

**Offer to Purchase for Cash**  
**All Outstanding Common Shares of Beneficial Interest**  
**of**  
**United Development Funding IV**  
**at**  
**\$1.10 Per Share**  
**by**  
**NexPoint Strategic Opportunities Fund**

**THE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT  
12:00 MIDNIGHT, NEW YORK CITY TIME, AT THE END OF THE DAY  
ON WEDNESDAY, JANUARY 13, 2021, UNLESS THE OFFER IS EXTENDED OR  
EARLIER TERMINATED.**

NexPoint Strategic Opportunities Fund, a Delaware statutory trust (the “Purchaser”), is offering to purchase, subject to certain conditions, as defined below, any and all of the outstanding Common Shares of Beneficial Interest, par value \$0.01 per share (the “Shares”), of United Development Funding IV, a Maryland real estate investment trust (“UDFI”), at a price of \$1.10 per Share, in cash, without interest, subject to any required withholding of taxes (the “Offer Price”), upon the terms and subject to the conditions set forth in this Offer to Purchase (“Offer to Purchase”) and in the related Assignment Form (the “Assignment Form” and which, together with this Offer to Purchase and other related materials, as each may be amended or supplemented from time to time, constitutes the “Offer”). Under no circumstances will interest be paid on the purchase price for Shares, regardless of any extension of the Offer or any delay in making payment for Shares.

The Offer is not subject to any financing condition. The Offer is conditioned upon, among other things, the satisfaction or waiver of (i) the Governmental Authority and Approval Conditions, (ii) the Due Diligence Condition, (iii) the Board Waiver Condition and (iv) the REIT Condition (each as defined below). The “Governmental Authority Condition” requires that there shall not have been threatened, instituted, or pending any action or proceeding before any court or any governmental or administrative agency (i) challenging the acquisition of shares pursuant to the Offer or otherwise relating in any manner to the Offer, or (ii) in the sole judgment of Purchaser, otherwise materially adversely affecting the Company. The “Governmental Approval Condition” requires that Purchaser shall have received all required governmental approvals, if any, for the Offer. The “Due Diligence Condition” requires that Purchaser shall have had the opportunity to conduct sufficient due diligence to determine whether the offered price per share is reasonable given the current financial condition and results of operations of UDFI. The “Board Waiver Condition” requires that the Board of Trustees of UDFI shall have waived in writing the ownership limitations set forth in Article VII of the Declaration of Trust of UDFI as such limitations would otherwise apply to the Offer. The “REIT Condition” requires that Purchaser shall have received satisfactory evidence that UDFI has continued to qualify as a real estate investment trust (“REIT”) under federal tax laws and thereby to avoid any entity-level federal income or excise tax. Subject to the limitations set forth herein, the Purchaser intends to structure the acquisition of Shares in a manner that will preserve the status of UDFI as a REIT.

A summary of the principal terms of the Offer appears under the heading “Summary Term Sheet.” You should read this entire Offer to Purchase carefully before deciding whether to tender your Shares pursuant to the Offer.

December 14, 2020

## IMPORTANT

If you desire to tender all or any portion of your Shares to Purchaser pursuant to the Offer, you should either (a) complete and sign the Assignment Form for the Offer, which is enclosed with this Offer to Purchase, in accordance with the instructions contained in the Assignment Form, with any required signature guarantees if the Assignment Form so requires, and mail or deliver the Assignment Form and any other required documents to American Stock Transfer & Trust Company, LLC, in its capacity as depository and paying agent for the Offer (the “Depository”), and either tender your Shares by book-entry transfer by following the procedures described in Section 3 — “Procedures for Accepting the Offer and Tendering Shares,” or deliver the certificates for your Shares, if any, to the Depository along with the Assignment Form, in each case prior to the Expiration Date, or (b) request that your broker, dealer, commercial bank, trust company or other nominee effect the transaction for you. If you hold Shares registered in the name of a broker, dealer, commercial bank, trust company or other nominee, you must contact that institution in order to tender your Shares to Purchaser pursuant to the Offer.

\* \* \* \* \*

Questions and requests for assistance should be directed to the Information Agent (as defined herein) at its addresses and telephone numbers set forth below and on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the related Assignment Form and other materials related to the Offer may also be obtained for free from the Information Agent. You may also contact your broker, dealer, commercial bank, trust company or other nominee for assistance.

**This Offer to Purchase and the related Assignment Form contain important information, and you should read both carefully and in their entirety before making a decision with respect to the Offer.**

**The Offer has not been approved or disapproved by the SEC or any state securities commission, nor has the SEC or any state securities commission passed upon the fairness or merits of or upon the accuracy or adequacy of the information contained in this Offer to Purchase. Any representation to the contrary is unlawful.**

*The Information Agent for the Offer is:*



**D.F. King & Co., Inc.**  
48 Wall Street, 22nd Floor  
New York, New York 10005

Shareholders (toll-free): (800) 331-7543  
Banks and Brokers: (212) 269-5550  
Email: [UDFI@dfking.com](mailto:UDFI@dfking.com)  
[UDFITenderOffer.com](http://UDFITenderOffer.com)

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## SUMMARY TERM SHEET

*The information contained in this summary term sheet is a summary only and is not meant to be a substitute for the more detailed description and information contained in the Offer to Purchase, the Assignment Form and any other related materials. You are urged to read carefully the Offer to Purchase, the Assignment Form and any other related materials in their entirety. Purchaser has included cross-references in this summary term sheet to other sections of the Offer to Purchase where you will find more complete descriptions of the topics mentioned below. The information concerning UDFI contained herein and elsewhere in the Offer to Purchase has been taken from or is based upon publicly available documents or records of UDFI on file with the SEC or other public sources at the time of the Offer, much of which has not been updated in almost five years and may not be current or correct. Purchaser has not independently verified the accuracy and completeness of any such information.*

<b>Securities Sought</b>	Subject to certain conditions described below, any and all of the outstanding Common Shares of Beneficial Interest, par value \$0.01 per share, of United Development Funding IV. Unless the context otherwise requires, in this Offer to Purchase, the term “Shares” refers to Common Shares of Beneficial Interest of UDFI.
<b>Price Offered Per Share</b>	\$1.10 per Share, in cash, without interest, subject to any required withholding of taxes (the “Offer Price”).
<b>Scheduled Expiration of Offer</b>	12:00 midnight, New York City time, at the end of the day on January 13, 2021, unless the Offer is extended or terminated. See Section 1 — “Terms of the Offer.”
<b>Purchaser</b>	NexPoint Strategic Opportunities Fund, a Delaware statutory trust.

### **Who is offering to purchase my shares?**

NexPoint Strategic Opportunities Fund, or “Purchaser,” is offering to purchase for cash, subject to certain conditions, any and all of the outstanding Shares. Purchaser is a Delaware statutory trust managed by NexPoint Advisors, L.P. See the “Introduction” and Section 8 — “Certain Information Concerning Purchaser.”

Unless the context indicates otherwise, in this Offer to Purchase, we use the terms “us,” “we” and “our” to refer to Purchaser and its affiliates. We use the terms “UDFI” and the “Company” to refer to United Development Funding IV.

### **What are the classes and amounts of securities sought in the Offer?**

We are offering to purchase, subject to certain conditions, any and all of the outstanding Shares on the terms and subject to the conditions set forth in this Offer to Purchase. The Offer is not subject to the tender of any minimum number of Shares. Unless the context otherwise requires, in this Offer to Purchase, we use the term “Offer” to refer to this offer. We are not offering to purchase any options, warrants or other derivative securities of the Company.

See the “Introduction” to this Offer to Purchase and Section 1 — “Terms of the Offer.”

**Why are you making the Offer?**

The Purchaser believes it is the largest shareholder of UDFI. Through the Offer, the Purchaser is seeking to increase its ownership in the Company, while also providing liquidity to shareholders who choose to participate. In the last five years, there have been limited opportunities for shareholders to sell UDFI Shares. Trading in the Shares on The Nasdaq Stock Market LLC (“Nasdaq”) has been halted since February 2016. In May 2017, Nasdaq announced that it would delist the Shares (the “Delisting”). In August 2020, the Securities and Exchange Commission (“SEC”) revoked the registration under the Securities Exchange Act of 1934, as amended, of all classes of registered securities of UDFI (the “Deregistration”). The Delisting and Deregistration presented challenges to shareholders interested in selling UDFI Shares. Adding to these challenges, there has been limited information regarding the financial performance of UDFI available to UDFI’s shareholders since November 2015. Despite the limited information on the Company, the Purchaser commenced the Offer in an effort to increase its investment in UDFI and encourage value creation over the long term, while providing immediate liquidity for shareholders interested in selling their Shares.

