



PRESS RELEASE

United Development Funding IV Reaffirms its Recommendation that Shareholders Reject Hedge Fund NexPoint's Hostile Tender Offer; Announces Lower Ownership Limit and Adoption of Exclusive Forum Bylaw

GRAPEVINE, Texas, Jan. 08, 2021 (GLOBE NEWSWIRE) — United Development Funding IV (“UDF IV” or the “Trust”) reaffirms its recommendation that Trust shareholders reject the unsolicited tender offer made by hedge fund NexPoint Strategic Opportunities Fund (“NexPoint”) to purchase all Trust common shares for \$1.10 per share. The Trust’s Board of Trustees (the “Board”) believes that NexPoint’s tender offer price of \$1.10 per share represents a substantial discount to the current value of the Trust. In addition, the Board has serious concerns that the principal interests of NexPoint, James Dondero and their affiliates in taking over the Trust may be to shield the participants in the illegal short and distort fraud scheme perpetrated against the Trust by notorious hedge fund manager J. Kyle Bass.

The Trust also announced today that its Board decreased the percentage of the Trust’s outstanding common shares that a Trust shareholder may own (in value or number of common shares) from 9.8% to 5% in order to protect the long-term interests of Trust shareholders. The new 5% ownership limit also applies to aggregate ownership of outstanding Trust common and preferred shares. The Board approved the new lower ownership limit following NexPoint’s commencement of its hostile tender offer to acquire all of the Trust’s outstanding common shares.

The Board believes the tender offer represents NexPoint and Dondero’s next step in a series of actions to divert attention and resources from the Trust’s much more pressing concerns, including obtaining restitution for its shareholders from scheme participants. To allay the Board’s concerns, the Trust has repeatedly asked, without response, NexPoint and its affiliates to complete a conflict of interest questionnaire regarding their relationships and dealings with those persons the Trust believes are or may be involved in the illegal short and distort fraud scheme against the Trust. NexPoint and its affiliates continue to refuse to provide the requested information.

The lower ownership limit guards the Trust’s shareholders against NexPoint’s proposed hostile takeover of the Trust, as well as coercive or otherwise unfair takeover tactics potentially disadvantaging the interest of all shareholders. The new ownership limit does not prevent the Board from considering or accepting a takeover offer if the Board believes it is fair, advisable and in the best interest of the Trust and its shareholders. In addition, the lower ownership limit helps protect the Trust’s status as a real estate investment trust under the federal income tax rules.

The 5% ownership limit will not be effective for any shareholder whose percentage ownership of Trust shares currently exceeds 5% until such time as such shareholder’s percentage ownership equals or falls below 5%, but any further acquisition of Trust shares by such shareholder will violate the 5% ownership limit. As set forth in the Trust’s Declaration of Trust, if an attempted transfer of Trust shares would result in the violation of the 5% ownership limit, then the number of shares causing the violation will be transferred automatically to a trust for the exclusive benefit of one or more charitable beneficiaries, and the proposed transferee will not acquire any rights in the shares.



The Trust also announced that it adopted a new bylaw specifying the Circuit Court for Baltimore City, Maryland, or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Northern Division, as the exclusive forum for litigating certain actions brought on behalf of or against the Trust. The new bylaw is intended to protect the Trust and its shareholders from the risks of duplicative, multiforum litigation and forum shopping, including divergent or conflicting decisions and increased costs of litigation.

A copy of this press release and the Trust's Third Amended and Restated Bylaws will be posted to the Trust's website at www.udfiv.com.

About United Development Funding IV

United Development Funding IV is a Maryland real estate investment trust. UDF IV was formed primarily to generate current interest income by investing in secured loans and producing profits from investments in residential real estate. Additional information about UDF IV can be found on its website at www.udfiv.com. UDF IV may disseminate important information regarding its operations, including financial information, through social media platforms such as Twitter, Facebook and LinkedIn.

Cautionary Note Regarding Forward-Looking Statements

This press release contains forward-looking statements relating to United Development Funding IV and the Plan that are based on management's current expectations and are not guarantees of future performance or future events. Such forward-looking statements generally can be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," or other similar words. Readers should be aware that there are various factors, many of which are beyond the Trust's control, which could cause actual results to differ materially from any forward-looking statements made in this correspondence. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this correspondence. Forward-looking statements in this document speak only as of the date on which such statements were made, and the Trust undertakes no obligation to update any such statements that may become untrue because of subsequent events.