

August 15, 2023

Dear Shareholders,

It is my privilege to provide you with this update on the progress and performance of United Development Funding IV (“UDF IV” or the “Trust”). First and foremost, we are pleased to announce the successful completion of the audit of UDF IV’s financial statements for the year ended December 31, 2022. We intend to have the Trust’s annual financial statements audited each year, which will help maintain ongoing transparency and accountability, strengthen our relationship with you and reinforce our commitment to good corporate governance.

Following is an overview of (1) the Trust’s financial performance, (2) the UDF IV portfolio, (3) UDF IV distributions to shareholders, and (4) an update on ongoing litigation matters.

Financial Update

Enclosed with this letter are UDF IV’s audited financial statements for the year ended December 31, 2022, including the consolidated balance sheet as of December 31, 2022, and the consolidated statements of operations, shareholder’s equity and cash flows. The full 2022 audit report, including the related notes to the consolidated financial statements, can be found on the Trust’s website at <https://udfonline.com/wp-content/uploads/2023/07/UDF-IV-Audited-Consolidated-Financial-Statements-2022.pdf>. Alternatively, the full 2022 audit report can also be mailed to any shareholder directly upon request by contacting Investor Relations at (800) 859-9338.

For the year ended December 31, 2022, UDF IV generated total interest income of approximately \$25.8 million. After accounting for expenses, provision for loan losses and an unrealized loss in a partnership investment, UDF IV recognized a \$4.5 million net loss for the year. As of December 31, 2022, UDF IV had total assets of approximately \$329.6 million, consisting of cash and cash equivalents of approximately \$50.5 million, notes receivable of approximately \$236.2 million (including notes receivable due from related parties of approximately \$19.2 million), investments in partnerships of approximately \$18.0 million, accrued interest receivable of approximately \$21.5 million, accrued receivable due from related parties of approximately \$1.3 million for accrued interest, miscellaneous fees and reimbursements, and other assets of approximately \$2.1 million.

UDF IV’s total liabilities as of December 31, 2022, were approximately \$3.2 million. Shareholders’ equity as of December 31, 2022, was approximately \$326.4 million. As of December 31, 2022, UDF IV’s book value was \$10.65 per share, based on 30,650,684 common shares outstanding.

Portfolio Update

As of December 31, 2022, UDF IV’s portfolio consisted of thirty-five (35) loans with an aggregate outstanding balance of \$255.7 million. The loans are generally collateralized by one or more of the following: senior or subordinate deeds of trust, a pledge of ownership interests in the borrower, pledges of ownership interests in certain borrower related parties, assignments of lot sale contracts or assignments of the borrower’s right to reimbursements of development costs under contracts with districts or municipalities. As of December 31, 2022, the loans in the portfolio have terms ranging from 7 to 96 months and bear interest at rates ranging from 3% to 15%. Currently, 100% of the loans in the UDF IV portfolio are associated with real estate projects in Texas.

In this letter, “UDF” refers to United Development Funding, L.P., United Development Funding II, L.P., United Development Funding III, L.P., United Development Funding IV, United Development Funding Income Fund V, United Mortgage Trust, United Development Funding Land Opportunity Fund, L.P., and United Development Funding Land Opportunity Fund Investors, L.L.C.

Distributions

Since inception, UDF IV has paid cash distributions to its shareholders totaling approximately \$177.7 million, including approximately \$8 million in 2022 and \$2 million paid in each of the first two quarters of 2023. The Trust intends to continue paying cash distributions quarterly from available cash, as determined by the Trust's Board of Trustees. The Board of Trustees makes all decisions regarding the Trust's payment of dividends, subject to an evaluation of the Trust's financial condition, results of operations and capital requirements, as well as applicable law, regulatory and contractual constraints, industry practice and other business considerations that the Board of Trustees considers relevant. No assurance can be provided regarding the timing or amount of future distributions to shareholders.

