# United Development Funding Overview

## Executive Summary – Why the SEC Should Care

- United Development Funding IV ("UDF IV") markets itself to retail investors as an opportunity to diversify portfolios with "unique and fundamentally sound investments in affordable residential real estate." – UDF IV Website (1) (Nasdag ticker: UDF)
- In reality, UDF IV is a mortgage REIT with a high concentration of risk to a single individual and is part of a larger family of REITs under the United Development Funding ("UDF") umbrella, which operates publicly listed and public non-traded REITs.
- The UDF umbrella exhibits characteristics emblematic of a Ponzi-like scheme:
  - New capital, both equity and debt, is used to fund distributions to existing investors.
  - Subsequent UDF companies provide significant liquidity to earlier vintage UDF companies, allowing them to pay earlier investors.
  - 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.

(I) (IRD //www.billiv.com/

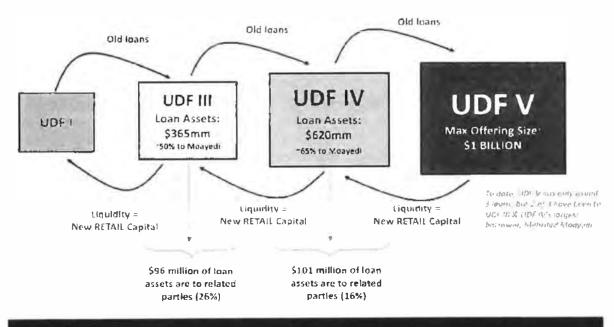
## Executive Summary – Why the SEC Should Care (continued)

- The UDF umbrella is able to function as it does because of the following reasons:
  - Broker-dealers steer unsophisticated retail investors to UDF, motivated by high fees and commissions.
  - Disclosures are confusing and, at best, inadequate for the average retail investors that are buying the product
  - UDF fails to adequately disclose important information regarding the significant relationship between its largest borrower and affiliated UDF companies
    - > UDF's largest borrower accounts for over 50% of credit risk and appears to be complicit in perpetuating the scheme
- Across the various United Development Funding companies, there is over \$1 BILLION of invested capital at risk.
- Through its registered broker-dealer (Realty Capital Securities, LLC; SEC File No. 8-67727), UDF is <u>currently</u> raising money from unsuspecting retail investors, perpetuating a Ponzi-like scheme and potentially causing significant harm to all UDF-related companies and investors.

Confidential

## A Ponzi-Like Scheme

UDF V has provided liquidity to UDF IV which has provided liquidity to UDF II! (among other affiliates) which has provided liquidity to UDF I (among other affiliates); as examples, UDF IV has acquired multiple loans from UDF III that UDF III originated and UDF IV has also directly loaned to other UDF affiliates.



Cot as y al

# The Players Involved

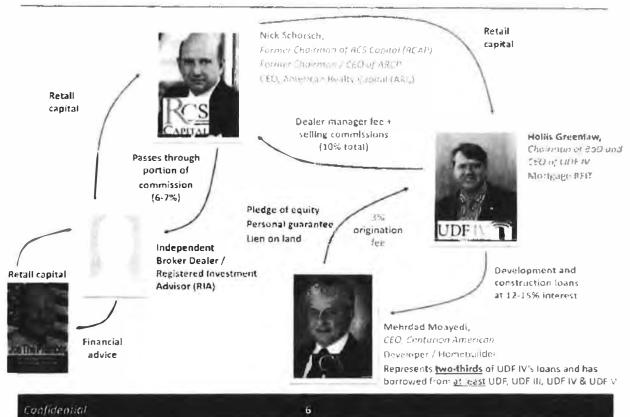
(,)

Primary Individual	Entities	Role of Entity(s)
Hollis Greenlaw, CEO	UDF I (private) UDF II (private) UDF III (publicly listed: UNDVL) UDF IV (publicly listed: UDF) UDF V (public non-traded REIT)	Mortgage REIT Issuing loans principally to land developers and home builders
Mehrdad Moayedi, CEO	Centurion American (private, various entities):	Largest borrower of UDF
	Example of Entities CTMGT Land Holdings, LP CTMGT Alpha Ranch, LLC One Windsor Hills, LP	Based on disclosures, borrower of at least UDF I, UDF III, UDF IV and UDF V. As examples, accounts for 47% of UDF III leans and 62% of UDF IV leans
Nicholas Schorsch, Founder, Former Chairman, Largest holder	RCS Capital Corporation (publicly listed: RCAP) Realty Capital Socurities, LLC (sub of RCAP)	Broker-dealer; dealer-manager/ fundraiser for UDF IV and UDF V
Nicholas Schorsch, CEO	American Realty Capital (private)	Co-manager of UDF V with UDF Holdings

6.

## The Web of the Non-Traded Public REIT

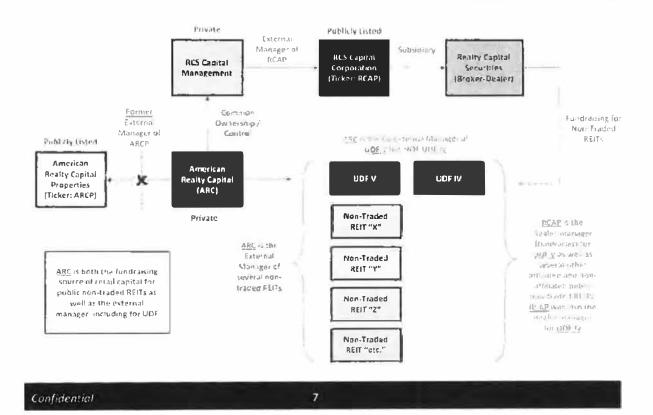
1.0



ď

## Relationship Between UDF, RCAP, ARC and ARCP

1.0



# Funding Distributions with New Capital

- UDF promises outsized returns to unsuspecting retail investors.
- However, its assets underperform the outsized promises and as a result, UDF funds a significant portion of promised distributions to shareholders with new equity and debt.
- The issue of funding distributions with new capital is systemic for public non-traded REITs.
- In the case of UDF, the issue is exacerbated because of the poor performing nature of loans to its largest borrower, Mehrdad Moayedi.
- As an example, UDF IV has distributed \$125 million to investors; only 64% or \$80 million of those distributions have been funded by cash generated by operations.

on dental

# Funding Distributions with New Capital (continued)

Cash from Operations

Proceeds from Equity Offering

1.30

Borrowings Under Credit Facility

Total Distributions to Shareholders

UDF IV (Former Non-Traded REIT) \$80mm ~64%

\$23mm ~19% \$22mm ~17%

\$125mm

\*36% of shareholder distributions funded by new capital

Source, UDF IV SET Film 1: 108 1/10Qsj

Confidential

## The Motivation to Raise Capital for UDF - High Fees

~13%-15% of an investor's principal is taken off the top, prior to any potential returns being generated and prior to the recurring 2% management fees charged by the Manager (i.e. for every \$100 invested, \$85-\$87 of loans are originated, off of which returns can be generated), a steep price to pay for an illiquid investment.

6

Type of Fee	Amount of Fee	Beneficiary of Fee
Selling Commissions**	6.5% of gross proceeds	Payable to Dealer Manager, often distributed to broker dealer
Dealer Manager Fees**	3.5% of gross proceeds	Payable to Dealer Manager
Acquisition and Origination Fees	3% of net invested assets	Payable to External Manager
Disposition and Liquidation Fees	2% of net invested assets	Payable to External Manager
Advisory Fees	2% of net invested assets	Payable to External Manager

<sup>\*\*</sup> No selling commissions and dealer manager fees will be reimbursed with respect to sales under the Distribution Reinvestment Plan (DRIP) in which all required distributions are made in the form of increment in JDF M shares.

Science UDF W 200 permit 111

# Example of Fee Disclosure - UDF V Prospectus

Below is an example of the fee disclosure for UDF V in its prospectus; the fees for UDF IV are similar percentages but UDF IV did not provide a table that lays out the fees as clearly. The table below also highlights that shares under the "Distribution Reinvestment Plan" are priced at a 5% discount and no manager fees or commissions are charged which should incentivize an investor but may disincentivize a broker from selling the product.

15

6.

	ָּתְ בּיר	The Offering:		Softing CommAdding		Donler Limiter Fort		steeds to United Japan at Funding
Primity Offering Pat Share	_	20.00		1.40	_	ù 50		1.8. QD
Total Same will	, i	2,000,000	3	149,000	i	9,7000	1	1. 100,000
Total Martinon (1) Distribution Reinvestment Plan	3	750,000,000	3	12,500,000	\$	22,500,000	\$	675,000,000
Per Share	3	19 00	1	=	\$	-	S.	39 00
Total Maximum  Total Maximum	1 1	250,000 000	2	=	5	=	\$	250,000,000

<sup>(1)</sup> The colling commutations and dealer manager fee may be reduced for volume discounts and other commutations or waited at further described to the "Finn of

Source of the Vikorportal France 11 feet 16, 1810)

## The Impact of High Fees & Dilutive Distributions

UDF IV has raised over \$765 million in total capital (equity + debt) but has only originated \$620 million in assets in the form of loans.

(S)-1

- Total leakage from fees, commissions and distributions funded by new capital in excess of cash generated by underlying assets is ~\$145 million (~20% of total capital raised).
- Of this leakage, over \$80 million is attributed to upfront fees and commissions, not including loan origination fees that are disclosed to be 3% of asset value, which would add ~\$18 million assuming ~\$600 million of assets.
- High fees, commissions and offering costs charged by RCAP and other broker-dealers are a
   <u>systemic</u> issue for <u>public non-traded REITs</u> that create a conflict of interest between financial
   adviser and clients.
- This conflict of interest results in a significant amount of retail investors being steered toward unsuitable products.
- Consistently, these upfront costs are as high as 13-15% before assets are even acquired that can generate future returns.

continenum

[...]

# The Impact of High Fees & Dilutive Distributions (continued)

800

Net Loan Assets Originated (At Cost)

\$620 million ~80% Total Capital Raised (Equity + Debt)

\$765 million 100% Net Leakage (Fees, Commissions, Distributions)

\$145 million ~20%

~20% leakage on \$765 million capital raised

Someon little by SEC Tribugs (1000 collision)

Confidential

**UDF IV** 

(Former Non-Traded REIT)

...

## Who is UDF's largest borrower?

- Despite advertising a diversified portiolio, over 60% or UDF IV's originations are loans to entitles controlled by Mehriad Mnayedl, President and CEO of Centimon American, and a large majority of the underlying collateral is residential developments concentrated in North Texas.
- Moayetti was voied as the 'Dealmaker of the Year' in 2010 by the Dallas Business Journal; in addition to over 20 residential developments, Moayed/developed the Residences at the Stoneleigh Juxury high-rise in Dallas and recently acquired the historic Statler Hilton in downtown Dallas.
- Moayed: has borrowed significant amounts of money from UDF I, UDF IV and most recently UDF V; loans to Moayedi often move from one UDF company to another UDF company and some pre-date the financial crisis.
- LIDE IV alone has over \$400 million of its \$620 million loan book concentrated in loans to entities controlled by Mehrdad Moayedi, the minimum Interest rate on these loans is 12% which implies at least \$48 million in annual interest owed to UDE IV, needed to be funded by Moayedi's residential developments.
- Many of the loans and underlying residential developments are significantly
  underwater; rather than foreclose, UDF kicks the can down the road by amending
  and extending bad loans or by issuing new loans, often providing equidity from the
  latest UDF vintage to an older UDF vintage.
- Brecause UDF's risk is so concentrated with Moayed, pulling the plug on him would in turn pull the plug on UDF; to make matters worse, directors and officers of UDF IV share equity interest with Moayedi in the Stoneleigh luxury high-rise in Dallas, which creates a significant conflict of interest that is not disclosed to UDF investors.



Mehrdad Moayedi, President and CEO



Elegen

## Examples of UDF IV Loans Issued to Moayedi

Alpha Ranch History

The three loan examples on this page show how UDF loans with Monyedi entities behave over time: accrue larger and larger balances, have no cash receipts and are extended when the maturity date comes due

These loans had a combined balance of \$36mm at 12/31/12; as of 12/31/14, these loans had a combined balance of \$60mm, representing ~10% of **UDF IV's total loans** and have never generated any cash receipts based on UDF IV disclasures.

