

Message

From: Chris Kirkpatrick [CK@haymancapital.com]
Sent: 12/15/2015 5:22:32 PM
To: David Whipple [WhippleDa@SEC.GOV]
Subject: Our most recent posts
Attachments: A Response to Management - (FINAL 12 15 15).pdf; Buffington BK Intro - (Final 12.14.15).pdf; Travis County Lawsuit with Intro - (Final 12.14.15).pdf

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Reaching Across the Aisle of Your Private Jet Does Not Equal an Arms' Length Transaction United Development Funding (UDF)

On December 14, 2015, United Development Funding (UDF) management filed a Form 8-K and press release with management's rambling response attempting to further lull investors with the old saw, "they just don't understand our business." Management has been misleading investors for years, and its response continues further down the path of deception. Not only were management's responses deceptive; in some cases, the responses were comical. Certain responses have already been debunked on the Harvest Exchange, posted subsequent to the filing of the Form 8-K. Other hollow responses will be discredited in this post and more will follow in the coming days, weeks and months.

However, there was at least one material omission from management's responses – Deficiency Notes – that needs to be highlighted:

Management failed to discuss the **millions of dollars that insiders lost** on behalf of public shareholders. The UDF affiliated companies at issue are generally in the business of non-regulated, non-bank lending. Pre-financial crisis, the insiders issued loans from public entities (which they managed but DID NOT own) to their own private entities (which they not only managed but also owned). Management suffered tremendous losses on the loans issued to their own private entities and have been deceiving new unsuspecting investors regarding the reality of their "spectacular" track record ever since. The losses that resulted from poor investment decisions by management eight years ago are still shown as "assets" of the public company. Management calls them "deficiency notes" and "recourse obligations." In reality, these are just I-OWE-YOUs that management has never repaid.

Deficiency Notes – "The Check Is In The Mail", For The Last Eight Years

UDF's management began deceiving its fund investors essentially from the beginning. United Mortgage Trust (UMT), a UDF affiliate with public shareholders and UDF-managed entity, provides the earliest example. Pre-dating the financial crisis, management caused UDF-managed entities to issue loans to insiders, including entities owned by Hollis Greenlaw and Todd Etter, CEO and Chairman respectively, and these insiders in turn loaned these funds to third-parties that turned out to not be creditworthy. When these loans went bad during and subsequent to the financial crisis, the insiders had to foreclose on the collateral which resulted in considerable realized losses to the insiders and their private entities. To date, these losses have never been recognized by UMT, the public entity. Historical losses by the insiders' private entities (\$73 million in I-OWE-YOUs never recognized) and other loans to insiders (\$80 million) in their entirety make up for a whopping \$153 million, or 84% of UMT's assets.

In an attempt to cover up these losses, management has issued to themselves opaque and official sounding instruments called unsecured deficiency notes and recourse obligations ("Deficiency Notes") in the amount of approximately \$73 million bearing interest at a rate of 1.75% (apparently, insiders and management believe, despite the realized losses, that they are more creditworthy than the U.S. government). This **balance remains unpaid and uncollected for the last 8 years following the financial crisis, despite the non-market interest rate of 1.75%**. Why has management not moved to collect on the \$73 million Deficiency Note balance? The obvious answer is because Hollis Greenlaw and his insider friends would be forced to collect on themselves. Give up the private jets, country clubs, fancy cars and mansions? Nah, "We're Good."

A Deficiency Note is effectively an IOU that management and insiders have not been able to repay. Here is how UMT describes them in its latest Form 10-Q for the quarter ended September 30, 2015:

When principal and interest on an underlying loan is due in full, at maturity or otherwise, the corresponding obligation owed by the originating company to [UMT] is also due in full. If the

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borrower or **[UMT] forecloses on property securing an underlying loan**, or if [UMT] forecloses on property securing a purchased loan, **and the proceeds from the sale are insufficient to pay the loan in full**, the originating company has the option of (1) repaying the outstanding balance owed to [UMT] associated with the underlying loan or purchased loan, as the case may be, **or (2) delivering to [UMT] an unsecured deficiency note in the amount of the deficiency.**

A Deficiency Note is better defined as a mulligan issued by management to itself. UMT Holdings (UMTH) is the management entity that ultimately owes a considerable amount of these Deficiency Notes to UDF-managed entities and is **owned by 10 management insiders**, including Hollis Greenlaw and Todd Etter who combine to own 60% of UMTH. UMTH is the external manager of all four public UDF affiliated programs, and accordingly, UMTH's primary asset is the fee stream from UDF's public affiliates. Should investors in UDF lose faith in management and replace them, the external manager does not have any apparent means to repay the Deficiency Notes, which represent realized but never recognized (or collected) losses. **If any reasonable, non-conflicted fiduciary were appointed to manage UMT, that fiduciary would move swiftly to demand payment and collect on the Deficiency Notes.**

Leading to further questions about management credibility, **the interest rates on Deficiency Notes owed by Hollis Greenlaw and his management crew of insiders (1.75%) are significantly lower than the interest rates on Deficiency Notes owed by "non-related parties" (14.0%).** Does management pretend that insider Deficiency Notes which bear interest at a rate dramatically below a market rate are arms' length transactions?

When losses are realized, (i) why is management rewarded with 1.75% interest loans (ii) why is there such a large disparity in rates between Deficiency Notes owed by insiders (Hollis Greenlaw and Todd Etter, et al.) and Deficiency Notes owed by "non-related" parties, (iii) why do UDF-managed entities not recognized the losses from its prior failures, and (iv) why would public shareholders of UDF-managed entities pay a "trust administration fee" to management as compensation to manage their historical losses?

Collectively, insiders, including Hollis Greenlaw and Todd Etter, CEO and Chairman respectively, owe \$153 million to public shareholders in the form of I-OWE-YOUs and other loans. These obligations show up as "assets" of UDF-managed entities and account for 84% of total UMT "assets."

	September 30, 2015 (unaudited)	December 31, 2014 (unaudited)
Assets:		
Cash and cash equivalents	\$ 411,261	\$ 984,841
Mortgage investments:		
Investment in loan receivable	1,500,000	536,084
Investment in residential mortgages	-	159,425
Interim mortgages, related party	-	15,830,254
Allowance for loan losses	-	(110,462)
Total mortgage investments, net	330,081	16,420,351
Lines of credit receivable, related parties	60,387,639	90,844,122
Lines of credit receivable	2,311,297	15,706,486
Accrued interest receivable	1,847,240	4,234,105
Accrued interest receivable, related parties	1,847,240	13,025,687
Reserves = accrued interest receivable	(1,847,240)	(5,027,174)
Recourse obligations, related parties	31,588,811	20,190,990
Real estate owned, net	2,110,955	4,439,004
Deficiency notes	41,347,135	3,258,330
Deficiency note, related party	41,347,135	38,739,855
Allowance for loan losses - deficiency notes	(41,347,135)	(38,739,855)
Other assets	302,052	304,783
Total assets	\$ 182,429,752	\$ 192,800,441

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WHILE A SMALL GROUP OF INSIDERS, INCLUDING CEO HOLLIS GREENLAW, OWE \$73 MILLION IN I-OWE-YOUS TO PUBLIC SHAREHOLDERS, WHY IS HE FLYING AROUND IN A PRIVATE JET?



AND WHY HAS THE CEO OF UDF (HOLLIS GREENLAW) OWNED A PRIVATE JET WITH THE CEO OF UDF'S LARGEST BORROWER (MEHRDAD MOAYEDI)? THE RELATIONSHIP IS MUCH DEEPER...



AND APPEARS TO BE IN STARK CONTRAST TO UDF'S DISCLOSURE THAT THERE ARE NOT "ANY MATERIAL CONFLICTS OF INTEREST BETWEEN OUR EXECUTIVES AND OUR LARGEST GROUP OF RELATED BORROWERS OR ITS PRINCIPAL."

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Loan No: 3770177001	AIRCRAFT SECURITY AGREEMENT (Continued)	Page 7
<p>Grantor. The word "Grantor" means GLE H77BT, LLC, a Delaware limited liability company.</p> <p>Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Indebtedness.</p> <p>Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including, as principal and interest, together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents.</p> <p>Related Documents. The word "Related Documents" means all instruments, notes, credit agreements, loan agreements, amendments, guarantees, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereinafter existing, executed in connection with the Indebtedness.</p> <p>Under. The word "Under" means the title is subject to GLE H77BT, LLC, a Delaware limited liability company in the private label of \$1,778,000 OR 3770177001, together with all indebtedness, including all indebtedness of all subsidiaries of, and contributions to the cost of, credit agreement.</p> <p>Under Documents. The word "Under Documents" means all instruments, notes, credit agreements, loan agreements, amendments, guarantees, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereinafter existing, executed in connection with the Indebtedness.</p> <p>GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AIRCRAFT SECURITY AGREEMENT AND GRANTOR AGREES TO ITS TERMS. THIS AIRCRAFT SECURITY AGREEMENT IS DATED AUGUST 8, 2012.</p> <p>GRANTOR:</p> <p>GLE H77BT, LLC, DELAWARE LIMITED LIABILITY COMPANY</p> <p>CHRISTIAN COMPANY, LLC, A DELAWARE LIMITED LIABILITY COMPANY, Member of GLE H77BT, LLC, a Delaware limited liability company</p> <p>By: <i>[Signature]</i> CHRISTIAN COMPANY, LLC, a Delaware limited liability company</p> <p>LENDER:</p> <p>MUTUAL OF OMAHA BANK</p> <p>By: <i>[Signature]</i> Authorized Signer</p>		

THE RELATIONSHIP BETWEEN GREENLAW AND MOAYEDI GOES BEYOND JUST THE COMMON OWNERSHIP OF A PRIVATE JET AND FAR BEYOND THAT OF A LENDER AND BORROWER; NUMEROUS OTHER EXAMPLES EXIST. MANAGEMENT MUST HAVE A DIFFERENT DEFINITION OF "MATERIAL" THAN SHAREHOLDERS.

