

# UDF IV's Financials Reveal Questionable Conduct & Value Erosion

Vote for Change – Elect NexPoint's Nominees Who Will Protect Your Interests and Maximize Value of UDF IV Shares

Dear Fellow UDF IV Shareholders,

A close review of UDF IV's latest financial statements highlight the following **RED FLAGS**:

- ▣ **Skyrocketing Impaired Loans**
- ▣ **Questionable Loan Extensions**
- ▣ **Unhealthy Loan Concentration to One Borrower**
- ▣ **G&A Expenses Eroding Assets**
- ▣ **UDF IV's Rosy Outlook is Misleading Shareholders**

## ▣ IMPAIRED LOANS SKYROCKET, ACCOUNTING FOR MORE THAN HALF OF THE 2023 TOTAL LOAN PORTFOLIO

**Astoundingly, UDF IV indicates that it is unlikely to recover more than half of its loan portfolio, approximately \$135 million – with “probably uncollectable” loans increasing by more than \$80 million in one year.**

Below is the Trust's 2023 assessment of performing loans (which it describes as Level I) and impaired loans (which it describes as Level II and III). **The change from 2022 in the right column is alarming:**

		CHANGE FROM 2022
Collection Probable	\$130,590,000.00	(\$39,343,000.00)
Collection More Likely Than Not, But Not Probable	\$16,826,000.00	(\$30,963,000.00)
<b>Probably Uncollectable</b>	<b>\$118,919,000.00</b>	<b>\$80,971,000.00</b>
	<b>\$266,335,000.00</b>	

## ▣ QUESTIONABLE LOAN EXTENSIONS

**As impaired loans skyrocket, the Trust extends maturing impaired loans.**

- In 2022, **more than half the Trust's loan portfolio was set to mature in 2023**, with only two loans were set to mature beyond 2025.
- In 2023, the Trust **granted extensions on \$120 million of loans for “borrowers experiencing financial difficulty,”** with 22 loans now set to mature beyond 2025.
- **UDF IV appears to be delaying inevitable losses by extending loan maturities, including to related parties.**

## 2022 Loan Table

2022	Related Party			Non-Related Party			Total Portfolio		
	Maturity	Amount	#Loans	%	Amount	#Loans	%	Amount	#Loans
2023	10,517,000	3	75.80%	122,804,000	23	53.84%	133,321,000	26	52.15%
2024	3,208,000	1	23.12%	60,188,000	3	26.39%	63,396,000	4	24.80%
2025			0.00%	44,731,000	3	19.61%	44,731,000	3	17.50%
2026			0.00%	347,000	1	0.15%	347,000	1	0.14%
2030	13,875,000	1	100.00%			0.00%	13,875,000	1	5.43%
	13,875,000	5		228,070,000	30		255,670,000	35	

## 2023 Loan Table

2023	Related Party			Non-Related Party			Total Portfolio		
	Maturity	Amount	#Loans	%	Amount	#Loans	%	Amount	#Loans
2024	10,909,000	4	30.33%	61,057,000	3	53.84%	71,966,000	7	27.02%
2025		0	0.00%	79,394,000	7	26.39%	79,394,000	7	29.81%
2026		0	0.00%	4,562,000	1	19.61%	4,562,000	1	1.71%
2028	10,059,000	1	27.97%	85,360,000	19	0.15%	95,419,000	20	35.83%
2030	14,994,000	1	41.69%			0.00%	14,994,000	1	5.63%
	35,962,000	6		230,373,000	30		266,335,000	36	



### UNHEALTHY LOAN CONCENTRATION TO ONE BORROWER

#### *ALL EGGS IN THE MOAYEDI BASKET*

The financials **reveal a dangerous risk concentration, with 85% of the total loan portfolio** – over **\$226 million in loans** – tied to a single borrower.