Source UDFIV SEC Filings (10Ks/16Cls)

				0	MANAGEMENT.			-			
let .		WP9	Celebrate		Mary	Non-Sen.	Monetty Ben-	. H14s.	.mysa	MILE	- MILMA
ETHER REPER	RUNMI	rue Len	1, J2J oction	9 5	以用此為1	2/21/13	1112774	1	3.	1	1
(THE APP EPER	1/11/221	25-FLIRFI	1_6R3 ex res	1	12,173,013	1/33/13	7/11/24	1	8	- 1 -	3
CTMGT AUPH BOTTE	N 60 YO 8	20011-015	132 ared	1	18 651 797	MINI	100234	1.	1	E	8
CLAND ON LEGAL	I CONTACTOR II	Street Court.	LAM SETTS	1	MILLI	T/NA/CO	TATATA	6	9	4.6	6
CTMQT A ene a HOM?	12/11/2911	and then	1.312 m/ms	1	14 407,453	1/81/12	1/T2/34	\$	9	3	1
RIPAR AND A TONEY	1/11/2004	2md Liters	1.122 (070)	1	\$4,943,193	1/10/13	1/11/10		1	6	B-
(THE LEAD SINGE	C/ Terzola	2010	1 L/3 / Roph risch	1	14 344 700	VENUE	C TOWN	8	5	3	5
FRANK BANKE TENET	R/36/2014	desi Lose	A SAM proper tests	la.	JP 421,38J	1/10/14	MON	\$	2	8	*
FTIRE I A UNA RAYN	12/30/2014	No.	# 836 Cellina 1444		IL 201JA1	5002 0.1	KALLE:	5	0	. 5	6
One Windsor Hills	History										
				. 0	and the last		max ):	-		Accept	5.372
		F 7.7	Calculation of the Calculation o		home.	Jan 107 .		-PM	MISA	MUA	MILL
Desir settendado de la LP	11/1/(.5011	2md Larin	1 Milester engre 1 mars	1	HE THE THE	74813	I/M/S1		1	\$	1
Dee to reason in cry Life	AINM	Just 1 tous	: 100 mm m m / /	- 1	14 199 (61)	AAII	ENN/3	6		4 -	
Constitution milities	# 10/201 P	Marie	1361 scres artes 3 nates /	- 3	2101: 167	3/9/13	\$1W13	3	\$	5	E.
Des trace MAIN EP	A20A003	and Lies	LILL and street loads	- 8	20.78.00	1/3:23	1/0/23	¥:	- 2	8	4
Dres Bridges H 14 LP	17/11/3013	248 DIFFE	5 SEE STORE SCHOOL & COURSE	-1	24.254 [33	1/9/13	5/9/15	1	1	1	1
DIE STORE MIN LP	MIN/ROLE	20 UBA	Lift and own town	3	ADM	2/M27	S/N/23	8	8	1	F 4
Dog Windsor 4.14 LT	PLED/DILA	3+d 1.ma	1.52 man man 4 mins	- 1	21, 471, 100	1/5/14	5/10/15	6	26	3	E.
Day Wester Halls & P	ALEXAND.	Ind I ion	1800	-1	29 TH 175	VIV12	E/M/IS	1	A	3.	L.
Die desen min LF	ロバコ	met en	1 This serves surrous screens	1	11 87/ US	MAKEZ	FLANA.	1	1	8	17
Granbury History											
					Balta and			m4	20150	desid	ARESA
	Time .	-			f 194 Said	Agent Date	Hands See	-	704.07	577	_
(TIAG! Granbury	711/67/30 F)		The same of the last	P 1		WIL/10	(23/11				7
(TIM) GOOD	3/37/307#		134 स्टाल 	- 8	7,864,786	P\21\130	# AMID	*	- 5		20
المحادث المحادث	CLEDVACT I		FU whet	16	EASC MIS	V21/10	North	0			5
CTUBE STATEMENT	<b>NEWSON</b>	Lat Liter	785 WOMEN	- 1	L/7L	2cz/Vp	P(11/0)	B.	- 5	3	
THACT GIBROUTS	11/11/2013		152 screen	ı	1.214, 407	A33170	V21/14	3	*		
CTABLE Grandway	TATE / MARIE	301 000	<i>m</i>	\$	C/167D	VZLDO	1/23/34	8		2	3.
TUG1 Grantum	A 2012/19/14	TEAL PROPERTY	1.35) Paper LECE, LIMITACHS	- 6	17,211,210	NILLE	A Assure	4		3	N:
(TVS) GONDO	AUNION	100/2nd 1007	J.D. PRYLLED LIMITED	, 3	LMI	MATCH	Ama	3	- 8	- 5	8
TUST GHADA.	13/11/0614	Inches on	215th Rema	1	U 801 776	M21736	DAME.	Y	8	10	11

## The Model Simplified and Can It Work?

#### **UDF IV Development Dynamics**

300

- Originates 1585-587 in real estate loans for every \$100 invested, then charges 2% recurring to manage
- Standard underwriting practices will cap a loan at 85% total loan-to-value, however, the total loan-to-value can be higher if "substantial justification to exceed" exists because of other underwriting or terra.

6-

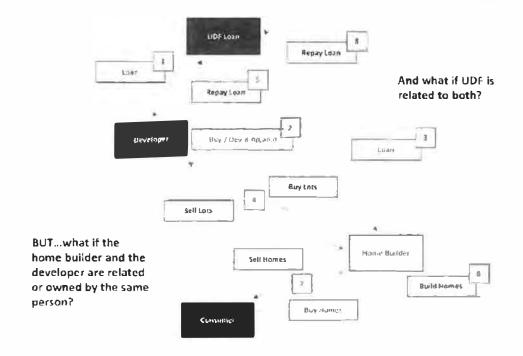
- Loans are applically insued to land developers and home builders, bearing interest at 12% to 15%.
- Average duration of loans is 3 to 4 years) on development loans, the assets often do not have income and are negative carry
  for the first few years, ticking at mezzanine type rures.
- Majority of loans originated are second lien, often subordinate to 3° liens secured to purchase the land
- Majority of collateral today is in the form of paper lots (lots that have been approved by a city or county but are either
  endeveloped or under developed) requiring incremental capital and time to finish the lots.

#### Standard Development Dynamics

- Arquisition pan for land Lifely requires personal guarantee, 50% loan-10 value of raw land, 7% interest rate.
- Development Loan -- Likely can finance close to 100% of development costs, at 6% interest, however, lender would almost
  certainly require acquisition loan on land to be poid off prior to issuance of development loan such that development loan will
  have a perfect hen on unencumbered land in addition to any improvements, thus providing coverage to the loan.

Why would a 'Deal Maker of the Year' finance land developments at 2x the market rate?

# **Development Capital Flows**



47

6

Confidentini

## UDF Relationship with Centurion via Stoneleigh

🌯 UDF IV provided a guaranty on a construction Ioan for the benefit of Maple Wolf Stoneleigh (Stoneleigh) for a fee; un 'affiliate' of UDF IV owns 4.75% interest in the Stoneleigh development with Centurion American, managed by Mehtdad Moayedi, owning a sign ficant portion of the remaining stake, in its 9/30/14 10Q, UDF IV disclosed that this construction loan was scheduled to mature in December 2014 but was repaid in full in October 2014.

Page 1

- In UDF IV's 12/31/14 10K, it was disclosed that UDF IV originated a loan to Maple Walf Standards in October 2014 with 158mm. outstanding; so it guaranteed a form that it utilimately repaid itself for the benefit of its affiliate (the loan bears interest at 13%)
- Entities controlled by Mehrdad Moayesti collectively represent "65% of UDF (V's total loans outstanding as of December 31, 2014 and Meayedi has provided personal guarantees on many
- Despite the relationship and significant credit risk concentration, UDF IV does not disclose Centrolon American as a related party or that Contonon American has an interest in the Stoneleigh with its affiliate that creates a significant conflict of interest.

#### Excerpt from UDF IV September 30, 2014 10Q - Off-Balance Sheet Arrangements, Related Party Guarantees

Effective December 30, 2011, we entered into a Gazzanty of Paycont and Gazzanty of Completion (collectively, the Causanty To for the benefit of Babson Merzantine Realty Investors II, U.P. ("Babson") as agent for a group of lenders pursuant to which we guarantized all amounts due associated with a \$25.0 multium construction loan agreement (the "Stoneleigh Construction Loan") entered into between Maple Wolf Stoneleigh, LLC, as alfallated Delaware limited leablish corrigancy "Materilegh" is and Babson Pursuant to the Stoneleigh Construction Loan, Babson agental to provide planting the Amount in the Chinese pixture of the Amount in the Chinese pixture of the Amount and Babson Pursuant Fundament property Resident and Babson Pursuant Fundament Property Resident and Babson Pursuant to the Chinese pixture of the Amount provides and Purple and Experiment Fundament property Property Resident and Babson Pursuant to the Control of the Amount Property Resident and Property Resident and Property Resident and Resident and Property Resident and Resident and Property Resident Resident Property Resident Residen

unive consists ended September 10, 2014 and 2013, approximately \$10,000 and \$10,000 respectively, is included to commitment for an plastical to constant time with the credit anisone among the associated with the Stimelegist Australia and Lania. For the ended to more than contaminated for according to the State of the State of the Stimelegist of the state Stepelough Couranty



# UDF Relationship with Centurion via Stoneleigh (continued)

Total !

#### MAPLE WOLF STONELEIGH, LLC

Texas Taxpayer Number 32041069520

Mailing Address 1301 MUNICIPAL WAY STE 200 GRAPEVINE TX 76051-5520

Right to Transact Business in Texas ACTIVE

State of Formation TX

Effective SOS Registration Date Not Registered

Texas SOS File Number Not Registered

Registered Agent Name | MEHRDAD MOAYEDI

Registered Office Street Address | 1224 N INTERSTATE 35E SUITE 200 | CARROLLTON TX 25006

**UDF Address** 

6,

Centurion Address

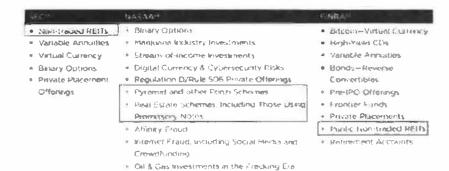
Title	No.	and Address
MENBER	MAPLE WOLF MANAGER 1301 MUNICIPAL WAY STE 200	UDF Address
MEMBER	GRAPEVENE TX 76051  TOPLOF MAPLE WOLF STONELE  1301 MUNICIPAL WAY STE 200	UDF Address
MEMBER	GRAPEVINE IX 7605) 2M MQLDINGS	T OUT HARTEST
Moayedi is Registered Agent of 2M	1221 NORTH I-33 E STE 200 CARROLLTON TX 75006	Centurion Address

### Thesis Overview

- UDF IV Loons are colluteralized by REAL real estate; however
- The economics do not work for the horrowers (line developes, and homebuilders) at 12-15% interest
- There is a firming mismatch between income recognized and cash flow as many of the foans have received ZERO cash receipts either in 2014 or in many instances since origination.
- This is a problem in a REIT structure because REITs are required to distribute 90% of not income; how are distributions funded
  if a large portion of "income" is non-cash? We believe these distributions are funded by
  - Increasing debt load ~ UDF IV has raised \$140mm of debt since 12/31/13 for purposes of either originating new loans or funding distributions (increase from \$30mm as of 12/31/13 to \$170mm as of 12/31/14), this includes the \$35mm that was raised to backstop and tender for shares as part of the public listing of shares.
  - Incentivizing shareholders to invest in a Distribution Reinvestment Plan (DRIP) by discounting the shares by 5% and not
    paying commissions on funds raised through the DRIP cash is not required to be distributed outside the system
  - Selling bad loans to related parties at inflated levels with accrued interest when liquidity is needed.
- We visited a handful of development sites which secure UDF to loans and believe the loans are significantly under-collateralized and would be impaired by potentially 50.75% under reasonable valuation parameters.
- We believe the situation is likely perpetuated/maintained because of the relationship (and conflict of interest) that exists between UDF IV's manager/key executives and UDF IV's largest borrower
- In the and, if the economics do not work for borrowers, the economics do not work for the investors; this business is about extracting an exorbitant amount of fees from unsuspecting investors and perpetuating the scheme by continuing to furnel new unsuspecting investors behind older investors.

## This is a Programmatic Issue for the SEC

The SEC's Office of the Investor Advocate recently released its annual report. The report listed what the SEC's Office of the Investor Advocate deemed to be the most serious problems for retail investors going into 2015, one of which is the Non-Traded REIT asset class.





0 ~

## 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"
- <u>"...often make distributions in excess of taxable income using borrowed</u> funds and offering proceeds"

to.

"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 lavestor Astrocote Annual Report



## Two Poster Children of the Non-Traded REIT Industry

 The issues that exist within the UDF structure, specifically related to the high fees and commissions as well as funding distributions with new capital, are <u>systemic</u> of <u>public non-traded REITs</u>, which is how UDF IV originated prior to listing.