ASSIGNMENT OF SPECIAL REGISTRATION NUMBERS Assign, place and record GULFSTREAM AMERICAN CORP. G-1159A		Special Registration Number 1159A
Federal Aviation Administration 1159A	Special Registration Number 1159A	Date of Issue 08/14/2014
GLE H77BT, LLC 1159A 1159A 1159A		Carry duplicate of this form to be kept together with the aircraft documents and to be presented to the relevant authority upon receipt of the aircraft documents.
The latest FAA Form 8130-6, Application for Airworthiness, on file is dated 08/14/2014		The aircraft documents are correct and valid.
INSTRUCTIONS Grant and return the original of this form to the Civil Aviation Registry, AFS-130, within 5 days of the special registration number is placed on the aircraft. A revised certificate will only be issued.		
The authority to use the special number expires: 08/14/2014		RETURN FORM TO: Civil Aviation Registry, AFS-130 P.O. Box 25504 Oklahoma City, Oklahoma 73125-0504
OPERATING AUTHORITY: 1159A, the aircraft registration number was placed on the aircraft.		RETURN FORM TO: Civil Aviation Registry, AFS-130 P.O. Box 25504 Oklahoma City, Oklahoma 73125-0504
By: <i>[Signature]</i> 1159A 1159A		RETURN FORM TO: Civil Aviation Registry, AFS-130 P.O. Box 25504 Oklahoma City, Oklahoma 73125-0504

Officers and Directors	
C-INTS**BT-ENC Report Year: 2015	
Title	Name and Address
DIRECTOR	HOLLIS GREENLAW 1504 MUNICIPAL WAY STE 200 GRAPEVINE, TX 76051
MANAGER	HOLLIS GREENLAW 1504 MUNICIPAL WAY STE 200 GRAPEVINE, TX 76051

Management’s response disclosed for the first time that the largest borrower for UDF III, UDF IV, and UDF V is one and the same, Merhdad Moayedi and his affiliated entities doing business as Centurion American (“Centurion”). Why was this information not disclosed previously? Management’s response detailed exactly the contention made in the Harvest Exchange post (<http://hvest.co/1IQPULr>). However, rather than address the pertinent questions, management deceptively tried to make it seem like it had already disclosed to each shareholder group (UDF III, UDF IV and UDF V) that the largest borrower of each was also the largest borrower of all three companies. ***Management had never disclosed this at any time in UDF’s history. Period. Should a shareholder of UDF IV be required to read UDF III and UDF V’s financial disclosures in order to learn material omitted facts about the lending relationship between its largest borrower and its affiliates.*** Management did not address the consequences of this revelation: the existence of an inherent default risk across the funds associated with this concentration in a single borrower.

How does management justify the inherent default risk across the funds created by the lack of lending diversity? According to management, UDF “concentrate[s] [its] lending to **seasoned and accomplished** builders and **developers**. [UDF’s] largest group of related borrowers represents one of the largest single-family developers in North Texas.” Management would have investors believe that its largest borrower, Centurion, is a “seasoned and accomplished” developer. If so, why does a “seasoned and accomplished” developer borrow capital to finance residential development at 13% interest? Considering the \$585 million of debt owed to UDF by Centurion / Mehrdad Moayed, UDF’s largest individual borrower, this high interest rate results in approximately \$75 million in contractually obligated annual interest expense. Actual, seasoned and accomplished developers in Dallas-Fort Worth (one of the hottest sub-markets in the country) finance developments with a combination of debt with interest rates below 5% and equity – equity which Centurion does not appear to have.

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of the credit quality of real estate developers that borrow at 13% as a primary financing source. Mezzanine financing, while utilized in real estate, is rarely a primary source of project finance – except for UDF's largest borrower, Centurion, who happens to borrow at 13% mezzanine levels – as a primary source of project finance.

Management acknowledges that Centurion does not actually pay cash interest in many cases, which helps explain how Centurion funds the 13% interest cost: “[m]ost of our loans allow for interest accrual, which causes the loan balance to increase. Some projects may start development right away[.]” Most loans accrue larger and larger balances. Management fails to address the consequence of this statement. If it is accruing non-cash interest income on a material number of loans, how is it financing the distributions required in order to maintain its taxable status as a REIT related to that non-cash current income? Everybody understands the negative carry nature of real estate development and the concepts of interest reserves and non-cash interest accrual; UDF is recognizing non-cash income and having to fund distributions by sourcing new capital, given the income is by definition, not cash. Management fails to explain how the unit economics can possibly work given the significant time mismatch between income “earned” vs. cash interest generated.

And how does management assess and justify the accrued balances of the loans? Well, management “evaluate[s] each loan and its underlying collateral or business purpose on a quarterly basis.” See background on insider Deficiency Notes and management's accounting treatment thereof. Despite the poor track record, management defended the business model and its ability to accrue interest (and accurately mark) loans up to much larger and larger accrued balances. Management deceptively characterizes the practice of transferring loans with years of accrued interest from fund to fund and providing liquidity from one to another as the “advantage of investing in projects previously underwritten and actively monitored by UDF.” Management omits any mention of the 10-15% in broker fees and origination fees in order for the “next UDF investors” to invest in “existing UDF loans,” capital which was already subjected to the 10-15% in fees. Management further fails to explain how it could possibly justify the friction of incurring such high fees multiple times if a loan could really stand on its own and service itself. Hollis Greenlaw and his management crew prey on mom and pop investors by using the complexity of hundreds of entities to obscure the fact that they raise capital from new funds in order to pay off old funds.

Unfortunately for UDF investors, there are a material number of instances in which management has used funds from the next fund to acquire “accrued-up” (i.e. UNPAID) loans from a prior fund, including cases in which loans issued by UDF to Centurion are collateralized by land that has never been developed (for years, not quarters). One example, Shahan Prairie, has already been made publicly available: (<http://hyst.co/1QPYL6>). This UNDEVELOPED land has been owned by Centurion and financed by various UDF funds for over 10 years. In their response, management did not refute this balance sheet paralyzing fact, but instead made the preposterous claim that it was all part of “the lifecycle of a single-family residential development, from land acquisition and development to the sale of finished lots to homebuilders.” This claim is pure comedy – there is simply no development. As evidenced by the photographs from November 2015, ***Shahan Prairie continues to consist of undeveloped land and, by its own admission, has not generated any revenue in the past 10 years. Management provides no explanation (because it cannot) as to how it makes economic sense to finance this project at a 13% interest rate for 10 years without ever generating any income.*** No sane developer would seriously argue that a 10-year development life cycle for undeveloped land that has not generated any income – all the while accruing interest at 13% – makes any sense whatsoever. Well, that's what UDF's management would have shareholders believe. The 10-year “life cycle” includes a lot of bobbing and weaving, about everything except roads, utilities, houses, people, and cash generated. Visit Shahan Prairie. See for yourself.

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Shahan Prairie is just one example of many to come. Loans to Centurion regularly (i) do not generate any cash (principal or interest), (ii) are extended without any extension fees (try that one with a bank), and (iii) accrue larger and larger balances (year after year). All while the land remains undeveloped for years (some now approaching a decade). ***Are investors (and the authorities) really going to believe that loans that behave in this manner are arm's length?***

Management's so-called response includes a partial explanation that "[b]ecause extensions are a normal part of our business, we generally do not charge an extension fee." Extensions are also a normal part of bank lending. When a bank grants an extension, it typically does so for a fee.

The old saying "if you owe the bank \$100 that's your problem. If you owe the bank \$100 million, that's the bank's problem" probably best sums up the relationship between UDF and Centurion. Shareholders (and the authorities) have to ask themselves whether loans to Centurion behave this way because they are, in fact, not arm's length transactions? Or is it because Centurion owes a mountain of debt to UDF (\$585 million) that Centurion cannot repay? Or is it because Moayedí co-owned a private jet with UDF's CEO Hollis Greenlaw? Or is it because Moayedí and Greenlaw have other financial relationships?

Stay tuned. Additional detail is in the appendix.

**MORE RESPONSES TO COME WHILE OTHER DETAILED RESPONSES TO MANAGEMENT CAN BE VIEWED AT:
(<http://hvst.co/1IQPXXr> / <http://hvst.co/1QQ2KN>).**

To submit a tip to the SEC's Office of the Whistleblower: <https://www.sec.gov/about/offices/owb/owb-tips.shtml>.

SEC Office of the Whistleblower
100 F Street NE
Mall Stop 5553
Washington, DC 20549
Fax: (703) 813-9322

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APPENDIX I – DETAIL ON DEFICIENCY NOTES, RELATED PARTY

The financial table included below is the balance sheet for UMT Holdings (UMTH) for the period ended December 31, 2014 which was attached as Exhibit 99.1 to UMT's Form 10-K for the period ended December 31, 2014. The hole in UMTH's balance sheet is primarily due to the deficiency note owed to UMTH which is classified as "Notes payable – related parties".

UMT HOLDINGS, L.P.

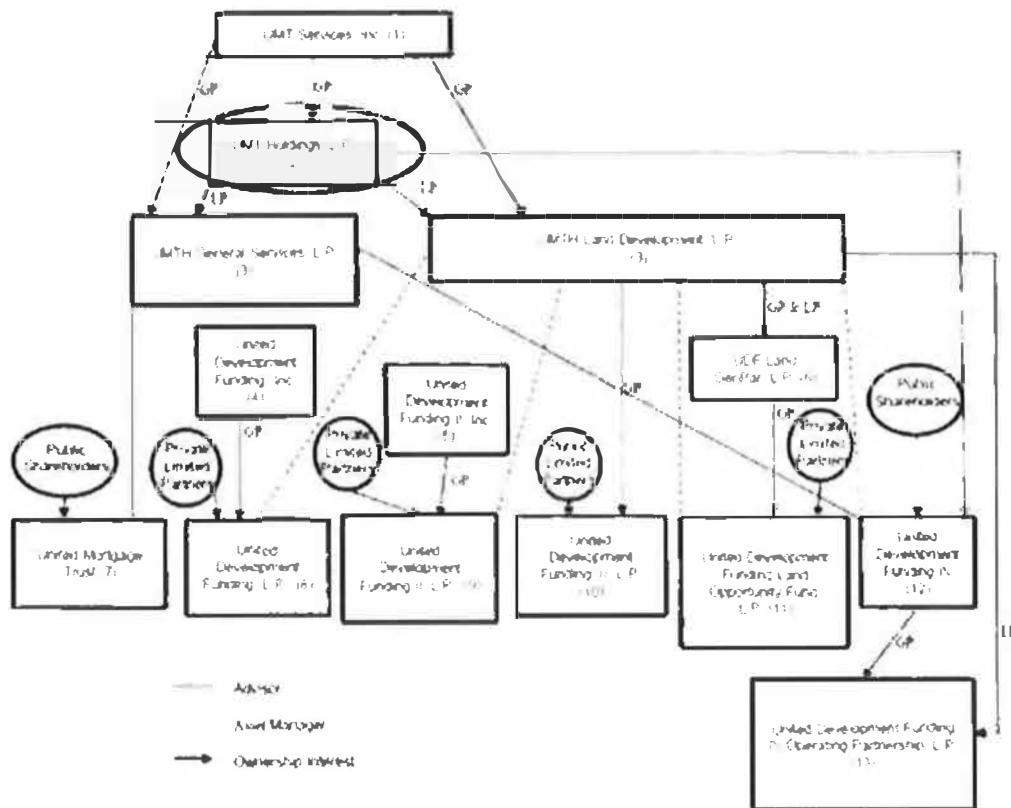
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
Assets		
Cash and cash equivalents	\$ 411,665	\$ 789,496
Accounts receivable	164,640	41,392
Accounts receivable - related parties	18,051,480	11,184,064
Profit interest receivable - related parties	75,647	75,647
Investment in partnerships	1,239,434	846,435
Notes receivable, net of reserves for loan losses of \$121,428 and \$124,764, respectively	11,417,789	11,657,783
Notes receivable - related parties		4,219,971
Property and equipment, net of accumulated depreciation of \$1,516,380 and \$1,337,915, respectively	449,396	373,286
Other assets, net of accumulated amortization of \$2,011,045 and \$1,985,974, respectively	639,843	694,421
Total assets	\$ 12,449,894	29,882,495
Liabilities and Partners' Deficit		
Accounts payable and accrued liabilities	\$ 3,425,784	\$ 2,192,894
Accounts payable - related parties	9,783,187	10,294,069
Lines of credit	5,343,868	6,430,475
Notes payable	339,454	166,441
Notes payable - related parties	54,895,255	57,431,245
Total liabilities	73,787,488	76,515,124
Commitments and contingencies		
Partners' deficit:		
General partner's deficit	(4,746,845)	(10,165,880)
Series A limited partners' deficit	(20,670,000)	(20,670,000)
Class C limited partners' deficit	(12,383,542)	(12,677,643)
Class D limited partners' deficit	(3,137,207)	(3,119,106)
Total partners' deficit	(41,337,594)	(46,632,629)
Total liabilities and partners' deficit	\$ 32,449,894	\$ 29,882,495

