

Message

From: Chris Kirkpatrick [CK@haymancapital.com]
Sent: 12/11/2015 4:01:17 PM
To: David Whipple [WhippleDa@SEC.GOV]
Subject: UDF
Attachments: How It Works_A Centurion American Development (FINAL Dec 11 2015).pdf

The attached was posted this morning. The reference to the SEC investigation is based solely on the Company's press release from last night.

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United Development Funding (UDF)

**One Example of Many:
How The Scheme Works,
from One UDF Fund to the Next**

But First....UDF Company Response – Huh?

UDF's statement DOES NOT refute any allegations and instead discloses the SHOCKING REVELATION that UDF has been under investigation by the SEC since April 2014.

While the Company attempts to down play the seriousness of the investigation, we note that Enron, Madoff, and Stanford all started as non-public SEC fact-finding investigations

United Development Funding III and United Development Funding IV Provide a Response to Market Rumors

Company Release - 12/10/2014 10:24

GRAPPLING WITH THE "COMMONPLACE NEWSWIRE" of United Development Funding III and United Development Funding IV (the "Companies") are aware that the rumors have created a significant shift in the position of United Development Funding III shares. NASDAQ UDFC III believes that this is a significant move to unlawfully profit by manipulating and increasing the price of United Development Funding III shares.

The Companies have been cooperating since April 2014 with a public fact-finding investigation conducted by the Staff of the Securities and Exchange Commission (the "SEC"). The SEC has informed the Companies that the investigation is not an indication that any violations of law have occurred or that the SEC has any opinion of any person involved. We believe that the Companies have cooperated fully and truthfully to ensure accurate financial reporting and compliance with applicable laws and regulations. While it is not possible to predict the timing or outcome of the SEC fact-finding investigation, we believe that the matter will not have a material adverse effect on the Companies' consolidated results of operations, financial position, or liquidity.

Continued...

UDF III
UDF IV
UDF V



United Development Funding III

Now How it Works...Disclosure About Not Lending to Affiliates

- UDF V, the newest fund in the UDF family of funds, "will not participate in any investments with our advisor entities or any of their affiliates, including any prior program sponsored by affiliates of UDFH"
- Unlike UDF III or UDF IV, UDF V will not directly loan money to affiliates nor will it acquire participation interests in related party / affiliate originated loans, according to its prospectus.

United Development Funding Income Fund V

UDF V is a newly organized Maryland real estate investment trust that intends to qualify as a REIT under federal tax law. We were formed to generate current interest income by investing in secured loans and producing profits from investments in residential real estate.

We will derive a significant portion of our income by originating, purchasing and holding for investment secured loans for the acquisition and/or development of parcels of real property into single-family residential lots. We also will make direct investments in land for development into single-family lots.

We also will provide credit enhancements to real estate developers, land bankers and other real estate investors. Such credit enhancements may take the form of a loan guarantee, the pledge of assets, a letter of credit or an inter-creditor agreement provided by us to a third-party lender for the benefit of a borrower and is intended to enhance the creditworthiness of the borrower, thereby affording the borrower credit at terms it would otherwise be unable to obtain. We will not participate in any investments with our advisor entities or any of their affiliates, including any prior program sponsored by affiliates of UDFH.

We will not make loans to, or participate in real estate investments with, or provide credit enhancements for our affiliates or affiliates of our co-sponsors, our advisor entities or our asset manager, including other United Development Funding funds.

- UDF V Prospectus Form S-11 (February 26, 2014).

- While UDF V, technically, has not lent to an affiliated program, it indirectly and effectively has by lending to an entity that previously received had a 2nd lien loan from an affiliate (UDF III); this entity used the loan from UDF V to repay the loan issued 8 years ago by UDF III.

Shaban Prairie Estates

County: Dallas Fort Worth Denton County Locations
Price Ranges: Raw Land Single Family Starting From
\$150K Up
View On Map

Shaban Prairie is located on the western shore of Lake Langford on the north side of Shagan Prairie Road, 1/4 mile east of Rte. 10.

