

Message

From: Zilka, Jeff [Jeff.Zilka@edelman.com]
Sent: 1/3/2016 11:22:43 PM
To: Parker Lewis [PL@haymancapital.com]
CC: Manzini, Chris [Chris.Manzini@edelman.com]; Geller, Mike [Mike.Geller@edelman.com]; Damouni, Nadia [Nadia.Damouni@edelman.com]; McHugh, Ted [Ted.McHugh@edelman.com]; Campbell, Rob [Rob.Campbell@edelman.com]; Marose, Gregory [Gregory.Marose@edelman.com]
Subject: For review: Key Messages/Talking Points and Summary Communications Plan
Attachments: Hayman key messages re UDF IV_01_03_16.docx; Hayman UDF IV Communications Plan_01_03_16.docx

Parker,

Hope and trust you're well. We're looking forward to meeting this Wednesday, Jan. 6 at 9am at your offices.

- Chris, Rob and I will be there in-person.
- Mike, Nadia and Ted will dial-in.
- You mentioned you have a video conferencing option; we're checking into that on our end.

Please find attached for your review draft talking points/key messages and a summary communications plan for the UDF engagement. We look forward to your comments, which we can incorporate prior to our meeting.

With best regards,

Jeff

Jeff Zilka
EVP and General Manager
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From: Manzini, Chris
Sent: Thursday, December 31, 2015 10:22 AM
To: Parker Lewis; Campbell, Rob
Cc: Zilka, Jeff; Siddiqui, Sarah
Subject: RE: Emailing: Edelman Receiving and Disclosing Confidential Info (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L P SOW A - Strategic Investment Comm 12 29 15 (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L.P LOA 12 ...

Hi Parker,

Attached, you will find the following fully executed: LOA, MNDA and SOW (I have struck the admin fee and initialed by hand on the SOW). Sarah, copied, is our finance manager and will generate an invoice for you but she may not be able to generate until next week. Payment instructions are below.

Jeff is working on your materials and asked if you will please share a PPT version of the UDF Summary Presentation (November 2015). Is that possible?

Also, please let us know when we can confirm Wednesday so folks can book travel and get schedules cleared.

We will set up a Hayman alias so you can reach everyone at a single email address. Standby for that...

Thanks,

Chris

PAYMENT INSTRUCTIONS:

Please Remit To:

DANIEL J. EDELMAN, INC.
JP MORGAN CHASE, N.A.
21992 NETWORK PLACE
CHICAGO, IL 60673-1219
USA

Please Wire Your Remittance To:

DANIEL J. EDELMAN, INC.
JP MORGAN CHASE, N.A.
Account # 57-54755
ACH: ABA # 071000013
Wire: ABA# 021000021
Swift Code: CHASUS33

From: Parker Lewis [mailto:PL@haymancapital.com]

Sent: Wednesday, December 30, 2015 5:54 PM

To: Manzini, Chris; Campbell, Rob

Subject: Fwd: Emailing: Edelman Receiving and Disclosing Confidential Info (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L P SOW A - Strategic Investment Comm 12 29 15 (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L.P LOA 12 ...

Chris / Rob - see attached and below. Chris was fine with the changes and executed versions are attached. I'm on my mobile so let me know if there were any issues with the executed docs coming across

Also please send payment instructions so that we can get that over

Sent from my iPhone

Begin forwarded message:

From: Chris Kirkpatrick <CK@haymancapital.com>

Date: December 30, 2015 at 5:50:04 PM CST

To: Parker Lewis <PL@haymancapital.com>, Jeff Knowlton <jk@haymancapital.com>

Subject: RE: Emailing: Edelman Receiving and Disclosing Confidential Info (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L P SOW A - Strategic Investment Comm 12 29 15 (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L.P LOA 12 29 1

Parker:

I was fine with their changes. Attached are the executed documents.

Jeff -- Will you work with Parker to make the payment arrangements? Thanks.

Best,

Chris

-----Original Message-----

From: Parker Lewis

Sent: Wednesday, December 30, 2015 3:09 PM

To: Chris Kirkpatrick <CK@haymancapital.com>

Subject: FW: Emailing: Edelman Receiving and Disclosing Confidential Info (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L P SOW A - Strategic Investment Comm 12 29 15 (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L.P LOA 12 29 1

See attached, they included revised language on the legal expenses rather than striking which I think is the one substantive change; believe this was crafted to address our concerns on the point without striking the language completely but obviously defer to you.

