

CAUSE NO. CC-17-06253C

UNITED DEVELOPMENT FUNDING, L.P, §
A DELAWARE LIMITED PARTNERSHIP; §
UNITED DEVELOPMENT FUNDING II, §
L.P, A DELAWARE LIMITED §
PARTNERSHIP; UNITED DEVELOPMENT §
FUNDING III, L.P, A DELAWARE §
LIMITED PARTNERSHIP; UNITED §
DEVELOPMENT FUNDING IV, A §
MARYLAND REAL ESTATE §
INVESTMENT TRUST; UNITED §
DEVELOPMENT FUNDING INCOME §
FUND V, A MARYLAND REAL ESTATE §
INVESTMENT TRUST; UNITED §
MORTGAGE TRUST, A MARYLAND §
REAL STATE INVESTMENT TRUST; §
UNITED DEVELOPMENT FUNDING §
LAND OPPORTUNITY FUND, L.P., A §
DELAWARE LIMITED PARTNERSHIP; §
UNITED DEVELOPMENT FUNDING §
LAND OPPORTUNITY FUND §
INVESTORS, L.L.C., A DELAWARE §
LIMITED LIABILITY COMPANY §

Plaintiffs, §

v. §

J. KYLE BASS; HAYMAN CAPITAL §
MANAGEMENT, L.P.; HAYMAN §
OFFSHORE MANAGEMENT, INC.; §
HAYMAN CAPITAL MASTER FUND, L.P.; §
HAYMAN CAPITAL PARTNERS, L.P.; §
HAYMAN CAPITAL OFFSHORE §
PARTNERS, L.P.; HAYMAN §
INVESTMENTS, LLC §

Defendants. §

**IN THE COUNTY COURT OF
DALLAS COUNTY, TEXAS**

COUNTY COURT OF LAW NO. 3

AFFIDAVIT OF ALICE ANNE BROWN

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

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