- UDF IV appears to be a particularly egregious example because of the Ponzi-like nature of the different UDF vintages as well as the concentration of risk with UDF's largest borrower that has contributed to the scheme being perpetuated.
- RCAP sits at the center because it is the fundraising mechanism between UDF and retail investors.
- RCAP is <u>currently</u> raising capital for UDF V, potentially causing significant harm to past and future retail investors.
- Non-traded REITs are a hot-button issue for the SEC as well as for FINRA;
   UDF and RCAP are poster children for the harm that can be done to retail investors because of these structures.

Confidence



(a)

# **UDF IV Portfolio Overview**

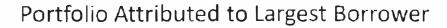
## Portfolio Overview

Of UDF IV's \$618mm in loans/invested assets, \$101mm (or 16%), are with related parties; these loans come in
the form of notes receivables with related parties (i.e. loaning money to affiliates) and participation interests
in related party loans (i.e. buying interest in loans that affiliates have originated).

6-7

Of the 131 outstanding loans, "45% (59) have NOT generated any cash receipts in 2014.

Description	Balance as of 12/31/14	# of Loans
Notes Receivable (non-related party)	\$516.7	111
Related Party Assets	\$101.2	20
Total UDF IV Invested Loan Assets	\$618.0	131



- UDE IV discloses that "we have invested approximately 61% of the outstanding balance of our portfolio in 74 loans to our largest individual borrower and its affiliates"; based on independent research, we estimate that 65% of total loan balances are related to entities associated with Mehrdad Moayedi across 75 loans. This includes loans initially originated by UDE IV to Moayedi entities as well as loans originated by affiliates of UDE IV to Moayedi entities in which UDE IV has since acquired interest.
- Despite accounting for 65% of UDF IV's total loan balance, Moayedi entities only account for 40% of 2014 cash receipts and 55% (or 41) of the 75 loans have NCT generated any cash receipts in 2014.

Description	Balance as o	of 12/31/14	# of Loans		
Notes Receivable (non-related party)	\$370.9	72%	71	64%	
Related Party Assets	\$30.8	30%	4	20%	
Total Invested Assets Related to Moayedi	\$401.6	65%	75	57%	

Note the entries represent the persons attributes to Mehr had Margesh Entry of the 1821 Service has the first are 1831 from the formatter the Meangern entries represent the translational of the color of the color

### Further Concentration of Risk

- UDF IV's second largest borrower is Tom Buffington, another fexas developer and home builder, Buffington
  related entities account for 11% of total outstanding loan balances; when combined with Modyedi related
  loans, the top 2 borrowers account for 76% or total outstanding loan balances (adding in related party notes
  receivable and related participation interests, the total concentrated risk is 87% among the top 3).
- We believe there may be issues with loans issued to both developers; however, there do appear to be
  differences. A significantly greater percentage of Buffington loans have generated cash receipts in 2014 and
  the contribution of total cash receipts for Buffington is in-line with its outstanding loan balance whereas.
  Moayedi cash receipt contribution is significantly lower than its outstanding loan balance.

Description	Moayedi	Buffington
% of total outstanding loan balances	65%	11%
% of total 2014 cash receipts	40%	12%
2014 cash receipts as % of outstanding loan balance	15%	26%
% of loans that HAVE generated 2014 cash receipts	45%	73%
% of loans that <u>HAVE NOT</u> generated 2014 cash receipts	55%	27%

Confidential

## Loan Maturity Schedule is Short-Term Weighted

As of December 31, 2014, 60% of total outstanding loan balances mature in 2015 or have already matured.

The following table represents the scheduled mesony has of the 13t found outstanding as of becenter 11.2014

		Related Party			introlated parts		Total	Lad	
Maturny	Ansount	Learis	Total	Amount	Luam	<sup>4</sup> ii uf [rtal	Armount	Lauren	fulq§
Matured	-		1744	16,357,000	5	394 5		5	7
2014	58,812,000	¥1	5 R**	Vio.727,(ite)	46	58%	359,539,000	57	57%
2016	15,857,000	5	1696	11 IL 30IL (UTI)	,57	23%	134,165,000	- 62	77
2017	(0,231 DUI)		{ 1 <sup>th</sup>   <sub>to</sub>	NE A FE, UND	7.4	16%	91, 955 000	14	159
2013	4,610,000		576		4	-	4,350,000	1	- 17
2019	(8)	100							
2020	- 4		4	i i			1.00		
202 F	11,400,000		12%				(1,9010)6		74,
Total	\$ 101,290,000	20	100%	516 774(ft)	111	((e)%	61RAUSANO	131	100%

<sup>\*</sup> lies) than 1%

As of Desember 11, 2014, we had 5 matried loans with an angust paragraph bilance of approximately \$16.4 million that are compalled imparted because this, remain considered beyond the confluential fermi of the loan agreements. I uil collectability is considered probable for all 5 lians and we have not recorded a specific altinuance related to any of these imparted loans. The average modifies obstanding behavior associated with imparted loans for the year ended Desember 51, 2014, we recognized approximately \$25,000 in inferest incime associated with imparted kent of dots recognize any action bears incime associated with imparted kent and we did not recognize any interest income. As all Desember 31, 2013, we had no natured loans. For the year ended the enther 31, 2013, we did not recognize any interest income associated with imparted loans. For the year ended Desember 31, 2013, the average monthly obstantial published associated with imparted loans was approximately \$11,000 and we recognized approximately \$1,000 in instant income associated with imparted loans.

All 5 of the matured / impaired loans are related to Buffington, Buffington-selated notes represent \$67mm of the total \$618mm of loans, including the \$16.4mm that have matured and are considered impaired

## Does a Conflict Exist and Is It Material?

#### 21 loans matured in Q4

Moayedi: 10 (\$89mm)

\* Related: 6 (\$32mm)

\* Buffington: 5 (\$17mm)

Q4 scheduled maturities represented \$138mm or "22% of outstanding loans.

All loans related to Moayedi were extended into 2015; all but 1 to related parties were extended into 2015.

Conversely, none of the loans issued to Buffington were extended.

99% of the loans that matured were either extended or matured, are still outstanding and are impaired.

					_	Curtishan	Bis 5	-
	frame De L	C Person	MANAGERY IN ALL	A of 12/12/7804	W	norger!	28	PERM
Chapter Of Street,	1							
186 may, it	( wow	Marin	12/22/24	12, 11	7	144	3	3.1
The Result or super continue time of	1 10000	Winds govern	12/75/10	12/11/19	181	1.6	à	5
(日中5人215人公司)	Enter-deal	Beerli	Janon.	62/1/25	10	4.75	4	1.5
THE CONTRACTOR AND A LET	Larries	and the same of	10/10/14	10/33/33	5	(7 h	1	18.
use shore if	Leveled	Manager	12/21/14	12/11,23	-1	2.0	3	
TRACT MOMBRENSE LL	-	Street, or other party of	13/12/17	withi	-	16.7		- 4
CTMSTApins 61-45, (gl	Exemples	Allendo	70/31/14	27/4 11/1 Ph	100	100	1	10
Megaber Winters III .	F CTRACKS	A Monard, he's	ms 13/27/24	\$1,7733B	1	14	4	1
COMPCT Security may make the control of	Laterated /	Maleyary.	22/37/10	12/72/35	100	5.1	5	
THETTING HAMINGO ES	\ rames	Administra	10/31/14	18/76/15	6	6.1	Ę.	۵
Total Michael Manual /IN Street,					87	MEZ	4	- 06
-	1							
UCA Asia Creies	( come)	Ne # 20	12/39/54	19/30/15	4.7	4.5	4	2
THE THE BARY JUDI	Organia d	No serve	2/79/45	46740		. 7		
CTURCE Tribute Rench (VDF)	Entrivined	the valued	1,74/3	10505	5	548		5
יום אונטן שאינטאליצאון דואארי	Europe s	N-497	12126/26	12/2012/15		Yò		30
Magazin managa in public berself managai	Larrence	1 to you	12/78/14	WILLS	i.	41	2	3
project the passes as married freezing all	Innova /	to says	10910/14	171005		10	5	- 5
					F	124	5	15
beliegen days between the printers	1							
new regression (190)	/ miner	of more	13/30/24	12कार		13	á	2.
marge ff	Mart E Harr-own	o Surveyor	12/31/24	42/11/14	1	0.9	¥	3
Mill a spherastre of the	- MATROLOGIC	- purregar	75-21/14	12752/34	E:	2.3	4	2
fritters or BC 33	Min Essence	Buttages	12/72/14	12/30/14	4	24	5	a
Missipales feroms 21	And seems	·/maga	13270/14	\$2/21/54	-	12.6	ř.	16
	1	/			6	16.6	16	15.
					3.	10.7		947
· remades					1	ELEN	1	
Simple rest ( me a lieb					1	0.00	1	
के क्रिकार-का प्राथमिक					1	42%		

0

## No Bad Loans Here

UDF IV accrues a provision for loan losses of "0.5% annually; however, the Company individually reviews all loans and has classified all of its 131 loans as level 1 which means full collectability is considered probable as opposed to level 2, where full collectability is considered more likely than not, but not probable.

(\$ in millions)	12/31/13			12/31/14		
Level 1	5	515.0	\$	616.0		
Level 2				-		
Level 3	_	-	-			
IETOT	Š	515.0	5	618.0		

Level	Definition of Levels
Level 1	<u>Full collectability</u> of loans in this category is considered <u>probable</u>
Level 2	<u>Full collectability</u> of loans in this category is deemed <u>more likely than not, but not probable</u> , based upon our review of economic conditions, the estimated value of the underlying collateral, the guarantor, adverse situations that may affect the borrower's ability to pay or the value of the collateral and other relevant factors, interest income is suspended on Level 2 loans.
Level 3	For loans in this category, it is <u>probable</u> that we will be <u>unable to collect all</u> amounts due

Car.

Confidential

## Mismatch between "Income" and Cash

- Cash from operations is consistently lower than net income and corresponding distributions which are required to be at least 90% of taxable income each year; we believe this mismatch exists because a significant politicity of "income" is non-cash, although the Company Moes not specifically identify and disclose this fact. To further explain, it appears the Company issues development loans, which in many cases simply PIK and accrue larger balances for multiple years without ever generating any cash receipts.
- As a result of this mismatch, the Company has funded distributions partly through debt and raising new equity. ('proceeds from offering'); in addition to what is shown below which is rirectly sourced from the Company, UDF has raised \$105mm in debt YTD, excluding debt raised for the tender (\$35mm), which we believe partly funds distributions and potentially recycles capital through to Centurion which allows it to service old debt and artificially inflate the level of reported operating cash flow.

(\$ in millions)	. 2	820A		2011A	_2	OLZA	- 2	OR SA	_2	014A	Cu	mulative	Table directly sourced
Distributions Paid in Cash		n/a		n/a	S	12.5	S	27.7	\$	42.3		n/a	from multiple UDF IV
Distributions Reinvested	_	n/a	_	n/a	_	1.0	_	16.9		8.9	_	n/a	SEC filings.
Total Distributions	\$	1.9	5	6.1	\$	19.5	\$	44.6	5	51.2	\$	125.2	
Sources of Distributions													
Cash from Operations	\$		\$	45	\$	9.8	\$	24.5	\$	41.7	\$	80.5	
Proceeds from Offering		60				100		13.5		9.5		23.1	
Borrowings under Credit Facility		1.9	_	3.6	_	9.7	_	6.6		-		21.7	
Total Sources	\$	1.9	5	8.1	\$	19.5	5	44.6	5	51.2	\$	125.2	
% Funded via Cash from Operations		0.0%		56.0%		50.2%		55.0%		81.3%		64.3%	

Conf total

## UDF IV - Debt Overview

- UDF IV has 8 landers in total with a total outstanding debt halance of \$170mm which has increased by \$140mm since the end of 2013.
   \$35mm of which was used to tender for shares as part of public offering.
- Since listing, the Company has raised \$50mm of debt from Waterfall-Finance, at a 10% interest rate (L/300 with a 100b)s (loor)
- Community frust Bank is UDF IV's largest single lender (\$53mm); Hollis Greenlaw, CEO of UDF IV's external manager, prined Community Trust Bank's "Dallas Regional Board" in January 2014
- \$145mm of the Company's \$195mm maximum becrowing capacity matures in 2015 with \$123mm outstanding at 12/31/14

Dear Our (ronding, 5 in entires)	12/51/14	
Community Trust Bank	9 57 1	
Waterfall 3 - 4 Euronce	50 D	
Prosperny dancenares	14.5	
legacy Texas Bank	11.0	
Veriter Community Bank	7.1	
independent Berst	13.8	
Capital Bank	7.7	
Affidiated Bank	7.5	
Total Outstandfar Dybe	5 170.2	

