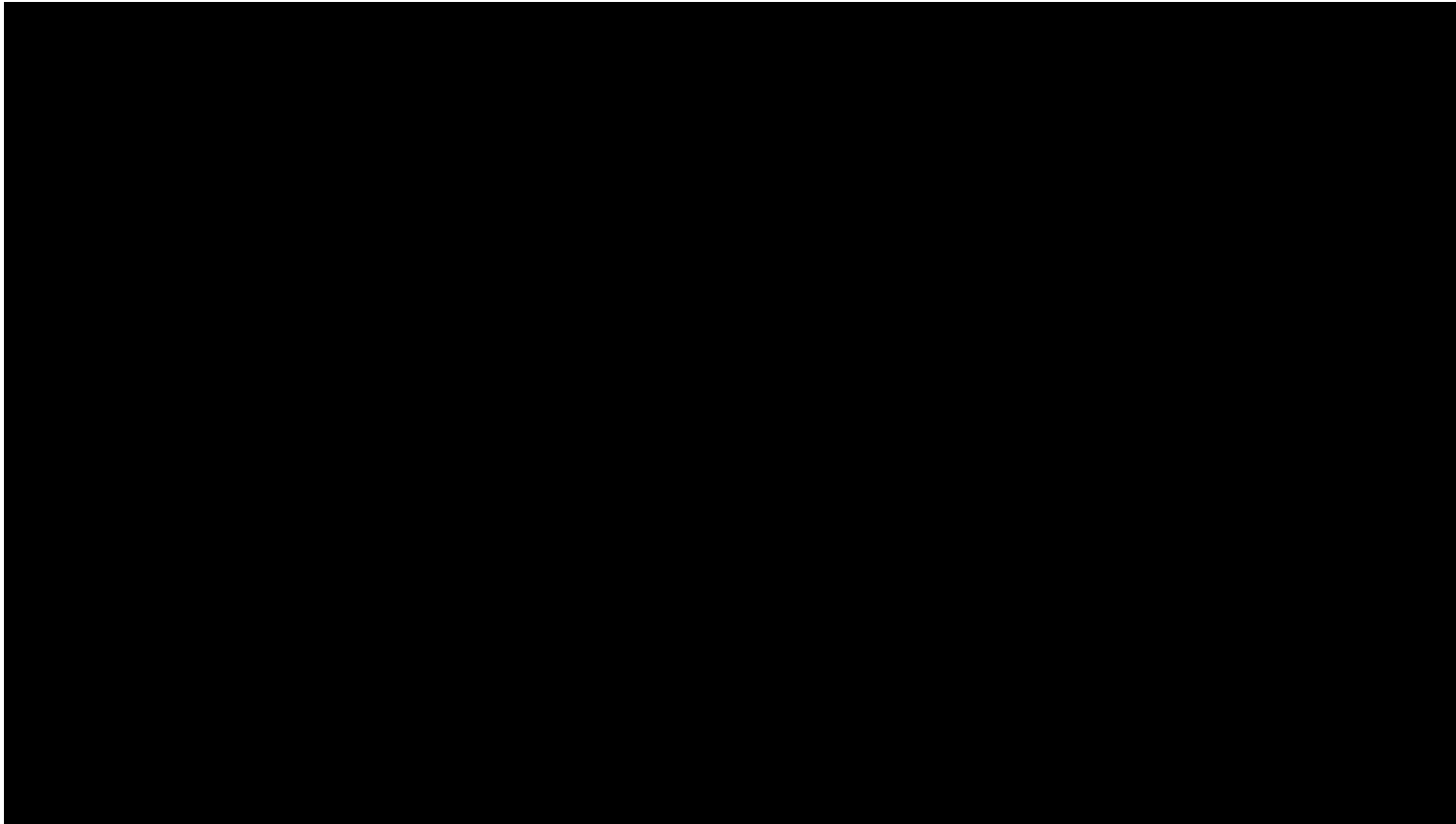
Best,

Chris

Chris Kirkpatrick
General Counsel
Hayman Capital Management, L.P.
2101 Cedar Springs Road, Suite 1400
Dallas, Texas 75201

214-646-8800 Tel
972-372-0336 Fax
ck@haymancapital.com

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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 12/10/2015 2:50:49 PM
To: Brandon Osmon [bo@haymancapital.com]; Peter Hans [peter@hvst.com]
Subject: RE: United Development Funding (UDF) - Texas-Sized Scheme
Attachments: image002.jpg; image003.png; Letter to Auditor (FINAL Dec 4 2015).pdf

This is the letter that was sent to the auditor that we also would like posted

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
[REDACTED] Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

From: Brandon Osmon
Sent: Thursday, December 10, 2015 8:50 AM
To: Peter Hans <peter@hvst.com>
Cc: Parker Lewis <PL@haymancapital.com>
Subject: RE: United Development Funding (UDF) - Texas-Sized Scheme

Peter can you please call me [REDACTED]

From: Peter Hans [mailto:peter@hvst.com]
Sent: Thursday, December 10, 2015 8:49 AM
To: Brandon Osmon
Cc: Parker Lewis
Subject: Re: United Development Funding (UDF) - Texas-Sized Scheme

Hi Guys, sorry about the slight delay but the post is live and comments are only visible by the admin(s) of the page.

Here is the link to the post <http://hvst.co/1NP2k2b>

[cid:image003.png@01D13327.D9D103B0]
Peter Hans, Co-Founder & CEO
peter@hvst.com<mailto:peter@hvst.com>
(571) 482-0249
Twitter - @PeterHansHVST
Harvest Profile<<https://www.hvst.com/2-peter-hans>>
<https://www.hvst.com>

On Dec 10, 2015, at 8:33 AM, Brandon Osmon <bo@haymancapital.com<mailto:bo@haymancapital.com>> wrote:

Thank Peter. How would I be able to access this page from my landing page on Harvest (shown below)?

<image001.jpg>

From: Peter Hans [mailto:peter@hvst.com]
Sent: Thursday, December 10, 2015 8:15 AM
To: Parker Lewis
Cc: Brandon Osmon
Subject: Re: United Development Funding (UDF) - Texas-Sized Scheme

I'm just re-testing the commenting functionality - might be a bit delayed...no more than 20-30 minutes
<image002.png>
Peter Hans, Co-Founder & CEO
peter@hvst.com<mailto:peter@hvst.com>

Message

From: Peter Hans [peter@hvst.com]
Sent: 12/9/2015 9:45:32 PM
To: Chris Kirkpatrick [CK@haymancapital.com]
CC: J. Kyle Bass [k@haymancapital.com]; Brandon Osmon [bo@haymancapital.com]; Parker Lewis [PL@haymancapital.com]
Subject: Re: United Development Funding (UDF) - Texas-Sized Scheme
Importance: High

I read through the document and I think it will resonate well. I have an idea leveraging a software update that we recently built that I think can represent both a powerful publication tool as well as a sustainable 'community' focused on "Investors for Truth" - 'A member-based, but publicly accessible forum for institutional investors and asset managers to share diligence around fraudulent corporations and their business practices.'

I'm free to discuss at your convenience.

Peter

harvest

Peter Hans, Co-Founder & CEO
peter@hvst.com
(571) 482-0249
Twitter - @PeterHansHVST
[Harvest Profile](#)
<https://www.hvst.com>

On Dec 9, 2015, at 3:12 PM, Peter Hans <peter@hvst.com> wrote:

Confirmed. Thank you Chris. I will review and be back shortly.

<hvst-sig.png>
Peter Hans, Co-Founder & CEO
peter@hvst.com
(571) 482-0249
Twitter - @PeterHansHVST
[Harvest Profile](#)
<https://www.hvst.com>

On Dec 9, 2015, at 3:06 PM, Chris Kirkpatrick <CK@haymancapital.com> wrote:

Peter:

Kyle inadvertently sent you a draft. Attached is the final version. Please delete the prior version.

Message

From: Peter Hans [peter@hvst.com]
Sent: 12/11/2015 2:56:45 PM
To: J. Kyle Bass [k@haymancapital.com]
CC: Parker Lewis [PL@haymancapital.com]; Andy Jent [aj@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]
Subject: Re: Harvest Post

The post is live, here is the link <http://hvst.co/1SSbjUO>

The powerpoint will work well with our viewer. We convert the doc to HTML and then re-display with a native viewer that allows us to customize security settings for clients (custom watermarks, removing download ability, tracking etc).

Thanks for the feedback on the PDF toggle. It's something we can explain with a tool tip for posts with multiple attachments. We find it to be a poor reader experience to display multiple attachments consecutively given the majority of readers don't progress beyond the page fold.

harvest

Peter Hans, Co-Founder & CEO
peter@hvst.com
(571) 482-0249
Twitter - @PeterHansHVST
Harvest Profile
<https://www.hvst.com>

On Dec 11, 2015, at 8:50 AM, J. Kyle Bass <k@haymancapital.com> wrote:

Thanks Peter. Please ping us when it is up. For what its worth, many people that clicked to yesterday's post didn't know how to get the Letter to the Auditor on PDF2.

Will the powerpoint work well in its current format?

From: Parker Lewis
Sent: Friday, December 11, 2015 6:41 AM
To: Peter Hans <peter@hvst.com>
Cc: J. Kyle Bass <k@haymancapital.com>; Andy Jent <aj@haymancapital.com>; Chris Kirkpatrick <CK@haymancapital.com>
Subject: Re: Harvest Post

Correct anonymous

Sent from my iPhone

On Dec 11, 2015, at 8:40 AM, Peter Hans <peter@hvst.com> wrote:

Thanks Parker.

To confirm, this is going to anonymous profile and the title will be both of the below lines.

<image001.png>

Peter Hans, Co-Founder & CEO

peter@hvst.com

██████████-0249

Twitter - @PeterHansHVST

Harvest Profile

<https://www.hvst.com>

On Dec 11, 2015, at 8:36 AM, Parker Lewis

<PL@haymancapital.com> wrote:

Peter – please see attached. Ready to upload to harvest. We would like the title of the post to be as follows (not the title of the file)

United Development Funding (UDF)

One Example of Many: How The Scheme Works, from One UDF Fund to the Next

<image001.jpg>

Parker Lewis

Hayman Capital Management, L.P.

2101 Cedar Springs Road Suite 1400

Dallas, TX 75201

214.347.8043 Direct

██████████ Mobile

PL@HaymanCapital.com

<How It Works_A Centurion American Development (FINAL Dec 11 2015).pdf>

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REQUESTED BY KATTEN LLP

Message

From: Peter Hans [REDACTED]@hvst.com]
Sent: 12/10/2015 3:17:15 PM
To: Parker Lewis [PL@haymancapital.com]
CC: Brandon Osmon [bo@haymancapital.com]
Subject: Re: United Development Funding (UDF) - Texas-Sized Scheme

Ok, the post is now live <http://hvst.co/1IH9BVZ>

I posed it as coming from the community and will also post from the individual user account.

Both attachments are on the post and you can toggle by clicking on PDF1 or PDF2... additionally comments are visible only by the admin(s) of the community.

Please let me know if there is anything else you'd like me to change.

peter

harvest

Peter Hans, Co-Founder & CEO
[REDACTED]@hvst.com
(571) 482-0249
Twitter - @PeterHansHVST
[Harvest Profile](#)
<https://www.hvst.com>

On Dec 10, 2015, at 8:50 AM, Parker Lewis <PL@haymancapital.com> wrote:

This is the letter that was sent to the auditor that we also would like posted

<image002.jpg>

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
512.699.7480 Mobile
PL@HaymanCapital.com

From: Brandon Osmon
Sent: Thursday, December 10, 2015 8:50 AM
To: Peter Hans <[\[REDACTED\]@hvst.com](mailto:[REDACTED]@hvst.com)>
Cc: Parker Lewis <PL@haymancapital.com>
Subject: RE: United Development Funding (UDF) - Texas-Sized Scheme

Peter can you please call me [REDACTED]

From: Peter Hans [<mailto:peter@hvst.com>]
Sent: Thursday, December 10, 2015 8:49 AM
To: Brandon Osmon
Cc: Parker Lewis
Subject: Re: United Development Funding (UDF) - Texas-Sized Scheme

Hi Guys, sorry about the slight delay but the post is live and comments are only visible by the admin(s) of the page.

Here is the link to the post <http://hvst.co/1NP2k2b>

<image003.png>
Peter Hans, Co-Founder & CEO
peter@hvst.com
(571) 482-0249
Twitter - @PeterHansHVST
[Harvest Profile](#)
<https://www.hvst.com>

On Dec 10, 2015, at 8:33 AM, Brandon Osmon <bo@haymancapital.com> wrote:

Thank Peter. How would I be able to access this page from my landing page on Harvest (shown below)?

<image001.jpg>

From: Peter Hans [<mailto:peter@hvst.com>]
Sent: Thursday, December 10, 2015 8:15 AM
To: Parker Lewis
Cc: Brandon Osmon
Subject: Re: United Development Funding (UDF) - Texas-Sized Scheme

I'm just re-testing the commenting functionality - might be a bit delayed...no more than 20-30 minutes

<image002.png>
Peter Hans, Co-Founder & CEO
peter@hvst.com
(571) 482-0249
Twitter - @PeterHansHVST
[Harvest Profile](#)
<https://www.hvst.com>

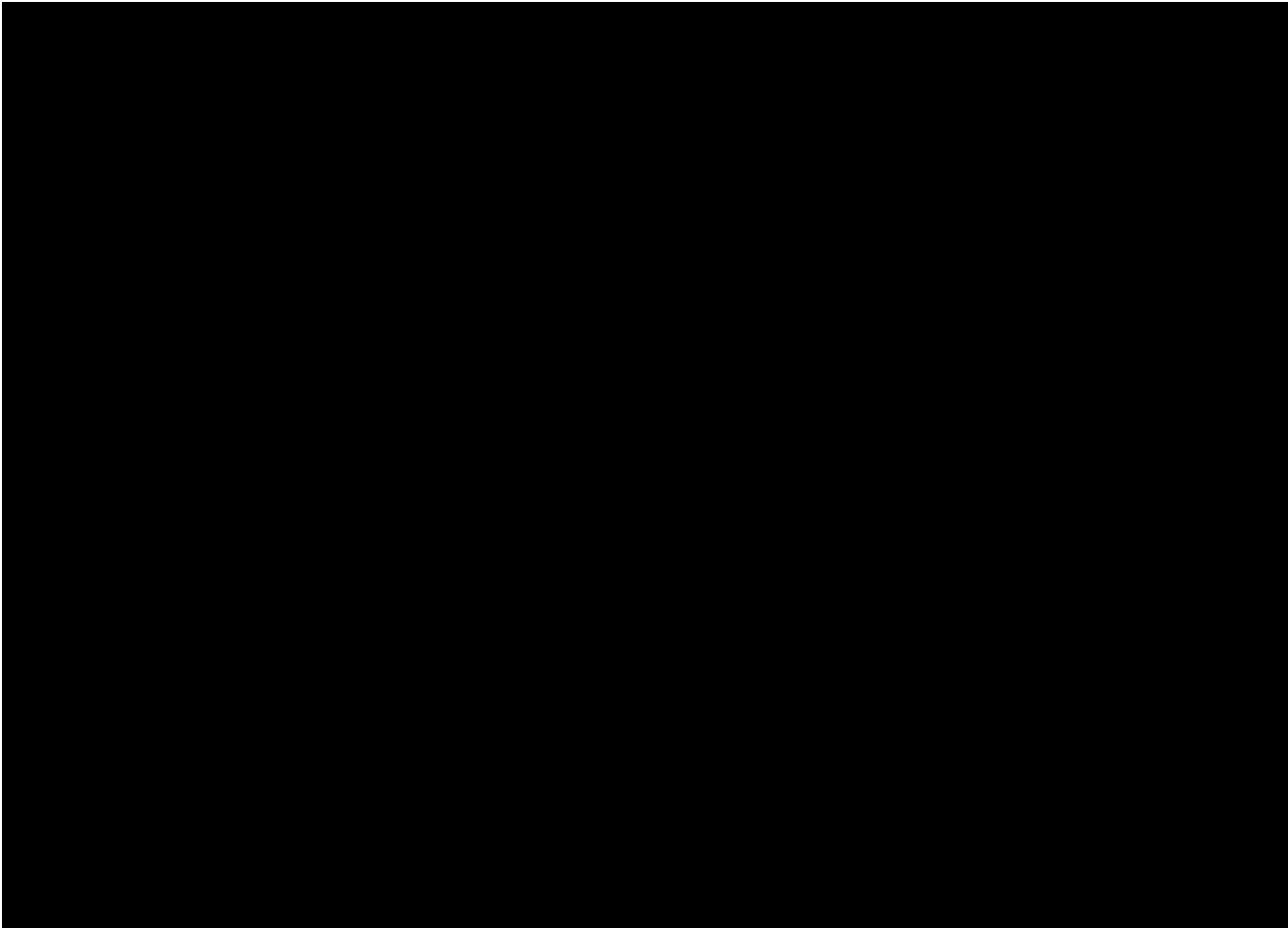


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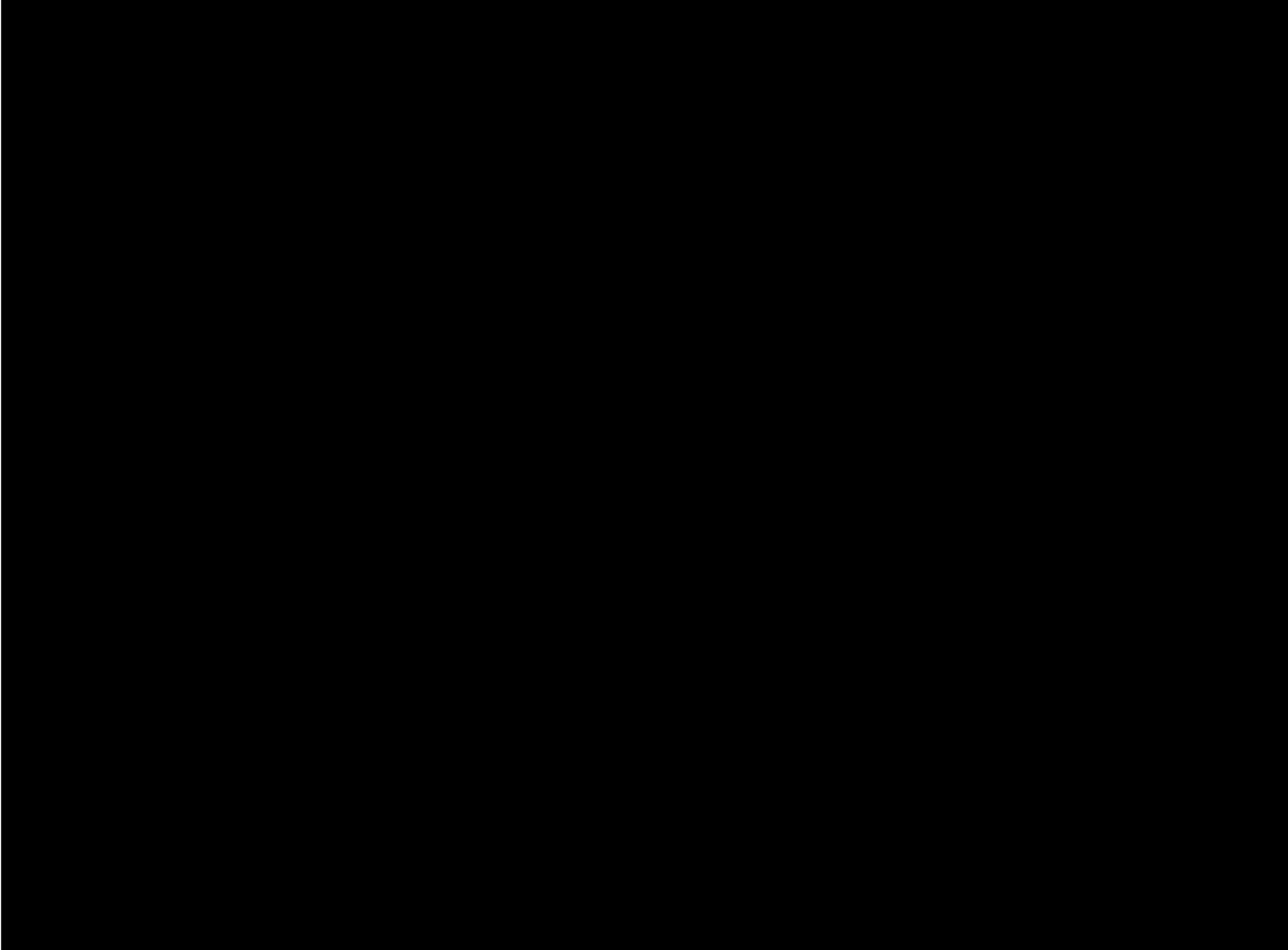
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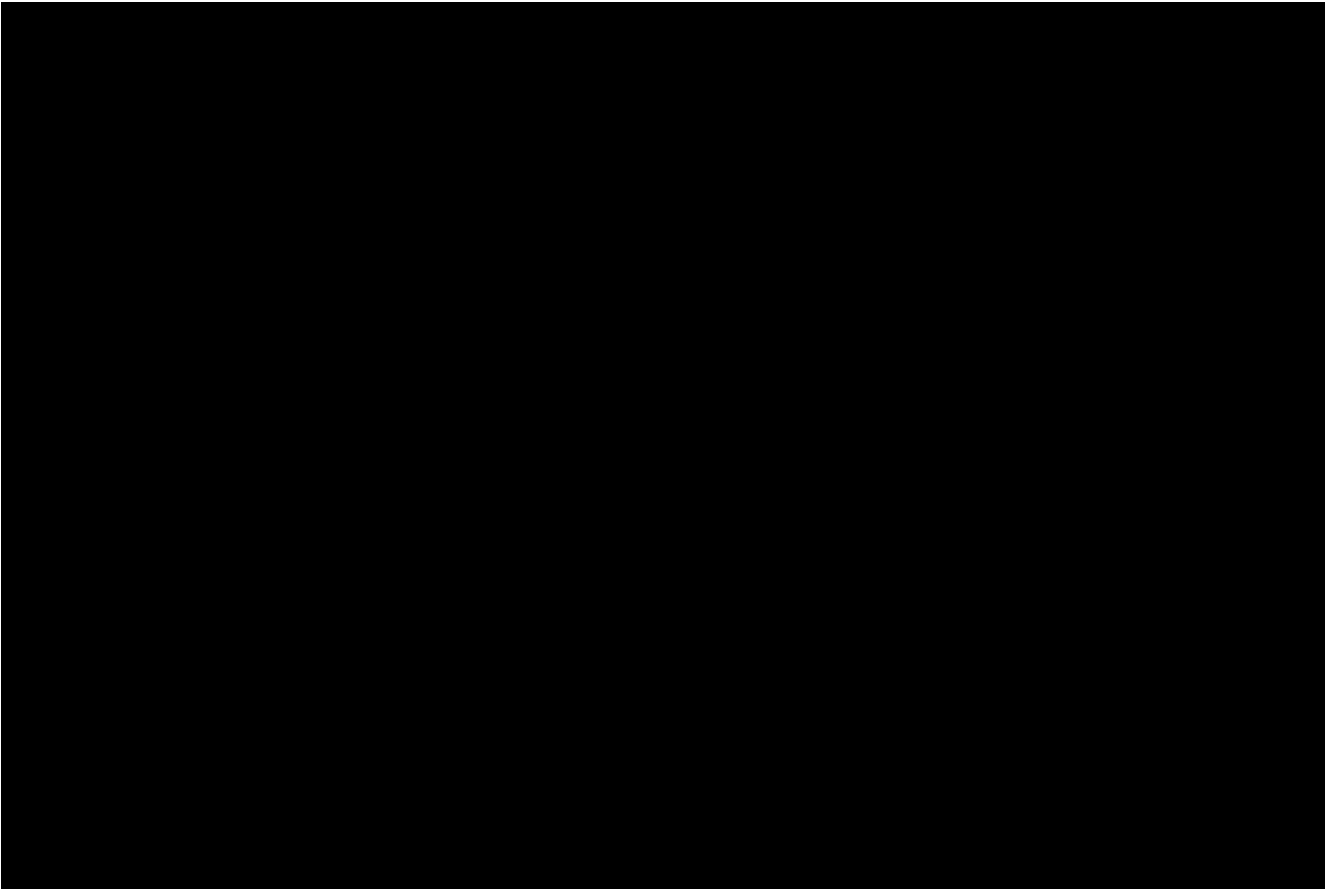


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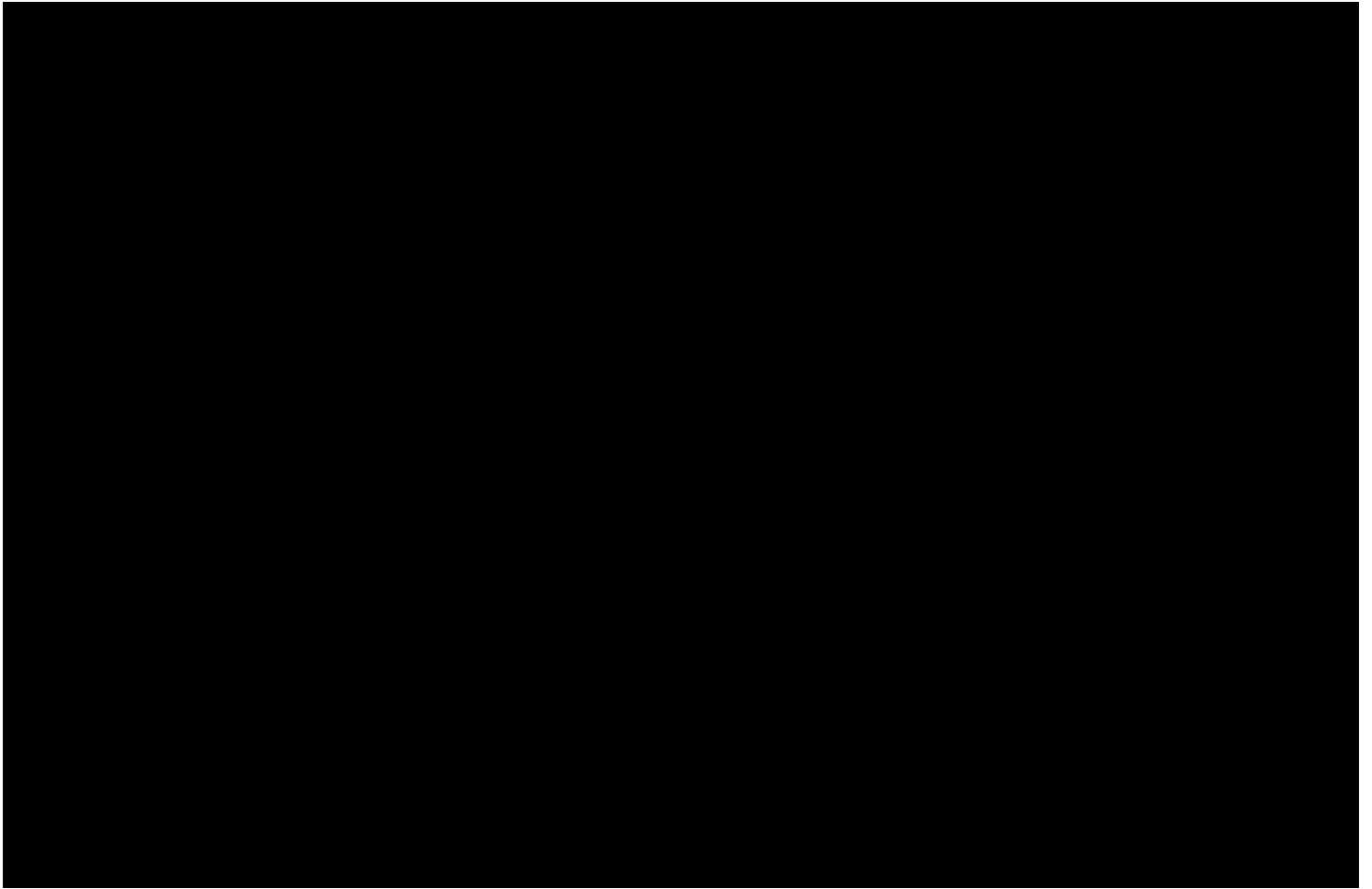
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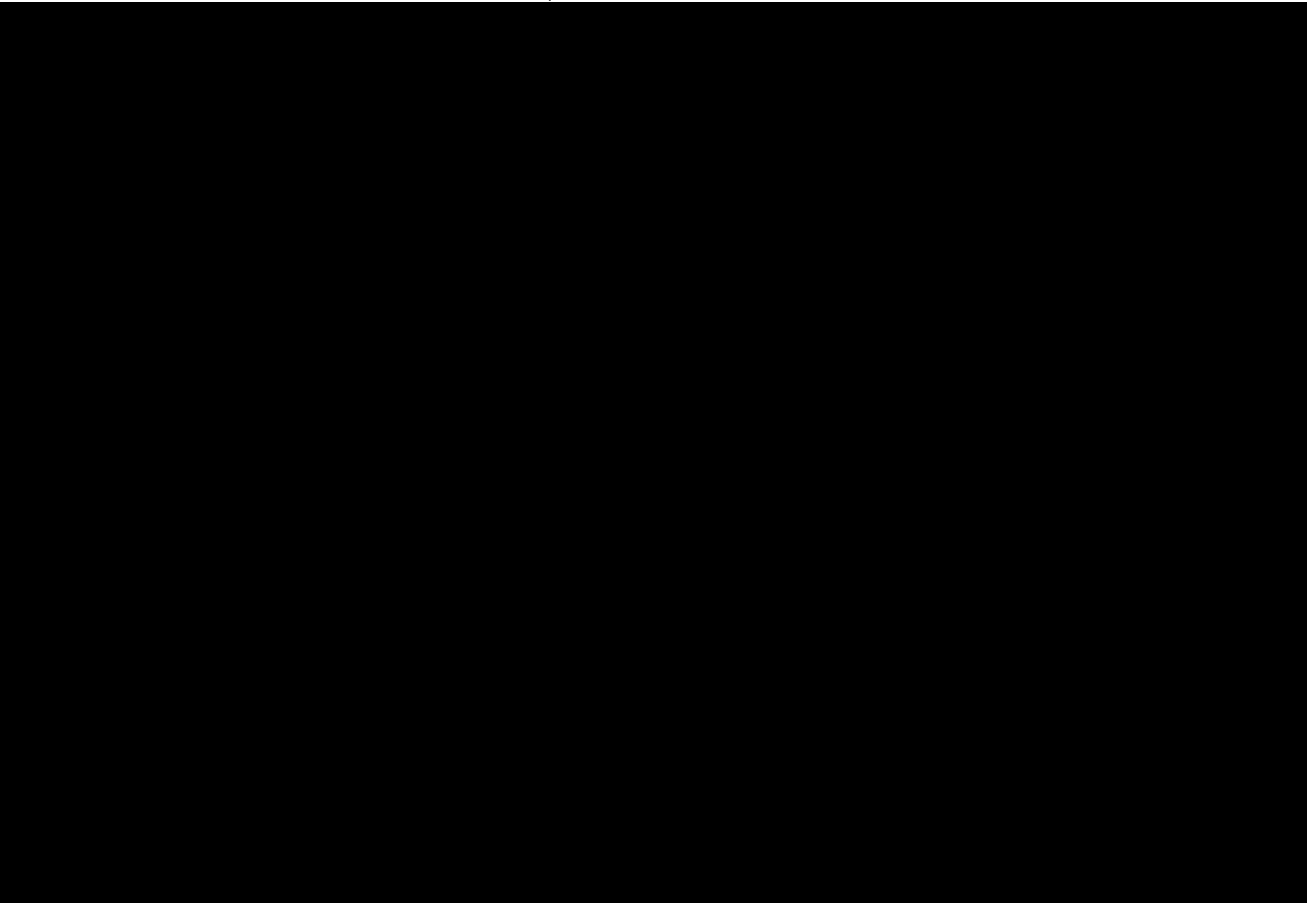
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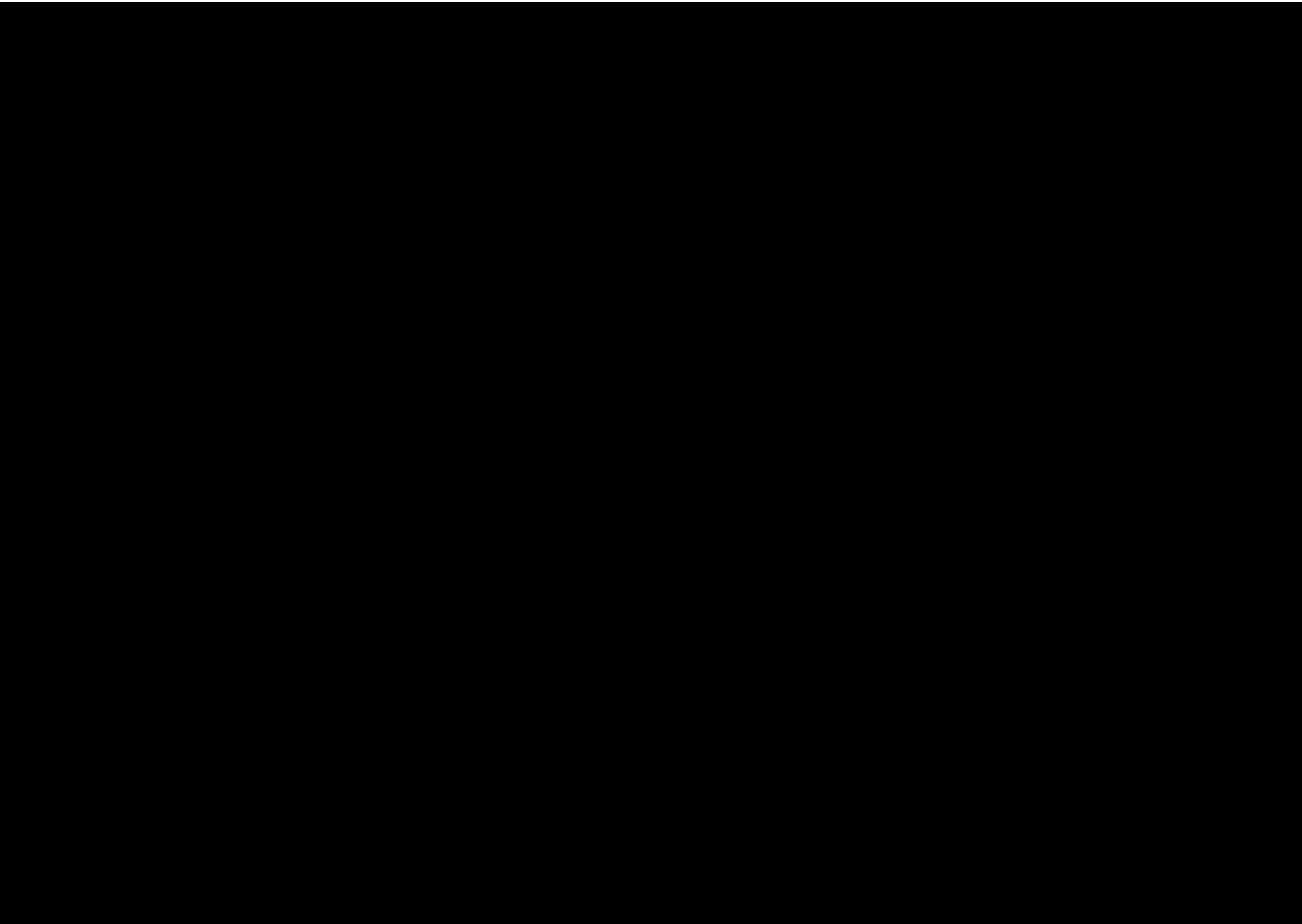


