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William J. Murphy

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October 19, 2023

Via Hand Delivery

Xavier A. Conway, Clerk of the Court
Circuit Court for Baltimore City
Cummings Courthouse
111 North Calvert Street
Room 462 Courthouse East
Civil Division
Baltimore, Maryland 21202

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2023 OCT 19 AM 10:27
CIVIL DIVISION

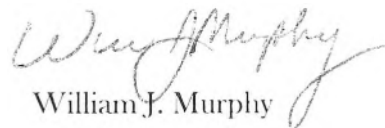
Re: *NcxPoint Real Estate Opportunities, LLC v.
United Development Funding IV, et al.*

Dear Mr. Conway:

We are counsel for the Plaintiff in the above-referenced matter. Enclosed for filing please find an original Verified Complaint for Injunctive, Declaratory, and Other Relief with Exhibits A-K, Civil Non-Domestic Case Information Report and Zuckerman Spaeder Check No. 100038 in the amount of \$185.00 for the fees associated with this filing. Please date-stamp our file copies and return to the awaiting messenger.

Thank you for your attention to this matter.

Very truly yours,


William J. Murphy

Enclosures



(City/County)

CIVIL – NON-DOMESTIC CASE INFORMATION SHEET

DIRECTIONS

Plaintiff: This Information Report must be completed and attached to the complaint filed with the Clerk of Court unless your case is exempted from the requirement by the Chief Justice of the Supreme Court of Maryland pursuant to Rule 2-111(a).

Defendant: You must file an Information Report as required by Rule 2-323(h).

THIS INFORMATION REPORT CANNOT BE ACCEPTED AS A PLEADING

FORM FILED BY: PLAINTIFF DEFENDANT **CASE NUMBER** _____ (Clerk to insert)

CASE NAME: NexPoint Real Estate Opportunities, LLC vs. United Development Funding IV
Plaintiff Defendant

PARTY'S NAME: NexPoint Real Estate Opportunities LLC **PHONE:** _____

PARTY'S ADDRESS: _____

PARTY'S E-MAIL: _____

If represented by an attorney:

PARTY'S ATTORNEY'S NAME: William J. Murphy **PHONE:** 410-332-0444

PARTY'S ATTORNEY'S ADDRESS: Zuckerman Spaeder LLP, 100 E. Pratt St-Ste 2440, Baltimore, MD 21202

PARTY'S ATTORNEY'S E-MAIL: wmurphy@zuckerman.com

JURY DEMAND? Yes No

RELATED CASE PENDING? Yes No If yes, Case #(s), if known: _____

ANTICIPATED LENGTH OF TRIAL?: _____ hours _____ days

PLEADING TYPE

New Case: Original Administrative Appeal Appeal

Existing Case: Post-Judgment Amendment

If filing in an existing case, skip Case Category/ Subcategory section – go to Relief section.

IF NEW CASE: CASE CATEGORY/SUBCATEGORY (Check one box.)

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 CIVIL DIVISION

TORTS

- Asbestos
- Assault and Battery
- Business and Commercial
- Conspiracy
- Conversion
- Defamation
- False Arrest/Imprisonment
- Fraud
- Lead Paint – DOB of Youngest Plt: _____
- Loss of Consortium
- Malicious Prosecution
- Malpractice-Medical
- Malpractice-Professional
- Misrepresentation
- Motor Tort
- Negligence
- Nuisance
- Premises Liability
- Product Liability
- Specific Performance
- Toxic Tort
- Trespass
- Wrongful Death

CONTRACT

- Asbestos
- Breach
- Business and Commercial
- Confessed Judgment (Cont'd)
- Construction
- Debt
- Fraud

- Government
- Insurance
- Product Liability
- PROPERTY**
- Adverse Possession
- Breach of Lease
- Detinue
- Distress/Distrain
- Ejectment
- Forcible Entry/Detainer
- For eclosure
- Commercial
- Residential
- Currency or Vehicle
- Deed of Trust
- Land Installments
- Lien
- Mortgage
- Right of Redemption
- Statement Condo
- Forfeiture of Property / Personal Item
- Fraudulent Conveyance
- Landlord-Tenant
- Lis Pendens
- Mechanic's Lien
- Ownership
- Partition/Sale in Lieu
- Quiet Title
- Rent Escrow
- Return of Seized Property
- Right of Redemption
- Tenant Holding Over

PUBLIC LAW

- Attorney Grievance
- Bond Forfeiture Remission
- Civil Rights
- County/Mncpl Code/Ord
- Election Law
- Eminent Domain/Condemn.
- Environment
- Error Coram Nobis
- Habeas Corpus
- Mandamus
- Prisoner Rights
- Public Info. Act Records
- Quarantine/Isolation
- Writ of Certiorari

EMPLOYMENT

- ADA
- Conspiracy
- EEO/HR
- FLSA
- FMLA
- Worker's Compensation
- Wrongful Termination

INDEPENDENT PROCEEDINGS

- Assumption of Jurisdiction
- Authorized Sale
- Attorney Appointment
- Body Attachment Issuance
- Commission Issuance

- Constructive Trust
- Contempt
- Deposition Notice
- Dist Ct Mtn Appeal
- Financial
- Grand Jury/Petit Jury
- Miscellaneous
- Perpetuate
- Testimony/Evidence
- Prod. of Documents Req.
- Receivership
- Sentence Transfer
- Set Aside Deed
- Special Adm. – Atty
- Subpoena Issue/Quash
- Trust Established
- Trustee Substitution/Removal
- Witness Appearance-Compel

PEACE ORDER

- Peace Order

EQUITY

- Declaratory Judgment
- Equitable Relief
- Injunctive Relief
- Mandamus

OTHER

- Accounting
- Friendly Suit
- Grantor in Possession
- Maryland Insurance Administration
- Miscellaneous
- Specific Transaction
- Structured Settlements

IF NEW OR EXISTING CASE: RELIEF (Check All that Apply)

- | | | | |
|--|--|---|--|
| <input type="checkbox"/> Abatement | <input type="checkbox"/> Earnings Withholding | <input type="checkbox"/> Judgment-Default | <input type="checkbox"/> Reinstatement of Employment |
| <input type="checkbox"/> Administrative Action | <input type="checkbox"/> Enrollment | <input type="checkbox"/> Judgment-Interest | <input type="checkbox"/> Return of Property |
| <input type="checkbox"/> Appointment of Receiver | <input type="checkbox"/> Expungement | <input type="checkbox"/> Judgment-Summary | <input type="checkbox"/> Sale of Property |
| <input type="checkbox"/> Arbitration | <input type="checkbox"/> Financial Exploitation | <input type="checkbox"/> Liability | <input type="checkbox"/> Specific Performance |
| <input type="checkbox"/> Asset Determination | <input type="checkbox"/> Findings of Fact | <input type="checkbox"/> Oral Examination | <input type="checkbox"/> Writ-Error Coram Nobis |
| <input type="checkbox"/> Attachment b/f Judgment | <input type="checkbox"/> Foreclosure | <input type="checkbox"/> Order | <input type="checkbox"/> Writ-Execution |
| <input type="checkbox"/> Cease & Desist Order | <input checked="" type="checkbox"/> Injunction | <input type="checkbox"/> Ownership of Property | <input type="checkbox"/> Writ-Garnish Property |
| <input type="checkbox"/> Condemn Bldg | <input type="checkbox"/> Judgment-Affidavit | <input type="checkbox"/> Partition of Property | <input type="checkbox"/> Writ-Garnish Wages |
| <input type="checkbox"/> Contempt | <input type="checkbox"/> Judgment-Attorney Fees | <input type="checkbox"/> Peace Order | <input type="checkbox"/> Writ-Habeas Corpus |
| <input type="checkbox"/> Court Costs/Fees | <input type="checkbox"/> Judgment-Confessed | <input type="checkbox"/> Possession | <input type="checkbox"/> Writ-Mandamus |
| <input type="checkbox"/> Damages-Compensatory | <input type="checkbox"/> Judgment-Consent | <input type="checkbox"/> Production of Records | <input type="checkbox"/> Writ-Possession |
| <input type="checkbox"/> Damages-Punitive | <input checked="" type="checkbox"/> Judgment-Declaratory | <input type="checkbox"/> Quarantine/Isolation Order | |

If you indicated **Liability** above, mark one of the following. This information is not an admission and may not be used for any purpose other than Track Assignment.

- Liability is conceded. Liability is not conceded, but is not seriously in dispute. Liability is seriously in dispute.

MONETARY DAMAGES (Do not include Attorney's Fees, Interest, or Court Costs)

- Under \$10,000 \$10,000 - \$30,000 \$30,000 - \$100,000 Over \$100,000
- Medical Bills \$ _____ Wage Loss \$ _____ Property Damages \$ _____

ALTERNATIVE DISPUTE RESOLUTION INFORMATION

- Is this case appropriate for referral to an ADR process under Md. Rule 17-101? (Check all that apply)
- | | | | |
|----------------|---|--------------------------|---|
| A. Mediation | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | C. Settlement Conference | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| B. Arbitration | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | D. Neutral Evaluation | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

SPECIAL REQUIREMENTS

- If a Spoken Language Interpreter is needed, **check here and attach form CC-DC-041**
- If you require an accommodation for a disability under the Americans with Disabilities Act, **check here and attach form CC-DC-049**

ESTIMATED LENGTH OF TRIAL

*With the exception of Baltimore County and Baltimore City, please fill in the estimated **LENGTH OF TRIAL**.*

(Case will be tracked accordingly)

- | | |
|---|---|
| <input type="checkbox"/> 1/2 day of trial or less | <input type="checkbox"/> 3 days of trial time |
| <input type="checkbox"/> 1 day of trial time | <input type="checkbox"/> More than 3 days of trial time |
| <input type="checkbox"/> 2 days of trial time | |

BUSINESS AND TECHNOLOGY CASE MANAGEMENT PROGRAM

For all jurisdictions, if Business and Technology track designation under Md. Rule 16-308 is requested, attach a duplicate copy of complaint and check one of the tracks below.