6

(S.m.michoris)		Maconum			Administrati			errol Mes	(with the Kinding										
		Amount		Date	Amount		Amount		12/31/1011		e/30/2014		9/30/2014		17/11/1814		fare	Massarby	Cross Comments
Community Frust Barrio of Techt	5/15/2011	W	155	6/1/2014	Ţ	200		43.5	3	11%	160	1.5 9	3	374	4	19.3	0.750%	1 W/2014	(AD#-11)
Community Tryot Bank of Texas	8/15/2010	1	13.0	4/11/7014	t	100	5	25.0	\$	146	5	13.9	\$	21.6		19.8	4.75/20	7/30/2013	UDP III
Prosperity Barers Fiores	12/14/2013	1	33 a	71.9		11/4	3.	15 Q	3		\$	5 €	5	35.0	5	14.5	4 000%	12/74/2016	1406 (1)
Logocy Piccors Bank	12/1/2011	\$	5.3	n/a		0/8	\$	5.0	1		2	4.0	1	4.7	S	5.0	414	(12/3d)7	Description
Venter Community Back	2/11/7012	10	5.1	6/39/2014	Ŷ	0.5	5	14.5			É	1913	9	3C D	è	1.1.1	4.500%	1/10/3012	None Duringer
Affil larged Bank	7/73/2011	51	5.5	8/5/2014	12	20	15	75	5		9	3.5	5	5.4	5	7.5	7.00EZ	7/23/2014	None Orantoseri
LOGROY TEAMS GOISS	8/5/2013	\$.	10.5	6/5		0.00	-	រស្ន	1		30	9.5	\$	15	5	6.0	3 000%	9/3/2013	Nove Osstonia
Comments Inter tions of Trees	4/19/2013	\$	213	4/11/201A	5	1100	3.	15 🛭	5	6.0	5	3.5	\$	318	5	33.4	4.250%	1/79/7033	UDF III
Imperender L'Sarvi	17/6/7013	5	253	- fa		10730	1	15.0	5		5	14.0	3	19.6	ā	13 6	4.145%	12/4/10015	Mone Desciones
Waterlall & Finance	7/2/2014	3	22.0	N/0		11/4	3	₹5.0	\$	- 2	5		2	33.Q	\$	95-0	10000	12/11/2015	
Waterfait 3 Finance	10/14/2014	1	15.0	*1 P OL		10) 5	3	15.0			3		3		\$	15.4	15 000%	10/14/20:5	None Discioned
Capital Sant Respirer	13/11/2014	6	44	-7.9		510	4	4.5	1		ů,		5		6	1	4.3.55%	17/11/2019	None Dectary
Tutps							4	1710	5	30.5	do	71.2	1	1423	5	1992.0			

1.0

## Greenlaw Relationship with Community Trust Bank

E-MI

Hollis Greenlaw, CEO of UDF IV, joined Community Trust Bank's "Dallas Regional Board" in January 2014

Community Trust Bank lends to UDF IV and happens to be the single largest lender at \$53mm outstanding, (total borrowing capacity of \$70mm), increasing by \$23mm outstanding and \$20mm of capacity since Hollis Greenlaw joined the Board



6

# Detail of Moayedi Related Loans

Yellow shaded loans represent loans with \$0 cash receipts in 2014; note relatively even split between 1st lien and 2st liens as well as majority of collateral as "paper lots"

	Pre			plant.				****		
		and Committee	9	all Proper	Toronto.	Comments of the Comments of th	lander			
CTAMIT Grandwine ILL	3	57.3	3		and Defends to the	ESS HOPE	Bridge II	<b>3/2/</b> (3)	05/20/35	
PRINCIPAL STREET, CARRON, PRINCIPAL LA	-4	L1		1.1	744 ( 184	8 nemes	Pallen Ic mts 11	M/38/10	and the same	8.
CTMSC Land	3	13.5			and on \$1. When the	CE HOLD	Responsi Listano 15	52/23/1A	10/33/34	10.0
All France Af-	\$				Bounds of grands	PERMIT PROPERTY.	Corrections, La	מתת	CL/21/74	
The Sample of Fagra Competition carrie (A.	5					119 mores	Contest Devices Th	WEVE	WZWA	
FM 2005年1935年	16			4.9	service in sales of the parties	\$34,860er (etg. 33 eucliner) (gra-	Section Comments	19/43/53	DATE:	5.0
Public Best High frieldung	- \$	44,7			SEC CHIEF II. AT THE SHIP THE SEC	176 men was 16 forces of total	-	11/20/11	GENT/17	3.
Inna 35	- 6	1.0		£1	24 HERE - TON	427 pages - 6 4	Seems training 71	89/28/01	01/31/76	9
Prices China Inter L	16	Alle	-1		300 00	If pinglet other	Designationally be	B:BC:	ation	
Auto Same Same	\$	18	1	10.9	THE PERSON AS A PERSON AS A PROPERTY.	\$ for canada more 1877 paper and	Two was 13	SECT	SERVICE	
This? Martine	5	26.9			and him & revenue represents	15 mm in. 11 (variet in)	Orman Guren 11	DAM	TH: YE	
THE T WHILE THE	3	75	13		Sen were	AUT DESCRIPTION OF THE PERSON	Western T.	#MM(-)	STEP 1	
CIMET Varrey Bulge	1					differential cons	Format South	914E/13	THE T	83
Company (Entropy Catalogy of Propagation	5			16.6	Est topin	ATTEME NOTE	Diction Lawrence To	DESTIN	averes	3.5
Truct Excenses	- 15			23	Judiconsta to . me #	St Fr whey was my min	Dillon Daylong Th.		SA BOARD	5.
C'UST AURIG SOND	- JL				2010 (Her Complete to a self-turk gradiente	\$ 5.50 man (ent)	THE SECTION TO A SECTION OF THE SECT	57.30,02	<b>公里</b> /3	
COMMET PROGRAM	- 3					Marcon 41	Edward Color Pills   18	もなれば	בועביע	
Comment 10	1		h		Hereit die film and semination	Later on the	Fried Children St. 32	10/20/21	THE CASE	5.5
IN LAW REQUIREMENTS	- \$	1.0	- 3	0,3	_111 <del></del>	i faight as	Dester Coarse, TE			
CTMST AN U	- 8		8		Court is return assert to energial and recipional	192 property many	Dentery Livering	11/34/12	(RANG)	
Prove Trace of Frage (	- \$	4 )	-1	2.1	4	114 844 91	models I	17/ <b>36/</b> 17	TEMPTE	3.1
CTMST septemb	- 3	1.4	5		Francisco	5 (366) 166	BARYS MONEY	STANKIN	EE/200/05	9-3
Class town	- 8	5,9	9		Stal Land	198 forested top Williams on	Children Down TR			1.1
THE RIGHTS I	\$	4.3	- 6		of any the new and remaining	TRACES BOAT RECEN	Continue Courses, 474	0/27/12	38/25/13	
, TIMET REPORTS DECEMBED	- \$	1.1	- 5	3 1	Littlesse (1987 from	205 80355 904 241 9055	per manage 73	17.77.1	22/31/14	0.5
CTMET Borton 133	8	3.6	E		Part trees	J. Traphyd swo	REPORTED TRAINING 74	174001	RZ/RM/13	
COMPT Vermont	3		3		QLD siles	COMMENSOR ASSET	Photo Library 18	10/25/21	94/35/13	
73477 Barrier	- 8		- 5			In Extransia to E	Otto Mora Country: Tit	16434/1D	ID/24/13	16.3
Child's Farmite 1.22	- It	± %	5			(%) pagers was			L'ANT	E 1
CINCIPM DWS DESIGNA	3	11	3			122 milhard str	FIRST SEMENCE TA	SECULTS.	200 <sub>1</sub> 127/Lig	E-6
CTMS? PARTY SIGN: 41	- 8	2	16		Jad wa	SER PHONE -	Committy Committy To	SYMPLE	F17M27m	3. 1
THE TELEVISION OF THE PERSON O	- \$	2.7	-1			To the entropy while	Children Complex. Titl	87/39/13	07(34/24	
CPAST Rightware William	- 6	5 4	2		2-00 to	#7 fin arms act	the same of the	<b>11</b> /11		9.1
CTMST (see upo from 24	- 1	8	- 8		Buttine	A Transferred with	TI	<b>₹/1</b> √711	W/17/W	
CTMPT History Draft 15		7.9	3			SE course free	(DESTRUCTION TO		MATERIAL IN	9.1
CPMST Lauge 238		1.1	5			170 men of	Cast - Counts In	M-38/11	26,26,7	3.1
FI MART Frankling ND		15	3	5.8	Institutions	2M remotings	CONTRACTOR TO	(0.404/7)	EDEM	3.7
THE LOCAL PROPERTY OF THE PARTY	- 6	4.9	3		20 m	William Retail	iones ero is	uu.	<b>CATALON</b>	
Transp Propagation of the St. P.		£.,7	8	3.5	1 17 mars 6 m mm	All the parents are	Charles print 14	D12 JM109	LINVE	
FOME? Propers notes 42 F	5	1	4		& Stand &	All Ferniters min	Switzen Country, Dr.	23-FE/13	ATVIN	

# Detail of Moayedi Related Loans (continued)

Yellow shaded loans represent loans with \$0 cash receipts in 2014; note relatively even split between 1st lien and 2st liens as well as majority of collateral as "paper lots"

Low

E palling.		Om 34	20.14					Store		
		-15-1	-	total:	Smalls	4	brome	Date		
FINCE TOWNS TOWNS	5	2£ q	4		Dec 1 art & cd representation	to be about my detracted	Service (service)	DACROY	150	3.6
PMG1 We introduce till field	5	15	3		18 -	ALL CORP. TUR.	exemplified to	the last	12/2/1/6	10
CTMOT FIRMS BANKS NO D.	2.	62	ă.		DE ON'T BUT THE OWNERS OF	scanning trees.	HERMAN TOWNS OF	HARRY	71 F	. 10
rist Lican Bereit		55	à.		FR THE T	T DESCRIPTION	100000000000000000000000000000000000000	FILTER S	FITTELAN	9.0
Chell daries - Except	b	316	J.	1.8	Indiam	ATT Laure Total	DETAIL CHE'S 14	SEALS	100	3.6
PROSESS OF PERSONS IN		100	(X	3.5	the card and an experience	1 * 0, 0 00 1 1 1 1 1 1 1 1	HEROTELES OF	22/20/18	10.75	3.82
THE COMPANIES TAXABLE		1.9		5.6	(military)	Fillippe Per	Drew Street St.	10 1/14	14/10/11	3.5
C Mist Been UTS1		12	9		and the birth security sections.	with the section	CHICAL DUME 14	NUMBER	46.111.0	2.9
C 16G ! Southwell have a we		6.8	4		Terrescondora ausgement	LES MARKETON	WHAT HAM I	11111/4	16/27/05	3.0
SOME Devictor and BARCE	18.	6.9	5		(8.177)	12% (a.m.m.)	former lawy to	JM11	対例例	1.0
C'90' non-mar Lores	3		4		194 Fill of	Number and	State County 14	337.0714	5075-1	3.0
CTMT1 Pane 11	3	2.5	0		(married)	AT VALUE AND	partie library	1470901	HONVIL	8.6
U pagenting recovery by target U	1	0.7	4		2ne ier	Michigan con-	Seeken Course (1)	21/62/34	7000	2.0
"Mill" Spring Clean Mill	1	4.0	b		6-pt - 12 (c)	Michigan Intil About the Co.	Special Company of the	NO DE	25/44/25	3.0
PAST ALL	1	9.7	2	9.3	DECEMBER OF STREET	TOWN DECIMALS	Harrison et al. Til	96/30/14	45	9.6
CTMS francis Report to Unit	4	1.0	6		escribin.	CA CHICAGO STATE OF THE STATE O	where there is	SWIF	SIL ILL	3.6
They's Bridges on Personal Learning (1/2)	3.	91	2		100	11 14 H T 14 14 14 14 14 14 14 14 14 14 14 14 14	in transmit (Subbay "Y	96 600	16.01	44
Thritt Beach in East also loss the	18	6.0	OI.		THE REST	1. Commission (1. Com 74)	Assessment 19	11045	11565	a 25
C NGT took garges refered to		16	53.	1.5	39 at 1	5.50 000 4 100	(College/A)	14-7518	1000	4.8
THE PART OF PERSONS	4.	71	4	9.2		17 min to the Control	the second of the	711	DATE:	6.0
Maritim grown hard	4	4	Į.		9.10	41 44 1	William model 19	DATE OF	36.5375	3.3
Mary I parenteer	5	2(r)	3		(5) (6)	HTHREE HI	100000000000000000000000000000000000000	W/36/13	16(691)	4.0
CARC CHARGE TWO TO	7	-55	- 15		Spr: en	and the contract of the contra	About Lowers 11	No. 1	19-61-16	4.6
TENT BEAT THE PE	16.7	50		- 12	Total and	full of the world to	Symmetric (	ALC: U	m-25	5.3
לאשיינים האוני לאנויי אוניי	3	200	19	1,000	201 AT 1 NOW 7 MIL.	TEMPORES	Section Company	W.	23(5)(1)	9.57
Tel tab rottels	1	19			builes accurate branch	21 Forness III	4	17845	76.7711.	4.3
CIMETA IN PORT - IN THE	6	0.1	15		tragge of more	U.S Per refred acro	mountains to	ECUA	16/25/01	4 5
unit i despited (2	3	(i)	5		248 985	LAD NO	word Charle to	11/02/0	A 7/11	9.6
Chall hatter with U	4	lt 5	0		and the are up of equity	5.79 533 miner	file was	NAC.	11/1997/19	10
Only Windows Hills, LP		18	1		(m) who is unique to employ	225 PS entres	Fith County Ti	53/N/2	55/25:74	3.6
One Rindbar (A) is in	3.	1112	8		Distriction a district charles	PAZ SEED mores	1019 Timerio 75	10/16/18	25/Sept 1	3.0
MENATE BANKS	4	6.6	4			L A20	Control (charge to	1000	NUMBER	2.9
Com timber in the	à	6.1	1		had been a order or manife.	456 £18 mizes	the floor of	10/17/18	Patrici	18
Table Secretary or second because	: 1	110	1 1	16.6						



4.2

Go.