See accompanying notes to consolidated financial statements.

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Below is an organization chart that shows how UMTH fits into the complex web of affiliates.



Below is a disclosure from UDF IV's 10-K filed for the period ended December 31, 2014 that shows exactly who owns UMTH, notice the insiders.

(2) UMT Services serves as the general partner and owns 0.1% of the limited partnership interests in UMT Holdings, L.P. ("UMT Holdings"). The remaining 99.9% of the limited partnership interests in UMT Holdings are held as follows as of December 31, 2014: Mr. Eiter (30.00%), Mr. Greenlaw (30.00%), Craig A. Pettit (5.00%), Timothy J. Kopacka (4.84%), Michael K. Wilson (7.41%), Christine A. Griffin (1.95%), Cara D. Obern (4.82%), William E. Lowe (1.06%), Ben L. Wissink (10.09%) and Melissa H. Youngblood (4.83%).

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Below is UMT's disclosure on what a deficiency note actually is: a realized loss. This disclosure is sourced from UMT's Form 10-Q for the quarter ended September 30, 2015:

5. Deficiency Notes – Related Party and Non Related Party

The Company has made loans in the normal course of business to related parties and non-related parties, the proceeds from which have been used to originate underlying loans that are pledged to the Company as security for such obligations. When principal and interest on an underlying loan is due in full, at maturity or otherwise, the corresponding obligation owed by the originating company to the Company is also due in full. If the borrower or the Company 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.

As of September 30, 2015, the Company had two deficiency notes with non-related parties totaling approximately \$3,236,000. One note in the amount of approximately \$1,703,000 bears interest at a rate of 14% per annum. The second note in the amount of approximately \$1,533,000 had a reserve of approximately \$1,204,000. The Company does not accrue interest on this second note as the underlying collateral value approximates the note balance, net of reserves.

As of December 31, 2014, the Company had two deficiency notes with non-related parties totaling of approximately \$3,258,000. One note in the amount of approximately \$1,725,000 bears interest at a rate of 14% per annum. The second note in the amount of approximately \$1,533,000 had a reserve of approximately \$591,000. The Company does not accrue interest on this second note as the underlying collateral value approximates the note balance, net of reserves.

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http://www.sec.gov/Archives/edgar/data/1013900091/14420415065262/v423429_10q.htm

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12/14/2015

www.sec.gov/Archives/edgar/data/1013900091/14420415065262/v423429_10q.htm

As of December 31, 2007, UMTII Lending Company, L.P. ("UMTHLC") issued to the Company a variable amount promissory note in the amount of \$5,100,000 to evidence its deficiency obligations to the Company. The initial principal amount of the note was approximately \$1,848,000. The principal balance as of December 31, 2014 was approximately \$28,740,000. Effective January 1, 2015, UMT entered into a loan modification agreement ("Agreement") with UMTII in which the UMTHLC indebtedness is evidenced by two notes – Note 1 which bears interest at the rate of 1.75% and Note 2 which bears interest at the rate of 2.70%. Both notes mature on December 31, 2017. Under the terms of the modification agreement the following amounts were rolled into the modified UMTHLC Deficiency Note: (1) accrued interest of approximately \$3,333,000, (2) the principal balance and related accrued interest of the UMTHLC Secured Line of Credit Promissory Note of approximately \$11,376,000. As of September 30, 2015, the total outstanding principal balance of the modified UMTHLC Deficiency Notes was approximately \$41,347,000. From December 31, 2007 through September 30, 2015 the Company has received approximately \$11,930,000 in aggregate principal and interest payments under the UMTHLC Promissory Note. Please see Note 4 above for additional information regarding the Agreement.

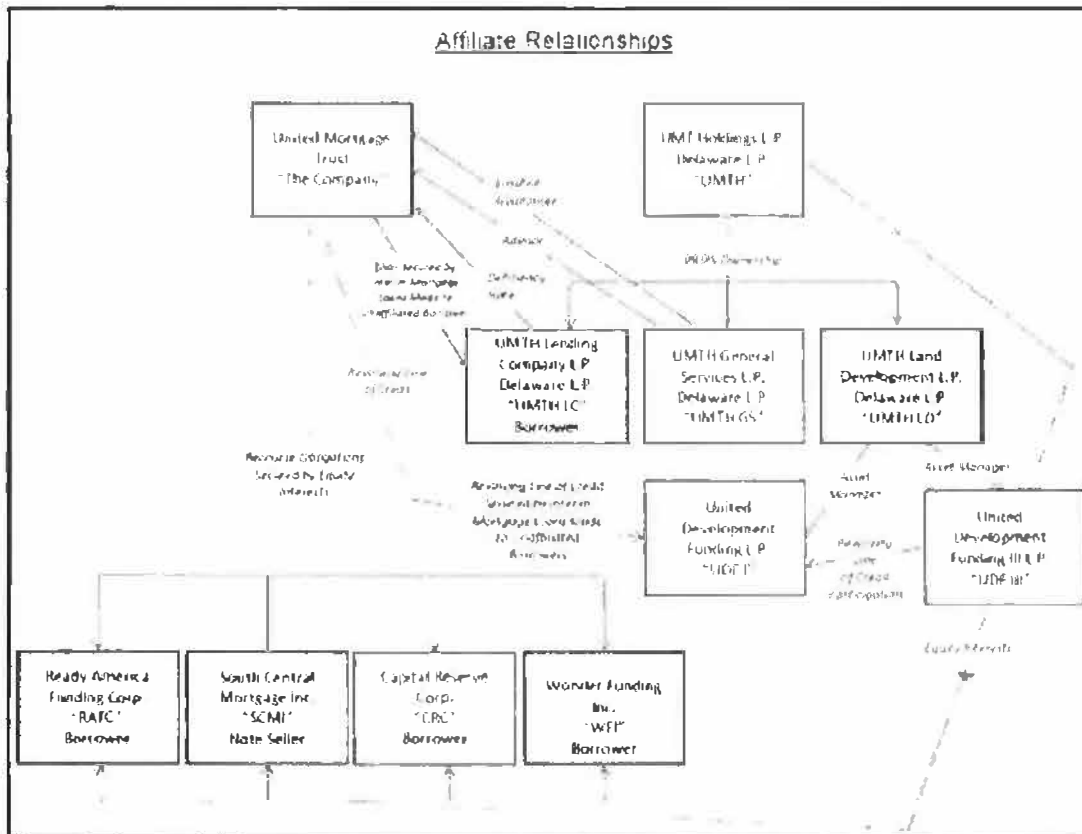
On a quarterly basis, the Company conducts a review of the underlying borrowers and third party guarantors in order to assess their ability to perform their obligations under the terms of the Deficiency Notes based on updated five year forecasts of future cash flows of the underlying borrowers and guarantors. Such ability to perform is principally dependent upon the borrower's and obligor's ability to realize cash flows from distributions derived from the pledged collateral sufficient to meet their respective current operational needs, as well as to provide liquidity to fund the debt service requirements under the Company's notes. Such review includes, but is not limited to the following related to the guarantor: analyzing current financial statements and operating results, analyzing projected future operating results and validating the assumptions used to generate such projections, forecasting future cash flows and assessing the adequacy of these cash flows to service the Company's notes, conducting discussions with and obtaining representations from the guarantors' management with respect to their current and projected operating results. Based on such reviews, the Company has concluded that the guarantor has the ability to perform under their repayment obligations and that the Deficiency Note balance is fully realizable over their terms. Accordingly, the Company has not recorded any reserves on these loans.

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UMTH owns 99.9% of UMTH Lending Company, L.P. (UMTHLC) which directly faces UMT which is why the deficiency note is consolidated in UMTH's financial statements.

United Mortgage Trust Related Party Relationships			
Company	Affiliation	Governance	Ownership
UMT Holdings, L.P. ("UMTH")	99.9% owner of our borrower, UMTHLC and our advisor, UMTIGS	UMT Services, Inc. serves as General Partner	10 Limited Partners
UMTH Lending Company, L.P. ("UMTHLC")	Borrower	UMT Services, Inc. serves as General Partner	99.9% owned by UMTH

Below is a complex web of other affiliated relationships involving UMTH and UMT that further question management's credibility. Note that UMT is owed a revolving line of credit by UDF I and note that UDF III owns an equity interest in four affiliates owned by insiders: RAFC, SCMI, CRC, and WFI. Also note that these four entities all owe "recourse obligations" to UMT. What is a "recourse obligation"? It is the same thing as a "deficiency note," a realized loss that was not recognized by UMT. And why does UDF III own equity in entities that are unable to repay "recourse obligations" to UMT?



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APPENDIX II – EXAMPLES OF LOAN PATTERNS FOR CENTURION

“A ROLLING LOAN GATHERS NO LOSS.”