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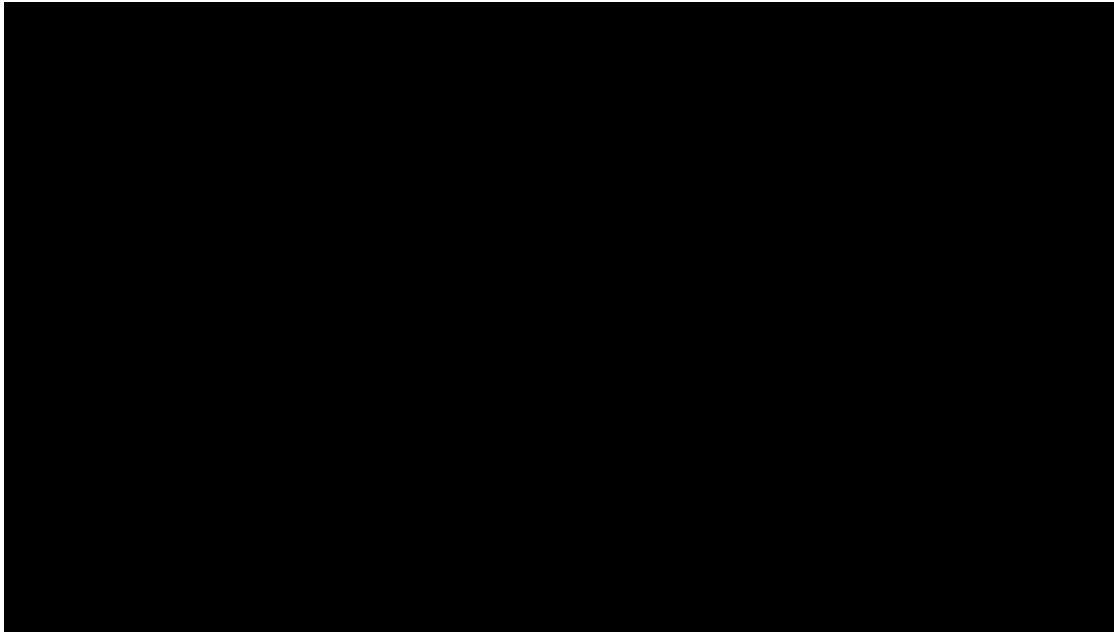


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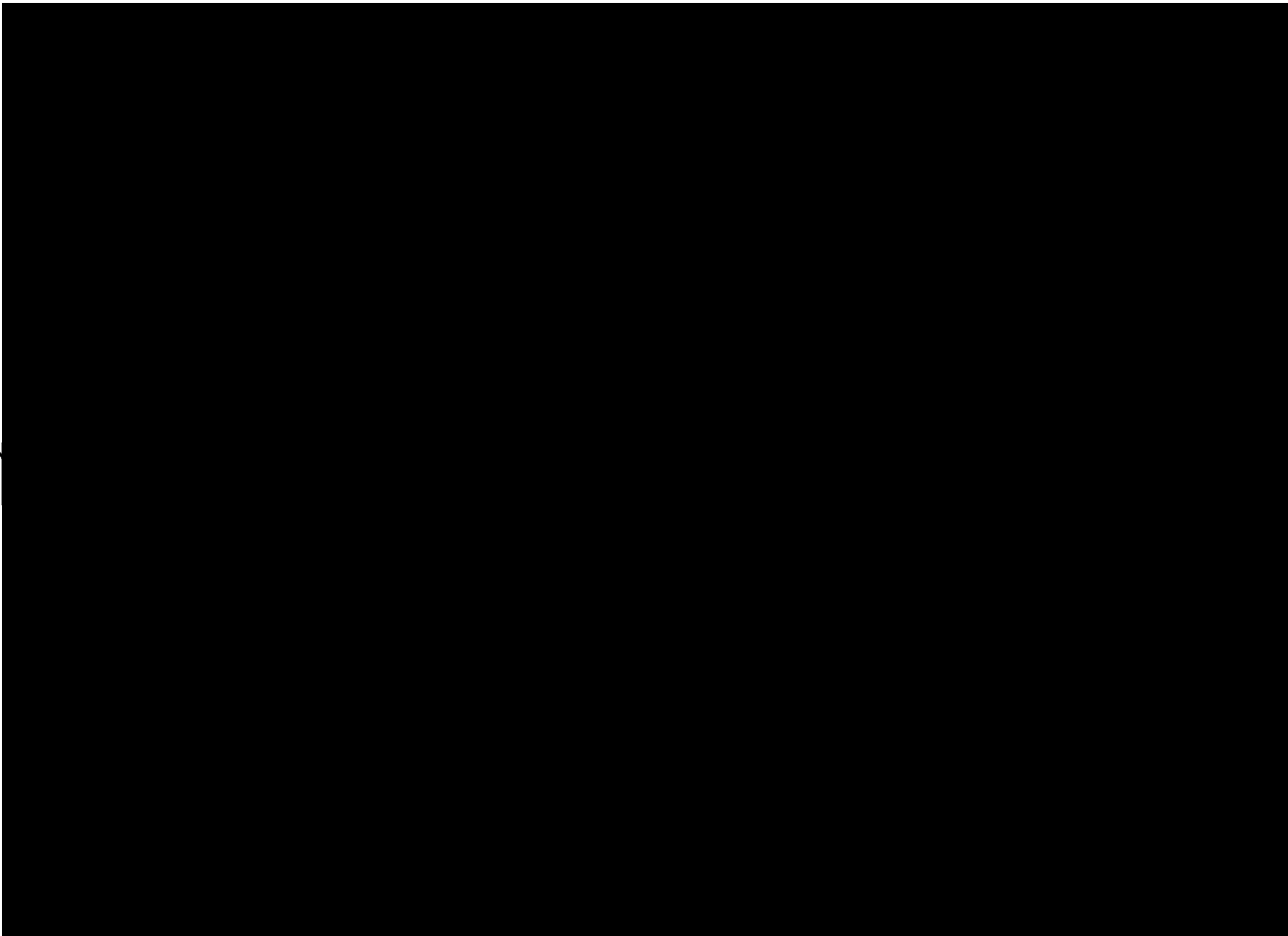
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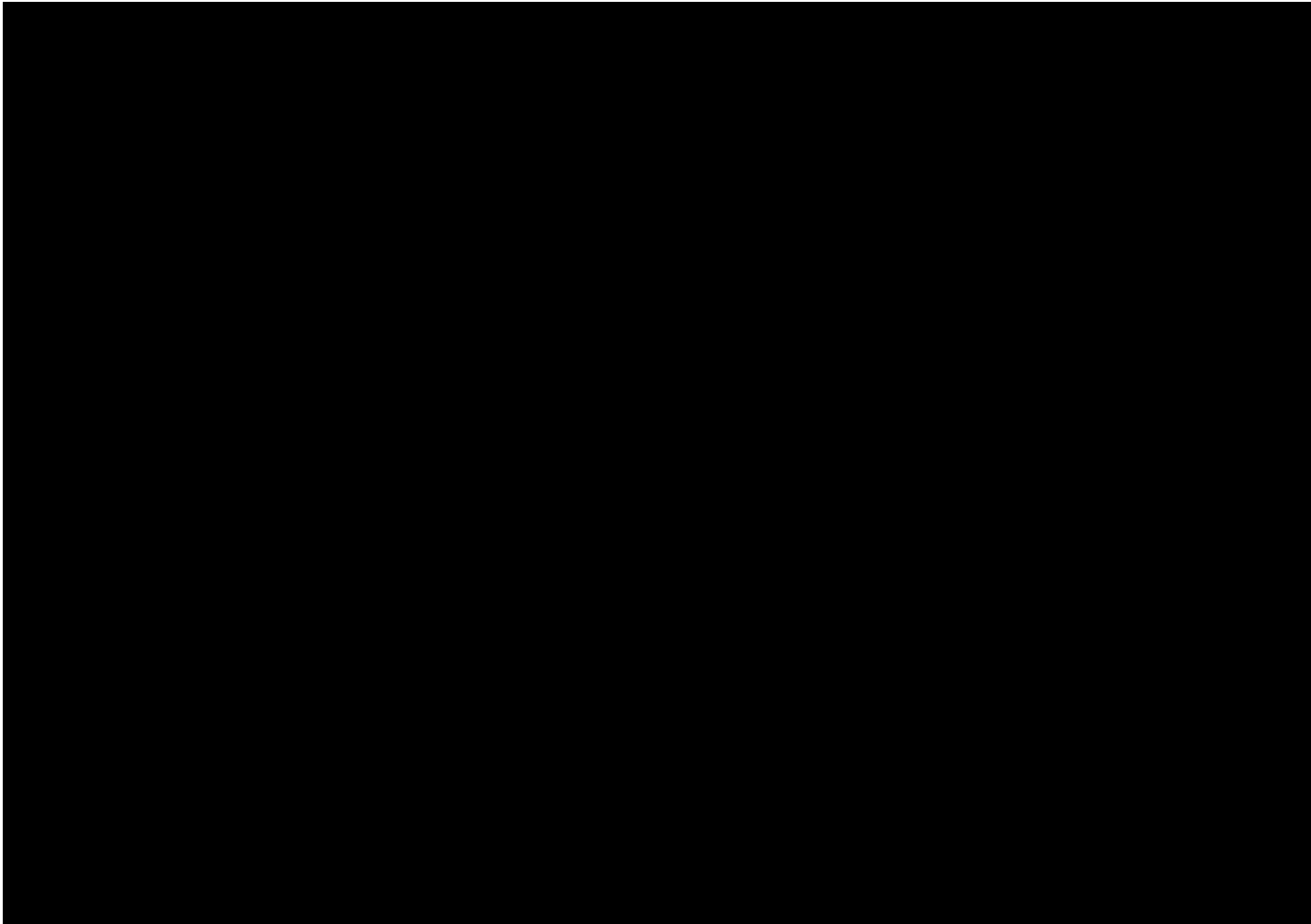


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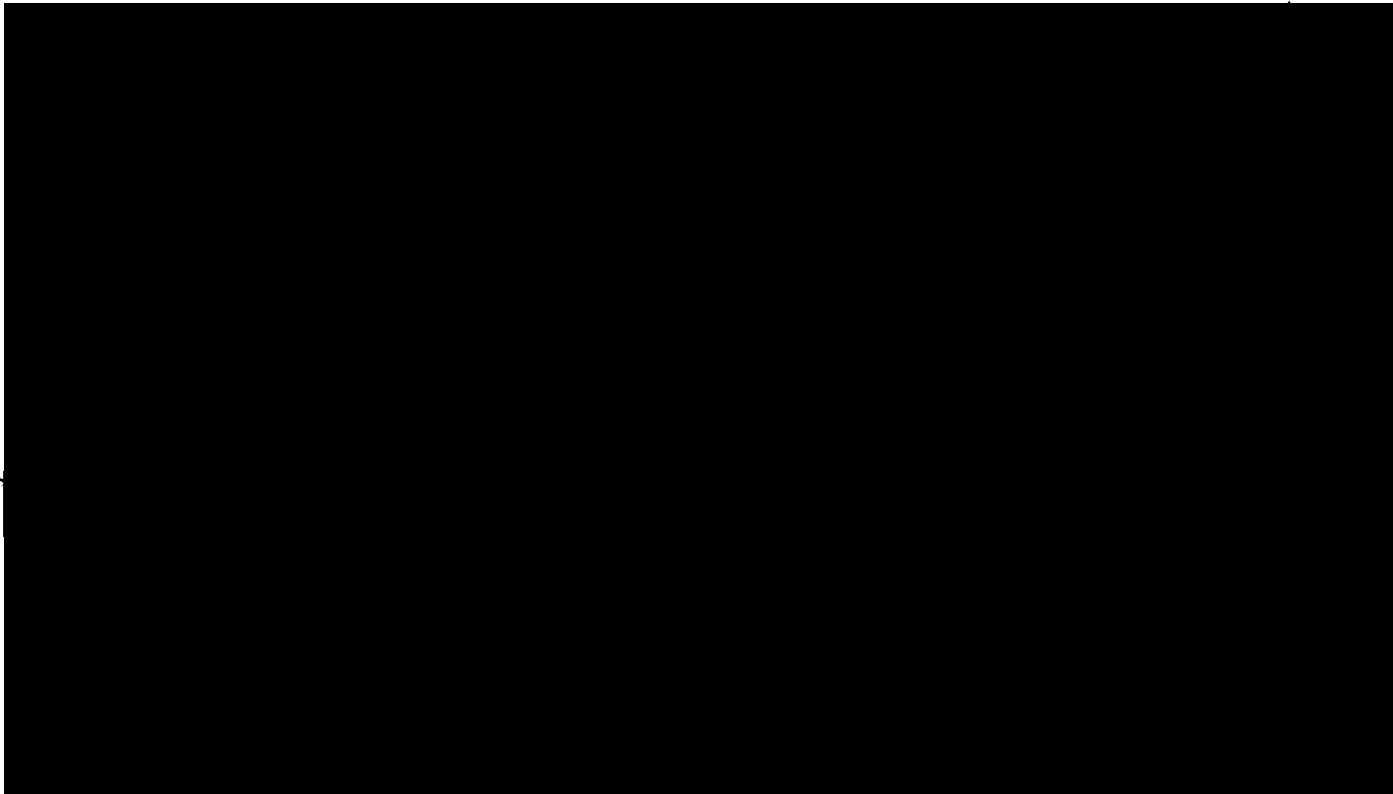


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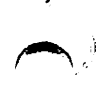


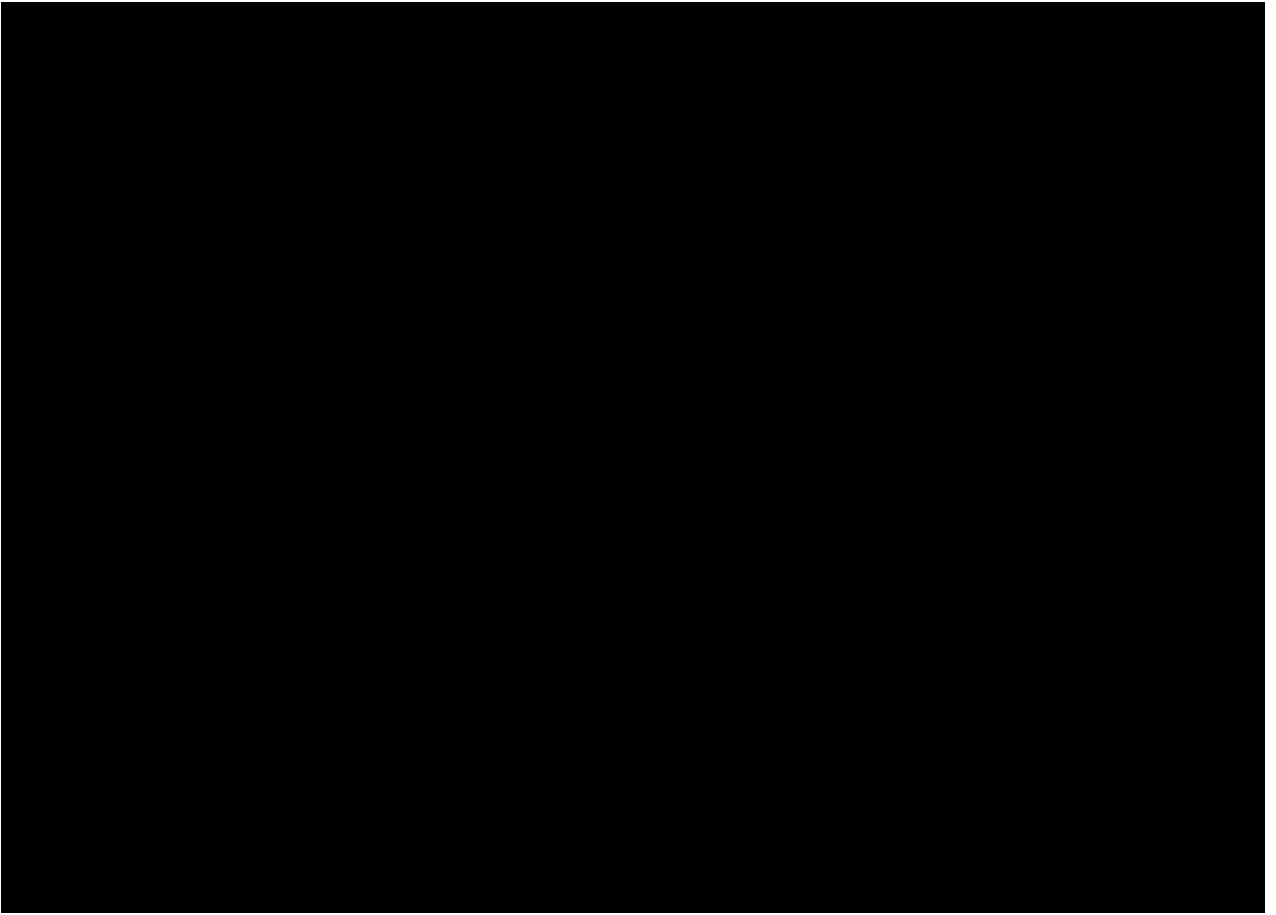


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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 12/10/2015 9:11:24 PM
To: J. Kyle Bass [k@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]; Andy Jent [aj@haymancapital.com]; Juneau Lee [JL@haymancapital.com]; Brandon Osmon [bo@haymancapital.com]; Jeff Cate [jc@haymancapital.com]
Subject: New Post from Value Walk
Attachments: image001.jpg

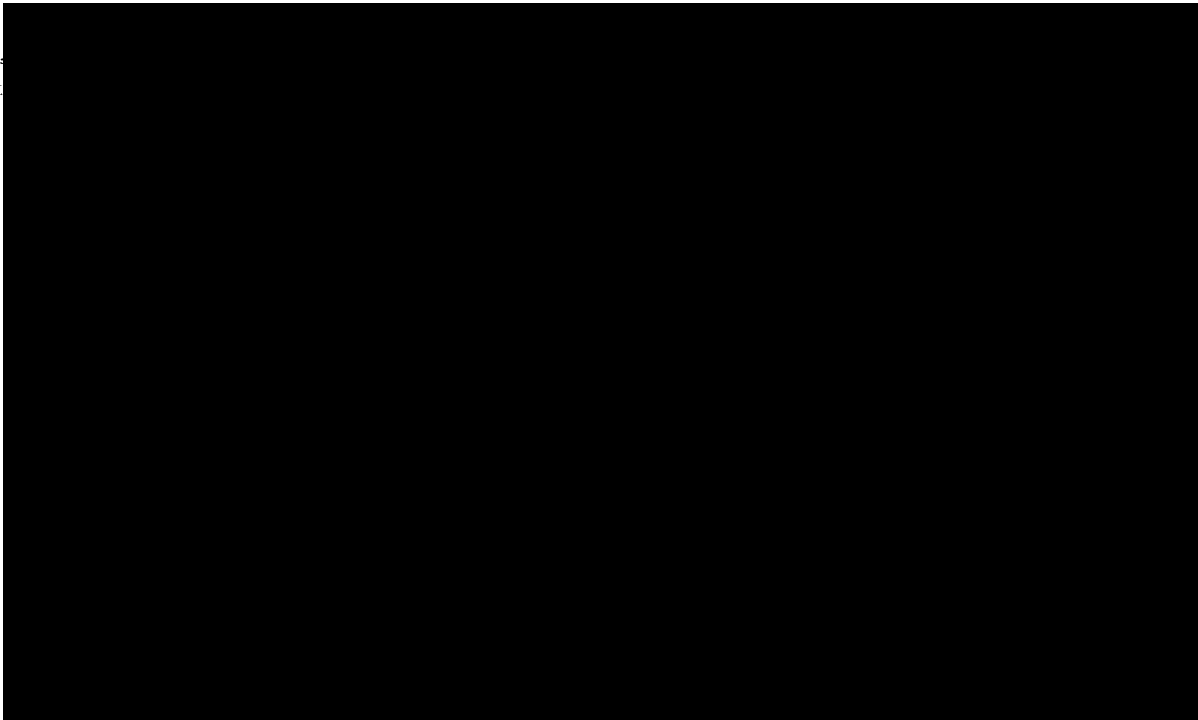
United Development Funding - Kyle Bass Accuses Company Of Ponzi Scheme
<http://www.valuewalk.com/2015/12/united-development-funding/>

Valuewalk learned several months ago that Hayman Capital was short United Development and we just broke the story on twitter. We have FOIAed SEC for further info and been stonewalled on the request although according to an FOIA expert the response from the SEC indicates a possible criminal investigation. We broke the story today because two posts - one on VIC and the other on HVST allege the company to be a fraud. We have several reasons to believe those reports came from Hayman Capital, but it is not confirmed yet. However, both reports use a similar thesis to Hayman's. Hayman and United Development have not responded to a question for comment. UDF is the company we alleged to in this post<<http://www.valuewalk.com/2015/11/ar-capital/>>. Stay tuned for more on this story, follow up documentation, and the non public REIT sector in general.

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
512.699.7480 Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

