

October 17, 2024

## Dear UDF IV Shareholders,

Your United Development Funding IV (“UDF IV” or the “Trust”) Board of Trustees and management team have acted and will continue to act to protect and promote the interests of the Trust’s shareholders.

Since reinstating distributions in the third quarter of 2019, the Trust has paid cash distributions of approximately \$41.9 million, or approximately \$1.37 per share, to shareholders. **Since the fund’s inception, cash distributions paid to shareholders total approximately \$189.7 million, equating to approximately \$6.19 per share.**

Despite the UDF IV Board and management team’s work to protect and enhance the value of your investment, NexPoint Real Estate Opportunities, LLC, an indirect subsidiary of NexPoint Diversified Real Estate Trust (NXDT), and its affiliates (collectively, “NexPoint”) are attempting to remove your Board Trustees and replace them with a hand-picked slate of nominees to advance NexPoint’s self-serving interests. Your vote ahead of the Annual Meeting of Shareholders (the “Annual Meeting”) to be held later this year will determine the future of your investment in UDF IV.

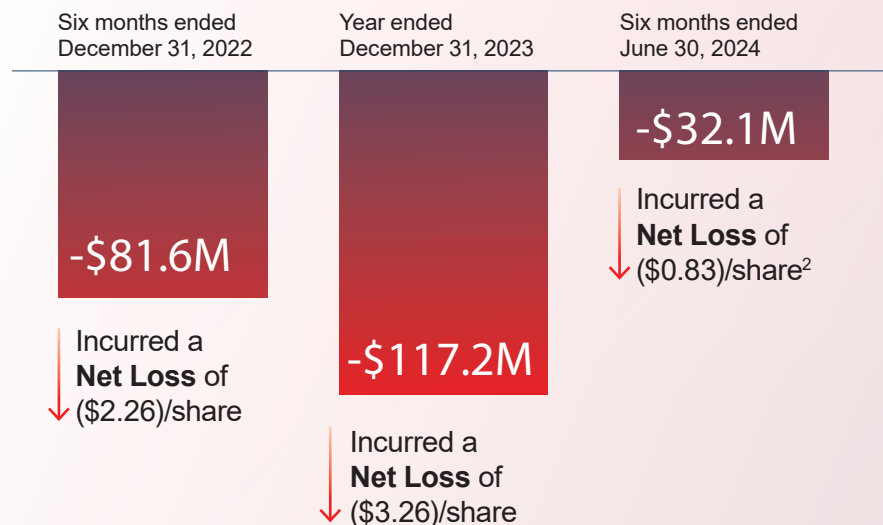
Based on its actions, we believe NexPoint’s true motive is to take control of the Trust and its assets in an effort to extract value for itself at the expense of all other shareholders. To date, NexPoint has not presented any viable plan to enhance value for shareholders.



If and when such a plan is presented, and before voting your shares, we ask that you carefully consider how NexPoint has managed its own fund - NXDT.

## Losses have mounted for NXDT

According to its own financial reports, over the past 2 years, **NXDT has lost over \$230 million.<sup>1</sup>**



## Despite this Performance, the Management Team has been Richly Rewarded...<sup>3</sup>

- Since NXDT shareholders approved a long-term incentive plan on January 30, 2023, the Company granted 1,637,269 Restricted Stock Units to its trustees and officers and other employees of the Advisor (603,482 Restricted Stock Units in 2023 and 1,033,787 Restricted Stock Units in the first six months of 2024).
- This issuance of over **\$12 million in Restricted Stock Units<sup>4</sup>** to its trustees and employees of the Advisor came during a time when the NXDT stock price experienced a massive 51% decline from \$12.68 share on January 30, 2023 to \$6.15 on March 13, 2024, the date of NXDT's most recent publicly disclosed grant of Restricted Stock Units.

