



HAYMAN
CAPITAL MANAGEMENT, L.P.

A UDF “residential development project life cycle”:

Where Did UDF IV Public Shareholder Money Go?

April 2016

“Only when the tide goes out do you discover who’s been swimming naked.”

– Warren Buffet

A UDF “RESIDENTIAL DEVELOPMENT PROJECT LIFE CYCLE”

1. UDF I receives bank loan
2. UDF I starts residential development
3. Financial crisis / housing crisis hits
4. UDF I defaults on bank loans from the lending bank (Premier Bank)
5. Premier Bank fails; FDIC is appointed as receiver
6. RCS Capital raises capital from retail investors that are “starved for yield”
7. RCS Capital funnels retail capital to UDF IV
8. UDF IV funnels public shareholder capital to Centurion American (“Centurion”)
9. Centurion pays millions to UDF I for “assistance” and “services”
10. The payment, in part, allows UDF I to recoup realized losses incurred by UDF I and its private investors at the expense of the public shareholders of UDF IV.



A SCHEME TO RECOVER PAST REALIZED LOSSES WITH NEW CAPITAL

UDF I began operations in 2003 principally as a lender to real estate developers and as an equity investor in real estate developments. The principal investors in UDF I are Hollis Greenlaw and Todd Etter, CEO and Chairman, respectively, as well as other management insiders and “friends and family.” Unfortunately for them, UDF I was long real estate, in a levered way entering the financial crisis in 2007. As presented in the following case study, UDF I lost 100% of its equity investment in this specific investment and incurred millions in losses; however, it appears that ***UDF management partially recovered UDF I losses by using funds from public shareholders in UDF IV.*** This case study is yet another example, illustrating a continued pattern of management’s poor investment track record, in stark contrast to its claims in an investor presentation (June 2014) that management “identified the housing bubble and avoided lending in frothy markets.”

During the financial crisis, UDF I got behind the “eight-ball,” but rather than accept the losses (like so many others had suffered) which resulted from poor real estate investment decisions and an over reliance on leverage (debt), UDF management tapped public markets, through a public offering of UDF IV, in an apparent attempt, at least in part, to dig themselves out of a very deep hole. After charging upfront double-digit fees and commissions (10-15% of an investor’s capital) to entice self-dealing brokers and investment advisers to sell shares of UDF IV to the public, UDF never “caught up” and now is in a much deeper hole.

Management has raised one UDF fund after the next in an apparent attempt to obscure substantial losses in prior funds by moving non-performing loans from one fund to the next. UDF management describes the pattern and practice of using new investor capital to buy loans from affiliated funds “as the advantage of investing in projects previously underwritten and actively monitored by UDF as those projects move through the development stages.” In doing so, management tries to justify economically irrational decisions by using very carefully penned disclosures which ultimately mislead investors.



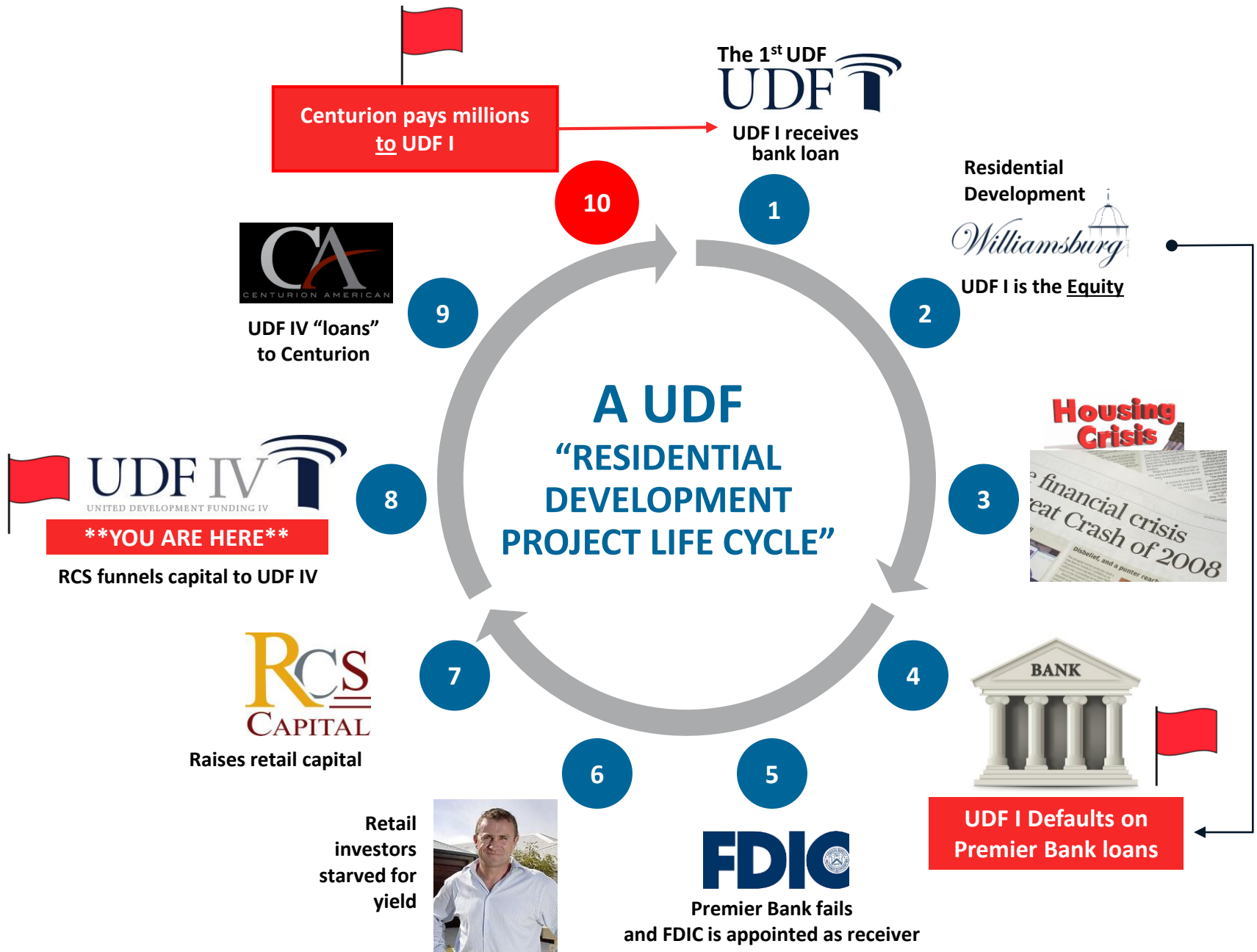
A SCHEME TO RECOVER PAST REALIZED LOSSES WITH NEW CAPITAL (CONTINUED)

The following case study highlights the controversial nature of UDF management's scheme. During the financial crisis, ***UDF I defaulted on bank loans in excess of \$22 million (related to one specific residential development), and losses were crystalized in late 2011 / early 2012***; the lending bank lost almost 50% of its funded loan balance (approximately \$10.6 million) and ultimately failed. In a normal situation, the equity provided by UDF I should have lost all of its investment. Instead, however, UDF's management diverted funds to UDF I and used UDF IV's public shareholders as the source of capital. UDF management facilitated this by using its largest borrower, Centurion American and its principal, Mehrdad Moayed (collectively "Centurion"), as the conduit.