Source: <http://centurionamerican.com/community/shahan-prairie/>

A Real Development and Direct Competitor – Wildridge

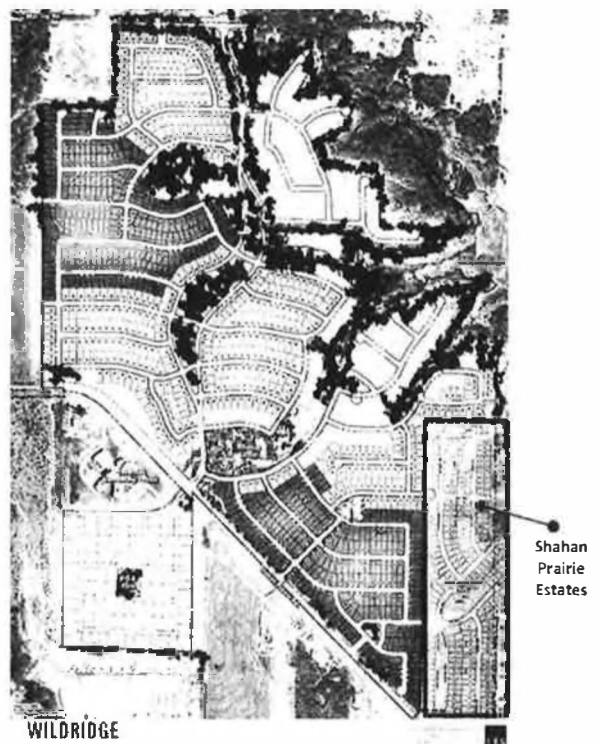
The land adjacent to Centurion's Shahan Prairie Estates is owned through a partnership between Crescent Communities (North Carolina-based) and Taylor Duncan Interests (Dallas-based); construction is currently underway for the 385-acre, master-planned community of ~1,200 single family homes called Wildridge.

The primary piece of land (250 acres) was acquired in 2012, with additional acreage acquired later; there was a groundbreaking ceremony on July 9, 2014, and the first finished lots were delivered in Summer/Fall 2015 (note during site visit in August 2015, there were roads in place and model homes were being built).

Centurion has owned the adjacent land, via Shahan Prairie, for over 10 years and there is no sign of development activity.

Groundbreaking ceremony for Wildridge to be held July 9 [2014]

Crescent Communities in partnership with Taylor Duncan Interests will hold a groundbreaking ceremony July 9 at Wildridge, a new single-family residential community in Oak Point, Lake Tawakoni. Construction is underway for this 385-acre, master-planned community of 1,194 single-family homes, with 200+ expected to single from the \$230,000 to the \$400,000.



Shahan Prairie – A Centurion American Development

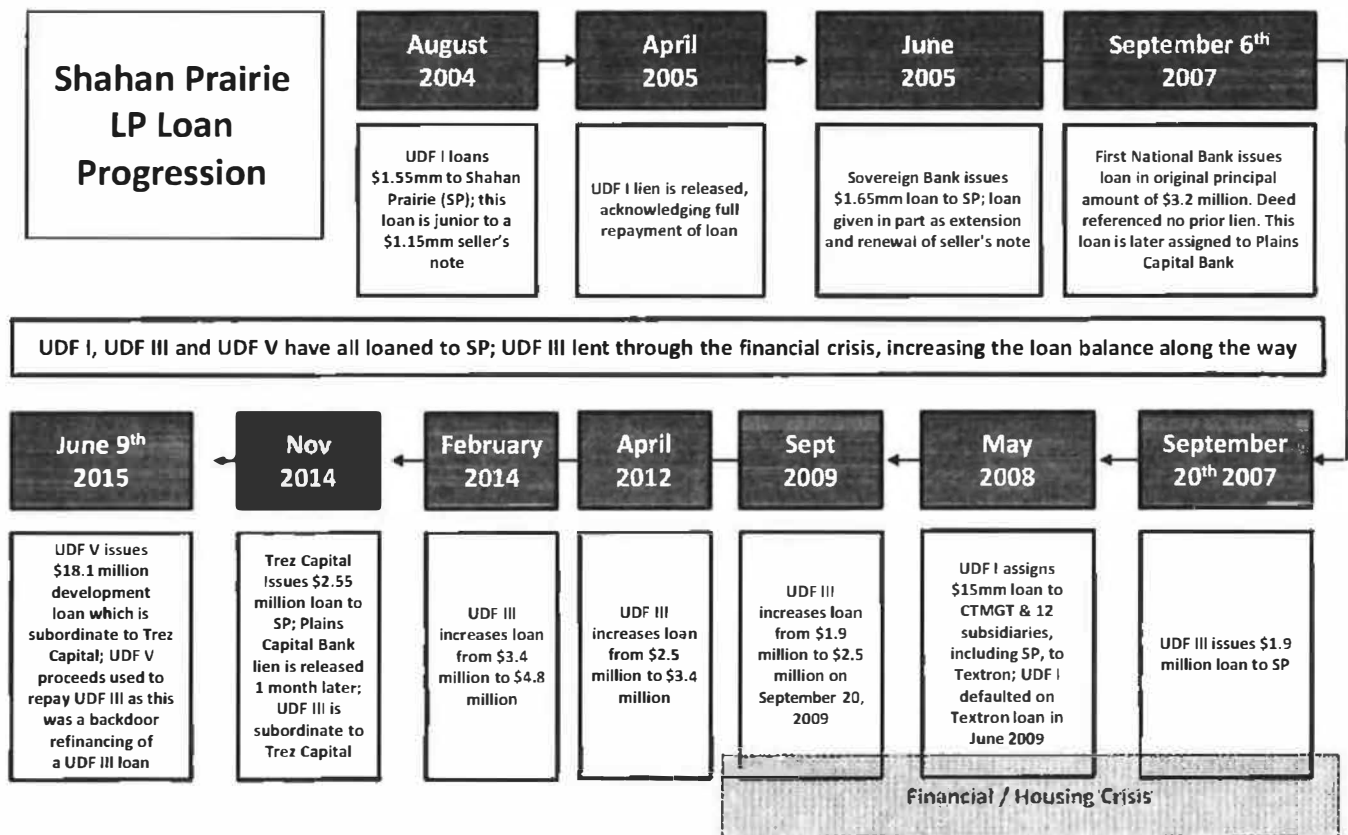
This is the land that has served as collateral for multiple UDF loans issued by various UDF entities; these pictures of the land acquired by Centurion in 2004 were taken in November 2015.



