

ESTABLISHING ACCOUNTABILITY AT UNITED DEVELOPMENT FUNDING IV

NEXPOINT

Executive Summary

About NexPoint Advisors:

NexPoint Advisors, L.P., (“NexPoint”) is an SEC-registered adviser on the NexPoint alternative investment platform. NexPoint serves as the adviser to a suite of funds and investment vehicles, including a closed-end fund, interval fund, business development company, and various real estate vehicles.

NexPoint Real Estate Advisors, L.P., (“NREA”), an affiliate of NexPoint Advisors, L.P., was established to manage NexPoint’s real estate investment platform. As of September 30, 2020, NREA manages approximately \$11 billion of gross real estate assets across multiple property types and throughout the capital stack: common equity, preferred equity, mezzanine; and senior debt. NREA’s senior management team currently oversees the operations and financial reporting on 3 publicly traded REITs and 2 private REITs with a combined gross real estate value of approximately \$6.5 billion.

About NexPoint’s Investment in United Development Funding IV:

NexPoint believes its advised accounts and funds are collectively the largest shareholder of United Development Funding IV (“UDFI”) after acquiring over 2 million common shares of UDFI beginning in April 2017. Trading in shares of UDFI was halted in February 2016, and in May 2017, Nasdaq announced it would delist UDFI. In August 2020, the Securities and Exchange Commission (“SEC”) revoked the registration of all classes of registered securities of UDFI.

NexPoint has approached the leadership of UDFI on multiple occasions over the last two years in an effort to establish accountability and drive value for **ALL** UDFI shareholders. To date, NexPoint’s efforts to thoughtfully engage with UDFI’s leadership has been met with unfounded accusations of impropriety and additional actions taken by UDFI’s board to disenfranchise shareholder.

RISKS & DISCLOSURES

This document is for informational purposes only and is neither an offer to purchase nor a solicitation of an offer to sell any common shares of beneficial interest of UDFI or any other securities. The offer to purchase common shares of beneficial interest of UDFI will only be made pursuant to the Offer to Purchase, the Assignment Form and related documents.

THE TENDER OFFER MATERIALS (INCLUDING THE OFFER TO PURCHASE, THE ASSIGNMENT FORM AND CERTAIN OTHER TENDER OFFER DOCUMENTS) CONTAIN IMPORTANT INFORMATION. SHAREHOLDERS OF UDFI ARE URGED TO READ THESE DOCUMENTS CAREFULLY BECAUSE THEY CONTAIN IMPORTANT INFORMATION THAT SUCH SHAREHOLDERS SHOULD CONSIDER BEFORE MAKING ANY DECISION REGARDING TENDERING THEIR SHARES.

Investors and security holders may obtain a free copy of these statements by directing such requests to the Information Agent by calling toll-free at (800) 331-7543, or by visiting www.udfitenderoffer.com.



HOW WE GOT HERE A HISTORY OF UDFI AND TIMELINE OF KEY EVENTS

UDFI BUSINESS OVERVIEW¹

UDFI Corporate Overview

United Development Funding IV was formed as a real estate investment trust (“REIT”) that invests primarily in secured loans for the acquisition and development of land into single-family home lots and the construction of model and new single-family homes, and to make equity investments in residential real estate in some of the nation’s largest housing markets.

UDFI’s stated corporate strategy is to provide debt and equity capital solutions to developers and homebuilders, including financing for acquisition and development of land, loans for finished lot development, homebuilder lines of credit for construction of single-family homes, and notes secured by municipal reimbursements and make investments in residential real estate in select geographic areas.