UDF management directed UDF IV to lend \$12 million to Centurion in order to acquire UDF I's defaulted bank loans from the estate of the lending bank. In conjunction, ***UDF management directed UDF IV to over lend to a Centurion affiliate, which used the excess funds (approximately \$8-\$10 million) to funnel cash back to UDF I in late 2011 / 2012***. What should have been a \$12 million loan four years ago (2011), now has a balance of approximately \$30 million today (as of 9/30/2015) on UDF IV's books, across three loans. As part of the scheme, UDF I received an \$8 million payment, purportedly for "advisory services and assistance with the property."

Why did the payment for these so-called "services" and "assistance with the property" – funded by UDF IV – go to pay UDF I (rather than UDF IV) given that "management" for UDF I is largely the same as "management" for UDF IV? In reality, ***the payment to UDF I represents what we believe to be a transaction to facilitate UDF I recouping its past losses, which was funded by UDF IV and directed by UDF management, using its largest "borrower," Centurion, as a willing conduit***. Based on the available public information, there does not appear to be any legitimate business purpose for the transaction or any other economic rationale for the series of transactions. This insider transaction was ***also not disclosed to UDF IV public shareholders***.





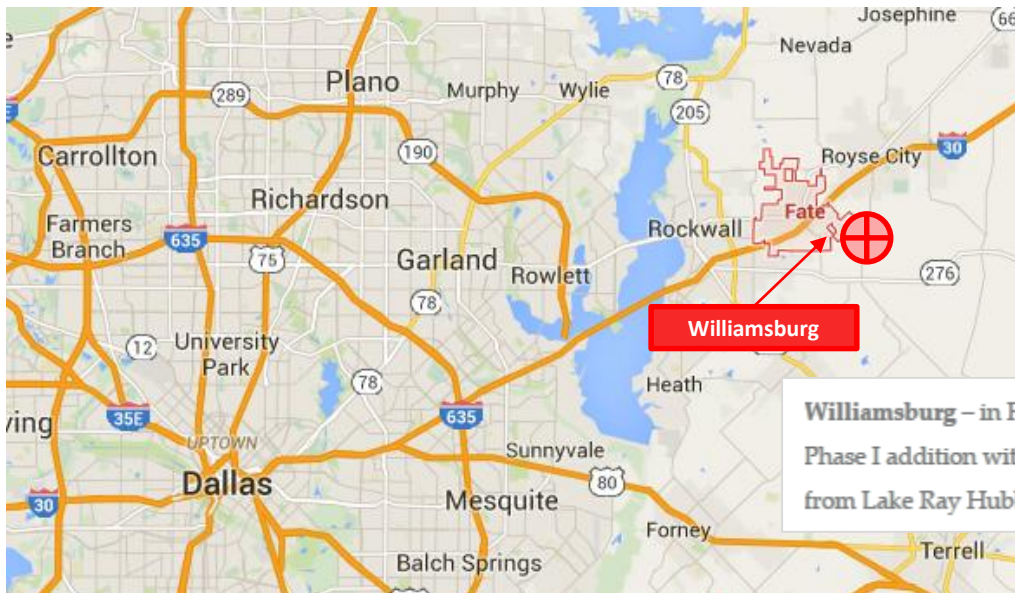
WILLIAMSBURG IS A CENTURION DEVELOPMENT IN FATE, TX



Williamsburg

A Centurion American Community®

UDF IV loans due from CTMGT Williamsburg related entities total \$29.8M, or 4.8% of total loans; Williamsburg is a Centurion American and Mehrdad Moayed development, (collectively "Centurion")



WILLIAMSBURG

Dallas.Fort Worth, Rockwall County, Single Family

Williamsburg – in Fate, Texas situated on approximately 189.767 acres – Phase I addition with 287 single family lots immediately off I-30 and only minutes from Lake Ray Hubbard.

WILLIAMSBURG WAS A UDF DEVELOPMENT IN FATE, TX

Note this is
United
Development
Funding,
as in "UDF I"
(Not III or IV or V)

MU WILLIAMSBURG HOLDINGS, LLC	
Texas Taxpayer Number	32025313787
Mailing Address	1301 MUNICIPAL WAY GRAPEVINE, TX 76051-8519
Right to Transact Business in Texas	ACTIVE
State of Formation	TX
Effective SOS Registration Date	01/23/2007
Texas SOS File Number	0800763225
Registered Agent Name	CORPORATION SERVICE COMPANY DBA CSC - LAWYERS INCO
Registered Office Street Address	211 E. 7TH STREET, SUITE 620 AUSTIN, TX 78701

Officers and Directors

MU WILLIAMSBURG HOLDINGS, LLC
Report Year: 2014

[Return to: Taxable Entity Search Results](#)

Officer and director information on this site is obtained from the most recent Public Information Report (PIR) processed by the Secretary of State (SOS). PIRs filed with annual franchise tax reports are forwarded to the SOS. After processing, the SOS sends the Comptroller an electronic copy of the information, which is displayed on this web site. The information will be updated as changes are received from the SOS.

You may order a copy of a Public Information Report from open.records@cpa.state.tx.us or Comptroller of Public Accounts, Open Government Division, PO Box 13528, Austin, Texas 78711.

Title	Name and Address
GOVERNING	MERITAGE HOMES OF TEXAS 6920 BUSINESS PARK DRIVE AUSTIN, TX 78750
GOVERNING	UNITED DEVELOPMENT FUNDING 1301 MUNICIPAL WAY, SUITE 200 GRAPEVINE, TX 76051

WILLIAMSBURG IS LOCATED IN FATE, TX (NEAR ROCKWALL)