**How much are you offering to pay and what is the form of payment? Will I have to pay any fees or commissions?**

We are offering to pay \$1.10 per Share, in cash, without interest, subject to any required withholding of taxes. We have determined this price based on the last available trading price and our understanding of subsequent developments with respect to UDFI. If you are the record owner of your Shares and you tender your Shares to us in the Offer, you will not have to pay brokerage fees, commissions or similar expenses. If you own your Shares through a broker or other nominee and your broker or other nominee tenders your Shares on your behalf, your broker or nominee may charge you a fee for doing so. You should consult your broker or nominee to determine whether any charges will apply.

See the “Introduction,” Section 1 — “Terms of the Offer” and Section 2 — “Acceptance for Payment and Payment for Shares.”

**Will you have the financial resources to make payment?**

Yes. The Purchaser expects to satisfy its obligations in connection with the Offer using existing cash on hand.

See Section 9 — “Source and Amount of Funds.”

**Is Purchaser’s financial condition relevant to my decision to tender my Shares in the Offer?**

No, we do not think our financial condition is relevant to your decision whether to tender Shares and accept the Offer because:

- the Offer is being made for all outstanding Shares solely for cash;
- the Offer is not subject to any financing condition; and

- Purchaser has and will have sufficient access to funds to purchase all Shares tendered pursuant to the Offer.

### **How long do I have to decide whether to tender my Shares in the Offer?**

You will have until 12:00 midnight, New York City time, at the end of the day on January 13, 2021, unless we extend the Offer (we refer to such date and time, as it may be extended, as the “Expiration Date”) or the Offer is earlier terminated. Please give your broker, dealer, commercial bank, trust company or other nominee instructions with sufficient time to permit such nominee to tender your Shares by the Expiration Date.

The date and time at which Purchaser accepts for payment all Shares validly tendered (and not validly withdrawn) pursuant to the Offer is referred to as the “Offer Closing.”

See Section 1 — “Terms of the Offer” and Section 3 — “Procedures for Accepting the Offer and Tendering Shares.”

### **Can the Offer be extended and under what circumstances?**

Yes, the Offer can be extended.

If, on or prior to any then-scheduled Expiration Date, any of the Offer Conditions is not satisfied or waived by Purchaser, Purchaser may extend the expiration date of the Offer. Purchaser will also extend the Offer for any period or periods required by applicable law and may extend the Offer on one or more occasions for any other reason.

Purchaser may terminate the Offer prior to or on any scheduled Expiration Date. If the Offer is terminated or withdrawn by Purchaser prior to the acceptance for payment of Shares tendered in the Offer, Purchaser will promptly return, and will cause the Depository to return, in accordance with applicable law, all tendered Shares to the registered holders thereof.

See Section 1 — “Terms of the Offer” of this Offer to Purchase for more details on our obligation and ability to extend the Offer.

### **How will I be notified if the Offer is extended?**

If we extend the Offer, we will inform American Stock Transfer & Trust Company, LLC, which is the depository and paying agent for the Offer (the “Depository”), of any extension and will issue a press release announcing the extension not later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date.

See Section 1 — “Terms of the Offer.”

### **What are the conditions to the Offer?**

The Offer is conditioned upon the satisfaction or waiver of the following conditions (the “Offer Conditions”):

- there shall not have been threatened, instituted, or pending any action or proceeding before any court or any governmental or administrative agency (i) challenging the acquisition of shares pursuant to the Offer or otherwise relating in any manner to the Offer, or (ii) in the sole judgment of Purchaser, otherwise materially adversely affecting the Company (the “Governmental Authority Condition”);
- Purchaser shall have received all required governmental approvals, if any, for the Offer (the “Governmental Approval Condition”);
- Purchaser shall have been provided the opportunity to conduct sufficient due diligence to determine whether the offered price per share is reasonable given the current financial condition and results of operations of UDFI (the “Due Diligence Condition”);
- the Board of Trustees of UDFI shall have waived in writing the ownership limitations set forth in Article VII of the Declaration of Trust of UDFI as such limitations would otherwise apply to the Offer (the “Board Waiver Condition”); and
- Purchaser shall have received satisfactory evidence that UDFI has continued to qualify as a REIT under federal tax laws and thereby to avoid any entity-level federal income or excise tax (the “REIT Condition”).

The foregoing conditions are for the sole benefit of Purchaser and may be asserted by Purchaser in its sole discretion regardless of the circumstances giving rise to any such conditions, or may be waived by Purchaser, in its sole discretion, in whole or in part at any time. The failure by Purchaser at any time to exercise any right under any of the foregoing conditions will not be deemed a waiver of any such right. The waiver of any such right with respect to particular facts and circumstances will not be deemed a waiver with respect to any other facts and circumstances; and each such right will be deemed an ongoing right that may be asserted at any time or from time to time. A waiver by Purchaser must be in writing and signed by an authorized officer of Purchaser. Any determination by Purchaser concerning the conditions will be final and binding on all persons.

See Section 13 — “Conditions to the Offer.”

**Have any UDFI shareholders entered into agreements with Purchaser or its affiliates requiring them to tender their Shares?**

No.

**How do I tender my Shares?**

If you hold your Shares directly as the registered owner, you can tender your Shares in the Offer by (i) following the procedure for book-entry transfer set forth in Section 3 of this Offer to Purchase or (ii) delivering the certificates representing your Shares, if any, together with a completed and signed Assignment Form, with any required signature guarantees, and any other documents required by the Assignment Form, to the Depository, no later than the Expiration Date. See Section 3 — “Procedures for Accepting the Offer and Tendering Shares” for further details. The Assignment Form is enclosed with this Offer to Purchase.



If you hold your Shares in street name through a broker, dealer, commercial bank, trust company or other nominee, you must contact the institution that holds your Shares and give instructions that your Shares be tendered. You should contact the institution that holds your Shares for more details.

See Section 3 — “Procedures for Accepting the Offer and Tendering Shares.”

### **Until what time may I withdraw previously tendered Shares?**

You may withdraw your previously tendered Shares at any time until the Expiration Date. Shares may be withdrawn at any time after February 12, 2021, which is the 60th day after the date of the commencement of the Offer, unless prior to that date Purchaser has accepted for purchase the Shares validly tendered in the Offer.

See Section 4 – “Withdrawal Rights.”

### **How do I withdraw previously tendered Shares?**

To withdraw previously tendered Shares, you must deliver a written notice of withdrawal, or a facsimile of one, with the required information to the Depository while you still have the right to withdraw Shares. If you validly tendered Shares by giving instructions to a broker, dealer, commercial bank, trust company or other nominee, you must instruct the broker, dealer, commercial bank, trust company or other nominee to arrange for the withdrawal of your Shares.

See Section 4 – “Withdrawal Rights.”

### **Will I have appraisal rights in connection with the Offer?**

No appraisal rights will be available to you in connection with the Offer. However, if we accept Shares in the Offer and a merger of UDFI into Purchaser or a subsidiary of Purchaser (the “Merger”) is completed, shareholders may be entitled to appraisal rights in connection with the Merger if they did not tender Shares in the Offer, subject to and in accordance with the Maryland General Corporation Law (“MGCL”). Shareholders must properly perfect their right to seek appraisal under the MGCL in connection with the Merger in order to exercise appraisal rights.

See Section 15 — “Appraisal Rights.”

### **What will happen to my stock options, warrants, restricted stock awards and restricted stock units (that are outstanding as of the date the Offer commences) in the Offer?**

The Offer is made only for Shares and is not made for any stock options, warrants, shares of restricted stock or restricted stock units. If you wish to tender Shares underlying stock options, you must first exercise such derivative securities (to the extent vested and exercisable) in accordance with its terms in sufficient time to tender pursuant to the Offer the Shares received upon exercise.

### **What are the material U.S. federal income tax consequences of tendering Shares?**

The receipt of cash in exchange for your Shares pursuant to the Offer generally will be a taxable transaction for U.S. federal income tax purposes and may also be a taxable transaction under applicable state, local or foreign income or other tax laws.

We urge you to consult your own tax advisor as to the particular tax consequences to you of the Offer.