MANAGEMENT TEAM



Hollis M. Greenlaw:
Chairman of the Board of Trustees and Chief Executive Officer



Michael K. Wilson:
Director of UMT Services and Partner of UMT Holdings



Todd Etter:
Chairman and Partner



Ben L. Wissink:
President of UMTH Land Development and Partner of UMT Holdings



Cara D. Obert:
Chief Financial Officer of UMTH Land Development and Partner of UMT Holdings



Brandon Jester:
Director of UMTH Land Development, Director of Asset Management

BOARD OF TRUSTEES



Hollis M. Greenlaw:
Chairman of the Board of Trustees and Chief Executive Officer



Steven J. Finkle:
Independent Trustee



Phillip K. Marshall:
Independent Trustee



Lawrence S. Jones:
Independent Trustee



J. Heath Malone:
Independent Trustee

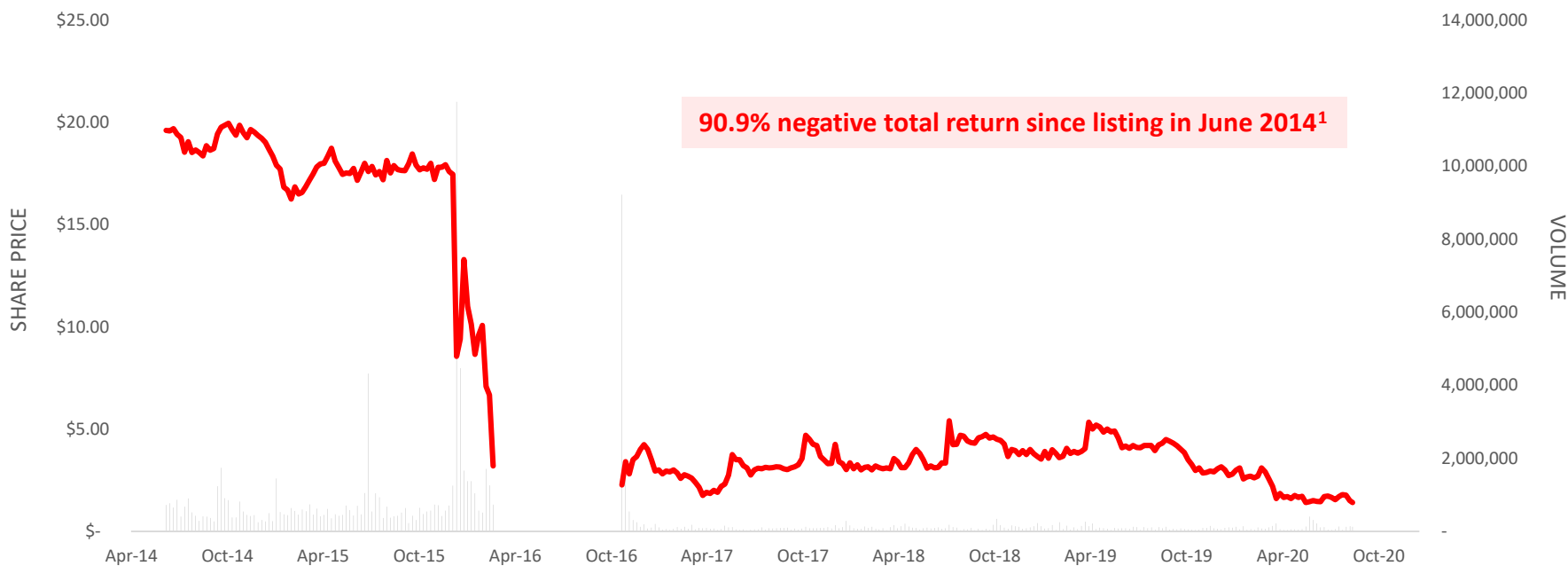
UDFI HISTORICAL TIMELINE OVERVIEW

UDFI: A History of Underperformance and Disenfranchising Shareholders

UDFI has a history of underperformance and disenfranchising shareholders dating back to its initial listing on the Nasdaq Global Select Market (“Nasdaq”) in June 2014. NexPoint also notes a number of troubling facts surrounding UDFI that have been uncovered through research of public information and disclosures filed with the Securities and Exchange Commission (“SEC”) by UDFI.