Sent an update to KB. I'll be around so just holler at me whenever you get online and have a chance to review

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
Dallas, TX 75201

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512.699.7480 Mobile
PL@HaymanCapital.com

-----Original Message-----

From: Manzini, Chris [<mailto:Chris.Manzini@edelman.com>]

Sent: Wednesday, December 30, 2015 11:42 AM

To: Parker Lewis <PL@haymancapital.com>

Cc: Campbell, Rob <Rob.Campbell@edelman.com>

Subject: RE: Emailing: Edelman Receiving and Disclosing Confidential Info (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L P SOW A - Strategic Investment Comm 12 29 15 (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L.P LOA 12 29 1

Hi Parker,

We've accepted almost all of your edits. Clean version of SOW and NDA attached as well as a redline LOA.

Let me know if you have any Q's.

CM

-----Original Message-----

From: Parker Lewis [mailto:PL@haymancapital.com]

Sent: Wednesday, December 30, 2015 7:38 AM

To: Manzini, Chris

Cc: Campbell, Rob

Subject: FW: Emailing: Edelman Receiving and Disclosing Confidential Info (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L P SOW A - Strategic Investment Comm 12 29 15 (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L.P LOA 12 29 1

Chris - see our general counsel's mark-up, the main substantive changes involve the admin expense fee and reimbursement for Edelman's outside legal fees.

Our GC is in Hawaii so reasonably will not be up until noon CT, but we can hop on the phone with him to iron out any unresolved issues as soon as he is up.

Parker Lewis
Hayman Capital Management, L.P.
2101 Cedar Springs Road Suite 1400
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PL@HaymanCapital.com

-----Original Message-----

From: Chris Kirkpatrick

Sent: Wednesday, December 30, 2015 12:47 AM

To: Parker Lewis <PL@haymancapital.com>

Subject: Emailing: Edelman Receiving and Disclosing Confidential Info (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L P SOW A - Strategic Investment Comm 12 29 15 (HCM Comments Dec 29 2015), Edelman - Hayman Capital Management L.P LOA 12 29 15 (H

Attached are my comments redlined.

CONFIDENTIAL

Draft for comment, January 2, 2016

KEY MESSAGES:

**SHAREHOLDERS IN UDF'S REAL ESTATE INVESTMENT TRUSTS ARE BEING VICTIMIZED
BY UDF MANAGERMENTS' PONZI-LIKE SCHEME TO KEEP ITS FUNDS AFLOAT**

Background

- United Development Funding (UDF) IV, a real estate investment trust (REIT), incorporated in Maryland and based in Grapevine, Texas, owns loans to acquire and develop single-family residential lots or mixed-use master planned residential communities and build single-family homes, and engages in other real estate-related finance activities, chiefly in the North Texas/Dallas/Fort Worth area.
- UDF IV was formed by Hollis M. Greenlaw, chairman and CEO, and Todd Etter, a senior executive with various UDF funds, as a non-traded REIT in 2009. It was then listed on NASDAQ in June 2014.
- UDF IV is one of a series of non-traded REITs and real estate companies – United Mortgage Trust (UMT), UDF I, UDF III and UDF V – that Greenlaw and Etter have established since 2003.
- In wake of the collapse of American Realty Capital Properties' (ARCP) network of companies in early 2015, Hayman Capital, an alternative assets investment firm based in Dallas, Texas, became interested in the role that ARCP's broker-dealer, RCS Capital (RCAP), has played since 200x in providing capital to the UDF companies.

Shareholders in UDF IV and UDF's Other Real Estate Investment Trusts Are Being Victimized by UDF Management's Ponzi-Like Scheme

- Based on thorough examination of public filings and court documents, Hayman believes that shareholders in UDF's funds – non-traded REIT UDF III; publicly traded UDF IV; and UDF V, a non-traded REIT now in formation – are being victimized by a Ponzi-like scheme.
- Hayman asserts that monies contributed by investors in UDF's later funds, i.e. UDF III, Nasdaq-listed UDF IV, and UDF V, are providing capital to repay investors in its initial UMC and UDF I funds.
- Hayman believes that if UDF V, the funding mechanism funneling new capital to the earlier funds, is halted, UDF IV and UDF III do not appear to be capable of standing, based on cash flows from their loans they own. Further, Hayman believes that many of the UDF companies' loans are already non-performing.
- Each day that the scheme persists, UDF shareholders, who are chiefly individual investors and retirees, are being victimized.

Key features of the UDF scheme are outlined below.

1. Later UDF Companies Provide Capital to Refinance Investors in Earlier UDF Companies

- The UDF network of companies shows characteristics of a Ponzi scheme: New capital, both equity and debt, are used to finance distributions to existing investors; and subsequent UDF funds provide significant liquidity to earlier UDF funds, allowing them to pay earlier investors.
- UDF I, the first iteration, began as a private partnership, investing as a real estate developer and lender to real estate developers and homebuilders. As UDF I began to falter during the financial crisis, capital from another non-traded entity, United Mortgage Trust (UMT), was used to help

bail out UDF I. UDF I and UMT are affiliates, sharing common management, and UDF management decided to issue loans from UMT to UDF I, allowing UDF I and its subsidiaries to repay various third-party debt.