- | | |
|--|---|
| <input checked="" type="checkbox"/> Expedited - Trial within 7 months of Defendant's response | <input type="checkbox"/> Standard - Trial within 18 months of Defendant's response |
|--|---|

EMERGENCY RELIEF REQUESTED

**COMPLEX SCIENCE AND/OR TECHNOLOGICAL CASE
MANAGEMENT PROGRAM (ASTAR)**

*FOR PURPOSES OF POSSIBLE SPECIAL ASSIGNMENT TO ASTAR RESOURCES JUDGES under
Md. Rule 16-302, attach a duplicate copy of complaint and check whether assignment to an ASTAR is requested.*

Expedited - Trial within 7 months of
Defendant's response

Standard - Trial within 18 months of
Defendant's response

**IF YOU ARE FILING YOUR COMPLAINT IN BALTIMORE CITY OR BALTIMORE COUNTY,
PLEASE FILL OUT THE APPROPRIATE BOX BELOW.**

CIRCUIT COURT FOR BALTIMORE CITY (CHECK ONLY ONE)

- Expedited Trial 60 to 120 days from notice. Non-jury matters.
- Civil-Short Trial 210 days from first answer.
- Civil-Standard Trial 360 days from first answer.
- Custom Scheduling order entered by individual judge.
- Asbestos Special scheduling order.
- Lead Paint Fill in: Birth Date of youngest plaintiff.....
- Tax Sale Foreclosures Special scheduling order.
- Mortgage Foreclosures No scheduling order.

CIRCUIT COURT FOR BALTIMORE COUNTY

- Expedited (Trial Date-90 days) Attachment Before Judgment, Declaratory Judgment (Simple), Administrative Appeals, District Court Appeals and Jury Trial Prayers, Guardianship, Injunction, Mandamus.
- Standard (Trial Date-240 days) Condemnation, Confessed Judgments (Vacated), Contract, Employment Related Cases, Fraud and Misrepresentation, International Tort, Motor Tort, Other Personal Injury, Workers' Compensation Cases.
- Extended Standard (Trial Date-345 days) Asbestos, Lender Liability, Professional Malpractice, Serious Motor Tort or Personal Injury Cases (medical expenses and wage loss of \$100,000, expert and out-of-state witnesses (parties), and trial of five or more days), State Insolvency.
- Complex (Trial Date-450 days) Class Actions, Designated Toxic Tort, Major Construction Contracts, Major Product Liabilities, Other Complex Cases.

October 19, 2023 _____
Date


Signature of Attorney / Party

8406010273
Attorney Number

Zuckerman Spaeder LLP, 100 E. Pratt St, Ste 2440
Address

William J. Murphy
Printed Name

Baltimore MD 21202
City State Zip Code

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CIVIL DIVISION

IN THE CIRCUIT COURT
FOR BALTIMORE CITY

NexPoint Real Estate Opportunities, LLC
300 Crescent Ct., Suite 700
Dallas, Texas 75201

Plaintiff,

v.

Case No.

United Development Funding IV
s/o CSC – Lawyers Incorporating Service Co.
Resident Agent
7 St. Paul Street, Suite 820
Baltimore, Maryland 21202

Hollis M. Greenlaw
Federal Correctional Institution
4205 OK-66
El Reno, Oklahoma 73036

Steven J. Finkle
1752 Glastonberry Road
Potomac, Maryland 20854

James Kenney
4 Desert Fls
Frisco, Texas 75034

Phillip K. Marshall
2906 Becket Ct
Garland, Texas 75044

Lawrence S. Jones
14741 Celestial Place
Dallas, Texas 75254

J. Heath Malone
9214 West Wind Court
Dallas, Texas 75231

Defendants.

**VERIFIED COMPLAINT FOR
INJUNCTIVE, DECLARATORY, AND OTHER RELIEF**

Plaintiff NexPoint Real Estate Opportunities, LLC (“NREO” or “NexPoint”), by and through its undersigned counsel, hereby alleges against Defendants as follows:

INTRODUCTION

1. Shareholders of corporations and real estate investment trusts have only two protections against inadequate business performance – the right to sell their stock and the right to replace incumbent board members. These two rights are fundamental and cannot be eliminated for any reason, in good faith or bad. This is an action to remediate and enjoin an unlawful corporate governance scheme by Defendant United Development Funding IV (“UDF IV” or the “Trust”), and Defendants Hollis M. Greenlaw, Steven J. Finkle, James Kenney, Phillip K. Marshall, Lawrence S. Jones, and J. Heath Malone in their capacities as trustees of UDF IV (“Trustee Defendants” or “Trustees”), who have sought to entrench and insulate themselves from removal as Trustees in spite of almost a decade of breaches of duty and malfeasance.

2. Under the Trustee Defendants’ management, direction, and control, UDF IV has perpetrated and covered up a massive fraud on shareholders, effectively depriving them of their fundamental right to sell their shares and allowing the Company to languish for years with no clear business plan or direction. During this period, four of UDF IV’s senior executives, including Defendant Greenlaw (who until recently served as Chairman and CEO of the Board of Trustees), were convicted on two counts of criminal conspiracy to commit wire and securities fraud and eight counts of aiding and abetting securities fraud for masterminding and operating UDF IV as a pawn in a Ponzi scheme that has defrauded UDF IV investors of hundreds of millions of dollars. Further, the Trustee Defendants have entrenched themselves through abject disregard of UDF IV’s organizational documents and provisions of the Maryland General Corporation Law. These

inappropriate corporate maneuvers (described below), culminating in the Trustee Defendants' decision to hold an annual meeting at the end of the year to elect only a single "Management Trustee," despite not holding an annual meeting for the past eight years, have prevented Plaintiff (the largest shareholder) from exercising its fundamental right to nominate and elect a full slate of new Trustees.

3. The multiple, egregious attacks on shareholder rights by the Trustee Defendants is further evidenced by their highly inappropriate and unreasonable decision and role in indemnifying Greenlaw and the three other convicted senior executives of UDF IV for tens of millions of dollars in legal fees and expenses, as well as millions of dollars in fines imposed upon the executives, personally, for their roles in the Ponzi scheme without seeking reimbursement as required by Maryland law and UDF IV's operative documents. And they have failed to inform the shareholders of these unwarranted indemnifications. In taking these and other actions outlined herein, the UDF IV Trustees have ignored controlling provisions of Maryland law whenever it suits their purposes.

4. In July 2018, UDF IV and certain of its executive officers, including Greenlaw, settled an enforcement action brought by the SEC, which, in part, ordered UDF IV and the individual defendants to refrain from further violations of the reporting provisions of the Securities Exchange Act of 1934. When UDF IV had still failed to file any SEC periodic reports by the spring of 2019, NexPoint sought to engage with UDF IV management on ways NexPoint could potentially help manage the business and maximize shareholder value. NexPoint's inquiries and ideas were effectively ignored by UDF IV, its management and board, including the Trustee Defendants.

5. In July 2020, NexPoint filed Schedule 13D with the SEC, publicly expressing interest in a transaction to assume the Trust's management. At the time of the filing, UDF IV had

failed to hold an annual meeting of shareholders for 5 years in contravention of Maryland law; had failed to issue financial statements for five years; had been the subject of a raid by the FBI at the Trust's Texas office; and had settled, along with Defendant Greenlaw and others the Securities and Exchange Commission (SEC) enforcement action prompted by UDF IV's continued failure to file reports with the SEC and its failures to disclose the related-party transactions that disguised the Ponzi scheme, which later resulted in the criminal indictments – and convictions – of four of UDF IV's executive team, including Mr. Greenlaw.

6. The reaction to NexPoint's Schedule 13 D filing was immediate. Just days later, to entrench themselves as Trustees, Greenlaw and four of the Trustee Defendants (Finkle, Marshall, Jones, and Malone), without shareholder action or approval, amended and restated the Declaration of Trust for UDF IV to create staggered terms of the five Trustees pursuant to § 3-803 of the Maryland General Corporation Law (MGCL). At the time the Trustees took this action, UDF IV was actively engaged in legal proceedings with the SEC to determine whether UDF IV's shares would remain registered under the Securities Exchange Act.

7. UDF IV's Board took this action just days before UDF IV's shares were de-registered by the SEC under the Securities Exchange Act of 1934, at which point UDF IV would no longer have been lawfully able to make this election under § 3-803 of the MGCL.

8. On the same day, Greenlaw and four of the other Trustee Defendants Finkle, Marshall, Jones, and Malone amended and restated UDF IV's Bylaws to provide that: (a) one Trustee must be a Managing Trustee appointed by UDF IV's Advisor, an entity controlled by Hollis M. Greenlaw, effectively disenfranchising shareholders in the election of this individual as shareholders would have no input into the appointee and, under the bylaws, such appointee would be elected by a plurality vote, which practically means such person could be elected by a single

shareholder so long as the vote occurs at a duly held meeting; (b) naming Mr. Greenlaw as the Managing Trustee; (c) naming Finkle, Marshall, Jones, and Malone as the Independent Trustees; and (d) only permitting “Qualified Shareholders” to nominate Independent Trustees when the election of such trustees occurs.

9. Greenlaw and the Trustee Defendants intentionally defined “Qualified Shareholders,” those shareholders who may nominate Independent Trustees to the Board, in a manner completely outside customary corporate practice and solely designed to prevent NexPoint, by far the largest shareholder of UDF IV, from exercising its right to nominate any prospective trustees for election to the UDF IV board.