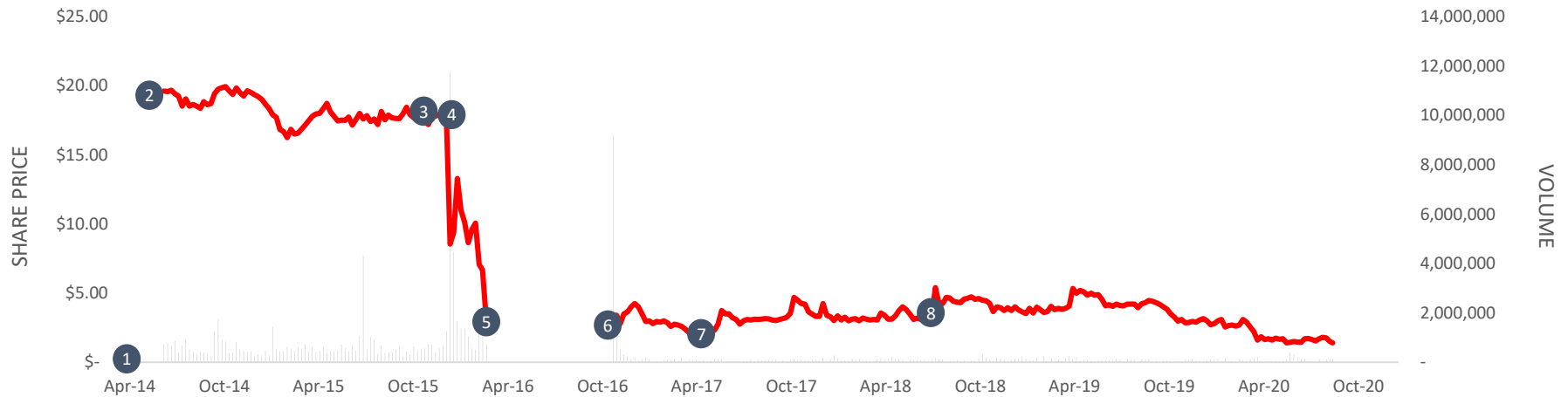
Instead of engaging with NexPoint in productive dialogue, UDFI’s management and board have continued to make baseless accusations against NexPoint in an attempt to distract and mislead fellow shareholders. *Again, as NexPoint has stated in all of its communications, its objective is to drive long-term value at UDFI for the benefit of UDFI shareholders, which starts with restoring transparency and accountability.* The timeline shown on the following pages was primarily created using UDFI’s own filings. Links to the filings can be found on page 11 in the footnotes section.

UDFI Share Price and Total Return¹



UDFI HISTORICAL TIMELINE (APR 2014-JUN 2018)

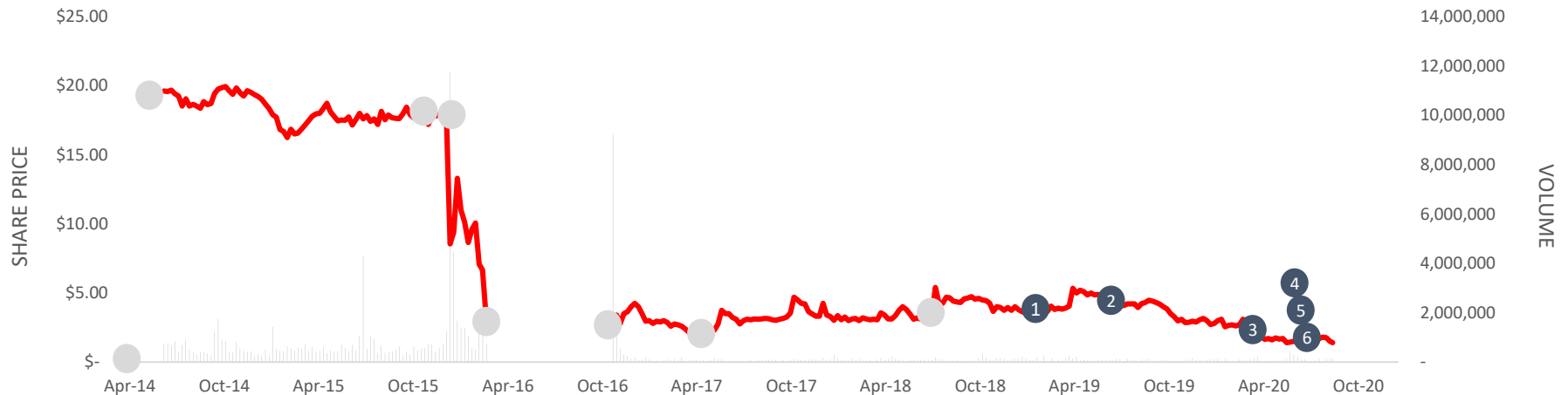
UDFI: Historical Share Price¹ and Key Events