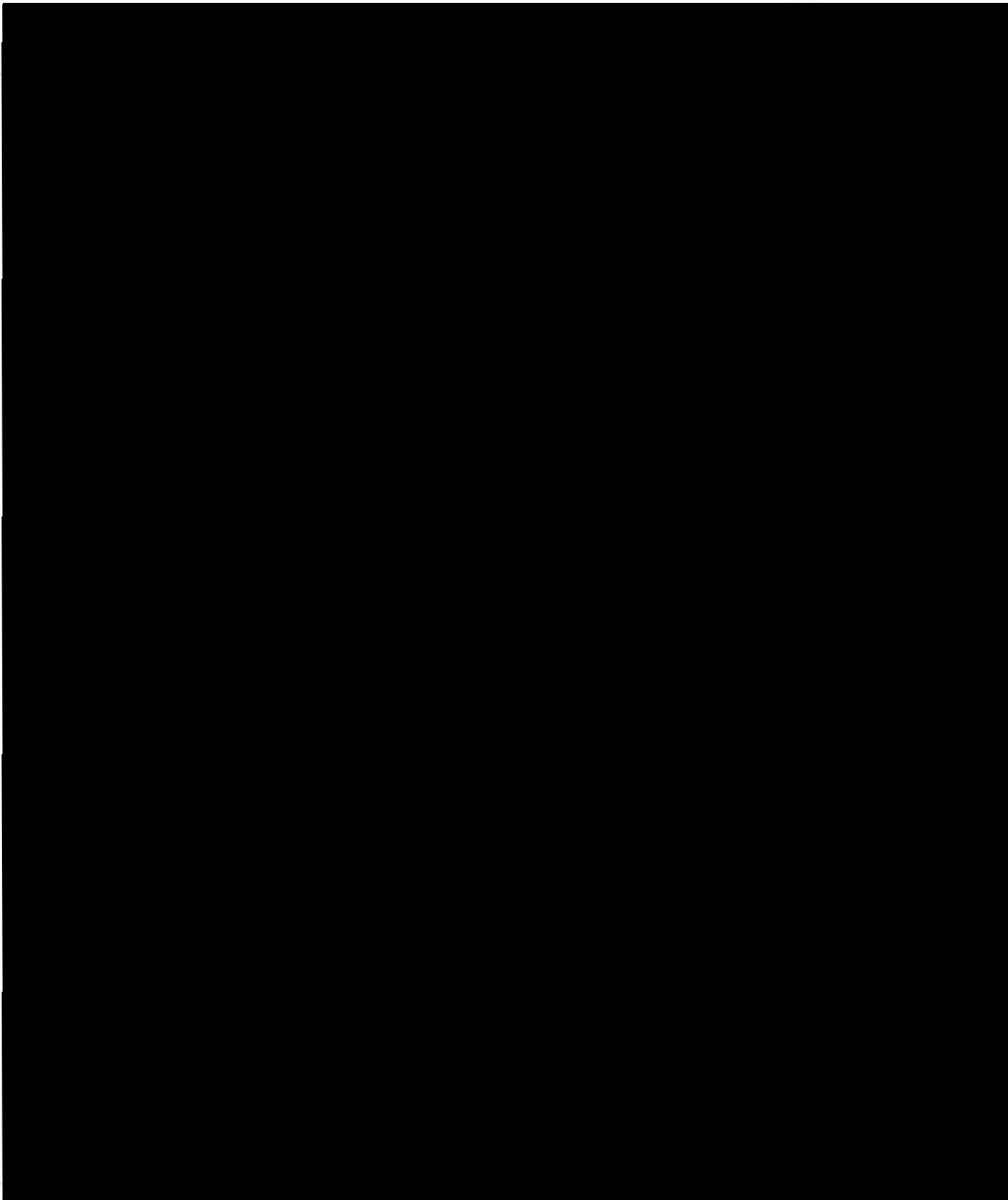


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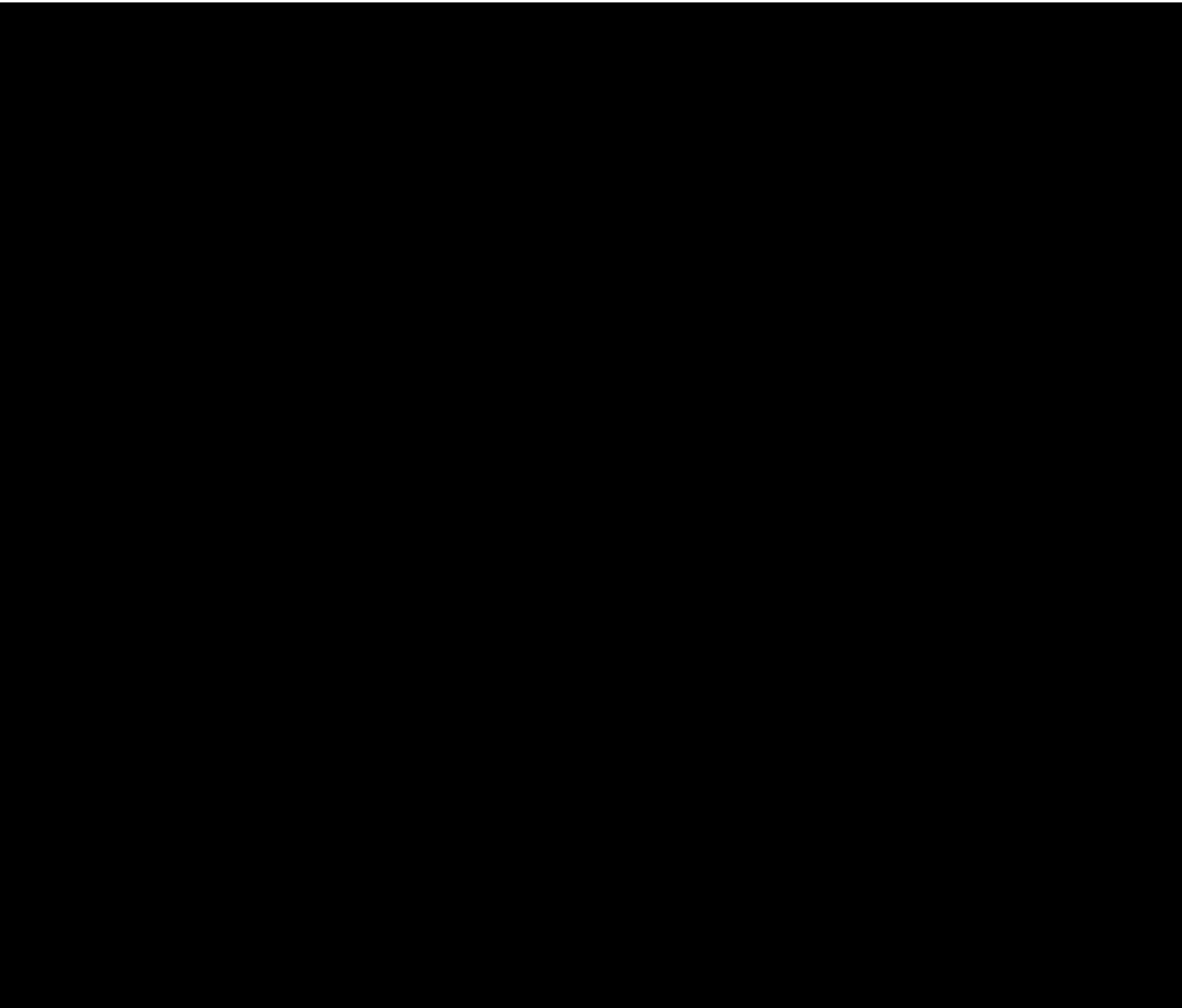
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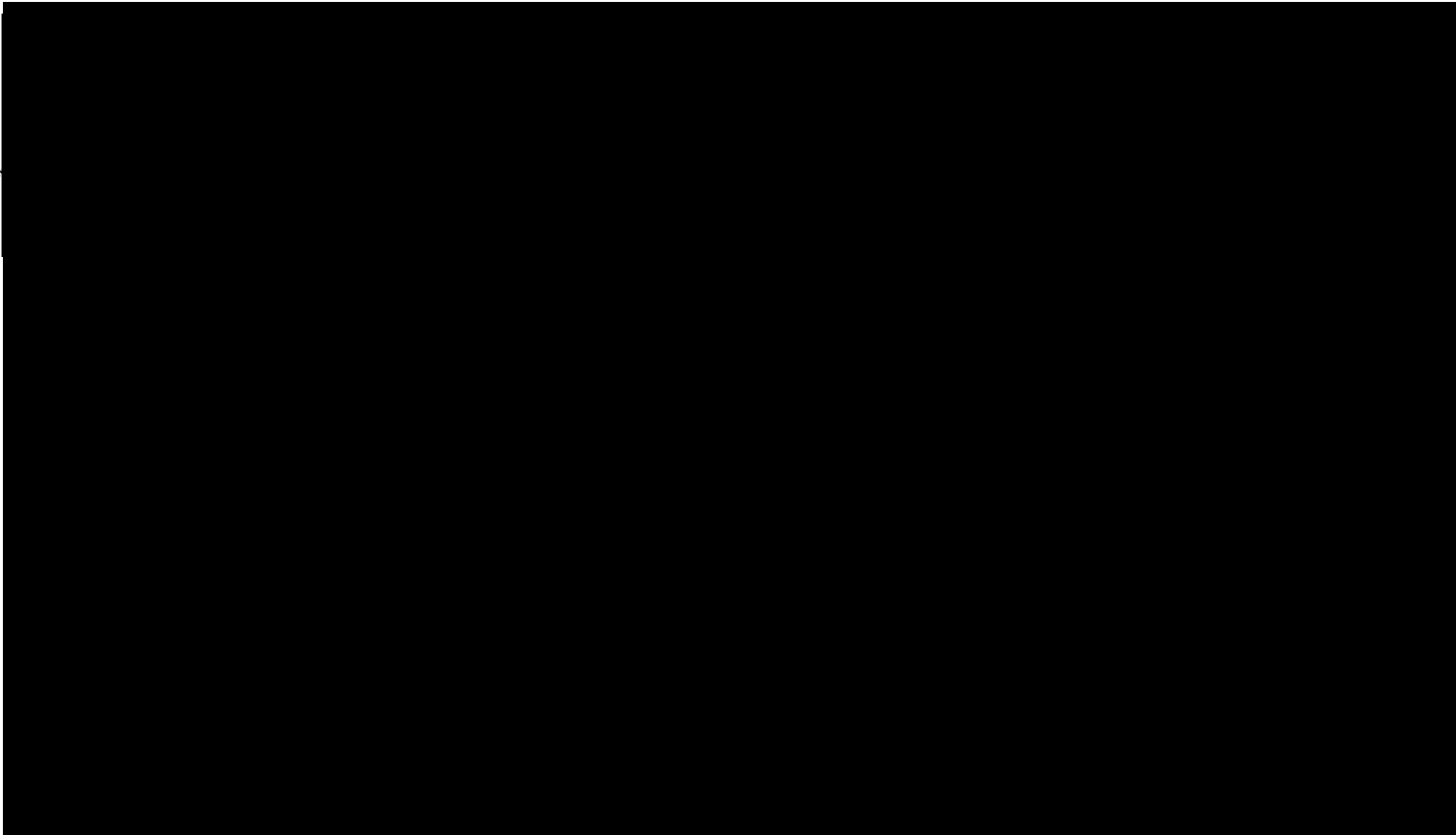






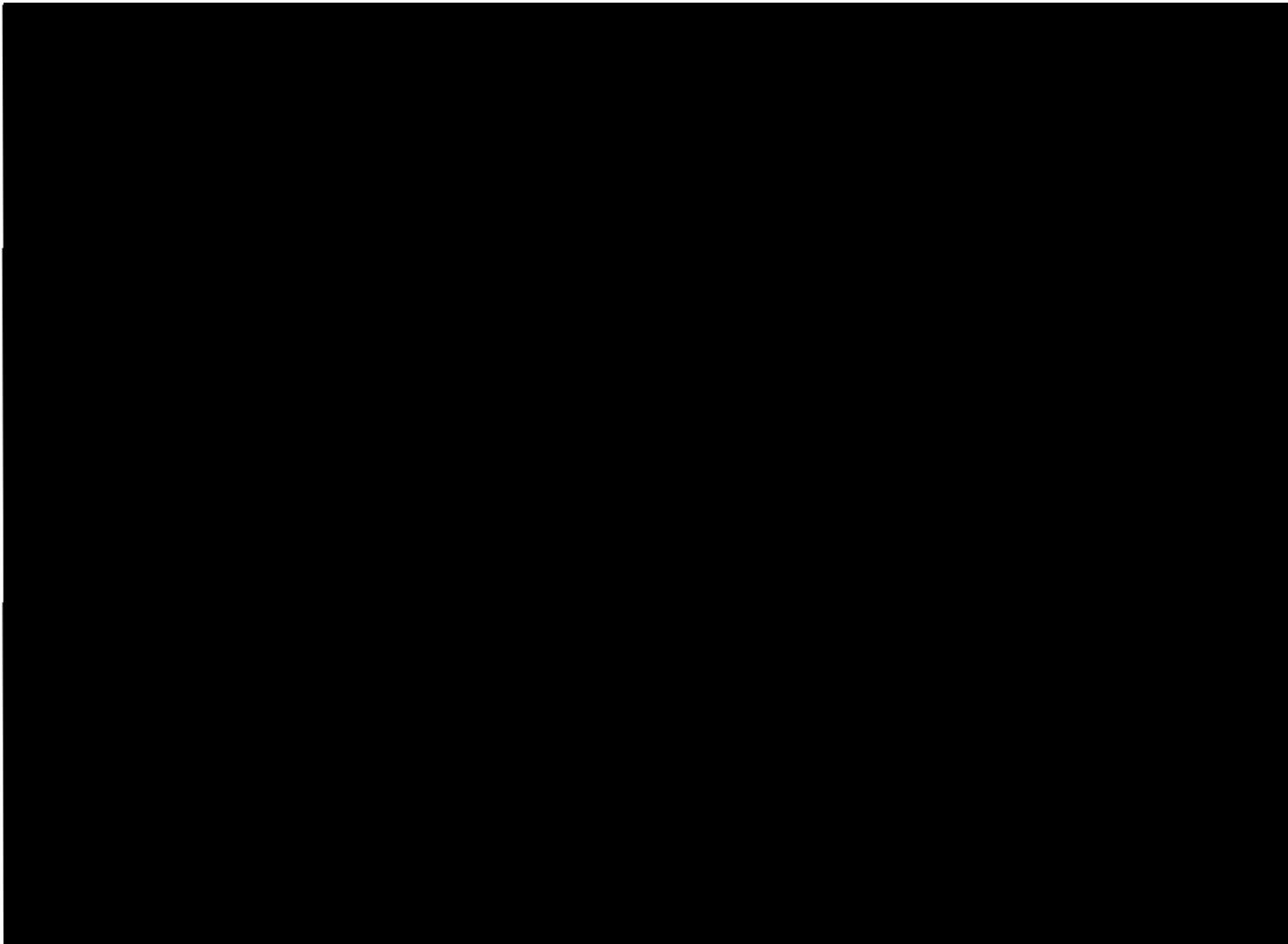
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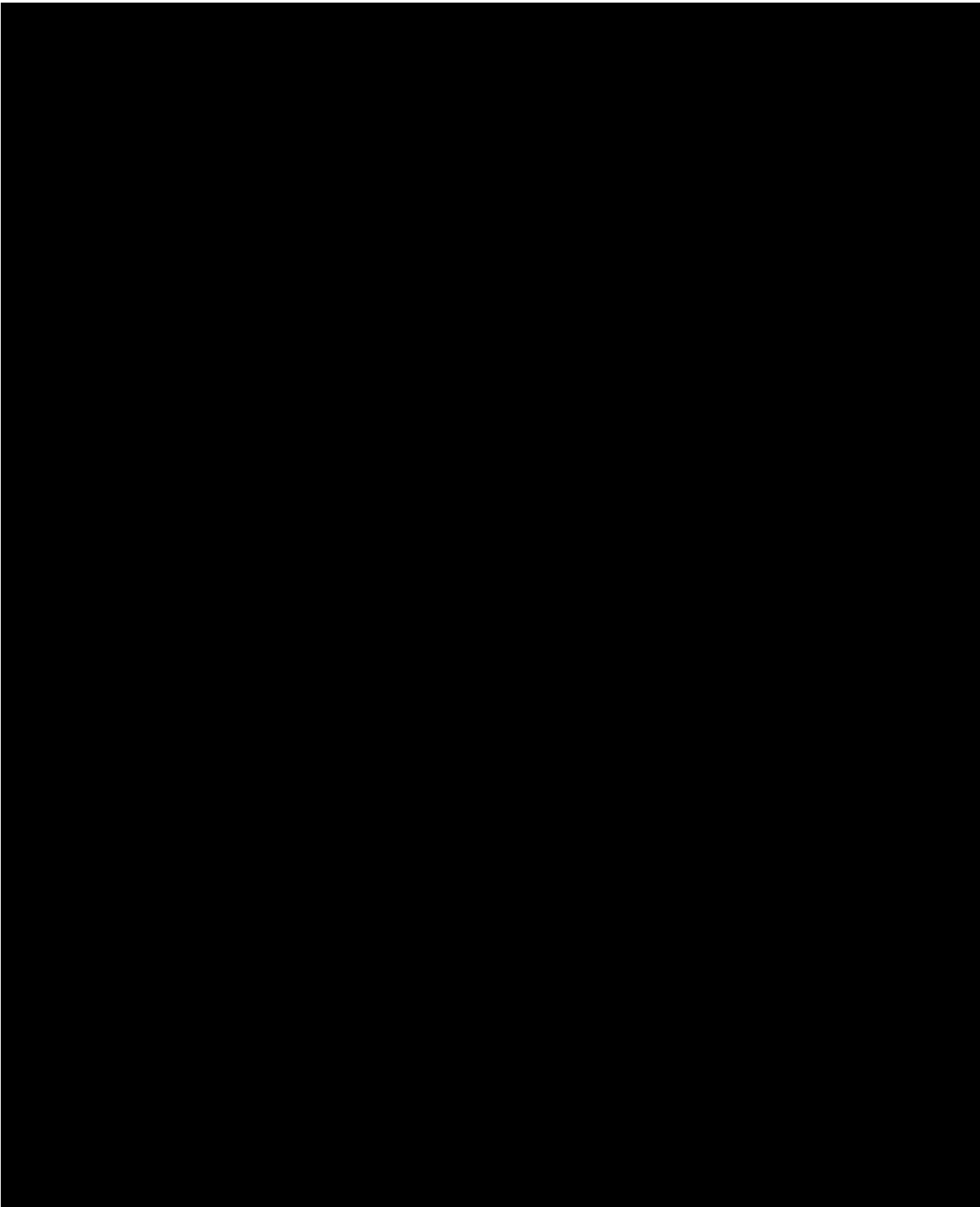


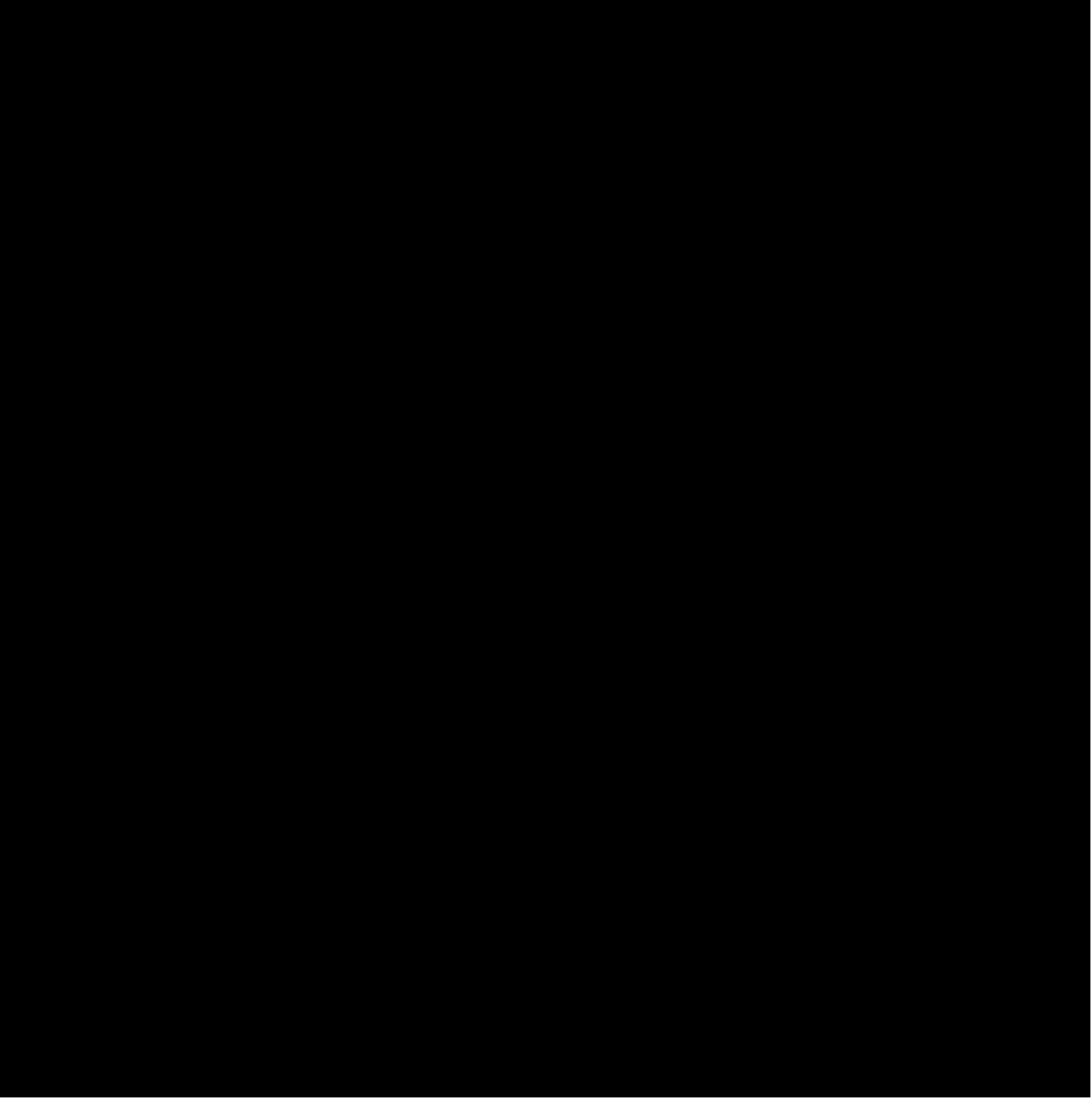
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REQUESTED BY HATTEN LLP



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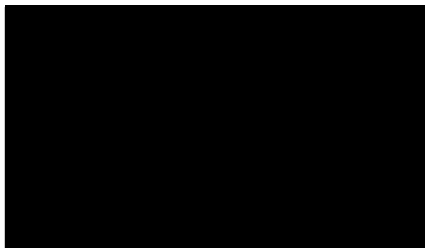




Edelman Dallas
1845 Woodall Rodgers Freeway, Suite 1200
Dallas, TX 75201
+ 1 214 443 7599 office
+ 1 214 901 1890 mobile



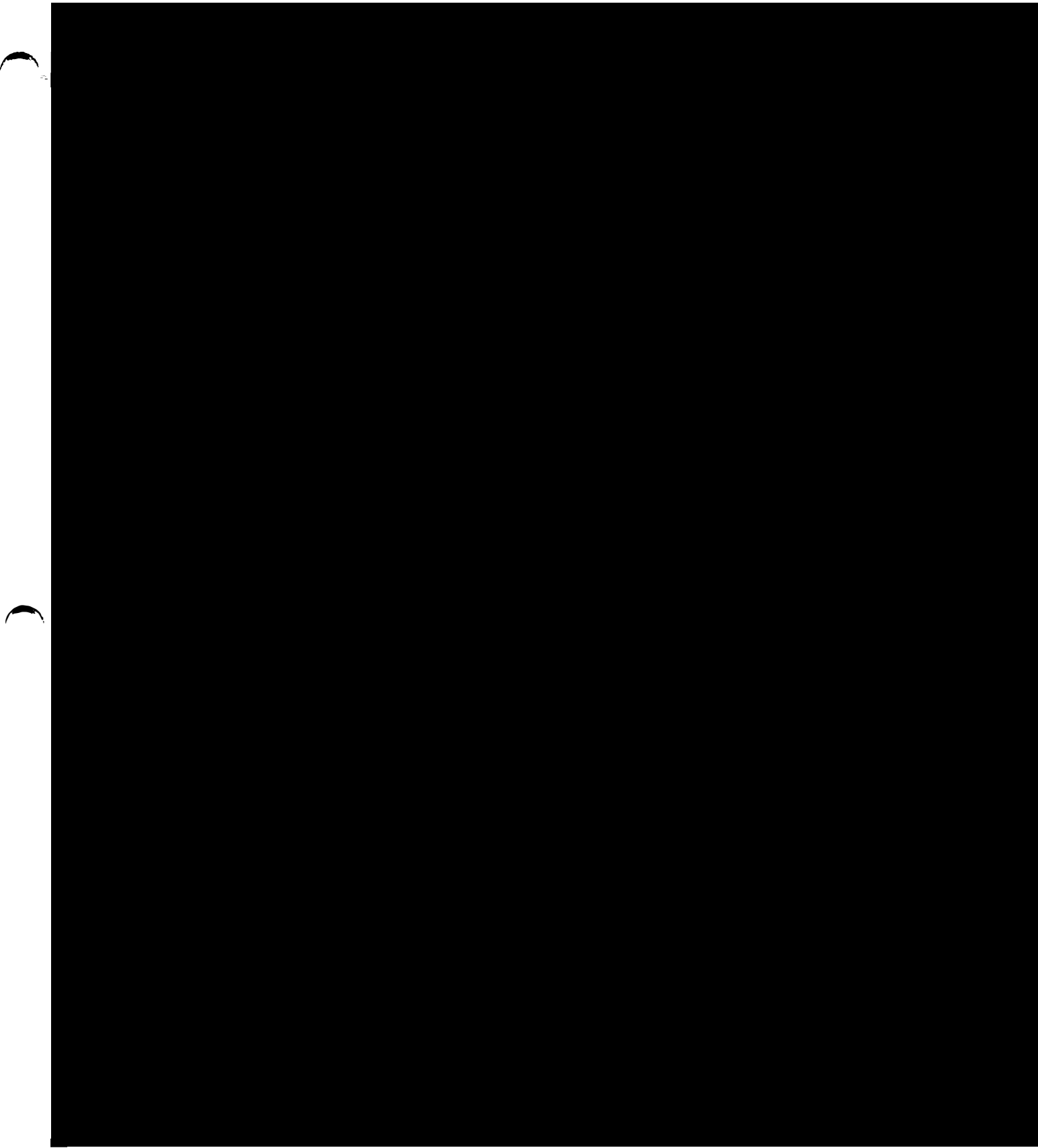
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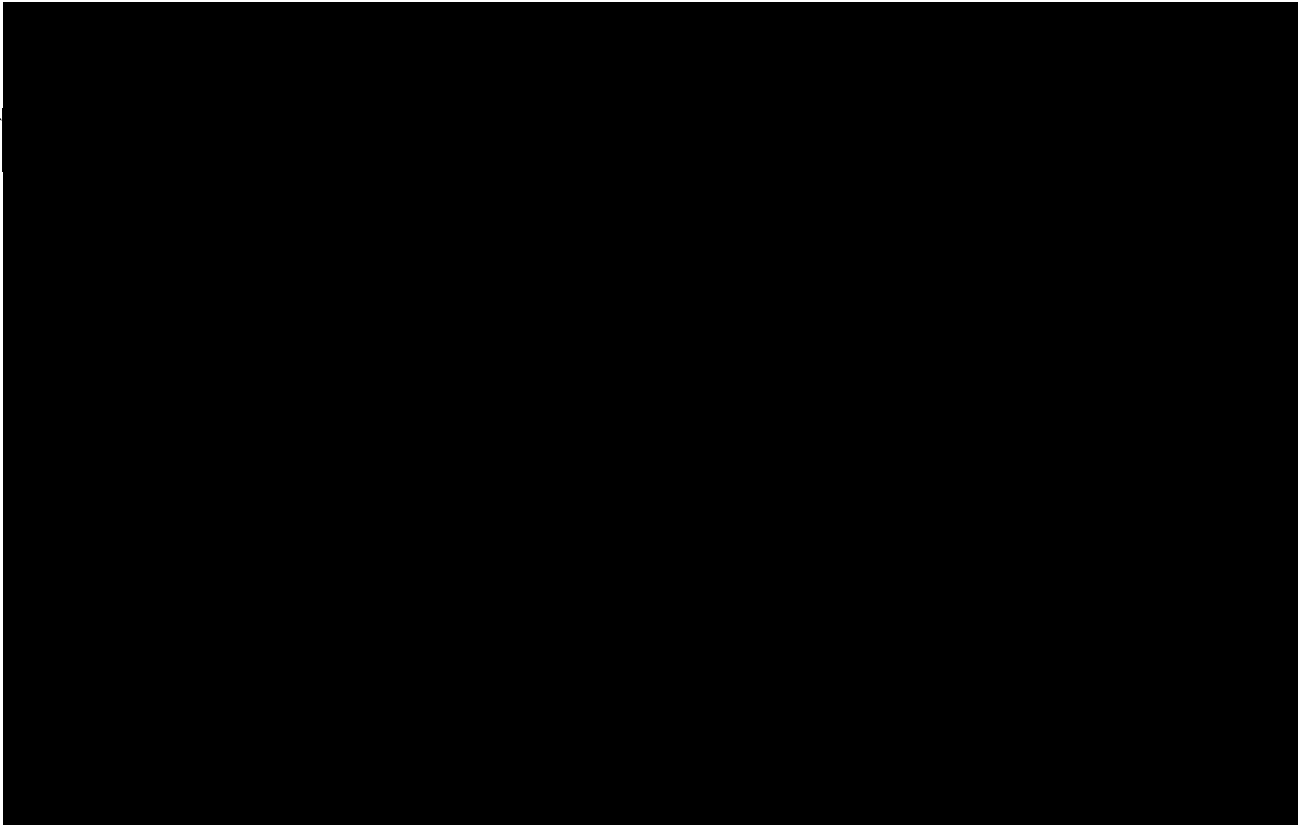
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Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 2/2/2016 5:05:53 PM
To: Geller, Mike [Mike.Geller@edelman.com]
CC: @Edelman Hayman Capital Team [EdelmanHaymanCapital@edelman.com]; Chris Kirkpatrick [CK@haymancapital.com]
Subject: Re: Website Approved

Yes - please provide.

I just responded to a question he had about UDF III concentration

Sent from my iPhone

> On Feb 2, 2016, at 11:58 AM, Geller, Mike <Mike.Geller@edelman.com> wrote:
>
> Got it. I told Zuckerman that Faber would likely be tweeting it but don't think we need to do anything else.
> Zuckerman would like the link to the site as well. Can we provide it?
>
> Mike Geller
> Edelman
> Financial Communications & Capital Markets
> O: 212.729.2163 | M: 646.567.3596
>
>

> -----Original Message-----

> From: Parker Lewis [mailto:PL@haymancapital.com]
> Sent: Tuesday, February 2, 2016 11:17 AM
> To: Geller, Mike
> Cc: @Edelman Hayman Capital Team; Chris Kirkpatrick
> Subject: Re: Website Approved
>

> No - Faber has not been given the go ahead. We will discuss timing in the next hour but expect it to be tomorrow first thing as of now.
>

> Do you think we need to give any additional heads up to WSJ? I would think it is clear and unnecessary but if you think we need to, let's confirm timing before we communicate.
>

> Sent from my iPhone
>

>> On Feb 2, 2016, at 11:09 AM, Geller, Mike <Mike.Geller@edelman.com> wrote:

>> Parker, has Faber been given the go-ahead to tweet it?
>>

>> -----Original Message-----

>> From: Parker Lewis [mailto:PL@haymancapital.com]
>> Sent: Tuesday, February 2, 2016 11:08 AM
>> To: @Edelman Hayman Capital Team
>> Cc: Chris Kirkpatrick
>> Subject: Website Approved
>>

>> Team - website is approved and ready for launch. Please make it live at Noon EST.
>>

>> Parker
>>

>> Sent from my iPhone

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 2/2/2016 6:18:41 PM
To: J. Kyle Bass [k@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]; Steele Schottenheimer [ss@haymancapital.com]; Katheryn E. Mueller [KM@haymancapital.com]; Brandon Osmon [bo@haymancapital.com]; Dan Babich [DB@haymancapital.com]; Davis Hostetter [dh@haymancapital.com]; Tai-Li Chang [tlc@haymancapital.com]; Henry Becker [HB@haymancapital.com]; Juneau Lee [JL@haymancapital.com]
Subject: UDF Website Update

All - the website is live. The WSJ is unlikely to print tomorrow and next week is more likely - WSJ noted both process and space in paper as issues. I've responded to 2 fact checks from WSJ in the last hour so it appears they are trying to get it wrapped as soon as possible but still unlikely to run in morning tomorrow.

Given the feedback from the WSJ, the current plan is to promote the website tomorrow and begin media outreach following Kyle's appearance on CNBC.

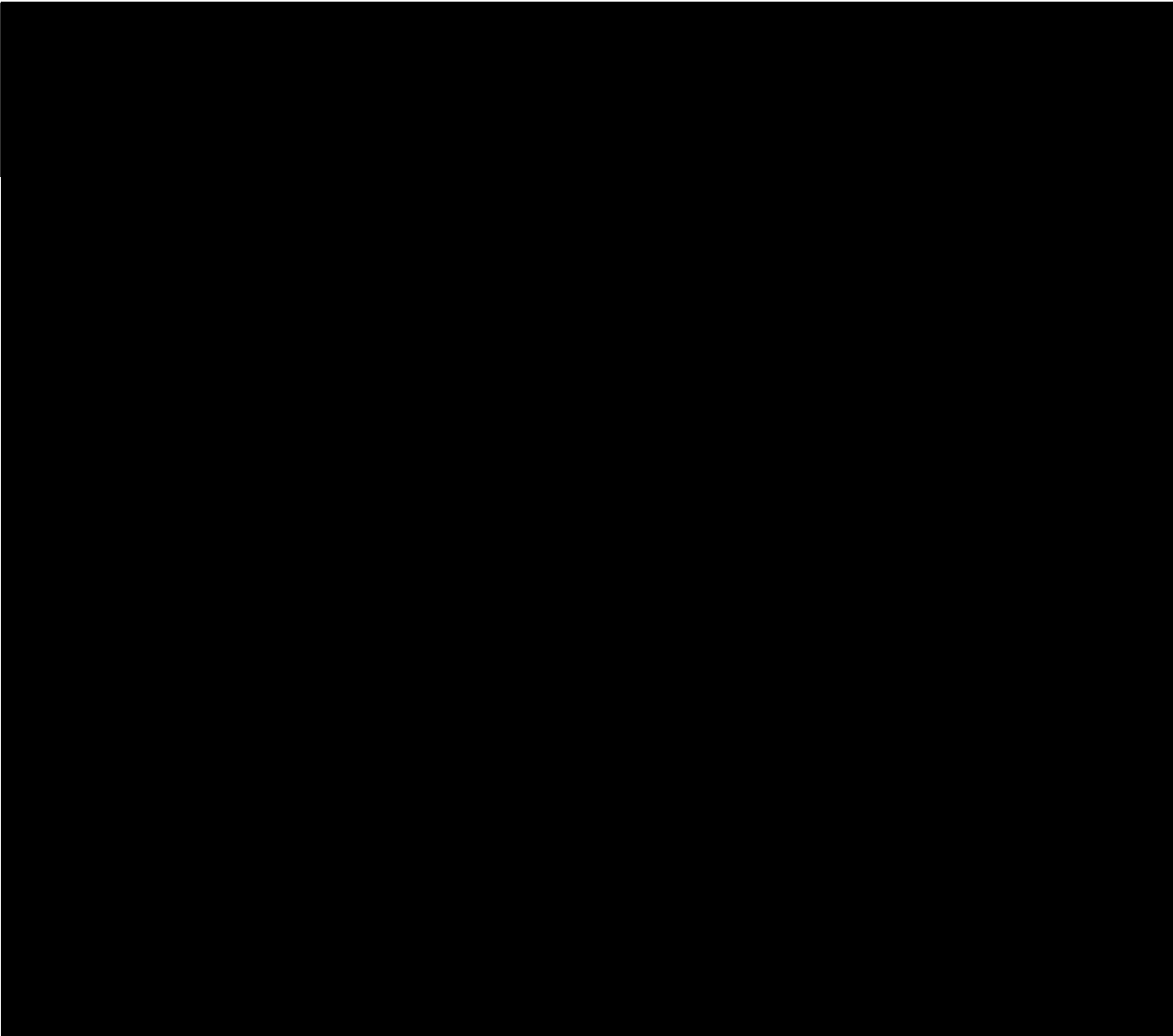
We have let the WSJ know that we are proceeding to go public and we have also given them a heads up that Faber may tweet the URL to the website. No one will be caught off guard as we have also communicated our plans to the SEC and FBI.

In the case that Faber does not tweet, we have a plan C in place to push a paid Twitter promotion and to buy Google ad words. This would be part of any strategy but rather than be complimentary to earned media, it would be a primary tool to start public engagement, which would then be followed by media outreach from Edelman.

Sent from my iPhone

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REQUESTED BY KATTEN LLP

FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 2/4/2016 5:29:19 PM
To: J. Kyle Bass [k@haymancapital.com]
Subject: RE: Pls send UDF update with website and press strategy!

Ok. Just spoke with Edelman. They discussed internally and their official proposal is to either go back to Faber to have him tweet on Monday OR they have politico lined up to run a story this afternoon. After deliberating internally, they came around to your view that tomorrow is not ideal. Instead the two paths are: either go today or Monday. If we go this afternoon, we have all day tomorrow to push the story.

