

November 6, 2023

Dear Shareholders,

We are writing to provide you with information related to the United Development Funding IV (the “Trust”) annual meeting of shareholders scheduled for December 15, 2023 (the “Annual Meeting”). On October 19, 2023, NexPoint Real Estate Opportunities, LLC (“NREO”), a wholly owned subsidiary of NexPoint Diversified Real Estate Trust (“NXDT”), sued the Trust and its current and former trustees, asserting various allegations relating to the Annual Meeting, which are summarized below.

This lawsuit is the latest action taken by NREO and its affiliates, including James Dondero (collectively, “NexPoint”), against the Trust to the detriment of the Trust and its shareholders.

### **Background**

The Trust’s Board of Trustees (the “Board”) has long been concerned that NexPoint’s proposal to take over management of the Trust was not in the best interests of the Trust and its shareholders.

NexPoint previously approached the Trust about taking over its management and the Board repeatedly asked NexPoint to complete a conflict-of-interest questionnaire regarding its relationships and dealings with those persons whom the Board believed were acting against the best interests of the Trust. NexPoint never completed the questionnaire.

The Board also has significant concerns about NexPoint attempting to take over management of the Trust based on NexPoint’s prior actions involving the Trust, which include a failed hostile tender offer and continued frivolous and vexatious litigation, as well as NexPoint’s track record, including the very poor performance of NXDT, and other alleged actions against James Dondero and affiliates.

### Hostile Tender Offer:

- In December 2020, NexPoint launched a hostile tender offer to purchase Trust shares at \$1.10 per share, approximately one-tenth of the Trust’s book value per share, which was \$13.00 as of December 31, 2020. NexPoint withdrew its tender offer in September 2022.

### Litigation Campaign:

NexPoint unsuccessfully sued the Trust and/or members of its Advisor four times, wasting Trust assets to defend against these frivolous lawsuits:

- Sued the Trust in Maryland seeking access to Trust books and records (case dismissed in January 2023)
- Asked a Maryland court to appoint a receiver to manage the Trust (case dismissed in January 2022)
- Sued the Trust in Texas seeking access to Trust books and records (case nonsuited in June 2021)
- Sued a member of the Advisor for defamation (case dismissed in July 2021)

In addition to NexPoint’s latest lawsuit regarding the Annual Meeting, NexPoint previously filed two lawsuits that remain pending against the Trust and its affiliates, wasting even more Trust assets in defense of these lawsuits:

- Defamation lawsuit filed against the Trust in Texas in 2020
- Suit filed in Texas in 2022 against the Trust’s Advisor, the Advisor’s parent company, four of the Advisor’s current and former executives and the Trust’s Asset Manager alleging, among other things, breach of fiduciary duty and civil conspiracy.

The defendants deny all claims and intend to vigorously defend themselves.

#### NXDT Performance:

- The stock price of NXDT, NREO's parent company, is currently trading at a discount of approximately 70% to its book value and has declined 64% over the past 5 years.<sup>1</sup>

#### Other Alleged Wrongful Actions:

- According to bankruptcy court filings made by creditors of Highland Capital Management, L.P., ("Highland"), a bankrupt investment firm Dondero founded, Dondero and his affiliates have been found by a variety of courts, arbitration panels, and administrative tribunals to have breached their fiduciary duties to investors, engaged in intentional fraudulent transfers, willful misconduct, and self-dealing.
- Claims continue to be made that Dondero and his affiliates continue to engage in similar fraudulent and illegal acts. Recent examples include:
  - In February 2023, UBS Securities and its affiliate ("UBS") filed a Racketeer Influenced and Corrupt Organizations Act (RICO) lawsuit against Dondero and others alleging the defendants are guilty of wire fraud and money laundering, and seeking to collect \$1.3 billion in judgments awarded to UBS.<sup>2</sup>
  - In September 2023, a class action was allowed to proceed against Dondero and others alleging the defendants illegally concealed information from investors in a company acquired by NexPoint about another potential acquiror.<sup>3</sup>

#### **Lawsuit Relating to Annual Meeting**

NexPoint's latest suit against the Trust claims, among other things, that our Board breached its duties by (1) establishing a classified board, and (2) limiting the ability of certain shareholders, including those who are adverse parties to the Trust or have been involved in a bankruptcy or insolvency proceeding during the past 5 years, to nominate trustee candidates. NexPoint also criticizes a host of the Board's decisions, including indemnifying and advancing expenses to former executives. NexPoint seeks, among other relief, injunctive relief requiring that all independent trustees stand for election at the Annual Meeting, that NexPoint be allowed to propose its own slate of trustee nominees and that the Annual Meeting be delayed if necessary to afford NexPoint time to execute its remedy.

The Trust and its trustees deny, and intend to vigorously defend themselves against, NexPoint's allegations and attempts to postpone the Annual Meeting. The Board's actions were validly taken in good faith over 3 years ago in compliance with the Trust's governing documents, Maryland law and the Trust's contractual obligations, and were taken to protect the interests of the Trust's shareholders. We intend to conduct the Annual Meeting in accordance with Maryland law and the Trust's governing documents.

#### **Future Updates**

We will provide future updates regarding the Annual Meeting and NexPoint's lawsuit on our website, at <https://udfonline.com/udfiv/annual-meeting/>.

Thank you for your continued support of, and interest in, the Trust.

Sincerely,

*/s/James P. Kenney*

James P. Kenney  
Chief Executive Officer

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<sup>1</sup> NXDT's October 30, 2023 closing price of \$7.59 per common share represents an approximately 71% discount to book value of \$26.13 per share, as reported by Charles Schwab, and a 64% decline from the October 31, 2018 closing price of \$21.60, as reported on <https://nxdn.nexpoint.com/>.

<sup>2</sup> UBS Securities LLC v. Dondero, New York State Supreme Court, New York County (Manhattan).

<sup>3</sup> Erickson v. Jernigan Capital, Inc., 2023 BL 322919, S.D.N.Y., No. 1:20-cv-09575, 9/14/23.