- UMT was in the business of issuing sub-prime residential mortgages, and its core business deteriorated rapidly. Greenlaw and Etter created United Development Funding III (UDF III), a separate public non-traded affiliate, to purchase a significant “economic participation interest” in UMT’s loan to UDF I, which grew exponentially throughout the financial crisis, even as UDF I defaulted on third-party loans. Through this mechanism, UDF III’s capital, obtained from retail investors, appears to have been used to repay UMT and bail out UDF I, setting the Ponzi-like real estate scheme in motion.
- As the need to provide ever-increasing amounts of capital grew, UDF partnered with RCAP, a broker dealer, to raise a larger pool of funds from retail investors via UDF IV. UDF IV has since provided liquidity to UDF I, UMT and UDF III, among other affiliates, exacerbating the problem and perpetuating the scheme.
- After raising capital as a non-traded REIT, UDF IV closed its offering and listed on the NASDAQ in June 2014.
- As prior vintages continually needed a source of liquidity, RCAP was again called upon to raise the equity, this time through its latest vintage, UDF V, with an offering of as much as \$1 billion.

2. *Development Activities Do Not Appear to Actually Be Taking Place at Many UDF-Funded Sites*

- Visits to many housing developments that serve as collateral for UDF real estate loans show that there is no activity taking place and the collateral is still non-income producing raw land, in some cases as much as 10 years after the first loans were issued. This raises the question: What has been the use of the loan principal, which has increased over time, if not for development?
- Hayman asks a related question: Did UDF’s management use the appreciation in the underlying real estate to book phantom profits, and then borrow funds to return these unrealized profits to investors in various UDF funds, creating an undisclosed return of capital that has inflated the funds’ loan balances?

3. *UDF Loans Are Dangerously Concentrated with Just Two Borrowers, One of Which is Already in Financial Distress*

- UDF’s largest borrower is noted Dallas business executive Mehrdad Moayed, doing business as Centurion American.
 - Loans to Moayed-controlled companies constitute 43% of UDF III, 67% of UDF IV, and 62% of UDF V, for a combined total of xx%, equal to \$xxx million across the three funds. These loans, which Mr. Moayed has personally guaranteed, pay an average interest rate of 13%, more than double the current market average.
 - While this extreme loan concentration is disclosed individually for each of UDF’s funds, the high default risk across UDF III, UDF IV and UDF V is never disclosed.
- The second-largest borrower is a private real estate developer based in Austin, Texas, whose principal executive is Thomas Buffington. Buffington loans appear to account for approximately 23% of the loan assets of UDF III and 10% of UDF IV.
 - Six UDF IV Buffington loans have matured without being extended or repaid. In a lawsuit filed in Travis County, Texas on or about Oct. 30, 2015, fraud was alleged against UDF IV, Buffington and others, and UDF IV was claimed to be insolvent.

- On Nov. 30, 2015, UDF III filed an involuntary bankruptcy petition against a Buffington-controlled entity for \$106.5 million, representing approximately 25% of UDF III's total assets.
- Neither UDF IV or UDF III have disclosed the poor financial condition of their second largest borrower, the litigation or the material effect this bankruptcy filing may have on the financial conditions of UDF III and IV.

4. UDF's Newest Fund, UDF V, Appears to be Perpetuating the Scheme

- UDF V's principal business activity appears to be issuing loans to specific Centurion entities that have or had loans due to UDF III and UDF IV. Moreover, there is evidence that UDF V has indirectly used new retail capital, obtained from individual investors, to provide liquidity to affiliates, despite specifically stating in its prospectus that it would not engage in these practices