See Section 5 — “Certain U.S. Federal Income Tax Consequences” for a more detailed discussion of the tax consequences of the Offer.

**Who should I call if I have questions about the Offer?**

You may call D.F. King & Co, Inc., toll-free at (800) 331-7543. Banks and brokerage firms may call collect at (212) 269-5550. D.F. King & Co, Inc. is acting as the information agent (the “Information Agent”) for our tender offer. See the back cover of this Offer to Purchase for additional contact information.

## INTRODUCTION

### To the Holders of Shares of Beneficial Interest of UDFI:

NexPoint Strategic Opportunities Fund, a Delaware statutory trust (the “Purchaser”), is offering to purchase, subject to certain conditions described below, any and all of the outstanding shares of beneficial interest, par value \$0.01 per share (the “Shares”), of United Development Funding IV, a Maryland real estate investment trust (“UDFI” or the “Company”), at a price of \$1.10 per Share, in cash, without interest, subject to any required withholding of taxes (the “Offer Price”), upon the terms and subject to the conditions set forth in this Offer to Purchase (“Offer to Purchase”) and in the related Assignment Form (the “Assignment Form” and which, together with this Offer to Purchase and any other related materials, as each may be amended or supplemented from time to time, constitutes the “Offer”). **Under no circumstances will interest be paid on the purchase price for Shares, regardless of any extension of the Offer or any delay in making payment for Shares.**

The Purchaser believes it is the largest shareholder of UDFI. Through the Offer, the Purchaser is seeking to increase its ownership in the Company, while also providing liquidity to shareholders who choose to participate. In the last five years, there have been limited opportunities for shareholders to sell UDFI Shares. Trading in the Shares on The Nasdaq Stock Market LLC (“Nasdaq”) has been halted since February 2016. In May 2017, Nasdaq announced that it would delist the Shares (the “Delisting”). In August 2020, the Securities and Exchange Commission (“SEC”) revoked the registration under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), of all classes of registered securities of UDFI (the “Deregistration”). The Delisting and Deregistration presented challenges to shareholders interested in selling UDFI Shares. Adding to these challenges, there has been limited information regarding the financial performance of UDFI available to UDFI’s shareholders since November 2015. Despite the limited information on the Company, the Purchaser commenced the Offer in an effort to increase its investment in UDFI and encourage value creation over the long term, while providing immediate liquidity for shareholders interested in selling their Shares.

Tendering shareholders who are record owners of their Shares and who tender directly to American Stock Transfer & Trust Company, LLC, the depository and paying agent for the Offer (the “Depository”) will not be obligated to pay brokerage fees or commissions or, except as otherwise provided in the Assignment Form, stock transfer taxes with respect to the purchase of Shares by Purchaser pursuant to the Offer. Tendering shareholders who hold their Shares through a broker, dealer, commercial bank, trust company or other nominee should consult such institution as to whether it charges any service fees or commissions.

The Offer is not subject to any financing condition or to the tender of any minimum number of Shares. The Offer is conditioned upon, among other things, the satisfaction or waiver of (i) the Governmental Authority and Approval Conditions, (ii) the Due Diligence Condition, (iii) the Board Waiver Condition and (iv) the REIT Condition (each as defined below). The “Governmental Authority Condition” requires that there shall not have been threatened, instituted, or pending any action or proceeding before any court or any governmental or administrative agency (i) challenging the acquisition of shares pursuant to the Offer or otherwise relating in any manner to the Offer, or (ii) in the sole judgment of Purchaser, otherwise materially adversely affecting the Company. The “Governmental Approval Condition” requires that Purchaser shall have received all required governmental approvals, if any, for the Offer. The “Due Diligence Condition” requires that Purchaser shall have had the opportunity to conduct

sufficient due diligence to determine whether the offered price per share is reasonable given the current financial condition and results of operations of UDFI. The “Board Waiver Condition” requires that the Board of Trustees of UDFI shall have waived in writing the ownership limitations set forth in Article VII of the Declaration of Trust of UDFI as such limitations would otherwise apply to the Offer. The “REIT Condition” requires that Purchaser shall have received satisfactory evidence that UDFI has continued to qualify as a real estate investment trust (“REIT”) under federal tax laws and thereby to avoid any entity-level federal income or excise tax. The Offer is also subject to other conditions as described in this Offer to Purchase. The Purchaser reserves the right, in its sole discretion, to waive any or all of the conditions to the Offer. See Section 13 — “Conditions to the Offer.”

This Offer to Purchase does not constitute a solicitation of proxies, and Purchaser is not soliciting proxies in connection with the Offer.

Certain U.S. federal income tax consequences of the sale of Shares pursuant to the Offer are described in Section 5 — “Certain U.S. Federal Income Tax Consequences.”

**This Offer to Purchase and the related Assignment Form contain important information that should be read carefully before any decision is made with respect to the Offer.**

## THE TENDER OFFER

### *1. Terms of the Offer.*

Upon the terms and subject to the conditions of the Offer (including, if the Offer is extended or amended, the terms and conditions of such extension or amendment), we will promptly after the expiration date of the Offer accept for payment all Shares tendered (and not validly withdrawn, as permitted under Section 4 – “Withdrawal Rights”) pursuant to the Offer and pay for such Shares.

The date and time at which Purchaser accepts for payment all Shares tendered and not validly withdrawn pursuant to the Offer is referred to as the “Offer Closing.”

The Offer is not subject to any financing condition or to the tender of any minimum number of Shares. The Offer is conditioned upon the satisfaction or waiver of (i) the Governmental Authority and Approval Conditions, (ii) the Due Diligence Condition, (iii) the Board Waiver Condition and (iv) the REIT Condition (each as defined below). We refer to these conditions and the other conditions described in Section 13 — “Conditions to the Offer” as the “Offer Conditions.”

The Purchaser intends to structure the acquisition of Shares in a manner that will preserve the status of UDFI as a REIT under the federal tax laws. However, due to the lack of public information about UDFI, the Purchaser is not at present able to verify UDFI’s status as a REIT.

If, on or prior to any then-scheduled Expiration Date, any of the Offer Conditions is not satisfied or waived by Purchaser, Purchaser may extend the expiration date of the Offer. Purchaser will also extend the Offer for any period or periods required by applicable law and may extend the Offer on one or more occasions for any other reason.

Purchaser expressly reserves the right to waive any of the Offer Conditions and to make any change in the terms of or conditions to the Offer.

Any extension, delay, termination or amendment of the Offer will be followed as promptly as practicable by public announcement thereof, and such announcement in the case of an extension will be made no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled Expiration Date. Without limiting the manner in which Purchaser may choose to make any public announcement, Purchaser currently intends to make announcements regarding the Offer by issuing a press release and making any appropriate filing with the SEC.

If we extend the Offer, are delayed in our acceptance for payment of or payment for Shares (whether before or after our acceptance for payment for Shares) or are unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to our rights under the Offer, the Depositary may retain tendered Shares on our behalf, and such Shares may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as described herein under Section 4 – “Withdrawal Rights.” However, our ability to delay the payment for Shares that we have accepted for purchase is limited by Rule 14e-1(c) under the Exchange Act, which requires us to pay the consideration offered or return the securities deposited by or on behalf of shareholders promptly after the termination or withdrawal of the Offer.

If we make a material change in the terms of the Offer or the information concerning the Offer or if we waive a material condition of the Offer, we will disseminate additional tender offer materials and extend the Offer if and to the extent required by applicable law. The minimum period during which an offer must remain open following material changes in the terms of the Offer or information concerning the Offer, other than a change in price or a change in percentage of securities sought, will depend upon the facts and circumstances, including the relative materiality of the terms or information changes.

If, on or before the Expiration Date, we increase the consideration being paid for Shares accepted for purchase in the Offer, such increased consideration will be paid to all shareholders whose Shares are purchased in the Offer, whether or not such Shares were tendered before the announcement of the increase in consideration.

We expressly reserve the right, in our sole discretion, subject to applicable law, not to accept for payment any Shares if, at the Expiration Date, any of the Offer Conditions have not been satisfied, or to waive any or all of such conditions and accept Shares for payment. See Section 13 — “Conditions to the Offer.”

This Offer to Purchase and the related Assignment Form will be furnished, for subsequent transmittal to beneficial owners of Shares, to brokers, dealers, commercial banks, trust companies and similar persons whose names, or the names of whose nominees, appear on the shareholder list or, if applicable, who are listed as participants in a clearing agency’s security position listing for subsequent transmittal to beneficial owners of Shares.

