

Message

From: Holmes, Allie [Allie.Holmes@edelman.com]
Sent: 2/12/2016 7:08:04 PM
To: Parker Lewis [PL@haymancapital.com]; Chris Kirkpatrick [CK@haymancapital.com]
CC: Agnew, Shea [Shea.Agnew@edelman.com]; Marose, Gregory [Gregory.Marose@edelman.com]
Subject: Bloomberg Backgrounder
Attachments: Hayman-Bloomberg backgrounder 2.12.docx

Parker/Chris -

As discussed, attaching a backgrounder for review/approval. Happy to make any revisions needed before the Kyle brief at 1:45pm. Will be at our office for another 20 minutes before heading to yours.

See you in a few.



Allie Holmes

Executive Vice President

Edelman Dallas

1845 Woodall Rodgers Freeway, Suite 1200

Dallas, TX 75201

+ 1 214 443 7599 office

+ 1 214 901 1890 mobile

Format & Roles

Introductions (Greg)
Overview of Hayman POV on non traded REIT industry (Kyle)
UDF Deep Dive (Parker)
Chris to provide context, and keep speakers to format

Rules of Engagement

This interview is **on the record**. Keeping that in mind, below are a few tips to guide today's interview.

- For Kyle:
 - Assume anything you say can and might be quoted
 - Avoid anecdotes or anything too personality-driven; Bloomberg won't be as interested in the players, as they are in the entities involved. Discussion of personalities won't be reported on, and will detract from the larger story.
 - Avoid interviewing the interviewer. Turning the tables on an interviewer can come off as aggressive, and turn a reporter hostile.
- For Parker:
 - Keep comments high level until pressed for details
 - **Avoid bringing up anything you've heard through the rumour mill on indictments or subpoenas**

Flow & Key Talking Points

KYLE to provide POV of Non-traded REIT industry, covering:

- Problem with non traded REITs & their commission structures
- Fundraising mechanism, as manifested by Schorsch and RCap
- Taking advantage of retail mom and pops who don't know what they're buying
- Issue for both SEC (Office of Investor Advocate)
- Issue for Dept of Labor (Fiduciary Rule)
- UDF is emblematic of this problem, with a layer of company-specific activities that we found troubling.

Then bridge to Parker for specifics of UDF deep dive, as emblematic of the worst elements of the non-traded REIT industry

- Parker Lewis, analyst, has spent the last 18 months compiling the body of work we've posted at UDFExposed.com, and he can take you through the specifics related to UDF's billion dollar scheme.

PARKER to provide high-level overview of the most troubling aspects of UDF's scheme, including:

- 67% concentration of loans
- Loan patterns, with loans moving from fund to fund to fund - without generating cash, accruing larger and larger balances, repeatedly being extended
- 13% interest rates on non-developed property
- Relationships that could create conflicts of interest – 50/50 partnerships, own properties together, outside business
- Sequence of events include:
 - Largest borrower defaulted on a loan
 - CFO resignation

- Auditor declining to stand for re-appointment, and subsequent silence on re-appointment of new auditor (3 months, with March 15 date looming)

Bloomberg backgrounders

David Michaels, Bloomberg

David Michaels is a Financial Regulation Reporter for Bloomberg Washington, D.C. He writes about Wall Street regulation with a focus on high-frequency trading, equity market structure, asset management and SEC action. He frequently reports on the role politics play in financial regulation. Prior to working at Bloomberg, he worked as a Washington Correspondent for the Dallas Morning News, covering issues such as tax and budget legislation. His recent reporting focuses on regulatory issues tied to mutual funds, Rule 48, ETFs and, more specifically, the SEC scrutiny following Third Avenue's meltdown; however, he has not recently written about REITs.

Recent Articles

- NYSE Wants to Abandon Rule Some Say Contributed to Wild Session, February 2, 2016
- 2015 Spurred Billions in Bank Fines, But Not Enough for Warren, January 29, 2016
- SEC's Former Top Hand on Mutual Funds to Join Kirkland & Ellis, January 27, 2016
- BlackRock to SEC: Drop ETFs From New Fund Liquidity Safeguards, January 13, 2016
- Mutual Funds to Face More SEC Scrutiny After Third Avenue Bust, January 11, 2016

Heather Perlberg, Bloomberg

Heather Perlberg is a real estate and housing finance report for Bloomberg News in New York. Her recent reporting has focused specifically on the increasing metro area home prices as well as news that renters have begun buying homes again. Through her reporting on real estate, she has frequently covered REITs, specifically writing on mortgage and home-rental REITs.

Recent Articles

- Home Prices Climbed in 81% of U.S. Metro Areas, Realtors Say, February 10, 2016
- Renters Buying Again as U.S. Starter-Home Financing Gets Cheaper, February 5, 2016
- There's Some Hope for First-Time Home Buyers, January 22, 2016
- Hey Hedge Fund Managers, You Should Have Started a Mortgage REIT, January 21, 2016
- Silver Bay CEO Steps Down as Board Seeks New Leadership, January 19, 2016

REIT Coverage

- Hey Hedge Fund Managers, You Should Have Started a Mortgage REIT, January 21, 2016
- Why Barrack, Sternlicht Joined Forces in U.S. Home-Rental Merger, September 21, 2015
- Blackstone Bides Time for Home-Rental REIT as Stocks Sag, August 18, 2015
- Mortgage REITs Joining FHLBs Again Even as Regulator Weighs Ban, March 13, 2015
- REITs Emerge as Saviors for Misfit American Borrowers, January 16, 2015