- 1 APRIL 2014:** SEC initiates investigation into UDFI.²
- 2 JUNE 2014:** UDFI's shares are listed on the Nasdaq.³
- 3 NOVEMBER 2015:** On November 9, UDFI files its Form 10-Q for the quarter ending September 30, 2015 (its last public filing of financials). On November 19, UDFI discloses that Whitley Penn, auditor for UDFI and several affiliated entities, declines to stand for reappointment.⁴
- 4 DECEMBER 2015:** Hayman Capital Management ("Hayman") publishes anonymous report accusing UDFI of perpetrating a Ponzi-like scheme.⁵
- 5 FEBRUARY 2016:** The FBI raids the offices of UDFI, and the trading of public shares is halted.⁶
- 6 OCTOBER 2016:** Nasdaq delists shares of UDFI due to UDFI not filing required reports, including its 10-K for 2015 and its 10-Q's for both the first and second quarters of 2016.⁷
- 7 APRIL 2017:** NexPoint affiliates begin purchasing shares of UDFI.
- 8 JUNE 2018:** UDFI announces a settlement with the SEC for \$8.2MM. The SEC accused Chairman and CEO Hollis Greenlaw, Benjamin Wissink, Theodore Etter, and Cara Obert of failing to disclose that UDFI could not pay its distributions and was using money for a newer fund to pay investors in an older fund.⁸ The settlement includes the filing of a complaint by the SEC and a consent judgment. Under the consent judgment, UDFI and certain individuals associated with UDFI consent to the entry of orders enjoining them from future violations of certain provisions of the federal securities laws, and the individuals are also subject to disgorgement and monetary fines.⁹

UDFI HISTORICAL TIMELINE (FEB 2019-JUL 2020)