Thoughts on these two paths?

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
512.699.7480 Mobile
PL@HaymanCapital.com

-----Original Message-----

From: J. Kyle Bass
Sent: Thursday, February 04, 2016 11:20 AM
To: Parker Lewis <PL@haymancapital.com>
Subject: Re: Pls send UDF update with website and press strategy!

If you want to go tomorrow, the release needs to happen at 8am. I am game for that. Not later in the day.

Let's do it. Edelman has had plenty of time to devise the recipient list and to purchase key words...lets get going first thing tomorrow morning. I will be in the air for the next 4 hrs but available via email if they email you the plan.

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

> On Feb 4, 2016, at 12:15 PM, Parker Lewis <PL@haymancapital.com> wrote:

>
> Don't disagree, I just don't like the fact that the website is just sitting out there to be found and leaked by a blog at any time, we partially lose control in that environment. But if you want to wait until Monday, we will wait until Monday.

>
>
>
>
> Parker Lewis
> Hayman Capital Management, L.P.
> 2101 Cedar Springs Road Suite 1400
> Dallas, TX 75201

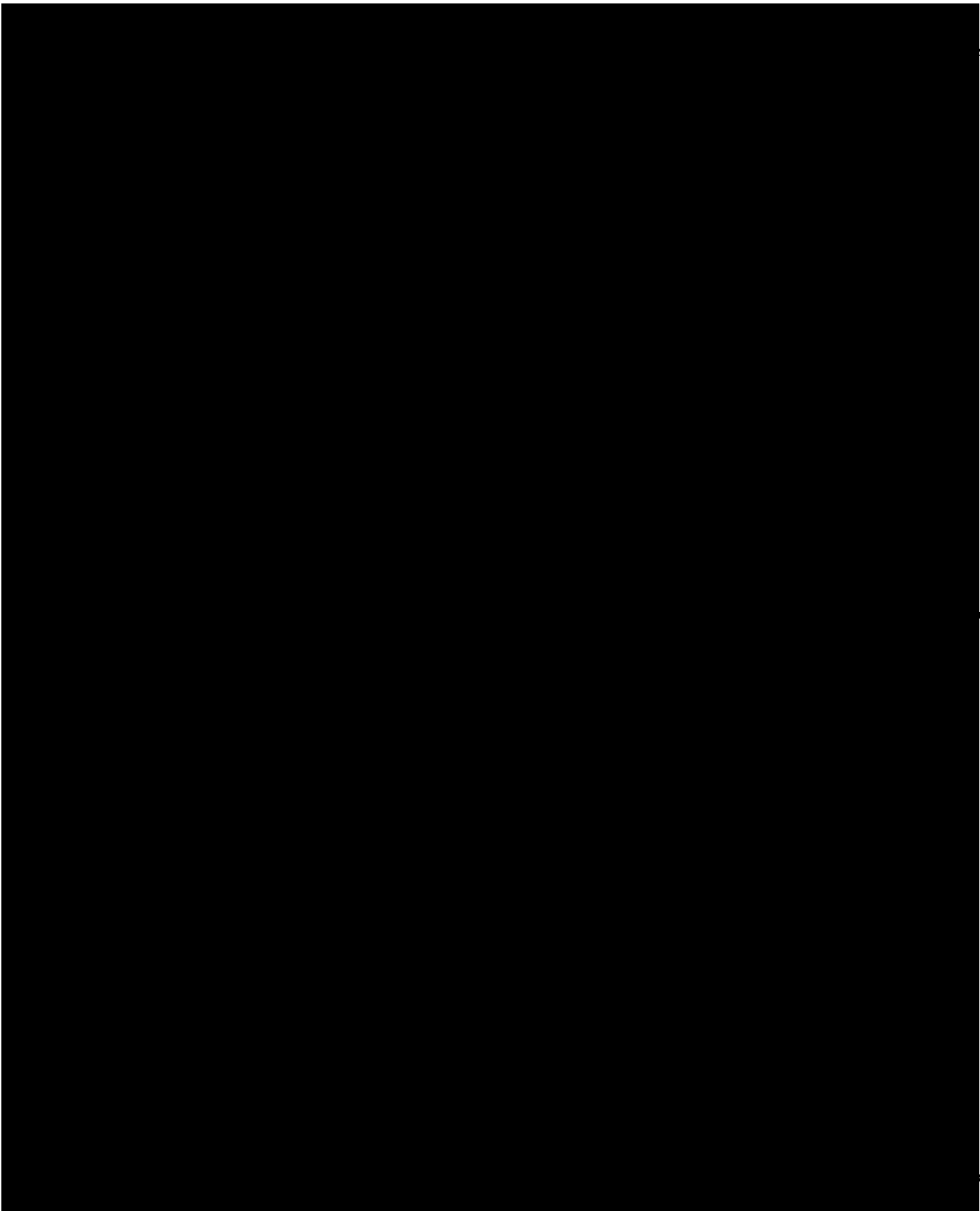
>
> 214.347.8043 Direct
> 512.699.7480 Mobile
> PL@HaymanCapital.com

> -----Original Message-----

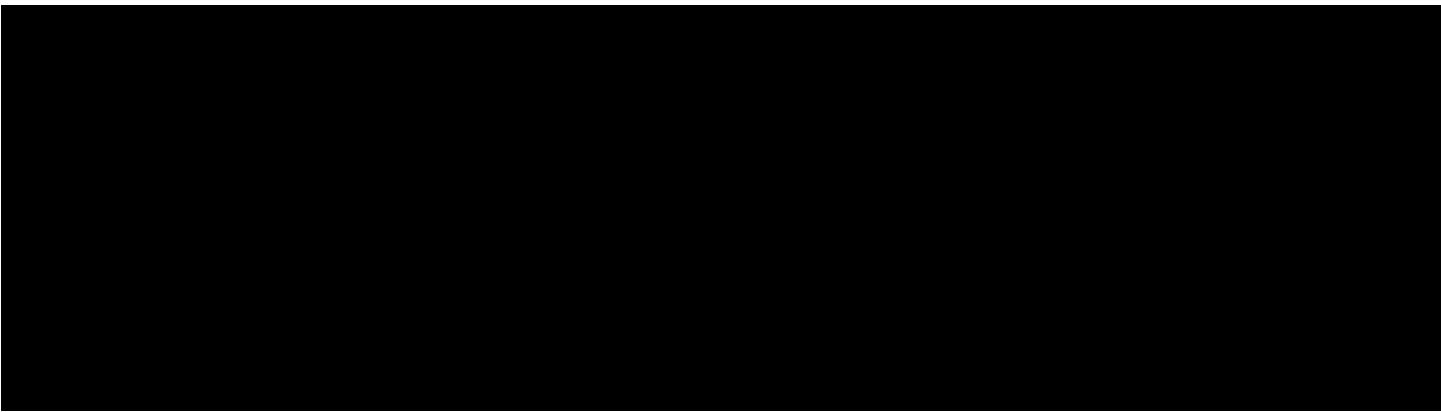
> **From:** J. Kyle Bass
> **Sent:** Thursday, February 04, 2016 11:13 AM
> **To:** Parker Lewis <PL@haymancapital.com>
> **Subject:** Re: Pls send UDF update with website and press strategy!

> I think we should move to promote and go forward Monday morning. Friday is always a bad day to launch anything.

> This should be our plan.
>
> J. Kyle Bass
> Chief Investment Officer
> Hayman Capital Management
>
>> On Feb 4, 2016, at 12:10 PM, Parker Lewis <PL@haymancapital.com> wrote:
>>
>> WSJ is not running on Monday and we do not have a commitment on a day thereafter.
>>
>> I spoke with the WSJ's real estate editor last night (requested by Greg); it sounds like they are looking to include the complexity of the Ponzi-like nature which greg previously was going to stay away from - this will likely result in a delay; this would make the story more impactful but does not help our issue of timing.
>>
>> Given all of this, Edelman does not recommend that we leave the website just hanging out there (and taking down is not an option). I agree and I worry that UDF could already potentially have access to the site before it becomes widely public (time to prepare a counter). Edelman recommends that we move to promote, as early as tomorrow but want your thoughts/sign-off.
>>
>> They are sending new launch proposal shortly, will forward.
>>
>> Parker Lewis
>> Hayman Capital Management, L.P.
>> 2101 Cedar Springs Road Suite 1400
>> Dallas, TX 75201
>>
>> 214.347.8043 Direct
>> 512.699.7480 Mobile
>> PL@HaymanCapital.com
>>
>> -----Original Message-----
>> From: J. Kyle Bass
>> Sent: Thursday, February 04, 2016 11:01 AM
>> To: Parker Lewis <PL@haymancapital.com>
>> Subject: Pls send UDF update with website and press strategy!
>>
>>
>> J. Kyle Bass
>> Chief Investment Officer
>> Hayman Capital Management



FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 2/5/2016 3:37:20 PM
To: Parker Lewis [PL@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]; Juneau Lee [JL@haymancapital.com]
Subject: FW: Cam - Kyle Bass - Hayman Capital - United Development Funding IV (UDF) - Ponzi Scheme
Importance: High

Bombs away.

From: J. Kyle Bass
Sent: Friday, February 05, 2016 9:36 AM
To: 'Cameron.funkhouser@finra.org' <Cameron.funkhouser@finra.org>
Subject: Cam - Kyle Bass - Hayman Capital - United Development Funding IV (UDF) - Ponzi Scheme
Importance: High

Cam,

We haven't spoken in many years but I think this scheme warrants your attention. First, clearly Hayman is short the public equity of UDF IV (Nasdaq: UDF).

We believe this scheme is ongoing and continues to take advantage of small mom and pop investors with every new dollar they raise through the small broker-dealer networks.

We have developed a public website with the entirety of our work:

<https://udfexposed.com/>

As you will see, we have spent over a year combing through all public records and filings to piece the scheme together. After you read through our letter to the auditor (who recently resigned) and look through the 'News and Research' section, I will be happy to have a call with you or your team.

Sincerely,

Kyle

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management
214-347-8052

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 2/19/2016 9:04:08 PM
To: Parker Lewis [PL@haymancapital.com]; Steele Schottenheimer [ss@haymancapital.com]; Katheryn E. Mueller [KM@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]; Chris Manzini [chris.manzini@edelman.com]
Subject: Fwd: This is interesting
Attachments: Screen Shot 2016-02-19 at 2.00.00 PM.png; Screen Shot 2016-02-19 at 1.16.08 PM.png; hvst-sig.png

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

Begin forwarded message:

From: Peter Hans <peter@hvst.com<mailto:peter@hvst.com>>
Date: February 19, 2016 at 3:38:01 PM EST
To: Parker Lewis <PL@HaymanCapital.com<mailto:PL@haymancapital.com>>, "J. Kyle Bass" <k@haymancapital.com<mailto:k@haymancapital.com>>, Brandon Osmon <bo@haymancapital.com<mailto:bo@haymancapital.com>>
Cc: Steele Schottenheimer <ss@haymancapital.com<mailto:ss@haymancapital.com>>, "Katheryn E. Mueller" <km@haymancapital.com<mailto:km@haymancapital.com>>
Subject: This is interesting

First off, congratulations. This was an incredibly well executed strategy from research and execution to PR and marketing and I'm happy that our platform was able to help a bit.

As you know, we capture data on everything that touches our servers so I wanted to pass on the stats from the 2/5/16 post directing readers to the UDF Exposed site. From 2/5 through yesterday the post was seen nearly 6,000 times and read by 2,624 different investors (though I'm sure those numbers will continue to increase after today). Your reader audience aligned perfectly with your goals as nearly 70% of the readers fell into one of these four categories:

- 29.7% Hedge Fund Managers
- 14.9% Investment Consultants
- 13.7% Financial Advisors
- 11.4% Family Office CIOs and Managers

[cid:6A59C3AC-ACB5-433D-A298-16AD58F9619E@hds1.tx.comcast.net]

This performance is especially strong considering Harvest now receives over 50 pieces of long-form content, directly from verified investment firms and professionals a day. We've become a marketing and IR platform that puts out more daily content than the Financial Times, so there is increased competition for the most valuable eyeballs.

Finally, the geographic breakdown of your readers over this time period was global:

[cid:B9293E99-F61F-484E-B76B-2D09CFF9E734@hds1.tx.comcast.net]

I hope we were able to drive significant traffic to your site and helped to raise awareness. Congratulations again on the outcome and the execution.

Best,

Peter

[cid:53324003-98E8-462C-B921-36E48D17FD31]

Peter Hans, Co-Founder & CEO
peter@hvst.com<mailto:peter@hvst.com>
Twitter - @PeterHansHVST
Harvest Profile<https://www.hvst.com/2-peter-hans>
<https://www.hvst.com>

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 5/12/2016 1:41:48 AM
To: Parker Lewis [PL@haymancapital.com]
Subject: Re: Parker- have you heard anything new?

He fact that they have no auditor is a great sign and a deletion will be a great thing for us. We just need NASDAQ to delist it already.

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

> On May 11, 2016, at 6:40 PM, Parker Lewis <PL@haymancapital.com> wrote:

>
> No I haven't, UDF filed an NT 10-Q today that disclosed that they would not be timely in filing its Q1 10-Q and also disclosed that they still have not retained an auditor. That being said, Dan mentioned that a friend of his mentioned that PWC is engaged by the audit committee, but not necessarily to perform an audit - could just be to review financial controls or to do an internal review that is separate from an audit - we are trying to get more details. No new news on the supposed asset sales but have multiple lines out to try to get more color.

>
> Citi's desk is projecting UDF to be deleted from the Russell, still waiting to hear back from other desks.

>
> Sent from my iPhone

>> On May 11, 2016, at 8:31 PM, J. Kyle Bass <k@haymancapital.com> wrote:

>>
>> Also, I am coming home early and will be in the office tomorrow to discuss.

>>
>> JKB
>>
>> J. Kyle Bass
>> Chief Investment Officer
>> Hayman Capital Management

FOIA CONFIDENTIAL. TREATMENT
REQUESTED BY KATTEN LLP

United Development Funding IV Appoints EisnerAmper LLP as New Independent Registered Accounting Firm

Company Release - 06/08/2016 13:32

GRAPEVINE, Texas, June 08, 2016 (GLOBE NEWSWIRE) -- [United Development Funding IV](#) ("UDF IV" or the "Trust") (NASDAQ:UDF) today announced the appointment of EisnerAmper LLP ("EisnerAmper") as the Trust's new independent registered public accounting firm.

EisnerAmper is a full-service accounting and advisory firm that is PCAOB-registered and provides audit and non-audit services to more than 200 public companies. EisnerAmper was the 18th largest accounting firm in the United States according to the Accounting Today 2016 Top 100 Firms and Regional Leaders report.

About United Development Funding IV

United Development Funding IV is a public Maryland real estate investment trust formed primarily to generate current interest income by investing in secured loans and producing profits from investments in residential real estate. Additional information about UDF IV can be found on its website at www.udfiv.com. UDF IV may disseminate important information regarding its operations, including financial information, through social media platforms such as Twitter, Facebook and LinkedIn.

Investor Contact:
Investor Relations
1-800-859-9338
investorrelations@udfiv.com

Media Contact:
Jeff Eller
469-916-4883
mediarelations@udfiv.com



Source: United Development Funding IV

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 6/17/2016 8:47:44 PM
To: Agnew, Shea [Shea.Agnew@edelman.com]
CC: Holmes, Allie [Allie.Holmes@edelman.com]
Subject: RE: For review: Situational Overview
Attachments: image001.jpg

Shea - this looks good, the only thing that I would note is that, in terms of objective, we have to be careful about attempting to influence Nasdaq specifically. We may want to make a case to Nasdaq that if they decide not to delist, that they then open the stock for trading (i.e. if you're going to delist, delist. If you're not going to delist, don't keep it halted). Similarly with EisnerAmper, we will not want to directly attempt to influence the auditor but we will want to make critical information public - with the goal that anyone can have the benefit of that knowledge, the public and the auditor alike.

It is very important that we don't tortuously interfere with any business relationships. I think our objective should be to make critical information public, access to which may benefit any number of stakeholders, including other potential whistleblowers, investors, auditors, regulators, lenders or Nasdaq, etc.

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
Mobile

PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

From: Agnew, Shea [mailto:Shea.Agnew@edelman.com]
Sent: Friday, June 17, 2016 3:03 PM
To: Parker Lewis <PL@haymancapital.com>
Cc: Holmes, Allie <Allie.Holmes@edelman.com>
Subject: For review: Situational Overview

Hi Parker,

We're going to set up a call for Monday with our larger team to discuss next steps, but we wanted to be sure to properly capture the situation before we share. Could you take a look at what we've bulleted out below and let us know if there's anything we should change or add? Trying to keep this as high-level as possible.

Thanks.

Situational Overview:

* Hayman is unable to close on its position in UDF IV until the stock is either delisted or reopens for trading.

* After UDF received notice from Nasdaq that their lack of having an auditor would be reason for delisting, the firm hired auditing firm EisnerAmper.

* Nasdaq hearing on July 7, at which time the Trust plans to present a definitive plan to regain compliance with the Nasdaq listing rule that requires issuers to be current in the filing of periodic financial reports with the SEC.

Objective:

* To strategically engage media in a way that will get new information about UDF out to the public before July 7 to:

- o Inform and potentially influence NASDAQ's decision at the July 7th hearing
- o Inform EisnerAmper's work

Current Media Assets and Opportunities:

AFFIDAVIT OF PETER BIBLE

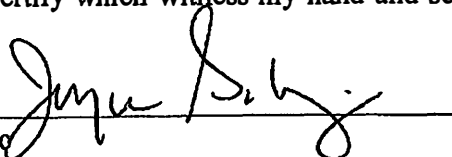
STATE OF NEW YORK §
 §
COUNTY OF NEW YORK §

BEFORE ME, the undersigned authority, on this day personally appeared Peter Bible known to me to be the person whose name appears below, who upon being duly sworn, deposes and states the following:

1. "My name is Peter Bible I am over eighteen (18) years of age. I have never been convicted of a felony. I am of sound mind, and I am fully competent to make this affidavit. I have personal knowledge of the facts stated herein, which are true and correct.
2. "I am the Chief Risk Officer of EisnerAmper LLP ("EisnerAmper").
3. "On June 28, 2016, EisnerAmper was retained by the United Development Funding entities, including United Development Funding III, L.P., United Development Funding IV, and United Development Funding V ("UDF"), as the their independent registered public accounting firm.
4. "Shortly thereafter, EisnerAmper received a package in the mail addressed to our Chief Executive Officer, Charles Weinstein. The package contained negative articles and reports about UDF, which were substantially similar or identical to the materials posted on the website www.udfexposed.com.
5. "Later in 2016, EisnerAmper received a second package. This package contained additional negative articles about UDF, which were substantially similar or identical to the materials posted on the website www.udfexposed.com."


Peter Bible

SUBSCRIBED AND SWORN TO BEFORE ME by the aforesaid Peter Bible
on this 20 day of February, 2011, to certify which witness my hand and seal
of office.


Notary Public

JOYCE GILROY
Notary Public, State of New York
No. 01G16269856
Qualified in Richmond County
Commission Expires Oct. 9, 2020

NASDAQ Hearings Panel Approves Continued Listing of United Development Funding IV Shares

Company Release - 07/26/2016 10:00

GRAPEVINE, Texas, July 26, 2016 (GLOBE NEWSWIRE) – United Development Funding IV (“UDF IV” or the “Trust”) (NASDAQ:UDF) today announced that a NASDAQ Hearings Panel (the “Panel”) has determined to continue the listing of the Trust’s common shares on The NASDAQ Stock Market LLC (“NASDAQ”). The Trust’s continued listing is subject to the condition that, on or before September 12, 2016, the Trust evidence compliance with Nasdaq Listing Rule 5250(c)(1) (the “Filing Requirement”) by filing all necessary periodic reports with the Securities and Exchange Commission (“SEC”). The Trust must also be able to demonstrate that it satisfies all other quantitative and qualitative requirements for continued listing on NASDAQ.

UDF IV has not yet filed its Annual Report on Form 10-K for the year ended December 31, 2015 (the “2015 Form 10-K”) or its Quarterly Report on Form 10-Q for the quarter ended March 31, 2016 (the “First Quarter Form 10-Q”) with the SEC, and does not anticipate filing its Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 (the “Second Quarter Form 10-Q”) with the SEC by the applicable August 9th deadline.

However, the Trust currently expects that it will be in a position to file the 2015 Form 10-K, First Quarter Form 10-Q and Second Quarter Form 10-Q and thereby evidence full compliance with the Filing Requirement on or before the September 12, 2016 date required by the Panel.

The Panel’s determination follows a hearing held on July 7, 2016 at which the Trust presented its plan to regain compliance with the Filing Requirement. The Trust is working diligently to complete and file all necessary periodic reports with the SEC as soon as practicable; however, there can be no assurance that the Trust will be able to do so within the period granted by the Panel.

Trading in UDF IV’s securities on NASDAQ has been halted since February 18, 2016, and the Trust expects that the trading halt will continue at least until the Trust has become fully current in its periodic filing obligations with the SEC. No assurance can be given regarding the resumption of regular trading of the Trust’s securities on any market.

About United Development Funding IV

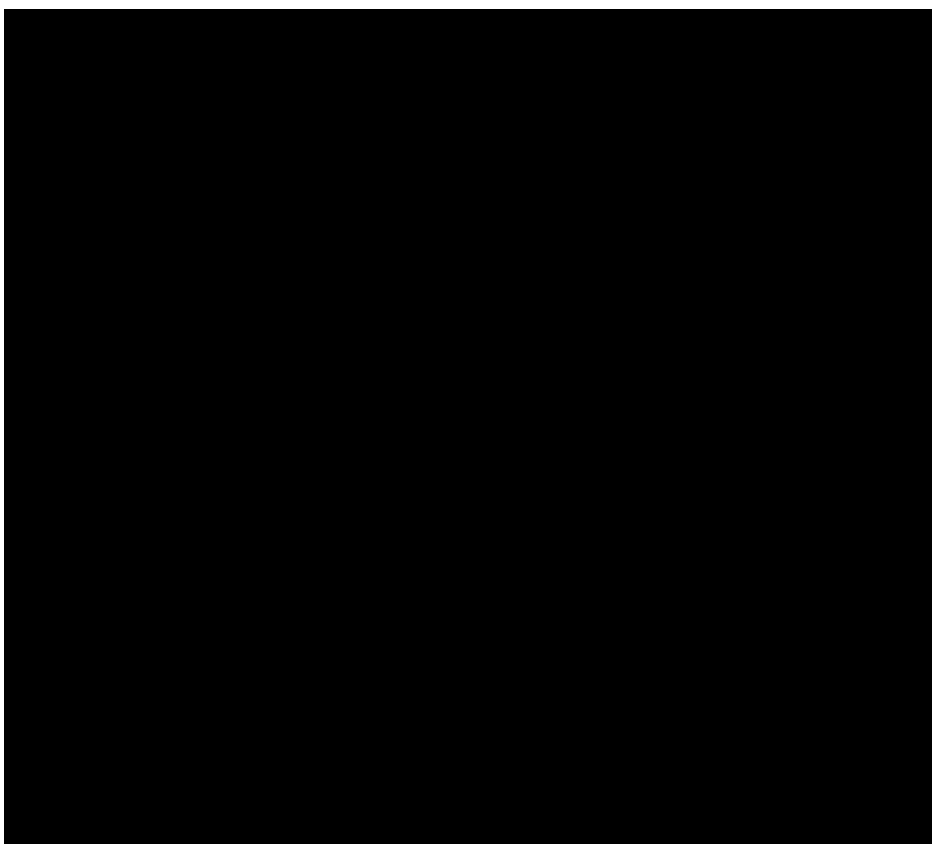
United Development Funding IV is a public Maryland real estate investment trust formed primarily to generate current interest income by investing in secured loans and producing profits from investments in residential real estate. Additional information about UDF IV can be found on its website at www.udfiv.com. UDF IV may disseminate important information regarding its operations, including financial information, through social media platforms such as Twitter, Facebook and LinkedIn.

Investor Contact:
Investor Relations
1-800-859-9338
investorrelations@udfiv.com

Media Contact:
Jeff Eller
469-916-4883
mediarelations@udfiv.com

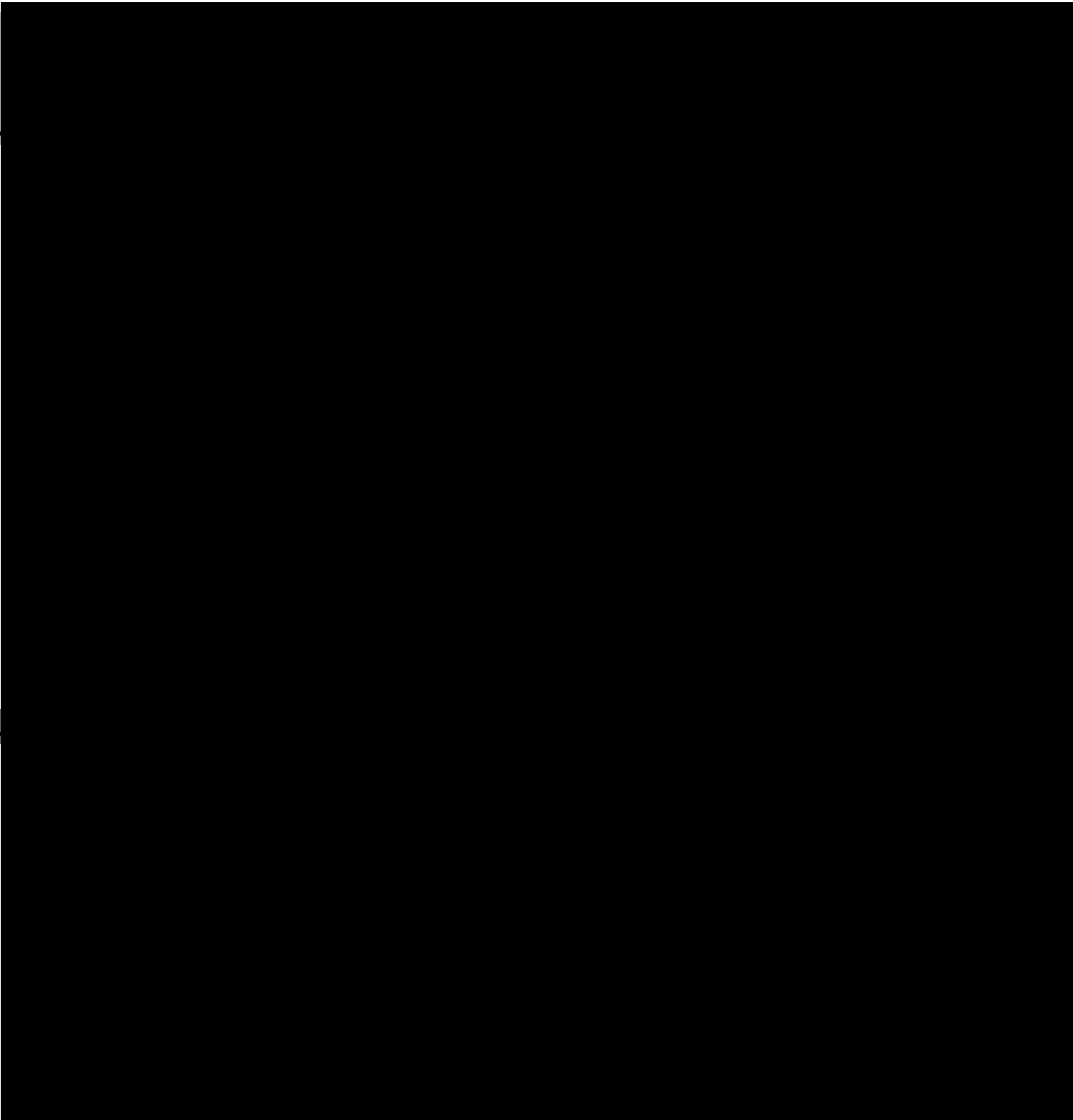


Source: United Development Funding IV

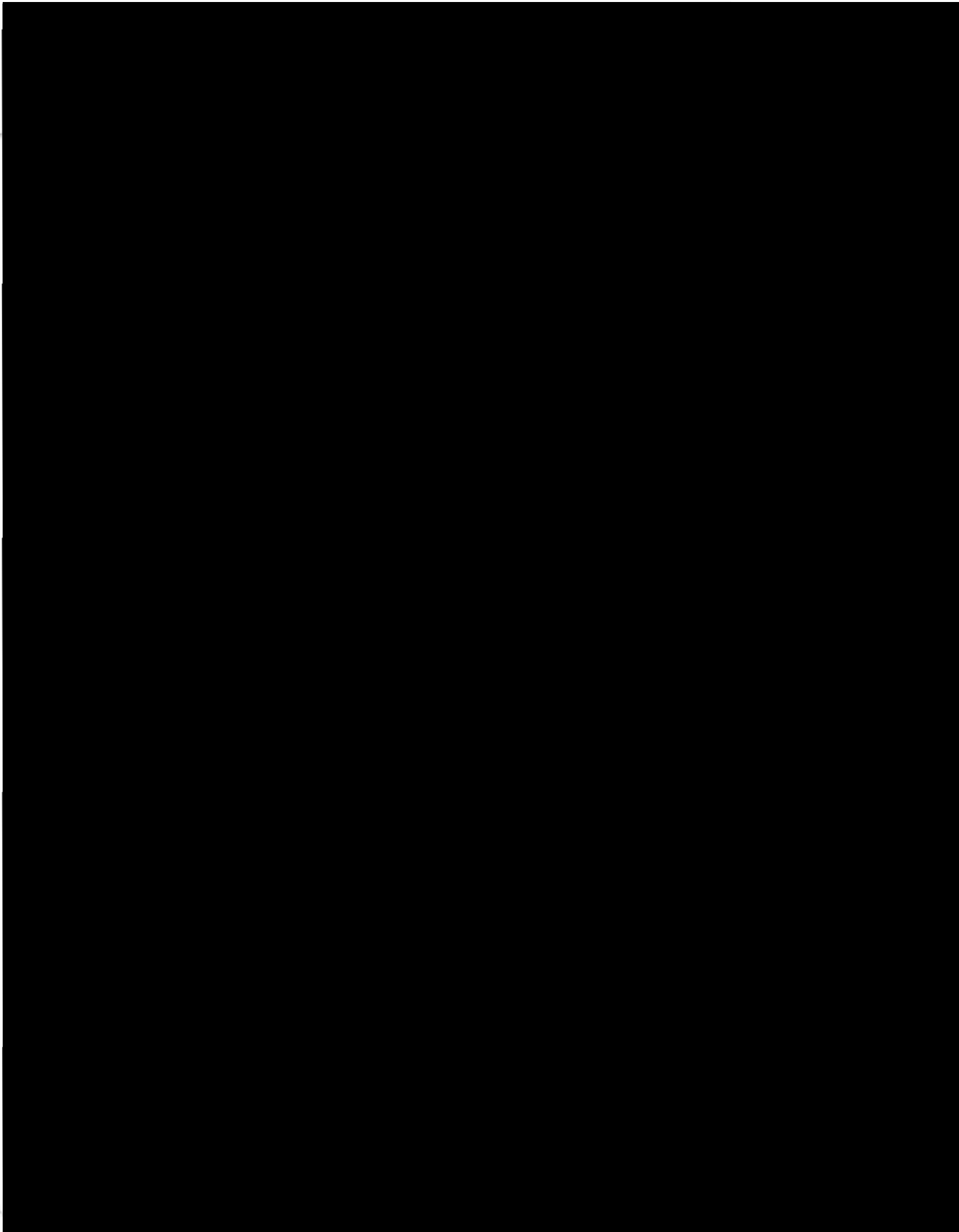


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REQUESTED BY KATTEN LLP

FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 11/6/2015 8:36:05 PM
To: J. Kyle Bass [k@haymancapital.com]
Subject: Apple REIT
Attachments: image001.png; image002.jpg; image003.png; image004.png; image005.png; image006.png

Kyle - see below on Apple REIT. All and all, it was unfortunately a good quarter; RevPar was up 6.4% to ~\$108 and occupancy was up 0.9% to 80.6%. The only note I have seen on actual performance vs estimates is "FFO in-line, misses on revenue" but being realistic, the trajectory looks favorable. The company is also leveraging up to repurchase shares like LPL (dividend utilizes 90% of FCF so not much incremental capacity to self-fund share repurchases).