Cracks in UDF's Facade Are Starting to Appear

- As noted above, on or about October 30, 2015, a lawsuit was filed in Travis County, Texas naming UDF IV as a co-defendant in a case involving allegations of fraud, breach of contract, tortious interference and fraudulent transfer.
- On November 24, 2015, UMT, UDF III, UDF IV and UDF V each filed Forms 8-K revealing that their independent registered public accounting firm, Whitley Penn LLP, declined on November 19, 2015, to stand for reappointment as the auditor for each company. This is despite UDF IV shareholders approving Whitley Penn's reappointment at their annual meeting only five months earlier.
- Also on November 24, 2015, William Kahane, formerly CEO of broker-dealer RCAP, which raised money from retail investors for UDF III, UDF IV and UDF V, resigned as a director of UDF IV.
- As noted above, on November 30, 2015, UDF III filed an involuntary bankruptcy petition in the United States Bankruptcy Court for the Western District of Texas against UDF III and UDF IV's second largest non-affiliated borrower.
- During the week of Dec. xx, Hayman learned that Mr. Moayedhi has communicated to several parties that he does not actually owe \$585 million in debt to UDF III and UDF IV.
 - Mr. Moayedhi is alleged to have said that UDF has, for all practical purposes, already foreclosed on the vast majority of his projects, but has not gone through the legal foreclosure process; and he only continues to own the projects as a favor to UDF because owning land development assets is not REIT-qualified income.
 - If this is the case, assets which are characterized as performing loans to UDF's largest borrower in UDF's financial statements may very well be non-performing real estate owned.

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COMMUNICATIONS CAMPAIGN SUMMARY AND TIMELINE RE: UNITED DEVELOPMENT FUNDING (UDF) IV

<i>Deliverable/Action</i>	<i>Description</i>	<i>Status/Timing</i>
PREPARE		
Strategic Plan	High-level plan-on-a-page. Defines: <ul style="list-style-type: none"> • Materials to be developed • Timing/cadence for outreach • Traditional and social media channels, plans for paid support • External influencers to be engaged 	Delivered. For discussion Wed., Jan. 6
Key Messages/ Talking Points	<ul style="list-style-type: none"> • Defines the campaign theme • Enable communications and spokespeople to use Hayward research to tell a clear, simple and succinct story • Provides opportunity to present detailed Hayman research as needed 	Delivered. For discussion Wed., Jan. 6
Materials	Materials to be developed include: <ul style="list-style-type: none"> • Media documents for proactive outreach • Fact sheet, with definitions • Infographic • Presentation with key findings • Q&A, which will grow over time 	Development to commence with messaging approval. Goal to complete materials development prior to media outreach.
Media Strategy	<ul style="list-style-type: none"> • Discuss media strategy • Develop comprehensive media list for reporters who cover REITs, Investing, and Financial Industry Investigations 	Complete by Fri., Jan. 8
Media Training	Kyle Bass to complete media training and/or refresh bespoke to this topic	Before Jan. 11
Owned and Social Channels	Technical build for microsite for dissemination of findings, material identification and development for site, social channel with content calendar (Twitter)	Start ASAP, complete by external launch
3rd Party Influencers	<ul style="list-style-type: none"> • Identify industry influencers and experts in REIT space • Understand existing outreach to SEC, FBI and local/states' attorneys 	Complete by Jan. 11
Storyline Timeline and Research	Develop a timeline, complete research in order to: <ul style="list-style-type: none"> • Anticipate and respond quickly to new material provided by UDF's management • Take advantage of UDF communications opportunities, i.e. Q4 and FY 2015 press release and conference call, mailing of 2015 proxy, etc. 	Ongoing

	<ul style="list-style-type: none"> REIT and local real estate industry forums, where this research can be shared Uncover additional storylines about investors who have been fleeced, projects at risk, etc. 	
ENGAGE		
Complete Outreach For Media Exclusives: Print And Broadcast	Leverage ongoing conversations with Zuckerman at WSJ, pitch Faber at CNBC to coincide with anticipated print run date	Aim for w/o Jan. 11
Media Alert/Conference Call	Issue alert as invite for media to join moderated call for Kyle Bass to share findings on UDF	w/o Jan. 11
Additional Proactive Print Outreach	<ul style="list-style-type: none"> Dallas Morning News and Investment News to be pitched in line with WSJ article 3rd parties to be offered to validate Hayman position. 	w/o Jan. 11
Owned And Social Channels Including Paid Amplification	<ul style="list-style-type: none"> Microsite live; give investors option to register for updates Twitter handle active; give investors option to follow Paid support for media coverage Paid search to drive microsite traffic Paid Twitter to micro target followers of Faber and other reporters covering the story 	
Paid Amplification	Apply paid support for earned media articles and buy key word searches.	Ongoing
Government Relations	Engage Texas AG, Hill staffers for respective Congressional districts and FTC	Ongoing
Trade Relations	Consider outreach to NAREIT and IPA	w/o Jan. 11
Ongoing Engagement	Leverage Q4 and FY2015 press release and earnings conference call <ul style="list-style-type: none"> Consider “Questions Investors Should Ask UDF’s Management” press release and post 	Anticipated Feb. or early March. (Last year was March 3)
MEASURE AND REFINE		
Daily Monitoring	Team to monitor earned, social and owned traffic.	Ongoing
Ongoing refining	Based on external factors and traction, team to refine and revise strategy.	Ongoing