# **Example Case Study Related Party Participation Interest**

Confidentia

4.0

#### Travis Ranch (TR) Paper Lot Participation

- UDF IV discloses in its 100 (9/30/14) that it
  purchased a "participation interest" in a loan from
  UDF III (an affiliated fund) to CTMGT Travis Ranch,
  a Centurion American (Mehrdad Moayedi)
  development
- "The "interest" was purchased in 2010, year-to-date, the loan balance has increased by the amount of interest 'earned' and then some (+\$380k)
- There have been \$0 cash receipts in 2014 according to company disclosures.

Travis Ranch Paper Lot Participation	(\$ in 000s)
Outstanding Balance (12/31/13)	\$12,617
Interest Income (12 months)	2,017
Other Increase in Loan Balance (Plug)	380
Outstanding Balance (12/31/14)	\$15,014



#### TR Pages Los Paras queron

On June 30, 2016, we purchased a participation interest the "TR Paper Lot Participation") to a paper fol foan (the "Travis Robeth Paper Lot Louin") from UDF III to CTARCE Travis Robeth LC on unaffiliated Tevas latited lability company. The general partner of our Advisor is also the general partner of DATH LD, our asset manager. UNIOTED is the general partner of DDF III. The TR Paper Lot Participation is due and payable in full of January 28, 2015.

• Full extent of description of related party participation interest in UDF IV filing (9/30/14 10Q)

.)

## What Exactly is Travis Ranch?

Travis Ranch is a real Centurion American development with real homes and a real elementary school in Kaufman County, Texas, near the township of Forney (near Rockwall).



i a









( )

Confidencial

38

#### What is the Participation Interest in Travis Ranch?

- The initial loan was originated in September 2009 by 1101 in
- The original basince was \$8.1mm, compared to the current outstanding balance of \$15.0mm
- What is the collateral? "The TR Paper Lot Note was initially secured by a pledge of the equity interests in the
  borrower instead of a real property lien, the borrower owns paper lots in [...] Travis Ranch"
- What is a paper lot? A paper lot is a residential lot shown on a plat that has been accepted by a city or county but which is currently <u>undeveloped</u> or <u>under development</u> (i.e. not finished).

This disclosure is provided in a UDF III 10Q, NOT a UDF IV disclosure

#### IR Paper Ly Norw

In September 2000, we congruided in \$5.1 options occured promissory notes the "TR Paper Lot Note") with CTMGT Trivia Ranch, LLC, in manifold feature trade trability company. The borrower owns paper lots in the Trivia Ranch new dentral subdivision of Kanfaren County. Texas A. "paper lot in a residential to shown on a plat that has been accepted by the city of county, but which is currently undervised or made development. The TR Paper Lot Note in a residential to thow on a plat that has been accepted by the city of county, but which is currently undervised or made the TR Paper Lot Note to all real paper) has been accepted by the timated inhibitory company organic plates. Experience of the require of the require the transmitted by the timated inhibitory company organic of the borrower and by the principal of the borrower. The uniform randle the TR Paper Lot Note to 13% The borrower has retrained a september to reduce the paper lots will be paper be to the second leads of the second leads and to the second leads to the desire of leads to reduce the unistability allating of the borrower has the whole of the paper lots are required to be used to reply the TR Paper Lot Note. The TR Paper Lot Note was the add payable in fall on September 24, 2012. Purposed to allow modification is presented effective. September 24, 2012, the number of confidence of the Paper Lot Note was calculated to January. 28, 2013 for manifold can modification agreement effective January 28, 2013 the number of the time of the confidence of the underlying collariors. September 10 and for the second to second leads modification agreement effective January 28, 2014, the manifold will be extracted to Note was further extracted to January. 28, 2015 in described to will can include this conduction of the underlying collariors. The greatest of the collariors after the option of the underlying collariors. The paper Lot Note was further extracted to January, after the soft of the collaters and other will be not paper for the underlying collariors. The grea

Description of TR Paper Note in UDF III Jiling (9/30/14 10Q).

#### What is the Participation Interest in Travis Ranch? (continued)

6730

- Is there a first flen? The Borrower has obtained a senior loan secured by a first flen deed of trust on the paper lots. For so long as the senior loan is outstanding, proceeds from the sale of paper lots will be paid to the senior lender and will be applied to reduce the outstanding balance of the senior loan."
- The form was <u>originally due in September 2012</u> (3-25 note), the foam had been <u>modified</u> and <u>extended THREE</u> times as of 9/30/14 and was due January 28, 2015, subsequent to 12/31/14, this note was <u>extended</u> for a <u>FOURTH</u> time and is now due January 28, 2016.

This disclosure is previously an a UUE in 100, NOT a UDE IV deschaute.

#### TR Paper I at Tare

In Segrender 2000, we originated in \$5.1 callital secored gromessay and other TP Paper Lot Now.) with CTMGT Turn. Rundin LLC. is conditionable into the history company. The bonorier source open for in the Trive Rundin endeath additional of Kordina. Control Texts. A "paper Kits, a recidental less shown on a plan that his been accepted by the only incoming but which is correctly indeveloped or under do religious on the LR Paper Lot None to controlly expended by a gledge of the equity inserved in the bonorier inserted by the limited hisbility company or ment of the bonorier and by the parameter of the paper Lot Note is grammateed by the limited hisbility company or ment of the bonorier and by the parameter. The unserved mention the TR Paper Lot Note is grammateed by the limited hisbility company or ment of this bonorier and by the paper lot Note is grammateed by the limited hisbility company or ment of this bonorier and the paper lot Note in grammateed by the limited limiting of the sense less is continued in the state of the paper lot Note and the interest under the TR Paper Lot Note was the and partial the return less in the state of the paper lot Note was the and partial tension by the state of the paper lot Note was the and partial tension by the state of the paper lot Note was the and partial tension by the state of the paper lot Note was the and partial tension by the state of the paper lot Note was the and partial tension by the state of the paper lot Note was the and partial tension by the state of the state of the paper lot Note was the and partial tension to a second lead modification agreement effective sensions. A first the extension that no september is a florid to a grammate of the state of the

Description of TR Paper Note in UDF III filling (9/30/14 IVQ)

#### What is the Participation Interest in Travis Ranch? (continued)

6-

- And the Iclas on the Cake? UDF III (the ORIGINATOR) does NOT have an interest in the TR Paper Lot Note and
  the UDF IV participation interest is NOT included on UDF III's balance sheet
- While it is unclear if UDF IV owns 100% of this note, it is clear that UDF IV 1) initiated a loan that seems to have been simply accruing interest for 5 years (almost doubling in outstanding balance). 2) sold the note in full to either a single related party or multiple related parties, 3) does not include the related party's portion of the riote on its balance sheet, and 4) demonstrates the Ponzl-like nature of UDF loans.
- So basically, UDF IV owns a note with Centurion American (CTMGT Travis Ranch), its single largest borrower, calls it a related party participation interest which its related party (UDF III) does not own not does it include on its balance sheet and does not disclose that this note is related to Centurion American (all of the disclosure that provides an investor with this detail is UDF III filings and not UDF IV filings).

This disclosure is provided in a UDF III 10Q, NOT a UDF IV disclosure

TR Paper Las Note

As of September 30, 2014 and December 31, 2013 we did not have an outreastone balance in notes, receivable in access receivable are receivable are receivable are receivable as a receivable and the TR Paper Let Note. We did not necessary increase invocated with the TR Paper Let Note for the there is not more than and of September 30, 2014 and 2013. As of September 30, 2014 and December 31, 2013. Ultil IV had a participance interest resociated in the TR Paper Lat Participance of approximately 514.8 million and 512.6 million, respectively. The UDF IV participance interest as not not balance there.

Description of TR Paper Note in UDF III filling (9/30/14 10Q)

Contidential

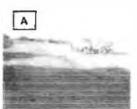
## What is the Collateral Underlying UDF IV's Loan?

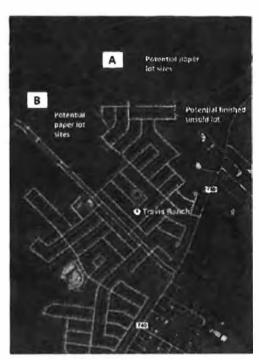
Viza:

- UDF iV's collateral is described as "participation in pledge of equity; paper lots, 401 acres and 10 finished lots"
- So while we know that Travis Ranch is a real development, the collateral for this loan seems to be an undeveloped incremental phase of Travis Banch which sits behind a 1st lien senior loan, which has not been developed or finished in the past 5 years since the loan was originated.









Cort

Contidential

#### Travis Ranch Participation Interest Conclusions

- Disclosures are poor at best and misleading in practice.
- It is unclear exactly what the underlying collateral for UDF IV's loan is and what the outstanding balance
  of the 1<sup>st</sup> lien ahead of UDF IV's loan is; however, there appears to be potentially "\$10mm in 1<sup>st</sup> lien
  issued based on a fren search for CTMGT Travis Ranch
- Part of the land around prior phases has been cleared but there does not appear to be any significant, current development being undertaken (only sign of construction was a single truck).
- The loan has been outstanding for 5 years and extended 3 times, yet the lots are still unfinished and will
  require additional capital to complete as well as time to complete and time to self-finished lots.
- Houses in Travis Ranch are listed for \$150k to \$200k (estimate lot values of \$25k), assuming no
  incremental cost to complete, no outstanding 1° lien balance, no incremental accrued interest, tot
  values of \$25k and not discounting for time to complete, the developer would need to sell 600 lots to
  cover the current outstanding UDF IV loan balance.
- Given the incremental costs, time value and lot values and knowledge that a first lien exists, this loan is likely impaired and most likely continues to be extended because of the relationship between UDF IV and Centurion American; based on our estimates, the loan could be impaired by SD-75%+.

Cacheerola



but

# **Example Case Study Non-Related Note Receivable**

Confidential

#### Montalcino Estates Development Overview

- Montalcing Estates is a real Centurion American development with real homes and a real half-built community center.
- 51 resident/al lots have been approved for the current phase of the development where infrastructure appears to be complete.
- The development is in Flower Mound (Denton County), TX and the overage lot size is 1 acre.
- The UDF loan was originated in December 2011 and is a subordinated loan; current outstanding balance of \$25.2mm, "matured" on 12/13/14, interest rate of 13%.
- Three years later and upon maturity of the note, there are a total of 12 homes either under construction or complete, 3 or which are model homes and only 3 of which appear to have been sold to individuals.



Confidential

# Montalcino Estates – The Good



600

6.1

Confidentia

-3

# Montalcino Estates – The Bad





(b-)





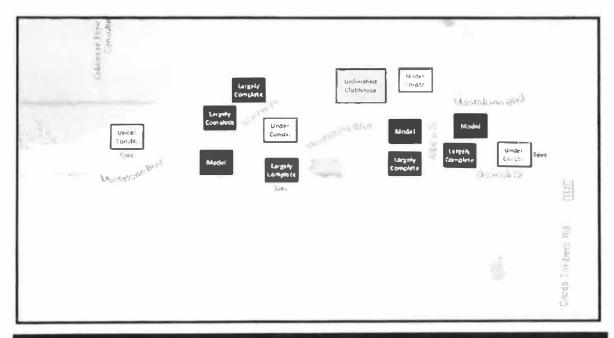
Confidential

.3

#### Centurion American Montalcino – Construction Update

6

12 total homes (3 model + 4 under construction + 5 possibly complete, maybe 1 or 2 sold) plus an unfinished clubhouse and a couple half filled retaining ponds



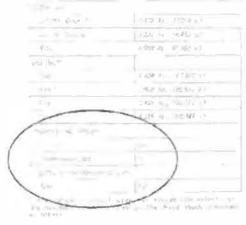
Confidential

#### Centurion American Montalcino – Project Data Table

Lit

51 residential lots approved in phase I (average lot size ~1 acre); 140 acres required to be open/conservation areas by code out of total gross site area of 216 acres; the tables below are sourced from a survey in the Denton County (TX) plat records.