Litigation

UDF Lawsuit Against Bass/Hayman

On May 27, 2022, UDF dismissed its claims against J. Kyle Bass and his affiliated hedge funds ("Bass/Hayman") in the County Court of Dallas County, Texas (the "Trial Court"). On the same day, Bass/Hayman purported to e-file a motion asserting various counterclaims against UDF. The parties are now litigating whether Bass/Hayman has a legal basis to bring these counterclaims and the matter is currently the subject of a mandamus proceeding pending before the Court of Appeals for the Fifth District of Texas ("Appeals Court").

NexPoint Litigation

On August 17, 2022, two NexPoint affiliates filed a complaint in the 192nd Judicial District Court in Dallas County, Texas ("192nd District Court") against UMTH General Services, L.P., the Trust's advisor (the "Advisor"), UMTH Land Development, L.P., the Trust's asset manager and UMT Holdings, L.P., the holding company that owns these entities, as well as four of the Advisor's current and former executives (collectively, the "Advisor Defendants"), alleging breach of fiduciary duty, aiding and abetting a breach of fiduciary duty, breach of the advisory agreement between the Trust and the Advisor, and civil conspiracy. The Advisor Defendants deny all claims and intend to vigorously defend themselves. On September 15, 2022, NexPoint filed a motion for a temporary injunction to prevent the Trust from advancing legal expenses to former Trust executives and the Advisor Defendants. This motion seeks to prevent the Trust from complying with its obligations under its Declaration of Trust to advance reasonable expenses of the Advisor and its affiliates acting as agents of the Trust in advance of the final disposition of a legal proceeding. The 192nd District Court denied the Advisor Defendants' motions to dismiss the claims on grounds that the suit was not brought in the proper venue and that the claims should have been asserted derivatively. The matter is the subject of a mandamus proceeding pending before the Appeals Court.

On October 9, 2020, NexPoint sued UDF IV and a member of the Advisor ("Advisor Member") for defamation. UDF IV filed a motion to dismiss the claims under the Texas Citizen's Participation Act ("TCPA"). On April 27, 2021, the 48th Judicial District Court ("District Court") ruled in favor of UDF IV and the Advisor Member, dismissing NexPoint's claims and ordering NexPoint to pay UDF IV and the Advisor Member's attorneys' fees. NexPoint appealed the ruling and on August 3, 2023, the Fort Worth Court of Appeals in the Second Appellate District of Texas reversed the judgment and attorneys' fee award in favor of UDF IV based on the TCPA's commercial speech exemption but affirmed the dismissal of claims against the Advisor Member. The defamation claims against UDF IV were remanded for subsequent proceedings in the District Court. UDF IV denies NexPoint's claims and intends to vigorously defend itself.

Megatel

In March 2020, Megatel Homes, LLC, and two of its affiliates (collectively, "Megatel") filed a federal lawsuit (the "Megatel Action") against the principal of one of the Trust's current borrowers and several UDF entities, including the Trust, as well as present and former executives of the General Partner of UDF I, UDF II, UDF III and the Advisors to UDF IV and V (such present and former executives, the "UDF Principals"). The sole cause of action pleaded against UDF and the UDF Principals is RICO conspiracy under 18 U.S.C. § 1962(d) regarding eleven real estate development projects, including properties that serve as collateral for UDF loans. UDF and the UDF Principals deny all claims and contentions alleged by Megatel and intend to vigorously defend themselves against these allegations.

Conclusion

The Trust intends to hold a shareholder meeting in the fourth quarter of this year. Further details regarding the exact date, time, and venue will be communicated to you in advance, along with proposals to be submitted to a shareholder vote and related information.

In closing, I want to express my deepest gratitude to all our valued shareholders. Your continued support is invaluable to us, and we are committed to maintaining open and transparent communication. As we look to the future, we do so with a renewed sense of purpose and determination. If you have questions or comments, please call our Investor Relations department at (800) 859-9338.

Sincerely

Jim Kenney, Chief Executive Officer of UDF IV

Forward-Looking Statements

This letter contains forward-looking statements relating to, among other things: UDF IV's intention to have its annual financial statements audited, the Trust's plans to pay future distributions to shareholders; the Trust's plans to hold a shareholder meeting; and outstanding litigation involving UDF. These forward-looking statements 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 UDF IV'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 UDF IV undertakes no obligation to update any such statements that may become untrue because of subsequent events.