The tables below were created by reviewing up to twelve SEC filings for each individual UDF IV loans (Forms 10-Q and Forms 10-K). The information in the tables below is sourced directly from UDF IV tabular disclosures. Unfortunately, UDF IV does not make it this easy to see the trends and to see exactly what is happening from period to period. A typical investor of UDF (retail moms and pops) is not proficient in reviewing SEC filings and combing through numerous different filings to understand what is happening which is partly why the issues with UDF are hard to recognize.

Each loan detailed below is owed by UDF's largest group of related borrowers. The following eleven loans account for an outstanding balance of \$166 million at September 30, 2015, according to UDF IV's Form 10-Q, representing 26% of the outstanding balance of all UDF IV loans and 40% of all loans issued to UDF IV's largest borrower. While significantly more loans also demonstrate irregularities, this sample set is representative of loans to this developer. As discussed previously, loans to this developer regularly (i) do not generate any cash (principal or interest), (ii) are extended without fees, and (iii) accrue larger and larger balances. All while, in numerous instances, land remains undeveloped for years, in numerous instances.

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTVGT Alpha Ranch	12/31/2012	2nd Lien	1,122 acres	\$ 10,960,159	7/31/14	\$	\$	\$	\$
CTVGT Alpha Ranch	3/31/2013	2nd Lien	1,122 acres	\$ 12,275,621	7/31/14	\$	\$	\$	\$
CTVGT Alpha Ranch	6/30/2013	2nd Lien	1,122 acres	\$ 12,533,731	7/31/14	\$	\$	\$	\$
CTVGT Alpha Ranch	9/30/2013	2nd Lien	1,122 acres	\$ 14,111,540	7/31/14	\$	\$	\$	\$
CTVGT Alpha Ranch	12/31/2013	2nd Lien	1,122 acres	\$ 14,402,932	7/31/14	\$	\$	\$	\$
CTVGT Alpha Ranch	3/31/2014	2nd Lien	1,122 acres	\$ 11,647,152	7/31/14	\$	\$	\$	\$
CTMGT Alpha Ranch	6/30/2014	2nd Lien	3,026 paper lots	\$ 14,948,798	7/31/14	\$	\$	\$	\$
CTMGT Alpha Ranch	9/30/2014	2nd Lien	3,026 paper lots	\$ 17,423,383	10/31/14	\$	\$	\$	\$
CTMGT Alpha Ranch	12/31/2014	2nd Lien	3,026 paper lots	\$ 18,101,265	10/31/15	\$	\$	\$	\$
CTMGT Alpha Ranch	3/31/2015	2nd Lien	3,026 paper lots	\$ 18,344,045	10/31/15	\$	\$	\$	\$
CTMGT Alpha Ranch	6/30/2015	2nd Lien	3,026 paper lots	\$ 19,184,736	10/31/15	\$	\$	\$	\$
CTMGT Alpha Ranch	9/30/2015	2nd Lien	3,026 paper lots	\$ 21,757,358	10/31/15	\$	\$	\$	\$

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
One Windsor Hills L.P.	12/31/2012	2nd Lien	1,583 acres across 3 notes	\$ 18,328,202	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	3/31/2013	2nd Lien	1,583 acres across 3 notes	\$ 18,595,487	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	6/30/2013	2nd Lien	1,583 acres across 3 notes	\$ 20,037,967	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	9/30/2013	2nd Lien	1,583 acres across 3 notes	\$ 20,791,692	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	12/31/2013	2nd Lien	1,990 acres across 4 notes	\$ 23,258,122	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	3/31/2014	2nd Lien	1,990 acres across 4 notes	\$ 23,826,489	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	6/30/2014	2nd Lien	1,952 acres across 4 notes	\$ 25,471,898	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	9/30/2014	2nd Lien	1,952 acres across 4 notes	\$ 25,733,171	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	12/31/2014	2nd Lien	1,954 acres across 4 notes	\$ 27,855,350	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	3/31/2015	2nd Lien	1,954 acres across 4 notes	\$ 28,251,889	5/9/15	\$	\$	\$	\$
One Windsor Hills L.P.	6/30/2015	2nd Lien	1,954 acres across 4 notes	\$ 30,478,387	5/9/16	\$	\$	\$	\$
One Windsor Hills L.P.	9/30/2015	2nd Lien	1,954 acres across 4 notes	\$ 30,644,991	5/9/16	\$	\$	\$	\$

Reaching Across the Aisle of Your Private Jet Does Not Equal an Arms' Length Transaction

United Development Funding (UDF)

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Granbury	12/31/2012	1st Lien	552 acres	\$ 7,154,564	5/21/13	\$	\$	\$	\$
CTMGT Granbury	3/31/2013	1st Lien	552 acres	\$ 7,364,766	5/21/13	\$	\$	\$	\$
CTMGT Granbury	6/30/2013	1st Lien	552 acres	\$ 8,450,985	5/21/14	\$	\$	\$	\$
CTMGT Granbury	9/30/2013	1st Lien	552 acres	\$ 8,872,308	5/21/14	\$	\$	\$	\$
CTMGT Granbury	12/31/2013	1st Lien	552 acres	\$ 9,796,497	5/21/14	\$	\$	\$	\$
CTMGT Granbury	3/31/2014	1st Lien	552 acres	\$ 9,510,525	5/21/14	\$	\$	\$	\$
CTMGT Granbury	6/30/2014	1st/2nd Lien	3,231 Paper Lots, 1,541 Acres	\$ 12,213,029	5/21/15	\$	\$	\$	\$
CTMGT Granbury	9/30/2014	1st/2nd Lien	3,231 Paper Lots, 1,541 Acres	\$ 12,323,386	5/21/15	\$	\$	\$	\$
CTMGT Granbury	12/31/2014	1st/2nd Lien	2,094 Acres	\$ 13,900,296	5/21/15	\$	\$	\$	\$
CTMGT Granbury	3/31/2015	1st/2nd Lien	2,094 Acres	\$ 14,016,085	5/21/15	\$	\$	\$	\$
CTMGT Granbury	6/30/2015	1st/2nd Lien	2,094 Acres	\$ 15,817,633	5/21/15	\$	\$	\$	\$
CTMGT Granbury	9/30/2015	1st/2nd Lien	2,094 Acres	\$ 15,950,885	5/21/15	\$	\$	\$	\$

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Montalcino	12/31/2012	2nd Lien	478 Acres	\$ 23,531,488	12/13/14	\$	\$	\$	\$
CTMGT Montalcino	3/31/2013	2nd Lien	478 Acres	\$ 24,005,284	12/13/14	\$	\$	\$	\$
CTMGT Montalcino	6/30/2013	2nd Lien	478 Acres	\$ 25,166,455	12/13/14	\$	\$	\$	\$
CTMGT Montalcino	9/30/2013	2nd Lien	478 Acres	\$ 26,250,516	12/13/14	\$	\$	\$	\$
CTMGT Montalcino	12/31/2013	2nd Lien	41 Finished Lots, 129 Paper Lot	\$ 30,251,437	12/13/14	\$	\$	\$	\$
CTMGT Montalcino	3/31/2014	2nd Lien	36 Finished Lots, 129 Paper Lot	\$ 31,878,627	12/13/14	\$	\$	\$	\$
CTMGT Montalcino	6/30/2014	2nd Lien	34 Finished Lots, 129 Paper Lot	\$ 25,686,276	12/13/14	\$	\$	\$	\$
CTMGT Montalcino	9/30/2014	2nd Lien	34 Finished Lots, 125 Paper Lot	\$ 25,242,928	12/13/14	\$	\$	\$	\$
CTMGT Montalcino	12/31/2014	2nd Lien	33 Finished Lots, 125 Paper Lot	\$ 26,589,524	6/13/15	\$	\$	\$	\$
CTMGT Montalcino	3/31/2015	2nd Lien	30 Finished Lots, 125 Paper Lot	\$ 28,594,520	6/13/15	\$	\$	\$	\$
CTMGT Montalcino	6/30/2015	2nd Lien	28 Finished Lots, 125 Paper Lot	\$ 28,200,279	12/13/15	\$	\$	\$	\$
CTMGT Montalcino	9/30/2015	2nd Lien	24 Finished Lots, 125 Paper Lot	\$ 28,323,188	12/13/15	\$	\$	\$	\$

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Regatta	12/31/2012	2nd Lien	346 acres	\$ 3,878,285	10/25/15	\$	\$	\$	\$
CTMGT Regatta	3/31/2013	2nd Lien	346 acres	\$ 3,784,917	10/25/15	\$	\$	\$	\$
CTMGT Regatta	6/30/2013	2nd Lien	346 acres	\$ 4,604,430	10/25/15	\$	\$	\$	\$
CTMGT Regatta	9/30/2013	2nd Lien	346 acres	\$ 4,698,100	10/25/15	\$	\$	\$	\$
CTMGT Regatta	12/31/2013	2nd Lien	346 acres	\$ 5,320,012	10/25/15	\$	\$	\$	\$
CTMGT Regatta	3/31/2014	2nd Lien	346 acres	\$ 5,444,909	10/25/15	\$	\$	\$	\$
CTMGT Regatta	6/30/2014	2nd Lien	1,870 Paper Lots	\$ 5,596,879	10/25/15	\$	\$	\$	\$
CTMGT Regatta	9/30/2014	2nd Lien	1,870 Paper Lots	\$ 5,600,134	10/25/15	\$	\$	\$	\$
CTMGT Regatta	12/31/2014	2nd Lien	1,870 Paper Lots	\$ 6,399,638	10/25/15	\$	\$	\$	\$
CTMGT Regatta	3/31/2015	2nd Lien	1,870 Paper Lots	\$ 8,367,412	10/25/15	\$	\$	\$	\$
CTMGT Regatta	6/30/2015	2nd Lien	1,870 Paper Lots	\$ 9,962,479	10/25/15	\$	\$	\$	\$
CTMGT Regatta	9/30/2015	2nd Lien	1,870 Paper Lots	\$ 10,066,509	10/25/15	\$	\$	\$	\$

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Regatta II	12/31/2012	2nd Lien	516 acres	\$ 3,447,598	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	3/31/2013	2nd Lien	516 acres	\$ 6,617,242	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	6/30/2013	1st/2nd Lien	10.97 acres + 516 acres	\$ 6,703,193	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	9/30/2013	1st/2nd Lien	10.97 acres + 516 acres	\$ 6,806,692	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	12/31/2013	1st/2nd Lien	10.97 acres + 516 acres	\$ 7,694,714	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	3/31/2014	1st/2nd Lien	10.97 acres + 516 acres	\$ 7,766,713	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	6/30/2014	1st/2nd Lien	10.97 acres + 516 acres	\$ 7,851,031	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	9/30/2014	1st/2nd Lien	10.97 acres + 516 acres	\$ 7,900,630	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	12/31/2014	1st/2nd Lien	10.97 acres + 516 acres	\$ 8,954,283	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	3/31/2015	1st/2nd Lien	10.97 acres + 516 acres	\$ 9,050,282	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	6/30/2015	1st/2nd Lien	10.97 acres + 516 acres	\$ 9,122,156	10/25/15	\$	\$	\$	\$
CTMGT Regatta II	9/30/2015	1st/2nd Lien	10.97 acres + 516 acres	\$ 9,172,204	10/25/15	\$	\$	\$	\$