13

to a condition to the first of the second control of the second co

C-nfidential

#### Montalcino Estates – Loan Balance History

- Since the end of 2013, the loan balance has declined by \$1.6mm, the collateral has been reduced by 8 finished lots (41 finished lots down to 33 finished lots) yet 00f IV discloses that it has received \$0 cash receipts in 2014.
- There appear to only be 51 total residential lots approved for development in and around Montalcino Estates based on records available online for Denton County, this makes it unclear where the 125 paper lots that also serve as collateral are actually located (possibilities include lots at other Centurion American Developments, specifically Legends and Turbe ville).



				C	· · · · · ·						, ata_				
CTMGT Munisiums	Desic	Security	Laboreti	Bellevie		Bellevic Berging Desc			2913A		78124			ALLES	
CTMGT Montailding	1//11/2012	Zng Lien	4/8 42(9)	5	23 531,488	12/13/14	5		5		5			5	
CTMGT Hantelone	3/31/2015	2nd tren	478 Acres	2	34 605,284	12/19/14	5	(a,b)	5	100	5	19	- 5	5	
CTMCT Montaiting	CIMMIT	Ind tien	478 ATIPS	É	25 146,455	12/13/24	6		9		ă.		9	5	
CTIMET METTERONO	9/30/2013	2nd Uen	473 Acres	\$	29,230,518	13/13/34	5		5		5.		- 4	3	
CTMGT MOITEMETE	17/31/5019	288 (1511	41 historied Latt, 149 ender LCS	4	2223,437	12/13/14	J.	÷	5		Š.		- 5	5	
CTMET MENERICANO	2/31/2014	2nd Lien	96 Finathed Lifes, 129 People Los	ŝ	31,83E,527	12/13/14	5		4		2:		1	1	
CTIMET Montacono	6/30/2014	and tien	34 Perished LULY, 12 294 periods	1	35 086, 276	12/13/24	£		I		5			5	
STAGE WORKERD	9/30/2014	leg Uen	34 Finalited Lam, 125 Paper Loc	3	27-271-928	12/13/14	5		5	-	\$.		- 1	1	
CTMGT Mentersing	13/33/2016	2mst Lien	33 Funquied LOS: 115 Paper 181	5	38,589,124	5/73/25	5		2		5		- 3	5	

Confidential

. )

#### Potential First Liens Prioritized Ahead of UDF IV

- The maximum amount of debt with prioritized lens ahead of UDF (Vir. \$16nim) of this total amount, \$4 6mm was
  refinanced in 2013 and \$3.5mm was horrowed in september 2014 specifically for the purpose of conditicting an
  amonty center which is not yet complete.
- Assuming the likely range or prioritized debt is \$8.5mm to \$16 0mm, the total debt against Montalcine Estates including UDF IV's liep of \$28 6mm is \$37 1mm to \$44 6mm.
- Based on an estimate of \$100,200k per lot, the collateral value of the 33 finished lots at Montalcino would be \$3.3mm to \$6 6mm;
- Assuming 1) no incremental interest cost, 2) no incremental capital to finish the paper lots 3) no time value associated with the time to complete or time to self-iots and 4- lot value, of the finished Montalcino lots of \$100-\$200k per lot, the 125 paper lots would each need to be sold for \$244k to \$330k (depending on 1) lien debt outstanding, see range above) in order to repay the current outstanding UDF IV loan balance of \$28,6mm, in reality, the paper lots are almost certainly worth, loss than \$200k.

Deed of Trust Date	Beneficiary of Lien	Representative of Beneficiary	Original Amount of Llen
11/20/2011	WTH Funding	John Hutchinson	\$4.6mm**
11/20/2011	WTH Funding	John Hutchinson	\$2.5mm
11/16/2012	Trez Capital	John Hutchinson	SS Omm
9/26/2014	Landmark Bank	Randy Hensarling	\$3 9mm
		Max Priority Liens	\$16.0mm

<sup>\*\*</sup> Uniqued first have was in the amount of 55 Owen, this hen yes modified and \$4 6mm was refinanced in May 2013.

#### Relationship between Developer, Home Builder & UDF

- If every case in which either Megatel Homes or Trescent Estate: (dha Siena Homes) has purchased a for from CNMGT Montaland, part of the consideration listed in the special warranty deed has been a promissory note due to UDCIV.
- When either Ashten Dallas Residential or faehau Homes has purenased a lot, there is no such promissory note.
- Megatef Homes, il rescent Estates, and CTMGT Montalcino all have leveling relationships with UDE IV: Crescent Ustates and CTMGT Montalcino phare the same manager (Mendad Moayadi), and we believe Megatef Homes may also be a related party to CTMGT Montalcing based on knowledge gathered from industry sources.
- We believe these notes serve as the capital to both acquire the land and construct new nomes, where the home builder acquires
  the land with UDF IV's original lien and any Superior liens against the land remaining in place rather than the liens being released
  with the sale/conveyance of the land and with an adortional lien put in place ligainst the improvements to the land.
- UBF IV effectively provides the capital to the developer to develop the land and then to the homebuilder to buy land from the
  developer who can then repay UDF for the initial loan (incomply), however in this case, there is a first her, with priority).

			Promissory	Not it			Deed	
Description	Clare	Acquiring Party	Note Value	Berneficier	Black	tut	fifleg &	Detail of House
Special Warranty Deed	2/25/2013	Astron Dallas Residential	None	None	Mack 8	LEN 15		No House Under Construction
Special Warranty Deed	2/22/2013	Ashtois Gallas Residentia:	Nune	None	Dloch C	Los		No House Under Construction
Special Warranty Deed	2/23/2013	Ashton Daftes Residential	Nune	MUTTE	Blende b	Lot 4		Astron Wroods Makel Name
Special Warranty Deed	1/11/2013	Megatel Homes II	55.30,000	UDFIN	g worth	1215	15347	Mostly Complete Hisme
Special Warrenty Deed	2/83/7013	Megatel Homes II	563Q DTD	UDF IV	Block B	10111	15344	Complete Hame
Special Warranty Dead	2/13/2013	Megatel Homes II	\$20,000	UDF IV	Much B	1072 BG-	15343	Complete Home
Special Warranty Deed	3/17/3023	Megatel Homes II	\$450,000	UDF N	Diods (	Let 3	15345	Mostly Complete Horse
Special Warrenty Deed	2/13/2013	Megatel History ii	\$4770,1470	UDY IV	Block C	1014	35746	Megalel Model Honks
Special Waterly Deed	1/14/1013	Gehan Homes	None	None	Mack B	Lot-4		Home Under CURSOVERED
Special Warranty Deed	3/14/2013	Gehan Homes	Notie	None	Block 8	VET 7 & 8		Na Hornes Under Consideration
Special Warranty Daed	1/14/2013	Gehan Homes	None	Norse	Bloch E	LOT B		Gehan Model Home
Special Warranty Deed	3/11/2014	Megatel Homes is	\$5,90,000	UDF IV	Block E	L056	15616	Megalet Spec Home
Special Warranty Deed	5/31/3014	Megalel Hornes II	2625,000	ODEIN	9loch B	LOUG	(56B)	Home Linder Conthaction
Special Warranty Dego	5/21/7614	Crestent Comies (Steria)	\$637,300	UDFIV	BRYBC	tots	760366	MOUTESTERS (DESCRIPTION

Confidential

#### Differences in Special Warranty Deeds (continued)

Relow are examples of Special Warranty Deeds for lots purchased from CTMG1 Montalcino by Ashton Dailas Residential and by Crescent Estates Custom Homes; note language regarding promissory note due to UDF IV by Crescent Estate Custom Homes.

#### Ashton Dallas Residential – Special Warranty Deed (2/25/13)

STCIAL GARAS VOLL

STALL OF TEXAS COUNTY OF DENION \* ASSESSMENT DUSTINESSENT

TRAT CIMEST Manazine and the second of the s

the more and the second of the more and the second of the

by exercise at the Dynamor conservers using an examination con-

#### Crescent Estate - Special Warranty Deed (5/21/14)

WELLS WARRAST TOTO WITH SPORT HOLDE

DESCRIPTION OF STREET S

HAST DISTRICTION AND AND THE CONTROL OF A THE ASSOCIATION DISTRICTION CONTROL OF A STREET OF A THE ASSOCIATION OF A STREET OF

this DRANTED SCIED AND COUNTYED, and be those printing does berefor GRANT SELL-ARE COUNTY into straints, the following discribed wall respects (find, whether one of next into act is Person with Trap and se full) on both and find absorbed at the Fraction (Explicit Co.)

The introduced is made by the distance and accepted by the structure object to the validational object to the validational object to the validation of these posters in distances with the increased object to a higher the accepted by a particle of the proposed object to a second object to the adjunction of the proposed.

It is agreeable agreed and expectant that the state and it is useful as dequence. This is and to the Proportie see vanishing recurred until the Men, and of an incoming there is the control of the second of the se

in a regular to this Dood, Dr. Conhords wiften and a something that

#### Montalcino Estates - UDF IV Loan Conclusions

10.0

- The note initially issued by UDF IV to CTMGT Montalcino had a 3-year term which matured 12/13/14; upon maturity, it was extended 6 months to 6/13/15.
- During the three years following the issuance of the loan, only 12 homes have been constructed and only 3 homes appear to have been sold 10 individuals
- White it is unclear exactly where the paper lot collateral is located, it is clear that incremental capital will need to be invested to convert the paper lots to finished lots and considerable time will be required to both develop the loss and sell the lots.
- Two potential locations of the paper lot collateral are two other Centurion American developments. CTMGT Legends and CTMGT Euroeville, which collectively and separately have \$12.7mm of loans outstanding with UBF IV
- Given 1) the outstanding UDF IV loan balance, 2) potential
  amount of outstanding priority liens ahead of the UDF IV
  loan, 3) incremental cost and time required to develop
  paper lot collateral and 4) reasonable lot valuations, the UDF
  IV Montalcino loan should likely be impaired by 50-75% and
  could even be impaired 100%.



Tremes Increase Community

(63)



Kgy

6

# **Example Case Study Related Party Participation Interest**

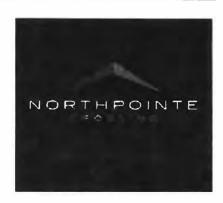
Involving Multiple Related Parties

Confidential

#### Northpointe Crossing Development Overview

8.3

- Northpointe Crassing is in Anna, Texas just off 4.75 (North of McKinney, South of Van Alstyne)
- . 110 acres offers 255 angle family loss
- The community has plans for open space and greenbelts and two amenity centers featuring a children's playground and a water splash park.
- Tibese designated into have not been developed by Centurion American or its affiliates\* — Taken directly from Centurion American website, despite this, there are actual houses that have been built in certain phases and this comment may have been with regard to still unbuilt phases.
- UDF III has originated 2 loans to Northpointe which at one time was a subsidiary of UDF I and which now is owned by a Mendad Moayed: entity
- UDF IV has acquired 'participation interests' in both loans that UDF III originated; on a combined basis, there is a 1<sup>st</sup> Ben outstanding of \$1.2mm and a 2<sup>st</sup> lien outstanding of \$10.4mm.



(\$ in mil ions)	UDF III	UDF IV	Total
IM Lien	\$0.1	\$1.1	51.2
2 <sup>nd</sup> Lien	93.4	\$7.0	510.4
Total	53.4	\$8.2	\$11.6

Confidentia!

# Northpointe Crossing Development Overview

)0





# Northpointe Crossing Development Overview





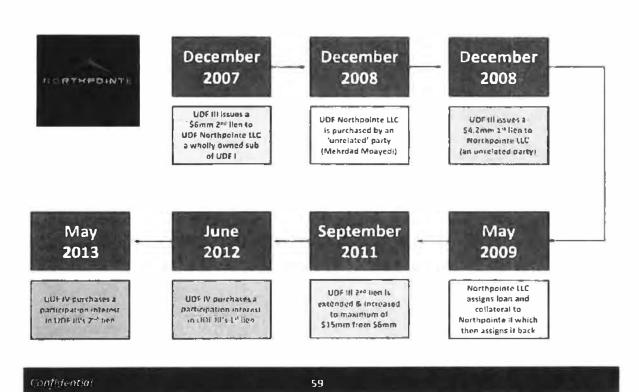
Gy.





