

Markets

# United Development Plunges as FBI Raids Firm's Texas Offices

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► FBI had court authorization for the search, spokeswoman says

► Hedge fund manager Kyle Bass took short position in REIT

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UDFI  
**UNITED DEVELOPME**  
1.80 USD  
▼ -0.10 -5.26%

United Development Funding IV shares plunged before being halted after FBI agents raided the real estate investment trust's offices in Texas.

The Grapevine, Texas-based company, which invests in residential real estate and property loans, dropped 55 percent to \$3.20 Thursday before trading was suspended. The stock is down 71 percent this year. The Federal Bureau of Investigation received court authorization for the search, said Allison Mahan, a spokeswoman for the bureau in Dallas, and NBC Dallas-Fort Worth filmed agents carrying boxes and computers away. Mahan declined to say what the FBI seized in the raid.

“The FBI is lawfully present and is conducting law-enforcement activities” at the site, Mahan said.



The REIT said in December that a hedge fund had “created a significant short position” in its shares and that the fund is “trying to unlawfully profit by manipulating and depressing the price” of its stock. Hedge fund manager Kyle Bass’s Hayman Capital Management has set up a website saying it took a short position in United Development Funding -- a wager that the company’s share price will fall -- and accusing the REIT of operating a business “consistent

with a Ponzi scheme, the size and scope of which exceeded a billion dollars.”

Telephone calls to United Development Funding executives weren't immediately returned. Kathy Colvin, a spokeswoman for the U.S. Attorney in Dallas, declined to comment on the FBI raid. Bass also declined to comment Thursday.

United Development Funding has said it's been cooperating since April 2014 with an investigation by the U.S. Securities and Exchange Commission.

Bass, in an interview last week, said that after “spending a long time investigating what is going on at UDF between them and their borrowers, it became apparent to us that each new and subsequent fund with different investors was providing liquidity to the prior funds.”

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– *With assistance by Dave Michaels, Sarah Mulholland, Heather Perlberg, and Katia Porzecanski*

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*(Updates with Bass declining to comment in fifth paragraph.)*