Reaching Across the Aisle of Your Private Jet Does Not Equal an Arms' Length Transaction

United Development Funding (UDF)

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Williamsburg, LLC	12/31/2012	1st Lien	244 acres	\$ 3,916,158	2/7/15	n/a	n/a	n/a	\$ -
CTMGT Williamsburg, LLC	3/31/2013	1st Lien	244 acres	\$ 4,415,014	2/7/15	n/a	n/a	\$ -	\$ -
CTMGT Williamsburg, LLC	6/30/2013	1st Lien	244 acres	\$ 4,415,014	2/7/15	n/a	n/a	\$ -	\$ -
CTMGT Williamsburg, LLC	9/30/2013	1st Lien	244 acres	\$ 4,415,014	2/7/15	n/a	n/a	\$ -	\$ -
CTMGT Williamsburg, LLC	12/31/2013	1st Lien	244 acres	\$ 4,427,905	2/7/15	n/a	n/a	\$ -	\$ -
CTMGT Williamsburg, LLC	3/31/2014	1st Lien	244 acres	\$ 4,567,653	2/7/15	n/a	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	6/30/2014	1st Lien	803 paper lots	\$ 4,967,653	2/7/15	n/a	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	9/30/2014	1st Lien	803 paper lots	\$ 4,986,931	2/7/15	n/a	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	12/31/2014	1st Lien	803 paper lots	\$ 4,989,209	2/7/15	n/a	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	3/31/2015	1st Lien	803 paper lots	\$ 5,636,045	2/7/17	\$ -	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	6/30/2015	1st Lien	803 paper lots	\$ 5,636,045	2/7/17	\$ -	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	9/30/2015	1st Lien	803 paper lots	\$ 5,636,045	2/7/17	\$ -	\$ -	\$ -	\$ -

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Williamsburg 1B FL-2	12/31/2013	1st Lien	42,747 acres	\$ 2,156,138	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	3/31/2014	1st Lien	42,747 acres	\$ 2,157,268	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	6/30/2014	1st Lien	141 paper lots	\$ 2,162,518	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	9/30/2014	1st Lien	141 paper lots	\$ 2,161,638	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	12/31/2014	1st Lien	141 paper lots	\$ 2,482,555	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	3/31/2015	1st Lien	141 paper lots	\$ 3,611,119	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	6/30/2015	1st Lien	141 paper lots	\$ 4,064,756	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	9/30/2015	1st Lien	141 paper lots	\$ 5,048,270	10/31/16	\$ -	\$ -	\$ -	n/a

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Frisco 122, LLC	6/30/2013	2nd Lien	350 Paper Lots	\$ 3,122,472	2/28/14	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	9/30/2013	2nd Lien	350 Paper Lots	\$ 3,140,164	2/28/14	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	12/31/2013	2nd Lien	350 Paper Lots	\$ 3,207,615	2/28/14	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	3/31/2014	2nd Lien	350 Paper Lots	\$ 3,338,579	2/28/15	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	6/30/2014	2nd Lien	350 Paper Lots	\$ 4,366,505	2/28/15	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	9/30/2014	2nd Lien	350 Paper Lots	\$ 4,591,528	2/28/15	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	12/31/2014	2nd Lien	350 Paper Lots	\$ 4,816,235	2/28/15	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	3/31/2015	2nd Lien	350 Paper Lots	\$ 4,896,096	5/30/15	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	6/30/2015	2nd Lien	350 Paper Lots	\$ 5,565,803	5/30/15	\$ -	\$ -	\$ -	n/a
CTMGT Frisco 122, LLC	9/30/2015	2nd Lien	350 Paper Lots	\$ 5,750,184	5/31/16	\$ -	\$ -	\$ -	n/a

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
TR Paper Lot Participation	12/31/2012	Equity Pledge	472 acres	\$ 10,519,663	1/28/13	\$ -	\$ -	\$ -	\$ -
TR Paper Lot Participation	3/31/2013	Equity Pledge	472 acres	\$ 10,532,663	1/23/14	\$ -	\$ -	\$ -	\$ -
TR Paper Lot Participation	6/30/2013	Equity Pledge	472 acres	\$ 10,479,096	1/28/14	\$ -	\$ -	\$ -	\$ -
TR Paper Lot Participation	9/30/2013	Equity Pledge	472 acres	\$ 12,865,610	1/28/14	\$ -	\$ -	\$ -	\$ -
TR Paper Lot Participation	12/31/2013	Equity Pledge	472 acres, 10 finished lots	\$ 12,617,401	1/23/14	\$ -	\$ -	\$ 719,432	\$ -
TR Paper Lot Participation	3/31/2014	Equity Pledge	472 acres, 10 finished lots	\$ 12,815,485	1/28/15	\$ -	\$ -	\$ 719,432	\$ -
TR Paper Lot Participation	6/30/2014	Equity Pledge	472 acres, 10 finished lots	\$ 13,104,722	1/28/15	\$ -	\$ -	\$ 719,432	\$ -
TR Paper Lot Participation	9/30/2014	Equity Pledge	472 acres, 9 finished lots	\$ 14,270,986	1/28/15	\$ -	\$ -	\$ 719,432	\$ -
TR Paper Lot Participation	12/31/2014	Equity Pledge	401 acres, 10 finished lots	\$ 15,015,983	1/28/16	\$ -	\$ -	\$ 719,432	\$ -
TR Paper Lot Participation	3/31/2015	Equity Pledge	401 acres, 10 finished lots	\$ 15,259,609	1/28/16	\$ -	\$ -	\$ 719,432	\$ -
TR Paper Lot Participation	6/30/2015	Equity Pledge	401 acres, 10 finished lots	\$ 15,581,688	1/28/16	\$ -	\$ -	\$ 719,432	\$ -
TR Paper Lot Participation	9/30/2015	Equity Pledge	401 acres, 10 finished lots	\$ 17,762,455	1/28/16	\$ -	\$ -	\$ 719,432	\$ -

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Frontier 80, LLC	9/30/2013	1st Lien	288 paper lots	\$ 6,522,835	9/6/14	\$ -	\$ -	\$ -	n/a
CTMGT Frontier 80, LLC	12/31/2013	1st Lien	288 paper lots	\$ 6,651,793	9/6/14	\$ -	\$ -	\$ -	n/a
CTMGT Frontier 80, LLC	3/31/2014	1st Lien	288 paper lots	\$ 6,267,325	9/6/14	\$ -	\$ -	\$ -	n/a
CTMGT Frontier 80, LLC	6/30/2014	1st Lien	288 paper lots	\$ 6,184,702	9/6/14	\$ -	\$ -	\$ -	n/a
CTMGT Frontier 80, LLC	9/30/2014	2nd Lien	288 paper lots	\$ 11,472,679	2/18/17	\$ -	\$ -	\$ 0	\$ -
CTMGT Frontier 80, LLC	12/31/2014	2nd Lien	288 paper lots	\$ 11,962,679	2/18/17	\$ -	\$ -	\$ 0	\$ -
CTMGT Frontier 80, LLC	3/31/2015	2nd Lien	288 paper lots	\$ 13,472,679	2/18/17	\$ -	\$ -	\$ 0	\$ -
CTMGT Frontier 80, LLC	6/30/2015	2nd Lien	288 paper lots	\$ 13,823,929	2/18/17	\$ -	\$ -	\$ 0	\$ -
CTMGT Frontier 80, LLC	9/30/2015	2nd Lien	288 paper lots	\$ 15,608,611	2/18/17	\$ -	\$ -	\$ 0	\$ -

Buffington Involuntary Bankruptcy Petition Overview United Development Funding (UDF)

Attached is the involuntary bankruptcy petition filed in the United States Bankruptcy Court for the Western District of Texas (W.D. Texas 15-11548-hcm) by UDF III related to UDF III and UDF IV's, second largest "non-affiliated" borrower, a private real-estate developer based in Austin, Texas, whose principal executive is Thomas Buffington ("Buffington"). Buffington accounts for 25% of the outstanding loans issued by UDF III and 11% of the outstanding loans issued by UDF IV, and accordingly Buffington is material to both UDF III and UDF IV.

On November 30, 2015, UDF III, as the petitioning creditor, filed an involuntary bankruptcy petition listing Lennar Buffington Stonewall Ranch, L.P. as the debtor, an affiliate and entity controlled by Buffington. ***The amount of the claim is \$106.5 million, which represents approximately 25% of UDF III's total assets.***

It does not appear that UDF III has sufficiently reserved against the Buffington Loans given that (i) only \$5.3 million of allowances for loan losses on "loans individually evaluated for impairment" had been accrued as of the Form 10-Q filed for the quarter ended September 30, 2015, and (ii) only \$36.0 million of loans were classified as level 2 loans which indicates "full collectability of loans [is] more likely than not, ***but not probable***" as opposed to level 1 which indicates "full collectability of loans [...] is considered probable". Either a housing crisis hit the greater Austin-Round Rock MSA following the filing of the Form 10-Q on November 16, 2015, or there appear to be issues with financial disclosures.

In a Form 8-K filed with the SEC on December 14, 2015, management feebly attempts to reassure its investors stating "[o]n November 30, 2015, UDF III filed an involuntary bankruptcy petition against a borrower that owns one specific development project in order to protect UDF III's collateral position after an approximately \$3 million senior lender posted the property for foreclosure. The value of the project is significantly greater than the amount of debt ***owed to the senior lender***" and the involuntary bankruptcy filing by UDF III was "a strategic move."

This "explanation" rings hollow. Management has essentially admitted that its second largest "non-affiliated" borrower (Buffington) cannot meet its financial obligations. More telling is management's glaring omission – management does not claim that the value of the project is greater than the amount of debt ***owed to both senior lender and UDF III***. As the junior lender, UDF has the right, but not the obligation, to cure the default of the senior loan to protect its second lien. Based on UDF III's Form 10-Q, UDF III only had \$136,488 of cash at September 30, 2015, and could not cure the default with its cash position.

Therein lies the problem: if UDF III's borrower (Buffington) is insolvent and the junior lender (UDF III) lacks the liquidity to cure the third-party senior lender's loan in default, UDF III's collateral enters bankruptcy, typically, or is foreclosed upon.