- 28 of the 36 outstanding loans were made to a single borrower group: Centurion American/Mehrdad Moayed. When the 6 related-party loans are removed, Moayed accounts for 28 of 30 unaffiliated loans, and he holds 98.27% of the Trust's unaffiliated debt.
- Based upon the 98.27% concentration, UDF IV has extended more than \$108 million in loans for Moayed on loans in which the “borrower[s] experiencing financial difficulty”.
- Mehrdad Moayed is a developer with a well-chronicled history of failed projects.<sup>1</sup>



### G&A EXPENSES ERODING ASSETS

**UDF VI has spent more than \$47 million in expenses over the past two years, including management fees and unspecified G&A costs.**

- According to a 2018 article published by Nareit, “What Are the Structural Factors That Boost Long-Term REIT Performance?”, median G&A for a REIT of the Company's size is 1.17% – **UDF IV's G&A outpaces the median by a staggering margin.**
- Plus, UDF IV spends less on dividends than its exorbitant G&A expenses, **with G&A for the last two years outpacing cash distributions for the last four by more than \$8.5 million.**

## 2022 Expenses

Expense	Amount	% of Loan Portfolio
Mgmt. Fees	\$5,173,345.00	1.94%
G&A	\$10,296,082.00	3.87%
G&A – Related Party	\$1,320,000.00	0.50%
<b>TOTAL</b>	<b>\$16,789,427.00</b>	<b>6.30%</b>

## UDF IV'S ROSY OUTLOOK IS MISLEADING SHAREHOLDERS

**CLAIM:** “Thanks to the success of our recent strategic initiatives, we have received – or anticipate receiving – higher recovery amounts on certain impaired assets...”

- **FACT:** More than half of the total loan portfolio (~ \$136 million of ~\$266 million) is currently listed as impaired, and of that almost \$119 million is identified as Level III (i.e., probably uncollectable). In one troubling incident, the current management team caused UDF IV to purchase a 97% interest in a multi-million dollar note from an entity partly owned by the current management team. Less than 90 days later, the note defaulted, and the borrower entered receivership just 11 days after that.

**CLAIM:** “Our Advisor collaborated with one of our borrowers to improve the collateral securing a \$15 million loan, which currently has an \$8.4 million reserve recorded against the principal.”

- **FACT:** This is the related-party Lakeside Loan, which was on non-accrual status in the 2022 financials. Although it was listed as a Level III loan (i.e., probably unrecoverable) in 2022, the Trust inexplicably increased the loan from \$6.6 million to \$15.5 million and extended the maturity date from 2023 to 2028, and increased the loan again to \$17 million in 2023. Management is now touting that they “collaborated” with a related party to “improve collateral.”

**CLAIM:** “We facilitated funding from a senior lender for one of our borrowers to develop 348 finished lots. This action enhanced the collateral securing our note receivable. All principal owed on this note was repaid by the borrower upon the sale of the lots and approximately \$7.3 million in accrued interest on the loan was repaid...”

- **FACT:** It’s unclear what “[w]e facilitated funding from a senior lender” means, but we can discern from statements in the subsequent events of the 2023 financials that an affiliate of the Trust (presumably another UDF fund) purchased land secured by a loan held by the Trust. The money from the affiliate was then funneled to the Trust to pay off “[a]ll principal owed on the note” and “approximately \$7.3 million in accrued interest.” Noticeably absent from the latter statement is “all” before “accrued interest.”

**CLAIM:** “Since inception, UDF IV has paid cash distributions to its shareholders totaling approximately \$185.7 million, including approximately \$8 million in 2023 and approximately \$4 million in the first two quarters of 2024...The Board has paid cash distributions of approximately \$38 million, or approximately \$1.24 per share, to shareholders since reinstating distributions in the third quarter of 2019...”

- **FACT:** According to the Trust’s tax documents (IRS Form 997) for 2020, 2021, 2022, and 2023, 100% of the “dividends” distributed have been 100% return of capital. By comparison, the G&A expense in 2022 and 2023 exceeded those distributions by more \$8.5 million.

## NEXPOINT'S NOMINEES

### HIGHLY QUALIFIED CANDIDATES TO REPLACE THE CURRENT TRUSTEES

As one of the largest shareholders, NexPoint has nominated four candidates to the UDF IV Board. (You can read more about NexPoint's nominees and their relevant professional backgrounds and experience at: [udfaccountability.com/nominees/](https://udfaccountability.com/nominees/))



**Paul Broaddus**



**Edward Constantino**



**John Good**



**Julie Silcock**

- To enact change and replace the current trustees, disregard UDF IV's white proxy materials and vote **FOR** NexPoint's nominees using the **GREEN** proxy card.