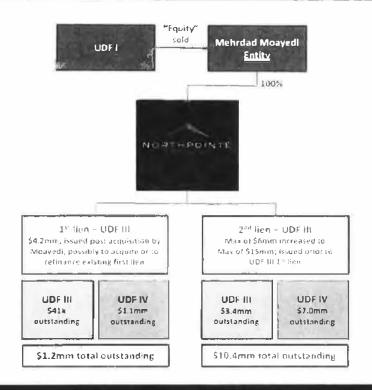
Confidential

## Northpointe Crossing Timeline



to

## Northpointe Crossing Structure



No.

6

Confidential

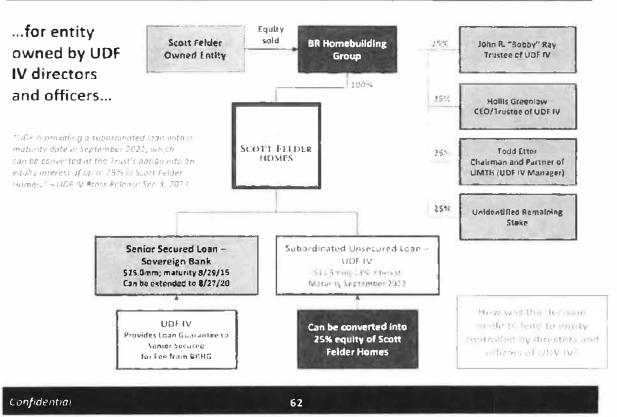
#### SCOTT FELDER HOMES

**6**3

# Conflicts of Interest: UDF IV Lending to UDF IV Directors and Officers

Confidential

## Acquisition of Scott Felder Homes Financed by UDF IV...





# Other Examples of Questionable Loans

Confidential

-0

## Examples of UDF IV Loans Issued to Moayedi

The three loan examples on this page show how UDF loans with Mnayedi entities behave over time accrue larger and larger balances, have no cash receipts and are extended when the maturity date comes due

)

These loans had a combined balance of \$36mm at 12/31/12; as of 12/31/14, these loans had a combined balance of \$60mm, representing "10% of UDF IV's total loans and have never generated any cash receipts based on UDF IV disclosures.

Source UDF IV SEC Frings (10Ks/10Qs)

				-	The same of				Cent	the street	
/	Per	1	others a		Retent.	Name Contro	Minute Item	200.40	MILES.	MUA	person
THAT HAVE BOTH	110110013	PRETAIL	127 % (91)		1176118	19 (4)	PHONE T	Þ	5		-
CTANA Algeria Ranco	V11/205	2nd tren-	Litt irres	12	11.175 841	179,253	1714/14	- 6			X.
CTMOT Arpeni Warmer	4-192100	CM.140	(SEE HOME)	5	149-33,713	7/92/13	1/11/24	V.	50	5	j.
Client Agent Restri	636590	and then	Laberson f	à	34,111,346	TYDISELD	7/33/34			2	
CTUG! AIRIN FROM	12/8/9/03	30.00	L MI HEMES	F	AAALPTI	174,712	2/83/34	ý.	1	1	.5.
CIVIBE NAME BOACK	\$/53/20034	Instituti	L'LLE acres	L	14801M	WALTH	1/EL/M	N.	1		Ti.
THE LEVEL BRICE.	40M(389)	PME (CETT	441 51000 1133 3	1	14 846, 100	033512	4613811	31	8	ş	
CTORET ANTHO PANCE	6/16/2/24	(total patient	I AN HOP HE	1.6	17 423,369	TOTAL CLA	שישותם ב	3	i.	Ŷ.	
THE PERSONS	18/3/1/10/4	1,000	( Di page   gm	٠,	15.121.703	7/11/13	E EEE TO	4	8	6	1.
One Windsor Hill	I HISTORY										
				(	-		i			Post Inc.	
	2mm	length.	States	_	- Andrews	Nun time	Manually Date:	alt IA	3110	-	30314
free or most or mineral and	13/95/2007		Little on a social forms	9 1	A LOUIS	2,45.1	179/23	1	1.	3	3
Ung Window field LP	F170018	Track & shorts	LVII 1	1 4	1110.07	5/5/32	5/9/75	t	0	2	8
One windsor Hire LF	WYCHOL	276.000 mBHF	143 wires on oss Traces	1	CON ME	54.74	350000		5	6	
Chief Strandpoor 11/10/5 Pt	N/30/380.X	lock tare	LED GOD OVER 1 CO	b	A/ILIN	N/8/27	M9/31	I			- 1
THE WINDOWS PIECE &	(X151/25) k	tion of	300 01100 terms 1 meteor	4	(3,37%,)/1	5.70 %	5/81 3	,	*	±	j.
LINE THE PROPERTY OF SHIPLY AND	7/1/2014	Child Elling	1,000 0000 4 4000	1.	29.DL-40	1/9/12	UNITS !	4	3	T.	16
One in other system.	6/90/2014	5-15.00	(Victorian annual Engineer)	100	78 475,090	5.76.12	53947	T	3	¥.	ă.
this time about 1115 P	6/36/0011	2401	1.85 eines appeal 4 many	1 4	28,856 (7)	2.900	3,79/35	4		4	5
THE WINDS	2:31225.8	100	(Pull gens y syrrigh it makes)	40	27 884 796	4.9	07M/15	1	1	A	1
Granbury History											
					the Property lies			Total Control	-	-	
I HP1	- LIR	1	Littlewed .	20	_	-	Manual Prop	204	46586	PELIA	RILA
The Princip	12/11/ mil		7.72 m 44	7	1,186.76	/1111/1988	5/3//19	1		*	
HART SPRAN	220173015	Pit (100	SS2 sures	1 4	7 354, 354	W17/18	ASTATE .	\$	2	3.	7
TWEE CO 1000 .	12102023	() pr. L. oper	157 m ====		1+1/20	179(1)16	# PLANNER	3	1	1	
CLASS distribution	6/36/30/1	IQ I L IDM -	NH scar	£	A 673,500	PLET 19	5/213 VA	l .			. 5
THE TO BEDOWN	1,000 (1,000)		53 M(4)		1.146-18.	275.00	SI ELLER		1	N .	3
(PMRT WARRE)	MILAKA	Val 1 .400	91	9	0.13 (7.73	NYT10	PLINIP .	3			3
(TMI) Granders	M-0/3034	別は 万型 別事を	17)1 Peop Lett 1562 (gray)		211111	76/7/22	53.910		1	*	4
TRACT Grandury	MSF2824	mhoter	TIRE PROPERTY AND ADDRESS.	100	£2.12.300	4/33/(80	PATAN I	9	E 1	2	*
TMCT Grantury	(3/94)0604	TOO SHOULD WISE	78 5 - 61		5 8 15 TO	44.4	1.23/49	0.	4	W.	15

Confidential



1.7

6

# **UDF IV Relationship with UDF V**

Confidential

#### UDF V – Relationship with Other UDF Funds

- 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 IV, UDF V will not directly linen money to affiliates nor will it acquire participation interest in related party / affiliate originated leans.

#### United Development Funding Income Fund V

UDF V is a newly organized Marcland real estate onvestment 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, put having and holding for interactions fee the acquisition and or development of parcels of real property into sugge-family residential loss. We also will make direct gives mean and for development into single-family loss.

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 assers, a lenes of credit or an inter-creditor agreement provided by us to a third-party lender for the benefit of a borrower and is mended to enhance the credit orthiness of the britoner, thereby affording the borrower credit at terms, it would otherwise be made in obtain participate in any investments with our advisor entities or any of their affiliates, including any prior prop an sponsored by affiliates of UDFR.

- UDF V Prospectos Form 5-11 (February 26, 2014)

Confidential

#### UDF V - Relationship with Other UDF Funds (continued)

- UDF V refinanced a loan for CTMGT Frisco 113, a Centurion American affiliate; UDF IV happens to have had a 2<sup>mt</sup> lien loan balance outstanding with CTMGT Frisco 113 as of September 30, 2014.
- So it appears UDF V will not participate in allinate loans but it may reginance them and not ducture it.

#### CINCI Frisco 113.11C

Effective December 1, 2011, we emmert acts a focus present to provide a 110 660 046 hand development tone.

(ST Frace Loan) to CTAGT Frace
119 LLC on manifestated Texts have text hander company (CMGT Frace). The CTAGT Frace Loan is evidenced and secured by a first lain deed of small be recorded against 81 acres of entitled residential land in Collin County. Texts a promission note assignments of builder for sale contracts, and other loan distribution in CTAGT Frace Loan in guaranteed by the principals of CTAGT Frace Loan will be used to a finance CTAGT Frace Loan in the lower of 13% or the influence by the principal section in the lower of 13% or the influence by the The CTAGT Frace Loan mature, and becames the sand parable in fall on December 1, 2012. During the CTAGT Frace Loan will be generally applied first to accrosed interest, and then to principal. The loan decembers contain representation warrantees convenient and provisions for events of default that are typical for loans of this nature. As of December 1, 2014, UDF V bad funded \$1,072,435 to CTAGT Frace Loans in CTAGT Frace Loans.

: USF y Supplement No. 6 (Dated December 11, 2014 to the Project to Paled Law 25, 2014).

The following table manufactors our real property from as of Sentember 30: 2014

170	Upt in	440.Fl		I Ph	N/MINU	ISPACINA	Usin 178	(1007)	SHERE	1295.50		75.00
mus - nects	110 15	Ending Loads	aun (et rego au	105	27(26)	98.05647	The feet and the	4429.534			SI 2 2	25.500
CORP. TO SEE LIFE		- (-)	And have placedy of copies and and the same and	10	501.0m(4	DECEMBER .	11.00(4)	glass, but				
<u> </u>	(	1		Bar-	par	Street in No.	norm ten	Principal Artists	Land.	tint.	1000	L-attracted:

- UDF IV 10Q (September 30, 2014)



Do

# **Example of UDF III Related Party Activity**

Confidential

#### UDF III – Relationship with Other UDF Funds

- UDF III originated a \$25mm loan to CTMGT [Centurion American] in December 2007
- The note was increased 7 months later to \$50mm in July 2008.
- The note was further increased in 2011 to \$64.5mm
- The interest rate on the note is 16.25%
- The note is a co-investment loan secured by multiple investments and are cross collateralized, secured by collateral-sharing arrangements in second liens covering finished lots and entitled land, pledges of ownership interests in the borrowing entities and guaranties

Ez

#### CIMOINOR

In Descripty 200, we originated a \$25.0 million accured promision note the CTMGT Note. In with CIMGT LLC, as marfillated Texts harried highligh company and its subsidiance, who are to-bourderest the CTMGT Note. The CTMGT Note was subsequently increased to \$50.0 million pursuant to an animalizate entired into a November 2011. The CTMGT Note is a co-coverage freshold lots as establed lond, pledges of the ownership interests in the horizontal state and guarantees. The collateral-harring arrangements are conditional control loss and control land, pledges of the ownership interests in the horizontal state. The collateral sharing arrangements with UOF 1 and our horizontal lond are decided lond, pledges of the ownership interests in the horizontal state. Under these collateral sharing arrangements for the CTMGT Note, we are entitled to necessary 75% of the collateral species of the ownership interest in the horizontal state. Under these collateral sharing arrangements for the CTMGT Note, we are entitled to necessary 75% of payment to UDF 1. The CTMGT collateral is located to outsingly counties in the greates Dallas-Fox Worth area and surrounding counties. The microst rate on the CTMGT Note is 16,215%. Pursuant to the animalization colored unto in November 2011, the metually date of the CTMGT Note was extended to fully 1. 2012. Pursuant to the average matter of the CTMGT Note was extended to fully 1. 2013. The entered unto in Third CTMGT, LLC, pursuant to which the natural date of the CTMGT Note was extended to July 1. 2014. Effective states of the Dallas-Fox butther ammerical to July 1. 2014. Effective states of the CTMGT Note was extended to July 1. 2014. Effective states and surrounded to July 1. 2014.