To make matters worse, management provided another misleading response as to why it has failed to timely pay its debts. Management states that "[w]hile negotiating a modification to its line of credit from a regional bank, UDF III requested an extension of a scheduled principal payment. The payment was made subsequent to September 30, 2015." Management would have investors believe that the continual pattern of UDF III's inability to pay a quarterly amortization payment is actually just a standard loan modification.

However, in almost every form 10-Q filed since the issuance of the loan to UDF III in March 2014, there is a disclosure about UDF III's inability to pay (see citations below). UDF III's inability to pay its debt in a

**Buffington Involuntary Bankruptcy Petition Overview
United Development Funding (UDF)**

timely manner also helps explain (i) why UDF III was not in a position to cure the default by Buffington on a third-party senior loan and (ii) why UDF III was forced to resort to file the attached involuntary bankruptcy petition included on the next page.

Sourced from UDF III SEC Disclosures:

THE LOAN THAT UDF III CONTINUALLY FAILS TO PAY ON TIME WAS ISSUED BY LEGACY TEXAS ON MARCH 21, 2014, AND THE LATE PAYMENTS BEGAN IN JUNE 2014.

June 30, 2014 – Form 10-Q

“The Partnership obtained a waiver from LegacyTexas 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.”

http://www.sec.gov/Archives/edgar/data/1335732/000114420414049898/v385101_10q.htm

September 30, 2014 – Form 10-Q

“The Partnership obtained an extension from LegacyTexas for the September 2014 required principal payment to December 21, 2014 and will resume making the quarterly principal payments in accordance with the terms of the Term Loan at that time”

http://www.sec.gov/Archives/edgar/data/1335732/000114420414068688/v393078_10q.htm

March 31, 2015 – Form 10-Q

“LegacyTexas waived any default in connection with the late payment of the required principal payment on March 21, 2015.”

http://www.sec.gov/Archives/edgar/data/1335732/000114420415031333/v409242_10q.htm

June 30, 2015 – Form 10-Q

“LegacyTexas extended the due date of the June 21, 2015 quarterly principal payment to September 10, 2015.”

http://www.sec.gov/Archives/edgar/data/1335732/000114420415065839/v423461_10q.htm

September 30, 2015 – Form 10-Q

“The Partnership has requested an extension of the September 10, 2015 required quarterly principal payment to January 1, 2016, and LegacyTexas is considering the request. The Term Loan is not in default.”

http://www.sec.gov/Archives/edgar/data/1335732/000114420415065839/v423461_10q.htm

**Buffington Involuntary Bankruptcy Petition Overview
United Development Funding (UDF)**

To submit a tip to the SEC's Office of the Whistleblower: <https://www.sec.gov/about/offices/owb/owb-tips.shtml>.

SEC Office of the Whistleblower

100 F Street NE

Mail Stop 5553

Washington, DC 20549

Fax: (703) 813-9322

B-5 (Official Form 5) (12/07)

UNITED STATES BANKRUPTCY COURT Western District of Texas		INVOLUNTARY PETITION	
IN RE: (Name of Debtor - If Individual: Last, First, Middle) Lennar Buffington Stonewall Ranch, L.P.		ALL OTHER NAMES used by debtor in the last 8 years (Include married, maiden, and trade names.)	
Last four digits of Social Security or other Individual's Tax-I.D. No./Complete EIN (If more than one, state all.)			
STREET ADDRESS OF DEBTOR (No. and street, city, state, and zip code) 8601 Ranch Road 2222 Building I, Suite 150, Austin TX		MAILING ADDRESS OF DEBTOR (If different from street address)	
COUNTY OF RESIDENCE OR PRINCIPAL PLACE OF BUSINESS Austin		ZIP CODE	
ZIP CODE 78730		ZIP CODE	
LOCATION OF PRINCIPAL ASSETS OF BUSINESS DEBTOR (If different from previously listed addresses) land in Williamson County, Texas			
CHAPTER OF BANKRUPTCY CODE UNDER WHICH PETITION IS FILED <input checked="" type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 11			
INFORMATION REGARDING DEBTOR (Check applicable boxes)			
Nature of Debts (Check one box.) Petitioners believe: <input type="checkbox"/> Debts are primarily consumer debts <input type="checkbox"/> Debts are primarily business debts	Type of Debtor (Form of Organization) <input type="checkbox"/> Individual (Includes Joint Debtor) <input type="checkbox"/> Corporation (Includes LLC and LLP) <input type="checkbox"/> Partnership <input checked="" type="checkbox"/> Other (If debtor is not one of the above entities, check this box and state type of entity below.)		Nature of Business (Check one box.) <input type="checkbox"/> Health Care Business <input checked="" type="checkbox"/> Single Asset Real Estate as defined in 11 U.S.C. § 101(51)(B) <input type="checkbox"/> Railroad <input type="checkbox"/> Stockbroker <input type="checkbox"/> Commodity Broker <input type="checkbox"/> Clearing Bank <input checked="" type="checkbox"/> Other
VENUE <input type="checkbox"/> Debtor has been domiciled or has had a residence, principal place of business, or principal assets in the District for 180 days immediately preceding the date of this petition or for a longer part of such 180 days than in any other District. <input type="checkbox"/> A bankruptcy case concerning debtor's affiliate, general partner or partnership is pending in this District.		FILING FEE (Check one box) <input type="checkbox"/> Full Filing Fee attached <input type="checkbox"/> Petitioner is a child support creditor or its representative, and the form specified in § 304(g) of the Bankruptcy Reform Act of 1994 is attached. <i>[If a child support creditor or its representative is a petitioner, and if the petitioner files the form specified in § 304(g) of the Bankruptcy Reform Act of 1994, no fee is required.]</i>	
PENDING BANKRUPTCY CASE FILED BY OR AGAINST ANY PARTNER OR AFFILIATE OF THIS DEBTOR (Report information for any additional cases on attached sheets.)			
Name of Debtor None	Case Number	Date	
Relationship	District	Judge	
ALLEGATIONS (Check applicable boxes) 1. <input checked="" type="checkbox"/> Petitioner(s) are eligible to file this petition pursuant to 11 U.S.C. § 303(b). 2. <input checked="" type="checkbox"/> The debtor is a person against whom an order for relief may be entered under title 11 of the United States Code. 3.a. <input checked="" type="checkbox"/> The debtor is generally not paying such debtor's debts as they become due, unless such debts are the subject of a bona fide dispute as to liability or amount; or b. <input checked="" type="checkbox"/> Within 120 days preceding the filing of this petition, a custodian, other than a trustee receiver, or agent appointed or authorized to take charge of less than substantially all of the property of the debtor for the purpose of enforcing a lien against such property, was appointed or took possession.		COURT USE ONLY	

Name of Debtor Lennar Buffington Ston

Case No. _____

TRANSFER OF CLAIM

☒ Check this box if there has been a transfer of any claim against the debtor by or to any petitioner. Attach all documents that evidence the transfer and any statements that are required under Bankruptcy Rule 1003(a).

REQUEST FOR RELIEF

Petitioner(s) request that an order for relief be entered against the debtor under the chapter of title 11, United States Code, specified in this petition. If any petitioner is a foreign representative appointed in a foreign proceeding, a certified copy of the order of the court granting recognition is attached.

Petitioner(s) declare under penalty of perjury that the foregoing is true and correct according to the best of their knowledge, information, and belief.

☒ /s/ Ben Wissink

Signature of Petitioner or Representative (State title)
Ben Wissink, President UMTI Land **11/30/2015**

Name of Petitioner _____ Date Signed _____
Name & Mailing _____
Address of Individual _____
Signing in Representative _____
Capacity _____
Ben Wissink, President, UMTI Land
Development, LP, general partner of
United Development Funding III, LP
1301 Municipal Way, Suite 200
Grapevine, TX 76051

☒ /s/ Richard W. Ward

11/30/2015

Signature of Attorney _____ Date _____
Richard W. Ward

Name of Attorney Firm (If any)
6860 N. Dallas Pkwy., Suite 200, Plano, TX 75024

Address
214-220-2402

Telephone No. _____

☐ _____
Signature of Petitioner or Representative (State title)

Name of Petitioner _____ Date Signed _____

Name & Mailing _____
Address of Individual _____
Signing in Representative _____
Capacity _____

☐ _____
Signature of Attorney _____ Date _____

Name of Attorney Firm (If any) _____

Address _____

Telephone No. _____

☒ _____
Signature of Petitioner or Representative (State title)

Name of Petitioner _____ Date Signed _____

Name & Mailing _____
Address of Individual _____
Signing in Representative _____
Capacity _____

☒ _____
Signature of Attorney _____ Date _____

Name of Attorney Firm (If any) _____

Address _____

Telephone No. _____

PETITIONING CREDITORS

Name and Address of Petitioner	Nature of Claim	Amount of Claim
United Development Funding III, LP, address listed above)	Secured Loan	106539986
Name and Address of Petitioner	Nature of Claim	Amount of Claim
Name and Address of Petitioner	Nature of Claim	Amount of Claim
Note: If there are more than three petitioners, attach additional sheets with the statement under penalty of perjury, each petitioner's signature under the statement and the name of attorney and petitioning creditor information in the format above.		Total Amount of Petitioners' Claims

0 continuation sheets attached

Buffington Lawsuit Overview
United Development Funding (UDF)

Attached is the lawsuit filed in Travis County, Texas (*Hanna/Magee L.P. #1 v. BHM Highpointe Ltd., et al.* Cause No. D-1-GN-15-004985), related to UDF III and UDF IV's, second largest "non-affiliated" borrower, a private real-estate developer based in Austin, Texas, whose principal executive is Thomas Buffington ("Buffington"). Buffington affiliates **account for approximately 11% of the outstanding loan balance of UDF IV** according to financial disclosures in the Form 10-Q for the quarter ended September 30, 2015. UDF III's Form 10-Q for the quarter ended September 30, 2015 states that "Buffington Land, Ltd., an unaffiliated Texas limited partnership, **which comprises approximately 25% of the outstanding balance of our portfolio**, including additional loans to its affiliated entities", and accordingly Buffington is material to both UDF III and UDF IV. (emphasis added)

The plaintiff, a third-party development partner of Buffington, was retained by Buffington to "manage the development." While there are numerous troublesome allegations included in the attached lawsuit, there are two allegations that are particularly troublesome for UDF III and specifically UDF IV, which has filed financial statements with the SEC stating that "full collectability of loans [...] is considered probable" with regard to 100% of their loans.

