

Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 12/28/2015 12:56:00 AM
To: J. Kyle Bass [k@haymancapital.com]; Andy Jent [aj@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]; Juneau Lee [JL@haymancapital.com]; Katheryn E. Mueller [KM@haymancapital.com]; Steele Schottenheimer [ss@haymancapital.com]
Subject: Draft of Potential Press Release
Attachments: image001.jpg; DRAFT Press Release (12.27.15).docx

As discussed last week, attached is a draft of a press release that would announce our involvement in UDF should we want to pursue the path of making the announcement ourselves.

I've included the following information in the attached which I think is important to convey:

* Confirming that we released information anonymously on Harvest (without specifically addressing that we are short UDF...downplaying our status as an evil short-selling hedge fund and focusing on confirming rumors about anonymous posts and press inquiries)

* An explanation of why we originally posted anonymously

* A revelation of some new critical information (the claims that Centurion, in its own view, does not "owe" a majority of the loans and the fact that Centurion's CFO resigned abruptly before the auditor and board member resigned)

* Why we are now attributing our name to the information and past posts

Please provide any suggestions and comments

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

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December [], 2015

Following numerous media inquiries and online rumors, Hayman Capital Management (“Hayman”) confirms that it recently posted independent research, on an anonymous basis, revealing troubling facts concerning a multi-billion dollar real estate scheme being orchestrated by United Development Funding (“UDF”) based in Dallas-Fort Worth.

The documents posted on Harvest Exchange (“Harvest”) were posted anonymously to allow for information to disseminate and to be judged based on the content of the research, rather than the messenger.

Hayman first learned of problems within the troubling UDF structure in early 2014; in the lengthy time since, Hayman conducted its own independent research which uncovered a complex scheme involving the payment of purported returns to existing investors (and funds) from funds contributed by new investors.

During the lengthy time period during which Hayman conducted its research, Hayman consulted numerous real estate, financial and accounting professionals. Unfortunately, at some point, Hayman’s confidence and confidentiality were breached, resulting in an unauthorized leak attributing the anonymously posted research to Hayman.

This unfortunate, unauthorized and previously unconfirmed leak created both uncertainty in the market and an opportunity for UDF management to cast a truthful messenger as an evil villain. In reality, the victims and losses within the UDF structure were created by the actions of a misguided management team and were present prior to (and not because of) Hayman’s involvement.

The losses which Hayman hopes to help prevent are the future losses of UDF V, the program through which UDF management is currently attempting to raise another billion dollars and an investment vehicle in which Hayman does not have an economic interest.

Prior to sending an anonymous letter to UDF’s auditor on December 4, 2015, UDF’s auditor “declined to stand for reappointment” after already having been voted on by shareholders and confirmed as the firm’s independent public accounting firm in June 2015. Coinciding with this announcement, it was also announced that a board member had resigned. Prior to the announcement of these two “resignations”, the Chief Financial Officer of UDF’s largest borrower, which accounts for 43%, 67% and 62% of loans issued by UDF III, UDF IV and UDF V, respectively, resigned abruptly and apparently without notice just a few months prior.

Subsequent to the release of the letter to UDF’s auditor and multiple posts on Harvest, Hayman learned that the principal executive of UDF’s largest borrower, Mehrdad Moayedi, had communicated to multiple parties that he does not actually owe \$585 million in debt to UDF III and UDF IV, a figure which the letter to UDF’s auditor claimed and which UDF’s management did not refute in its response. Moayedi’s version of the story ranges from an explanation that (i) UDF has, for all practical purposes, already foreclosed on the vast majority of his projects but that it technically has not gone through the legal foreclosure process and (ii) that he only continues to own the projects as a favor to UDF because owning land development assets is not REIT qualified income. In so doing, Moayedi appears to have admitted to knowledge of and understanding of the shell game which UDF has been playing, unbeknownst to investors and shareholders. If Moayedi’s version of the story is true, assets which are characterized as performing “loans” to UDF’s largest borrower in UDF’s financial statements may very well be non-performing REO (real estate owned), a “troubling” admission at the very least.

After Hayman learned of these claims by UDF’s largest borrower, we determined that it was critical to share the “secret” regarding the status and nature of a majority of UDF loans which UDF management and UDF’s largest borrower seem intent on not sharing with public shareholders. In doing so, I felt it was necessary to attribute Hayman’s name to the information so that UDF management can no longer attempt to hide inconvenient truths by casting doubt on an anonymous messenger.

Sincerely,

Kyle Bass
Chief Investment Officer
Hayman Capital Management.

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[Hayman will be posting additional research on Harvest on [Date TBD] and will be hosting a conference call on [Date TBD]. The purpose of the conference call will be to discuss Hayman's research and Hayman's views regarding UDF. The conference call will be open to both the media and the public. The dial-in information for the conference call is included below].

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

SEC Office of the Whistleblower

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