

Message

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

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

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

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

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

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

[cid:image003.png@01D0F38C.311D01E0]

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

Parker Lewis
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Total Cash Available for Investor Returns (After Management Fee)

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

Limited Partner IRRs

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

Total GP Fees (Management Fee + Promote)

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

Message

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

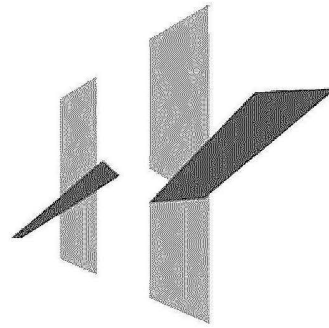
Kyle - attached is the distressed debt presentation that we will pitch at 11:30am

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

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Real Estate Distressed Debt Opportunity

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Disclaimer [to be edited]



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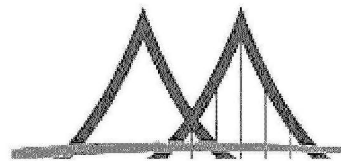
In making an investment decision, investors must rely on their own investigation of the Fund and their examination of other materials relating thereto. An investment in the Fund involves certain risks. Prior to investing in the Fund, prospective investors should carefully consider the risks summarized in the Offering Memorandum and should consult their own investment advisors, and tax, legal or accounting advisors.

Hayman is not acting as your financial advisor or fiduciary. Generally, all investments of the Fund involve the risk of adverse or unanticipated market developments, risk of illiquidity and other risks. This brief statement does not disclose all of the risks and other significant aspects of investing in the Fund. You may lose some or all, of the amount originally invested.

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- **Strategy Overview**
- **Potential Return Profile**



Mackinac
PARTNERS

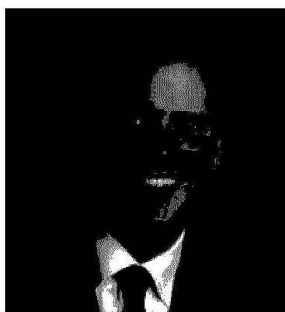
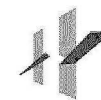
Introduction to Mackinac

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Mackinac Partners – Select Bios



Farley Dakan

Principal

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Austin Office

Mobile: 512-921-0950

fdakan@mackinacpartners.com



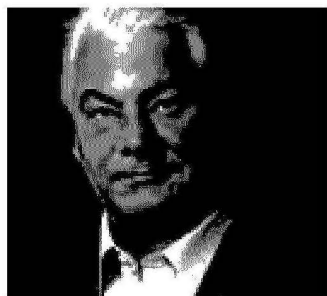
Professional Experience

- Farley has 17 years of real estate experience and has completed valuation, advisory, and asset management engagements on behalf of Diamond Resorts International, Lone Star Funds, Fortress Investment Group and Goldman Sachs for assets valued in excess of \$5 billion. Including NPLs, PLs, REO, bank holding companies and several real estate operating companies.
- He is currently leads the asset management efforts of RE Loans, LLC which consummated emergence from Chapter 11 bankruptcy in 2012. He is currently overseeing the disposition of a portfolio of REO and loans with an aggregate unpaid principal balance of over \$700 million, located in 15 states.
- Farley began his career in the real estate advisory practice of Ernst & Young Kenneth Leventhal. While at EYKL, Farley was involved in providing financial advisory, operations consulting, and M&A valuation, transaction, and integration advisory services to several Fortune 500 real estate companies. Former client engagements included KB Home, Lewis Homes, The Rouse Company, The Howard Hughes Corporation, Terrabrook (now Newland Communities), Equity Office Properties and Centex.

Education & Certifications

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

Mackinac Partners – Select Bios (continued)



James Weissenborn

Principal

Contact Information:

Bloomfield Hills Office

Office: 248-258-6900

jweissenborn@mackinacpartners.com



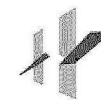
Professional Experience

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

Education & Certifications

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

Mackinac Partners – Select Bios (continued)



Ronald Rakunas

Principal

Contact Information:

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Mobile: 949-274-0044

rrakunas@mackinacpartners.com



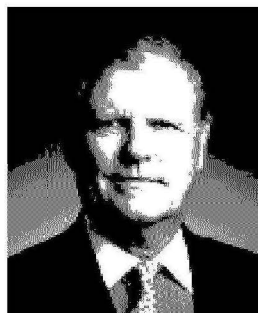
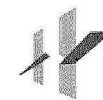
Professional Experience

- Ron has over 25 years of experience in US domestic and international real estate investment, development, finance and restructuring. In addition to being a Principal in Mackinac Realty Capital Management, he is a Managing Director with Mackinac Partners where he co-manages the firm's real estate practice and his responsibilities include financial advisory, restructuring and asset management. Most recently involved with the restructuring, bankruptcy advisory and asset management of a lender, including a \$700 million portfolio of notes and REO throughout the US.
- Ron is currently acting as the CRO for the largest Mexican homebuilder (GEO SAB).
- Previously he was the founder and Managing Partner of Rybel Holdings, LLC, a private real estate investment and asset management company. Involved with the asset management and disposition of the Southern California portion of \$500 million portfolio of assets owned by two hedge funds and a private equity group.
- Ron has also held senior management positions at public homebuilders Lennar Corp and Pulte Corporation. As Regional Vice President for Lennar in Los Angeles and Ventura Counties he managed several divisions representing a combined \$500 million balance sheet and was responsible for the operational, financial and strategic planning for Lennar's homebuilding activities for the company's 30,000 unit Newhall Ranch master planned community.
- At Pulte Corporation he was Chief Financial Officer of Pulte International, Corporate VP Finance & Operations and Division President. Ron was directly involved with more than \$5 billion of both corporate and land acquisitions, including Pulte's \$1.8 billion acquisition of Del Webb. As Division President in Southern California, he restructured and quickly established the operation as a consistently high performing division with annual revenues in excess of \$700 million, \$80 million of pre-tax income, 1,700 closings and control of 20,000 lots.
- His commercial real estate investment and development experience includes Kearny Realty Investors, an operational subsidiary of the Morgan Stanley Real Estate Fund, and The Koll Company, a large private development company based in Newport Beach, CA.

Education & Certifications

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

Mackinac Partners – Select Bios (continued)



Mark O'Brien

Advisor

Contact Information:
Tampa/Orlando Office



Professional Experience

- Mr. O'Brien has over 35 years of experience in the real estate industry including positions of Chief Executive Officer and President of major homebuilding companies. Mark has experience in every major market in the US and Mexico
- Served as President and Chief Executive Officer of Pulte Homes Inc. While Mark was President of the company, revenues grew from approximately \$1 billion to over \$10 billion. Under his leadership, Pulte raised in excess of \$2 billion from the capital markets, including considerable levels of investment-grade 30-year debt. The company also engaged in significant M&A activity, most notably its \$1.8 billion acquisition and integration of Del Webb Corp
- While at Pulte, led the development and implementation of a strategy to increase market share based on a segmentation plan that allowed the company to attack all price points in all major markets with a variety of products, including single family, multi family, and condominiums
- During Mark's tenure with Pulte, he successfully developed a planned community development business. Mark's experience in this area includes golf courses, amenity design and management, land planning, product design, value engineering and community positioning against a competitive environment
- Mark is currently serving as CEO of Walter Investment Management, a \$2 billion usd publicly traded (NYSE "WAC") mortgage servicing and origination company, in addition to being a principal at Mackinac Realty Capital Management.