If you were a developer borrowing at interest rates of 13%, wouldn't you be developing real estate as fast as possible?

Summary of Shahan Prairie Loan Timeline

This timeline was pieced together by reviewing Denton County, Texas deed records (supporting records provided in appendix)



UDF V Enters the Picture – June 2015

On June 9, 2015, UDF V entered into a loan agreement with Shahan Prairie, LP to provide a \$18.1 million subordinate development loan on the same piece of property that previously served as the collateral for prior loans issued by both UDF I and UDF III, the same “102 acres of land in Oak Point, Denton County, Texas”.

Trez Capital's loan remains senior to UDF V's “land development loan”.

Item 1.01 Entry into a Material Definitive Agreement

Effective June 9, 2015, United Development Funding Income Fund V, a Maryland real estate investment trust (“UDF V”), entered into a loan agreement to provide a \$18,092,000 subordinate land development loan (the “Loan”) to Shahan Prairie, LP, an unaffiliated single purpose entity (“Borrower”). The Loan is evidenced and secured by a subordinate first deed of trust to be recorded against approximately 102 acres of land in Oak Point, Denton County, Texas, a promissory note, assignments of builder lot sale contracts, assignments of developer reimbursements, and other loan documents. The Loan is subordinate to a \$2,555,000 senior acquisition loan, which the Borrower intends to refinance with a new senior development loan provided by a regional bank at a later senior lender. UDF V intends to subordinate its lien to the new senior development loan. The proceeds of the Loan will be used to reimburse the land, to pay closing costs, to develop the land into single family residential lots for sale to homebuilders, and to pay senior debt service and other project costs. The annual interest rate under the Loan is the lower of 13% or the highest rate allowed by law. The Loan matures and becomes due and payable in full on June 9, 2018. During the Loan term, Borrower is required to first pay off the senior loan in full and then pay down the Loan by paying over to UDF V all net proceeds of lot sales and developer reimbursements. Payments on the Loan will be generally applied first to accrued interest, and then to principal. The loan documents contain representations, warranties, covenants, and provisions for events of default that are typical for loans of this nature. UDF V received an origination fee equal to \$180,920 at the closing of the Loan. As of June 10, 2015, UDF V had funded \$2,275,914 under the Loan.

Source: UDF V 8-K http://www.sec.gov/Archives/edgar/data/1591330/000114420415036674/v412974_8k.htm

DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (Shahan Prairie, Denton County, Texas) UDF V Loan # 9005

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this “Deed of Trust”) is entered into effective as of June 9, 2015 (the “Effective Date”) by SHAHAN PRAIRIE, LP, a Texas limited partnership (referred to herein as “Grantor”), whose mailing address for notice hereunder is 1800 Valley View Lane, Suite 300, Farmers Branch, Texas 75234, to Todd Etter, Trustee, whose mailing address is 1301 Municipal Way, Suite 200, Grapevine, Texas 76051, for the benefit of the hereinafter described Beneficiary.

Note: That certain Secured Promissory Note dated on or about the Effective Date, in the original principal amount of \$18,092,000.00, issued, executed and delivered by Borrower, payable to the order of Beneficiary, and any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or notes given in renewal, substitution or replacement thereof.

Source: Denton County Records

Borrower's Statement Confirms UDF V Funds Repay UDF III

This borrower's statement confirms that the loan issued by UDF V to Shahan Prairie LP was used to payoff a previous loan from UDF III.