UDFI: Historical Share Price¹ and Key Events

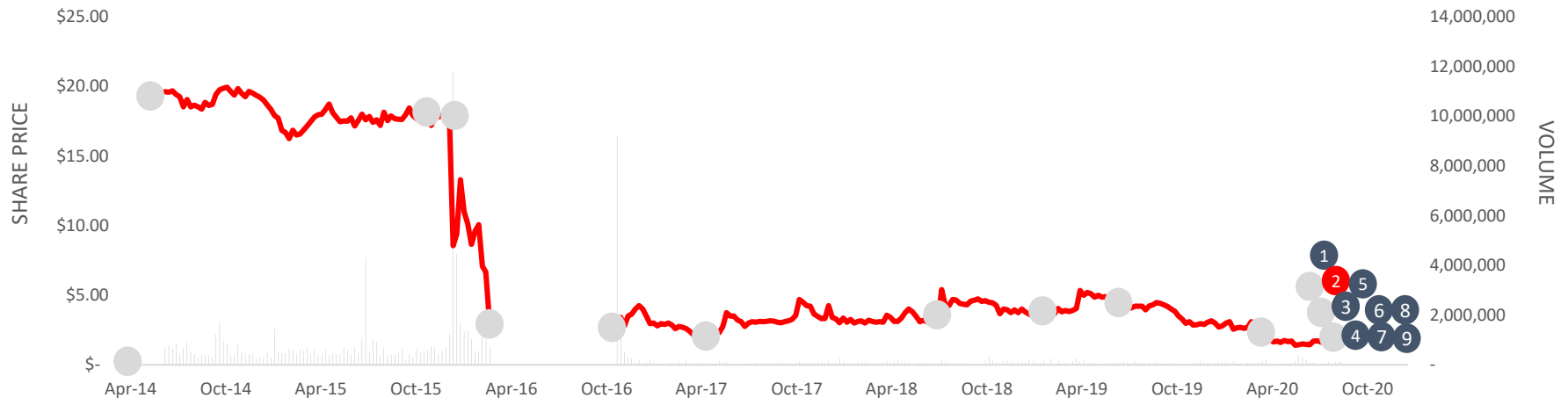


- 1 **FEBRUARY 2019:** NexPoint files Schedule 13G disclosing ownership of UDFI common stock.¹⁰
- 2 **MAY 2019:** NexPoint meets with UDFI management to discuss UDFI’s business plan and ways to recover the share price.
- 3 **MARCH 2020:** The Public Company Accounting Oversight Board (“PCAOB”) imposes sanctions upon Whitley Penn LLP (“WP”), UDFI’s former auditor, along with three of its Certified Public Accountants (“CPA’s”). Among other sanctions and fines, all of which can be found in the *PCAOB Release No. 105-2020-002 dated March 24, 2020*, the PCAOB fines WP \$200,000, bars one CPA from being associated with a registered public accounting firm, suspends another CPA from being associated with a public accounting firm for a period of one year, and limits the other CPA from activities in connection with any “audit.” All of the sanctions stem from UDFI audits.¹¹
- 4 **JULY 8, 2020:** NexPoint sends the UDFI Board of Trustees (the “UDFI Board”) a letter expressing an interest in having a productive dialogue towards a mutually beneficial opportunity.
- 5 **JULY 14, 2020:** NexPoint files Schedule 13D.¹²
- 6 **JULY 22, 2020:** The UDFI Board responds to NexPoint’s July 8 letter expressing concerns about NexPoint acquiring shares of UDFI after Hayman’s purported “short and distort” scheme. *NexPoint notes that its first purchase of UDFI shares was 1 year-134 days after Hayman’s anonymous post. Yet, only 14 days after receiving NexPoint’s July 8 letter, the UDFI Board amends its bylaws classifying the Board and further entrenching Trustees and management to the detriment of shareholders.* The UDFI Board further disenfranchises shareholders by creating what is called a “Qualified Shareholder,” limiting the rights of shareholders that may be adverse to the UDFI Board or management.^{13, 14}



UDFI HISTORICAL TIMELINE (AUG 2020-DEC 2020)

UDFI: Historical Share Price¹ and Key Events



- AUGUST 11, 2020:** NexPoint sends a books and records request imploring UDFI to give shareholders information on its current financial position, as it has been nearly five years since UDFI has made any type of required financial disclosure.
- AUGUST 12, 2020:** The SEC revokes the registration of all classes of registered securities of UDFI.¹⁵
- AUGUST 18, 2020:** The US Federal Government responds to UDFI's lawsuit against the Assistant United States Attorney and an FBI agent stating that UDFI is attempting to "interfere with legitimate law enforcement activity" in "a very active ongoing criminal investigation."¹⁶
- AUGUST 31, 2020:** UDFI's counsel responds to NexPoint denying the request to review the books and records.
- SEPTEMBER 2020:** On September 3, 2020, NexPoint further urges UDFI to comply with its books and records request. UDFI's counsel responds on September 8, 2020, again denying NexPoint's request to review UDFI's books and records.
- OCTOBER 8, 2020:** After UDFI denies all initial requests, an affiliate of NexPoint files a mandamus petition seeking to force UDFI to provide access to their books and records.¹⁷
- OCTOBER 9, 2020:** NexPoint files suit against UDFI and Mike Wilson, an employee of UMTH General Services, L.P. (the Advisor to UDFI) for defamation and other claims.
- DECEMBER 14, 2020:** NexPoint announces a tender offer to purchase any and all UDFI shares at a price of \$1.10/share.
- DECEMBER 17, 2020:** UDFI recommends shareholders reject NexPoint's tender offer.