Education & Certifications

- BA from the University of Miami



Mackinac Partners Special Situations Case Study




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Mackinac Partners Case Study: RE Loans



	
 	
Industry	Real Estate (Raw land, hotels, industrial, partially complete MF and SF)
Capital Structure	\$65mm Senior Facility (WFCF), \$700mm Junior Note Holders
Assets	48 Secured Loans/REO in 15 states (97% non-performing)
Responsibilities	Dispositions, foreclosure, litigation, loan modifications, debtor bankruptcies
Strategy	Value preservation by obtaining control and implementing asset specific strategies

Transaction Background

- Mackinac Partners (MP) was initially engaged as a financial advisor and subsequently became the Chief Restructuring Officer of R.E. Loans LLC ("REL"), a senior secured high yield lender, based in the Bay Area of California.
- MP navigated the enterprise through a successful bankruptcy and restructuring.
- Upon emergence from bankruptcy, MP was engaged as asset manager on behalf of the liquidating trust to maximize value of the remaining assets.
- Over the past 30 months MP has managed the workout and disposition of a portfolio comprised primarily of negative carry assets throughout the United States.
- MP developed a strategy for each individual asset including the capitalization, risk management, and execution of that strategy.
- MP has successfully managed through 26 non-performing notes and REO

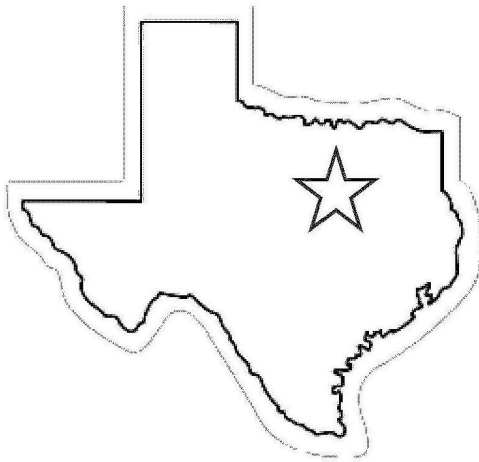
Company Background

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

Texas

Real Estate

**Distressed,
Secured Debt**



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Opportunity Overview

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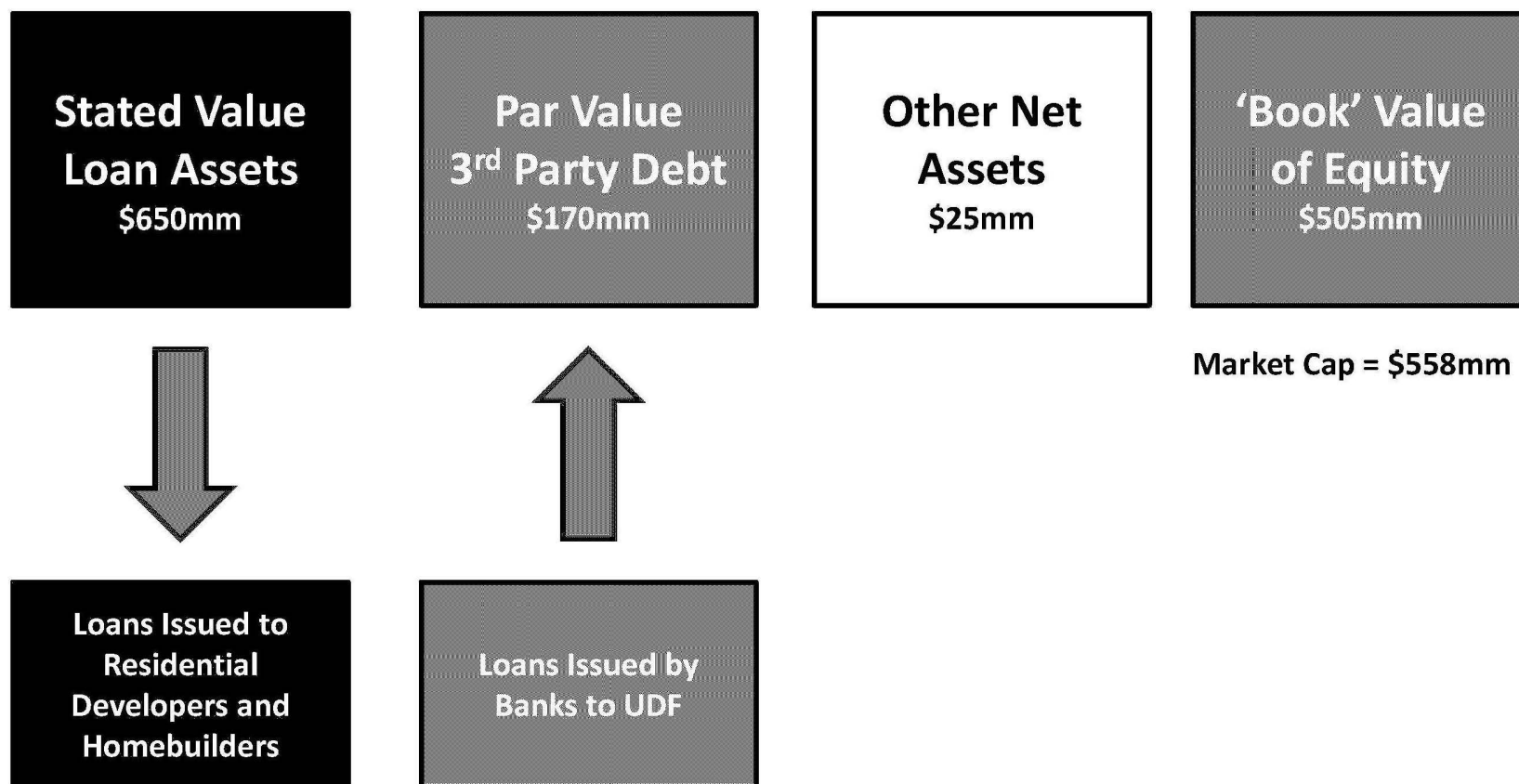


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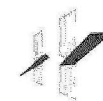
United Development Funding (UDF) is a Real Estate Lender



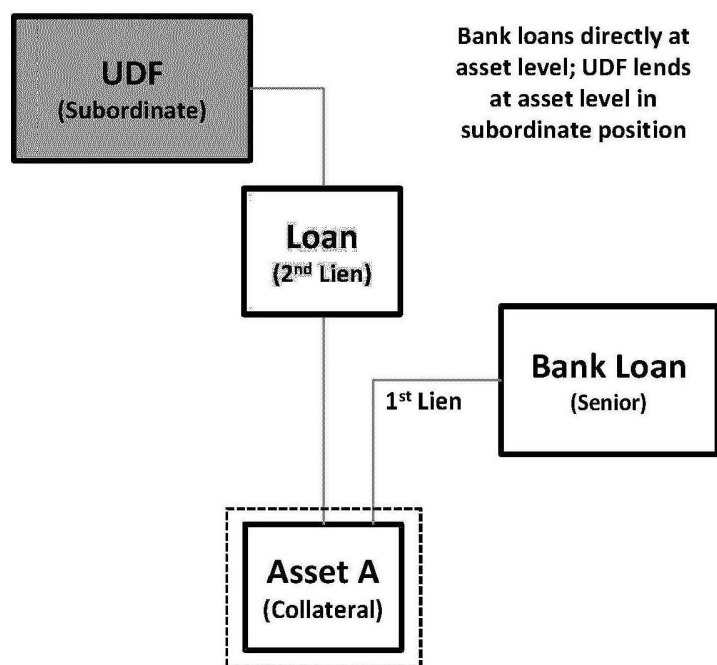
Using UDF IV as an example, UDF IV raised capital from retail investors for the purported use of issuing new loans to residential real estate developers and homebuilders to develop land, mostly in North Texas.