First, the lawsuit alleges that "[i]n at least one instance, such distribution took the form of BHM Highpointe making a distribution of approximately \$1,800,000 to Buffington Land characterized as a 'loan.' At the time of such 'loan,' **Buffington Land had no ability to repay any loan from BHM Highpointe and failed to do so.**"

Second, the lawsuit alleges that "BHM Highpointe transferred to Buffington Land certain valuable property and/or property rights, either with the actual intent to hinder, delay or defraud Plaintiff, and/or in return for less than reasonably equivalent value **at a time during which BHM Highpointe was insolvent or was rendered insolvent by the transfer.**"

It is noteworthy that the plaintiff is a development partner of Buffington and, as such, has no apparent economic incentive to claim that BHM Highpointe is insolvent. The payment owed to the plaintiff would likely be dependent on the solvency of BHM Highpointe and Buffington.

UDF IV is owed loans by (i) Buffington Land, LTD (which allegedly has "no ability to repay any loan from BHM Highpointe"), (ii) BHM Highpointe, LTD (which allegedly "was insolvent or rendered insolvent by the transfer [to Buffington Land]"), and (iii) BHM HP 5.3, LLC, an entity to which BHM High Pointe is a member and BHM Highpointe MGMT is the manager.

Management filed a Form 8-K on December 14, 2015 confirming that "UDF IV has been named in an action involving a contract developer (plaintiff) and a UDF borrower (defendant) relating to their development agreement." It goes on to claim that, "UDF IV does not have any contractual or other relationship with the plaintiff. UDF IV was served with the petition on November 10, 2015. UDF IV is not a party to the development agreement and believes the claims against it are without merit and baseless."

Setting aside the plaintiff's allegations of impropriety against UDF management, **management failed to address the allegations of the insolvency of entities affiliated with Buffington**, its second largest "non-affiliated" borrower. **These entities have outstanding past due balances owed to UDF IV.** Further, management does not explain how this reconciles with the misleading statements in UDF IV's SEC filings that, for 100% of loans, "full collectability of loans [...] is considered probable."

Buffington Lawsuit Overview
United Development Funding (UDF)

To submit a tip to the SEC's Office of the Whistleblower: <https://www.sec.gov/about/offices/owb/owb-tips.shtml>.

SEC Office of the Whistleblower

100 F Street NE

Mail Stop 5553

Washington, DC 20549

Fax: (703) 813-9322

30: 33: 37: 41: 45: 49: 53: 57: 61: 65: 69: 73: 77: 81: 85: 89: 93: 97: 101: 105: 109: 113: 117: 121: 125: 129: 133: 137: 141: 145: 149: 153: 157: 161: 165: 169: 173: 177: 181: 185: 189: 193: 197: 201: 205: 209: 213: 217: 221: 225: 229: 233: 237: 241: 245: 249: 253: 257: 261: 265: 269: 273: 277: 281: 285: 289: 293: 297: 301: 305: 309: 313: 317: 321: 325: 329: 333: 337: 341: 345: 349: 353: 357: 361: 365: 369: 373: 377: 381: 385: 389: 393: 397: 401: 405: 409: 413: 417: 421: 425: 429: 433: 437: 441: 445: 449: 453: 457: 461: 465: 469: 473: 477: 481: 485: 489: 493: 497: 501: 505: 509: 513: 517: 521: 525: 529: 533: 537: 541: 545: 549: 553: 557: 561: 565: 569: 573: 577: 581: 585: 589: 593: 597: 601: 605: 609: 613: 617: 621: 625: 629: 633: 637: 641: 645: 649: 653: 657: 661: 665: 669: 673: 677: 681: 685: 689: 693: 697: 701: 705: 709: 713: 717: 721: 725: 729: 733: 737: 741: 745: 749: 753: 757: 761: 765: 769: 773: 777: 781: 785: 789: 793: 797: 801: 805: 809: 813: 817: 821: 825: 829: 833: 837: 841: 845: 849: 853: 857: 861: 865: 869: 873: 877: 881: 885: 889: 893: 897: 901: 905: 909: 913: 917: 921: 925: 929: 933: 937: 941: 945: 949: 953: 957: 961: 965: 969: 973: 977: 981: 985: 989: 993: 997: 1001: 1005: 1009: 1013: 1017: 1021: 1025: 1029: 1033: 1037: 1041: 1045: 1049: 1053: 1057: 1061: 1065: 1069: 1073: 1077: 1081: 1085: 1089: 1093: 1097: 1101: 1105: 1109: 1113: 1117: 1121: 1125: 1129: 1133: 1137: 1141: 1145: 1149: 1153: 1157: 1161: 1165: 1169: 1173: 1177: 1181: 1185: 1189: 1193: 1197: 1201: 1205: 1209: 1213: 1217: 1221: 1225: 1229: 1233: 1237: 1241: 1245: 1249: 1253: 1257: 1261: 1265: 1269: 1273: 1277: 1281: 1285: 1289: 1293: 1297: 1301: 1305: 1309: 1313: 1317: 1321: 1325: 1329: 1333: 1337: 1341: 1345: 1349: 1353: 1357: 1361: 1365: 1369: 1373: 1377: 1381: 1385: 1389: 1393: 1397: 1401: 1405: 1409: 1413: 1417: 1421: 1425: 1429: 1433: 1437: 1441: 1445: 1449: 1453: 1457: 1461: 1465: 1469: 1473: 1477: 1481: 1485: 1489: 1493: 1497: 1501: 1505: 1509: 1513: 1517: 1521: 1525: 1529: 1533: 1537: 1541: 1545: 1549: 1553: 1557: 1561: 1565: 1569: 1573: 1577: 1581: 1585: 1589: 1593: 1597: 1601: 1605: 1609: 1613: 1617: 1621: 1625: 1629: 1633: 1637: 1641: 1645: 1649: 1653: 1657: 1661: 1665: 1669: 1673: 1677: 1681: 1685: 1689: 1693: 1697: 1701: 1705: 1709: 1713: 1717: 1721: 1725: 1729: 1733: 1737: 1741: 1745: 1749: 1753: 1757: 1761: 1765: 1769: 1773: 1777: 1781: 1785: 1789: 1793: 1797: 1801: 1805: 1809: 1813: 1817: 1821: 1825: 1829: 1833: 1837: 1841: 1845: 1849: 1853: 1857: 1861: 1865: 1869: 1873: 1877: 1881: 1885: 1889: 1893: 1897: 1901: 1905: 1909: 1913: 1917: 1921: 1925: 1929: 1933: 1937: 1941: 1945: 1949: 1953: 1957: 1961: 1965: 1969: 1973: 1977: 1981: 1985: 1989: 1993: 1997: 2001: 2005: 2009: 2013: 2017: 2021: 2025: 2029: 2033: 2037: 2041: 2045: 2049: 2053: 2057: 2061: 2065: 2069: 2073: 2077: 2081: 2085: 2089: 2093: 2097: 2101: 2105: 2109: 2113: 2117: 2121: 2125: 2129: 2133: 2137: 2141: 2145: 2149: 2153: 2157: 2161: 2165: 2169: 2173: 2177: 2181: 2185: 2189: 2193: 2197: 2201: 2205: 2209: 2213: 2217: 2221: 2225: 2229: 2233: 2237: 2241: 2245: 2249: 2253: 2257: 2261: 2265: 2269: 2273: 2277: 2281: 2285: 2289: 2293: 2297: 2301: 2305: 2309: 2313: 2317: 2321: 2325: 2329: 2333: 2337: 2341: 2345: 2349: 2353: 2357: 2361: 2365: 2369: 2373: 2377: 2381: 2385: 2389: 2393: 2397: 2401: 2405: 2409: 2413: 2417: 2421: 2425: 2429: 2433: 2437: 2441: 2445: 2449: 2453: 2457: 2461: 2465: 2469: 2473: 2477: 2481: 2485: 2489: 2493: 2497: 2501: 2505: 2509: 2513: 2517: 2521: 2525: 2529: 2533: 2537: 2541: 2545: 2549: 2553: 2557: 2561: 2565: 2569: 2573: 2577: 2581: 2585: 2589: 2593: 2597: 2601: 2605: 2609: 2613: 2617: 2621: 2625: 2629: 2633: 2637: 2641: 2645: 2649: 2653: 2657: 2661: 2665: 2669: 2673: 2677: 2681: 2685: 2689: 2693: 2697: 2701: 2705: 2709: 2713: 2717: 2721: 2725: 2729: 2733: 2737: 2741: 2745: 2749: 2753: 2757: 2761: 2765: 2769: 2773: 2777: 2781: 2785: 2789: 2793: 2797: 2801: 2805: 2809: 2813: 2817: 2821: 2825: 2829: 2833: 2837: 2841: 2845: 2849: 2853: 2857: 2861: 2865: 2869: 2873: 2877: 2881: 2885: 2889: 2893: 2897: 2901: 2905: 2909: 2913: 2917: 2921: 2925: 29

JUDICIAL DISTRICT

Page 1

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4. Defendant BHM Highpointe Management LLC (the "BHM General Partner") is a limited liability company registered to do business in the State of Texas, and is the general partner of Defendant BHM Highpointe) and may be served with a citation through CT Corporation, 1999 Bryan St., Suite 900, Dallas, TX 75201-3136.

5. Defendant Buffington Land Group, Ltd. ("Buffington Land") is a limited partnership registered to do business in the State of Texas. Defendant Buffington Land may be served with citation through CT Corporation, 1999 Bryan St., Suite 900, Dallas, TX 75201-3136.

6. United Development Funding IV ("UDF") is a Maryland investment trust doing business in Texas. It may be served with process by serving its registered agent, Corporation Service Company d/b/a CSC - Lawyers Incorporating Service Company, at 211 East 7th Street, Suite 620, Austin, Texas 78701.

7. Thomas Buffington ("Buffington") is an individual resident of Travis County, Texas, who may be served at 3600 N. Capital of Texas Hwy, B-170, Austin, TX 78746-3314.

8. Patrick Starley ("Starley") is an individual resident of Travis County, Texas, who may be served at 4720 Rockcliff Rd., Unit 5, Austin, TX 78746-1254.

III. Jurisdiction and Venue

9. This Court has jurisdiction over the subject matter complained of in this Petition because the amounts at issue exceed the minimal jurisdictional limits of this Court. Venue is proper in this Court pursuant to §15.001, *et. seq.* of the TEXAS CIVIL PRACTICE AND REMEDIES CODE, inasmuch as all of the events and property giving rise to the claims alleged occurred in Travis County, Texas and because one of the Defendants has its principal office and place of business or residence in Travis County, Texas. Plaintiff claims monetary damages in excess of \$1,000,000.