## ***2. Acceptance for Payment and Payment for Shares.***

Subject to the satisfaction or waiver of all the conditions to the Offer set forth in Section 13 — “Conditions to the Offer,” we will promptly after the expiration date of the Offer accept for payment all Shares tendered and not validly withdrawn pursuant to the Offer and pay for such Shares.

Subject to compliance with applicable law, we expressly reserve the right to delay payment for Shares in order to comply in whole or in part with any applicable law. See Section 14 — “Certain Legal Matters; Regulatory Approvals.”

In all cases, we will promptly pay for Shares tendered and accepted for purchase pursuant to the Offer only after timely receipt by the Depository of (i) confirmation of a book-entry transfer of such Shares (“Book-Entry Confirmation”) or the certificates evidencing such Shares, if any (the “Certificates”) into the Depository’s account at The Depository Trust Company (“DTC”) pursuant to the procedures set forth in Section 3 — “Procedures for Accepting the Offer and Tendering Shares,” (ii) the Assignment Form, properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent’s Message (as defined below) in lieu of the Assignment Form and (iii) any other documents required by the Assignment Form. Accordingly, tendering shareholders may be paid at different times depending upon when Book-Entry Confirmations or Certificates with respect to Shares are actually received by the Depository.

The term “Agent’s Message” means a message, transmitted by DTC to and received by the Depository and forming a part of a Book-Entry Confirmation, that states that DTC has received an express acknowledgment from the participant in DTC tendering the Shares that are the subject of such Book-

Entry Confirmation, that such participant has received and agrees to be bound by the terms of the Assignment Form and that Purchaser may enforce such agreement against such participant.

For purposes of the Offer, we will be deemed to have accepted for payment, and thereby purchased, Shares validly tendered and not validly withdrawn if and when we give oral or written notice to the Depositary of our acceptance for purchase of such Shares pursuant to the Offer. Upon the terms and subject to the conditions of the Offer, payment for Shares accepted for purchase pursuant to the Offer will be made by deposit of the Offer Price for such Shares with the Depositary, which will act as paying agent for tendering shareholders for the purpose of receiving payments from us and transmitting such payments to tendering shareholders whose Shares have been accepted for purchase. If we extend the Offer, are delayed in our acceptance for payment of Shares or are unable to accept Shares for payment pursuant to the Offer for any reason, then, without prejudice to our rights under the Offer, the Depositary may retain tendered Shares on our behalf, and such Shares may not be withdrawn except to the extent that tendering shareholders are entitled to withdrawal rights as described herein under Section 4 – “Withdrawal Rights” and as otherwise required by applicable law. Under no circumstances will we pay interest on the purchase price for Shares by reason of any extension of the Offer or any delay in making such payment for Shares.

If any tendered Shares are not accepted for purchase for any reason pursuant to the terms and conditions of the Offer, or if Certificates are submitted evidencing more Shares than are tendered, in the case of Shares tendered by book-entry transfer into the Depositary’s account at DTC pursuant to the procedure set forth in Section 3 — “Procedures for Accepting the Offer and Tendering Shares,” such Shares will be credited to an account maintained at DTC, or Certificates evidencing unpurchased Shares will be returned, without expense to the tendering shareholder, promptly following the expiration or termination of the Offer.

### ***3. Procedures for Accepting the Offer and Tendering Shares.***

*Valid Tenders.* In order for a shareholder to validly tender Shares pursuant to the Offer, the Assignment Form, properly completed and duly executed, together with any required signature guarantees (or, in the case of a book-entry transfer, an Agent’s Message in lieu of the Assignment Form) and any other documents required by the Assignment Form must be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase and either (a) such Shares must be tendered pursuant to the procedure for book-entry transfer described below and a Book-Entry Confirmation must be received by the Depositary or (b) the Certificates evidencing tendered Shares must be received by the Depositary at such address, in each case prior to the Expiration Date.

*Book-Entry Transfer.* The Depositary will establish an account with respect to the Shares at DTC for purposes of the Offer within two business days after the date of this Offer to Purchase. Any financial institution that is a participant in the system of DTC may make a book-entry delivery of Shares by causing DTC to transfer such Shares into the Depositary’s account at DTC in accordance with DTC’s procedures for such transfer. However, although delivery of Shares may be effected through book-entry transfer at DTC, either the Assignment Form, properly completed and duly executed, together with any required signature guarantees, or an Agent’s Message in lieu of the Assignment Form, and any other required documents, must, in any case, be received by the Depositary at one of its addresses set forth on the back cover of this Offer to Purchase prior to the Expiration Date. Delivery of documents to DTC does not constitute delivery to the Depositary.

*Guarantee of Signatures.* No signature guarantee is required on the Assignment Form if:

- the Assignment Form is signed by the registered holder(s) (which term, for purposes of this Section 3, includes any participant in DTC’s systems whose name appears on a security position listing as the owner of the Shares) of the Shares tendered therewith; or
- the Shares are tendered for the account of a financial institution (including most commercial banks, savings and loan associations and brokerage houses) that is a member in good standing of the Securities Transfer Agents Medallion Program or any other “eligible guarantor institution,” as such term is defined in Rule 17Ad-15 of the Exchange Act (each an “Eligible Institution” and, collectively “Eligible Institutions”).

In all other cases, all signatures on an Assignment Form must be guaranteed by an Eligible Institution. If a Certificate is registered in the name of a person or persons other than the signer of the Assignment Form, or if payment is to be made or delivered to, or a Certificate not accepted for purchase or not tendered is to be issued in, the name of a person other than the registered holder, then the Certificate must be endorsed or accompanied by duly executed stock powers, in either case signed exactly as the name of the registered holder appears on the Certificate, with the signature on such Certificate or stock powers guaranteed by an Eligible Institution.

Notwithstanding any other provision of the Offer, payment for Shares accepted pursuant to the Offer will in all cases only be made after timely receipt by the Depository of (i) a Book-Entry Confirmation of a book-entry transfer of such Shares into the Depository’s account at DTC or Certificates evidencing such Shares pursuant to the procedures set forth in this Section 3, (ii) the Assignment Form, properly completed and duly executed, with any required signature guarantees or, in the case of a book-entry transfer, an Agent’s Message in lieu of the Assignment Form and (iii) any other documents required by the Assignment Form. Accordingly, tendering shareholders may be paid at different times depending upon when Book-Entry Confirmations or Certificates with respect to Shares are actually received by the Depository.

**The method of delivery of the Assignment Form and all other required documents, including delivery through DTC, is at the option and risk of the tendering shareholder, and the delivery of all such documents will be deemed made (and the risk of loss and the title of Certificates will pass) only when actually received by the Depository (including, in the case of a book-entry transfer, receipt of a Book-Entry Confirmation). If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery prior to the Expiration Date.** The tender of Shares pursuant to any one of the procedures described above will constitute the tendering shareholder’s acceptance of the Offer, as well as the tendering shareholder’s representation and warranty that such shareholder has the full power and authority to tender and assign the Shares tendered, as specified in the Assignment Form. Our acceptance for payment of Shares tendered pursuant to the Offer will constitute a binding agreement between the tendering shareholder and us upon the terms and subject to the conditions of the Offer (and if the Offer is extended or amended, the terms of or the conditions to any such extension or amendment).

*Determination of Validity.* All questions as to the validity, form, eligibility (including time of receipt) and acceptance for payment of any tender of Shares will be determined by us, in our sole discretion. We reserve the absolute right to reject any and all tenders determined by us not to be in proper form or the



acceptance for payment of which may, in the opinion of our counsel, be unlawful. We also reserve the absolute right to waive any defect or irregularity in the tender of any Shares of any particular shareholder, whether or not similar defects or irregularities are waived in the case of other shareholders. No tender of Shares will be deemed to have been validly made until all defects and irregularities have been waived or cured within such time as Purchaser shall determine. None of Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notice of any defects or irregularities in tenders or incur any liability for failure to give any such notice. Interpretation of the terms and conditions of the Offer (including the Assignment Form and the instructions thereto) will be determined by us in our sole discretion.