10. With these self-interested amendments to the Declaration of Trust and Bylaws, Trustee Defendants Greenlaw, Finkle, Marshall, Jones, and Malone intentionally sought to deny one of NexPoint’s fundamental rights as a shareholder of a Maryland real estate investment trust.

11. By assuring that control of UDF IV remained in the hands of the Defendant Trustees, four of whom served as Trustees or worked for UDF IV while it was operated as a Ponzi scheme, Defendant Greenlaw ensured that UDF IV would not demand disgorgement or repayment of the tens of millions of dollars in legal fees, costs, and fines that he and his fellow convicted former executives were advanced or indemnified in connection with their failed defenses of the SEC investigation and related federal criminal proceedings.

12. UDF IV’s current Trustees – Kenney (Greenlaw’s successor), Finkle, Marshall, Jones, and Malone – have been complicit in this scheme and continuously and systematically failed to protect shareholders, thus allowing thousands of shareholders to lose tens of millions of hard-earned investment dollars.

13. Notwithstanding the §3-803 election and the Bylaw amendments in July 2020

(which the Board reaffirmed in January 2021 by adopting the Third Amended and Restated Bylaws containing the same provisions), UDF IV and the Trustee Defendants continued to refuse to hold a required annual meeting for the election of trustees, a practice they have followed for each of the past eight years, depriving shareholders of their most basic shareholder right and allowing the Trustee Defendants, two of whom have never been elected by shareholders, to avoid the accountability that a board who had presided over such egregious corporate misdeeds for such a long period of time should have faced.

14. On August 31, 2023, UDF IV finally announced that an Annual Meeting of Shareholders would be held on December 15, 2023, the first time such a meeting had been held since June 25, 2015, for the sole purpose of re-installing the Managing Trustee (the Class I Trustee), Defendant Kenney, who was appointed when Defendant Greenlaw was removed following his criminal conviction.

15. But under the §3-803 election made by the UDF IV Board in July 2020, each class of Trustees was to be voted on by the shareholders in each of the three successive years from their initial appointment (the Managing Trustee in the first year (Class I), two Independent Trustees in the second year (Class II), and the other two Independent Trustees (Class III) in the third year (Class III)). Since the §3-803 election, however, there has been no annual meeting (indeed, there has been no annual meeting since 2015) and no elections of the trustees have occurred; therefore, all five trustees – the one Managing Trustee and four Independent Trustees – must stand for election at the scheduled Annual Meeting.

16. When NexPoint attempted to exercise its fundamental franchise right to nominate a slate of qualified candidates to be Independent Trustees at the upcoming Annual Meeting, the UDF IV Board refused to accept the nomination on the flawed grounds that because this is the first

annual meeting since the Bylaws were adopted in July 2020, only the Managing Trustee is up for election, and in any event, only Qualified Shareholders (*i.e.*, not NexPoint), may nominate Independent Trustees.

17. The UDF IV Board's actions are invalid, unlawful, and violate every principle of shareholder democracy and ensuring a level playing field that corporation statutes, including the Maryland General Corporation Law, are designed to protect. The Board cannot, for any reason, obstruct NexPoint's fundamental franchise rights to nominate the Independent Trustees. And the Board breached the Declaration of Trust, the Bylaws, and long-standing and non-controversial provisions in the Maryland General Corporation Law by failing to hold the requisite annual shareholder meetings for the past eight years.

18. NexPoint brings this action to restore its right to nominate trustees to the UDF IV Board. It seeks an order for declaratory relief that: (1) the Trustee Defendants (Greenlaw, Finkle, Marshall, Jones, and Malone) acted with self-interest for the purpose of continued enrichment of themselves and to avoid disclosure of abject mismanagement and failed oversight over the past eight years and, accordingly, breached their duties of care, good faith, and loyalty when adopting Bylaws provisions §§2.11(a)(1), (a)(9), and (a)(10), for the sole purpose of impeding NexPoint's fundamental shareholder franchise rights; (2) the Trustee Defendants breached the Declaration of Trust and Bylaws and violated Maryland law by failing to hold any Annual Meetings of Shareholders for the election of trustees for each of the past eight years; (3) all four Independent Trustees are required to stand for reelection at the December 15, 2023 Annual Meeting; and (4) NexPoint has the right to nominate four Independent Trustees for election.

19. NexPoint also seeks injunctive relief requiring that: (a) all four Independent Trustees must stand for election at the next scheduled Annual Meeting; (b) NexPoint shall be

permitted to propose its own slate of nominees for the Independent Trustee positions on the UDF IV Board; and (c), to the extent NexPoint has inadequate time to nominate and solicit proxies for the election of such Independent Trustees, such Annual Meeting shall be delayed until a date established by the Court to afford NexPoint with adequate time to execute its remedy.

PARTIES

20. Plaintiff **NexPoint Real Estate Opportunities, LLC** (“NREO”) is a Delaware Limited Liability Company with its principal offices in Dallas County, Texas. NREO’s offices and principal place of business are in Dallas County, Texas. NREO is the record holder of 1,763,581 common shares of beneficial interest of Defendant UDF IV. NREO is wholly owned by NexPoint Diversified Real Estate Trust (“NXDT”), formerly known as NexPoint Strategic Opportunities Fund, a statutory trust organized and existing under the laws of Delaware with a principal place of business located in Dallas, Texas. NXDT previously held UDF IV common shares, but on December 1, 2021, NXDT contributed the UDF IV common shares to NREO. As used herein, “NexPoint” refers jointly to NREO and NXDT as the record holder of UDF IV common shares.

21. Despite claims to the contrary falsely presented by UDF IV and its agents and affiliates, NexPoint has never had a short position in UDF IV’s common shares and did not participate with or encourage any short selling of UDF IV’s common shares at any time. A NexPoint affiliate first purchased shares in April 2017, well after UDF IV had publicly disclosed that a hedge fund unrelated to NexPoint had created a significant short position in UDF IV shares.

22. Defendant **UDF IV** is a REIT organized and existing under the laws of Maryland, with its principal place of business located in Irving, Texas.

23. Defendant **Hollis M. Greenlaw** was Chief Executive Officer of UDF IV and Chairman of its Board of Trustees from its formation in 2008 until January 24, 2022, when he was convicted by a jury of ten counts of conspiracy to commit wire and securities fraud and aiding and abetting securities fraud arising from his operation and management of UDF IV and related entities as a Ponzi scheme. Mr. Greenlaw currently is serving a sentence in federal prison in Oklahoma; prior to his incarceration, he was a resident of Texas. He is sued in his capacity as a Trustee.

24. Defendant **Lawrence S. Jones** was appointed by the UDF IV Board and has served as an “Independent” Trustee on the UDF IV Board since August 2019. At that time, Jones was also appointed to the UDF IV Board’s Audit Committee. Jones is a resident of Dallas, Texas. He is sued in his capacity as a Trustee.

25. Defendant **Philip K. Marshall** has served as an “Independent” Trustee on the UDF IV Board since 2008. Marshall chairs the UDF IV Board’s Audit Committee. He is a CPA, who, from 2001 to 2003 was a principal with Whitley Penn, LLP, UDF IV’s former auditor, which was sanctioned by the Public Company Accounting Oversight Board for its failures in connection with the audited financial statements of UDF IV and affiliated entities. Marshall resides in Garland, Texas. He is sued in his capacity as a Trustee.

26. Defendant **J. Heath Malone** has served as an “Independent” Trustee on the UDF IV Board since 2008. Malone chairs the UDF IV Board’s Nominating and Governance Committee. Malone is a CPA who was formerly employed at Arthur Andersen LLP. Malone resides in Dallas, Texas. He is sued in his capacity as a Trustee.

27. Defendant **Steven J. Finkle** has served as an “Independent” Trustee on the UDF IV Board since 2008. Finkle chairs the UDF IV Board’s Compensation Committee. Finkle resides in Potomac, Maryland. He is sued in his capacity as a Trustee.

28. Defendant **James “Jim” Kenney** was the Chief Compliance Officer at UDF IV from at least 2018 until January 24, 2022, when he was appointed acting Chief Executive Officer of UDF IV and elected to the UDF IV Board of Trustees upon the conviction of Mr. Greenlaw and three other senior executives on ten counts of conspiracy to commit wire fraud and securities fraud and for aiding and abetting securities fraud. He is sued in his capacity as a Trustee.

JURISDICTION AND VENUE

29. This Court has personal jurisdiction over UDF IV under MD. CODE ANN., CTS. & JUD. PROC. § 6-102(a), because UDF IV is a REIT organized and existing under the law of Maryland.

30. This Court has personal jurisdiction over the Trustee Defendants under MD. CODE ANN., CTS. & JUD. PROC. § 6-102.1, which applies to individuals who serve as trustees of a Maryland REIT, like UDF IV, and deems such individuals to have consented to service of process on the resident agent of the REIT for any civil action brought in Maryland against the trust to which the individual is a necessary or proper party or against the individual for an internal corporate claim as defined in §1-101 of the Corporations and Associations Article.

31. The Circuit Court for Baltimore City is an appropriate venue within which to bring this action under MD. CODE ANN., CTS. & JUD. PROC. §§ 6-201 and 6-202, because UDF IV maintains a place of business in Baltimore City and, at all times relevant to this matter, UDF IV carried on business in Baltimore City.

32. Jurisdiction and venue in this Court are also appropriate by reason of UDF IV’s Third Amended and Restated Bylaws, which provide as follows:

Unless the Trust consents in writing to the selection of an alternative forum, 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, shall be the sole and

exclusive forum for (a) any derivative action or proceeding brought on behalf of the Trust other than actions arising under federal securities laws, (b) any Internal Corporate Claim, as such term is defined in Section 1-101(p) of the MGCL, including, without limitation, (i) any action asserting a claim of breach of any duty owed by any Trustee or officer or other employee of the Trust to the Trust or to the shareholders of the Trust or (ii) any action asserting a claim against the Trust or any Trustee or officer or other employee of the Trust arising pursuant to any provision of the MRL, the Declaration of Trust or these Bylaws, or (c) any other action asserting a claim against the Trust or any Trustee or officer or other employee of the Trust that is governed by the internal affairs doctrine. None of the foregoing actions, claims or proceedings may be brought in any court sitting outside the State of Maryland unless the Trust consents in writing to such court.

