

# Nontraded REIT Industry Review: First Quarter 2014



## United Development Funding IV

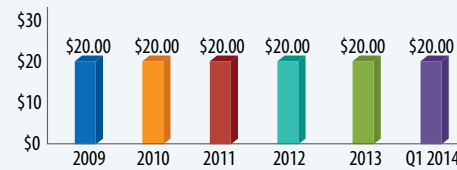
Total Assets.....	\$584.0 Million
Real Estate Assets .....	\$547.6 Million
Cash .....	\$8.6 Million
Securities .....	\$0.0 Million
Other .....	\$27.9 Million



Initial Offering Date: .....	November 12, 2009
Offering Close Date: .....	May 13, 2013
Current Price per Share: .....	\$20.00
Reinvestment Price per Share: .....	\$20.00
Cumulative Capital Raised during Offering (including DRP).....	\$632.0 Million

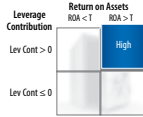
Cash to Total Assets Ratio: ..... 1.5%  
 Asset Type: ..... Mortgage Loans  
 Number of Properties: ..... 19 Related Party Loans, 116 Lots;  
 ..... 101 Loans w/ Third Parties  
 Square Feet / Units / Rooms / Acres: ..... Not Applicable  
 Percent Leased: ..... Not Applicable  
 Weighted Average Lease Term Remaining: ..... Not Applicable  
 LifeStage: ..... Liquidating  
 Investment Style: ..... Debt  
 Weighted Average Shares Outstanding: ..... 32,003,112

### Historical Price



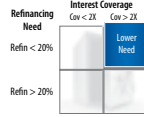
### Performance Profiles

#### Operating Performance



The REIT's recent 12-month average return on assets exceeds yields on 10-year Treasuries, indicating potential for positive risk-adjusted returns. At its current cost of debt and level of borrowing, its use of debt is contributing to increased returns for shareholders.

#### Financing Outlook



The interest coverage ratio exceeds the 2.0X benchmark, but all of the REIT's debt is at variable rates and matures within two years. That portion of the REIT's 120 loans outstanding as of March 31, 2014 maturing within the next two years exceeds the total debt of the REIT by over 3X, reducing the REIT's refinancing risk.

#### Cumulative MFFO Payout



Cumulative MFFO since inception exceeds the cumulative cash distributions to common shareholders, indicating the REIT has fully funded cash distributions from its real estate operations. At the current distribution rate and level of modified funds from operations, trends suggest the distributions can be maintained.

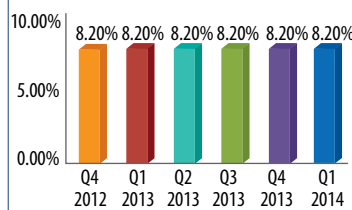
#### Summary

The REIT had a very high return on assets for the last four quarters of 9.0%, providing shareholders with a significant risk-adjusted return, and its leverage contribution was slightly positive, with an estimated 4.25% weighted average cost of debt and very low 7.0% debt ratio. As a debt REIT, all of its borrowings were short-term, maturing within two years, and all were at unhedged variable rates of interest for the last four quarters. A debt REIT typically matches the maturities of its debt obligations to the maturities of its assets to minimize interest rate risk. With the REIT's low level of debt the 33.6X interest coverage ratio is not surprising. Since inception the REIT has made cumulative cash distributions (excluding DRP) equal to 68.6% of MFFO, a very sustainable rate. That ratio was 64% over the last 12 months.

