



Is Prison Time in the Cards for United Development Funding IV's (NASDAQ:UDF) Short Sellers?

SCOTTSDALE, AZ, USA, December 11, 2015 /EINPresswire.com/ -- Yesterday a consortium of short sellers, after creating a significant short position in United Development Funding IV (NASDAQ:UDF), released a 3-page anonymous short report entitled, "A Texas-Sized Scheme Exposing the Darkest Corner of the REIT Business United Development Funding." The report contained several conjectures and suppositions of fraud against UDF, even implying the company is a "Ponzi scheme." In a statement issued by the company last night, UDF replied, "We believe that this hedge fund is trying to unlawfully profit by manipulating and depressing the price of United Development Funding IV shares." United Development is a real estate investment trust (REIT) that invests primarily in secured loans for the acquisition and development of land into single-family home lots and the construction of single-family homes. UDF IV also makes strategic equity investments in residential real estate in some of the nation's largest housing markets. The company listed on NASDAQ under the symbol "UDF" in June of last year.

The short sellers' report raises many questions with us. First and foremost, why was the report anonymous? Maybe for good reason. According to Forbes and the Wall Street Journal, the last major short seller of a publicly traded company in the real estate industry Barry Minkow is currently serving a 10-year term in a federal prison in Lexington, Ky. As a teenager, Minkow began a carpet cleaning company, ZZZZ Best carpet cleaning. He took the company public at age 20, and for a brief moment Minkow was worth \$100 million on paper. The company, which turned out to be a giant ponzi scheme, collapsed in 1987. The young Minkow was slapped with 57 felonies and a 25-year prison sentence. Upon parole from prison for good behavior, Minkow became an evangelical pastor for San Diego Community Bible Church, from which he bilked over \$3 million. During the time he was bilking the church, Minkow was also busy causing the stock of Miami-based Lennar Corp (NYSE:LEN) to plunge by \$583 million within just two days in a "short-and-distort" stock fraud scheme to help a paying client extort money from the company. Minkow received 5 years for bilking the church and 5 years for the stock fraud scheme.

A Minkow-styled "short-and-distort" scheme is at play here with this band of short sellers of United Development. The report is rife with conjecture and innuendo, most of which we were able to debunk with our research. Our research report can be viewed in full at our website (www.streetwatchdog.com/research-reports).

The report ends by stating: During the course of our review, we noticed that appropriate disclosures were made public and were timely filed with the SEC, the company made every effort to comply with the SEC's guidelines, financial statements for prior years were restated as necessary, and the CPA firm stands by the company's most 2 recent fiscal years audits as well as the year to date financial situation of United Development. We therefore conclude that this consortium of anonymous short sellers in this particular case have taken a molehill and turned it into a mountain for the sole specific purpose of driving the company's stock down to collect a tidy profit. Should their real identities come to light, they may be the ones on the opposite end of the law's wrath.

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