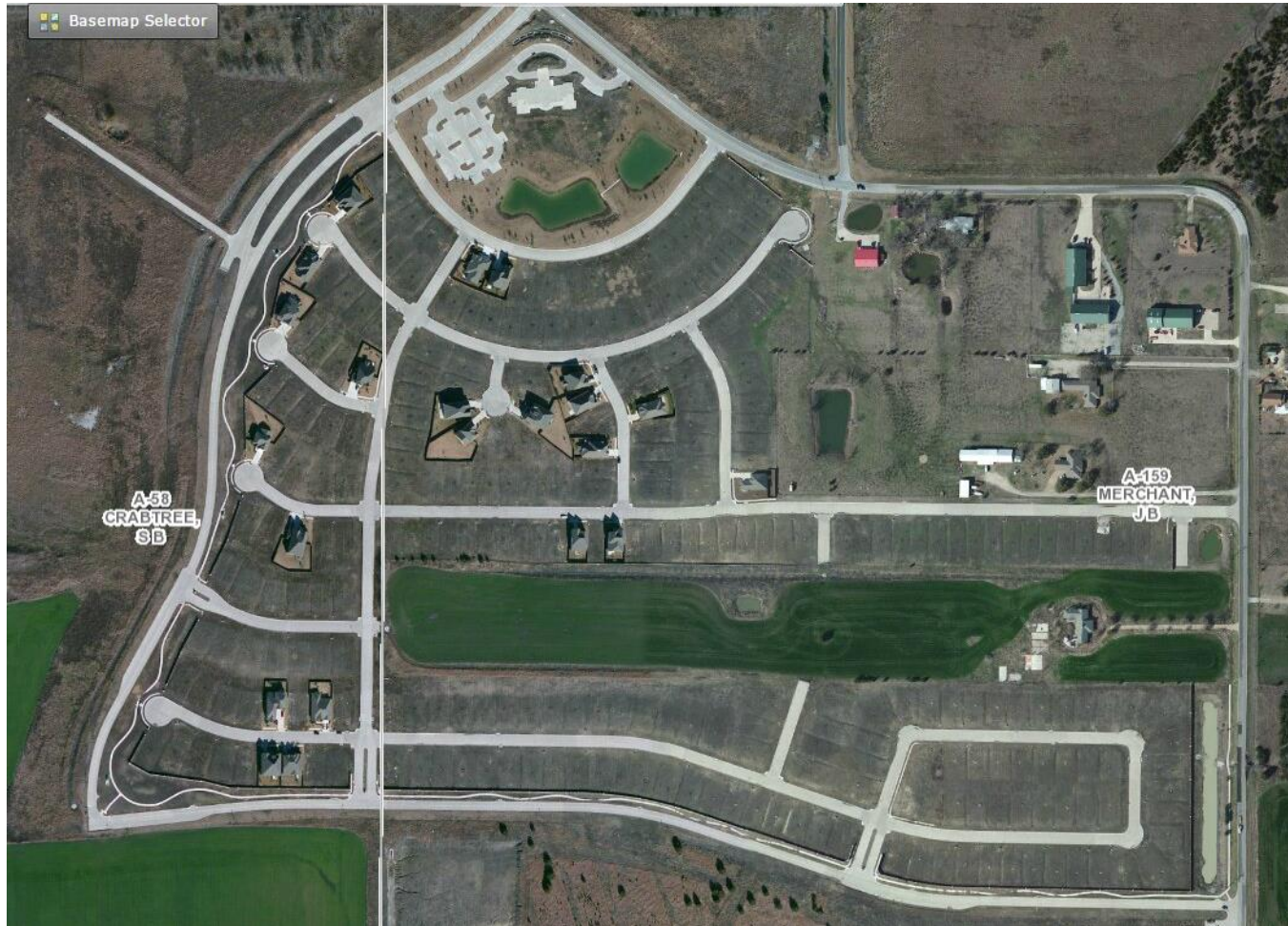


Rockwall ISD

Source: Image sourced from Rockwall County, Texas Central Appraisal District website.



WHAT WILLIAMSBURG PHASE I LOOKED LIKE WHEN UDF I DEFAULTED



Source: Picture sourced from Rockwall County, Texas Central Appraisal District website.

CTMGT WILLIAMSBURG ACQUIRES THE DEFAULTED LOANS

In total, \$12.1 million was required to acquire the Premier Bank defaulted loans (\$8.7 million + \$3.4 million)

Bill of Sale – Construction Loan

SUBSTITUTE TRUSTEE'S DEED AND BILL OF SALE

DATE: November 1, 2011

PROMISSORY NOTE: Promissory Note described as follows:

Date: January 25, 2007

Maker: MU Williamsburg, LLC, a Texas limited liability company

Original Payee: Premier Bank, a Missouri banking association, doing business in Texas as Premier Bank Texas

Original Principal Amount: \$21,862,500.00

GRANTEE: CTMGT Williamsburg, LLC, a Texas limited liability company

Grantee's Mailing Address:

1221 North I-35 East, Suite 200
Carrollton, Texas 75006

SUBSTITUTE TRUSTEE'S SALE BID AMOUNT: \$8,687,806.78

**Description of Property:
Phase 1A / 1B**

Bill of Sale – Land Loan

SUBSTITUTE TRUSTEE'S DEED AND BILL OF SALE

DATE: February 7, 2012

PROMISSORY NOTE: Promissory Note described as follows:

Date: January 25, 2007

Maker: MU Williamsburg, LLC, a Texas limited liability company

Original Payee: Premier Bank, a Missouri banking association, doing business in Texas as Premier Bank Texas

Original Principal Amount: \$5,908,818.00

GRANTEE: CTMGT Williamsburg, LLC, a Texas limited liability company

Grantee's Mailing Address:

1221 North I-35 East, Suite 200
Carrollton, Texas 75006

SUBSTITUTE TRUSTEE'S SALE BID AMOUNT: \$3,372,225.48

**Description of Property:
Phase 2A / 2B / 2C & Phase 3A / 3B / 3C**

UDF IV FINANCED CTMGT WILLIAMSBURG'S ACQUISITION

1. UDF I defaulted on loans, which should have resulted in a 100% loss for UDF I's private limited partners
2. UDF I's equity partner (Meritage) walked away from the deal, assigning its interest in the joint venture back to UDF I
3. UDF IV (public shareholders) lent to Centurion to acquire the loans multiple years later

This establishes that UDF I was levered and long real estate entering the financial crisis; it also begins to establish UDF management's poor investing track record

EX-10.1 2 v237808_ex10-1.htm LOAN AGREEMENT

LOAN AGREEMENT

(CTMGT Williamsburg, LLC – Loan Acquisitions)

THIS LOAN AGREEMENT (this "Agreement") is made and entered into by CTMGT WILLIAMSBURG, LLC, a Texas limited liability company ("Borrower"), CTMGT, LLC, a Texas limited liability company ("CTMGT"), Centamtar Terras, L.L.C., a Texas limited liability company ("Centamtar Terras;" Centamtar Terras and CTMGT are referred to herein each, as a "Guarantor" and collectively, as the "Guarantors"), for the benefit of UNITED DEVELOPMENT FUNDING IV, a Maryland real estate investment trust ("Lender"), to be effective as of September 27, 2011 (the "Effective Date"), on the terms and conditions and for the mutual considerations expressed herein.

