Message

From: Parker Lewis [PL@haymancapital.com]
Sent: 8/10/2016 9:13:52 PM
To: 'Agnew, Shea' [Shea.Agnew@edelman.com]
Subject: Blog / messaging thoughts
Attachments: image001.jpg; UDF Messaging 8.10.16.docx

Shea - per our discussion, see attached my thoughts

[cid:image001.jpg@01C84251.44A3D170]

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Blog Post Themes/Narrative:

IRS Case Law, Debt versus Equity and The Potential Implications for a Texas-based REIT [or for UDF IV]

While recent focus surrounding the debt versus equity question has largely centered on tax inversions and earnings stripping, there is a unique set of circumstances which make this complex accounting and tax issue highly relevant to United Development Funding IV (UDF), a Texas-based REIT which primarily originates, and holds for investment, loans issued to residential land developers and home builders. The following presentation considers the restrictions placed on REITs, the tax consequences of income derived from "prohibited transactions" and case law that provides guidelines for determining the "debt versus equity" question. Based on a broad set of circumstances and apparent patterns, there is a reasonable basis question whether purported loans issued by UDF are appropriately characterized as debt rather than equity. There could potentially be significant tax consequences (including potential REIT qualification consequences) and financial disclosure consequences should it be determined that any, if not a material number, of UDF's loans are determined to be equity investments rather than debt because the primary underlying business activity – the development and sale of single-family residential lots – would constitute "prohibited transactions" if directly pursued through a REIT.

Messaging Points:

- The trading of UDF IV shares has been halted by the Nasdaq stock exchange since February 18, 2016 (approximately 6 months).
- UDF IV acknowledged certain events of default occurred effective March 4, 2016, a financial reality that seems inconsistent with its stated financial position as disclosed in filings with the SEC.
- Nasdaq staff determined to delist UDF IV shares on May 26, 2017; UDF IV appealed and on July 26, 2016, UDF IV disclosed that Nasdaq determined to continue listing UDF IV shares until September 12, 2016, at which time UDF IV would be required to evidence compliance with Nasdaq listing rule 5250 (c)(1) by filing all necessary periodic reports with the SEC.
- One such requirement is the filing of its annual report on Form 10-K for the year end December 31, 2015. An opinion from an auditor is generally included in the filing of a Form 10-K.
- The information provided in the presentation posted to UDFexposed.com is highly relevant to the audit work currently being conducted by UDF's auditor. The depth and breadth of the analysis speaks for itself.
- Since UDF's former auditor resigned on November 19, 2015 (265+ days ago) and since it has been made public that federal authorities have been investigating UDF, neither the publicly "traded" company nor its representatives have held a single conference call to answer questions from investors or the media. Their silence has been deafening.