## ...even as the fund shows signs of a potential liquidity crunch:

- **Since September 2023, NXDT has resorted to paying its common shareholders a quarterly distribution payable 80% in stock and only 20% in cash.<sup>5</sup>**
- According to NXDT's tax documents (IRS Form 9937) for 2022 and 2023, 100% of its "distributions" to shareholders were paid from paid-in capital rather than company earnings.
- NexPoint's Q2 2024 Investor Presentation describes a planned "strategic reallocation" of its portfolio, including "we endeavor to opportunistically sell \$100 million to \$150 million in assets to free up capital for reinvestment ..."
- On July 22, 2024, NXDT amended its advisory agreement to pay 50% of its monthly advisory fee in common stock, subject to certain limits.

## Bottom Line: NXDT Has Suffered Massive Losses While NXDT Advisors, Employees And Trustees Have Enjoyed Rich Incentive Compensation.

Recent comments posted on Seeking Alpha following NXDT's September 10, 2024 earnings call refer to NXDT's underperformance and lack of credibility:<sup>6</sup>

"Investors have lost all confidence in the management team and the board."

"They need to show the market they can create shareholder value instead of just management fees for NexPoint."

"Dondero has no problem running a company into the ground to benefit himself."



# UDF IV shareholders – you have an important decision to make.

Do not be swayed by NexPoint’s empty promises – just look at NXDT’s history for a glimpse of what UDF IV might look like under NexPoint’s control.

We ask that you vote “FOR” ONLY the Board’s four nominees – Lawrence S. Jones, Phillip K. Marshall, Steven J. Finkle, and J. Heath Malone – on the WHITE proxy card today to enable the UDF IV Board to continue to protect your interests and prevent NexPoint from implementing what we expect will be a self-serving, value-destructive agenda. Please discard any green or other color proxy card sent to you by NexPoint as it may not include the accurate and complete information to which shareholders are entitled.

We have not set a record date or a time and date for the Annual Meeting. After we establish a record date for the Annual Meeting and a time and date for the Annual Meeting, we will notify our shareholders as of the close of business on the record date.

Thank you again for your continued support.

Sincerely,

The UDF IV Board of Trustees

# Protect the Value of Your Investment.

## Vote the WHITE proxy card today.

If you have any questions  
or require any assistance  
voting your shares, please  
contact our proxy solicitor:

Innisfree M&A Incorporated

1 (877) 750-9496  
(toll-free from the  
U.S. and Canada)

+1 (412) 232 3651  
(from other countries)

1. [NXDT Form 10-K, for the year ended December 31, 2023](#)
2. [NXDT Form 10-Q for the quarterly period ended June 30, 2024](#)
3. [NXDT Form 10-Q for the quarterly period ended June 30, 2024](#)
4. Based on weighted average grant date fair value of the Restricted Stock Units granted during 2023 and the first six months of 2024 as reported in the [NXDT Form 10-K, for the year ended December 31, 2023](#) and [NXDT Form 10-Q for the quarterly period ended June 30, 2024](#).
5. <https://nxdn.nexpoint.com/stock-info/tax-information--irs-form-8937/default.aspx>
6. User comments on "[NexPoint Diversified: A Look-Through Approach To NAV Reveals Concerns](#)," by Hydra Research, posted on Seeking Alpha on May 13, 2024. Permission to use quotes neither sought nor obtained.

This letter contains forward-looking statements relating to, among other things, the Annual Meeting, the work of the current UDF IV Board to protect and promote shareholders' interests and the potential future of UDF IV under NexPoint's control. These forward-looking statements are based on management's current expectations and are not guarantees of future performance or future events. Such forward-looking statements generally can be identified by our use of forward-looking terminology such as "may," "will," "expect," "intend," "anticipate," "estimate," "believe," or other similar words. Readers should be aware that there are various factors, many of which are beyond UDF IV's control, which could cause actual results to differ materially from any forward-looking statements made in this release including, among others, the results of the trustee elections at the Annual Meeting. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this letter. Forward looking statements in this letter speak only as of the date on which such statements were made, and UDF IV undertakes no obligation to update its forward-looking statements, whether as a result of new information, future events or otherwise.