FACTUAL ALLEGATIONS

A. Unbeknownst to Shareholders, UDF IV Participates in a Ponzi Scheme.

33. UDF IV was formed by Defendant Greenlaw and his business partner, Todd Etter, in 2008 as a Maryland real estate investment trust (REIT) for the primary purpose of loaning money to finance residential real estate development in some of the nation's largest housing markets, with its primary business activity being the origination and funding of secured loans to residential developers for the acquisition and development of land into single-family homes in Texas.

34. Before forming UDF IV, Defendant Greenlaw and Mr. Etter had created other, similar, real estate investment entities that were closely related, including United Development Funding III, L.P. ("UDF III"). They later created another related entity, United Development Funding Income Fund V ("UDF V"), which is also a Maryland REIT. All three UDF Funds were controlled by Mr. Greenlaw and Mr. Etter and all three were active participants in the Ponzi scheme for which Mr. Greenlaw was convicted.

35. UDF IV is the largest of the three entities when measured by total asset size and total capital raised. Upon information and belief, UDF IV raised approximately \$629.2 million, although its recently released financial statements for year end 2022 reflect that its total assets have been reduced to approximately \$330 million.

36. The UDF Funds had no employees of their own, but instead, were advised and operated by a different entity owned and controlled by Messrs. Greenlaw and Etter, UMTH General Services, L.P. (“UMTH GS”), a Delaware limited partnership. UMTH GS contracted with each UDF Fund, including UDF IV, under an “Advisory Agreement.” UMTH GS is referred to as the “Advisor,” for the UDF Funds. The UDF Funds also contracted with an Asset Manager, another UMTH entity, that was ultimately owned and controlled by Greenlaw and Etter.

37. To generate a return for shareholders, each UDF Fund, including UDF IV, was to make high-interest rate loans to developers of residential real estate and then pay periodic dividends to investors from the interest earned on the loans.

38. However, the interest payments on the developer loans typically were not received by the UDF Funds unless and until a property was developed and finished lot sales had begun on the development project that was pledged as collateral. Thus, in many cases, the interest payments would not begin for months or even years, and the unpaid interest would be accrued and compounded, resulting in a substantial accumulation of unpaid interest, while the investors continued to receive regular distributions. The combination of regular distributions and large-scale deferral of the receipt of interest payments resulted in distributions not being covered by the UDF Funds’ available operating cash flow, creating the need for an additional source of funding to maintain the scheduled distributions to investors.

39. Compounding the lack of cash to pay investor dividends, the UDF Funds' portfolios were concentrated on real estate development projects owned and controlled by one North Texas developer, Mehrdad Moayedi, operating under Centurion American Development Group, who was a friend of Defendant Greenlaw's (the two co-owned a private jet, among other examples of their non-arms-length relationship). Until recently, this lack of diversification was disguised and not disclosed to the UDF Funds' investors such as NexPoint. NexPoint now knows from financial statements only recently received that, currently, approximately 88% of the outstanding balance of UDF IV's portfolio of 28 loans and approximately 93% of its interest income was generated by loans to Mr. Moayedi and entities controlled by him.

40. To continue to attract investors and generate cash, Defendant Greenlaw and the other UDF IV executives, while UDF IV was acting under the oversight and control of Defendants Malone, Marshall and Finkle, in their capacities as Trustees, operated UDF IV as a Ponzi scheme. They raised money from investors in UDF IV to pay fake "dividends" to investors in UDF III, and then did the same with UDF V to pay fake "dividends" to investors in UDF III and UDF IV. Upon information and belief, this activity continued until 2016 when UDF V could no longer raise money because of the publicity surrounding published allegations that UDF was running a Ponzi scheme.

41. While UDF IV reported to its shareholders, the investing public, and regulators that the UDF Funds were profitable and supported paying a monthly dividend as high as 9.75%, in reality, Greenlaw, UDF IV, and its executives, while acting under the oversight and control of its Trustees, had to continue raising money from new investors to pay older investors, touting the "clockwork-like" monthly dividends paid to prior investors as proof to new investors that their investments would be safe and highly profitable.

42. To conceal the true nature of the business, Greenlaw, with the help of Moayedi as straw man, devised an elaborate scheme of fake transactions. First, UDF IV would raise new money in its fund, which included a fee paid to UDF IV.

43. Then, every month when a dividend was due to be paid to UDF III investors, UDF IV would make a fake “loan” to a Moayedi entity. The proceeds from this “loan” would then be used to make a fake “payment” by Moayedi on a different loan that a Moayedi entity had received from UDF III. UDF III would then use these funds to pay regular dividends to its investors.

44. Each Greenlaw-controlled entity – the Advisor, the UDF Funds, and the Asset Manager – would reap fees for processing these fake “transactions.”

45. This process was repeated virtually every month from 2010 through at least 2015. According to an FBI forensic accountant who testified at the criminal trial of Defendant Greenlaw and the other UDF executives, at least **\$66.8 million** was transferred to UDF III from UDF IV and UDF V during the relevant period (2011-2015).

46. To this day UDF IV continues to operate in the same manner. *See* Opening Statement by Greenlaw counsel, Paul Pelletier, *USA v. Greenlaw, et al.*, at 12:10-12 (January 12, 2022).

47. Worse, UDF IV and the other UDF Funds were operated in this manner with the knowledge and consent of the UDF IV Trustees. In fact, Messrs. Finkle, Marshall, and Malone comprised three of the four independent trustees of UDF IV, ensuring that the scheme could continue without independent oversight. For example, as Trustee Defendant Malone stated at the Greenlaw sentencing: “I was an insider sitting there with full access to absolutely everything that was going on.” *See* Statement of J. Heath Malone, at the Sentencing of Hollis M. Greenlaw, 19:8-9 (May 20, 2022).

48. For many years UDF IV's shareholders, the investing public, and the SEC were completely unaware of this Ponzi scheme. That was true, at least in part, because after November 2015, UDF IV failed to file any financial disclosures required by the federal Securities Exchange Act and failed to publish any audited or unaudited financial statements.

49. Similarly, since June 25, 2015, UDF IV has failed to hold the annual meeting of shareholders required by Maryland law, and as contemplated in the Trust's Declaration of Trust and the Bylaws.

50. This years-long failure to provide even the most basic and fundamental shareholder rights and information necessary to shareholders, to whom the UDF IV Board owes fiduciary duties, allowed the UDF IV fraud and Ponzi scheme to continue while its assets were depleted and UDF IV's Trustees continued to prop up the business of their friend, Mr. Moayed. As a result, the business of UDF IV languished and its loan portfolio became even more concentrated in this one borrower and irreparably impaired.

51. Notwithstanding the efforts by Greenlaw and the other Trustees to disguise the truth of what was happening inside UDF IV, the web of lies began to unravel in 2014 when the SEC began investigating the UDF entities and executives after receiving a whistleblower complaint from an employee of UDF III's second largest borrower. Investigations by the SEC and the FBI ensued, ultimately resulting in the indictment and convictions of four UDF executives, including Defendant Greenlaw, in January 2022.

52. The timeline of these events, through which the truth about UDF IV's operations began to seep out, is as follows:

- a. **April 2014:** Unbeknownst to shareholders, the SEC begins investigating the UDF Funds.
- b. **November 2015:** UDF IV files its Form 10-Q for the quarter ending September 30, 2015. *This was the last public filing of UDF IV's financials until earlier this*

year. Shortly after the SEC filing, UDF IV discloses that its auditor, Whitley Penn, has declined to stand for reappointment.

- c. **December 2015:** The SEC investigation is finally disclosed by UDF IV, though its auditors had advised it to disclose the investigation much earlier. Trustee Defendants Marshall, Malone, and Finkle were complicit in this failure to disclose.
- d. **February 2016:** The FBI raids the offices of the UDF Funds, and the trading of public shares is halted.
- e. **May 2017:** NASDAQ delists shares of UDF IV due to its failure to file required regulatory reports.
- f. **July 2018:** The SEC files suit against four UDF executives, including Defendant Greenlaw, alleging violations of federal securities laws for failing to disclose the above conduct. At the same time, the individual defendants in that proceeding agreed to settle the SEC's claims for a total of \$7.2 million, with \$6.8 million to be paid by the individuals as disgorgement of profits and an additional \$400,000 of prejudgment interest. Each defendant was also required to pay a fine of \$250,000.00, for a total of **\$8.2 million** in penalties, fines, and interest. *See* Agreed Final Judgment, *SEC v. UDF*, Case No. 3:18-cv-01735-L at 5 (Section VI) (N.D. Tex. July 3, 2018).
- g. **March 2020:** The Public Company Accounting Oversight Board ("PCAOB") imposes sanctions on UDF IV's former auditor, Whitley Penn (the same accounting firm that Defendant Trustee Marshall previously was a partner), along with three of its CPAs, fining Whitley Penn \$200,000.00, barring the lead CPA on the UDF audits from being associated with a registered public accounting firm for two years, suspended another CPA from being associated with a public accounting firm for a period of one year and limiting his activities for a subsequent year and limiting the most junior CPA from activities in connection with any audit for two years.
- h. **July 22, 2020:** By resolution of the Board of Trustees (Greenlaw, Jones, Marshall, Finkle, and Malone), UDF IV elects to be subject to §3-803 of the Maryland General Corporation Law (MGCL) and adopts the Second Amended and Restated Bylaws, discussed in more detail below.
- i. **August 12, 2020:** The SEC revokes the registration under the Securities Exchange Act of 1934 of all classes of registered securities of UDF IV and the company is delisted (the registration of all classes of registered securities of UDF V was also revoked at the same time).
- j. **September 20, 2021:** Trustee Phillip K. Marshall, who is the former Chief Financial Officer of RCI Hospitality Holdings, an adult entertainment operator, settles claims with the SEC arising from disclosure and controls failures by RCI concerning executive compensation and related party transactions.