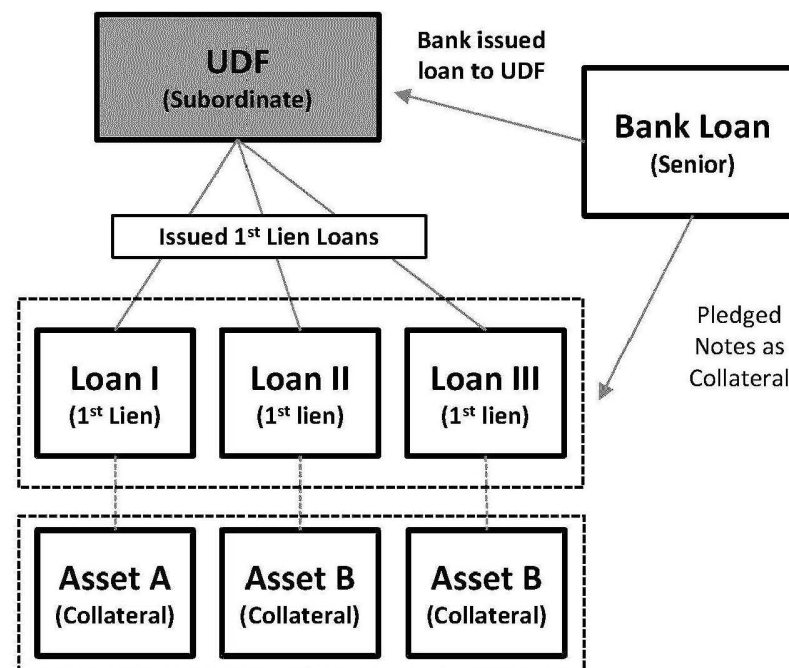
Illustrative UDF Lending Structures



2nd Liens Secured by Real Property



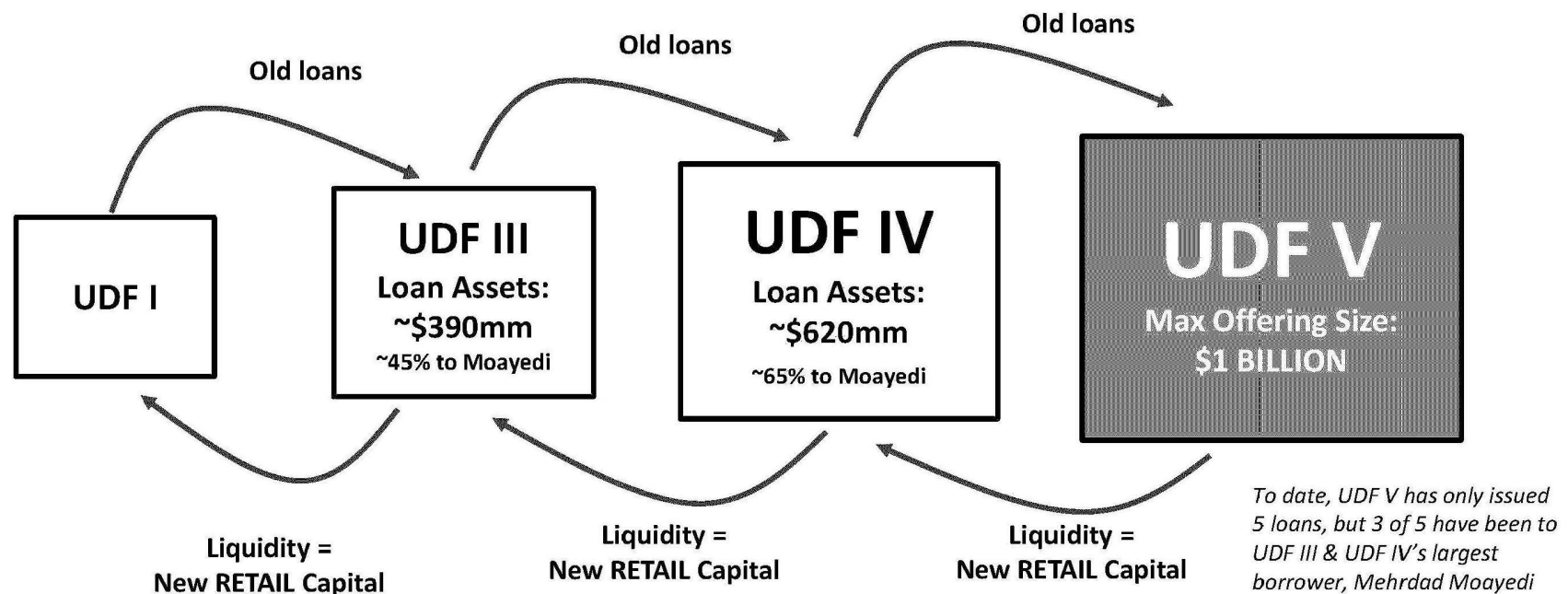
1st Liens Secured by Real Property That Have Been Pledged to Banks



It Evolved into a Ponzi-Scheme



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



It Started by Putting Too Much Debt on Real Estate



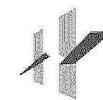
Imagine the consequences of holding too much debt on real estate (primarily on tract developments in North Texas) in and around the financial crisis.



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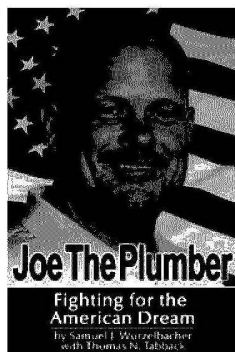


Now Imagine Bad Actors Tried to Keep the Dream Alive



Retail Capital

Unsuspecting, unsophisticated retail investors



Someone to Raise the Capital

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



Brokers/RIAs



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

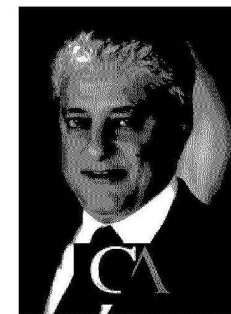


Architects

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



Hollis Greenlaw
*Chairman of BoD and
CEO of UDF IV
Real Estate – Lender*



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

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

It Wasn't A Pretty Ending



AMERICAN GREED

SOME PEOPLE WILL DO ANYTHING FOR MONEY



One Man's Trash is Another Man's Treasure



Quality Assets

- North Texas Real Estate
- Strong Underlying Fundamentals

Unsustainable Capital Structure

- Too Much Debt
- Combined with Poor Stewardship

Opportunity

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

Strategy Overview



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- **Structure Expert**
- **Capital Partners**

- **Real Estate Workout**
- **Operational Expertise**

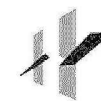
- **Market Expert**
- **Nationwide Reach**