*Appointment.* By executing the Assignment Form as set forth above, the tendering shareholder will irrevocably appoint designees of Purchaser as such shareholder's attorneys-in-fact and proxies in the manner set forth in the Assignment Form, each with full power of substitution, to the full extent of such shareholder's rights with respect to the Shares tendered by such shareholder and accepted for purchase by Purchaser and with respect to any and all other Shares or other securities or rights issued or issuable in respect of such Shares. All such powers of attorney and proxies will be considered irrevocable and coupled with an interest in the tendered Shares. Such appointment will be effective when, and only to the extent that, we accept for payment Shares tendered by such shareholder as provided herein. Upon such appointment, all prior powers of attorney, proxies and consents given by such shareholder with respect to such Shares or other securities or rights will, without further action, be revoked and no subsequent powers of attorney, proxies, consents or revocations may be given by such shareholder (and, if given, will not be deemed effective). The designees of Purchaser will thereby be empowered to exercise all voting and other rights with respect to such Shares and other securities or rights, including, without limitation, in respect of any annual, special or adjourned meeting of UDFI's shareholders, actions by written consent in lieu of any such meeting or otherwise, as they in their sole discretion deem proper. We reserve the right to require that, in order for Shares to be deemed validly tendered, immediately upon our acceptance for payment of such Shares, Purchaser or its designees must be able to exercise full voting, consent and other rights with respect to such Shares and other related securities or rights, including voting at any meeting of UDFI's shareholders.

*Information Reporting and Backup Withholding.* Payments made to shareholders of UDFI in the Offer generally will be subject to information reporting and may be subject to backup withholding. To avoid backup withholding, shareholders that are "United States persons" (as defined in the U.S. Internal Revenue Code of 1986, as amended) that do not otherwise establish an exemption should complete and return the Internal Revenue Service (the "IRS") Form W-9 included in the Assignment Form, certifying that such shareholder is a U.S. person, that the taxpayer identification number provided by such shareholder is correct, and that such shareholder is not subject to backup withholding. Shareholders that are not "United States persons" should submit an appropriate and properly completed IRS Form W-8, a copy of which may be obtained from the Depositary or the IRS website at [www.irs.gov](http://www.irs.gov), in order to avoid backup withholding. Such shareholders should consult their own tax advisors to determine which IRS Form W-8 is appropriate. Failure to provide the correct information on IRS Form W-9 or the applicable IRS Form W-8 may subject the applicable shareholder to backup withholding on payments made with respect to Shares surrendered, as well as penalties imposed by the IRS. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against a shareholder's United States federal income tax liability, provided the required information is timely furnished in the appropriate manner to the IRS.

#### ***4. Withdrawal Rights.***

Shares tendered pursuant to the Offer may be withdrawn at any time prior to 12:00 midnight, New York City time, at the end of the day on January 13, 2021, and, unless theretofore accepted for payment by Purchaser pursuant to the Offer, may also be withdrawn at any time after February 12, 2021, which is the 60th day after the date of the commencement of the Offer.

For a withdrawal to be effective, a written, telegraphic or facsimile transmission notice of withdrawal must be timely received by the Depositary its address set forth on the back cover page of this Offer to Purchase. Any such notice of withdrawal must specify the name of the person who tendered the Shares to be withdrawn, the number of Shares to be withdrawn and the name of the registered holder of such Shares, if different from that of the person who tendered such Shares. If Certificates evidencing Shares to be withdrawn have been delivered or otherwise identified to the Depositary, then, prior to the physical release of such Certificates, the serial numbers shown on such Certificates must be submitted to the Depositary and the signature(s) on the notice of withdrawal must be guaranteed by an Eligible Institution, unless such Shares have been tendered for the account of an Eligible Institution. If Shares have been tendered pursuant to the procedure for book-entry transfer as set forth in Section 3 — “Procedures for Accepting the Offer and Tendering Shares,” any notice of withdrawal must also specify the name and number of the account at DTC to be credited with the withdrawn Shares.

Withdrawals of Shares may not be rescinded. Any Shares validly withdrawn will thereafter be deemed not to have been validly tendered for purposes of the Offer. However, withdrawn Shares may be re-tendered by again following one of the procedures described in Section 3 — “Procedures for Accepting the Offer and Tendering Shares” at any time prior to the Expiration Date.

**We will determine, in our sole discretion, all questions as to the form and validity (including time of receipt) of any notice of withdrawal and our determination will be final and binding. None of Purchaser, the Depositary, the Information Agent or any other person will be under any duty to give notice of any defects or irregularities in any notice of withdrawal or incur any liability for failure to give any such notification.**

#### ***5. Certain U.S. Federal Income Tax Consequences.***

The following is a general summary of certain U.S. federal income tax consequences of the Offer and the Merger to U.S. Holders (as defined below) whose Shares are tendered and accepted for purchase pursuant to the Offer or whose Shares are converted into the right to receive cash in the Merger. The summary is based on current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), the Treasury Regulations promulgated under it, and administrative and judicial interpretations thereof, all of which are subject to change, possibly with retroactive effect. Any such change could affect the accuracy of the statements and conclusions set forth in this discussion. We have not sought, nor do we intend to seek, any ruling from the Internal Revenue Service (the “IRS”) with respect to the statements made and the conclusions reached in the following summary, and no assurance can be given that the IRS will agree with the views expressed herein, or that a court will not sustain any challenge by the IRS in the event of litigation.

The summary applies only to U.S. Holders who hold Shares as capital assets within the meaning of section 1221 of the Code (generally, property held for investment). This summary does not address any foreign, state or local tax consequences of the Offer or the Merger. In addition, this summary does not address U.S. federal tax other than the income tax. Further, this discussion does not purport to consider all aspects of U.S. federal income taxation that may be relevant to a shareholder in light of his, her or its

particular circumstances, or that may apply to a shareholder that is subject to special treatment under the U.S. federal income tax laws (including, for example, foreign taxpayers, small business investment companies, regulated investment companies, real estate investment trusts, S corporations, controlled foreign corporations, passive foreign investment companies, cooperatives, banks and other financial institutions, insurance companies, tax-exempt organizations (including private foundations), retirement plans, shareholders that are, or hold Shares through, partnerships or other pass-through entities for federal income tax purposes, persons whose functional currency is not the U.S. dollar, dealers in securities or foreign currency, traders that use the mark-to-market method of accounting with respect to their securities, expatriates and former long-term residents of the United States, persons subject to the alternative minimum tax, shareholders holding Shares that are part of a straddle, hedging, constructive sale, conversion transaction or other integrated transaction, shareholders who receive cash pursuant to the exercise of appraisal rights, and shareholders who received Shares pursuant to the exercise of employee stock options, as restricted stock units, or otherwise as compensation).

For purposes of this summary, the term “U.S. Holder” means a beneficial owner of Shares that, for U.S. federal income tax purposes, is: (i) an individual who is a citizen or resident of the United States; (ii) a corporation, or an entity treated as a corporation for U.S. federal income tax purposes, created or organized under the laws of the United States, any state thereof or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust, if (A) a court within the United States is able to exercise primary supervision over the trust’s administration and one or more U.S. persons have authority to control all of the trust’s substantial decisions or (B) the trust has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person for U.S. federal income tax purposes. This discussion does not address the tax consequences for shareholders that are not U.S. Holders.

If an entity or arrangement treated as a partnership for federal income tax purposes owns Shares, the tax treatment of a person treated as a partner in such partnership generally will depend upon the status of the partner and the partnership’s activities. Accordingly, entities or arrangements treated as partnerships for federal income tax purposes that own Shares and persons treated as partners in such partnerships should consult their tax advisors regarding the specific federal income tax consequences to them of the Offer and the Merger.

**Because individual circumstances may differ, each shareholder should consult his, her or its own tax advisor to determine the particular tax consequences of the Offer and the Merger for him, her or it, including the application and effect of the alternative minimum tax and any state, local and foreign tax laws and changes in any laws.**

The exchange of Shares for cash pursuant to the Offer or the Merger will be a taxable transaction for U.S. Holders for U.S. federal income tax purposes. In general, a U.S. Holder who exchanges Shares for cash pursuant to the Offer or the Merger will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference, if any, between the amount of cash received and the U.S. Holder’s adjusted tax basis in the Shares exchanged. If a U.S. Holder acquired Shares by purchase, the U.S. Holder’s adjusted tax basis in the Shares will generally equal the amount the U.S. Holder paid for the Shares, less any distributions that the U.S. Holder has received with regard to the Shares that constituted a return of capital for federal income tax purposes. The gain or loss will generally be capital gain or loss and will be long-term capital gain or loss if, as of the date of the exchange, a U.S. Holder’s holding period for the Shares is more than twelve (12) months. Long-term capital gain recognized by certain

noncorporate holders, including individuals, is currently taxable at a reduced rate. The deductibility of capital losses is subject to certain limitations.