- k. **October 15, 2021:** After a five-year investigation, Greenlaw and three other UDF Fund executives, Benjamin Wissink, Cara Obert, and Brandon Jester are indicted on one count of conspiracy to commit wire fraud affecting a financial institution, one count of conspiracy to commit securities fraud, and eight counts of aiding and abetting securities fraud. 18 U.S.C. §§ 1343, 1348, 1349, & 2.
- l. **January 21, 2022:** After a seven-day trial in the Northern District of Texas, Greenlaw, Wissink, Obert, and Jester are convicted by a jury on all ten counts.
- m. **January 24, 2022:** Defendant James Kenney is appointed acting CEO of UDF IV and of the Advisor and thus becomes the new Managing Trustee of the UDF IV Board. Defendant Jones replaces Greenlaw as Chairman of the Board of Trustees.
- n. **May 20, 2022:** Greenlaw, Wissink, Obert, and Jester are sentenced to 7 years, 5 years, 5 years, and 3 years, respectively.
- o. **July 31, 2023:** The United States Court of Appeals for the Fifth Circuit affirms the criminal convictions.

B. NexPoint Acquires Shares of UDF IV and Expresses Interest in a Transaction to Assume Management of the Trust.

53. NexPoint affiliates began purchasing shares of UDF IV in April 2017 when UDF IV was listed on NASDAQ. After UDF IV was delisted from NASDAQ on May 18, 2017 for failure to file periodic financial reports, UDF IV's common shares were quoted on OTC Markets Inc. until it was deregistered by the SEC on August 12, 2020 for its continuing failure to file required financial reports.

54. During the period from April 2017 until June 2019, NexPoint and its affiliates invested in shares totaling more than \$6.4 million, notwithstanding the troubling management and oversight of UDF IV, the full extent of which was not known until the criminal trial of the UDF executives, because NexPoint believed there was intrinsic value in the underlying real estate investments held by UDF IV and because UDF IV management continued to express their commitment to resume reporting to shareholders. That intrinsic value, however, has never been fully disclosed, much less maximized, and UDF IV's reporting to shareholders has to this date not fully resumed in the manner and to the degree expected of a company held by so many

shareholders. The operations of UDF IV have been shrouded in mystery while the assets were depleted by the Ponzi scheme and the unlawful payment of millions of dollars of legal and other fees and disgorgement payments that were supposed to be paid by individual officers, thereby causing the value of the remaining assets to deteriorate.

55. Instead of seeking to cure the problems caused by Defendant Greenlaw and his convicted co-defendants, Defendants knowingly took actions to entrench themselves and prevent NexPoint from nominating new Independent Trustees to the UDF IV Board. As a result, “UDF operates today with the same board, with the same employees, in much the same manner as it always had.” Statement of Greenlaw attorney Paul Pelletier, Greenlaw Sentencing at 28:15-17 (May 20, 2022).

56. In 2019, NexPoint principals first reached out to Defendant Greenlaw to discuss UDF IV’s business plan and ways to recover the share price for investors.

57. NexPoint and its affiliates are uniquely positioned to maximize the value of UDF IV’s assets because of its scale (over \$15 billion of assets under management), their expertise in real estate, particularly in the north Texas market where UDF IV’s assets are located, as well as significant experience operating public REITs and other federally regulated investment vehicles. Greenlaw, however, ignored NexPoint’s communication.

58. On July 8, 2020, a NexPoint affiliate, NexPoint Advisors L.P., acting on behalf of NXDT, wrote to UDF IV’s Board of Trustees to express NexPoint’s continued interest in a transaction with the Trust to enhance shareholder value. A copy of the July 8, 2020 Letter from NexPoint Advisors L.P. to Hollis M. Greenlaw, Chairman of UDF IV’s Board of Trustees is attached as **Exhibit A**.

59. On July 14, 2020, NexPoint affiliates filed a Schedule 13D with the SEC to supersede its previously filed Schedule 13G to report a change in its intentions. In the Section 13D filing, NexPoint publicly advised UDF IV of its interest in a transaction to assume management of the Trust given UDF IV's apparent lack of a clear direction or business plan. A copy of the July 14, 2020 Schedule 13D is attached as **Exhibit B**.

60. In the Schedule 13D, NexPoint disclosed a 5.7% ownership interest in UDF IV's shares.

C. The UDF IV Trustees Amend the Declaration of Trust and Bylaws to Disenfranchise NexPoint.

61. The UDF IV Board's reaction to NexPoint's Section 13D filing was swift and immediate.

62. Just 8 days later, on July 22, 2020, the UDF IV Board of Trustees – comprised of all Defendants here except for Defendant Kenney – elected to be subject to §3-803 of the MGCL (a protection that may only be adopted by a company whose shares are registered under the Securities Exchange Act), in order to preserve their own interests in continuing to siphon funds from UDF IV. A copy of the Articles Supplementary signed by Hollis M. Greenlaw is attached as **Exhibit C**.

63. Less than a month later, UDF IV's shares were delisted by the SEC.

64. In fact, in a Form 8-K filed with the SEC on July 22, 2020, UDF IV confirmed that the Trust was currently engaged in legal proceedings with the SEC to determine whether its shares would remain registered under the Securities Exchange Act. Notwithstanding their knowledge of an impending SEC settlement that would result in the deregistration of its shares, UDF IV's Board of Trustees voted to approve the §3-803 election. The election was made in bad faith for the

express purpose of entrenching the existing Board and preventing shareholder action to replace them with a new Board.

65. As a result of UDF IV's bad faith §3-803 election, the Board was stratified into three separate classes of trustees, with trustees in each class to serve three-year terms.

66. There was to be a single Class I trustee designated as the "Managing Trustee" nominated by the Advisor whose term would continue until the first annual meeting of shareholders after the date on which the Trust became subject to §3-803, that is July 22, 2020, and until his successor was elected. The Advisor had the sole right to nominate the Managing Trustee and the Managing Trustee could be elected by plurality vote under the UDF IV bylaws (meaning one share held by one shareholder could elect this trustee at a duly held meeting). The shareholders were effectively disenfranchised in the election of the Managing Trustee. The initial Class I trustee was Defendant Greenlaw who was appointed to that position notwithstanding the lengthy criminal investigation involving his management and control of the UDF Funds. It was only after Greenlaw's criminal conviction on January 21, 2022, that he was replaced as the Class I trustee by UDF IV's then-Chief Compliance Officer, and new acting CEO, Defendant Kenney.

67. There were to be two independent Class II trustees, Defendant Jones and Defendant Marshall, whose terms would continue until the second annual meeting of shareholders after the date on which the Trust became subject to §3-803 of the MGCL and until their successors were elected.

68. Finally, there were to be two independent Class III trustees, Defendants Malone and Finkle, whose terms would continue until the third annual meeting of shareholders after the date on which the Trust became subject to §3-803 of the MGCL and until their successors were elected.

69. There have been no annual meetings since the §3-803 election.

70. At the same time the Board approved the §3-803 election, the Board also approved the Second Amended and Restated Bylaws of the Trust, attached as **Exhibit D**, which were designed to disenfranchise NexPoint by providing that only a “Qualified Shareholder” may propose Independent Trustee nominees.

71. Specifically, Section 2.11(a)(1) of the Second Amended and Restated Bylaws was revised to state as follows, in pertinent part:

Nominations of individuals for election to the Board of Trustees ... may be made at an annual meeting of shareholders ... by any shareholder of the Trust who was a shareholder of record... and, with respect to nominations of individuals for election to the Board of Trustees, who is a Qualified Shareholder (as defined below) at the record date set by the Board of Trustees for the purpose of determining shareholders entitled to vote at the annual meeting at the time of giving of notice by the shareholder as provided for in this Section 2.11(a) and at the time of the annual meeting (and any postponement or adjournment thereof).

72. Under Section 2.11(a)(9) and (a)(10):

A shareholder is a “Qualified Shareholder” if neither such shareholder nor any of such shareholder’s Shareholder Associated Persons (i) is an Adverse Party, (ii) has, or within the last five years has had, a Short Interest or (iii) is, or within the last five years has been, an employee, officer, director, manager, general partner or trustee of a person that is, or within the last five years was, Bankrupt.

A “Shareholder Associated Person” of any shareholder shall mean (i) any person acting in concert with such shareholder, (ii) any beneficial owner of shares of beneficial interest of the Trust owned [sic] of record or beneficially by such shareholder (other than a shareholder that is a depository) and (iii) any person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such shareholder or such Shareholder Associated Person.

73. This broad deprivation of fundamental shareholder rights for those involved, or affiliated with anyone involved, in a prior bankruptcy proceeding is arbitrary and objectively unreasonable and was clearly designed to prevent NexPoint from nominating trustee candidates for the UDF IV Board.

74. Though NexPoint is not named in these provisions, they were plainly directed at NexPoint because of its alleged affiliation with a company known as Highland Capital Management, which filed a voluntary Chapter 11 bankruptcy case in the United States Bankruptcy Court for the Northern District of Texas in October 2019 to provide time to work out a large monetary judgment that had been entered against the entity.

75. Such a provision violates the fundamental tenet of corporate governance that a shareholder possesses the ability to nominate and vote for trustees of its choice. The removal of this shareholder right because of some relationship to an entity that had sought bankruptcy protection in the past serves no legitimate purpose, and in the present context was clearly designed by UDF IV to insulate its current Trustees from the voting power of its largest independent shareholder (and the only shareholder of sufficient size and strength to challenge the existing Board) in anticipation of a contested election of trustees.