To put the operating metrics in context of the business cycle, occupancy in 2009 was in mid 60% and RevPar was in high 70s. There is general sentiment that there really is not much room to improve from here given where we are in the cycle (FCF yielding 6.6% well into a recovery / near peak for a business (hospitality) that is cyclical). This is based on direction of questions from analysts on the call... "given where we're at in the cycle".

That being said, the trade just isn't working. This was designed to be part of a basket targeting non-traded REITs and the investor base that owns this being similar to investor base that owns UDF (selling on an event).

I think of this collectively as a basket and knowing that we are not trying to express a view on B-class hospitality assets, I think we should look to eliminate this position given our exposure elsewhere. I don't think there is much further that it can run against us in near-term and there is nothing that should cause it to gap so I would recommend selling on down days or over next week. We are short 574k shares, average daily volume is 1.2 million; at current market price of \$20.23, we have a P&L loss of \$1.3mm on this piece of the basket.

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[cid:image005.png@01D1189D.430750A0]
Valuation Overview
[cid:image004.png@01D1189B.8E82CF70]

Operating Trends

[cid:image001.png@01D1189A.480B10D0]

[cid:image003.png@01D1189A.B4EA4FE0]

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

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ATR

Austin T. Reilly
Broker, Land Advisors Organization
500 Main Street, Suite 600, Fort Worth, Texas,
of | 214.550.1550 direct | 817.789.4696 cell | [REDACTED]
www.landadvisors.com<http://www.landadvisors.com/>
[LAO_emailogo]

ü Please consider the environment before printing this e-mail.

From: Parker Lewis <PL@haymancapital.com<mailto:PL@haymancapital.com>>
Sent: Thursday, September 24, 2015 2:29 PM
To: Austin Reilly
Subject: RE: Target List

Austin - can you and landry try to put together a list of the other deals that you know of that are not already on our target list (i.e. not in UDF IV) but that you think are attractive

Examples that I know of would be Valencia on the Lake, CADG Dallas 163 and Shahan Prairie

[cid:image001.jpg@01C84251.44A3D170]

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2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
[REDACTED] Mobile

PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 12/10/2015 9:39:05 PM
To: J. Kyle Bass [k@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]; Andy Jent [aj@haymancapital.com]; Juneau Lee [JL@haymancapital.com]; Brandon Osmon [bo@haymancapital.com]; Jeff Cate [jc@haymancapital.com]
Subject: RE: New Post from Value Walk
Attachments: image001.jpg

This is from a link in the last article I sent around...it was dated from November 23rd

ValueWalk is in the process of producing a story about a (different) company which also operates non public REITs. A famous hedge fund has urged the SEC, FBI and other agencies to shut down due the company due to what the manager considers a "ponzi scheme". The company is under possible criminal investigation currently.

[http://www.valuwalk.com/2015/11/ar-capital/November 23, 2015 2:03 pm](http://www.valuwalk.com/2015/11/ar-capital/November%2023,%202015%202:03%20pm)

[cid:image001.jpg@01C84251.44A3D170]

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Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
[REDACTED] Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

From: Parker Lewis
Sent: Thursday, December 10, 2015 3:11 PM
To: J. Kyle Bass <k@haymancapital.com>; Chris Kirkpatrick <CK@haymancapital.com>; Andy Jent <aj@haymancapital.com>; Juneau Lee <JL@haymancapital.com>; Brandon Osmon <bo@haymancapital.com>; Jeff Cate <jc@haymancapital.com>
Subject: New Post from Value Walk

United Development Funding - Kyle Bass Accuses Company Of Ponzi Scheme
<http://www.valuwalk.com/2015/12/united-development-funding/>

ValueWalk learned several months ago that Hayman Capital was short United Development and we just broke the story on twitter. We have FOIAed SEC for further info and been stonewalled on the request although according to an FOIA expert the response from the SEC indicates a possible criminal investigation. We broke the story today because two posts - one on VIC and the other on HVST allege the company to be a fraud. We have several reasons to believe those reports came from Hayamn Capital, but it is not confirmed yet. However, both reports use a similar thesis to Hayman's. Hayman and United Development have not responded to a question for comment. UDF is the company we alleged to in this post<<http://www.valuwalk.com/2015/11/ar-capital/>>. Stay tuned for more on this story, follow up documentation, and the non public REIT sector in general.

[cid:image001.jpg@01C84251.44A3D170]

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Dallas, TX 75201

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[REDACTED] Mobile
ital.com<mailto:PL@HaymanCapital.com>

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 12/10/2015 9:53:57 PM
To: J. Kyle Bass [k@haymancapital.com]
Subject: RE: New Post from Value Walk
Attachments: image001.jpg

Yes, that article is still up, but the post today that referenced the same theme was taken down

[cid:image001.jpg@01C84251.44A3D170]

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Dallas, TX 75201

214.347.8043 Direct
[REDACTED] Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

From: J. Kyle Bass
Sent: Thursday, December 10, 2015 3:46 PM
To: Parker Lewis <PL@haymancapital.com>
Subject: RE: New Post from Value Walk

Is that article still up?

From: Parker Lewis
Sent: Thursday, December 10, 2015 1:39 PM
To: J. Kyle Bass <k@haymancapital.com<mailto:k@haymancapital.com>>; Chris Kirkpatrick <CK@haymancapital.com<mailto:CK@haymancapital.com>>; Andy Jent <aj@haymancapital.com<mailto:aj@haymancapital.com>>; Juneau Lee <JL@haymancapital.com<mailto:JL@haymancapital.com>>; Brandon Osmon <bo@haymancapital.com<mailto:bo@haymancapital.com>>; Jeff Cate <jc@haymancapital.com<mailto:jc@haymancapital.com>>
Subject: RE: New Post from Value Walk

This is from a link in the last article I sent around...it was dated from November 23rd

ValueWalk is in the process of producing a story about a (different) company which also operates non public REITs. A famous hedge fund has urged the SEC, FBI and other agencies to shut down due the company due to what the manager considers a "ponzi scheme". The company is under possible criminal investigation currently.

<http://www.valuewalk.com/2015/11/ar-capital/>
November 23, 2015 2:03 pm

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
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2101 Cedar Springs Road Suite 1400
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From: Parker Lewis
Sent: Thursday, December 10, 2015 3:11 PM
To: J. Kyle Bass <k@haymancapital.com<mailto:k@haymancapital.com>>; Chris Kirkpatrick <CK@haymancapital.com<mailto:CK@haymancapital.com>>; Andy Jent <aj@haymancapital.com<mailto:aj@haymancapital.com>>; Juneau Lee <JL@haymancapital.com<mailto:JL@haymancapital.com>>; Brandon Osmon <bo@haymancapital.com<mailto:bo@haymancapital.com>>; Jeff Cate <jc@haymancapital.com<mailto:jc@haymancapital.com>>
Subject: New Post from Value Walk

Message

From: Chris Kirkpatrick [CK@haymancapital.com]
Sent: 12/10/2015 9:30:25 PM
To: Dave Klimek [david.klimek@ic.fbi.gov]
Subject: UDF - Update on ValueWalk

A little more color on their reporting. I don't know the basis for their claim that they "learned several months ago".

United Development Funding - Kyle Bass Accuses Company Of Ponzi Scheme
<http://www.valuewalk.com/2015/12/united-development-funding/>

ValueWalk learned several months ago that Hayman Capital was short United Development and we just broke the story on twitter. We have FOIAed SEC for further info and been stonewalled on the request although according to an FOIA expert the response from the SEC indicates a possible criminal investigation. We broke the story today because two posts - one on VIC and the other on HVST allege the company to be a fraud. We have several reasons to believe those reports came from Hayamn Capital, but it is not confirmed yet. However, both reports use a similar thesis to Hayman's. Hayman and United Development have not responded to a question for comment. UDF is the company we alleged to in this post<<http://www.valuewalk.com/2015/11/ar-capital/>>. Stay tuned for more on this story, follow up documentation, and the non public REIT sector in general.

Chris Kirkpatrick
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Message

From: Chris Kirkpatrick [CK@haymancapital.com]
Sent: 12/10/2015 9:31:04 PM
To: David Whipple [WhippleDa@SEC.GOV]
Subject: UDF Update

A little more color on their reporting. I don't know the basis for their claim that they "learned several months ago".

United Development Funding - Kyle Bass Accuses Company Of Ponzi Scheme
<http://www.valuewalk.com/2015/12/united-development-funding/>

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Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 12/10/2015 7:00:12 PM
To: Parker Lewis [PL@haymancapital.com]
Subject: FW: My Worst REIT Pick For 2015 (Editor's Pick)
Importance: High

Already on it!

From: J. Kyle Bass
Sent: Thursday, December 10, 2015 9:25 AM
To: 'Brad Thomas' <brad@theintelligentreitinvestor.com>
Subject: RE: My Worst REIT Pick For 2015 (Editor's Pick)
Importance: High

Brad,

I very much appreciate your humility with calling out both good and bad picks. Very few investors ever admit when they are wrong. Let's have a call later today if you are free on the ETF ideas. Also, someone just posted a piece on UDF on Harvest's website. You should give it a read.

<https://www.hvst.com/public-pages/investors-for-truth/posts/55247-a-texas-sized-scheme>

Kyle

From: Brad Thomas [mailto:brad@theintelligentreitinvestor.com]
Sent: Thursday, December 10, 2015 5:07 AM
To: Brad Thomas <brad@theintelligentreitinvestor.com<mailto:brad@theintelligentreitinvestor.com>>
Subject: My Worst REIT Pick For 2015 (Editor's Pick)

Yesterday, I wrote an article<<http://seekingalpha.com/article/3742996-my-best-reit-pick-of-2015>> detailing my best REIT pick for 2015, and several asked me to write about my worst REIT pick this year. You ask and you will receive.

Happy Holidays!

My Worst REIT Pick For 2015<<http://seekingalpha.com/article/3746516-my-worst-reit-pick-for-2015>> Editors' Pick

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Brad Thomas
Editor of Forbes Real Estate Investor<<https://esp.forbes.com/subscribe?PC=VE&PK=652MS>>
#1 analyst on Seeking Alpha (as ranked by TipRanks<<http://seekingalpha.com/article/2797515-seeking-alpha-contributors-top-list-of-best-performing-financial-bloggers>>)
10 Brilliant Value Investing Experts Worth Reading<<http://dividendreference.com/articles/2015/170/10-brilliant-value-investing-experts-worth-reading/>>

"What separates the winners from the losers is how a person reacts to each new twist of fate." -- Donald Trump

This email is off the record (blogs and tweets too) unless we agree otherwise.

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 12/11/2015 2:03:35 PM
To: Andy Jent [aj@haymancapital.com]; Parker Lewis [PL@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]; Brandon Osmon [bo@haymancapital.com]; Jeff Cate [jc@haymancapital.com]; Tai-Li Chang [tlc@haymancapital.com]; Dan Babich [DB@haymancapital.com]; Henry Becker [HB@haymancapital.com]; Davis Hostetter [dh@haymancapital.com]
Subject: FW: This Could Be Texas Toast For United Development Funding (Forbes)

Brad had this all figured out.

From: Brad Thomas [mailto:brad@theintelligentreitinvestor.com]
Sent: Friday, December 11, 2015 5:45 AM
To: Brad Thomas <brad@theintelligentreitinvestor.com>
Subject: This Could Be Texas Toast For United Development Funding (Forbes)

<<http://www.forbes.com/sites/bradthomas/2015/12/11/this-could-be-texas-toast-for-united-development-funding/>>

This Could Be Texas Toast For United Development Funding<<http://www.forbes.com/sites/bradthomas/2015/12/11/this-could-be-texas-toast-for-united-development-funding/>>

[Brad Thomas]<<http://www.forbes.com/sites/bradthomas/>> Brad Thomas<<http://www.forbes.com/sites/bradthomas/>>, Contributor
Back in May I warned Forbes Real Estate Investor subscribers of the imbedded risks associated with United Development Funding (UDF). Almost like the game of musical chairs, I suspected that the music would soon end and investors in the Dallas-based REIT would be left with no chair. In that harbinger memo [...]

--
Brad Thomas
Editor of Forbes Real Estate Investor<<https://esp.forbes.com/subscribe?PC=VE&PK=652MS>>
#1 analyst on Seeking Alpha (as ranked by TipRanks<<http://seekingalpha.com/article/2797515-seeking-alpha-contributors-top-list-of-best-performing-financial-bloggers>>)
10 Brilliant Value Investing Experts Worth Reading<<http://dividendreference.com/articles/2015/170/10-brilliant-value-investing-experts-worth-reading/>>

"What separates the winners from the losers is how a person reacts to each new twist of fate." -- Donald Trump

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virtually worthless, (2) that the loans from UDF to its largest borrower, Centurion, were part and parcel of UDF's carrying on of its fraudulent business scheme, that loan funds were likely being misappropriated, and that Centurion was in financial distress and likely insolvent and thus had reason to be complicit in a scheme with UDF, and (3) UDF and its auditor, Whitley Penn, had failed to disclose disagreements concerning UDF's financials that caused Whitley Penn's declination to stand for reappointment as UDF's auditor, and Whitley Penn was further complicit in UDF's scheme by concealing known reportable events. These statements are described in greater detail in paragraphs 17-36 below and are also described in Plaintiffs' Petition in paragraphs 73-140.

11. As described above in paragraph 10, Hayman Capital's statements, taken in their entirety, asserted that UDF's business was engaged in intentional wrongful conduct, not merely making poor business decisions or underperforming. That distinction is highly significant. As described more fully above in regard to my professional experience, I spent much of my career involved in forensic investigations and consultations related to fraudulent business activities, including service as the national leader of Ernst & Young's practice dedicated to fraud investigations. From these experiences, I learned the bright dividing line between assertions that a business is merely underperforming versus assertions that a business is engaged in intentional wrongful conduct. Intentional wrongful conduct in the operation of the business, or even the specter of it, negatively affects the business's relationships with its lenders, customers, vendors, shareholders, etc. For example, UDF must borrow money from banks to maintain the liquidity of its operations, and banks are highly regulated entities. Banks seek to avoid risk, and banks will avoid lending to a business where that business is allegedly engaging in intentional wrongful conduct (such as, here, operating as an alleged Ponzi or Ponzi-like scheme).

12. As described above in paragraph 10, Hayman Capital's statements were false. At the time of Hayman Capital's first anonymous post made on December 10, 2015 and at all times thereafter at which Hayman Capital made additional statements to the same effect, the following was true: 1) UDF's business was not operating as a Ponzi or Ponzi-like scheme and was a legitimate, reasonably stable business, not a billion dollar house of cards on the verge of collapse that would send it into bankruptcy and render its shares virtually worthless, (2) the loans from UDF to its largest borrower, Centurion, were not part and parcel of UDF's carrying on of a fraudulent business scheme, loan funds were not likely being misappropriated, and Centurion was not in financial distress and was not likely insolvent and thus had no reason to be complicit in a scheme with UDF, and (3) Whitley Penn's declination to stand for reappointment does not mean that UDF and Whitley Penn had failed to disclose a disagreement concerning UDF's financials that caused Whitley Penn's termination as UDF's auditor, nor does it mean that Whitley Penn was complicit in a UDF scheme by concealing known reportable events.

13. Taken in their entirety, Hayman Capital's statements that UDF's business was engaged in intentional wrongful conduct via a deceptive business scheme were false. In truth, UDF's business was and remains a legitimate business that may properly be

characterized as alternative lending by which borrowers may raise financing to fund their real estate development projects when bank financing is unavailable, insufficient or unattractive in its terms. UDF's business never should have been characterized as a Ponzi scheme or Ponzi-like scheme by Hayman Capital, as there was no basis for doing so.

14. Hayman Capital asserts that its statements derive from its review of UDF's SEC filings and other public records, but the material cited by Hayman Capital does not support its statements. I have reviewed UDF's SEC filings and public records disclosed by Hayman Capital as the basis for its statements, as well as the affidavits of Kyle Bass and Parker Lewis submitted in this lawsuit on or about January 26, 2018. None of that material provides a basis for making the false statements that are described above in paragraph 10.

15. Material that Hayman Capital identifies as being part of its review actually contradicts its false statements described above in paragraph 10. For example, UDF's SEC filings show that its cash receipts on development projects were steadily increasing, which is inconsistent with a Ponzi scheme. Hayman Capital disregarded this evidence that UDF's business was not a Ponzi scheme and instead made statements asserting that UDF's business was not generating cash receipts. Hayman Capital likewise disregarded evidence that UDF's loans were collateralized in an ordinary manner and that the collateral was examined by a variety of independent appraisers, which is also inconsistent with a Ponzi scheme. Hayman Capital also disregarded evidence that UDF's largest borrower, Centurion, was a seasoned and accomplished developer which would not have reason to act as a "straw borrower" or otherwise engage in irregular loans with non-market terms as stated by Hayman Capital. Hayman Capital also disregarded evidence that UDF's auditor, Whitley Penn, was required by law to disclose any Ponzi scheme and, if it had knowledge of such a scheme, did not have the option to remain silent through the expedient of ceasing to serve as UDF's auditor, as implied by Hayman Capital. An auditor's duty to disclose fraud cannot be avoided by any means. In short, the publicly-available information, as well as the generally-known practices of lenders, real estate developers and auditors, did not support, and indeed contradicted, Hayman Capital's assertions.

16. Below, I review in more detail the statements made by Hayman Capital, categorized by the three categories of false statements identified in paragraph 10, that were used to support Hayman Capital's general assertion that UDF's business was a billion dollar house of cards—a Ponzi scheme—on the verge of collapse.

Detailed Review of Statements that UDF Was Operating as a Ponzi Scheme

17. A Ponzi scheme lacks economic substance, and the returns are fictitious returns. "Fictitious returns" (also known as "purported returns") refer to profits that are not bona fide profits, but instead fictional paper profits that are invented by the perpetrator of the scheme. Because the profits are fictional, the financial statements and records must be falsified. In the context of securities, Bernie Madoff promised consistent returns with little risk, but was depositing money into a bank instead of making actual

filings show the repayment of principal and interest from Centurion. See, e.g. Annex 13, UDF IV's December 31, 2014 financials, showing cash receipts from Centurion. Public records (which Bass claims he researched) would also show recorded UDF lien releases from lot sales that resulted in cash payments to UDF. Defendants also ignored the parts of UDF's business – finished lot loans and homebuilding loans – that typically generate current cash. Defendants focused on the part of UDF's business that naturally consumes cash – acquisition and development loans.⁷

False Statements in “The Case Against UDF IV” Link on the “UDF Exposed” Home Page

126. The website also contains links to a section called “The Case Against UDF IV.” A true and correct copy of this section of the website is attached hereto as Annex 30. Defendants stated on page four of this post that UDF shareholders were being “victimized” by UDF's “scheme” and that “[t]he combination of near-term debt maturities and the financial distress of major debtors creates significant bankruptcy risk for UDF IV; a bankruptcy would leave its shares virtually worthless.” These statements were false.

127. In truth, there was no significant bankruptcy risk for UDF IV and shares were not “virtually worthless,” nor could they be, given the extensive loan portfolio generally backed by real estate collateral supporting the value of the shares. UDF was not “victimizing” its shareholders.

128. Defendants stated on page twelve of this post that Centurion was paying “two times the market rate in this low interest rate environment” when agreeing to pay 13% interest on

⁷ Even for acquisition and development loans, some cash would often be generated via MUDs and PIDs.

22. Hayman Capital's assertion that UDF's business was operating as a Ponzi scheme, or in a comparable Ponzi-like manner, was false. UDF's business was not masking or engaging in financial irregularities typical of a Ponzi scheme. Hayman Capital did not show the existence of "purported returns" (i.e., fictitious returns), nor was UDF's business generating fictitious returns typical of a Ponzi scheme. UDF's loans, including to its largest borrower, Centurion, did generate cash receipts. Money did go to development. The collateral was genuine and in the process of development. It was not true that, as stated in the "Letter from Kyle Bass," UDF's business was a billion dollar house of cards, and UDF's business was not on the verge of collapse such that it faced significant bankruptcy risk that would leave the shares of investors virtually worthless.

23. To support its incorrect assertions that UDF's business was operating as a Ponzi scheme or in a manner comparable to a Ponzi scheme, Hayman Capital cherry picked some facts grossly out of context while omitting or misstating other key facts:

a. First, Hayman Capital repeatedly asserted in various ways that UDF was not generating cash receipts and instead accrued interest.⁴ (See, e.g., letter to Whitley Penn, Annex 2, at 2.) The accrued interest was contrasted with cash interest and portrayed as a fictional form of interest that the "authorities" would reject. (See, e.g., Dec. 15 post, Annex 4, at 7.) Hayman Capital was misrepresenting the facts. *UDF IV's SEC filings showed that it was in fact generating cash, and, moreover, its generation of cash had been steadily increasing.* Generally, UDF IV's statement of cash flows show the increasing generation of cash. More specifically, on pages 56-59 of UDF IV's 10-K, UDF IV disclosed that its 2012 cash receipts for its loan portfolio were approximately \$25 million, then increased to approximately \$100 million in 2013, then increased to approximately \$152 million in 2014. (Annex 9, at 56-59.) As for distributions to the investors in UDF IV, page F-18 of the same 10-K disclosed that UDF IV made approximately \$51 million in distributions to investors in 2014, the source of which was approximately \$42 million in cash from operations and approximately \$9 million in borrowings under credit facilities. (Id. at F-18.) None of the funding of distributions came from offering proceeds from new investors (though there would be nothing indicative of a Ponzi scheme if funding did come in part from offering proceeds, as that is an ordinary feature of blind pool offerings for real estate investment trusts).⁵ Id. Clearly,

replacement of SAS 82 and stated in relevant part: "...the communication may use terms other than fraud – for example, irregularity, intentional misstatement, misappropriation, or defalcations – if there is possible confusion with a legal definition of fraud or other reason to prefer alternative terms."

⁴ Thus, the statement by Kyle Bass in his affidavit that UDF's income represented "purported returns" based on accrued interest. (Bass Aff. ¶ 17.)

⁵ UDF IV discloses that it may fund distributions from any source of funds available to it: "Our organizational documents permit us to make distributions from any source. In the event we do not have enough cash to make distributions, we may borrow, use proceeds from the Offering, issue additional securities or sell assets in order to fund distributions." (2014 10-K, Annex 9, at

UDF IV, which was the largest and the only publicly-traded UDF entity, was generating cash and doing so in increasing amounts. That is the antithesis of a Ponzi scheme. Hayman Capital has repeatedly represented that it reviewed UDF's SEC filings, (see, e.g. Parker Lewis Aff. ¶ 12; Kyle Bass Aff. ¶ 22), and its postings concerning UDF's business regularly derived information from UDF's SEC filings. But Hayman Capital omitted this critical information repudiating its purported evidence of a Ponzi scheme.

b. Second, Hayman Capital's assertion that UDF's accrual of interest was an indicium of a Ponzi scheme (because, according to Hayman Capital, the interest was not "cash interest") is incorrect. *Accrued interest is not a "purported" or "fictitious" return; instead, it is actual income that UDF was required to recognize on its financial statements under generally accepted accounting principles.* Indeed, there is no distinction between "cash interest" or "accrued interest" in terms of recognizing income on a financial statement; rather, there is only "interest income" which is accrued pursuant to the mandates of accrual accounting—regardless of whether that income was derived from the accrual of interest or the payment of interest in cash. Moreover, in the context of the real estate developments financed by UDF, Hayman Capital's purported distinction between "accrued interest" and "cash interest" is a straw man that it uses in support of its false assertion that UDF's business amounts to a Ponzi scheme. In

17.) As part of its Form S-11 filed with the SEC on August 5, 2008, UDF IV disclosed that it raised money through a "blind pool" offering, in which money is raised in advance of the acquisition of real property. It is an ordinary feature of blind pool offerings in the real estate context, and not indicative of a Ponzi scheme, to give management the discretion as to how distributions may be funded, including the use of cash from operations, borrowings or offering proceeds. For example, a REIT managed by Highland Capital, which was organized as a blind pool offering in 2013, stated: "We expect that there may be times during the early stages of our development, and from time to time during our operational stage, where we may declare distributions in anticipation of cash flow that we expect to receive during a later period and we will pay these distributions in advance of our actual receipt of these funds. Should these instances occur, to the extent permitted by Maryland law, we expect to use the proceeds from this offering to pay distributions. We may borrow funds, issue new securities or sell assets to make and cover our declared distributions, all or a portion of which could be deemed a return of capital. We may also fund such distributions from third-party borrowings or from advances from our advisor or sponsor or from our advisor's deferral of its asset management fee, although we have no present intention to do so. If we fund distributions from borrowings, sales of properties or the net proceeds from this offering, we will have less funds available for the acquisition of real estate properties and real estate related assets and your overall return may be reduced. Our charter permits us to pay distributions from any source, including from offering proceeds or borrowings." (Highland Capital Realty Trust, Inc., Form S-11, at 94, attached as Annex 10.) Highland Capital Realty was, like UDF, a "blind pool" offering, id. at i, and was affiliated with Highland Capital Management, a well-known investment fund with billions of dollars under management. Its registration statement (Form S-11), states that a large national law firm, Dechert LLP, handled its legal matters. (Id., at 158.)

economic substance, what Hayman Capital refers to as “accrued interest” and “cash interest” are the same, as can be illustrated with regard to the ordinary operation of bank loans. When a developer is able to obtain a bank loan for a real estate project, the bank typically puts a portion of the loan proceeds into an interest reserve account. During the life of the loan, money is transferred from the account back to the bank on a monthly basis as “cash interest”; however, in substance, it is the bank’s own money being returned to it—not cash being paid by the developer. UDF is not a bank, and, as such, is not obligated by banking rules to fund interest reserve accounts in the same manner and then pay itself “cash interest.” Instead, it can simply accrue interest. In this context, “cash interest” and “accrued interest” are six of one and a half dozen of another. Whether for a bank loan or a UDF loan, the developer does not pay actual cash out of its own pocket because the real estate development is not yet generating cash. Instead, the developer is acquiring land, working through the entitlements process, and finishing lots, all of which can take years. It is not an indicium of fraudulent business activities that the developer is not paying cash interest out of the developer’s own funds; instead, it is the economic reality of real estate development (for residential subdivisions such as those financed by UDF) that the cash generally does not flow until finished lots are sold to homebuilders.⁶ In short, it was false for Hayman Capital to assert that cash interest is legitimate whereas accrued interest is indicative of a Ponzi scheme.

c. Third, at the time of Hayman Capital’s December 10, 2015 anonymous post and thereafter, *Hayman Capital omitted the facts that each UDF IV loan was backed by specific collateral, the value of which was regularly appraised by independent appraisers in order to secure the loan, as disclosed in its 2014 10-K. (Annex 9, at 35 (disclosure of independent appraisers), 56-59 (disclosure of collateral under table heading “Collateral”).* These critical facts were contrary to the existence of a Ponzi scheme as asserted by Hayman Capital. A business that is operating as a Ponzi scheme would not subject its loan portfolio to outside scrutiny in the form of an independent appraisal (by way of comparison, Madoff concealed from inspection his books and records showing his holdings of securities). I have sampled UDF’s records for the collateral and the independent appraisals, including for the project highlighted by Hayman Capital in its second and third anonymous posts (Shahan Prairie), and found that the appraisals of the collateral were conducted by a variety of independent appraisers in an ordinary manner. As disclosed in UDF’s SEC filings, it had credit lines from banks, and those banks would have also insisted on appraisals of UDF’s collateral. Hayman Capital never acknowledged that UDF’s business obtained independent appraisals of its collateral. Hayman Capital did vaguely acknowledge that UDF’s real estate projects were some form of collateral, but then falsely implied that the collateral was of little real

⁶ Developers may sometimes obtain some cash during the development process, and prior to the sale of finished lots, via municipal utility districts, public improvement districts or other means, but it is still the sale of finished lots that is typically the primary means of generating cash.

value, or even fraudulent, because it was not generating current income.⁷ However, that was not true because, as Hayman Capital omitted to disclose, a portion of the collateral was income producing while a portion was not yet income producing. If Hayman Capital had been forthcoming and stated that some collateral was income producing while some was not yet income producing, such a statement would have been unremarkable as it was entirely to be expected that, for a portfolio of real estate development projects, some collateral would be income producing and some would not yet be producing income at any given time. As disclosed, UDF's business involved long-term development activities related to the funding of land acquisition, entitlement, and the finishing of lots for sales to builders. (See, e.g., Defs.' Appendix, at 936 (disclosure from 2013 10-K of UDF III stating: "Loan proceeds may be used to fund land acquisition, entitlement costs, engineering and design and site improvements, finished lot inventory, and municipal reimbursements.")) Income is largely generated by the sales of lots at the end of the development process, and the development process (including entitlements) is unpredictable and can take years. Therefore, income generation would not be expected for many of the loans being funded by UDF because, at any given time, many of UDF's loans would not have reached the stage where finished lots were being sold to builders. In addition, a developer may decide, based on market conditions, to develop one property in a certain area at a certain time while waiting for better conditions to develop a different property at a different time.⁸

d. Fourth, Hayman Capital makes additional statements purporting to show that UDF's business is a sham based on cherry-picked "representative" samples of UDF-financed real estate projects and grossly misstates the implications of these non-representative "representative" samples. To begin, in its December 15, 2015 anonymous post, Hayman Capital first used the Shahan Prairie development as an example of where "loans issued by UDF to Centurion are collateralized by land that has never been developed (for years, not quarters)" and that "Shahan Prairie is just one example of many to come." Annex 4, at 6-7. That is factually wrong according to Plaintiffs' Petition,⁹ but Hayman Capital did not stop there. To support its assertion that UDF's real estate developments were a sham and that Shahan Prairie was just one example of a broader fraudulent scheme, Hayman Capital posted "*Irregular Patterns Related to UDF's Largest*

⁷ For example, Hayman Capital stated on p. 3 of its Dec. 10, 2015 post: "Visits to actual development sites, which serve as collateral to UDF development loans, show that, in numerous instances, *there is no development and the collateral is still non-income producing*, raw land 2, 3, 5 (as much as 10) years after loans were issued. *Where did all the money go if not to developments?*" (Annex 2, at 3.)

⁸ In contrast, construction loans involve loans to homebuilders who are building homes on finished lots. Because the construction phase is shorter and more predictable in the time to completion than the preceding development phase, time to completion can be projected with some reliability for construction loans, unlike development loans.

⁹ As alleged in Plaintiffs' Petition, Shahan Prairie was in fact being developed. As further alleged, the development was slowed for site-specific reasons. (Plaintiffs' Petition, ¶¶ 97-101.)

hereto as Annex B. That post was followed by a second post on December 11 (Annex C) and a third post on December 15 (Annex D). These three posts are collectively referred to hereafter as the “anonymous posts.”