ARTICLE 1 - OBLIGATIONS

1.1 Note. This Agreement is executed pursuant to a loan from Lender to Borrower in amount not to exceed \$16,407,805.00, evidenced by a Secured Promissory Note dated the Effective Date (the "Note") issued by Borrower payable to the order of Lender, in the original principal amount of \$16,407,805.00.

1.2 Definitions. As used herein, the term "Note," "Obligation" and/or "Liability" shall be deemed to mean each and all of the foregoing and any and all other obligations, whether now existing or hereafter arising, of Borrower to Lender of whatever nature, in connection with the Note and all agreements securing the Note. As used herein, the term "Loan" shall mean the Loan by Lender to Borrower, as described in Article 1.1 above. As used herein, the term "Loan Documents" shall mean (capitalized terms are defined elsewhere herein) this Agreement, the Note, the Guaranty Agreement of each Guarantor, the Collateral Assignments, the Allonges, the Estoppels, the Company Certificates of Borrower and each Guarantor, the Financial Statement Certifications of Borrower and each Guarantor, all Advance Requests, the Financing Statements, and such other instruments evidencing, securing, or pertaining to the Loan as shall, from time to time, be executed and delivered by Borrower, Guarantors or any other party to or for the benefit of Lender pursuant to this Agreement.

1.3 Funding. All draws under the Loan will be funded subject to the Lender's approval and to the covenants and conditions of this Agreement. Lender will not be required to fund against any collateral unless said collateral is and remains acceptable to Lender. Principal sums repaid under the Note are subject to redraws by Borrower as Lender may approve. No more than the face amount of the Note will be outstanding at any one time.

1.4 Use of Proceeds. Borrower shall use the proceeds of advances under the Note solely to purchase all of the lender's right, title and interest in one or both of the following loans that are secured by certain real property in Fate, Rockwall County, Texas (each a "Collateral Loan" and collectively, the "Collateral Loans"): that certain Promissory Note dated as of January 25, 2007, executed by MU Williamsburg, LLC, a Texas limited liability company ("MU Williamsburg") to the order of Premier Bank, as endorsed to Bank of Commerce, then to Borrower, in the original principal amount of \$21,862,500.00 (the "Construction Loan"), and that certain Promissory Note dated as of January 25, 2007, executed by MU Williamsburg to the order of Premier Bank, as endorsed to Providence Bank, then to Borrower, in the original principal amount of \$5,908,818.00 (the "Land Loan").

Source: https://www.sec.gov/Archives/edgar/data/1440292/000114420411063370/v237808_ex10-1.htm



A CLOSER LOOK AT CTMGT WILLIAMSBURG'S UDF IV LOANS

- 1) When UDF IV lent to Centurion, Phase I was developed (road and utilities), but mostly unsold (few houses built / few lots sold) – i.e. there was finished lot inventory ready for sale
- 2) The amount required to buy the UDF I defaulted loans was **\$12.1 million**
- 3) Somehow, after approximately 1-year after the issuance of loans from UDF IV to Centurion, the outstanding balance was **\$25.6 million** (\$13.5 million in excess of the amount required to buy the defaulted UDF I loans and in turn the land)

There are not only red flags, but also reason to believe that UDF IV over lent to Centurion as part of an ongoing scheme

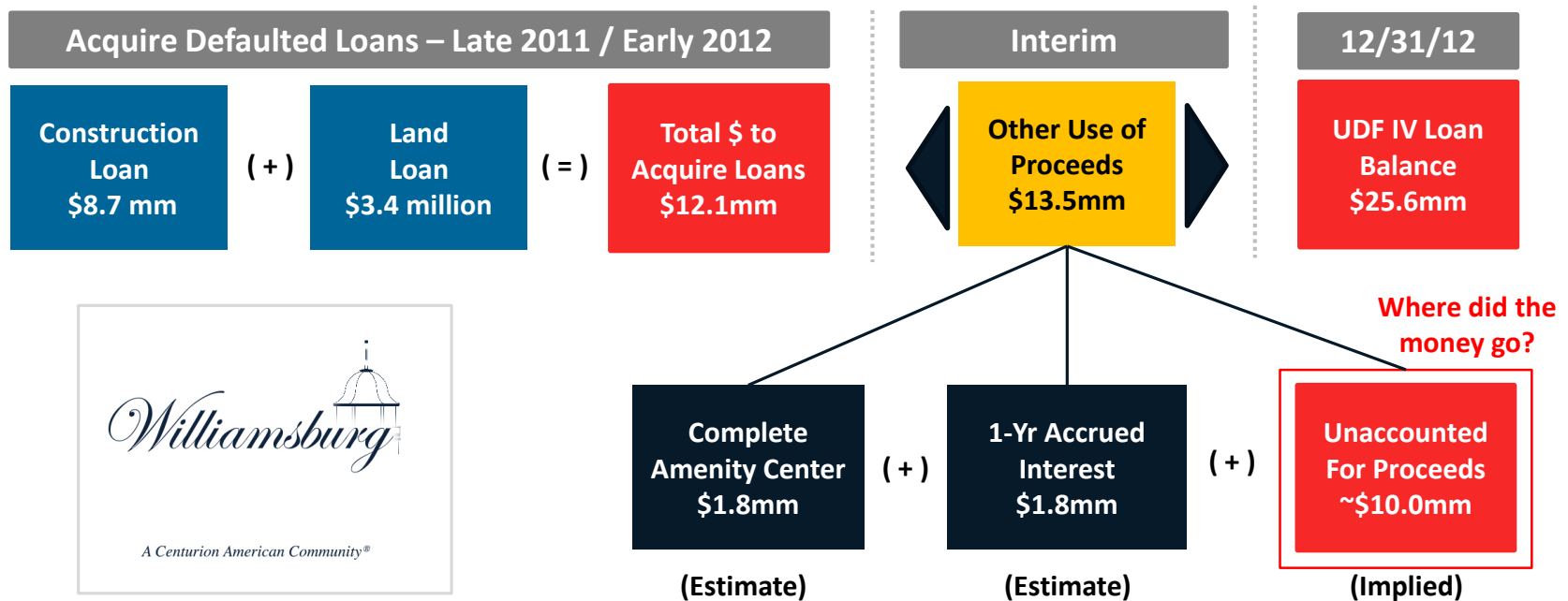
		Balance at <u>12/31/12</u>
Loan I	Issued by UDF IV on 11/30/11	\$21.7 million outstanding
		(+)
Loan II	Issued by UDF IV on 2/7/12	\$3.9 million outstanding
		(=)
Loan I + Loan II	~ 1 year after issuance of loans	\$25.6 million outstanding

Source: https://www.sec.gov/Archives/edgar/data/1440292/000114420413019081/v337223_10k.htm



A SUMMARY OF THE ACQUISITION + THE FOLLOWING YEAR

- CTMGT acquired the defaulted Williamsburg loans **for \$12.1 million in late 2011 / early 2012**; however, at the end of 2012, the outstanding balance of the UDF IV Williamsburg loans to CTMGT Williamsburg was **\$25.6 million**. This implies that, between the origination/acquisition of loans and the end of 2012, **\$13.5 million** of incremental proceeds were issued.
- The only significant incremental costs above and beyond the cost to acquire the loans should have reasonably been 1) the cost to complete the amenity center – estimated to be **~\$1.8 million** and 2) 1-yr of interest reserve – estimated to be **~\$1.8 million** of incremental loan balance at **13% interest**. This still leaves **\$10 million** of unaccounted loan proceeds, excluding the proceeds from any lots sales which would theoretically be used to pay down debt (source of funds).