76. On its face, the provisions would prohibit the mere discussion with or suggestion to shareholders completely unrelated to NexPoint or Highland Capital of any nominee, lest that unrelated person be likewise disqualified for allegedly “acting in concert” with the overly broad list of disqualified affiliates. This flies in the face of all principles of corporate democracy and a level playing field, disenfranchises shareholders, and could not possibly have been intended by the authors of the Maryland General Corporation Law as a lawful restriction on shareholder rights.

77. Further, this provision violates §10.2 of the *UDF IV Declaration of Trust*, which provides that “the Shareholders *shall* be entitled to vote ... on ... election or removal of trustees....” A copy of the Third Amended and Restated Declaration of Trust is attached as **Exhibit E**.

78. Moreover, considering the deceptive, criminal activity that Defendant Greenlaw and his co-defendants had engaged in, as well as the impending deregistration of the UDF IV shares under the Securities Exchange Act of 1934, both of which were known to the Board at the time it adopted these bylaw provisions and elected to become subject to §3-803 of the MGCL, voting to assure that Defendant Greenlaw or his named successor should retain a Board seat was a clear breach of the Board's duty of good faith.

79. On January 8, 2021, UDF IV and the Trustees amended the Trust's Declaration of Trust and Bylaws again, in response to a tender offer made by NREO's parent company, NXDT, to purchase all Trust common shares for \$1.10 per share. *See* "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," issued January 8, 2021, attached as **Exhibit F**.

80. These amendments, which are currently in effect, retain the provisions in Section 2.11 designed to disenfranchise NexPoint and reduced the percentage of the Trust's outstanding common shares that a Trust shareholder may own in value or number from 9.8% to 5% to prevent NexPoint from acquiring additional shares of UDF IV. A copy of the Third Amended and Restated Bylaws is attached as **Exhibit G**.

D. UDF IV's Prolonged Failure to Hold the Required Annual Meeting of Shareholders for the Election of Trustees.

81. UDF IV is required by § 2-501 of the Maryland General Corporation Law and its organizational documents to hold an annual shareholder meeting.

82. The Trust's Declaration of Trust, §10.1 provided and still provides, in relevant part:

Meetings. There shall be an annual meeting of the Shareholders, to be held on proper notice at such time (after the delivery of the annual report) and convenient location as shall be determined or in the manner prescribed in the Bylaws, for the

election of the Trustees, if required, and for the transaction of any other business within the powers of the Trust.

83. Section 2.2 of the Bylaws states, in relevant part:

ANNUAL MEETING. An annual meeting of shareholders for the election of Trustees and the transaction of any business within the powers of the Trust shall be held after the delivery of the annual report, at a convenient location and on proper notice, on the date and time set by the Board of Trustees.

84. Despite these provisions, UDF IV has not had an annual meeting of shareholders for the election of trustees since 2015. To justify its failure, UDF IV has claimed that it has not delivered an annual report, a voluntary and intentional refusal on the part of the Board and management.

85. But § 2-501 of the Maryland General Corporation Law does not condition the holding of an annual meeting on the delivery of an annual report.

86. And § 2-110 of the Maryland General Corporation Law provides that bylaws may contain any provisions “**not inconsistent with law....**” The inclusion of a requirement to deliver an annual report as a condition to holding an annual meeting, which delivery is entirely at the volition of the entity and its Board and management, is not consistent with Maryland law and was clearly designed in this case to allow UDF IV and its Board to disenfranchise shareholders by failing to deliver an annual report and, therefore, failing to call an annual meeting.

E. The Criminal Indictment and Trial Reveals the Extent of the Fraud, Which the Trustees Knew or Should Have Known.

87. On October 15, 2021, Defendant Greenlaw and three other members of UDF IV’s leadership team, Benjamin Wissink, Cara Obert, and Brandon Jester, were indicted on two counts of conspiracy and eight counts of aiding and abetting securities fraud in the United States District Court for the Northern District of Texas (“Indictment”), alleging that they defrauded investors in UDF IV and the other UDF Funds that they controlled in violation of federal law, including the

federal securities laws by, as described above, operating a Ponzi scheme, effectively robbing Peter (UDF IV's and UDF V's investors) to pay Paul (UDF III's and UDF IV's investors). A copy of the Indictment is incorporated by reference and attached hereto as **Exhibit H**.

88. Given their positions with UDF IV, the Trustee Defendants either knew or should have known of the criminal conduct of Greenlaw and the other indicted executives, yet they approved and encouraged the effort to cover it up.

89. For example, Brian Downey, the audit partner from Eisner Amper, which was engaged after Whitley Penn resigned, testified that the indicted executives represented that their operation did not include any related party transactions.

90. However, once Eisner Amper began the audit, they discovered dozens of such transactions (e.g., moving funds from UDF IV to UDF III via fake loans and fake loan repayments involving the Moayedi entities). The transactions with the Moayedi entities qualified as "related-party" because of their pass-through nature. In effect, UDF IV was making payments to UDF III's investors and was not, in substance, making additional loans to Moayedi who in turn was making loan repayments to UDF III. Given the large concentration of loan assets to Moayedi entities and the ease with which Moayedi was used as a "straw man" to perpetrate this fraud, it is likely that Moayedi was in control of the entire scheme, as a failure to continue raising this capital would have threatened the very existence of his development company.

91. Moreover, even more egregious, with the Trustee Defendants' knowledge and approval, the UDF Funds have *never* sought to collect from Moayedi on any of the fake "loans" made to his entities, and they actually approved the reduction of the interest rates charged on his entities' loans and relinquished his personal guaranty of those loans. That is simply not how an independent lender in an arms-length commercial loan transaction would conduct business.

Allowing the overseers of those activities, the Trustee Defendants, to avoid a negative retention vote by UDF IV's shareholders would be a perpetuation of what has been eight years of outrageous shareholder abuse.

92. On information and belief, the Trustee Defendants, some of whom were on the Audit Committee of the Board responsible for overseeing the financial reporting of UDF IV, knew or should have known that the Moayedi transactions had to be disclosed, but they perpetuated the cover up because disclosing those transactions would have exposed the nature of the Ponzi scheme from which they were personally benefitting.

93. Indeed, despite claiming for years that Eisner Amper was working diligently on issuing audited financial statements, the audit team at Eisner Amper had actually been directed by the firm's management to stop working on the UDF IV audit, and Eisner Amper never issued any audited financials for the UDF Funds.

94. As further evidence of the Trustees' complicity in the fraud scheme, Defendant Greenlaw continued to serve as Chairman of the UDF IV Board throughout the period following his indictment and criminal trial, until he was convicted.

95. It was not until the guilty verdict was returned that Greenlaw was finally removed from the Board. But even that removal was only window dressing. The Board took no steps to terminate the Advisory Agreement with Greenlaw's entity UMTH GS, which, as the Trust's manager, had actively directed the fraud, despite a provision in the Advisory Agreement that permitted its termination without penalty.

96. Instead, in a press release issued on January 24, 2022, UDF IV announced that James Kenney, the former Chief Compliance Officer of UMTH GS, on whose watch UDF IV paid millions of dollars to settle the SEC lawsuit, unlawfully indemnified officers and employees of

UMTH GS, and who allowed the company to violate its obligation to issue periodic financial statements for several years, was appointed acting Chief Executive Officer and elected to the Board as its Managing Trustee.

97. UDF IV also announced that Lawrence Jones, who served as Chair of the UDF IV Audit Committee during a period in which the Trust had continued to shirk its reporting obligations as a publicly traded entity, eventually resulting in the deregistration of UDF IV's securities, was elected to serve as Chairman of the Board while continuing to serve as Chair of the Audit Committee. No other changes were made to the Board's composition following the criminal convictions.

98. In the meantime, Phillip K. Marshall, who had served as Chair of the Audit Committee of UDF IV from at least 2011 until August 22, 2019, was permitted to remain a Trustee of the UDF IV Board, notwithstanding the fact that from 2007 until September 2020 he had served as the CFO of RCI Hospitality Holdings, Inc., which operated a chain of gentlemen's clubs (strip clubs). That entity, on September 22, 2020, agreed to an SEC settlement resolving charges that the company, its CEO and Mr. Marshall failed, among other things, to disclose certain executive compensation in the form of perquisites, some of which benefitted Mr. Marshall, as well as certain related party transactions. In the settlement, Mr. Marshall agreed to pay a civil penalty and to cease and desist from further violations of certain SEC rules.

99. Further demonstrating how little has changed in the oversight and management of UDF IV following the long period in which it was operating an undisclosed Ponzi scheme, the UDF IV Trust has only issued one set of audited financial statements during the past eight years.

100. Those audited statements, issued in July 2023 for fiscal year 2022, were produced by a firm led by a former Whitley Penn auditor, the same firm that was sanctioned by the PCAOB for failing to detect and disclose the fake loan/repayment related party transactions.

101. The financial statements were issued for fiscal year 2022 only, with no comparative information relating to the operations and balance sheet of the UDF IV Fund for prior years, and with very limited disclosure of related party transactions, including any indemnification payments made on behalf of the criminal defendants.

102. The operations of UDF IV during that long period in which it was a player in a Ponzi scheme remain undisclosed and shrouded in mystery. In short, there is no reason why the shareholders in UDF IV should have confidence about the state of their investments based on the belated release by UDF IV of audited statements for its most recent completed year of financial activity.

F. The Board Violated Maryland law By Advancing Legal Fees and Costs to the Convicted Executives and Permitting Trust Funds Be Used to Pay for Their SEC Settlement and Fines.