9. As I understood them, the anonymous posts asserted that UDF’s business was not engaged in a legitimate real estate business, but was instead a Ponzi scheme that was making non-market rate loans (at 13%) to an insolvent borrower, Centurion, and strongly implied that the loan proceeds were being misappropriated. That was and continues to be incorrect. The loans were at market rate. Centurion was not, and is not, insolvent. No loan proceeds were misappropriated. Centurion has had no involvement in any Ponzi scheme. Centurion borrows from many lenders, both bank lenders and non-bank lenders, and does so based on what rates and other loan terms it can obtain in the market. Like any borrower, Centurion seeks capital on the best possible terms, but rate is not the only factor. There are other factors, such as how much capital is actually available, for what period of time, with what loan covenants, security and guarantees, etc. Contrary to the assertions in the anonymous posts, loans from UDF to Centurion at 13% interest were market rate loans because those loans were competitive with what was available from other lenders for development loans. It is commonplace for real estate developers like Centurion to borrow money at higher interest rates from alternative lenders where bank capital is not available in a sufficient amount for the necessary period of time or where bank capital is subject to unfavorable terms and conditions.

10. On page five of the December 15, 2015 anonymous post, the author asserted that Centurion was not a seasoned and accomplished developer because seasoned and accomplished developers do not borrow capital to finance residential development at 13% interest. *See Annex D*. This was and continues to be incorrect. Centurion is a seasoned and accomplished developer. Centurion, like other developers, will borrow at lower rates as stated above in paragraphs 7 and 9; however, Centurion, like other developers, will also borrow at higher rates, including 13%, to satisfy its capital needs. In deciding whether to enter into such a loan, a seasoned and accomplished developer will consider the value of the development opportunity before it, not just the interest rate on the loan. Some factors in measuring the value of a development opportunity include the expected return, the trends in market conditions, and the carrying cost of the loan, etc.

11. On its website, Hayman Capital asserted that UDF’s loans to Centurion were “irregular” because the loans “do not generate any cash (principal or interest).”¹ *Irregular Loan Patterns Related to UDF’s Largest Borrower, Annex E* at 3. This assertion was and continues to be incorrect. In truth, loans from UDF to Centurion generated cash. There was nothing “irregular” about the “loan patterns” and alleged lack of cash generated. Loans to a real estate developer will not generate cash in the same manner as, for example, a shopping mall generates cash. In real estate development of residential subdivisions, an individual loan will generate cash at some points in time, but not others. When reviewing a large portfolio of loans at a particular time, it is to be expected that some loans will be generating cash while others will not be

¹ Comparable statements were made in the December 10 and 15 anonymous posts. Annex B, Letter to Whitley Penn, at 2 (stating that “[l]oans appear to accrue larger and larger balances for years...without ever generating any cash receipts”); Annex D, at 7 (stating that “loans to Centurion regularly (i) do not generate any cash (principal or interest)...”).

Woods, NewLeaf Homes, Bella Vista Homes, Liberty Home Builders, Perry Homes, Drees Homes, Highland Homes, Pacesetter Homes, Colina Homes, Historymaker Homes, RSI Communities, Scott Felder Homes, Wilshire Homes, Sitterle Homes, Darling Homes (now part of Taylor Morrison Home Corporation), Centerra Homes, Bloomfield Homes, American Legend Homes, Crescent Signature Homes, Buffington Homes and Scott Homes.

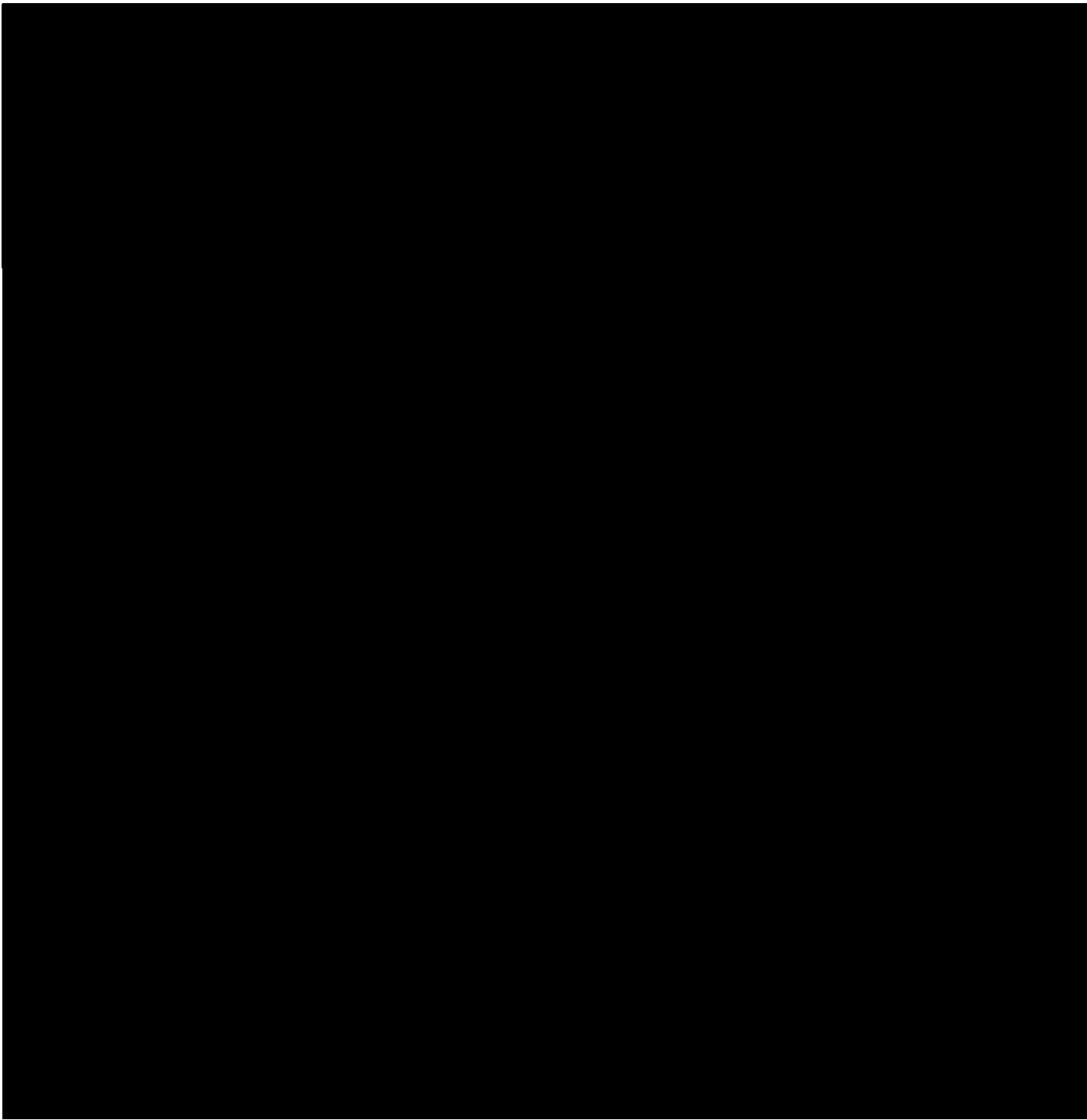
27. UDF's largest group of borrower entities, including CTMGT, LLC and its subsidiaries, are affiliates of Centurion American, L.P. ("Centurion"). Centurion has a strong track record as a developer. Centurion has extensive experience with many Texas municipalities and local governments, and generally gets their support in entitling Centurion's projects. Centurion routinely gets the entitlements needed from the government, including the desired density to make projects profitable. Centurion routinely obtains municipal reimbursements and other support that Centurion needs from municipalities to bring projects to fruition. Centurion has a long track record of being able to put together MUDs and Public Improvement Districts (PIDs). Centurion was the first developer in the state of Texas to create a PID. A PID is a district put together by a city, whereby the city raises bond funds and advances money to the developer during the development process to pay for water, sewer, and public improvements. In contrast, a MUD provides reimbursement after the municipal tax base has been increased by substantial home construction in the development and after the developer provides documentation of the development dollars incurred, which may be months or even years after the developer has incurred the development costs. Centurion has relationships with the top management at some of the largest production home builders, such as D.R. Horton, Inc. and Lennar Corporation. Production home builders are important to developers because they purchase lots to construct homes at a more rapid pace than custom homebuilders.

28. Founded in 1990, Centurion has successfully developed almost 25,000 single-family lots in dozens of premier communities surrounding North Texas. Centurion is currently developing over seventy master-planned communities in Texas and also redeveloped the historic Statler Hilton Hotel. Centurion has received over forty awards during the almost thirty years it has been in business, including Chamber of Commerce Business of the Year (2008), the John Harbin Visionary Award (2013), Greater Fort Worth Builder's Association Developer of the Year (2013) and Dallas Home Builders Community of the Year (2014). Centurion has won multiple awards for its developments, including many that were for UDF-financed projects.

29. A December 26, 2017 article written by a long-time real estate editor for the Dallas Morning News shows the high regard for and reputation of Centurion and CEO Mehrdad Moayedi in the DFW community. The article is titled "*Dallas Developer Mehrdad Moayedi lands on his feet with deal after deal.*" The article covers a long list of Centurion's successful developments and concludes Moayedi "may be the most resilient real estate player I've encountered in almost 40 years of writing about the business...Moayedi is on my list of nominees for Dallas developer of the year." A true and correct copy of the article is attached hereto as Annex 1.

30. UDF's homebuilding clients are generally larger regional homebuilders, and have included Megatel Homes, Buffington Homes, Crescent Signature Homes, NuWay Homes and Colina Homes.

FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP



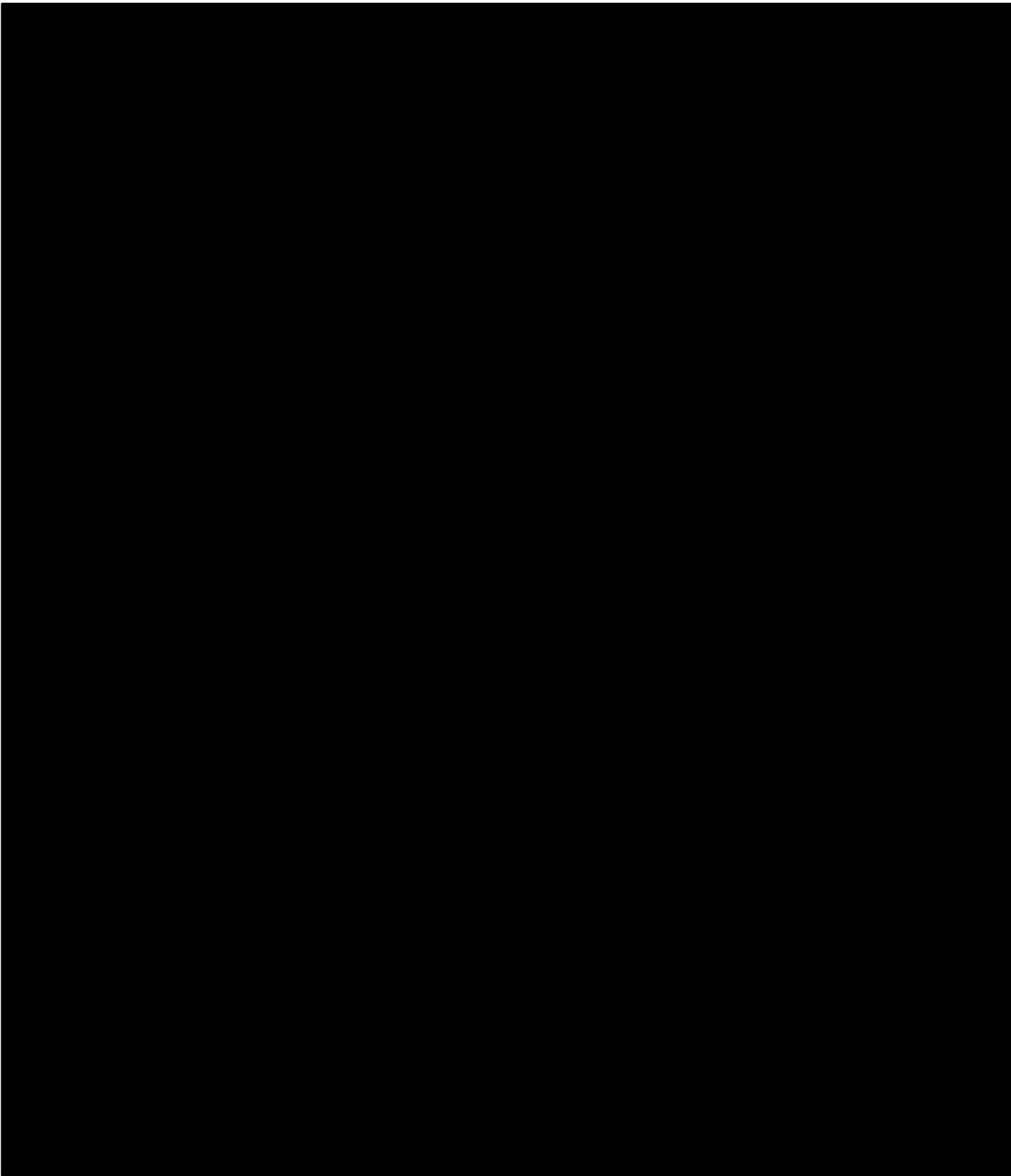
FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN I.I.P

advantage of its investors as gullible victims, and similar statements made throughout the December 10 internet post.

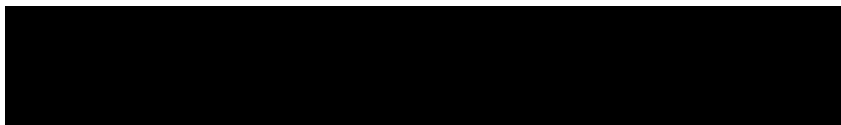
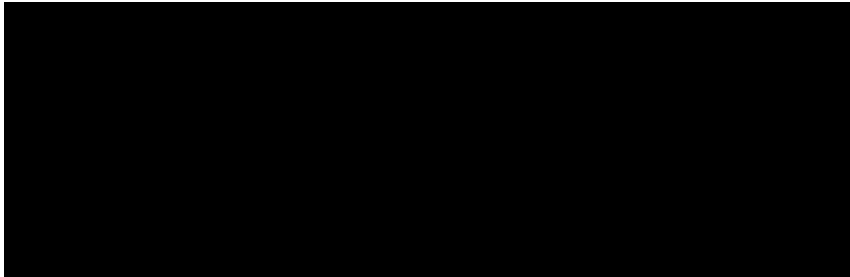
6. "The allegations in the post were not consistent with my experience with and knowledge of UDF's business. It was my belief that Bass had taken facts about UDF's business that were not unusual or improper, and had distorted and misrepresented them to create the impression UDF's business was operating in a fraudulent manner based on phony real estate developments that did not generate legitimate returns. For example, the posts discussed the fact that interest payments on loans UDF made did not come from borrower's cash flow, but rather from the loans themselves. I knew this was not unusual and in fact a common practice with development and construction loans, commonly called Interest Reserve or Interest Carry. Furthermore, at the Bank, I had regularly reviewed UDF's collateral and related project developments and found the collateral to be sound and the project developments to be consistent with what would be expected of any comparable borrower of the Bank. I was aware of no information that would support the assertions made by Bass.
7. "As a regulated bank, the Bank felt compelled to treat the statements as potentially truthful and respond accordingly. Kyle Bass had a reputation as a powerful hedge fund manager, and so the Bank took his allegations seriously. The post caused the Bank's entire relationship with UDF to come crashing down virtually overnight. The post also caused a panic at the Bank, as the allegations in the post implied the Bank's loan collateral was worthless and UDF would not pay its debt to the Bank.
8. "In direct response to the negative statements in the post contained in Annex 1 as described above, the Bank decided not to lend any additional amounts to UDF, and further decided to wind down and terminate any outstanding loans and credit lines with UDF.
9. "Attached hereto as Annex 2 is a true and correct copy of a Loan Renewal, Extension and Modification Agreement that reflects some of the actions taken by the Bank in response to the posts.
10. "Ultimately after the Bank did a thorough investigation and re-appraisal of assets which were collateral for the UDF loans, the Bank concluded its loans to UDF were most likely not at risk for default. At the time I retired from the Bank, UDF had paid off significant portions of the loans.
11. "Attached hereto as Annex 3 are true and correct copies of correspondence I authored and sent to UDF while employed by the Bank. These said records, as well as the record in Annex 2, are kept by the Bank in the regular course of business; it was in the regular course of business and regular practice of the Bank that the records were made by—or from

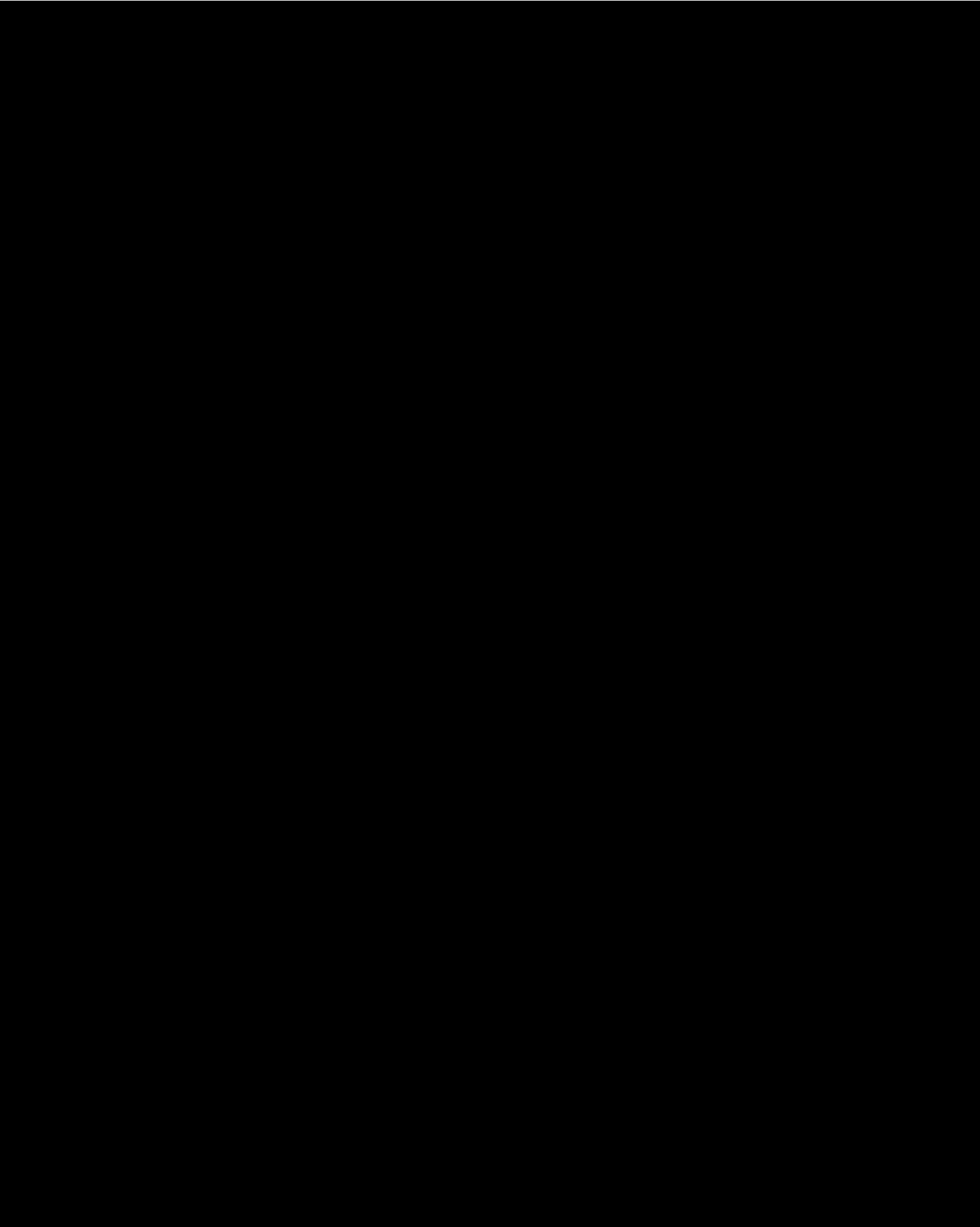


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REQUESTED BY KATTEN LLP



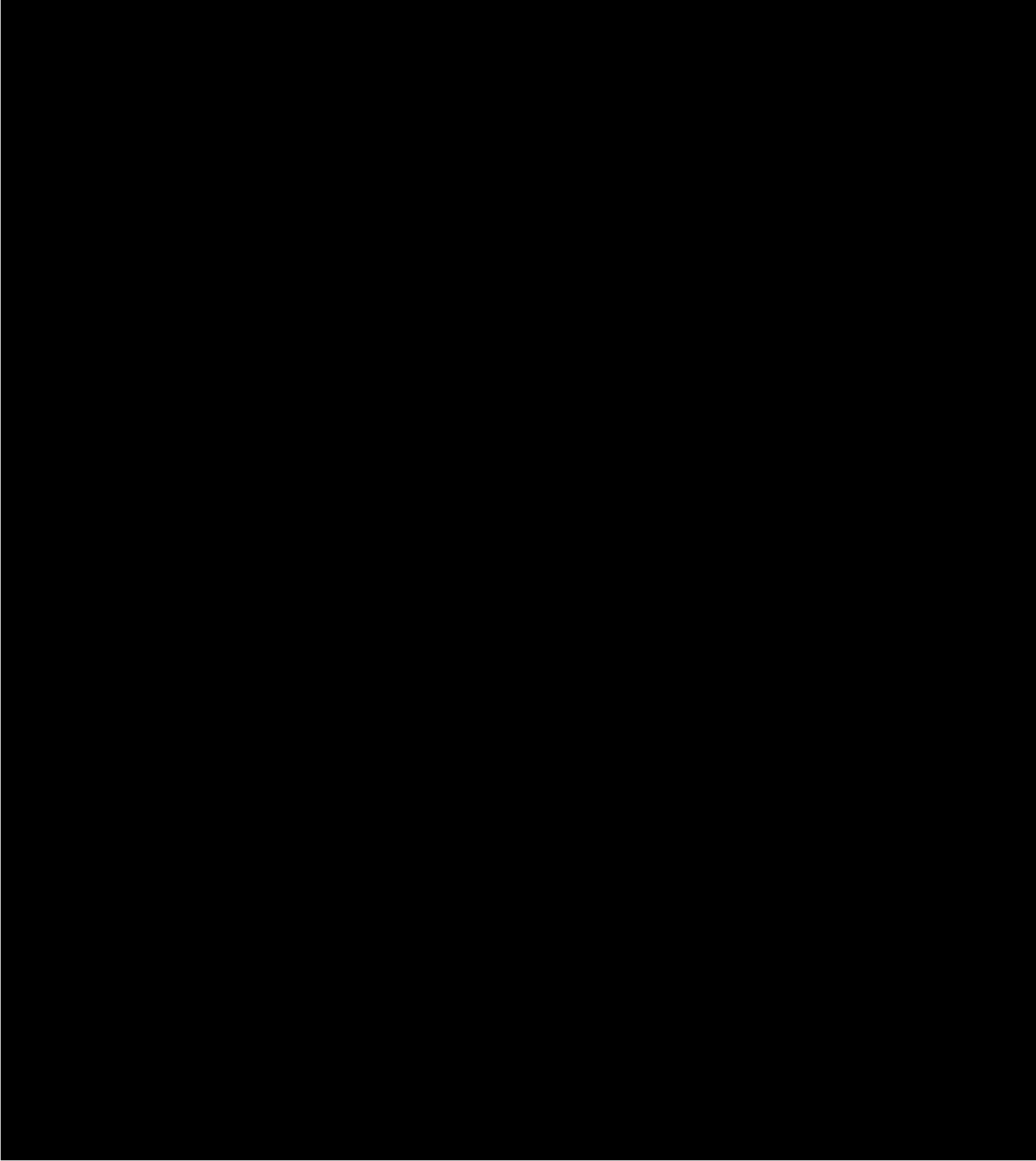
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REQUESTED BY KATTEN LLP



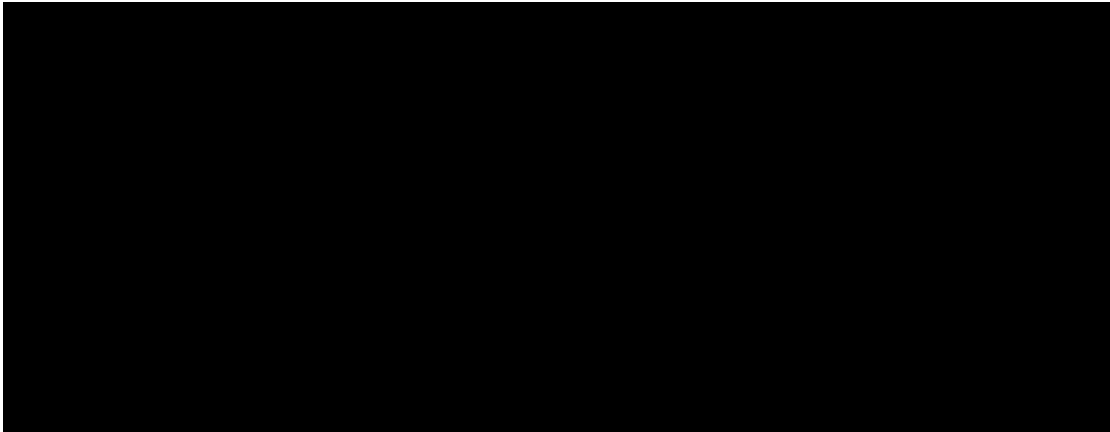


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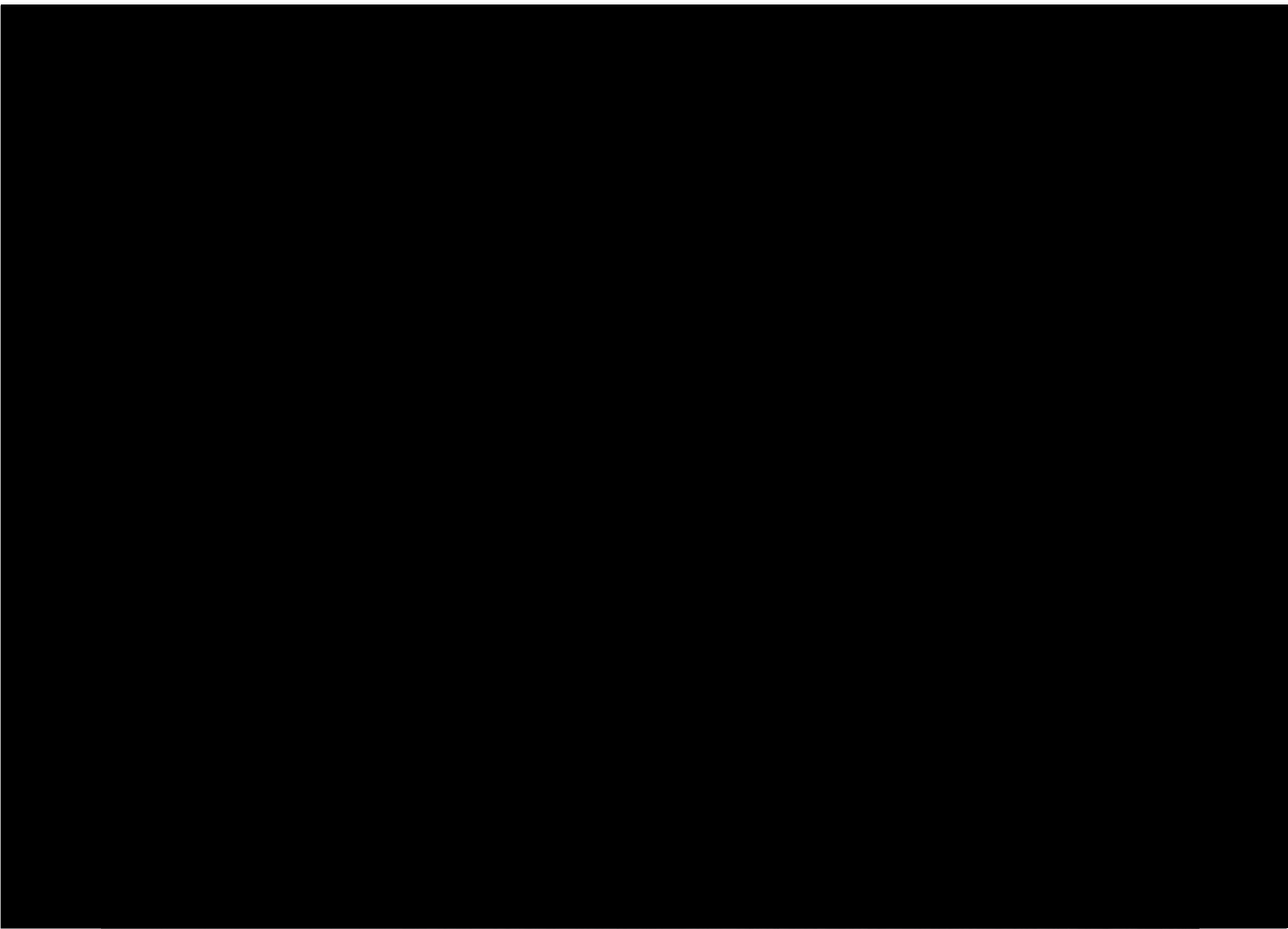
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REQUESTED BY KATTEN LLP