If a U.S. Holder acquired different blocks of Shares at different times and/or different prices, the U.S. Holder must determine the adjusted tax basis and holding period separately with respect to each block of Shares. A U.S. Holder who exchanges Shares pursuant to the Offer or the Merger is generally subject to information reporting and may be subject to backup withholding unless certain information is provided to the Depository or an exemption applies. See Section 3 — “Procedures for Accepting the Offer and Tendering Shares.”

#### ***6. Price Range of Shares; Distributions.***

Until February 2016, the Shares traded on Nasdaq under the symbol “UDFI.” As of November 4, 2015, there were 30,672,626 Shares outstanding. UDFI has not filed a periodic report with the SEC since November 9, 2015. Because of the Delisting and the Deregistration and UDFI’s failure to cooperate with us, we do not have more recent price or trading information for UDFI’s stock.

#### ***7. Certain Information Concerning UDFI.***

UDFI was registered as a Maryland REIT in 2008. The address of its principal executive office is 1301 Municipal Way, Suite 200, Grapevine, Texas 76051, and the telephone number is 1-800-859-9338. Except as specifically set forth herein, the information concerning UDFI contained in this Offer to Purchase has been taken from or is based upon publicly available documents and records on file with the SEC and other public sources. The summary information set forth below is qualified in its entirety by reference to UDFI’s public filings with the SEC, which have not been verified by Purchaser and should not be considered part of this Offer to Purchase. UDFI has not been cooperative with requests to obtain financial and other information regarding the Company since the Delisting and the Deregistration, and since November 2015 there has not been a source of information regarding the financial performance of UDFI available to UDFI’s shareholders.

Under the MGCL, all shareholders of the Company may request copies of the Company’s stock ledger, a list of its shareholders, and its other books and records, including financial statements. Purchaser encourages any shareholder who is considering tendering his or her shares pursuant to this Offer to request the Company’s financial statements and other related information from the Company.

*General.* The following description of UDFI and its business has been taken from UDFI’s quarterly report on Form 10-Q for the fiscal quarter ended September 30, 2015, and is qualified in its entirety by reference to such Form 10-Q. **THERE IS NO MORE CURRENT INFORMATION AVAILABLE REGARDING UDFI BECAUSE OF UDFI’S REFUSAL TO ENGAGE WITH OUR REQUESTS FOR INFORMATION. THE FOLLOWING INFORMATION MAY NO LONGER BE ACCURATE.**

UDFI primarily originates, purchases, participates in and holds for investment secured loans made directly by it or indirectly through its affiliates to persons and entities for the acquisition and development of parcels of real property as single-family residential lots or mixed-use master planned residential communities, for the construction of single-family homes and for completed model homes. UDFI also makes direct investments in land for development into single-family lots, home construction and portfolios of finished lots and model homes; provides credit enhancements to real estate developers, home builders, land bankers and other real estate investors; and purchases participations in, or finances

for other real estate investors the purchase of, securitized real estate loan pools and discounted cash flows secured by state, county, municipal or other similar assessments levied on real property.

UMTH General Services, L.P. (“UMTH GS” or the “Advisor”), a Delaware limited partnership, is UDFI’s advisor and is responsible for managing UDFI’s affairs on a day-to-day basis. UMTH GS has engaged UMTH LD as UDFI’s asset manager. The asset manager oversees the investing and financing activities of the affiliated programs managed and advised by the Advisor and UMTH LD.

#### ***8. Certain Information Concerning Purchaser.***

Purchaser is a Delaware statutory trust managed by NexPoint Advisors, L.P. (“NexPoint”). Purchaser’s business address is 200 Crescent Court, Suite 700, Dallas, Texas 75201, and its telephone number is 866-351-4440.

Purchaser’s inception date was June 29, 2006. Purchaser trades under the ticker symbol “NHF,” and had 45,595,450 shares outstanding as of the third quarter of 2020. Purchaser is a closed-end fund that invests primarily in below-investment-grade debt, equity securities, and real estate. Purchaser’s total managed assets were \$862.9 million as of the third quarter of 2020, and net assets totaled \$776.7 million. The founder and fund manager is Jim Dondero, CFA. Purchaser’s portfolio consists of mostly real estate investments, and it is in the process of converting from an investment company to a diversified REIT. As of the third quarter of 2020, Purchaser had 105 total holdings. Certain additional information about Purchaser can be located at <https://www.nexpointgroup.com/>. This website is provided solely for informational purposes and the information on such website is not incorporated into, and is not otherwise, a part of this Offer to Purchase.

Other than our and our affiliates’ ownership of 2,098,610 Shares, we have no affiliation with UDFI. We believe that Purchaser’s purchase of the shares tendered in this Offer will not jeopardize UDFI’s REIT status (provided that UDFI is still a REIT; UDFI has not provided such evidence in over five years). The Purchaser’s registered fund affiliates are prohibited by applicable law from tendering their Shares in the Offer.

#### ***9. Source and Amount of Funds.***

Purchaser expects to satisfy its obligations in connection with the Offer using existing cash on hand.

#### ***10. Background of the Offer; Past Contacts or Negotiations with UDFI.***

##### ***Background of the Offer.***

Beginning in April 2017, Purchaser began acquiring Shares of UDFI. Purchaser and its affiliates, together, currently have beneficial ownership over 2,098,610 Shares.

As a company registered with the SEC beginning in 2009, UDFI was obligated to file Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K with the SEC, which are available publicly through the SEC’s Electronic Data Gathering, Analysis, and Retrieval system. Despite this obligation, UDFI’s most recently filed quarterly or annual report was a Quarterly Report on Form 10-Q filed on November 9, 2015 for the quarter ending on September 30, 2015. Since that time, UDFI’s shareholders have had no

insight into UDFI's investments, financial status, or any other matters that are required to be disclosed in annual and quarterly reports pursuant to Section 13 or 15(d) of the Exchange Act and the MGCL.

As a result of UDFI's failure to file required public filings, on July 8, 2020, NexPoint sent a letter to UDFI's Board of Trustees (the "Board") expressing concerns about the management and oversight of UDFI. It also sought to ensure the Board is held accountable to shareholders and acts in a manner consistent with its obligations to shareholders, which includes compliance with the reporting requirements described above. As stated in the letter, NexPoint's purpose was to ensure that the Board acts in a manner that safeguards the long-term benefit of UDFI, while also maximizing shareholder value and upholding the Board's fiduciary duties. UDFI did not comply with its reporting in response to the request.

### ***Past Contacts, Transactions, Negotiations and Agreements.***

NexPoint filed an initial Schedule 13G on February 14, 2019. The Schedule 13G was amended on February 14, 2020 to reflect additional purchases and sales of stock in the ordinary course of business.

On July 13, 2020, NexPoint filed a revised Schedule 13D to report a change in its intentions as expressed in its July 8, 2020 letter to the Board. In the letter, NexPoint urged the Board to engage with NexPoint regarding NexPoint's potential interest in management of UDFI. NexPoint expressed concern over what it viewed as an apparent lack of a clear business plan or direction with respect to the current management of UDFI. NexPoint also noted its concern that very limited information regarding UDFI was publicly available given UDFI's failure to file a Form 10-K in over five years (and failure to file other periodic reports required by the Securities Exchange Act of 1934).

In addition to such failure to comply with important securities law requirements, NexPoint also noted that UDFI had not held an annual meeting of shareholders in over five years, which violates requirements of UDFI's Declaration of Trust and the Bylaws, each of which expressly contemplate that there shall be an annual meeting of the shareholders – the group to whom the Board and officers of UDFI owe fiduciary duties. NexPoint advised the UDFI Board that it believed that the inability to provide the most basic oversight is clearly a significant factor in UDFI's underperformance of the past several years. NexPoint urged the Board to engage with NexPoint in a productive dialogue regarding UDFI and its management. NexPoint noted its belief that it is in a unique position to maximize the value of UDFI's assets and NexPoint believed the investment community would enthusiastically receive any transaction with NexPoint.