**UNITED DEVELOPMENT FUNDING IV
CONSOLIDATED BALANCE SHEET**

	December 31, 2022
Assets	
Cash and cash equivalents	\$ 50,455,656
Accrued interest receivable	21,514,159
Accrued receivable – related parties	1,330,714
Notes receivable, net	216,934,832
Notes receivable – related parties, net	19,239,850
Investment in company	18,021,987
Other assets	2,085,425
Total assets	\$ 329,582,623
 Liabilities and Shareholders' Equity	
Liabilities:	
Accrued liabilities	\$ 3,210,385
Total liabilities	3,210,385
 Commitments and contingencies	
Shareholders' equity:	
Shares of beneficial interest; \$0.01 par value; 400,000,000 shares authorized; 30,650,684 shares issued and outstanding	306,507
Additional paid-in-capital	574,082,661
Accumulated deficit	(248,016,930)
Total shareholders' equity	326,372,238
Total liabilities and shareholders' equity	\$ 329,582,623

To be read in conjunction with the related notes to the consolidated financial statements. The full 2022 audit report can be found on the Trust's website at <https://udfonline.com/wp-content/uploads/2023/07/UDF-IV-Audited-Consolidated-Financial-Statements-2022.pdf>

**UNITED DEVELOPMENT FUNDING IV
CONSOLIDATED STATEMENT OF OPERATIONS**

	For the Year Ended December 31, 2022
Interest income:	
Interest income	\$ 24,372,906
Interest income – related parties	1,452,127
Total interest income	25,825,033
Provision for loan losses (recoveries)	(1,979,685)
Provision for loan losses – related parties	349,000
Net interest income after provision for loan losses (recoveries)	27,455,718
Noninterest income (loss):	
Investment in company unrealized loss	(2,154,234)
Other income	42,900
Total noninterest loss	(2,111,334)
Expenses:	
Management fees – related party	5,552,589
General and administrative	22,561,735
General and administrative – related parties	1,748,336
Total expenses	29,862,660
Net loss	\$ (4,518,276)

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UNITED DEVELOPMENT FUNDING IV
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Year Ended December 31, 2022

	Shares of Beneficial Interest		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Balance at December 31, 2021	30,662,497	\$ 306,625	\$ 574,082,661	\$ (235,462,448)	\$338,926,838
Net loss	-	-	-	(4,518,276)	(4,518,276)
Distributions	-	-	-	(7,968,566)	(7,968,566)
Share repurchases and retirement	(11,813)	(118)	-	(67,640)	(67,758)
Balance at December 31, 2022	<u>30,650,684</u>	<u>\$ 306,507</u>	<u>\$ 574,082,661</u>	<u>\$ (248,016,930)</u>	<u>\$ 326,372,238</u>

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UNITED DEVELOPMENT FUNDING IV
CONSOLIDATED STATEMENT OF CASH FLOWS

	For the Year Ended December 31, 2022
Operating Activities	
Net loss	\$ (4,518,276)
Adjustments to reconcile net income to net cash used in operating activities:	
Provision for loan losses	(1,630,685)
Investment in company unrealized loss	2,154,234
Changes in assets and liabilities:	
Accrued interest receivable	(6,227,275)
Accrued receivable – related parties	(106,011)
Other assets	(258,869)
Accrued liabilities	(5,726,835)
Net cash used in operating activities	(16,313,717)
Investing Activities	
Investments in notes receivable	(17,318,649)
Principal receipts from notes receivable	38,160,119
Investments in notes receivable – related parties	(5,996,122)
Principal receipts from notes receivable – related parties	1,365,885
Net cash provided by investing activities	16,211,233
Financing Activities	
Share repurchase and retirement	(67,758)
Distributions	(7,968,566)
Net cash used in financing activities	(8,036,324)
Net decrease in cash and cash equivalents	(8,138,808)
Cash and cash equivalents at beginning of year	58,594,464
Cash and cash equivalents at end of year	\$ 50,455,656

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