



Full-Cycle Event Details: United Development Funding IV

United Development Funding IV (also the "Trust") was organized on May 28, 2008, and was declared effective on November 12, 2009. The Trust concluded its initial primary offering in May 2013, after raising approximately \$614.7 million in equity.

The Trust primarily generates current interest income by investing in secured loans and investments in residential real estate. The Trust specializes in single family residential finance, providing capital to regional homebuilders and developers.

The Trust originates, purchases, participates in and holds for investment secured loans made directly or indirectly for the acquisition and development of parcels of real property as single-family residential lots or master planned residential communities, for the construction of single-family homes and for completed model homes. UDF IV secured loan and equity investments will typically range in size from \$2.5 million to \$15 million. The Trust also makes direct investments in land for development into single-family lots, home construction and portfolios of finished lots; provides credit enhancements to real estate developers and purchases participations in, or finances for other real estate investors the purchase of, securitized real estate loan pools.

UMTH General Services, L.P. is the Trust's advisor and is responsible for managing the Trust's affairs on a day-to-day basis. On May 29, 2014, the Trust and the Advisor entered into a new advisory agreement and the Advisor will continue to manage the Trust's activities. The new agreement reduces or eliminates some advisory fees while increasing the incentive fee, effective with the listing.

Listing

The Trust announced on June 4, 2014, that it listed its common shares on the NASDAQ Global Select Market. Trading commenced June 4, 2014 under the ticker symbol "UDF". The stock opened trading at \$21.04 and closed at \$19.60 per share, with first-day volume of 203,667 shares. Realty Capital Securities, LLC is the Dealer Manager for United Development Funding IV.

Also June 4, 2014, the Company announced an Offer to Purchase up to \$35 million of its common stock at a price of \$20.50 per share, net to the seller in cash, less any applicable withholding taxes and without interest. UDF IV intends to fund the Tender Offer with cash on hand and funds available under UDF IV's existing credit facilities. If fully subscribed, the Trust will purchase 1,707,317 common shares, approximately 5.3% of issued and outstanding common shares.

Key Highlights

- Fundraising time – 42 months
- Closed period – 12 months
- Total – 55 months
- Since inception, the Trust has originated or purchased 149 loans.
- As of March 31, 2014, the REIT had 32,138,757 common shares outstanding and total assets of \$583.98 million.

Pre-Listing Portfolio

- The investments of the Trust on March 31, 2014, consisted of 19 related-party notes and participation agreements, 101 loans with third parties, and real estate consisting of 116 finished, single-family residential lots. UDF IV LB Entities have entered into lot option agreements with builders whereby the builder will reacquire the lots for a pre-determined lot price, and will pay the entities a monthly option fee equal to 1/12 of 13% of the base lot price. As of March 31, 2014, the participations have terms ranging from 12 to 31 months and bear interest at rates ranging from 12% to 15%, the notes have terms ranging from 5 to 48 months and bear interest at rates ranging from 11% to 15%, and the lot option agreements have terms ranging from 18 to 24 months.

Other Actions

- The Trust paid the April 2014 distribution at an annualized rate equal to 8.20% or \$1.64 per share on May 23, 2014. Beginning with the June 2014 distribution, the Trust will begin paying distributions on or around the 25th day of each month at a rate equal to \$1.64 per annum.
- The Share Redemption Program was terminated upon the listing and the Trust suspended the DRIP effective May 24, 2014.

About Sponsor

- United Development Funding ("UDF") was founded in 2003 and has sponsored three private placements and two public programs.
- UDF offerings have raised more than \$1.12 billion from over 26,800 investors.
- Since 2003 UDF has funded over \$2 billion and received over \$946 million in repayments.
- UDF III L.P. was available to large institutional investors and is closed to new subscriptions. Its assets also consist of loans for acquisition of single-family residential lots. Total assets as of 1Q 2014: \$369 million.