WHERE DID THE MONEY GO? BACK TO UDF I

- After disclosing that UDF IV had issued a loan to an “unaffiliated third party”, CTMGT Williamsburg, LLC, for the purpose of acquiring Premier Bank’s loans to MU Williamsburg, LLC (“at a discount”), UDF I made the following disclosures:
- “On November 1, 2011, UDF entered into an **\$8 million** profits interest agreement with the unaffiliated third party pursuant to which the unaffiliated third party used all available cash flows associated with the property to pay UDF in consideration for advisory services and assistance with the property from UDF” – note that UDF I also recorded a **\$17.2 million impairment loss** related this project.
- “For the years ended **December 31, 2012** and **2011**, approximately **\$6 million** and **\$2 million**, respectively, of income associated with this profits interest agreement is included in profits interest income.”

All of this was not disclosed to UDF IV shareholders? Why not?

UDF I DISCLOSURE

MU Williamsburg, LLC

Effective December 31, 2009, UDF and Meritage entered into an agreement whereby Meritage assigned its 50% membership interest in MU to UDF (the “Assignment”), thereby giving UDF a 100% membership interest in MU. MU owns 100% of the membership interest in MU Williamsburg, LLC (“MUW”). MUW owned a 436 acre development located in Rockwall County, Texas, financed with MU equity and two funding commitments with Premier Bank, a Missouri banking association, doing business in Texas as Premier Bank Texas (collectively, “Premier”), in the amount of approximately \$5.9 million (the “Premier MUW Acquisition Loan”) for the acquisition of the residual land and approximately \$21.9 million (the “Premier MUW Development Loan”) for the acquisition and development of the initial phases of the property.

On September 27, 2011, an unaffiliated third party entered into a loan agreement with UDF IV to finance the purchase, at a discount, of the Premier MUW Acquisition Loan and the Premier MUW Development Loan. Land Development serves as the asset manager for UDF IV.

On November 1, 2011, the unaffiliated third party foreclosed on the Premier MUW Development Loan via a Substitute Trustee’s Deed and Bill of Sale and collaterally assigned the purchased loan documents to UDF IV. In addition, on November 1, 2011, UDF entered into an \$8 million profits interest agreement with the unaffiliated third party pursuant to which the unaffiliated third party used all available cash flows associated with the property to pay UDF in consideration for advisory services and assistance with the property from UDF. For the years ended December 31, 2012 and 2011, approximately \$6 million and \$2 million, respectively, of income associated with this profits interest agreement is included in profits interest income in the accompanying consolidated statements of operations.

MU Williamsburg, LLC – continued

Concurrent with the foreclosure, the unaffiliated third party issued a discharge of indebtedness on the deficiency balance of the Premier MUW Development Loan resulting in MUW recording a gain of approximately \$7.4 million, which is included in gain on debt cancellation in the accompanying consolidated statements of operations for the year ended December 31, 2011. Also, in connection with the foreclosure, MUW recorded an impairment loss of approximately \$14.1 million, which is included in loss on real estate owned impairment in the accompanying consolidated statements of operations for the year ended December 31, 2011.

\$17.2 million impairment loss

On December 20, 2011, the unaffiliated third party acquired the Premier MUW Acquisition Loan and collaterally assigned the purchased loan documents to UDF IV. Concurrent with the purchase, the unaffiliated third party issued a discharge of indebtedness on the deficiency balance of the Premier MUW Acquisition Loan, resulting in MUW recording a gain of approximately \$3.2 million, which is included in gain on debt cancellation in the accompanying consolidated statements of operations for the year ended December 31, 2011. On December 30, 2011, the third party issued a Deed in Lieu of Foreclosure on the Premier MUW Acquisition Loan, resulting in MUW recording an impairment loss of approximately \$3.1 million, which is included in loss on real estate owned impairment in the accompanying consolidated statements of operations for the year ended December 31, 2011.

Source: http://www.sec.gov/Archives/edgar/data/101390/000114420413021872/v336933_ex99-2.htm



WHERE DID THE MONEY GO? BACK TO UDF I (CONTINUED)

- The impairment of ‘real estate owned’ related to MU Williamsburg was **\$17.2 million** and represents a crystalized loss
- The gain on cancellation of debt related to MU Williamsburg was **\$10.6 million**: implying a net loss of **\$6.6 million** including the impairment of real estate owned
- The “profits interest” of **\$8 million** more than offset the net loss that UDF I incurred, effectively making UDF I whole (and then some) on a deal that went terribly wrong
- While the bank (that failed), Premier Bank, suffered a loss of **\$10.6 million** (representing ~47% of the face value of the defaulted notes), somehow the equity (UDF I) ended up with a net profit (including the profits interest).
- Making matters worse, UDF IV and its public shareholders are now left holding the bag

UDF management claims that it “identified the housing bubble and avoided lending in frothy markets.”⁽¹⁾

UDF I DISCLOSURE

	Year ended December 31,	
	2012	2011
Revenues:		
Interest income	\$ 17,583,410	\$ 15,098,293
Interest income – related party	901,442	774,441
Loss from investments in partnerships	(630,431)	(602,072)
Real estate owned property sales income	7,281,962	8,848,964
Profits interest income	6,000,000	2,000,000
Mortgage and transaction service revenues	269,798	226,753
Total revenues	31,406,181	26,346,379
Expenses:		
Interest expense	2,375,049	3,641,691
Interest expense – related parties	15,435,996	13,744,065
Credit enhancement fee expense – related parties	198,179	450,000
Real estate owned property sales cost	6,882,041	7,082,481
Loss on real estate owned impairment	-	18,524,274
Provision for loan losses	196,861	169,085
Management fee expense – related parties	2,365,251	3,192,812
General and administrative	1,941,436	1,878,444
General and administrative – related parties	90,619	79,128
Total expenses	29,485,432	48,761,980
Gain on debt cancellation	-	10,573,864
Net income (loss)	\$ 1,920,749	\$ (11,841,737)

Source: http://www.sec.gov/Archives/edgar/data/101390/000114420413021872/v3336933_ex99-2.htm