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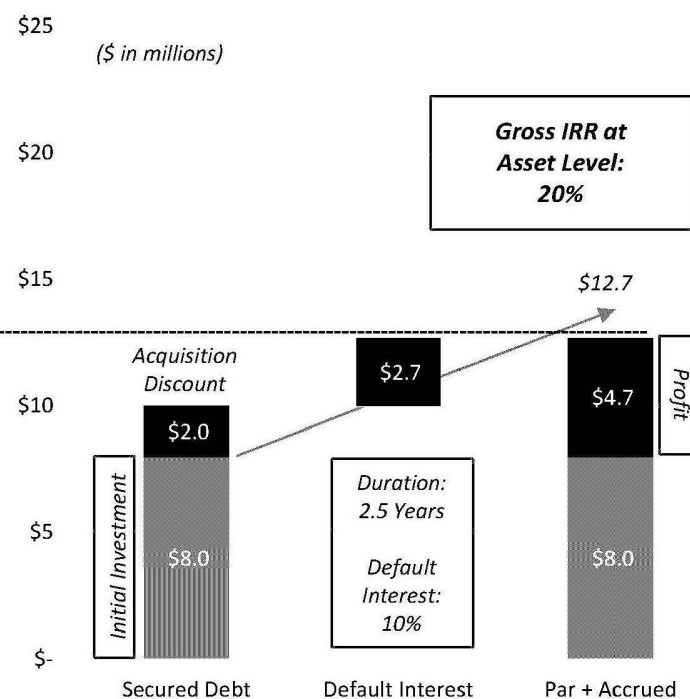
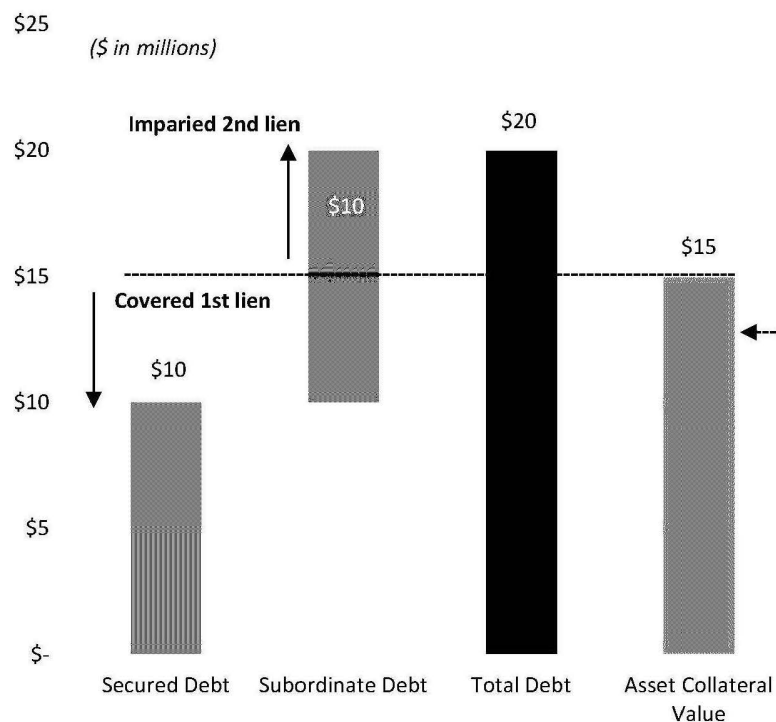
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The Investment Strategy – Buying Distressed Loans



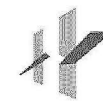
Acquire over-secured 1st lien loans on real property at a discount

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



Note: Default interest and IRR assume interest accrues to balance of loan (non-current pay) and par + accrued is repaid upon exit.

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



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

Oversecured Creditor Default Interest is Key to Returns



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

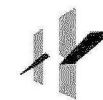
Key Considerations:

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

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

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

Identifying & Quantifying the Opportunity Set



\$100-200mm

**1st Liens
Secured by
Real Property**

\$30-50mm

**Debtor-in-
Possession (DIP)
Loans**

\$100-200mm

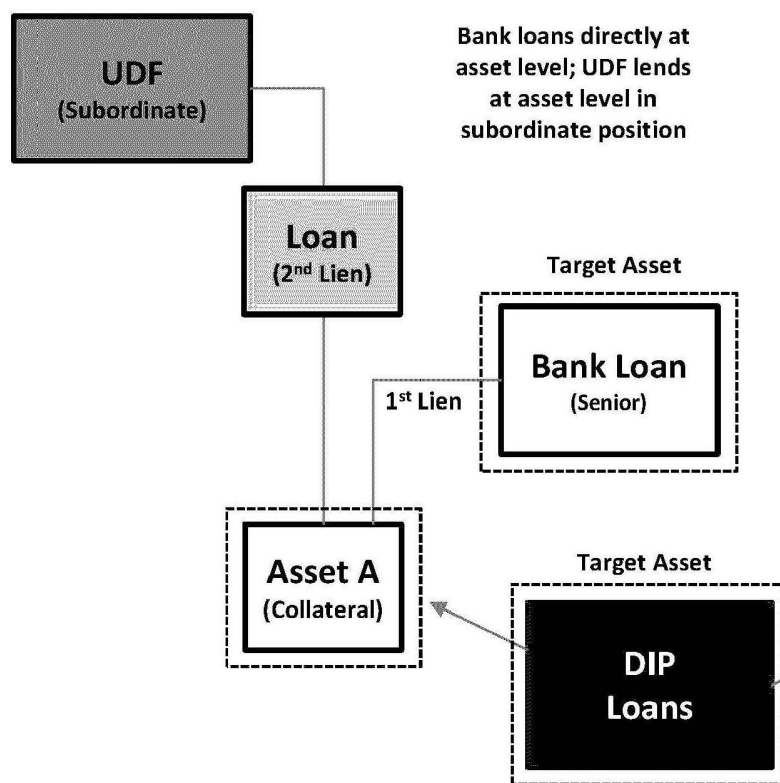
**1st Lien Bank Loans
on UDF Notes
Receivable
Secured by 1st liens
on Real Property**

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

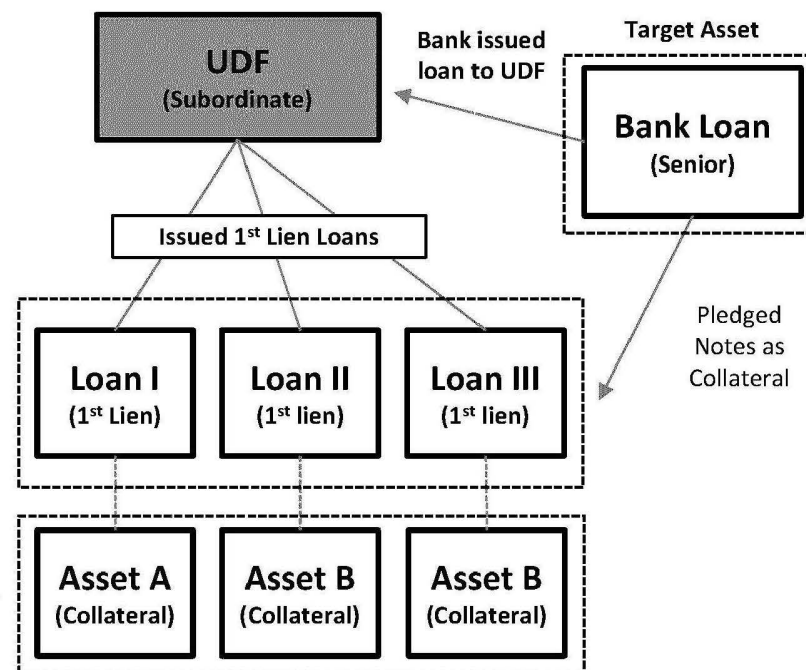
Illustrative Structures / Loan Assets to Target