103. On information and belief, UDF IV advanced the funds for Greenlaw's defense in the SEC and criminal investigations, and likewise did so for his other co-defendants. In addition, UDF IV, on information and belief using a Moayeddi entity to generate the loan to fund the payment and Moayeddi's title company to effect the transaction, paid the \$7.2 million judgment in disgorgement and prejudgment interest that the *individual executives* were ordered by a U.S. District Court judge to pay to the SEC. These payments were made by UDF IV in spite of the Court's order and the Advisory Agreement between UDF IV and UTMH GS that prohibits indemnification for securities law violations, subject to certain exceptions that did not apply.

104. It is not known definitively whether UDF IV is the sole entity that advanced or indemnified the UDF executives, and for how much, because UDF IV and the Trustee Defendants have never reported anything, in writing or otherwise, to the shareholders about the decision to advance or indemnify the executives' fees and costs, to cover their individual liabilities under the SEC judgment, or the total amounts so paid. NexPoint is pursuing claims in a separate lawsuit in Texas against UDF IV's advisor and its affiliates based on their role in the advancement/indemnification of the convicted felons' fees (and other misconduct).¹ To date, no discovery has been provided in that action as the defendants have filed repetitive preliminary, dilatory motions and interlocutory appeals in an effort to stall the proceedings.

105. This failure of shareholder disclosure is a clear violation of §2-418(I) of the MGCL, which applies to UDF IV under §8-301(15) of the Maryland REIT Law (MRL). Section 2-418(I) requires "[a]ny indemnification of, or advance of expenses to, a director in accordance with this section, if arising out of a proceeding by or in the right of the corporation, shall be reported in writing to the stockholders with the notice of the next stockholders meeting or prior to the meeting."

106. Considering the dozens of lawyers involved in the defense of these matters, a nearly ten year-long investigation by the SEC, FBI and U.S. Attorney's Office, a settlement with the SEC, a federal criminal jury trial and sentencing, and an unsuccessful appeal by all of the convicted defendants to the Court of Appeals for the Fifth Circuit, NexPoint estimates the legal fees and costs advanced to date to exceed \$70 million.

¹ The Advisory Agreement with UDF IV's advisor stipulates the law of Texas as the law governing the contract and mandates Dallas, Texas as the venue for any litigation with UDF IV's advisor.

107. In addition, the unaudited balance sheet distributed to shareholders in August 2021 reflected a diminution of capital in excess of \$100 million, which, on information and belief, was partly attributable to the payments described above.

108. Now that the UDF IV executives have been convicted, and those convictions affirmed, the failure of the Trustees to demand repayment of the funds advanced for defense costs and payment of the SEC judgments, is a clear breach of the Declaration of Trust, which only permits indemnification or advancement “[t]o the maximum extent permitted by Maryland law in effect from time to time.” Third Amended and Restated Declaration of Trust, §11.3.

109. Under § 2-418 (b)(1) of the MGCL, a corporation cannot indemnify any director or officer made a party to any proceeding when “it is established that: (i) The act or omission of the director was material to the matter giving rise to the proceeding; and (1) was committed in bad faith; or (2) was the result of active or deliberate dishonesty; or (ii) The director actually received an improper personal benefit in money, property, or services; or (iii) In the case of any criminal proceeding, the director had reasonable cause to believe that the act or omission was unlawful.”

110. Further, under Maryland law, the “termination of any proceeding by conviction ... creates a rebuttable presumption that the director **did not** meet that standard of conduct.” §2-418(b)(3)(ii) (emphasis added).

111. There is no indication that the Board of UDF IV did anything to assess whether Defendant Greenlaw and the other convicted executives were entitled to advancement or indemnification of their legal fees and costs, much less whether they should be required to repay those funds now that they have been convicted, which would seem to confirm that they did not meet the requisite standard of conduct and are not entitled to indemnification.

112. Of course, were the Board actually interested in promoting the best interests of UDF IV, and maximizing and protecting the shareholders' investments, they would have demanded repayment of the funds advanced, and they never would have approved in the first place UDF IV's decision to provide the funds necessary to pay the multi-million dollar judgments imposed against Greenlaw and his co-defendants as a result of the court-approved settlement with the SEC.

113. These convictions, the unlawful indemnification payments, and the waste of corporate capital is reflective of a Board of Trustees and an Audit Committee that has engaged in repeated failures to discharge their duties in good faith to protect the best interests of the Trust and shareholders and that has acted instead to perpetuate the harms caused to those shareholders by their unwitting investment in a Fund that was victimized by the promoters of a Ponzi scheme. UDF IV's shareholders must have the right to vote these individuals out of office and replace them with individuals who will protect the shareholders' investments and try to deliver to shareholders the returns that were promised when they invested.

G. UDF IV Seeks to Hold the First "Annual" Shareholders Meeting in Eight Years to Reinstall the Managing Trustee, a Greenlaw Associate, and Rebuffs NexPoint's Effort to Nominate New Trustees.

114. On August 31, 2023, UDF IV announced that it would hold an annual meeting of shareholders, virtually, on December 15, 2023.

115. This is the first planned annual meeting of UDF IV's shareholders in over eight years despite the Declaration of Trust's requirement that there "shall be an annual meeting of the Shareholders... for the election of the Trustees." Third Amended and Restated Declaration of Trust §10.1.

116. Indeed, no such annual meeting of shareholders has been held since the Board approved the Second Amended and Restated Bylaws on July 22, 2020.

117. Had the Board complied with the Bylaws and the Declaration of Trust's mandate that the shareholders meet each year to elect the trustees, each Trustee appointed in July 2020 when the Trust elected §3-803 protection should have been required to stand for election by now (the Class I trustee in 2021, the two Class II trustees in 2022, and the two Class III trustees earlier this year).

118. Furthermore, §3-803 of the MGCL only permits a trustee to serve a 3-year term before standing for election.

119. Each Independent Trustee (Finkle, Jones, Marshall, and Malone) has served for more than three years, and no trustee has been elected since June 25, 2015. Finkle, Marshall, and Malone have served continuously as Independent Trustees for 15 years, since 2008. Jones has served as an Independent Trustee for 4 years, since 2019.

120. Thus, all five of the current Trustees – the Managing Trustee and the four Independent Trustees – should be required to stand for election at the annual meeting.

121. On September 7, 2023, NexPoint requested from UDF IV the trustee nominee questionnaire required to submit alternative trustee nominees.

122. On September 8, 2023, UDF IV responded, through counsel, that only the Class I Trustee – Mr. Kenney -- would be appointed at the December 15 meeting and that any Managing Trustee must “(1) [have] been an employee of UMTH General Services, L.P. (the “Advisor”) or involved in the day to day activities of the Trust for at least one year and (2) was designated for nomination by the Advisor as a “Managing Trustee.” The response went on to state that “no Trust shareholders are able to nominate an individual for election as a Managing Trustee, nor will any other trustees be elected at the upcoming annual meeting of shareholders.” See September 8, 2023 Letter from Stephen Glover to D.C. Sauter, attached as **Exhibit I**.

123. On September 10, 2023, counsel for NexPoint responded to UDF IV’s counsel, asking UDF IV to reconsider its position, outlining the Trust’s repeated governance violations, and proposing to nominate four individuals as Independent Trustees on the UDF IV Board – Jim Dondero, John Good, Dr. Arthur Laffer, and Edward Constantino – all of whom are eminently qualified. *See* September 10, 2023 Letter from DC Sauter to Stephen Glover, attached as **Exhibit J**.

124. On September 15, 2023, counsel for UDF IV responded and essentially refused to reconsider, declaring “The Trust intends to resume holding annual shareholder meetings, beginning with the Annual Meeting, which is scheduled for December 15, 2023. While shareholders did not have the opportunity to nominate candidates to serve as the sole Managing Trustee on the Board at the December 15, 2023 meeting, Qualified Shareholders (as defined in the Bylaws) will be able to nominate candidates to serve as Independent Trustees who are members of Class II and Class III when these trustees are up for election at the 2024 and 2025 meetings, respectively.” *See* September 15, 2023 Letter from Stephen Glover to D.C. Sauter, attached as **Exhibit K**.

125. If the annual meeting proceeds as outlined by UDF IV’s counsel, NexPoint’s franchise rights will be irreparably injured.

CAUSES OF ACTION

COUNT I FOR DECLARATORY JUDGMENT (Direct Claim Against UDF IV)

126. NexPoint incorporates paragraphs 1 through 125 as if fully set forth herein.

127. Maryland courts have the power to grant a declaratory judgment in a civil case when “it will serve to terminate the uncertainty or controversy giving rise to the proceeding” and

when an actual controversy exists or a party “asserts a legal relation, status, right, or privilege” that is challenged or denied by an adversary party. MD. CODE ANN., CTS. & JUD. PROC. § 3-409.

128. There exists an actual, ripe, and justiciable controversy between NexPoint and UDF IV regarding the validity of the UDF IV Third Amended Bylaws provisions §§2.11(a)(1), (a)(9), and (a)(10), which were adopted for the primary purpose of thwarting NexPoint’s franchise rights in an anticipated contested election of trustees.

129. NexPoint maintains that these Bylaws provisions were adopted in bad faith and invalidly restrict NexPoint’s fundamental franchise rights.

130. UDF IV, by contrast, maintains that these Bylaws provisions are valid.

131. Thus, there exists an actual controversy of a justiciable issue between NexPoint and UDF IV within the jurisdiction of this Court, involving the rights and liabilities of the parties. A declaratory judgment by this Court will terminate this controversy.

132. Further, there exists an actual, ripe, and justiciable controversy between NexPoint and UDF IV concerning whether NexPoint, as a shareholder, has the legal right, status, and privilege to nominate trustees of its’ choosing to the UDF IV Board.