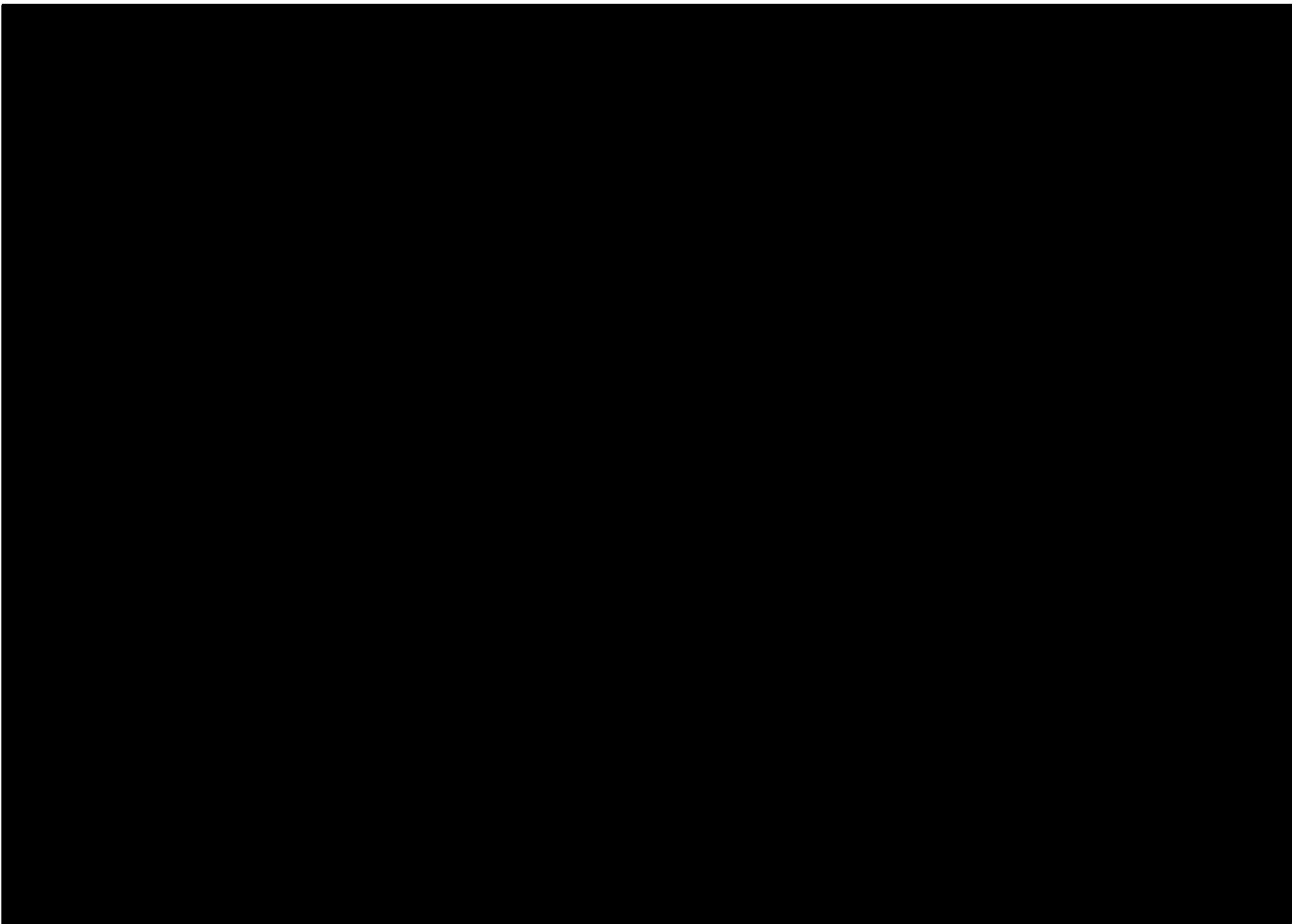


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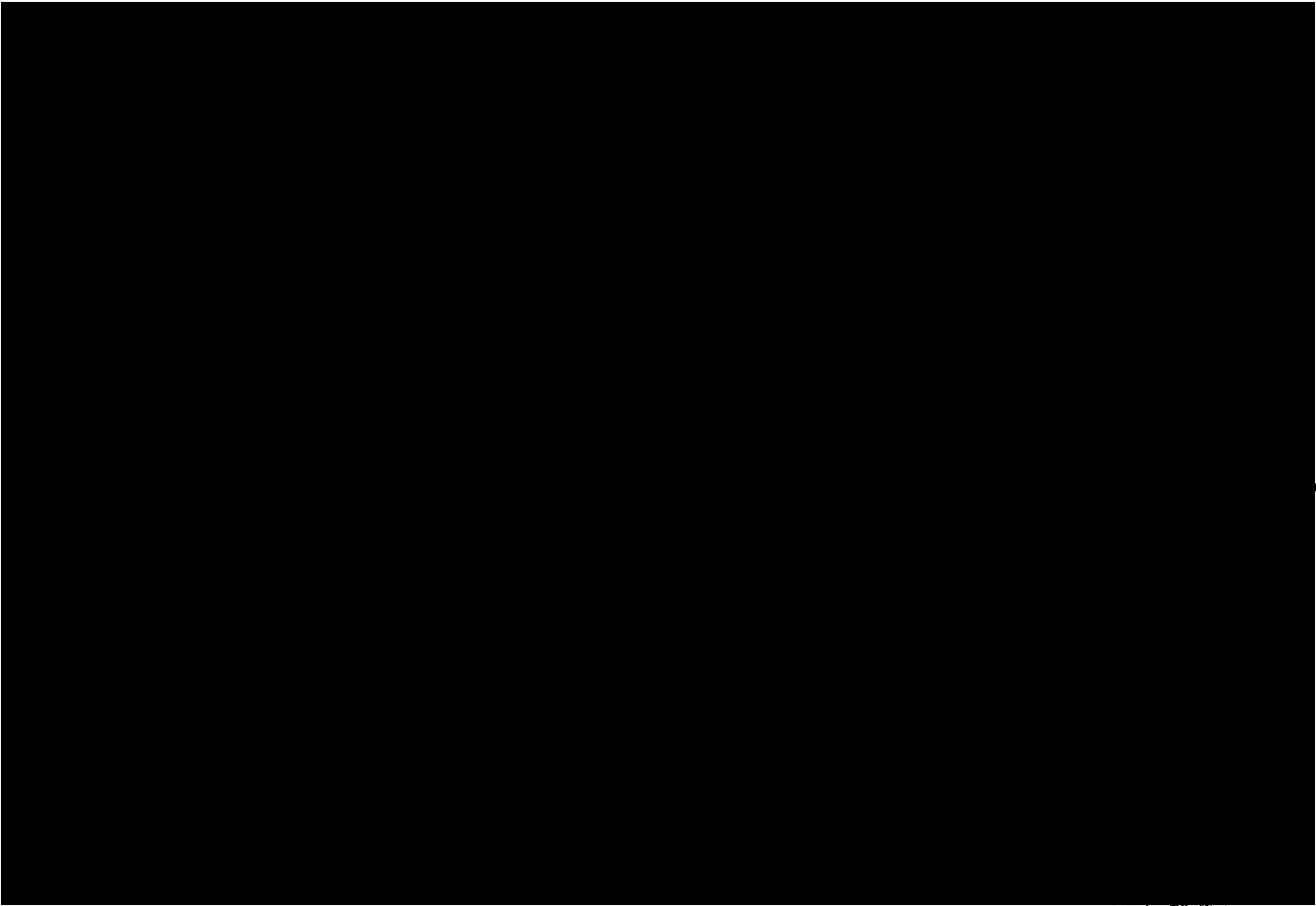


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REQUESTED BY KATTEN LLP







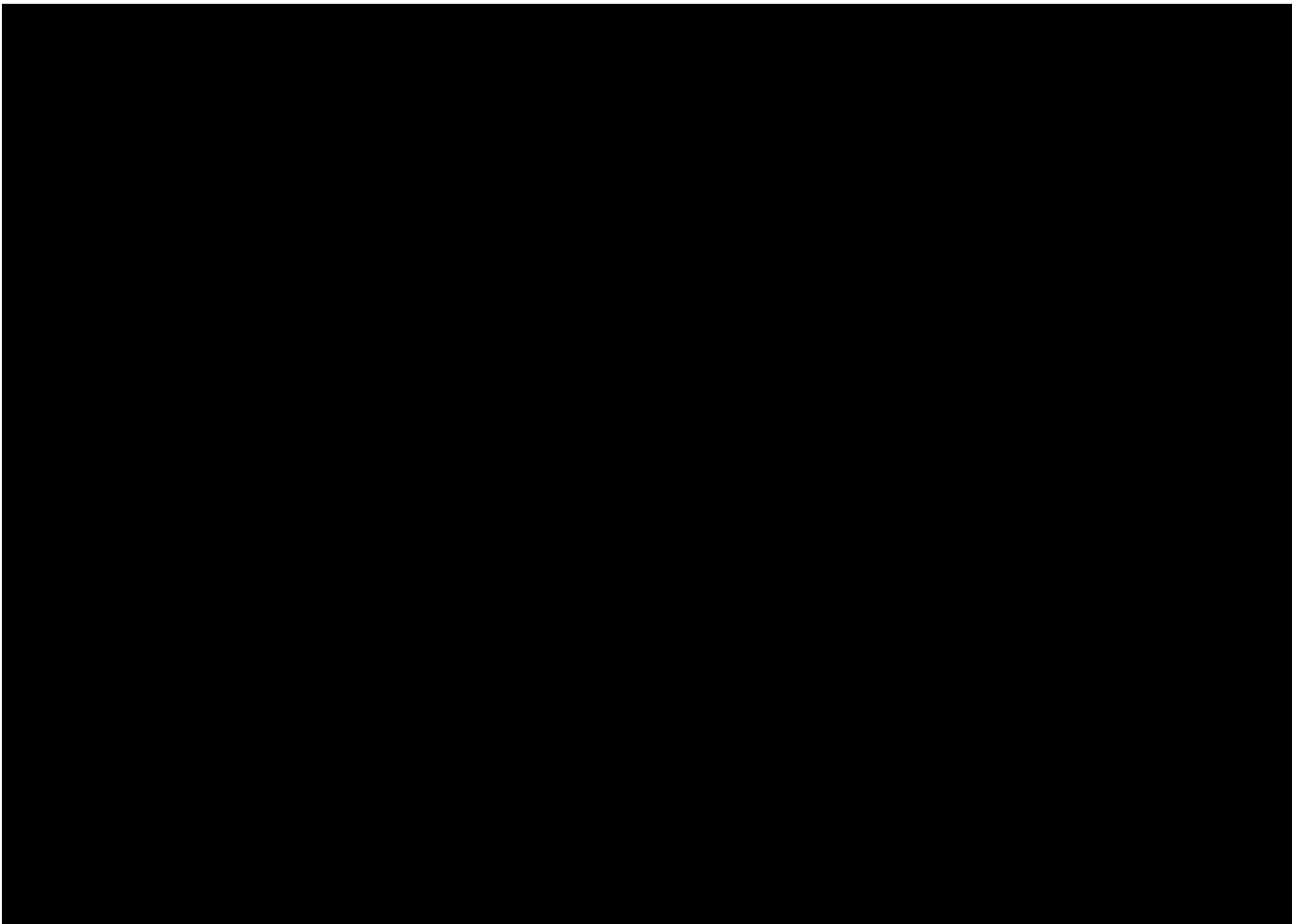


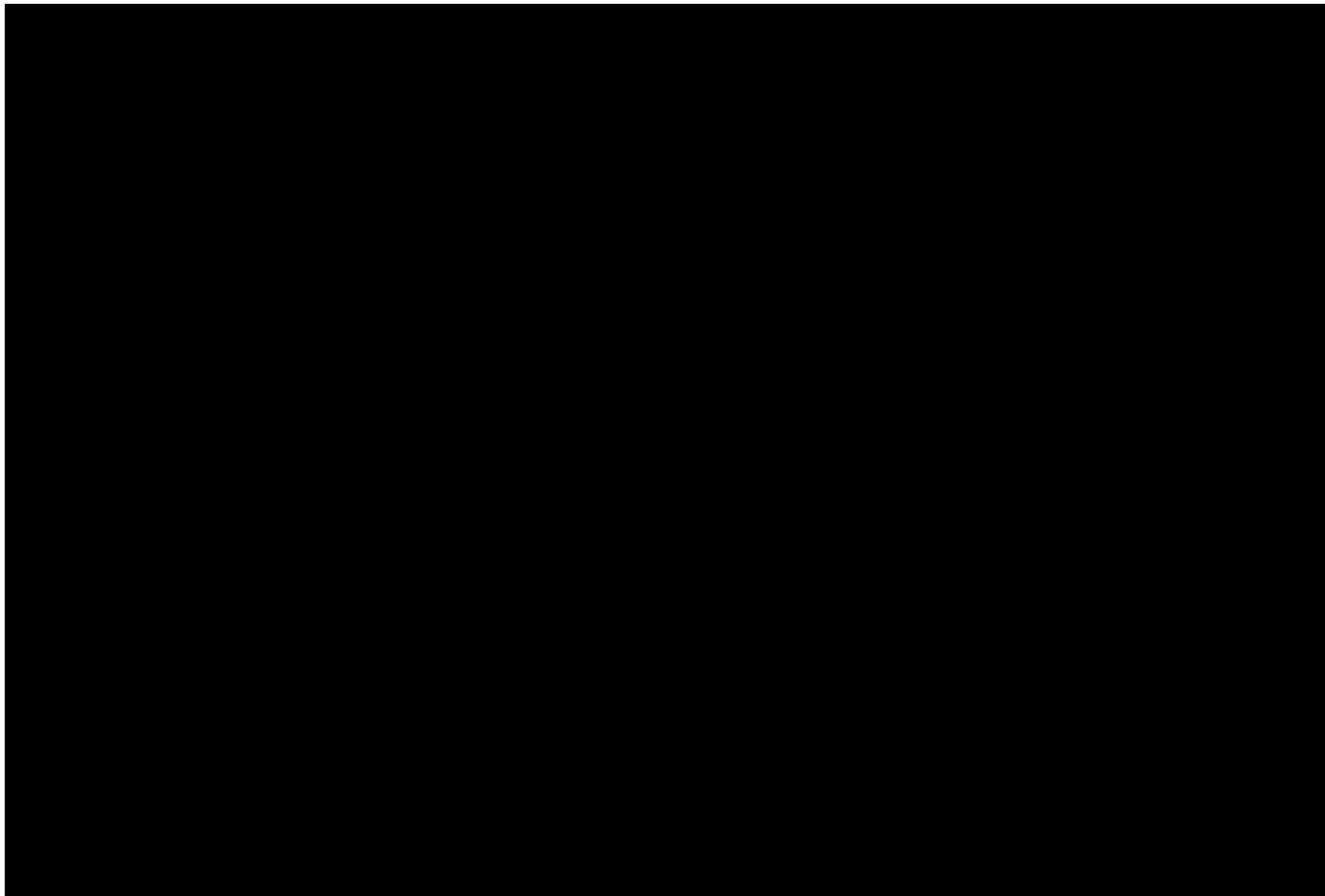
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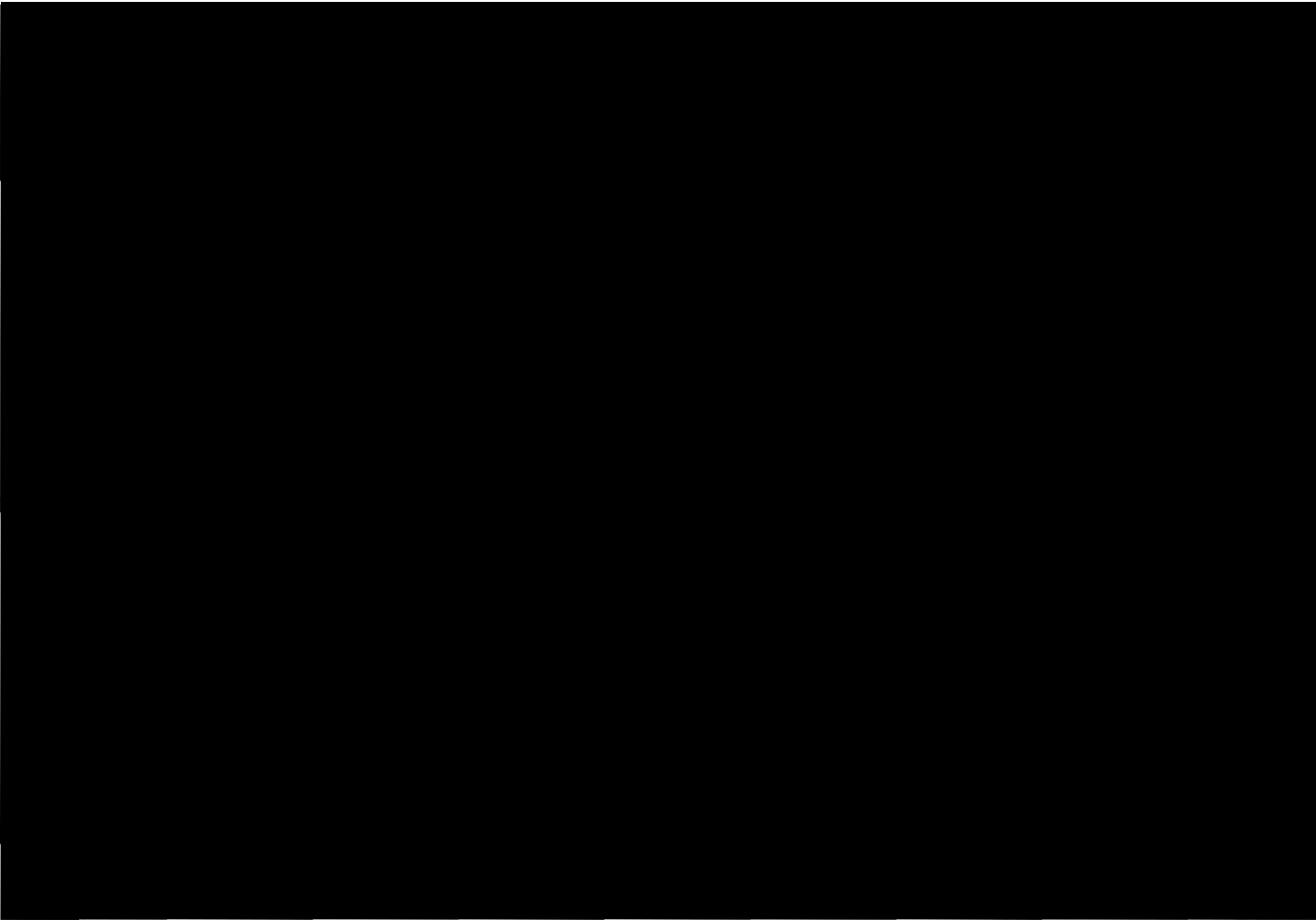
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REQUESTED BY KATTFI, LLP



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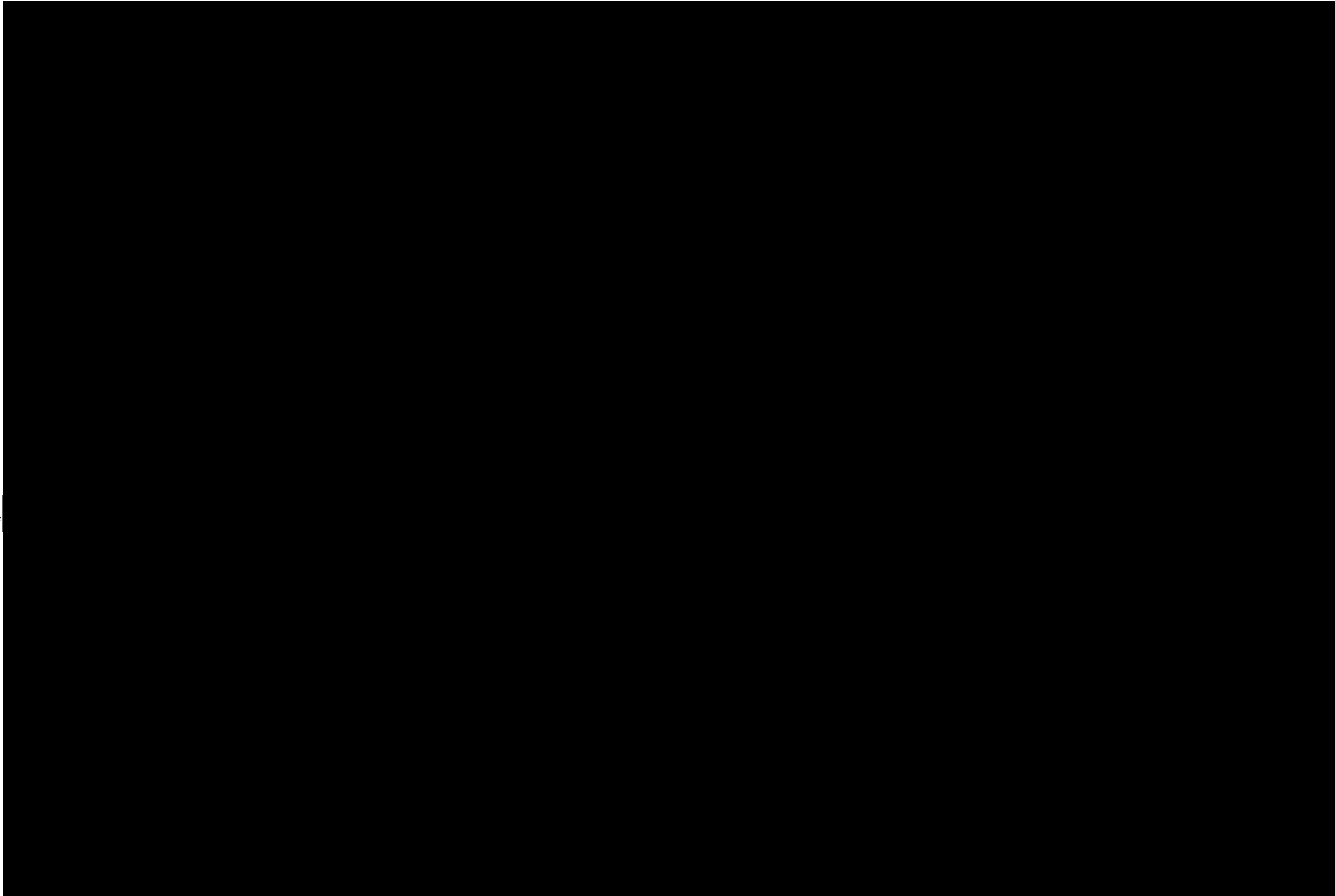






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FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTENJLP



Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 6/8/2015 4:06:43 PM
To: J. Kyle Bass [k@haymancapital.com]
Subject: Other Non-Traded REITs
Attachments: image001.jpg; Other Non-Traded REIT Opportunities.xlsx; Non Traded REIT Opportunities.pptx

Kyle - this is my file, have some info on Apple (APLE) but more on NorthStar Realty Finance (NRF). There is also a summary of all the public non-traded REITs that I could find, including total assets and total offering costs. NorthStar is particularly interesting because they spun out their management company (public: NSAM) that manages both publicly listed and public non-traded REITs; it also has a broker dealer that sells non-traded REITs to retail investors. I have a short introductory presentation on this one, also attached. Charles thinks that this is a good short candidate but in his view, the time is not yet right (may be worth having a conversation to get his latest thoughts).

Brad thomas article on NRF
Northstar Is Far From An Intelligent REIT Alternative

<http://seekingalpha.com/article/3190706-northstar-is-far-from-an-intelligent-reit-alternative>

Brad thomas article on APLE
History Tells Us That This Apple Doesn't Fall Far From The Tree

<http://seekingalpha.com/article/3209736-history-tells-us-that-this-apple-doesnt-fall-far-from-the-tree>
(this is the one that references UDF)

<http://seekingalpha.com/article/3207256-dont-let-a-few-bad-apples-spoil-this-new-reit>

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
Hayman Capital Management,
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

214.347.8043 Direct
[REDACTED] Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>

image

text

Page 1 of 2

Image Tools

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 12/30/2015 2:35:38 AM
To: Parker Lewis [PL@haymancapital.com]
CC: Chris Kirkpatrick [CK@haymancapital.com]; Andy Jent [aj@haymancapital.com]; Charles Fitzgerald [cf@V3capgmt.com]
Subject: Re: Another UDF IV Lawsuit
Attachments: image001.jpg

Amazing. This is exactly what Mehrdad says about his dealings with UDF.

J. Kyle Bass
 Chief Investment Officer
 Hayman Capital Management

On Dec 29, 2015, at 2:07 PM, Parker Lewis <PL@haymancapital.com<mailto:PL@haymancapital.com>> wrote:

Kyle - see attached; but important takeaways are included below.

This lawsuit, filed by a third-party development firm contracted by UDF, is alleging that UDF is running a shell game to get around the limitation of not being able to develop land in the REIT structure, consistent with what Moayedhi is saying. This is from a legitimate, independent 3rd party development firm. The entity in question is an entity called "349 Memorial"; UDF IV has a loan issued to and owed from "349 Memorial." It is not a big loan but that is not the point.

The signer in the deeds for 349 Memorial is a guy named David Goduti. This individual has appeared in 3 different transactions in Dallas as well, involving three different third parties. In each instance in Dallas, the third-party sellers (who are selling land to entities for which David Goduti is signing) all believe from a practical perspective that they are selling land to UDF and/or Scott Felder homes which is owned 50% by Greenlaw/Etter and 25% by a former UDF IV director. We learned this information regarding the perspective of the sellers from contacts who know the sellers, in each separate instance.

The three different entities that have bought land around Dallas with Goduti as signer are:
 Frisco 39, LLC
 Prosper 236, LLC
 Plano 12, LLC

Frisco 39 and Prosper 236 have loans from UDF V (Prosper 236 originally had a loan from UDF IV prior to the loan from UDF V). Plano 12, LLC was financed by a seller's note which was supposed to be repaid earlier this month but the payment does not appear to have been made (possibly because of a lack of liquidity - payment was due after our release). As mentioned previously, 349 Memorial also has a loan from UDF IV.

In each instance where there is a UDF loan (either from UDF IV or UDF V), the loans are classified as "non-related party". This lawsuit alleges 349 Memorial is a shell that UDF uses to "get around the limitation" of the REIT structure. The plaintiff's detail that they have never met anyone from the shell entity and the representatives of the 'spin-off' entities "don't even know where the property is" which is allegedly according to UDF's principals. If 349 Memorial is a shell for which Goduti is signing, and Goduti and UDF are one in the same, then the other entities for which Goduti signs likely are as well.



Source: Harvest Exchange Corp.

June 18, 2015 10:57 ET

Harvest Exchange Completes \$5 Million Series B Funding Round

Led by Highland Capital Management, Proceeds Will be Used to Improve Discovery Features and Scale Fast-Growing Investment Management Marketplace Platform

HOUSTON, June 18, 2015 (GLOBE NEWSWIRE) -- [Harvest Exchange \(HVST.com\)](http://HarvestExchange.com), the fast-growing investment management marketplace platform today announced a \$5 million Series B funding round led by [Highland Capital Management](#), a global multi-strategy asset management firm, and a Harvest Exchange user. The round also features participation from existing investors [Third Point LLC](#) and [Golden Tree Asset Management](#) and new investor [Marketplace Fund I](#).

Harvest Exchange offers a direct, scalable and [SEC/FINRA compliant](#) way for investment firms and research providers to enhance their branding through content marketing to a highly targeted community of sophisticated, accredited, and qualified investment product buyers. Content shared on Harvest by [Verified Professionals](#) outperforms the financial services industry average on other platforms by 10x+.

Indeed the [FinTech sector is white hot](#), with global investment set to double from \$10 billion in 2014 to \$19.7 billion in 2015, according to a [recent report](#) by [MarketResearch.com](#).

"Wall Street has been a black box of information whose archaic culture has made it inefficient and expensive for investment firms to access the right buyers, and correspondingly difficult for buyers to access a clear picture of the expertise available to them," said [Peter Hans](#), Harvest Exchange CEO. "Harvest is tackling this long-standing problem by improving the discovery of, and access to, the best investment products, firms, and professionals the world has to offer."

Harvest will use the proceeds to improve the discovery and marketplace features, across both web and mobile, to allow for a more scalable platform its rapidly growing investor community. As part of the deal, Highland Capital Management will join the Harvest Exchange Board of Directors.

"Our fund focus is digital marketplaces, and we view Harvest as the vertically integrated Linked In marketplace targeting the incredibly valuable demographic of investment firms and professions," said Pete Hartigan, CEO and founder Marketplace Fund I. "The market opportunity set for Harvest reminds me of [SoFi](#) where I worked with the founders from zero value to \$1.3 billion."

Since Harvest Exchange launched in 4Q13, more than 125,000 investors have signed up to access over 75,000 unique investment perspectives from over 5,000 firms managing in excess of \$5T in assets; and now receives up to 1,500 new macro thoughts, investment presentations and white papers per week.

About Harvest

[Harvest](#) is the financial discovery and communication marketplace that enhances the way investors share expertise and information with industry leaders, peers, and potential clients. Harvest includes the top money managers, research analysts, and sophisticated investors from the world's best asset management, research, and financial advisory firms. Harvest is free to join and members engage its 24/7 mix of the highest quality, transparent investment information from the brightest minds on the Street.

2/7/2019

Print - Harvest Exchange Completes \$5 Million Series B Funding Round

Media Contact:

Seth Geisler

Martin Levy Public Relations, Inc.

seth@martinlevypr.com

858.610.9860

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 10/8/2016 1:57:03 AM
To: Parker Lewis [PL@haymancapital.com]
Subject: Re: Parker

Don't share any more with Highland. I will explain when I land.

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

> On Oct 7, 2016, at 6:43 PM, Parker Lewis <PL@haymancapital.com> wrote:

>
> was it highland or balpost? I think balpost, or a separate fund that balpost partners with, was talking to them about giving them a high interest loan (like 15-18%) to allow them to take out all of their debt. I can look through my notes on highland but that doesn't immediately ring a bell.

>
> Parker Lewis
> Hayman Capital Management L.P.
> (o) 214.347.8043 | (m) [REDACTED]
> PL@haymancapital.com

>> On Oct 7, 2016, at 5:07 PM, J. Kyle Bass <k@haymancapital.com> wrote:

>>
>> I remember you telling me that Highland was trying to do something with UDF. What was it again?

>>
>> J. Kyle Bass
>> Chief Investment Officer
>> Hayman Capital Management

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 10/8/2016 2:00:30 AM
To: Parker Lewis [PL@haymancapital.com]
Subject: Re: Parker

Highland is looking at UDF equity and thinks there is legal and clawback value. I don't know what they think it is though. 10-20% of book is where they will buy some.

We need to try to buy it in chunks privately as soon as we can. I don't wish to have various distressed players thinking there is value while we are still short.

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

> On Oct 7, 2016, at 6:46 PM, Parker Lewis <PL@haymancapital.com> wrote:

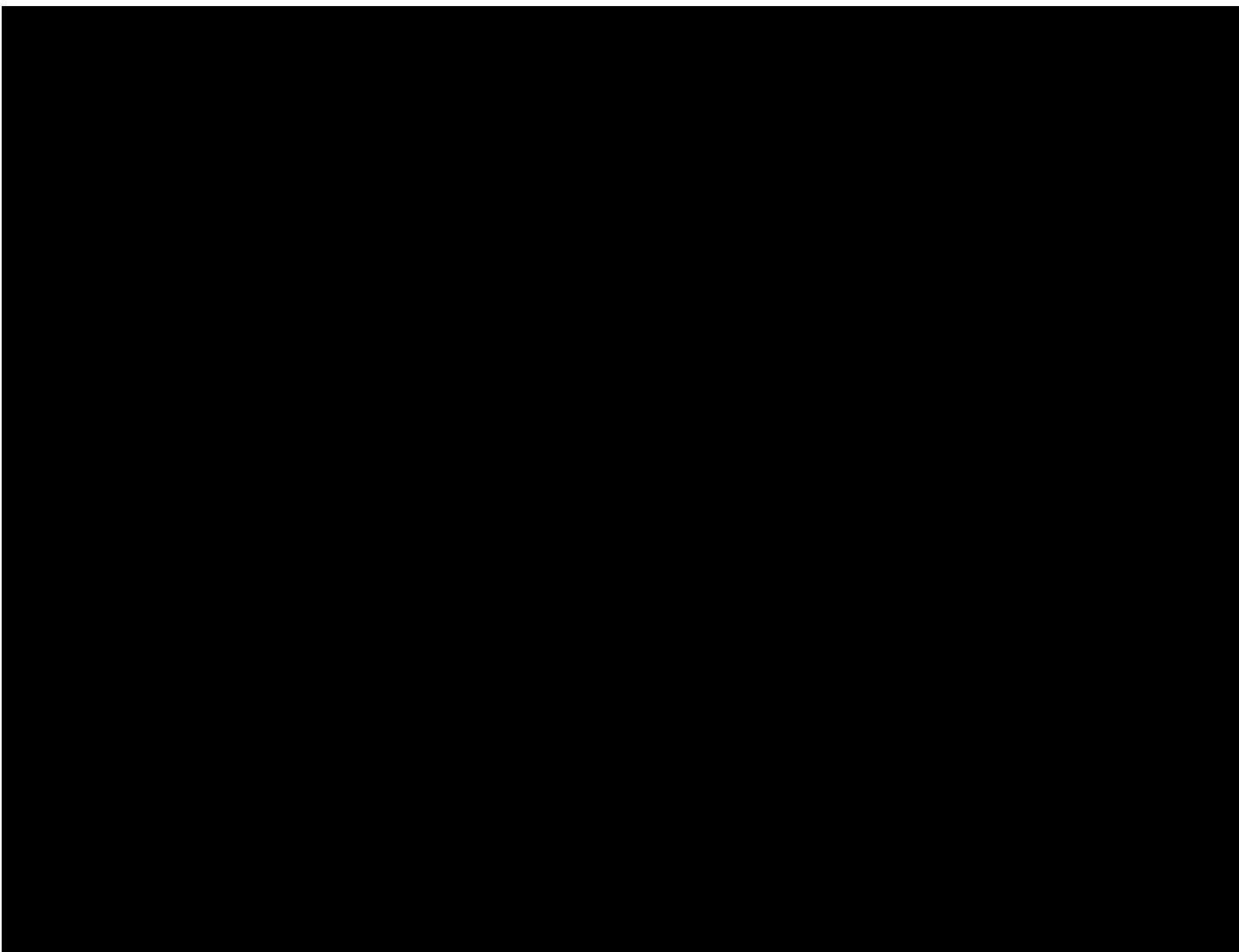
>
> I think hillwood was also at one point possibly looking at buying assets from them but the only party that I know off that has is DR Horton

>
> Parker Lewis
> Hayman Capital Management L.P.
> (o) 214.347.8043 | (m) [REDACTED]
> PL@haymancapital.com

>> On Oct 7, 2016, at 5:07 PM, J. Kyle Bass <k@haymancapital.com> wrote:

>>
>> I remember you telling me that Highland was trying to do something with UDF. What was it again?