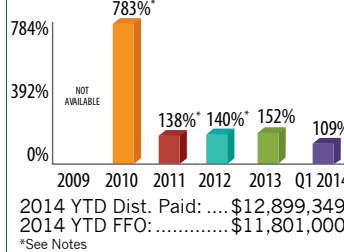
### Contact Information

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**(214) 370-8960**

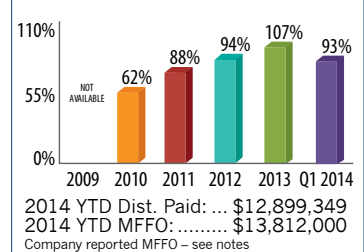
### Historical Distribution



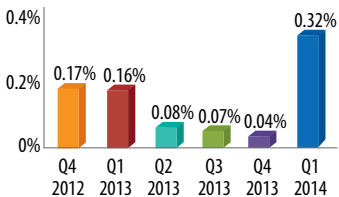
### Historical FFO Payout Ratio



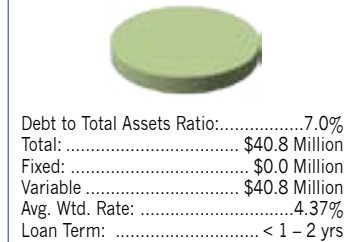
### Historical MFFO Payout Ratio



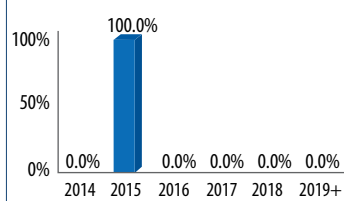
### Redemptions



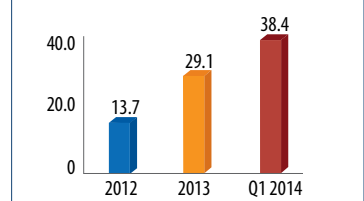
### Debt Breakdown



### Debt Repayment Schedule



### Interest Coverage Ratio



### Source of Distributions, Trends and Items of Note

- As of March 31, 2014, the Company had originated or purchased 149 loans, including 29 loans that have been repaid in full by the respective borrower or have matured and have not been renewed. As of December 31, 2013, the Company had originated or purchased 139 loans, including 25 loans that have either been repaid in full by the respective borrower or have matured and have not been renewed.
- During 1Q 2014 the Company originated or purchased 10 loans and 4 loans were repaid in full by the borrower or matured and have not been renewed.
- As of March 31, 2014, interest rates range from 12% to 15% on the outstanding participation agreements and from 11% to 15% on the outstanding notes receivable, including notes receivable from related parties.
- On April 28, 2014, the Company announced its intent to list its common shares on a national securities exchange. Upon listing the Trust's common shares on a national securities exchange, the Advisor will be entitled to a fee equal to 15% of the amount, if any, by which (1) the market value of the Trust's outstanding shares plus distributions paid by the Trust prior to listing, exceeds (2) the sum of the total amount of capital raised from investors and the amount of cash flow necessary to generate a 10% annual cumulative, non-compounded return to investors.
- On May 5, 2014, the Company announced the suspension of the DRIP, effective May 24, 2014.
- On May 22, 2014, the Trust announced that it intends to commence an offer to purchase up to \$35 million of its Common Shares from its shareholders at a price of \$20.50 per share via a Tender Offer, net to the tendering shareholders in cash, less any applicable withholding taxes and without interest. The Trust expects to commence the Tender Offer on June 4, 2014 in connection with the Listing, and the Tender Offer will expire on July 2, 2014.
- The REIT's Cash to Total Assets ratio decreased to 1.5% as of 1Q 2014 compared to 11.0% as of 1Q 2013.
- The REIT's Debt to Total Assets ratio decreased to 7.0% as of 1Q 2014 compared to 8.2% as of 1Q 2013.
- The Company used Modified Funds from Operations ("MFFO") as defined by the Investment Program Association ("IPA"). FFO for 2010 through 2012 was re-stated in 2013 10-K.
- Distributions paid for the three months ended March 31, 2014, were funded by \$5,539,000 in cash from operations (43%) and \$7,360,000 in borrowings under credit facilities (57%). Of the \$12,899,000 total distributions, \$7,748,000 were paid in cash and \$5,151,000 were reinvested via the DRP.