WHERE DID THE MONEY GO? BACK TO UDF I (CONTINUED)

- Centurion’s Williamsburg-related affiliates currently owe UDF IV **\$29.8 million** across three loans – approximately 4 years after issuance.
- This is despite the fact that (i) only **\$12.1 million** was required to buy the Williamsburg land (via the defaulted UDF I loans) by Centurion and (ii) almost all Phase I lots have been sold to homebuilders subsequent to the acquisition by Centurion – the proceeds from which should have been available to pay down the loans yet, instead, the loans have actually grown significantly.
- The balance on these loans is as large as it is partly due to the “profits interest agreement” paid to UDF I; why would a “profits” agreement paid “in consideration for advisory services and assistance with the property” have the following characteristics:
 - Represents **~67%** (\$8 million) of the acquisition price of the loans/property (**\$12.1 million**)
 - Is paid out to an affiliate (UDF I) of the lender (UDF IV) before there is a “profit”
 - Is paid out to an affiliate (UDF I) of the lender (UDF IV) before the lender (UDF IV) is repaid
- It appears that UDF IV financed the payment to UDF I and used Centurion, UDF’s largest “borrower” (of UDF III, IV and V) as a willing conduit. This is not disclosed to UDF IV shareholders.
- In reality, this does not appear to be a “profits interest agreement”, nor does it appear to be an arms-length transaction.
- The publicly available facts indicate that UDF I (and UDF IV) management used UDF IV public shareholder capital in order to allow UDF I private investors (or other stakeholders) to partly recoup past realized losses, which includes UDF management as insiders (and investors) in UDF I.

HOW UDF REPRESENTS ITS PAST POOR PERFORMANCE IN UDF IV MARKETING MATERIALS

- The disclosure below was filed as part of UDF IV's prospectus, marketing the past performance of UDF I. The "investment amount" in MU Williamsburg by UDF I is shown to be **\$31.7 million** and the total "payments" amount on the investment is shown to be **\$31.1 million**. Despite having lost **\$17.2 million** on a **\$31.7 million** investment, UDF management marketed to UDF IV investors that it nearly recouped all of its investment.

**TABLE VI
(UNAUDITED)**

ACQUISITIONS OF SECURED LOANS AND EQUITY INVESTMENTS BY PRIOR PROGRAMS

Table VI presents summary information relating to the acquisition of mortgage loans and equity investments by Prior Real Estate Programs having investment objectives similar or identical to ours. All figures are through December 31, 2011.

Name of Investment	<u>United Development Funding and United Development Funding II, L.P.</u>									
	Location	# of Acres/Lots or other collateral ⁽¹⁾	Date of Funding	Investment Amount	Cash Expenditures Capitalized	Equity	Profit Participation	Payments	Conversion ⁽²⁾	Balance
170 Dowdell, Ltd	Harris County, TX	170 Acres	March 2, 2004	\$ 14,678,249	\$ 52,041	\$ —	\$ —	\$ (4,457,105)	\$ —	\$10,273,185
Cottonwood Ventures GP	Dallas County, TX	45 Lots	September 30, 2003	200,000	5,959	—	79,588	(285,547)	—	—
Rough Hollow (UDF TX Two, LP)	Travis County, TX	47 Lots	February 21, 2006	424,875	—	(2,352,603)	—	—	—	(1,927,728)
OU Land Acquisitions Two, LP	Harris County, TX	—	January 3, 2007	1,277,270	—	(23,958)	—	(1,253,312)	—	—
MU Williamsburg, LLC	Rockwall County, TX	436 Acres	January 25, 2007	31,738,586	—	(591,102)	—	(31,147,484)	—	—

Source: UDF IV Form S-11 http://www.sec.gov/Archives/edgar/data/1440292/000114420412057013/v325881_s11.htm

Management claims that “[UDF’s] underlying business model is sound.”
Based on our research, management’s statements should be questioned. Should investors believe a management team that does not accurately disclose important facts?

