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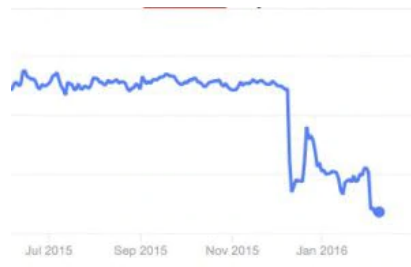
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BUSINESS

Kyle Bass: 'Absolutely' making money off real estate fund attacks, but just trying to protect small investors



United Development Funding's real estate investment trust stock has fallen by more than half in value since Bass launched his campaign. (Yahoo Finance)



By [Steve Brown](#)
9:20 AM on [Feb 12, 2016](#)

A Dallas hedge fund investor who has slammed a Grapevine-based residential lender says he's aided small investors who might have lost money with the company.

At the same time Kyle Bass admits he's made big profits by short selling United Development Funding's stock, which has lost more than half its value in the last couple of months.

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“Absolutely – I don’t deny it,” Bass said in an interview.

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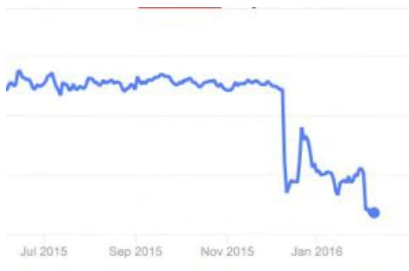
But he said “it’s convenient” for United Development to say he’s raised red flags about the company only because he makes money when the stock price declines.

“They say since we are a hedge fund we have a profit motive,” Bass said. “Well no kidding.

“But show us where we are wrong.”

Starting last month, Bass – who heads Dallas-based Hayman Capital – began putting out Internet reports and sending letters to the media with claims that United Development is mishandling investor funds, overstating the value of its assets and making improper loans to developers.

Bass describes United Development as a “billion dollar house of cards” and a “Ponzi-like real estate scheme.”



United Development Funding's real estate investment trust stock has fallen by more than half in value since Bass launched his campaign. (Yahoo Finance)


United Development officials have denied his claims, saying that the media and Internet campaign against the company is a scheme to tank its stock and make Bass millions.


“Given this financial incentive we believe the hedge fund intends to continue disseminating misleading information,” United Development CEO Hollis M. Greenlaw said this week in a statement. “We

remain focused on protecting investor value through the preservation of our portfolios, and we will defend our funds aggressively against these unfounded accusations.”

United Development officials have been saying basically the same thing since December.


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Since then, the stock value of the company's United Development Fund IV real estate investment trust has fallen by more than \$300 million.

Company officials on Thursday declined to comment beyond their recent statements.

Bass said his actions have saved individual investors millions of dollars that they might have poured into United Development.

"We have made it public," he said. "We have saved the 20,000 or 30,000 mom and pops from giving \$10,000 to \$100,000 to these guys and losing it all.

"One of our civic duties here is to get the next billion to not invest."

On his company-sponsored website – udfexposed.com – Bass says that United Development has improperly transferred money from one fund to others and recklessly loaned millions.

He says United Development has too much of its lending concentrated with a few developers – especially Farmers Branch-based communities builder Centurion American Development Group.

Centurion – one of Texas' largest residential land developers – says all of its debt with United Development is current and that UDF is one of more than two-dozen lenders the company does business with.

Financial firms like United Development aren't as heavily regulated as banks. There are fewer restrictions on what the companies do with their money.

Bass said he started digging into the company – which has funded more than \$1 billion in residential project loans - in 2014.

"We have done enormous amount of work on this and we believe it is not as it seems," Bass said. "Every time we have peeled back a layer of the onion it's only gotten worse.

"We put the website out for anyone to see and the company to refute," he said.

United Development in filings with the Securities and Exchange Commission in December said the claims against the company "contain misleading statements, speculation and rumors.

"The statements clearly demonstrate a lack of understanding of the residential development project life cycle, which typically involves multi-phase master planned communities and the related financing structures.

"By design, we concentrate our lending to seasoned and accomplished builders and developers."

Bass said the company has failed to answer all of his specific charges.

"Show us where we are wrong," he said. "If you were calling Bernie Madoff at the beginning of his scheme unwinding what would he say to you?

"He would say no, this isn't the case. We know exactly what we are doing."

Since United Development's stock plunge there have been multiple investor lawsuits in the works.

And the company has disclosed that the Securities and Exchange Commission has been looking at its operations since April 2014.

So far the SEC hasn't taken any direct action.

"Either we are going to be right or we are going to be wrong," Bass said. "The good news is that bright line is going to be drawn at a certain time in the future."



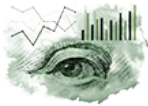
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