IV. Facts

10. On or about December 24, 2008, Plaintiff and BHM Highpointe entered into a contract (the "Development Agreement") for the management and development of real property located in the city of Dripping Springs, Texas, (the "Development"). The Development Agreement provided that BHM Highpointe was retaining Plaintiff to manage the development, construction and marketing for the Highpointe residential subdivision, approval of which had previously been obtained from the City of Dripping Springs (the "Project"). In return for performing the various obligations spelled out in the Development Agreement, BHM Highpointe agreed to pay Plaintiff a "Profits Interest" equal to 30% of the "Net Profits" from the Project. The Net Profits was calculated by subtracting all Project Expenses from the "gross revenues actually collected by or on behalf of [BHM Highpointe] from the Project."

11. In addition to the above payment terms, the BHM Highpointe agreed to do and refrain from doing certain things with respect to the Project including:

a. Agreeing that BHM Highpointe would not make changes to the Project business plan that would reduce projected Net Profits from the Project by more than ten percent without discussing it with Plaintiff, and "If any revised Cash Flow Analysis projects Net Profits of less than ninety percent (90%) of the Net Profits projected in the immediately preceding Cash Flow Analysis (a "Major Reduction"), Owner [BHM Highpointe] may in good faith modify the project business plan so as to meet Owner's debt obligations and/or protect Owner's investment or reflect the projections of Owner, while maintaining the Net Profits projected in the immediately preceding Cash Flow Analysis to the extent Owner determines to be possible."

b. Agreeing that "in no event will any fee or similar payment to any person or entity having an ownership interest in the project constitute Project Expenses" for the purposes of calculating the Profits Interest;

c. Agreeing that "before BHM makes any distributions to [BHM's partners] other than Tax Distributions, BHM will first pay to Plaintiff the amount of the Profits Interest that the Plaintiff would have received if Plaintiff had received a concurrent and proportionate payment of the Profits Interest at the time of the Tax Distributions (the "Reconciliation Amount."

12. Despite Plaintiff continuing to expend efforts on behalf of BHM and the Project and performing its obligation thereunder, BHM Highpointe breached these provisions of the Development Agreement by at least failing to make any Profit Interest distributions to Plaintiff, despite making distributions to its partners. In at least one instance, such distribution took the form of BHM Highpointe making a distribution of approximately \$1,800,000 to Buffington Land characterized as a "loan". At the time of such "loan", Buffington Land had no ability to repay any loan from BHM Highpointe, and failed to do so.

13. BHM Highpointe failed to provide any, much less proper, notice of any reduction of Net Profits in accordance with the Development Agreement. Specifically BHM Highpointe failed to inform Plaintiff that it had assigned, for no consideration, various assets of BHM Highpointe, which were necessary and intrinsic to obtaining any Net Profits, to Buffington Land for no consideration.

14. On information and belief on or after November, 2011 BHM transferred to Defendant Buffington Land the right to receive MUD and other reimbursement rights relating to the Project and generated from the development of the Project (the "Reimbursements"). Such

transfer to Buffington Land was done for no consideration and BHM Highpointe received nothing of value in connection with such transfer. The transfer of these valuable assets was actively concealed from Plaintiff by BHM Highpointe, Buffington and Starley. In fact, on numerous occasions BHM Highpointe actively misrepresented the status of the ownership of the Reimbursements. Contemporaneous with the assignment of the Reimbursements to Buffington Land, Buffington Land used the Reimbursements assigned by BHM Highpointe to obtain a loan from MUD Reimbursement Finance LLC secured by the Reimbursements and other assets. Upon information and belief and at the specific insistence of UDF, Buffington Land used the proceeds of such loan to pay UDF in excess of \$5,000,000 against loans made by UDF to Buffington Land which were guaranteed by each of Buffington and Starley. Upon information and belief, the assignment of the Reimbursements by BHM Highpointe to Buffington Land and the subsequent payment of obligations owed by Buffington Land to UDF was done with actual intent to hinder, delay and defraud Plaintiff and for the benefit of each of Buffington Land, Buffington, Starley and UDF, and to prevent Plaintiff from being paid the Net Profits it was entitled to and were contemplated under the Development Agreement and the operative Cash Flow Analysis. After the assignment of the Reimbursements, Buffington Land received in excess of \$5,000,000 in connection with the Reimbursements that had been assigned. None of such funds have been paid to BHM Highpointe as was intended in the Cash Flow Analysis under the Development Agreement.

V. Causes of Action

A. Breach of Contract

15. Plaintiff incorporates paragraphs 1-14 hereof. The acts of BHM Highpointe, as described herein, constitute breach of contract for which Plaintiff now sues. BHM Highpointe Management LLC, as the general partner of BHM Highpointe, is fully liable for such claim.

16. The Development Agreement obligates BHM Highpointe to make payments to Plaintiff and to make distributions to Plaintiff in accordance with the terms of the Development Agreement. Additionally, the Development Agreement prohibits BHM Highpointe from making distributions of Net Profits without making distributions to Plaintiff. Plaintiff has performed each and all of its obligations under the Development Agreement and all conditions precedent to the recovery of Plaintiff's damages as requested herein have occurred. Moreover, the Development Agreement prohibited BHM Highpointe from changing the Cash Flow Analysis without discussion with Plaintiff and then, only in "good faith to protect 'Owner's' investment." The assignment of the Reimbursements did not constitute a change for the purpose of protecting BHM Highpointe's investment, but rather to benefit Buffington Land, Buffington, Starley and UDF.

17. As a result of BHM's breach of the Development Agreement, Plaintiff has suffered injury in the form of actual and consequential damages, for which Plaintiff now sues. Additionally, Plaintiff seeks the recovery of its reasonable costs and attorneys' fees incurred pursuant to the terms of the Development Agreement and applicable Texas law.

B. Tortious Interference With Existing Contract

18. Plaintiff incorporates paragraphs 1-17 as if fully set forth herein. The actions of each of Buffington Land, UDF, Buffington and Starley, as described hereinabove, constitute tortious interference with the Development Agreement. On information and belief, each of

Buffington Land, UDF, Buffington and Starley actively solicited BHM Highpointe to assign the Reimbursements and use proceeds from the pledge of the Reimbursements to benefit each of Buffington Land, UDF, Starley and Buffington, and to prevent the use of the Reimbursements and the proceeds thereof from being paid to Plaintiff as part of the Net Profits of the Development Agreement. Such actions by UDF, Buffington, Starley and Buffington Land were done intentionally and willfully for their own benefit and were the proximate cause of BHM Highpointe's breach of contract as described herein and damages to Plaintiff. The actions of UDF, Starley, Buffington and Buffington Land were actively concealed from Plaintiff and the claim asserted is subject to the "discovery rule" as a result of such concealment.

C. Texas Fraudulent Transfer Act

19. Plaintiff incorporates paragraphs 1-18 as if fully set forth herein. The transfer of the Reimbursements from BHM Highpointe to Buffington and of the proceeds of the use of the Reimbursements to UDF are fraudulent transfers pursuant to Section 24.001 *et. seq.* of the TEXAS BUSINESS AND COMMERCE CODE for which Plaintiff now sues. Additionally, to the extent that such proceeds were used by Buffington Land to pay indebtedness owed by Buffington Land to UDF and guaranteed by each of Buffington and Starley, such transfer was for the benefit of UDF, Starley and Buffington.

20. Upon information and belief, BHM Highpointe transferred to Buffington Land certain valuable property and/or property rights, either with the actual intent to hinder, delay or defraud Plaintiff, and/or in return for less than reasonably equivalent value at a time during which BHM Highpointe was insolvent or was rendered insolvent by the transfer. The valuable property and/or property rights or the proceeds of such rights were subsequently transferred to UDF, without consideration and for no value to BHM Highpointe. Accordingly, Buffington

Land and UDF are jointly and severally liable with BHM Highpointe to Plaintiff for the value of such transfers, up to an amount necessary to compensate Plaintiff in full, pursuant to §24.001 *et seq.* of the TEXAS BUSINESS & COMMERCE CODE. On information and belief, Buffington Land and UDF did not receive the property and property rights in good faith or for a reasonably equivalent value, and Buffington Land and UDF had knowledge that Plaintiff was a creditor of BHM Highpointe. Plaintiff hereby seeks the recovery of the proceeds of such transfer pursuant to Section 24.008 and 24.009 of the TEXAS BUSINESS & COMMERCE CODE.

VI. Fraud

21. Additionally or alternatively, on various occasions on or after November 2011, Plaintiff discussed the status of the Development with Buffington and BHM Highpointe representatives. Starley, Buffington and BHM Highpointe specifically discussed the status of the Development and the income that was going to be generated out of the assets. In such conversations, after the assignment of the Reimbursements to Buffington Land, BHM Highpointe, Starley and Buffington represented to Plaintiff that the Reimbursements were part of projected Net Cash Flow. Additionally, when Plaintiff became aware that Reimbursements should have been received, Plaintiff inquired about them and was told that the Reimbursements had or would be applied against the debt owed to UDF by BHM Highpointe, and to the extent that such debt reduction was not being reflected, they would "take care of it and clear it up". At the time that such representations were made, BHM Highpointe, Starley and Buffington were aware that the Reimbursements had been assigned to Buffington Land. The representations made by Buffington, Starley and BHM Highpointe, as reflected above, were material, were false, were made to Plaintiff so that Plaintiff would rely upon them in continuing to perform work on the Project and in compliance with the Development Agreement, and were relied upon by

Plaintiff in continuing to perform under the Development Agreement despite BHM Highpointe's breach, and resulted in damages to Plaintiff for which Plaintiff now sues.

VII. Attorney Fees

22. Due to the Defendants' conduct, Plaintiff has been forced to retain the undersigned counsel to bring and prosecute this case. Plaintiff is entitled to, and hereby makes claim for, its' reasonable and necessary attorneys' fees and litigation costs incurred in this cause.

23. Plaintiff is entitled to its attorneys' fees under Article VIII of the Development Agreement.

24. Additionally and alternatively, Plaintiff is entitled to its attorneys' fees under Chapter 38 of the TEXAS CIVIL PRACTICES AND REMEDIES CODE. See TEX. CIV. PRAC. & REM. CODE § 38.001(8) and Section 24.013 of the TEXAS BUSINESS & COMMERCE CODE.

25. All conditions precedent to recovery of the claims asserted herein have occurred.

PRAYER

Plaintiff requests that Defendants be served with citation and directed to appear and answer, and that on final trial, Plaintiff be awarded the following relief:

- Judgment against the Defendants BHM Highpointe and BHM Highpointe Management LLC for breach of contract and for actual damages including but not limited to all Net Profits, that should have been paid to Plaintiff under the Development Agreement and all other amounts due and owing thereunder plus lost profits;
- Judgment against UDF, Starley, Buffington, Buffington Land for tortious interference with contract and all damages thereunder;