FOOTNOTES

FOOTNOTES

- [1] SHARE PRICE AND TOTAL RETURN FROM IPO (JUNE 4, 2014) TO DELISTING (AUGUST 12, 2020) CALCULATED USING BLOOMBERG
- [2] UNITED DEVELOPMENT FUNDING IV FORM 8-K, EX. 99.1 DATED DECEMBER 14, 2015. AFTER SAID FILING, IT WAS DETERMINED THAT HAYMAN CAPITAL MANAGEMENT WAS THE AUTHOR OF THE ANONYMOUS POST. (https://www.sec.gov/Archives/edgar/data/1440292/000114420415070612/v426846_ex99-1.htm)
- [3] UNITED DEVELOPMENT FUNDING IV FORM 8-K DATED JUNE 4, 2014 (https://www.sec.gov/Archives/edgar/data/1440292/000114420414035537/v380558_8-k.htm)
- [4] UNITED DEVELOPMENT FUNDING IV FORM 8-K DATED NOVEMBER 19, 2015 (https://www.sec.gov/Archives/edgar/data/1440292/000114420415067836/v425530_8k.htm)
- [5] UNITED DEVELOPMENT FUNDING IV FORM 8-K, EX. 99.1 DATED DECEMBER 14, 2015. AFTER SAID FILING, IT WAS DETERMINED THAT HAYMAN CAPITAL MANAGEMENT WAS THE AUTHOR OF THE ANONYMOUS POST. (https://www.sec.gov/Archives/edgar/data/1440292/000114420415070612/v426846_ex99-1.htm)
- [6] UNITED DEVELOPMENT FUNDING IV FORM 8-K DATED FEBRUARY 18, 2016 (https://www.sec.gov/Archives/edgar/data/1440292/000114420416083510/v432345_8k.htm)
- [7] UNITED DEVELOPMENT FUNDING IV FORM 8-K DATED OCTOBER 17, 2016 (https://www.sec.gov/Archives/edgar/data/1440292/000114420416128463/v450690_8k.htm)
- [8] UNITED DEVELOPMENT FUNDING IV FORM 8-K DATED JUNE 28, 2018 AND FILED JULY 3, 2018 (https://www.sec.gov/Archives/edgar/data/1440292/000114420418037246/tv498011_8k.htm)
- [9] U.S. SECURITIES AND EXCHANGE COMMISSION LITIGATION RELEASE NO. 24185/JULY 3, 2018 (<https://www.sec.gov/litigation/litreleases/2018/lr24185.htm>)
- [10] SCHEDULE 13G FILED FEBRUARY 14, 2019 (<https://www.sec.gov/Archives/edgar/data/1356115/000119312519040769/d706059dsc13g.htm>)
- [11] ORDER INSTITUTING DISCIPLINARY PROCEEDINGS, MAKING FINDINGS, AND IMPOSING SANCTIONS IN THE MATTER OF WHITLEY PENN LLP, SUSAN LUNN POWELL, CPA JEFFRY SHANNON LAWLIS, CPA, AND JOHN GRIFFIN BABB, CPA, RESPONDENTS. PCAOB RELEASE NO. 105-2020-002. MARCH 24, 2020. (https://pcaob-assets.azureedge.net/pcaob-dev/docs/default-source/enforcement/decisions/documents/105-2020-002-whitley-penn.pdf?sfvrsn=c8c9828c_0)
- [12] SCHEDULE 13D FILED JULY 14, 2020
- [13] UNITED DEVELOPMENT FUNDING IV FORM 8-K, EX. 99.1 DATED JULY 22, 2020 (https://www.sec.gov/Archives/edgar/data/1440292/000110465920085676/tm2025428d1_ex99-1.htm)
- [14] UNITED DEVELOPMENT FUNDING IV FORM 8-K DATED JULY 22, 2020 (https://www.sec.gov/Archives/edgar/data/1440292/000110465920085692/tm2025364d1_8k.htm)
- [15] COMMISSION ORDER REVOKING EXCHANGE ACT REGISTRATION DATED AUGUST 12, 2020 (<https://www.sec.gov/Archives/edgar/data/1440292/999999999720004368/filename1.pdf>)
- [16] UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF TEXAS SHERMAN DIVISION – CASE NO. 4:20-CV-00311-SDJ
- [17] NEXPOINT ADVISORS, LP V. UNITED DEV. FUNDING IV, ET AL., CAUSE NO. 048320795-20