To: Investment Committee

From: Brice Hafner

CC: Ben Doherty

Date: November 2, 2015

Subject: **Distressed Loan Investment Opportunity (Dallas, TX)**

We would like to present the following distressed loan investment opportunity in partnership with Hayman Capital Management, L.P..

(Please note all the information included in the package is highly sensitive and confidential, so we appreciate everyone's discretion)

The Opportunity:

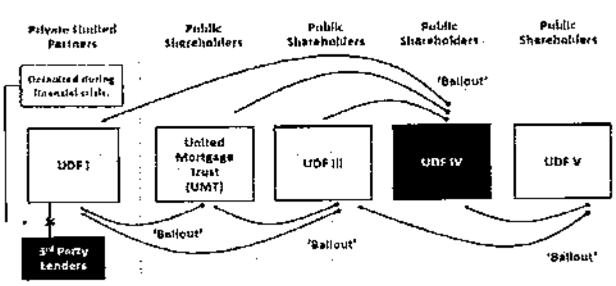
- To purchase distressed single-family residential loans, located in Dallas Ft-Worth, at discounts to par from local and regional banks.
- The opportunity will "be born" after the public announcement of a "ponzi scheme" being run by United Development Funding (UDF) and Centurion American (CA) in Dallas.
- We believe the regulated lenders will be willing to sell the loans at a discount in order to avoid any headlines and reputational damages associated with the fraud.
- From $400 million of residential loans, we have targeted roughly $200 million first lien loans of quality assets with unsustainable capital structures. In certain cases, we will have the opportunity to bid on a pool of loans held by one lender.

Underwriting/ Investment Period:

- We will underwrite the underlying real estate with help from Land Advisors, then bid and negotiate the acquisition of the over-secured notes at a discount to par.
- Mid-teens unleveraged fund returns generated by restructuring or working out loans, and collecting the original loan amount plus the accrued defaulted interest.
- Invest approximately $100 to $200 million in equity with a 10% co-invest from Hayman Capital Management.
- Hayman Capital will receive a 1% management fee per distressed loan, with distributions split 80/20 after a 10% rate of return.
- Hold period for individual loans are expected to be two (2) to three (3) years, with a total investment term of three (3) to four (4) years.
- **Exit strategy:** recover par + accrued defaulted interest from borrower, or credit-bidding the debt at foreclosure auctions.

Ponzi Scheme:

- UDF I was a real estate developer and lender to single-family residential developers prior to the financial crisis. As a result of UDF I's levered and long real estate holdings, they began to falter in the recession.
- In order to recapitalize, UDF I used capital from a public non-traded entity under common management control called United Mortgage Trust (UMT) to help bail it out.



- However, due to the crisis, UMT started to falter so UDF III retail capital was used to repay UMT, which put in motion the Ponzi-like real estate scheme.
- In subsequent years, UDF hired RCAP, a broker dealer, to raise a larger pool of funds via UDF IV to provide liquidity to UDF I, UMT and UDF III
- Once UDF IV was closed and listed on the NASDAQ, RCAP raised more equity through UDF V to provide further liquidity to all its affiliates.