NexPoint emphasized that it understood that UDFI was engaged in litigation with Kyle Bass and Hayman Capital Management, and, that NexPoint's interest was unrelated to those claims. NexPoint further noted that it was not seeking to interfere with UDFI's claims in such matter and it was open to any proposals UDFI had regarding the preservation of such claims in relation to any transaction.

NexPoint further expressed its hope that its July 8 letter to UDFI would create an opportunity for a productive dialogue and a mutually beneficial business opportunity. However, it emphasized that its priority remained to ensure that the Board was acting to safeguard the long-term interests of UDFI, while also maximizing shareholder value and fulfilling the Board's fiduciary duties. As such, NexPoint

informed the Board that if it did not receive meaningful engagement from the Board, it intended to file a lawsuit to compel the Board to call an annual meeting of shareholders. NexPoint stated that the shareholders' right to elect members of the Board is a key tenant of both corporate and securities laws, and the Board's refusal to hold an annual meeting deprives shareholders of this fundamental right and allows it to act without accountability to its shareholder base.

NexPoint advised that it reserved the right to take certain other actions with respect to its investment in UDFI, including but not limited to, solicitation of proxies and discussing such actions with UDFI, management, the Board, other shareholders of UDFI and other persons, as well as potentially seeking to acquire additional Shares and/or other equity, debt, notes, instruments or other securities of UDFI (collectively, "Securities"), disposing of any Securities, in the open market or otherwise, at any time and from time to time or engaging in any hedging or similar transactions with respect to the Securities. NexPoint reserved its right to change its intention as described in its 13D filing on July 13, 2020.

On behalf of Purchaser, on August 11, 2020, pursuant to Sections 2-512 and 2-513 of the MGCL, Cede & Co, as holder of record of the Shares, demanded that UDFI make certain materials available to Purchaser within 21 days. Purchaser requested to review the following: 1) tax returns and related work papers for the last five years; 2) copies of the UDFI's gross income projections for purposes of the 75% and 95% gross incomes tests for the current taxable year; 3) other information relevant to UDFI's ability to qualify as a REIT, financial statements for the year ending 2015 through 2019 and all interim periods thereof and the fiscal quarters ending March 31, 2020 and June 30, 2020, as well as summaries of UDFI's assets under management and existing and contingent liabilities; 4) all materials related to UDFI's engagement of its current independent public auditor and their anticipated timeline for completing the ongoing audit; 5) all materials presented to the Board and minutes of all Board meetings related to UDFI's inability to complete audited financial statements since 2015; 6) all written correspondence and documents reflecting any oral communications with the staff of the SEC since January 1, 2015; and 7) all materials related to legal proceedings with the SEC regarding whether the Shares would remain registered under the Exchange Act.

On August 12, 2020, subsequent to Purchaser's submission of the demand, the SEC revoked the Exchange Act registration of UDFI effective August 13, 2020, for violations of its reporting obligations that "are serious, recurrent, and show a high degree of culpability." In its order, the SEC concluded that UDFI's reporting record provides "substantial reason to doubt that [UDFI] will return to compliance and avoid delinquencies in the future."

On August 31, 2020, UDFI responded to Purchaser's demand, refusing to provide the materials requested.

On September 3, 2020, Purchaser's counsel sent a response letter to UDFI advising that the demand was proper as Cede & Co was the stockholder of record of UDFI's Shares for longer than six months, and therefore UDFI's objection related to standing had no merit. At the same time, Purchaser advised that it was only seeking materials up to the statutory limits of Sections 2-512 and 2-513 of the MGCL and renewed its request that UDFI make available the requested documents by September 8, 2020.

On September 8, 2020, UDFI responded and continued to refuse to provide the requested materials and demanded answers to the same questions.

## *Description of Litigation.*

### Books & Records Lawsuit:

On October 8, 2020, due to UDFI's continued refusal to allow Purchaser to inspect UDFI's books and records, Purchaser filed a Petition for Writ of Mandamus in Texas State Court requesting that the Court issue an immediate writ of mandamus compelling UDFI to comply with Sections 2-512 and 2-513 of the MGCL and allowing Purchaser to inspect the requested information (the "Books and Records Lawsuit"). Purchaser alleged that on numerous occasions prior to filing suit, it requested that UDFI provide or make available including but not limited to, the following documents: a) the bylaws of UDFI per MGCL Section 2-512; b) the "annual statements of affairs" for all fiscal years since UDFI's last Annual Report on 10-K per MGCL Section 2-512; c) UDFI's books of account per MGCL Maryland Code Section 2-513; d) UDFI's current stock ledger verified under oath by one of its officers or its stock transfer agent which sets forth the name and address of each stockholder and the number of shares of each class which the stockholder holds per MGCL Section 2-513; and e) a statement of affairs, verified under oath by its president or treasurer or one of its vice-presidents or assistant treasurers which sets forth in reasonable detail the corporation's assets and liabilities as of a reasonably current date per MGCL Section 2-513.

Purchaser further alleged that UDFI's failure to file any annual or quarterly reports with the SEC within the last five years left Purchaser with limited knowledge of UDFI's activity over the past five years and no knowledge of that what the books and records of UDFI reflect. Purchaser stated that UDFI's repeated refusal to provide information to shareholders, and its consistent failure to comply with its SEC reporting requirements, to the point of having its Exchange Act registration revoked by the SEC, were significant factors in UDFI's underperformance over the years. Purchaser advised that its purpose in seeking inspection of the books and records was to ensure that the Board is acting in a manner that safeguards the long-term health of UDFI and maximizes value for its shareholders.

On December 7, 2020, UDFI responded to NexPoint's Books and Records Lawsuit (the "Answer"). In its Answer, UDFI continued to refuse to provide the requested books and records on the basis that it believes NexPoint seeks the information for an improper purpose. Generally, UDFI alleged that NexPoint conspired with J. Kyle Bass and his fund, Hayman Capital Management, L.P. in an illegal and fraudulent scheme to harm UDFI, which is patently false. NexPoint will continue to seek inspection of the books and records to communicate with UDFI's shareholders and to determine whether management of UDFI is acting in a manner that safeguards the long-term health of UDFI and maximizes value for its shareholders.

### Defamation Lawsuit:

On October 9, 2020, NexPoint filed suit in Texas state court against UDFI and an employee of UDFI, for defamation, business disparagement, tortious interference with existing contracts, and tortious interference with prospective business relations.

NexPoint alleged that on various occasions starting in July 2020 through the present, UDFI promulgated false accusations via online publications and sent direct emails to broker dealers and due diligence officers throughout the industry titled, "FOR DUE DILIGENCE CONTACTS, BROKER-DEALERS AND FINANCIAL ADVISORS." The lawsuit also alleged that an employee of UDFI made phone calls



to individual clients and potential client advisers of NexPoint making false statements about NexPoint. UDFI filed a General Denial to these claims on November 11, 2020.

### **11. Purpose of the Offer.**

The purpose of the Offer is for Purchaser to acquire control of UDFI and to gain transparency into the business for all of UDFI's shareholders.

### **12. Certain Effects of the Offer.**

#### *Effects on the Number of the Company's Authorized and Outstanding Shares and Registered Holders*

The consummation of the Offer will not have an effect on the number of Common Shares of Beneficial Interest authorized, reserved for issuance or issued and outstanding.

Shareholders tendering their shares in the Offer will be paid \$1.10 for each Common Share of Beneficial Interest tendered. The Offer will not alter the relative voting and other rights of the Company's outstanding Common Shares of Beneficial Interest. Each Common Share of Beneficial Interest that remains outstanding after the completion of the Offer will continue to entitle its owner to one vote regarding matters presented to holders of Common Shares of Beneficial Interest.

#### *Effects on Continuing Shareholders*

Shareholders that do not tender their shares in the Offer will:

- continue to be shareholders and will therefore continue to participate, as shareholders, in its future potential earnings or growth, if any;
- not receive a cash payment for any of their shares in connection with the Offer;
- potentially be subject to having their shares involuntarily cancelled in exchange for payment of some amount under methods permitted by the MGCL, such as a merger or other form of reorganization; and
- be entitled to, in certain situations, with written demand, to review the Company's stock ledger, a list of its shareholders, and its other books and records.