*See below for voting instructions and other important information.*

## UDF IV SHAREHOLDER RESOURCES

### VOTING INFORMATION

For detailed voting instructions, visit:

[www.udfaccountability.com/voting-information/](https://www.udfaccountability.com/voting-information/)

Shareholders can vote TODAY to replace the current Trustees using the GREEN proxy materials. If you have already submitted a white proxy card, it's not too late to change your vote. For detailed voting instructions, visit: [www.udfaccountability.com/voting-information/](https://www.udfaccountability.com/voting-information/)

#### IF SHARES HELD DIRECTLY THROUGH THE COMPANY'S TRANSFER AGENT:

**VOTE ONLINE** [www.okapivote.com/UDFIV2024](https://www.okapivote.com/UDFIV2024)

**VOTE BY PHONE** (866) 763-6519

#### QUESTIONS/VOTING ASSISTANCE

For assistance submitting your vote, locating your control number, or voting through your brokerage account, contact Okapi Partners at:

[info@okapipartners.com](mailto:info@okapipartners.com) or (877) 869-0171

### ***Can I change my vote?***

- **Yes.** Holders who already voted with management can certainly change their vote to support NexPoint. They would just need their GREEN control number. If a holder has already received the GREEN proxy information, either electronically or by mail, the holder can simply use those materials to vote on our card. Only the latest dated vote will count at the end of the day. If a holder would like to switch their vote but has not received the GREEN proxy information (less than 1,000 shares), then they would need to contact their broker and request that the broker provide them their control number for the GREEN proxy.

If you already have a green proxy card or a green control number, you do not need to request a new one. That green control number will remain the same for an individual throughout the entirety of the campaign.

### ***I haven't received a GREEN proxy card. How can I obtain one?***

- Most likely, this means you hold less than 1,000 shares. Shareholders with less than 1,000 shares would need to request their GREEN proxy control number from their broker. In most instances, this can be done by calling the broker's customer service line or by submitting a service ticket within their brokerage account.

**For more FAQs visit [www.udfaccountability.com/faqs](http://www.udfaccountability.com/faqs)**

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#### SOURCES

- (1) See, e.g., [North Texas developer donated \\$35k to Tarrant County officials | Fort Worth Star-Telegram](#).
  - (2) 2023 Financial Statement Cover Letter, p. 1.
  - (3) 2023 Financial Statement Cover Letter, p. 1.
  - (4) 2023 Financial Statement Cover Letter, p. 1.
  - (5) 2023 Financial Statement Cover Letter, p. 4.
  - (6) 2023 Financial Statement Cover Letter, p. 4.
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#### IMPORTANT INFORMATION

NexPoint Real Estate Opportunities, LLC ("NexPoint") has delivered a proxy statement with respect to its solicitation of proxies for nominees to be elected to the United Development Funding IV ("UDF IV") Board of Trustees at the Annual Meeting of Shareholders of UDF IV. The date for the Annual Meeting has not yet been set at this time.

INVESTORS AND SECURITY HOLDERS ARE URGED TO READ THE NEXPOINT PROXY STATEMENT (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) IN ITS ENTIRETY AS IT CONTAINS IMPORTANT INFORMATION ABOUT THE PROXY SOLICITATION.

Copies of the documents are available free of charge from NexPoint by accessing the website [www.udfaccountability.com](http://www.udfaccountability.com).

NexPoint, its affiliates, their directors and executive officers and other members of management and employees may be participants (collectively "Participants") in the solicitation of proxies by NexPoint. Information about NexPoint's nominees to the UDF IV Board of Trustees and information regarding the direct or indirect interests in UDF IV, by security holdings or otherwise, of NexPoint, the other Participants and NexPoint's nominees will be available in the proxy statement. NexPoint's disclosure of any security holdings will be based on information made available to NexPoint by such Participants and nominees. UDF IV is no longer subject to the reporting requirements of the Securities Exchange Act of 1934, as amended. Consequently, NexPoint's knowledge of significant security holders of UDF IV and as to UDF IV itself is limited.