UDF III 10Q (September 30, 2014)

#### UDF III - Relationship with Other UDF Funds (continued)

- UDF III has a collateral sharing arrangement with UDF I; UDF III receives 75% of collateral proceeds
- In event of a bankruptcy, <u>UDF Ni</u> is entitled to 100% of collateral proceeds <u>AFTER</u> payments of the <u>senior</u> <u>lenders</u>, <u>AHEAD</u> of <u>UDF I</u>.
- The note has been extended and/or modified FOUR times

#### CTMGT Non

In Quanta 2007, we originated a \$15.0 mBycm secored promotion to the CTMGT Note yields CTMGT. LLC, no imalificated Texas increed institute company and its inhardments who are to-be increased the CTMGT Note was unharqueoutly increased to \$50.0 million personnel to an amendment entered into in Newmork 2011. The CTMGT Note is a co-investment to an amendment entered into in Newmork 2011. The CTMGT Note was a convestment of a newton strength in the benowing entired, and governor the collisional during arrangements in second lieus covering finished loss and entitled land, pledges of the ownership interests in the benowing entired, and governors. The collisional during arrangements with UDF I and our benowing allower the proceeds of the covare-insent collisional between its and our milliant Under these collisional during arrangements in the CDMGT Note, we are entitled to receive 100% of the collisional proceeds after parameter of the second lenders, absend of payment to UDF I. The CTMGT collisional in located in moltable to receive 100% of the collisional proceeds after parameter of the second lenders, absend of payment to UDF I. The CTMGT collisional in located in moltable to receive 100% of the following countries. The inharced rate on the CTMGT Note was calculated to high I. 2012 formand to a 1600 More than 1000 More than 1

July 1. 2014, we entered into a Fourth Loan Modification Agreement with CTMGT LLC pursuant to winch the naturity date of the CTMGT Note was flusher extended up July 1, 2015. In determining whether to worlds this tous, we evaluated the excurrent confinence, the current of takes and performance of the underlying collaboral, the guarantor adverse untrations that nice affect the borrower's nighter to pay or the value of the roll/servil and other referents factors.

UDF 01 10Q (September 30, 2014)

#### UDF III — Relationship with Other UDF Funds (continued)

UDF III entered into a loan participation agreement with UDF LOF on the CTMGT note through which UDF LOF acquired a portion of UDF III's interest in the loan.

É,

- As of <u>September 30, 2014, UDF III</u> had a balance in the note of <u>\$44mm</u> and UDF LOF had a balance of <u>\$14mm</u>; it is unclear what the balance of UDF I's interest may be.
- Also note that from December 31, 2013 to September 30, 2014, <u>UDF III's</u> Joan balance declined by \$1.7mm while UDF LOF's balance increased by \$1.5mm

#### CTMGT Norw

Effective fally 2011, we entered into a four participation tension with LDF LOF purchased a participation interest (the "CTMGT Participation") to the CTMGT Participation ) to the CTMGT Participation of the CTMGT Participation of the CTMGT Participation of the CTMGT Participation in the sale manager for UDF LOF Participation in the CTMGT Participation in the cTMGT Participation in the continuous process approximate of the CTMGT Note phromites to the observed account of the CTMGT Note phromites to the observed account of the CTMGT Note phromites the participation in the continuous process.

As of September 30, 2014 and December 31, 2013 we had an obstanting balance in note; receivable of approximately \$440 million and \$45.1 million respectively associated with the CTMGT Note. As of September 30, 2014, we had an obstanting balance in accroed interest receivable of approximately \$4.5 million associated with the CTMGT Note. As of December 31, 2011 we did not have an outstanding balance in accordance interest receivable million affinitest income associated with the CTMGT Note. For the nine months ended September 30, 2014 and 2013, we recognized approximately \$1.8 million affinitests income associated with the CTMGT Note. For the nine months ended September 30, 2014 and 2013, we recognized approximately \$1.4 million and \$5.2 million respectively of instant ancome associated with the CTMGT Note. As of processing an object of the CTMGT Note as of processing and \$1.2 million respectively. The CDE LOF processing million interest associated with the CTMGT Processing of opproximately \$1.4 million and \$1.2 million respectively. The CDE LOF processing million included on our hallong shaded on our hallong shades.

UDF III 10Q (September 30, 2014).



6

# Other Noteworthy Players & Relationships

Confider a

ra

#### VSR Financial Services – Largest <u>LISTED</u> UDF IV Holder

- VSR Financial Services (VSR) is the largest <u>LISTED</u> holder of UDFTV, bwning "39" of the Company according to Bioomberg ("1mm shares).
- VSR was acquired by RCS Capital (RCAPI in August 2014, 2 menths following the public listing of UDF iV
- Price to the acquisition, VSR was an independent broker/dealer with \$12.3bn under administration and 204 advisors; following the acquisition, RCAP grew to 9,500 advisors, second only to LPL Financial with 12,840 advisors



C:



Confidential

(...)

#### RCS Capital (RCAP) - Sponsor / Deal Manager for UDF V

- RCS Capital (RCAP) has reconstly come under the persons of its relationship with American Realty Capital Properties (ARCP)
- ARCP and RCAP formerly shared the same charcinan, Nicholas Schorsch, and RCAP played a role in helping Schorsch roll up his network of private non-traded REITs into his public vehicle. ARCR.
- BCS Copital had agreed to buy to be Capital (broker/dealer) from ARCP for \$700mm.
- In October 2014, ARCP disclosed that it had issued financial statements, which were relied upon to raise equity and which the CFO and Chief Accounting Officer knew to be inaccurate, overstating AFFO
- In conjunction with the approunce ment, it was unnounced that the CFO and CAO were no longer with the Company, soon thereafter, RCAP terminated its agreement to acquire Cole Capital (disimately settling with ARCP, paying a fee, and walking away).
- Then in December 2014, ARCP announced that Scherisch and CEO David Kay would be resigning; David Kay had just taken over the CEO role from Schorisch in October prior to the athouncement of the accounting issues, and following the lotted announcement in October. Kay hosted an investor call adjusting he would be staying (may be more to come from this one...).
- Realty Capital Securities (BC Securities), a subsidiary of REAP, baptiers to be the dealer manager of UDV V. RCAP, through VSR happens to be the largest issted holder of UDF IV.









## Centurion SVP of Finance formerly President of UDF

less.

Jeff Shirley
Senior Vice P. resident—Finance

Shirley, a Certified Public
Accountant, joined the Centurion
American Team during the late
spring of 2007. Prior to joining
Centurion, Mr. Shirley was <u>President</u>
of <u>United Development Funding</u>
from July 2005 to June 2007.



6.

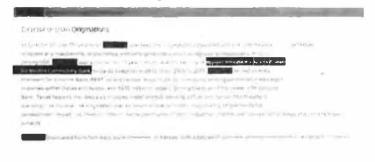
Confidential

#### UDF Relationship with Veritex Community Bank (Lender)

Engl

- Veritex Community Bank appears as a londer to several UDF related funds as well as Centurion American
  related entities.
- Jeff Kesler is listed as the EVP, Chief Lending Executive at Ventex Community Bank; the profile on the
  bottom right was taken from the current Ventex website, showing him currently listed in this position; the
  profile on the bottom left shows Kesler as Director of Loan Originations at UDF, mentioning that Kesler most
  recently served as 'Market President North Dallas for Ventex Community'
- The UDF profile on the bottom left was taken from a 'cached' UDF webpage saved from April 2014; however,
  Kesler does not currently show up under key management on UDF's website; it could be that Kesler left
  Ver-tex for UDF and then returned to Veritex soon thereafter in a new role.

#### Old UDF cached webpage from April 2014



#### **Current Veritex Website**

LVP, these statings has sales and with the ball as the law of which and the ball as the sales are the sales and the ball as th

ny Parisim area africa a

2 gillouine feet feet mes (elektromete) (elektromete), on teueste (elektromete) (elektromete), elektromete (elektromete), elektro

affect he of the State not be more offers

Confidential

#### Trez Capital / WTH Funding Relationship with Centurion

- Trez Capital and WTH Funding have appeared as senior lenders, with priority ahead of UDF IV, in multiple Centurion American developments.
- John D. Hutchinson, has appeared as the signee and President for both Trez Capital and WTH Funding in Deeds of Trust and Subordination Agreements alongside UDF IV
- Though there is little information available on Trez and WTH, the two companies are clearly related given they both have the same listed address and Hutchinson is the President of both.
- Hutchinson was previously the President of Ryland Group Inc.'s Dallas division, a home builder and mortgage finance company; he was investigated for insider trading and ultimately settled, paying a fine.



Edipation Release No. 19106 / March ) 2005

Securities and Exchange Commission & John D. Butchinson, Coll.

Action No. CV 05-1469 SJO (FMOx) (C.O. Cal.)

SEC SETTLES INSIDER TRADING CHARGES AGAINST DIVISIONAL PRESIDENT OF THE RYLAND GROUP

#### UDF Lender is also Manager of Sutherland Asset Mgmt

- UDF IV began listing on the Nasdaq in June of 2014; in conjunction with the public listing, UDF IV tendered for ~5% of its shares, financing the \$35mm tender via a 18-month term loan from Waterfall Asset Management at a rate of £+900, with a LIBOR floor of 1%
- Subsequent to the release of the September 30, 2014 10Q, UDF IV entered into an incremental 1-yr term loan with Waterfall of \$15mm at a rate of L+900m with a UBOR floor of 1%
- Waterfall Asset Management also happens to be the External Manager of Sotherland Asset Management
- Tom Capasse, one of two principals of Waterfall Asset
  Management, attended the same college as Hollis Greenlaw,
  Bowdoin College in Brunswick, Maine, though he graduated 7
  years earlier than Greenlaw



6/



Tom Capasse, Principal



6-

# **Next Steps & Recommendations**

Confidential

#### **Update & Recommendations**

- We are extremely confident that the value of the collateral is significantly less than the value of the notes, however, we palieve that the regulation (SEC) will care more about the following fact patterns when deciping an whether to investigate than our wew of the value of the land.
  - 1) UDF IV does not disclose that affiliates own the Stone eigh (Mone Wolf Stone eigh) with Mehrood Modyed(Ets. argest morrower)
  - 2) UDTIV bought a participation interest from UDT ill and exclosed this but UDE IV does not decise it at UDE IV in reacipe cours any portion of the note (this fact is also sed in UDF IV) financially, additionally, the fact that the loan had been extended three times is not disclosed in UDF IV's and the nature of the collateral and the fact that there is a senior loan phead of the UBF IV is much better described in UDF IV's SEC filings.
  - Separately, UDF IV beight a participation interest in a UDF III loan that UDF III originated to another LIDF errory (UDF Northpointe). UDF IV's interest in the note has grown over time while UDF III's interest has declined (mexing in separate directions).
  - 4) UDF IV loaned money to entity owned by UDF IV officers and directors, regulators will be interested in how this decision was made, how independently the decision was made and who recased themselves from the vote of it went to a vote.
  - Millin Greenlaw control Dallas regional board of A Langth Milliams or snew to UDF IV
  - b) Described sclosing that if without participate is loads issued by affiliates nor will it load precity to affiliates, UDF V has loaded to the same entity that UDF V has loaded to on 1 occasion to Moovedien 2 occasions 2 out of first 3 loads issued by UDF V LIDF V does not disclose that UDF IV is allender to the same party or related pictures.
  - 7) General Jean behavior many loans issued to Moayedigust accruir larger and larger balances, do not generate any cash receipts and when the maturity date corps, and passes, the loans are simply extended.
  - 8) Taxable income is consistently higher than operating cash flow' due to the fact that a large portion of the taxable income is non-cash and actually. Pitk/accrued interest, while this appears to be cleanly evident from the distinsure that a majority of the mans do not have any cash receipts in 2014 (through September). DDF to does not specifically disclose the PIX nature of the loans. The fact that havabre income is higher than operating dash frow and the fact that has as REFT. LOPE to describe the 96% of taxable income, must be a long mismatch between income and cash as well as between cash generated and distributions to previously.
  - 91 In many cases, its asset is suid on raw land scheduled to be developed that are not income producing for resultd years and negative curry yet accomplished as 13.15m, in one included, THREF years after the assume as the 33-class, there is no only TWELVE houses constructed in construction and the note matured in December 2014 (2° lines, \$25min), another instance, almost THREE years after the issuence of 4 separate 133-local there is no development and the property is still raw land (2°1' ears, \$25min).
  - 10). Distributes more case to interropidors than it generates only this to do no by saving new county and notice
  - 11) Realty Capital Securities (substitutive of RCS Capital LiPCAP) was the dealer-manager of UDFN, and is the dealer manager of UDF v. Nicho il Schorsch was the chairmap of RCAP and ARCP, the SEC and FBI are investigating ARCP, likely due to reported accounting irregulanties.
  - 12; AR Capital is the co-sponsor/fund manager of UDF V with UDF Holdings, Nicholas Schorschild the CEO of Alt Capital and Edward M. Weil is President and COO. Edward M. Weil is also the CEO of RCAP.
  - 11. UBF Visco-rently raising money from unsuspecting retail involves and likely perpetuating greater name to investors of several lands.

.).