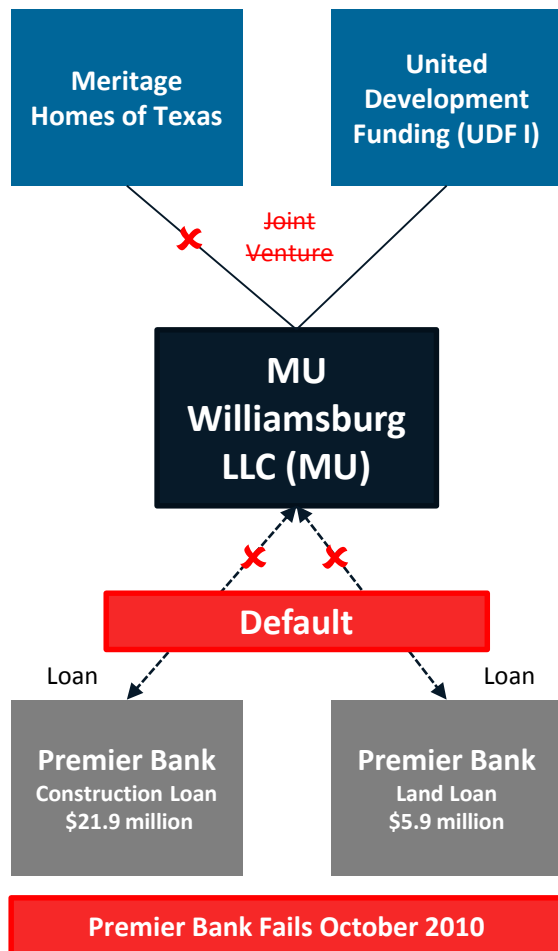


APPENDIX I

WILLIAMSBURG
FINANCING
EVOLUTION

WILLIAMSBURG FINANCING EVOLUTION—PART I

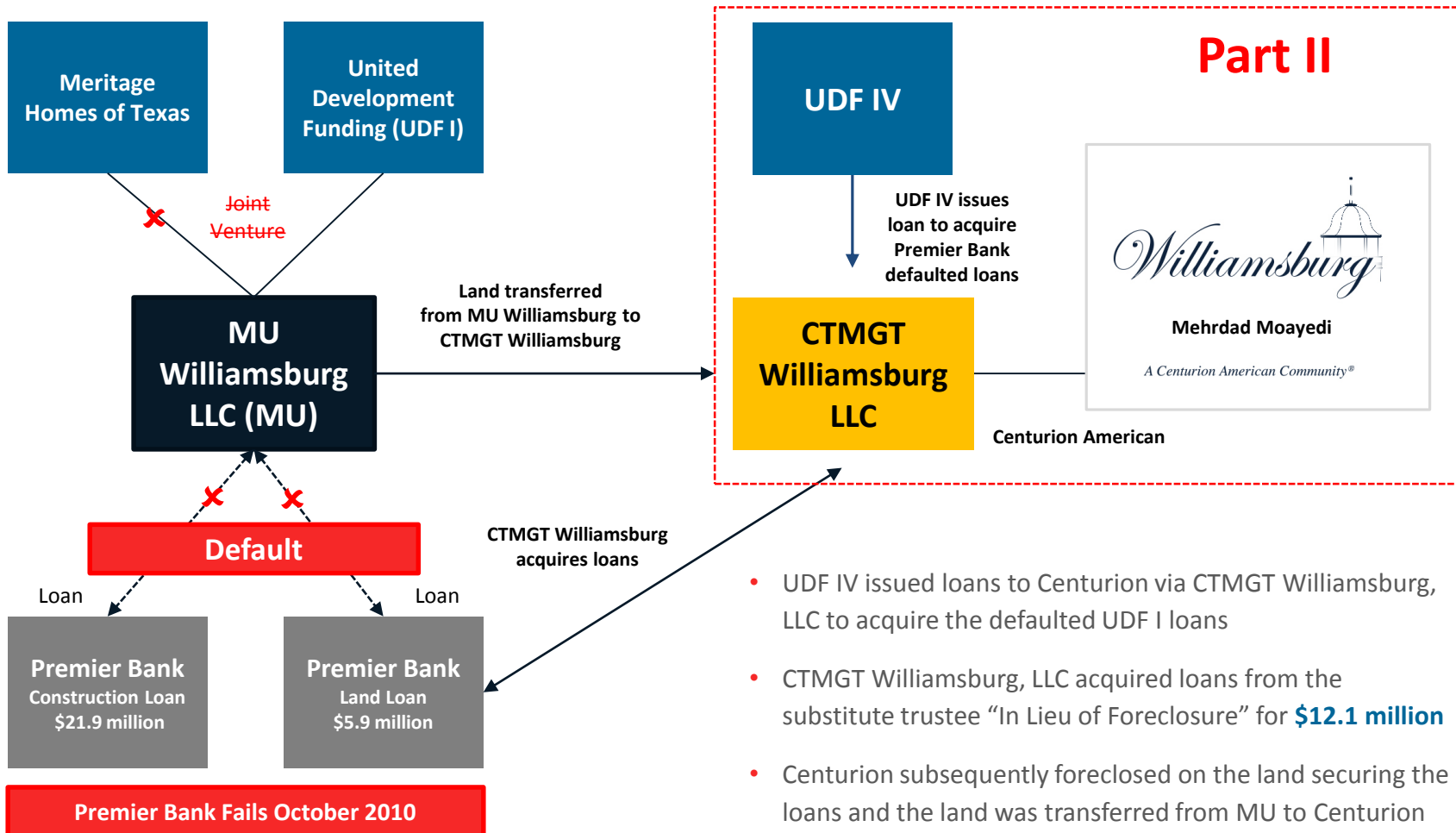
UDF I, through MU Williamsburg, defaulted on two loans issued by Premier Bank; Premier Bank failed in October 2010



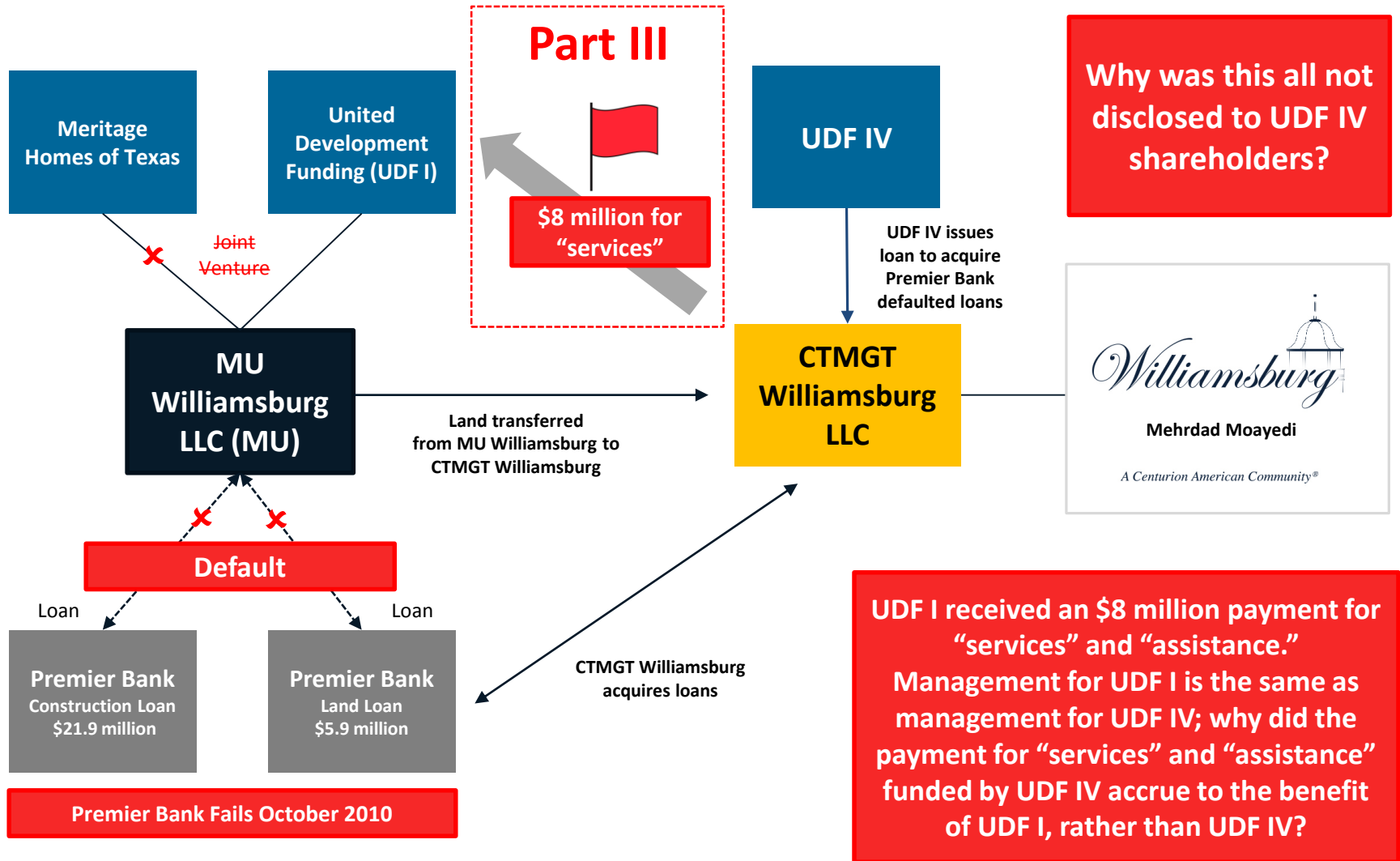
- UDF I entered into a joint venture with Meritage Homes of Texas (a homebuilder) to develop Williamsburg through MU Williamsburg, LLC (MU) in **2007**
- The Williamsburg development was financed with MU equity (Meritage/UDF I) and two loans issued by Premier Bank
- MU defaulted on its two loans issued by Premier Bank, in and around the financial crisis, after Phase I had been developed.
- Effective **December 31, 2009**, UDF and Meritage entered into an agreement whereby Meritage assigned its 50% membership interest in MU to UDF, thereby giving UDF a 100% membership interest in MU – Meritage basically turned the keys over, likely because there was NO EQUITY
- Premier Bank failed in **October 2010** and the FDIC was appointed as the receiver