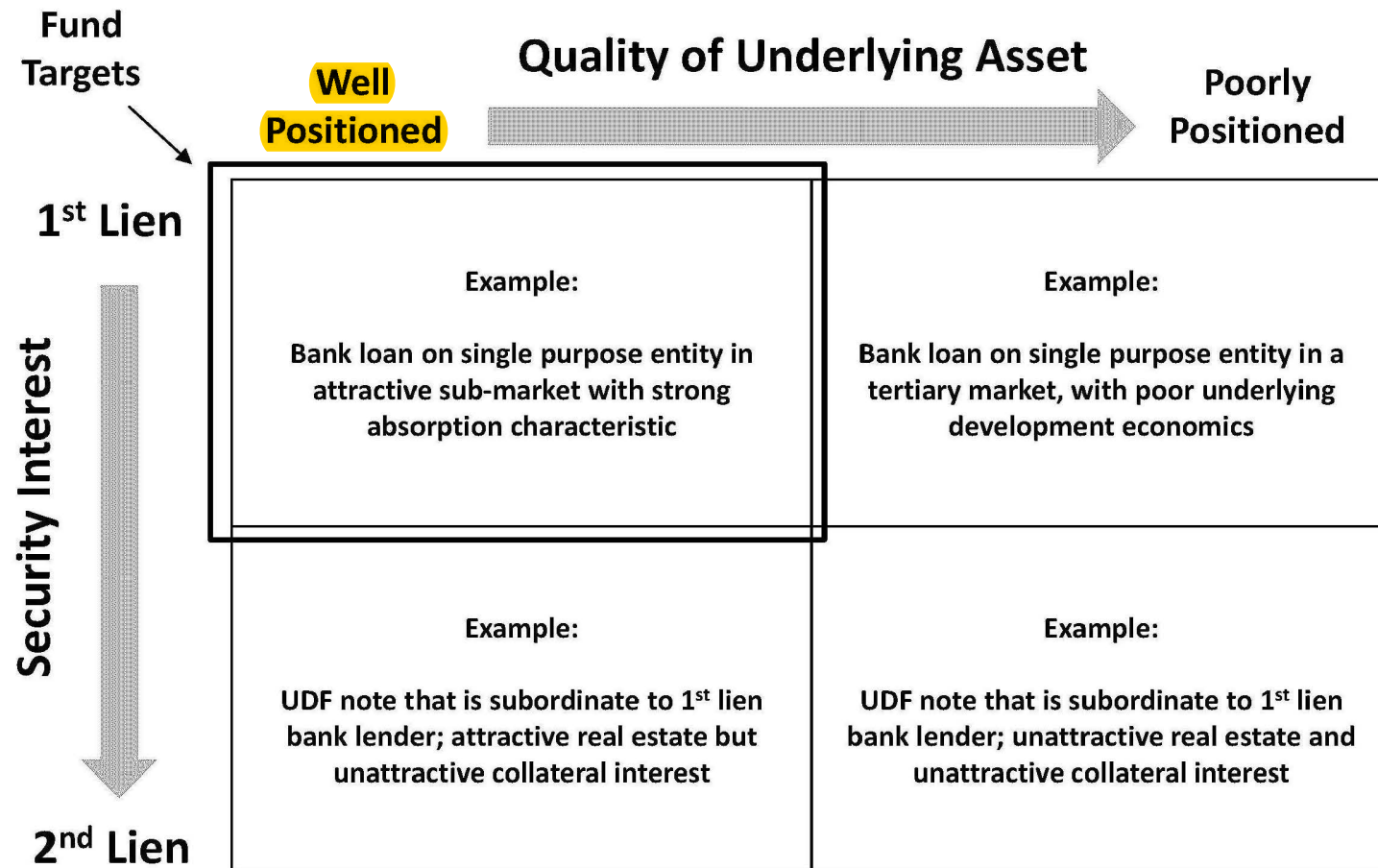
1st Liens Secured by Real Property



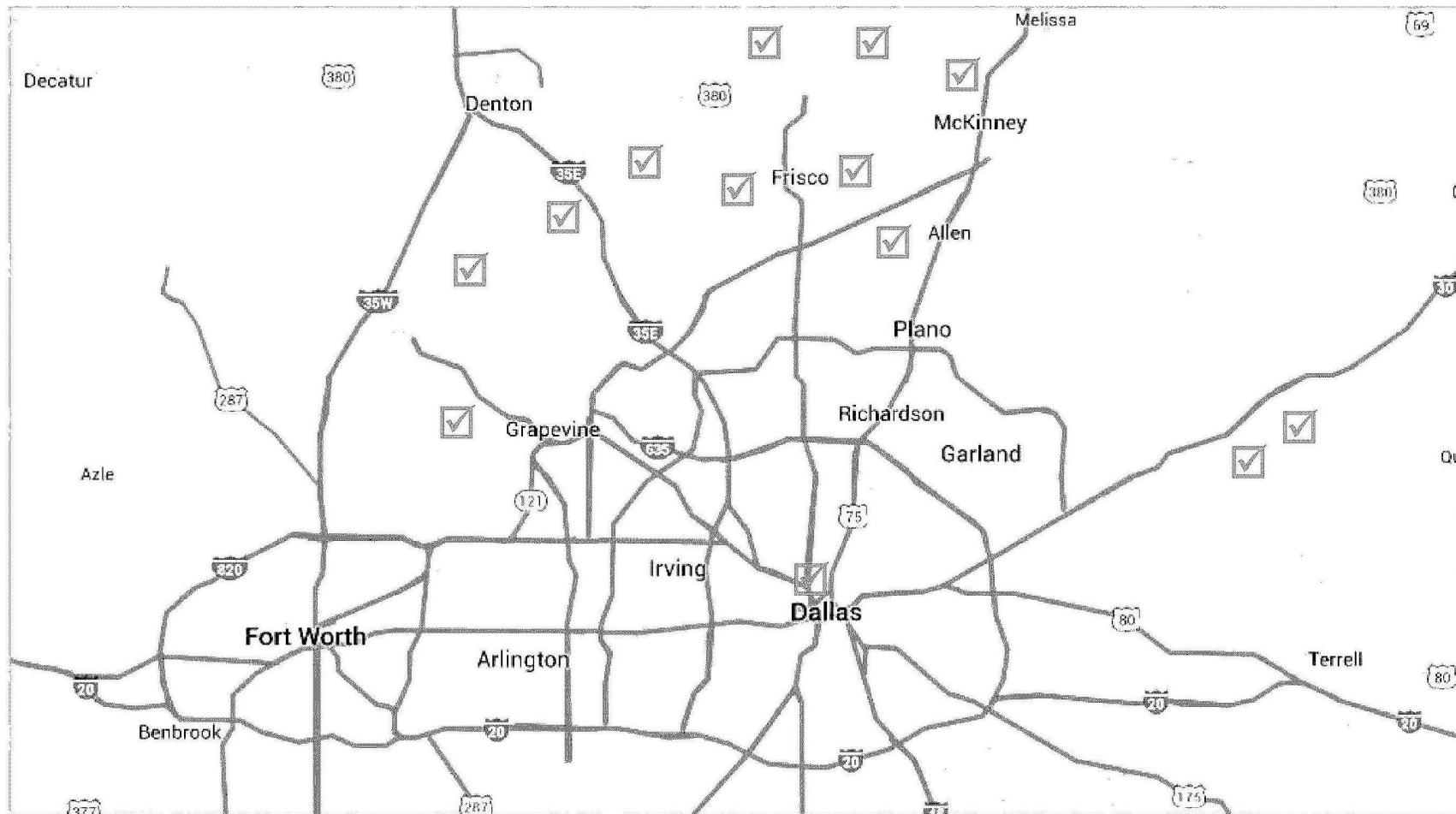
1st Lien Bank Loans on UDF Notes Receivable Secured by 1st liens on Real Property



Narrowing the Universe of Opportunities



Well Positioned Assets – Example DFW Locations

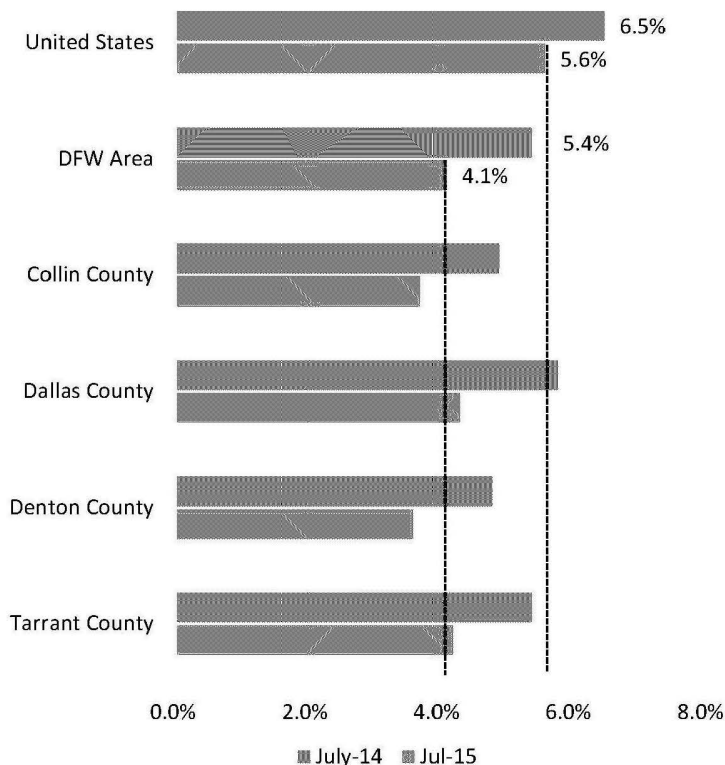


Concentrated portfolio in DFW submarkets, with potential opportunities in Austin and San Antonio