>>
>> J. Kyle Bass
>> Chief Investment Officer
>> Hayman Capital Management





Nasdaq Hearings Panel Grants Extension of Exception for Continued Listing of United Development Funding IV Shares

GRAPEVINE, Texas, September 14, 2016 - United Development Funding IV ("UDF IV" or the "Trust") (NASDAQ: UDF) today announced that the Nasdaq Hearings Panel (the "Panel") has granted an extension of the exception previously granted for continued listing of the Trust's common shares on The NASDAQ Stock Market ("Nasdaq"). The Trust's continued listing is subject to the condition that, on or before October 17, 2016, the Trust become current in its periodic filings with the Securities and Exchange Commission (the "SEC"). The Trust must also be able to demonstrate that it satisfies all other quantitative and qualitative requirements for continued listing on Nasdaq.

As previously disclosed, UDF IV has not yet filed its Annual Report on Form 10-K for the year ended December 31, 2015 (the "2015 Form 10-K") or its Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2016 (the "2016 Forms 10-Q"). Nasdaq Listing Rule 5250(c)(1) requires the timely filing of periodic reports with the SEC. The Trust currently expects that it will be in a position to file the 2015 Form 10-K and the 2016 Forms 10-Q and thereby evidence full compliance with Nasdaq's filing requirement and all other applicable requirements for continued listing on or before the extended October 17, 2016 date granted by the Panel. Although the Trust is working diligently to complete and file all necessary periodic reports with the SEC as soon as practicable, there can be no assurance that the Trust will be able to do so within the period granted by the Panel.

Trading in UDF IV's securities on Nasdaq has been halted since February 18, 2016, and the Trust expects that the trading halt will continue at least until the Trust has become fully current in its periodic filing obligations with the SEC. No assurance can be given regarding the resumption of regular trading of the Trust's securities on any market.

About United Development Funding IV

United Development Funding IV is a public Maryland real estate investment trust formed primarily to generate current interest income by investing in secured loans and producing profits from investments in residential real estate. Additional information about UDF IV can be found on its website at www.udfiv.com. UDF IV may disseminate important information regarding its operations, including financial information, through social media platforms such as Twitter, Facebook and LinkedIn.

Investor Contact:
Investor Relations
1-800-859-9338
investorrelations@udfiv.com

Media Contact:
Jeff Eller
469-916-4883
mcdiarelations@udfiv.com

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 9/14/2016 3:09:45 PM
To: Parker Lewis [PL@haymancapital.com]
Subject: We will discuss UDF at 1pm today Parker

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

Appointment

From: J. Kyle Bass [k@haymancapital.com]
Sent: 9/14/2016 3:38:28 PM
To: Juneau Lee [JL@haymancapital.com]; Parker Lewis [PL@haymancapital.com]
Subject: KB, PL, JL to discuss UDF listing Status and next steps
Location: KB OFFICE
Start: 9/14/2016 6:00:00 PM
End: 9/14/2016 7:00:00 PM
Show Time As: Tentative

Recurrence: (none)


Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 10/4/2016 6:19:19 PM
To: J. Kyle Bass [k@haymancapital.com]; Dan Babich [DB@haymancapital.com]; Brandon Osmon [bo@haymancapital.com]; Davis Hostetter [dh@haymancapital.com]; Steele Schottenheimer [ss@haymancapital.com]; Katheryn E. Mueller [KM@haymancapital.com]
Subject: Letter to Nasdaq
Attachments: image001.jpg; Nasdaq Letter_Signed_Sent 10.4.16.pdf

Attached is the letter that Morgan Lewis sent to Nasdaq on our behalf related to the continued UDF halt.

[cid:image001.jpg@01c84251.44a3d170]

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

 Direct
Mobile
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>



Morgan Lewis

David A. Sirignano

Partner
Securities & Corporate Governance
+1.202.739.5420
david.sirignano@morganlewis.com

October 4, 2016

Alan Rowland
NASDAQ Stock Market LLC
805 King Farm Boulevard, 1st Floor,
Rockville, Maryland 20850

Dear Sir or Madam:

I am writing at the request of Hayman Capital Management L.P. ("Hayman") to express its concerns regarding the continued halt imposed on trading in the common equity of United Development Funding IV ("UDF" or "the Company") on the NASDAQ Global Select Market. Hayman is the adviser to a private investment fund that has established a short position in the securities of UDF. Trading in UDF shares was halted by NASDAQ on February 18, 2016 after federal authorities executed a search warrant at UDF's corporate headquarters and served executive officers with grand jury subpoenas. To date, UDF has failed to file its Annual Report on Form 10-K with the Securities and Exchange Commission ("SEC") for fiscal year ending December 31, 2015. UDF has also failed to file its Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2016 to date. Consequently, UDF shares have remained halted for the past seven months.

Background

The NASDAQ Stock Market LLC ("Nasdaq") notified UDF on March 17, 2016 that that it was not in compliance with Nasdaq Listing Rule 5250(c)(1) because it had failed to timely file its Form 10-K. On September 14, 2016, UDF announced that the Nasdaq Hearings Panel (the "Panel") granted another extension of the exception previously granted for continued listing of UDF's common shares on Nasdaq. UDF's continued listing is subject to the condition that, on or before October 17, 2016, UDF becomes current in its periodic filings with the SEC. The extension to October 17, 2016 follows repeated extensions of previous deadlines based on UDF's unrealistic representations of its ability to become current in its SEC filings that UDF failed to meet. For example, UDF submitted a plan to regain compliance with Nasdaq's listing requirements on May 16, 2016, waiting the maximum 60 days following the deficiency notification. The Nasdaq Staff (the "Staff") rejected UDF's plan and notified UDF of its determination to delist on May 26, 2016, due to UDF's continued non-compliance with the applicable listing rule. In its May 26, 2016 response, the Staff indicated that because UDF's plan was predicated on the engagement of a new audit firm, the Staff believed that UDF's plan was not sufficiently definitive and may not be completed within the discretionary period available to the Staff.

Morgan, Lewis & Bockius LLP

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Washington, DC 20004
United States

📞 +1.202.739.3000
📠 +1.202.739.3001

HAYMAN0004404

UDF appealed Nasdaq's decision and a hearing was held before Nasdaq's Hearings Panel on July 7, 2016. UDF has disclosed that it presented its plan to evidence compliance with all applicable criteria for continued listing. On July 26, 2016, UDF disclosed that the Panel determined to continue listing UDF's shares on the condition that on or before September 12, 2016, UDF comply with its SEC filing requirements. Despite the fact that a new auditing firm was only retained a few weeks earlier, on June 8, 2016, UDF stated that it expected to meet the September 12 deadline. That deadline has now passed, yet the Hearings Panel has granted another five-week extension.

In light of certain corporate developments, it was unreasonable in connection with the July extension for UDF to represent, and for the Hearings Panel to accept, that the new audit firm would complete an audit in the 90-day period following its engagement, especially considering the overhang of criminal and civil investigations by federal authorities. Those certain corporate developments make clear that UDF's request for an additional extension served no other purpose than to delay. These disclosed events included:

- The resignation of the Company's previous auditor on November 19, 2015, after being reappointed to audit the Company for that year at the Company's annual meeting in June 2015. UDF has inconsistently described the auditor's action as declining to stand for reappointment (after being appointed by UDF's board and approved by shareholders) for the 2015 fiscal year, but eventually accurately described it as a resignation in later Form NT-10Q filings.
- Certain events of default under the Company's lending agreements effective as of March 4, 2016 (prior to the Form 10-K filing deadline); however, UDF failed to disclose the circumstances until May 23, 2016, which were disclosed as part of a forbearance agreement entered into on May 17, 2016, in which the Lenders agreed to forbear from exercising any of their default-related rights against UDF until August 4, 2016. Under the Forbearance Agreement, UDF agreed to suspend its regular monthly cash distributions to its shareholders during the Forbearance Period.
- Ongoing investigations by the SEC and FBI concerning UDF and its external management which led to the execution of a search warrant of UDF's offices and the issuance of grand jury subpoenas.

Discussion

Nasdaq Listing Rule 5815 empowers, but does not require, the Panel to grant an exception to the SEC reporting listing requirement for a period not to exceed 360 days from the due date of the first such late periodic report. That authority, however, must be exercised after considering all the facts and circumstances:

In determining whether to grant an exception, and the length of any such exception, the Hearings Panel will consider the Company's specific circumstances, including the likelihood that the filing can be made within the exception period, the Company's past compliance history, the reasons for the late filing, corporate events that may occur within the exception period, the Company's general financial status, and the Company's disclosures to the market. This review will be based on information provided by a variety of sources, which may include the Company, its audit committee, its outside auditors, the staff of the SEC and any other regulatory body. [5815(c)(1)(f)]

It is not clear that the Hearings Panel has adequately considered these criteria in connection with its repeated extensions.

- **The likelihood that the audit can be completed and that necessary filings can be made within the exception period**

Given (i) that UDF stated on July 26, 2016 that it expected to be current by September 12, 2016; (ii) UDF made that representation when a new auditor was only retained approximately 90 days prior to the deadline; (iii) UDF previously failed to meet the condition for continued listing on or before September 12, 2016; (iv) the numerous red flags which have been identified regarding UDF's financial condition and disclosures, including its failure to timely pay creditors and subsequent acknowledgement of events of default (notably circumstances which are completely inconsistent with the Company's latest stated financial position); and (v) ongoing federal investigations, how did the Panel determine that there was a likelihood that the filings can be made within the newly granted exception period which contemplates only approximately four months to complete an audit of the Form 10-K and the review of two Forms 10-Q? The Staff apparently shared this concern when it denied the initial extension based on its conclusion that the Company's plan was not sufficiently definitive and may not be completed within the discretionary period available to the Staff. Notably, unlike its July 2016 assurance that it expected to meet the September 2016 deadline, UDF's September announcement of the additional extension did not even state that it expected to meet the new deadline.

- **The reasons for the late filing**

UDF has not provided any explanation why its former auditor, Whitley Penn LLP, which had audited UDF since inception (2009) and its affiliated public programs since 2003 (13 years) suddenly resigned concurrently as the auditor of UDF and all of UDF's affiliated public programs. Furthermore, UDF has also not provided any explanation why it took over 200 days to retain a new auditor and only after the Staff's determination to delist UDF on May 26, 2016, after it found that the Company's plan to seek a replacement auditor was too vague. The continued extensions of the trading halt only serves the interest of UDF's external management, as it protects them from market reaction to their delinquencies, loan defaults and regulatory problems.

- **Corporate events that may occur within the exception period**

In light of the recent default and forbearances under the lending agreements, the suspension of its monthly cash distributions, as well as the ongoing federal investigations, it is clear that significant negative developments have occurred throughout the delinquency period. The Staff apparently cited its concerns about the separate SEC and FBI investigations in initially denying an extension.

- **Going concern issues related to the Company's general financial status**

Given the repeated failures to timely pay creditors and subsequent acknowledgement of events of default (circumstances which are completely inconsistent with the Company's latest stated financial position), as well on the ongoing SEC investigation, how did the

Alan Rowland
October 4, 2016
Page 4

Panel determine that the Company's general financial status was supportive of an extension of a previously granted exception?

- **The Company's conflicting disclosures to the market**

Given the contradictions in its disclosures to the market, notably first that (i) its auditor was reappointed and approved by shareholders, and then that (ii) its auditor declined to stand for reappointment and later that (iii) its auditor had actually resigned which is why it was unable to timely file its financials, how did the Panel, upon review of the Company's disclosures to the market, determine that representations made by the Company were dependable and supportive of a further extension? Although UDF's initial disclosure of an SEC investigation was not made until December 10, 2015, the investigation had been ongoing since 2014 as later disclosed by UDF. While UDF stated that the SEC had advised UDF that its investigation was not indicative of any wrongdoing at the time of the initial disclosure, federal authorities subsequently conducted a search of UDF's offices pursuant to a warrant and issued grand jury subpoenas.

Requested Action

Given the scope and gravity of the information presented for the Panel's consideration, Hayman requests that the Panel not grant UDF any further extensions. If, however, another extension somehow is found preferable to immediate delisting, Hayman requests that Nasdaq lift the trading ban to allow all investors to make independent, prudent decisions taking into consideration all publicly available information, including UDF's continued reporting delinquencies and false assurances of its ability to become compliant, as well as its interim disclosure of defaults on its lending agreements, suspension of monthly cash distributions, and active federal law enforcement investigations.

After repeatedly failing to meet past deadlines, should UDF fail to meet Nasdaq's current deadline, any representations and further assurances made by UDF's external management of its ability to become compliant should not be afforded any credibility; rather, these efforts should be viewed for what they are, as delaying tactics intended to benefit only UDF's external management.

Sincerely,



David A. Sirignano

c: P. Lewis, Hayman Capital

BARRON'S

WEEKDAY TRADER EXTRA

Kyle Bass' Comeback Plan: Oil, Argentina and Patents

By Jim McTague August 13, 2015

Not very long ago, J. Kyle Bass was one of the hottest brands in the \$3.1 trillion global hedge fund industry. Bass anticipated the disintegration of the nation's housing market in 2008, Greece's economic demise in 2012, and the massive bond-buying program by the Bank of Japan that began in 2013. Investments based on these insights made a mint both for him and for clients of his \$2 billion asset Hayman Capital Management, headquartered in Dallas. Bass' track record of identifying global imbalances and profiting from them catapulted the unflappable former bond salesman to stardom.

This is an edited version of a story written for [InsideSources](#). Jim McTague was formerly *Barron's* Washington bureau chief.

The investment community viewed him as a visionary who had a clear-headed plan for investing in a world where economies have been wildly distorted by artificially low interest rates. Bass' spot-on insights also turned him into one of the investment-conference circuit's

most powerful draws, and his guest appearances were coveted by business-network show hosts because their audiences hung on every word uttered by the brashly confident asset manager.

Alas, Bass has had a dismal time of it recently in the land of investment. Suddenly, the former luminary can't seem to get anything right. His massive investment in General Motors' stock bombed when news broke about the deadly problem with the ignition key switches on some of Chevrolet's Cruze models. Bass, a Texan with no relation to the Bass family of oil tycoons, has also made a huge bet on an oil-price rebound, arguably a mite too early.

It's difficult to know exactly how Bass' funds are doing because he keeps his fund's actual performance metrics close to the vest. Bass declines to reveal returns for the past five years. And Bass will not discuss his average long positions versus his average short positions – two measures frequently employed to compare fund performance.

Hayman's setbacks come as the industry's top performers [have been putting up great numbers](#). (Consider, for example, that LTE Hedge Fund, managed by

Melkonian Capital Management, was up 34% in 2014, according to an LTE performance letter to clients obtained by Bloomberg.) And by Bass' own admission in a recent interview with InsideSources, things aren't looking all that good in 2015. "It's been a tough year," he acknowledged. "It's nice to win all of the time. When you are not winning and everyone else is, it makes life difficult."

And yet, like a gambler doubling down, Bass maintains enthusiasm for some of his more unorthodox bets. His rebound plan has two key elements — oil and Argentina — both of which are plays being avoided as too risky by the conventional investment crowd. He's certain that it will work because Bass, who has a mathematician's appreciation for precision, has arrived at it after careful research and logical deduction. But others see a huge gamble, even by the freewheeling standards of the financial industry.

Bass' oil argument is intriguing, if unconvincing to others. Even as crude prices drop, he argues, the current global glut in oil will rapidly give way to a supply squeeze over the next 12 months. Here's his reasoning: Declining prices are going to push a lot of thinly capitalized players to dismantle their drilling rigs. That, in turn, will reduce supply and create opportunities for the remaining drillers. And so, naturally, he's investing robustly in oil drillers. "The supply glut is going to swing to a pretty severe supply deficit in the next 12 to 18 months," he predicts.

It's audacious, especially at a time when there's a widely held belief that a nuclear deal with Iran — assuming it squeaks by Congress — will enable the cash-starved country to dump more low-priced oil on the market. That, in turn, would depress prices even further. But Bass says he does not expect any significant Iranian oil production until sometime in 2016, for a couple of reasons. First, he notes that Iran's oil reservoirs have been closed for a very long time, meaning they will need time to ramp up. Second, he says, it will take anywhere from four to six months — in his estimation — for the treaty to be implemented and sanctions relief to kick in.

On Argentina, he is bullish where others are heading for the exits. He says he has invested in Argentine equities, another bold move considering that the country has one of the world's worst economies, characterized by government debt, corruption, high taxes, currency controls, and rampant inflation. Last year, Argentina defaulted on its debt for the second time in 13 years. Bass points out that the leading candidates in the presidential contest, which will be decided in October, all pledge to end the economic policies of President Cristina Fernandez de Kirchner. "There's going to be a sea change in the manner in which that country is governed," Bass says, arguing that the country, which is rich in natural resources, will attract huge amounts of

foreign investment in the next five to seven years. But that, of course, remains to be seen.

Finally, Bass is courting controversy with a new investment tactic recently adopted by his fund. He teamed up with Erich Spangenberg, CEO of IPNav, to challenge what they argue are questionable patents held by pharmaceutical companies to stifle competition from the generic marketplace. (It's worth noting that Bass' new partner, Spangenberg, has been described as the world's most notorious patent troll. IPNav says it has generated over half a billion dollars in licensing revenue in patent-infringement penalties for its clients, which include individual investors, corporations, and universities.)

Bass will not discuss this investment because it has become a hot-button issue in Washington, D.C. Members in both the House and the Senate are in the process of changing the law on patent challenges to exclude persons who actively short the target company's shares.

Indeed, just the news that Bass and Spangenberg have filed a patent challenge at the U.S. Patent and Trademark Office is enough to send a stock tumbling, and drug makers contend this will hurt their companies and raise the cost of new medicines. Consider that shares of Acorda Therapeutics, maker of Ampyra, a multiple sclerosis drug, fell almost 10% in February when Bass filed a challenge that claimed its patent on the drug should have expired years ago. But Bass contends that about 1% of branded pharmaceutical companies have gamed the patent system in order to keep charging top dollar for medicines that rightly should be available in generic form for more patients.

The political winds may be blowing against Bass, with the pharmaceutical industry pushing to narrow the universe of persons who have standing to file a patent challenge for review by a panel appointed by the Patent Office. A bill easily passed the House Judiciary Committee in June and awaits a floor vote. A related bill has cleared the Senate Judiciary Committee. The pharmaceutical industry is hoping for passage in both chambers in August. The change would cut the legs from under this particular Bass strategy.

A recent blog by a lawyer at the white-shoe firm of Steptoe & Johnson seemed to capture the growing consensus in Washington on the Bass strategy, when the blog described it as "the dawn of reverse monetization, in which a party may extract value by eroding another party's patent rights."

But Bass, the man who gained acclaim playing long odds (he would say making calculated risks), seems unlikely to fold his cards any time soon.

Editor's Note: *This story has been edited to remove a reference to press reports of Hayman's 2014 performance.*

Comments? E-mail us at editors@barrons.com

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BUSINESS

Kyle Bass' post-crash returns small-caliber

By Michelle Celarier

August 22, 2015 | 7:17am



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In the investment world, few people have a more robust bigger-than-life persona than Dallas hedge fund manager Kyle Bass.

The 45-year-old charismatic founder of Hayman Capital is known for driving a Humvee fitted out as a James Bond vehicle and hosting shooting sprees with semi-automatic weapons at his ranch.

On the investment side, his stellar reputation was earned when he soared to success — and fame — by successfully calling the subprime mortgage meltdown.

In 2007, Hayman Capital earned a 212 percent return shorting subprime mortgages. That made him rich and earned Bass a chapter in Michael Lewis' post-crash book, "Boomerang."

But since 2008, Bass' performance has been mostly small-caliber.

Over the past 91 months, or nearly eight years, Hayman Capital's main fund had an annualized performance of just 1.56 percent, according to calculations from Hayman Capital letters to investors, which were obtained by The Post.

That's slightly better than a Treasury bond ETF — but not much else.

After a 1.4 percent loss last year, investors had enough. They pulled out almost a quarter of the firm's capital, forcing Bass to liquidate most of his stock portfolio by year end, according to Hayman documents and regulatory filings.

That left the hedge fund with \$1.56 billion at the beginning of 2015, from a peak of \$2 billion a year earlier.

This year, his Texas swagger isn't helping him do much better. Hayman's master fund was down 11.69 percent through July, the letters noted — although he has started to turn things around with a gain of about 5 percent in August, sources said.

Hayman's full performance numbers have never been revealed publicly before now, lending mystique to the investor.

On the other hand, Bass' Japan Fund, which was recently closed, was up more than 200 percent in three years, sources said. He is weighing the return of about \$300 million to investors, sources said.

But the flagship fund is what is causing some anxiety with investors.

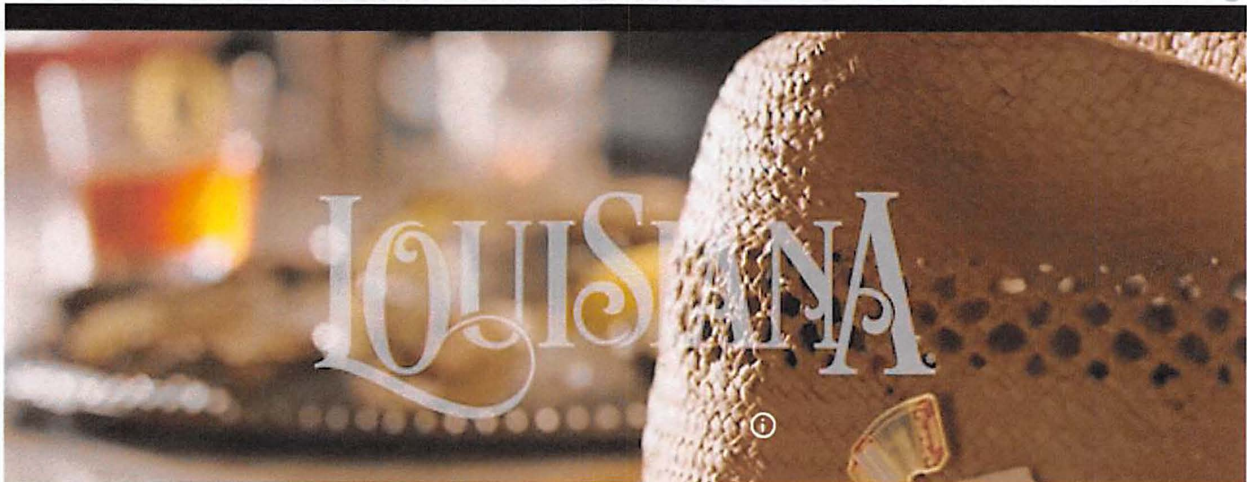
Over the past two years, Bass has touted General Motors (down about 20 percent since an early appearance on CNBC), a risky short bet against biotechs based on a patent troll argument (Celgene is up 6.43 percent this year) and an impending buyout of drugmaker Perrigo. That's his biggest and best performer of the lot, and it's only up 2.5 percent since he disclosed it.

"He's overconfident and arrogant," said one former investor. "He does have some original ideas, but they don't tend to work out very well."

After the 2007 crash, with fame beckoning, a bulky Bass went on a liquid diet to trim down, and soon was traveling the world over, meeting with central bankers and economic ministers, predicting doomsday everywhere from Greece to Japan.

In 2012, he was rumored to have made "billions" shorting Greece, but in fact the fund gained only 16 percent that year, his best since 2007.

— ADVERTISEMENT —



Bass did not return calls seeking comment.

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FORTUNE**The Price of Oil Is Slamming Kyle Bass' Hedge Fund**

Kyle Bass, founder and principal of Hayman Capital Management, L.P., in an interview at the World Economic Forum in Davos, Switzerland, on January 23, 2015. Photograph by Photograph by CNBC NBCU/Getty Images

By LUCINDA SHEN May 23, 2016

Hedge fund giant Kyle Bass may have astutely predicted the subprime mortgage crisis leading up to the great recession—but he couldn't do the same for the most recent oil bust.

While Bass made 212% returns on his bets against subprime mortgages in 2007, his bet on the oil market isn't doing nearly as well. Two years ago, the hedge funder began buying into several oil producers with the hopes that the price of oil would rebound in 2015 and 2016. Prices did come back a bit at the beginning

of this year, but they have been dropping again lately. As of Monday, U.S. oil slipped to \$48 a barrel amid a persistent supply glut that began in 2014. Meanwhile, Iran and OPEC in general have still yet to agree on cutting production.

For Bass, the low prices have resulted in a 7% loss in his main fund this year, and the biggest losing streak in the history of his Hayman Capital, *the Wall Street Journal* reported. In the same period, the S&P 500 has gained 1.3%.

“I had no idea crude would fall so low,” Bass said in an interview with the *Journal*, acknowledging that he bought in too early.

Back in March 2015, Bass began snapping up oil producers such as Concho Resources (CXO, -0.08%) and Whiting Petroleum (WLL, +7.72%) after being reassured by T. Boone Pickens that the amount of crude would not exceed the country's storage capacity. Unfortunately, the price of crude continued its downward spiral.

Aside from predicting the housing bust in 2007, Bass successfully called Greece's economic woes a few years later, and the devaluation of the Japanese yen.

But his performance has been shakier as of late. Bass bought a large stake of General Motors (GM, +0.47%), whose stock tanked after the company revealed problems with its ignition switch on some models. In 2013, Bass bought shares of JCPenny (JCP, +1.09%), before dumping his stake just months later.

And now, all eyes are on one of Bass' biggest bets: that Chinese and Hong Kong currency will drop. Bass expects the currencies to depreciate as much as 40% over the next three years—a bet that the Chinese government has vehemently criticized. Bass is betting that China's heavy debt levels will eventually force the government to inject cash throughout the system, driving down the cost of the Yuan.

In a January episode of Wall Street Week, Bass noted that his fund in 2015 suffered “one of the worst years in the last ten,” but Bass noted that investors should buy into energy stocks now, **because** “we’re going to go from a glut, to a deficit.”

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 1/29/2016 4:12:51 PM
To: christine.edson@ic.fbi.gov
CC: Chris Kirkpatrick [CK@haymancapital.com]; Parker Lewis [PL@haymancapital.com]
Subject: FW: UDF - info - could this be a Ponzi scheme?
Importance: High

Christine,

I found the actual email that Corson sent to Trip (see below) after meeting with Mehrdad at the end of last year. Some of the data points here are shocking...especially number 3! Wow.

Lastly, we will be going live with our website next Tuesday. It is still under embargo as we put the finishing touches on it but I am going to include the site and passwords for you to look through it now.

<http://udfexposed.com/>

User ID: [REDACTED]
Password: [REDACTED]

Regards,

Kyle

From: Trip Kuehne [mailto:tkuehne@doubleeaglecapital.com]
Sent: Friday, December 18, 2015 2:38 AM
To: J. Kyle Bass <k@haymancapital.com>
Subject: FW: UDF - info - could this be a Ponzi scheme?

Here you go. See you Tuesday.

From: Larry Corson [REDACTED@gmail.com]
Sent: Wednesday, December 16, 2015 1:34 PM
To: Trip Kuehne
Cc: Dusti Kuehne; jparley@jpenenergypartners.com
Subject: Re: UDF - info - could this be a Ponzi scheme?

Trip,

Thanks for sending....I've been getting all the correspondence from a variety of real estate sources - there is quite the buzz going on in our industry.

Interestingly, I ran into Mehrdad at the Monday night Town of Westlake meeting and he had a brave face and take on the whole situation:

1. If the SEC was investigating in 2014, why did they let UDF raise Fund V unless there was no evidence of wrongdoing.
2. I don't really own \$585 mm of the assets, I'm doing UDF a favor because owning land development assets is not REIT qualified income.
3. I bought Greenlaw's house for him and flipped it to him.
4. Maybe I'll be able to buy some of the assets back from UDF on the cheap....

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 9/9/2016 12:52:21 AM
To: Sylvester, Katherine [Katherine.Sylvester@edelman.com]
CC: Holmes, Allie [Allie.Holmes@edelman.com]
Subject: Re: UDF Exposed Email Analytics 9.1.16

Allie - can you give me a call either tonight or in the morning, we want to release one more presentation tomorrow; I am putting the final touches on tonight and first thing in the morning. I know Friday afternoon is not an optimal to release but we're not exactly going for a media rush so we just want to get out before the weekend.

I've written a blog post as well so should be in a position to go final by mid-morning for an afternoon posting if it works on your end, will forward the current draft for review

Parker Lewis
Hayman Capital Management L.P.
(o) 214.347.8043 | (m) 512.699.7480
PL@haymancapital.com<mailto:PL@haymancapital.com>

On Sep 1, 2016, at 2:07 PM, Sylvester, Katherine
<Katherine.Sylvester@edelman.com<mailto:Katherine.Sylvester@edelman.com>> wrote:

Hi Parker,

Attached is the updated spreadsheet with the total email opens and link clicks. As you'll notice there were only 3 additional email opens since last night's report - there have now been a total of 173 email opens for a 52.9% open rate. Please let me know if there is any additional information you are looking for today.

I also want to let you know that I will be out of the office beginning tomorrow through next Friday (Sept. 9) so my response via email may be slightly delayed during this time. To ensure everything continues to move smoothly, please make sure to keep Allie copied on all emails as well.

Let me know if you have any questions.

Best,

Kate Sylvester
Edelman DC
Direct: 1.202.756.2422

This message may contain information which is confidential and/or attorney-client privileged. If you are not the intended recipient, you are hereby notified that any dissemination, distribution or copying of this communication is strictly prohibited. Please advise the sender immediately by reply email and delete this message and any attachments without retaining a copy. Thank you.
<UDF Exposed Email Alert Analytics 9.1.16 230PM EST.xlsx>

Certificate of Service and Filing

Pursuant to Rule 150(c)(2), I certify that on March 28, 2019, I caused the foregoing to be sent: **(1) By courier service (original and 3 copies)** directed to the Office of the Secretary, Securities and Exchange Commission, 100 F Street NE, Washington DC 20549-1090, with an electronic courtesy copy by **email** to apfilings@sec.gov. **(2) By email and express delivery service** directed to Keefe M. Bernstein and David Whipple, Fort Worth Regional Office, Securities and Exchange Commission, 801 Cherry Street, Suite 1900, Fort Worth, TX 76102, and BernsteinK@sec.gov and WhippleDa@sec.gov.

/s/ William E. Donnelly