### **13. Conditions to the Offer.**

Notwithstanding any other term of the Offer, Purchaser will not be required to accept for payment or, subject to any applicable rules and regulations of the SEC, including Rule 14e-1(c) under the Exchange Act (relating to Purchaser's obligation to pay for or return tendered Shares after the termination or withdrawal of the Offer), to pay for any Shares tendered pursuant to the Offer, if on the date of the Expiration Time any of the following conditions has not been satisfied (or, to the extent legally permissible, waived):

- (A) there shall not have been threatened, instituted, or pending any action or proceeding before any court or any governmental or administrative agency (i) challenging the acquisition of shares pursuant to the Offer or otherwise relating in any manner to the Offer, or (ii) in the sole judgment of Purchaser, otherwise materially adversely affecting the Company (the “Governmental Authority Condition”);
- (B) Purchaser shall have received all required governmental approvals, if any, for the Offer (the “Governmental Approval Condition”);
- (C) Purchaser shall have been provided the opportunity to conduct sufficient due diligence to determine whether the offered price per share is reasonable given the current financial condition and results of operations of UDFI (the “Due Diligence Condition”);
- (D) the Board of Trustees of UDFI shall have waived in writing the ownership limitations set forth in Article VII of the Declaration of Trust of UDFI as such limitations would otherwise apply to the Offer (the “Board Waiver Condition”); and
- (E) Purchaser shall have received satisfactory evidence that UDFI has continued to qualify as a REIT under federal tax laws and thereby to avoid any entity-level federal income or excise tax (the “REIT Condition”).

The foregoing conditions are for the benefit of Purchaser and may be waived by Purchaser, in whole or in part at any time in its sole discretion. The failure by Purchaser at any time to exercise any of the foregoing rights will not be deemed a waiver of any such right and each such right will be deemed an ongoing right which may be asserted at any time and from time to time. Any reference in this Section 13 to a condition or requirement being satisfied will be deemed to be satisfied if such condition or requirement is so waived.

#### ***14. Certain Legal Matters; Regulatory Approvals.***

Except as described in this Section 14, based on our examination of the outdated information filed by UDFI with the SEC and other publicly available information concerning UDFI, we are not aware of any approval or other action by any governmental, administrative or regulatory authority or agency, domestic or foreign, that would be required for the acquisition or ownership of Shares by Purchaser as contemplated herein. Should any such approval or other action be required, we currently contemplate that approval or other action will be sought. While we do not currently intend to delay acceptance for payment of Shares tendered pursuant to the Offer pending the outcome of any such matter, we reserve the right to extend the Offer or to terminate the Offer without the purchase of Shares. See Section 13 — “Conditions to the Offer.”

#### ***15. Appraisal Rights.***

No appraisal rights are available to the holders of Shares in connection with the Offer. If the Merger is consummated, appraisal rights will be available in connection with the Merger as further described below. If the Merger is consummated, the holders of Shares immediately prior to the effective time of the Merger who (i) did not tender their Shares in the Offer; (ii) demand appraisal in accordance with the procedures set forth in Title 3 Subtitle 2 of the MGCL; and (iii) do not thereafter withdraw their demand for appraisal of such Shares or otherwise lose their appraisal rights, in each case in accordance with the

MGCL, will be entitled to have their Shares appraised by a court of equity in the county where the principal office of the Purchaser is located or, if it does not have a principal office in Maryland, where the resident agent of the Purchaser is located, and receive payment of the “fair value” of such Shares, exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest, as determined by such court.

The “fair value” of any Shares could be based upon considerations other than, or in addition to, the price paid in the Offer and the market value of such Shares. Holders of Shares should recognize that the value so determined could be higher or lower than, or the same as, the Offer Price or the consideration payable in the Merger (which is equivalent in amount to the Offer Price). Moreover, we may argue in an appraisal proceeding that, for purposes of such proceeding, the fair value of such Shares is less than such amount.

Under Title 3 Subtitle 2 of the MGCL, the successor shall promptly notify each objecting shareholder in writing on the date the articles of merger are accepted for record by the Maryland Department of Assessments and Taxation.

If a shareholder elects to exercise appraisal rights under Title 3 Subtitle 2 of the MGCL, such shareholder must do all of the following:

- petition a court of equity in the county where the principal office of the Purchaser is located or, if it does not have a principal office in Maryland, where the resident agent of the Purchaser is located, for an appraisal to determine the fair value of the Shares within 50 days of the Maryland Department of Assessments and Taxation’s acceptance of the articles of merger for record;
- not tender their Shares in the Offer; and
- continuously hold of record the Shares from the date on which the written demand for appraisal is made through the effective time of the Merger.

The foregoing summary of the appraisal rights of shareholders under the MGCL does not purport to be a complete statement of the procedures to be followed by shareholders desiring to exercise any appraisal rights available thereunder and is qualified in its entirety by reference to Title 3 Subtitle 2 of the MGCL. The proper exercise of appraisal rights requires strict and timely adherence to the applicable provisions of the MGCL.

The information provided above is for informational purposes only with respect to your alternatives if the Merger is consummated. If you tender your Shares pursuant to the Offer, you will not be entitled to exercise appraisal rights with respect to your Shares but, instead, subject to the Offer Conditions, you will receive the Offer Price for your Shares.

## ***16. Fees and Expenses.***

Purchaser has retained D.F. King & Co, Inc. to be the Information Agent and American Stock Transfer & Trust Company, LLC to be the Depositary in connection with the Offer. The Information Agent may contact holders of Shares by mail, telephone, telecopy, telegraph and personal interview and may request banks, brokers, dealers and other nominees to forward materials relating to the Offer to beneficial owners of Shares.

The Information Agent and the Depositary will each receive reasonable and customary compensation for their respective services in connection with the Offer, will be reimbursed for reasonable out-of-pocket

expenses and will be indemnified against certain liabilities and expenses in connection therewith, including certain liabilities under federal securities laws.

Purchaser will not pay any fees or commissions to any broker or dealer or to any other person (other than to the Depositary and the Information Agent) in connection with the solicitation of tenders of Shares pursuant to the Offer. Brokers, dealers, commercial banks and trust companies will, upon request, be reimbursed by Purchaser for customary mailing and handling expenses incurred by them in forwarding offering materials to their customers. In those jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

**17. *Miscellaneous.***

The Offer is not being made to (nor will tenders be accepted from or on behalf of) holders of Shares in any jurisdiction in which the making of the Offer or the acceptance thereof would not be in compliance with the securities, blue sky or other laws of such jurisdiction. In those jurisdictions where applicable laws require the Offer to be made by a licensed broker or dealer, the Offer shall be deemed to be made on behalf of Purchaser by one or more registered brokers or dealers licensed under the laws of such jurisdiction to be designated by Purchaser.

**No person has been authorized to give any information or to make any representation on behalf of Purchaser not contained herein or in the Assignment Form, and, if given or made, such information or representation must not be relied upon as having been authorized. No broker, dealer, bank, trust company, fiduciary or other person shall be deemed to be the agent of Purchaser, Depositary or the Information Agent for the purpose of the Offer.**

NexPoint Strategic Opportunities Fund

December 14, 2020

The Assignment Form and any other required documents should be sent or delivered by each shareholder or its, his or her broker, dealer, commercial bank, trust company or other nominee to the Depositary at one of its addresses set forth below:

*The Depositary for the Offer is:*



*If delivering by mail:*

American Stock Transfer & Trust Co., LLC Operations Center American Stock Transfer & Trust Co., LLC Operations Center

Attn: Reorganization Department

6201 15<sup>th</sup> Avenue

Brooklyn, NY 11219

*If delivering by hand, express mail, courier, or  
other expedited service:*

Attn: Reorganization Department

6201 15<sup>th</sup> Avenue

Brooklyn, NY 11219

Questions and requests for assistance may be directed to the Information Agent at its addresses and telephone numbers set forth below. Requests for copies of the Offer to Purchase, the related Assignment Form and other materials related to the Offer may be directed to the Information Agent. Such copies will be furnished promptly at Purchaser's expense. Shareholders may also contact brokers, dealers, commercial banks or trust companies for assistance concerning the Offer. Purchaser will not pay any fees or commissions to any broker or dealer or any other person (other than the Information Agent or the Depository) for soliciting tenders of Shares pursuant to the Offer.

*The Information Agent for the Offer is:*



## **D.F. King & Co., Inc.**

48 Wall Street, 22nd Floor  
New York, New York 10005

Shareholders (toll-free): (800) 331-7543

Banks and Brokers: (212) 269-5550

Email: [UDFI@dfking.com](mailto:UDFI@dfking.com)

[UDFITenderOffer.com](http://UDFITenderOffer.com)