Well Positioned Assets – DFW Economic Overview



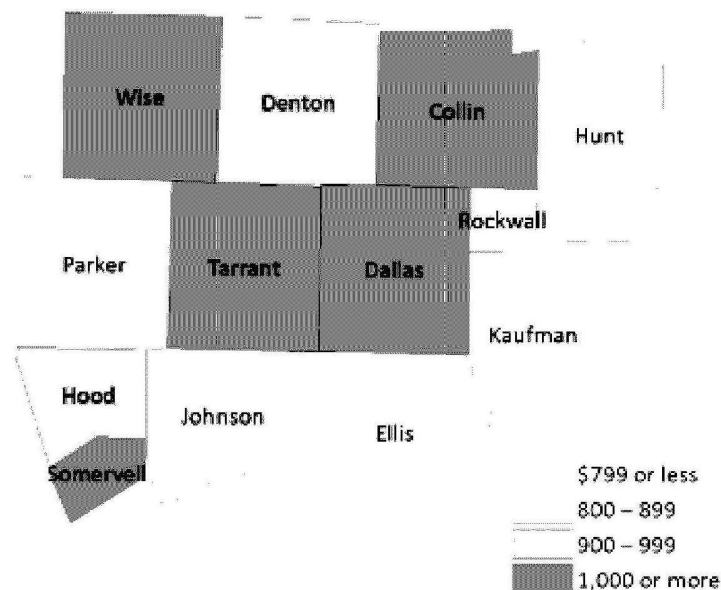
Lower Unemployment than National Average



Higher Wages than National Average

Dallas-Fort Worth area, 4th quarter 2014
(U.S. = \$1,035; Area = \$1,125)

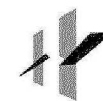
Average
Weekly Wages



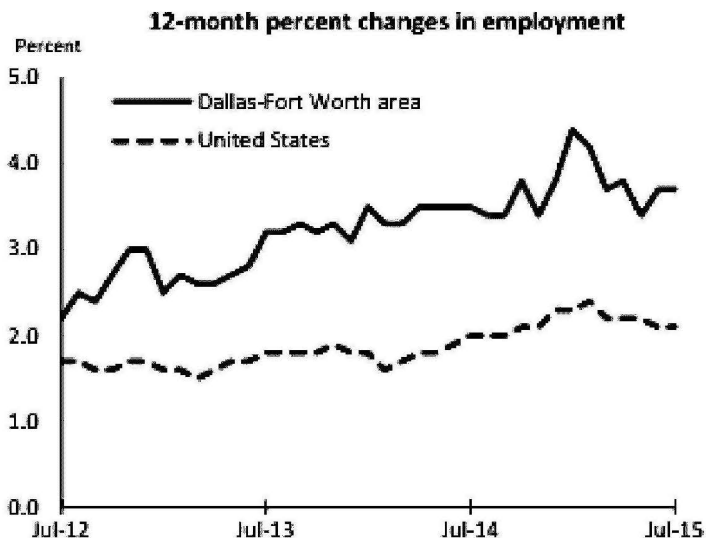
Source: U.S. BLS, Quarterly Census of Employment and Wages.

Diverse economy with strong underlying fundamentals supporting stable, steady growth

Well Positioned Assets – DFW Economic Overview (continued)



Faster Employment Growth than National Average



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

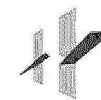
Large, Diversified Economy

Dallas-Fort Worth area employment (numbers in thousands)	Jul. 2015	Change from Jul. 2014 to Jul. 2015	
		Number	Percent
Total nonfarm	3,390.0	121.7	3.7
Mining, logging, and construction	197.1	0.2	0.1
Manufacturing	260.4	-2.8	-1.1
Trade, transportation, and utilities	709.1	27.7	4.1
Information	81.4	-1.4	-1.7
Financial activities	275.6	8.1	3.0
Professional and business services	567.0	28.7	5.3
Education and health services	421.2	24.4	6.1
Leisure and hospitality	364.1	24.9	7.3
Other services	120.5	2.7	2.3
Government	393.6	9.2	2.4

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

Diverse economy with strong underlying fundamentals supporting stable, steady growth

The Hayman / Mackinac Competitive Advantage



Knowledge of Complex Structure

12 months of diligence on the complex UDF structure which provides a unique understanding of:

- The various UDF entities (III, IV, V, etc.)
- The lenders to UDF
- The assets securing each loan to UDF
- The developers to whom UDF has lent
- The banks that have lent to developers at the asset level
- Security interests and priority at asset level

First Mover Advantage with Scale

Advanced diligence, fund formation and well planned strategy will allow us to be a first mover:

- Priority opportunity set already identified
- Preliminary diligence on asset values largely complete
- Expect to engage bank lenders within first two weeks of news about UDF breaking
- Disciplined but flat investment process will allow us to act quickly, moving to acquire loans in first 45 days
- Our scale will be attractive to key lenders with multiple loans in structure

Workout & Operational Expertise

Combination of workout/restructuring capabilities, structuring & operational expertise will be key:

- Lending banks do not have workout groups
- Understanding of incentives/priorities of lenders to act
- Ability to navigate 'in' and 'out-of-court' restructurings - likely multiple bankruptcies
- Ability to negotiate/structure DIP loans.
- Ability to preserve, protect and enhance collateral value
- Ability to take possession of asset and effectively monetize to maximize value

Key Relationships in Relevant Market(s)

Relationships with local lenders, developers, land brokers and bankruptcy trustees is a differentiator:

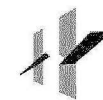
- Relationship with Land Advisors will provide access to market data to support diligence as well as enhance ability to divest assets at maximum values.
- Relationships with local law firms and potential trustees will allow us more clarity and insight into resolution of the assets we plan to own.
- Relationships with current lenders and area developers will aid in acquisition of notes and divesting of real estate.

Playbook from Past Special Situation

Mackinac's experience in a past, almost identical special situation, provides us with a unique playbook:

