

Message

**From:** J. Kyle Bass [k@haymancapital.com]  
**Sent:** 3/5/2015 1:57:40 PM  
**To:** Parker Lewis [PL@haymancapital.com]  
**CC:** Andy Jent [aj@haymancapital.com]  
**Subject:** RE: UDF Presentation  
**Attachments:** image002.jpg  
**Importance:** High

Parker,

This is excellent and should serve as an adequate foundation for federal regulators and criminal investigators to begin their investigations (if they aren't already looking).

A couple of nitpicks. Please take out 'potentially' on page 12. Page 19's reconciliation is POWERFUL and will only worsen going forward. The Hollis stuff is awesome and the FDIC should get involved. The Merdad pages where you break it all down in yellow is also powerful.

What Happened to the Travis Ranch loan that was set to expire this January (page 28)? ON bullet point #2 on page 29, I think we should add 'ponzi-like' to the back end of the point. This is perfect evidence of related party transactions operating like Ponzi schemes.

The Montalcino case study is also pretty awesome. The impairment and writedown once the Ponzi stops will be more than half.

This is an EXCELLENT piece of work Parker. We need to discuss next steps here being painfully aware of UDF's relationship and loans from Waterfall/Sutherland. We might need to wait to exit our distressed investment in Sutherland before we pull the plug on UDF.

Very nice work here. This makes me proud to have you working at Hayman.

JKB

**From:** Parker Lewis  
**Sent:** Friday, February 20, 2015 6:00 PM  
**To:** J. Kyle Bass  
**Cc:** Andy Jent  
**Subject:** UDF Presentation

Kyle - attached is the latest presentation on UDF as requested; the last two pages of the presentation include our latest updates and thoughts (I've also included these thoughts below so that they don't get missed at the end of a 70 page presentation); let me know if you have any questions or if you'd like to discuss.

Latest Updates and Thoughts on UDF IV

\* Hired a title company to run title on the underlying land of a sample set of Centurion American Developments (awaiting completion)

\* Met with restructuring counsel at Gardere Wynne & Sewell to discuss situation

**PRIVILEGED**

\* Met with land brokers and learned of several additional developments and loans that have issues; learned various facts about certain developments that could not be gleaned from an appraisal or an appraiser (meeting with the land brokers is more helpful than getting a 'rubber-stamped' appraisal).

\* Land broker contacts have offered to meet again with Hayman (including Andy/Kyle or whoever else would like to join) to walk through the maps and the specific issues with the developments to address concerns about land valuations/collateral.

\* We are extremely confident that the value of the collateral is significantly less than the value of the notes; however, we believe that the regulators (SEC) will care more about the following fact patterns when deciding on whether to investigate than our view of the value of the land:

- 1) UDF IV does not disclose that affiliates own the Stoneleigh (Maple Wolf Stoneleigh) with Mehrdad Moayedí (its largest borrower)
- 2) UDF IV bought a participation interest from UDF III and disclosed this but UDF IV does not disclose that UDF III no longer owns any portion of the note (this fact is disclosed in UDF III's financials); additionally, the fact that the loan had been extended three times is not disclosed in UDF IV's and the nature of the collateral and the fact that there is a senior loan ahead of the UDF IV is much better described in UDF III's SEC filings.
- 3) Separately, UDF IV bought a participation interest in a UDF III loan that UDF III originated to another UDF entity (UDF Northpointe); UDF IV's interest in the note has grown over time while UDF III's interest has declined (moving in separate directions).
- 4) UDF IV loaned money to entity owned by UDF IV officers and directors; regulators will be interested in how this decision was made, how independently the decision was made and who recused themselves from the vote (if it went to a vote).
- 5) Hollis Greenlaw is on the Dallas regional board of a bank that loans money to UDF IV
- 6) Despite disclosing that it will not participate in loans issued by affiliates nor will it loan directly to affiliates, UDF V has loaned to the same entity that UDF IV has loaned to on 1 occasion (a Moayedí entity) and has loaned to Moayedí on 2 occasions (2 out of first 3 loans issued by UDF V); UDF V does not disclose that UDF IV is a lender to the same party or related parties
- 7) General loan behavior - many loans issued to Moayedí just accrue larger and larger balances, do not generate any cash receipts and when the maturity date comes and passes, the loans are simply extended.
- 8) Taxable income is consistently higher than 'operating cash flow' due to the fact that a large portion of the taxable income is non-cash and actually PIK/accrued interest; while this appears to be clearly evident from the disclosure that a majority of the loans do not have any 'cash receipts' in 2014 (through September), UDF IV does not specifically disclose the PIK nature of the loans. The fact that taxable income is higher than operating cash flow and the fact that, as a REIT, UDF IV is required to distribute 90% of taxable income, create a timing mismatch between income and cash as well as between cash generated and distributions to shareholders
- 9) In many cases, loans are issued on raw land scheduled to be developed that are not income producing for several years and are negative carry yet accrue interest at 12-15%; in one instance, THREE years after the issuance of the 13% loan, there are only TWELVE homes constructed or under construction and the note matured in December 2014 (2nd lien, \$25mm); in another instance, almost THREE years after the issuance of 4 separate 13% loans, there is no development and the property is still raw land (2nd liens, \$26mm).
- 10) Distributes more cash to shareholders than it generates, only able to do so by raising new equity and debt
- 11) Realty Capital Securities (subsidiary of RCS Capital - RCAP) was the dealer-manager of UDF IV and is the dealer manager of UDF V; Nicholas Schorsch was the chairman of RCAP and ARCP; the SEC and FBI are investigating ARCP, due to reported accounting irregularities.
- 12) AR Capital is the co-sponsor/fund manager of UDF V with UDF Holdings; Nicholas Schorsch is the CEO of AR Capital and Edward M Weil is President and COO; Edward M Weil is also the CEO of RCAP.
- 13) UDF V is currently raising money from unsuspecting retail investors and likely perpetuating greater harm to investors of several funds.

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

214.347.8043 Direct  
512.699.7480 Mobile  
PL@HaymanCapital.com<mailto:PL@HaymanCapital.com>