WILLIAMSBURG FINANCING EVOLUTION—PART II

UDF IV lent to Centurion to buy the Premier Bank loans on which UDF I had defaulted (at a discount)



WILLIAMSBURG FINANCING EVOLUTION—PART III





APPENDIX II

WILLIAMSBURG
UDF IV LOANS

WILLIAMSBURG LOANS OWED TO UDF IV

UDF IV currently has three loans owed by Centurion via CTMGT Williamsburg, LLC and related entities; the loan balance across the three loans was ~\$30mm as of 9/30/15.

This is despite the fact that only \$12.1 million was required to acquire the Williamsburg loans in late 2011 / early 2012 and despite the fact that Phase I of the development was already complete when the loans were acquired (i.e. lot inventory ready for sale).

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Williamsburg, LLC	12/31/2012	1st lien	156 fin, 98 acres, reimb.	\$ 21,732,855	10/31/14	n/a	n/a	n/a	\$ 388,995
CTMGT Williamsburg, LLC	3/31/2013	1st lien	121 fin, 98 acres, reimb.	\$ 22,096,412	10/31/14	n/a	n/a	\$ -	\$ 388,995
CTMGT Williamsburg, LLC	6/30/2013	1st lien	84 fin, 98 acres, reimb.	\$ 22,243,268	10/31/14	n/a	n/a	\$ -	\$ 388,995
CTMGT Williamsburg, LLC	9/30/2013	1st lien	70 fin, 98 acres, reimb.	\$ 22,869,679	10/31/14	n/a	n/a	\$ -	\$ 388,995
CTMGT Williamsburg, LLC	12/31/2013	1st lien	65 fin, 98 acres, reimb.	\$ 21,697,900	10/31/14	n/a	n/a	\$ 1,431,964	\$ 388,995
CTMGT Williamsburg, LLC	3/31/2014	1st lien	38 finished & reimb.	\$ 21,800,671	10/31/14	n/a	\$ 438,382	\$ 1,431,964	\$ 388,995
CTMGT Williamsburg, LLC	6/30/2014	1st lien	33 fin, 220 paper, reimb.	\$ 17,804,503	10/31/14	n/a	\$ 4,670,333	\$ 1,431,964	\$ 388,995
CTMGT Williamsburg, LLC	9/30/2014	1st lien	24 fin, 220 paper, reimb.	\$ 17,882,722	10/31/14	n/a	\$ 4,670,333	\$ 1,431,964	\$ 388,995
CTMGT Williamsburg, LLC	12/31/2014	1st lien	18 fin, 220 paper, reimb.	\$ 18,685,775	10/31/15	n/a	\$ 4,670,333	\$ 1,431,964	\$ 388,995
CTMGT Williamsburg, LLC	3/31/2015	1st lien	18 fin, 220 paper, reimb.	\$ 18,899,104	10/31/15	\$ -	\$ 4,670,333	\$ 1,431,964	\$ 388,995
CTMGT Williamsburg, LLC	6/30/2015	1st lien	16 fin, 220 paper, reimb.	\$ 19,028,397	10/31/15	\$ -	\$ 4,670,333	\$ 1,431,964	\$ 388,995
CTMGT Williamsburg, LLC	9/30/2015	1st lien	13 fin, 220 paper, reimb.	\$ 19,150,272	10/31/15	\$ -	\$ 4,670,333	\$ 1,431,964	\$ 388,995

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Williamsburg, LLC	12/31/2012	1st lien	244 acres	\$ 3,916,158	2/7/15	n/a	n/a	n/a	\$ -
CTMGT Williamsburg, LLC	3/31/2013	1st lien	244 acres	\$ 4,415,014	2/7/15	n/a	n/a	\$ -	\$ -
CTMGT Williamsburg, LLC	6/30/2013	1st lien	244 acres	\$ 4,415,014	2/7/15	n/a	n/a	\$ -	\$ -
CTMGT Williamsburg, LLC	9/30/2013	1st lien	244 acres	\$ 4,415,014	2/7/15	n/a	n/a	\$ -	\$ -
CTMGT Williamsburg, LLC	12/31/2013	1st lien	244 acres	\$ 4,427,905	2/7/15	n/a	n/a	\$ -	\$ -
CTMGT Williamsburg, LLC	3/31/2014	1st lien	244 acres	\$ 4,967,653	2/7/15	n/a	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	6/30/2014	1st lien	803 paper lots	\$ 4,967,653	2/7/15	n/a	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	9/30/2014	1st lien	803 paper lots	\$ 4,986,931	2/7/15	n/a	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	12/31/2014	1st lien	803 paper lots	\$ 4,989,209	2/7/15	n/a	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	3/31/2015	1st lien	803 paper lots	\$ 5,636,045	2/7/17	\$ -	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	6/30/2015	1st lien	803 paper lots	\$ 5,636,045	2/7/17	\$ -	\$ -	\$ -	\$ -
CTMGT Williamsburg, LLC	9/30/2015	1st lien	803 paper lots	\$ 5,636,045	2/7/17	\$ -	\$ -	\$ -	\$ -

Entity	Date	Security	Collateral	Outstanding		Cash Receipts			
				Balance	Maturity Date	2015A	2014A	2013A	2012A
CTMGT Williamsburg 1B FL-2	12/31/2013	1st lien	43.747 acres	\$ 2,156,138	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	3/31/2014	1st lien	43.747 acres	\$ 2,157,268	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	6/30/2014	1st lien	141 paper lots	\$ 2,162,518	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	9/30/2014	1st lien	141 paper lots	\$ 2,191,638	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	12/31/2014	1st lien	141 paper lots	\$ 2,482,555	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	3/31/2015	1st lien	141 paper lots	\$ 3,611,119	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	6/30/2015	1st lien	141 paper lots	\$ 4,064,756	10/31/16	\$ -	\$ -	\$ -	n/a
CTMGT Williamsburg 1B FL-2	9/30/2015	1st lien	141 paper lots	\$ 5,048,270	10/31/16	\$ -	\$ -	\$ -	n/a