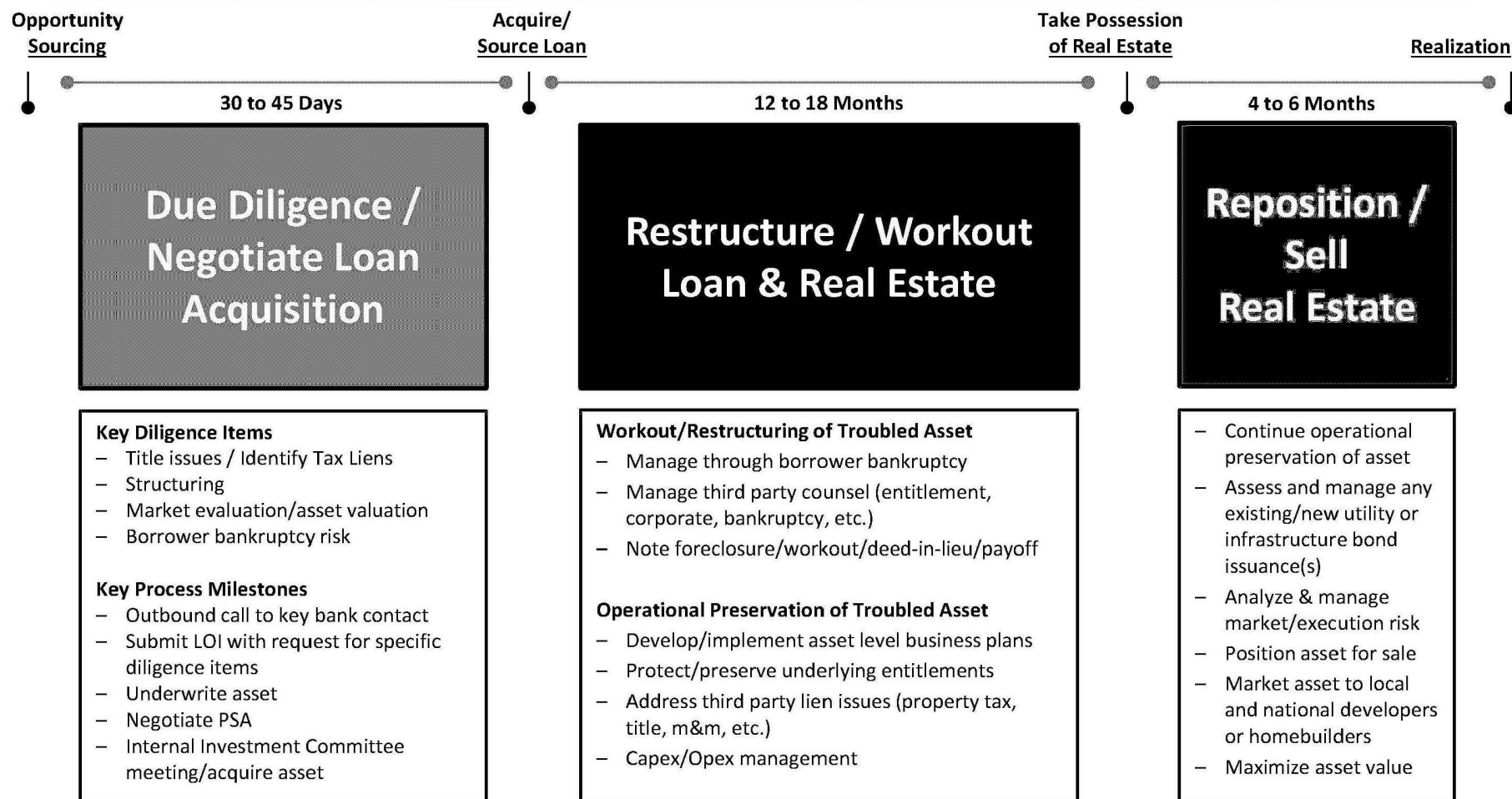
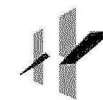
- Who to call at lending banks and how best to engage for best execution.
- Key decision points of lenders; leverage in negotiations when acquiring notes.
- Key risks to factor in underwriting assets, negotiating discounts.
- Developing asset by asset business plans.
- Effectively and efficiently facilitating a significant number of processes in parallel, minimizing cost.

The Competition and Capabilities



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

Investment Scope and Horizon – Playbook for Success



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

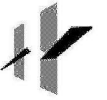


Potential Return Profile

Confidential



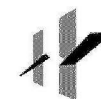
HAYMAN CAPITAL MANAGEMENT, LP ©



Key Return Profile Assumptions

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

Investment Return Sensitivities - \$100mm Capital Invested



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

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

Expected Gross Returns on Invested Capital

(\$ in millions)

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

Total GP Fees (Management Fee + Promote)

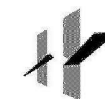
(\$ in millions)

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

Limited Partner IRRs

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

Investment Return Sensitivities - \$50mm Capital Invested



Assuming we would only be able to invest \$50mm, we would expect gross returns of \$27 to \$44 million and an unlevered IRR range of 13%-19%, assuming a time horizon of 3 to 4 years.

Based on the fee structure contemplated, this would result in total fees to the GP of \$7-12 million including both management fee and promote.

Expected Gross Returns on Invested Capital

(\$ in millions)

		Discount Assumed on Acquisition of Loans				
		0.0%	10.0%	20.0%	30.0%	40.0%
Average Default Interest Rate	8.0%	\$ 9.3	\$ 16.3	\$ 25.0	\$ 36.2	\$ 51.2
	9.0%	\$ 11.1	\$ 18.2	\$ 27.2	\$ 38.8	\$ 54.2
	10.0%	\$ 12.9	\$ 20.3	\$ 29.5	\$ 41.4	\$ 57.2
	11.0%	\$ 14.7	\$ 22.3	\$ 31.8	\$ 44.0	\$ 60.3
	12.0%	\$ 16.6	\$ 24.4	\$ 34.2	\$ 46.7	\$ 63.4

Total GP Fees (Management Fee + Promote)

(\$ in millions)

		Discount Assumed on Acquisition of Loans				
		0.0%	10.0%	20.0%	30.0%	40.0%
Average Default Interest Rate	8.0%	\$ 2.0	\$ 3.7	\$ 6.4	\$ 9.8	\$ 14.3
	9.0%	\$ 2.1	\$ 4.3	\$ 7.0	\$ 10.5	\$ 15.1
	10.0%	\$ 2.7	\$ 4.9	\$ 7.7	\$ 11.3	\$ 16.1
	11.0%	\$ 3.2	\$ 5.5	\$ 8.4	\$ 12.1	\$ 17.0
	12.0%	\$ 3.8	\$ 6.2	\$ 9.1	\$ 12.9	\$ 17.9

Limited Partner IRRs

Discount Assumed on Acquisition of Loans

		0.0%	10.0%	20.0%	30.0%	40.0%
Average Default Interest Rate	8.0%	5.8%	8.8%	12.2%	16.3%	21.3%
	9.0%	6.7%	9.6%	13.0%	17.1%	22.3%
	10.0%	7.4%	10.3%	13.8%	18.0%	23.2%
	11.0%	8.2%	11.1%	14.6%	18.8%	24.1%
	12.0%	8.9%	11.9%	15.4%	19.7%	25.0%

Message

From: J. Kyle Bass [k@haymancapital.com]
Sent: 10/23/2015 5:42:39 PM
To: Geiling, Greg [Greg.Geiling@Blackstone.com]
Subject: Blackstone - Hayman Deal Terms
Importance: High

Greg,

Thank you for engaging with us on the UDF project. Our teams have worked closely together in order to get us to this point. I would like to offer a response to your initial thoughts on the proposed fee structure for this deal.

We will have Andy Jent, Parker Lewis, Dan Babich, Farley Dakan, and others from Makinac working full-time on this deal. It is important for us to have a fee structure that looks more like a 1% mgmt. fee (on drawn capital only) with a 8% preferred return. After the preferred return, we have a 20% incentive fee with a catch-up. While I realize this fee structure is substantially different than the one you proposed, this deal is going to take the team 2-3 years with several hundreds of man hours in order to execute it properly.

I ask that you seriously consider the complexities and the time devotion in order to make this all happen. We think that we can continue to deliver high teens net returns to you while staying fully aligned along the way.

Please let me know if you are free anytime today or Monday to follow-up via a call.

Best,

Kyle

J. Kyle Bass
Chief Investment Officer
Hayman Capital Management

Message

From: Chris Kirkpatrick [CK@haymancapital.com]
Sent: 10/30/2015 1:01:29 AM
To: Coia, David [David.Coia@gs.com]
CC: Andy Jent [aj@haymancapital.com]; Tribolet, Patrick [patrick.tribolet@gs.com]; Kendall, Kyle [Kyle.Kendall@gs.com]; Gatlin, Kimberly C [Kimberly.Gatlin@gs.com]; McMillan, Scott [Scott.McMillan@gs.com]
Subject: Re: Redacted Decks

Sounds good.

On Oct 29, 2015, at 7:46 PM, Coia, David <David.Coia@gs.com<mailto:David.Coia@gs.com>> wrote:

Andy & Chris,

We have one outstanding item on the NDA that pertains to the second whole paragraph on page 2. Our legal team (cc'd) has been working through the language, and while we will most likely require a bit of a mark-up I think we can find a suitable solution. If possible let's plan on circling up via phone first thing in the morning to finalize prior to our meeting. The team will circulate proposed language beforehand.