133. This right is necessary to NexPoint’s fundamental and undisputed right to vote its shares, such right being unduly encumbered if it can only vote for nominees chosen by the current UDF IV Board.

134. A declaratory judgment by this Court will terminate this controversy.

135. Further, there exists an actual, ripe, and justiciable controversy between NexPoint and UDF IV concerning whether the four Independent Trustees must stand for election at the next scheduled annual meeting of shareholders.

136. NexPoint maintains that the four Independent Trustees must stand for election at the next scheduled annual meeting because each of the four Trustees should have stood for election by now had UDF IV held the requisite annual meetings in accordance with its Declaration of Trust and Bylaws.

137. UDF IV maintains that only the Managing Trustee will stand for election at the upcoming meeting.

138. Thus, there exists an actual controversy of a justiciable issue between NexPoint and UDF IV within the jurisdiction of this Court, involving the rights and liabilities of the parties. A declaratory judgment by this Court will terminate this controversy.

139. As a result of UDF IV's bad faith acts, the Court should declare that §§2.11(a)(1), (a)(9), and (a)(10) of the Third Amended and Restated Bylaws are void and NexPoint should be permitted to nominate its candidates for Trustees at the next scheduled annual meeting.

WHEREFORE, pursuant to MD. CODE ANN., CTS. & JUD. PROC. § 3-401, *et seq.*, NexPoint seeks declarations that:

a. Defendants breached their duties of good faith, loyalty and care when adopting Bylaws provisions §§2.11(a)(1), (a)(9), and (a)(10) for the sole purpose of impeding NexPoint's fundamental shareholder franchise rights, and thus those provisions are invalid;

b. Defendants breached the Declaration of Trust §10.1 and Bylaws §2.2 by failing to hold an annual meeting of shareholders for the election of all of UDF IV's Trustees; and

c. NexPoint has the right to nominate its own slate of four Independent Trustees at the next scheduled annual meeting.

COUNT II
BREACH OF THE DUTIES OF CARE, LOYALTY, AND GOOD FAITH
(Direct Claim Against the Trustee Defendants)

140. NexPoint incorporates by reference paragraphs 1 through 139 as if fully set forth herein.

141. Under §2-405.1 of the MGCL, which applies to a REIT like UDF IV (see §8-601 of the MRL), a trustee “shall act (1) in good faith; (2) in a manner the director reasonably believes to be in the best interests of the corporation; and (3) with the care that an ordinarily prudent person in a like position would use under similar circumstances.”

142. the Trustee Defendants have breached their duties of good faith, loyalty and care by, *inter alia*:

a. failing to hold an annual meeting for the election of directors for the past eight years as provided for in the Declaration of Trust, §10.1 and Bylaws, §2.2, and using an unlawful bylaw provision as subterfuge for failure to hold such meeting;

b. reaffirming the bad faith decision to disenfranchise NexPoint, in violation of Maryland law and the Declaration of Trust §10.2, by approving the Third Amended and Restated Bylaws on January 8, 2021, which contain Bylaw provisions §§2.11(a)(1), (a)(9), and (a)(10) to specifically prevent NexPoint from nominating trustees of its choosing; and

c. deciding, in bad faith, and in breach of §3-803 of the MGCL and the Articles Supplementary, to proceed with an annual meeting on December 15, 2023 at which only the Managing Trustee appointed by UMTH GS – Trustee Kenney – will stand for election and refusing to permit the nomination and election of any Independent Trustees.

143. Defendants’ bad faith efforts to eliminate NexPoint’s fundamental franchise right as a shareholder to nominate trustees and their refusal to permit the nomination of Independent

Trustees at the upcoming annual meeting constitutes irreparable harm that equity can redress.

144. NexPoint has no adequate remedy at law.

145. NexPoint thus seeks an order declaring that the Trustee Defendants breached their duties of good faith, loyalty, and care by: (a) adopting the Third Amended and Restated Bylaws on January 8, 2021; (b) failing to hold the legally-required annual meeting for shareholders for the past eight years; and (c) refusing to hold elections for the Independent Trustees at the December 15, 2023 meeting.

COUNT III
FOR INJUNCTIVE RELIEF

146. NexPoint incorporates by reference paragraphs 1 through 145 as if fully set forth herein.

147. If successful, Defendants' effort to obstruct NexPoint's right to nominate Independent Trustees at the scheduled annual meeting of the shareholders of UDF IV will constitute irreparable harm with no adequate (or any) remedy at law, and which only equity can redress.

148. Section 10.1 of the Declaration of Trust and §2.2 of the Bylaws required UDF IV to hold an annual meeting of shareholders for the election of trustees.

149. Despite these provisions and the requirements of Maryland law, UDF IV has not had an annual meeting of shareholders since 2015.

150. When NexPoint filed its Schedule 13D on July 14, 2020, disclosing its interest in negotiating a transaction with UDF IV to take over the management of the Trust, the UDF IV Board immediately elected to be subject to §3-803, knowing that its shares were about to be deregistered by the SEC, and that such an election would be unavailable thereafter. Notwithstanding that its shares were about to be deregistered, the UDF IV Board nonetheless

amended the Bylaws to specifically disenfranchise NexPoint.

151. On January 8, 2021, the UDF IV Board further amended its Bylaws to prevent NexPoint from acquiring additional shares of UDF IV and retained the Bylaws provisions designed to disenfranchise NexPoint.

152. Notwithstanding the §3-803 election and these Bylaws amendments, the Board has persisted in failing to hold an annual meeting of shareholders for the election of trustees, only recently announcing that the first such meeting would be held on December 15, 2023.

153. Because no trustees have been elected for the past eight years, and no trustees have been elected in a timely fashion in accordance with the §3-803 election, all five trustees – the Managing Trustee and four Independent Trustees – must be required to stand for election at the next scheduled annual meeting of the shareholders, either on December 15, 2023, or at such later date as the Court directs.

154. When NexPoint attempted to exercise its fundamental franchise right to nominate a slate of qualified candidates to serve as Independent Trustees, the UDF IV Board refused to accept those nominations on the grounds that because this is the first annual meeting since the §3-803 election, only the Managing Trustee is up for election, and in any event, only Qualified Shareholders (i.e., not NexPoint), may nominate Independent Trustees.

155. The UDF IV Board's actions are invalid and unlawful because the Board breached the Declaration of Trust and Bylaws by failing to hold the requisite annual meetings and the Board cannot obstruct NexPoint's fundamental franchise rights.

156. There is a strong likelihood that NexPoint will succeed on the merits of its claims.

157. Unless the annual meeting currently scheduled for December 15, 2023 proceeds in accordance with Maryland law, the Declaration of Trust, and Bylaws, which compel all five

trustees to stand for election, and at which NexPoint possesses the right to nominate candidates for election to the UDF IV Board, NexPoint will suffer irreparable injury.

158. The benefits to NexPoint in obtaining injunctive relief outweigh the potential harm which Defendants would incur if this Court grants the requested injunctive relief.

159. Furthermore, the public interest is best served by granting the injunction because it will preserve fundamental shareholder franchise rights.

160. NexPoint is entitled to a preliminary and permanent injunction ordering that: (a) all four Independent Trustees must stand for election at the next scheduled annual meeting of the shareholders of UDF IV; (b) NexPoint be permitted to propose its own slate of nominees for the Independent Trustee positions on the UDF IV Board; and (c) the meeting shall be scheduled either on December 15, 2023 or such later date as will provide NexPoint adequate time, consistent with the Trust's Bylaws, to execute its rights as shareholders.

PRAYER FOR RELIEF

WHEREFORE, NexPoint respectfully prays that the Court:

A. Enter an Order for declaratory relief that declares: (1) that Defendants breached their duties of good faith, loyalty and care when adopting Bylaws provisions §§2.11(a)(1), (a)(9), and (a)(10), for the sole purpose of impeding NexPoint's fundamental shareholder franchise rights and thus those provisions are invalid; (2) that Defendants breached the Declaration of Trust §10.1 and Bylaws §2.2 by failing to hold an annual meeting of shareholders for the election of trustees; (3) that all four Independent Trustees must stand for election at the next scheduled annual meeting and (4) that NexPoint has the right to nominate four Independent Trustees for election at the next scheduled annual meeting or, to the extent NexPoint has inadequate time to nominate and solicit proxies for the election of such Independent Trustees, that such annual meeting shall be delayed

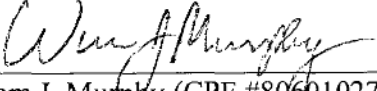
until a date established by the Court consistent with the Bylaws to afford NexPoint with adequate time to execute its remedy;

B. Enter an Order enjoining UDF IV and its current Trustees to require that (a) all four Independent Trustees must stand for election at the next scheduled annual meeting; (b) NexPoint shall be permitted to propose its own slate of nominees for the Independent Trustee positions on the UDF IV Board, and (c) to the extent NexPoint has inadequate time to nominate and solicit proxies for the election of such Independent Trustees, such annual meeting shall be delayed until a date established by the Court to afford NexPoint with adequate time, consistent with the Trust's Bylaws, to execute its remedy;

C. Award NexPoint its legal fees and expenses in this action.

Dated: October 19, 2023

ZUCKERMAN SPAEDER LLP

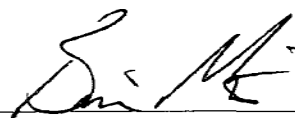
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VERIFICATION

I, Brian Mitts, am the Authorized Signatory of NexPoint Real Estate Opportunities, LLC, plaintiff in this action. I have read the foregoing complaint and know the contents thereof, and the same is true to my own knowledge, except as to matters therein stated to be alleged on information and belief, which matters I believe to be true. I solemnly affirm under penalties of perjury that the contents of the foregoing paper are true.

Executed on October 18, 2023.



A handwritten signature in black ink, appearing to read "Brian Mitts", is written over a horizontal line.