We appreciate you working through it with us. Talk to you in the morning.

From: Andy Jent
Sent: Thursday, October 29, 2015 1:51:16 PM
To: Tribolet, Patrick [MBD]; Chris Kirkpatrick; Coia, David [MBD]
Cc: Kendall, Kyle [MBD]
Subject: RE: Redacted Decks

10-4.

Andy Jent
Hayman Capital Management, LP
2101 Cedar Springs Road, Suite 1400
Dallas, Texas 75201
Direct 214.646.8788
aj@haymancapital.com<mailto:aj@haymancapital.com>

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From: Tribolet, Patrick [mailto:patrick.tribolet@gs.com]
Sent: Thursday, October 29, 2015 1:50 PM
To: Andy Jent <aj@haymancapital.com<mailto:aj@haymancapital.com>>; Chris Kirkpatrick <CK@haymancapital.com<mailto:CK@haymancapital.com>>; Coia, David <David.Coia@gs.com<mailto:David.Coia@gs.com>>
Cc: Kendall, Kyle <Kyle.Kendall@gs.com<mailto:Kyle.Kendall@gs.com>>
Subject: RE: Redacted Decks

Andy - let's make it 11am. Assuming we can get NDA resolved in meantime, we will see you then. Thx

Patrick M. Tribolet
Managing Director
Merchant Banking Division
Goldman, Sachs & Co.
6011 Connection Drive
Irving, TX 75039
Tel: 972-368-7934 | Fax: 214-855-6305
E-mail: patrick.tribolet@gs.com<mailto:patrick.tribolet@gs.com>

From: Andy Jent [mailto:aj@haymancapital.com]
Sent: Thursday, October 29, 2015 1:12 PM
To: Tribolet, Patrick [MBD]; Chris Kirkpatrick; Coia, David [MBD]
Cc: Kendall, Kyle [MBD]
Subject: RE: Redacted Decks

ok. I can come see you at 11:30 tomorrow.

Andy Jent
Hayman Capital Management, LP
2101 Cedar Springs Road, Suite 1400
Dallas, Texas 75201
Direct 214.646.8788
aj@haymancapital.com<mailto:aj@haymancapital.com>

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From: Tribolet, Patrick [mailto:patrick.tribolet@gs.com]
Sent: Thursday, October 29, 2015 11:15 AM
To: Andy Jent <aj@haymancapital.com<mailto:aj@haymancapital.com>>; Chris Kirkpatrick <CK@haymancapital.com<mailto:CK@haymancapital.com>>; Coia, David <David.Coia@gs.com<mailto:David.Coia@gs.com>>
Cc: Kendall, Kyle <Kyle.Kendall@gs.com<mailto:Kyle.Kendall@gs.com>>
Subject: RE: Redacted Decks

Working its way through the GS system. Hope to have clearance through course of today. Might want to go ahead and schedule a meeting for tomorrow on assumption we can get this taken care of in the meantime...can reschedule if we need to. I'm free from 11.30-3pm tomorrow.

From: Andy Jent [mailto:aj@haymancapital.com]
Sent: Thursday, October 29, 2015 10:32 AM
To: Chris Kirkpatrick; Coia, David [MBD]
Cc: Kendall, Kyle [MBD]; Tribolet, Patrick [MBD]
Subject: RE: Redacted Decks

Guys, any updates or feedback?

Andy Jent
Hayman Capital Management, LP
2101 Cedar Springs Road, Suite 1400
Dallas, Texas 75201
Direct 214.646.8788
aj@haymancapital.com<mailto:aj@haymancapital.com>

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From: Chris Kirkpatrick
Sent: Wednesday, October 28, 2015 5:39 PM
To: Coia, David <David.Coia@gs.com<mailto:David.Coia@gs.com>>; Andy Jent <aj@haymancapital.com<mailto:aj@haymancapital.com>>

Cc: Kendall, Kyle <Kyle.Kendall@gs.com<mailto:Kyle.Kendall@gs.com>>; Tribolet, Patrick <patrick.tribolet@gs.com<mailto:patrick.tribolet@gs.com>>
Subject: RE: Redacted Decks

David:

We're okay with the changes with two exceptions: (i) the second full paragraph on page two needs to be restored and (ii) we would prefer the choice of law and venue to remain in Texas (we're here, you're here and the property in question is here, so if there's litigation over the confi, let's keep it here). I'm happy to discuss these issues. My contact information is below. Otherwise, we can agree to the other changes.

Best,

Chris

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

214-646-8800 Tel
972-372-0336 Fax
ck@haymancapital.com<mailto:ck@haymancapital.com>

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From: Coia, David [mailto:David.Coia@gs.com]
Sent: Wednesday, October 28, 2015 5:04 PM
To: Andy Jent <aj@haymancapital.com<mailto:aj@haymancapital.com>>
Cc: Kendall, Kyle <Kyle.Kendall@gs.com<mailto:Kyle.Kendall@gs.com>>; Tribolet, Patrick <patrick.tribolet@gs.com<mailto:patrick.tribolet@gs.com>>; Chris Kirkpatrick <CK@haymancapital.com<mailto:CK@haymancapital.com>>
Subject: RE: Redacted Decks

Andy, we are still waiting to clear internal conflicts, but in the meantime we wanted to keep the ball rolling. Attached is our legal teams mark-up of the full NDA you all provided. If you review ahead of time, and let us know it is acceptable, we will execute as soon as we are cleared. Let us know if you all have any questions, comments, or concerns. Thanks.

From: Andy Jent [mailto:aj@haymancapital.com]
Sent: Wednesday, October 28, 2015 11:01 AM
To: Coia, David [MBD]
Cc: Kendall, Kyle [MBD]; Tribolet, Patrick [MBD]; Chris Kirkpatrick
Subject: RE: Redacted Decks

The name of the public company is United Development Funding IV and UDF is their ticker. There are other legal entities associated with them and they can be found at this link.

<http://www.udfonline.com/>

Andy Jent
Hayman Capital Management, LP
2101 Cedar Springs Road, Suite 1400
Dallas, Texas 75201
Direct 214.646.8788
aj@haymancapital.com<mailto:aj@haymancapital.com>

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From: Coia, David [mailto:David.Coia@gs.com]
Sent: Wednesday, October 28, 2015 10:45 AM
To: Andy Jent <aj@haymancapital.com<mailto:aj@haymancapital.com>>
Cc: Kendall, Kyle <Kyle.Kendall@gs.com<mailto:Kyle.Kendall@gs.com>>; Tribolet, Patrick <patrick.tribolet@gs.com<mailto:patrick.tribolet@gs.com>>
Subject: RE: Redacted Decks

Andy, see attached executed NDA for the purpose of disclosing the counter party. At which point we can clear any potential conflicts and execute a more robust NDA. Let us know if you all have any questions, or concerns. Thanks.

David Ian Coia
972.368.2628
David.Coia@gs.com<mailto:David.Coia@gs.com>

From: Tribolet, Patrick [MBD]
Sent: Wednesday, October 28, 2015 9:39 AM
To: 'Andy Jent'
Cc: Coia, David [MBD]; Kendall, Kyle [MBD]
Subject: RE: Redacted Decks

Let's see if we can get the NDA sorted today so we can have a more substantive conversation. We'll push it as quickly as we can on our side. Thx

From: Andy Jent [mailto:aj@haymancapital.com]
Sent: Wednesday, October 28, 2015 9:36 AM
To: Tribolet, Patrick [MBD]
Subject: Redacted Decks

I have a redacted deck and redacted 2 pager that I can share with you.

Andy Jent
Hayman Capital Management, LP
2101 Cedar Springs Road, Suite 1400
Dallas, Texas 75201
Direct 214.646.8788
aj@haymancapital.com<mailto:aj@haymancapital.com>

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