UDF V's external manager also received an origination fee

BORROWER'S STATEMENT		GF7No: 150297A-VCJA
Date: June 9, 2015		
Loan From: United Development Funding Income Fund V 1301 Municipal Way, Suite 200 Grapevine, TX 76051	To: Shahan Prairie L.P. 1800 Valley View Lane Ste 200 Plano, TX 75216	
Property: 101438 in Acre in the E.A. Shahan Survey # 1204 & d 1205 and Lawson Clark Survey #311, S&E Shahan Lakeview Oak Point		
Credits/Funds Received New Loan Amount of \$18,092,000-Advanced at Closing from United Development Funding Income Fund V		\$2,279,914.20
Total		\$2,279,914.20
Less: Charges/Disbursements		
Payoff through 6-9 to United Development Funding III		\$2,000,000.00
Loan Charges to United Development Funding Income Fund V		\$180,920.00
Origination Fee (1%)		\$180,920.00
Appraisal Fee		\$1,500.00
Title Insurance to Senders Title		\$77,165.70
Stipulation to a JRP		\$69,937.00
Simultaneous WDO		\$100.00
Tax yet due/payable		\$5.00
Tax deletion		\$20.00
Revolving Line of Credit		\$50.00
Additional Charge of Title		\$238.00
MTP T/O Non-Res Endorsement		\$6,995.70
15% of Title Premium in Fidelity-Underwriter		
Fees to Senders Title		\$514.00
Escrow Fee		\$100.00
Courier/Overnight Delivery Fee		\$14.00
Filing Fees to Senders Title Recording		\$640.00
Attorney's Fees to Vasek McNulty		\$3,000.00
Attorney's Fees to Hallett & Patten, P.C.		\$8,179.50
Attorney's Fees to The Brown Law Firm, LLP		\$2,500.00
Tax Certificate to CRS Tax Service		\$37.50
Total Charges/Disbursements		\$2,279,914.20
Net Amount Due to Borrower		\$0.00

Notarized and signed by the Closing as Escrow Agent has assembled this statement representing the borrower and from the title insurance company to be given to the borrower and to the lender.

The undersigned hereby certifies that the title insurance policy is a valid and enforceable contract and that the borrower has received a copy of the title insurance policy.

UDF V Update from September 2015

When the loan was issued on June 9, 2015, only \$2.3 million was funded. As of September 8, 2015, \$4.9 million had been funded, an incremental \$2.6 million. As of a November 1, 2015 site visit, there still was no apparent development activity.

Shahan Prairie, L.P.

On June 9, 2015, we entered into a loan agreement to provide a \$18,092,000 subordinate land development loan (the Shahan Prairie Loan) to Shahan Prairie, L.P., an unaffiliated single-purpose entity (Shahan Prairie). The Shahan Prairie Loan is evidenced and secured by a subordinate lien deed of trust to be recorded against approximately 102 acres of land in Oak Point, Denton County, Texas, a promissory note, assignments of builder lot sale contracts, assignments of developer reimbursements, and other loan documents. The Shahan Prairie Loan is subordinate to a \$2,555,000 senior acquisition loan, which Shahan Prairie intends to refinance with a new senior development loan provided by a regional bank or other senior lender. We intend to subordinate our lien to the new senior development loan. The proceeds of the Shahan Prairie Loan will be used to refinance the land, to pay closing costs, to develop the land into single family residential lots for sale to homebuilders, and to pay senior debt service and other project costs. The annual interest rate under the Shahan Prairie Loan is the lower of 13% or the highest rate allowed by law. The Shahan Prairie Loan matures and becomes due and payable in full on June 9, 2018. During the Shahan Prairie Loan term, Shahan Prairie is required to first pay off the senior loan in full and then pay down the Shahan Prairie Loan by paying over to us all net proceeds of lot sales and developer reimbursements. Payments on the Shahan Prairie Loan will be generally applied first to accrued interest, and then to principal. The loan documents contain representations, warranties, covenants, and provisions for events of default that are typical for loans of this nature. We received an origination fee equal to \$180,920 at the closing of the Shahan Prairie Loan. As of September 8, 2015, we had funded \$4,853,230 under the Shahan Prairie Loan.

Source: UDF V 424B3 https://www.sec.gov/Archives/edgar/data/1591330/000114420415000043/v424b3_424b3.htm

Providing Liquidity to Affiliates – In Summary

- UDF III, UDF IV and UDF V's largest borrower, Centurion, was issued a 2nd lien loan (via Shahan Prairie) by UDF I in 2004 to acquire raw land.
- The same borrower, Centurion, and same entity, Shahan Prairie, received a loan from UDF III in 2007; this loan was modified, extended and increased at least 3 times over the next 7 years, with UDF III's lien on the land tripling over the period.
- The same borrower, Centurion, and entity, Shahan Prairie, received a loan from UDF V in 2015.
- Proceeds from the UDF V loan were partially used to repay UDF III; the collateral is still raw, undeveloped land 11 years after the initial acquisition.
- UDF V specifically states that it will not lend to affiliates or participate in loans issued by its affiliates.
- **UDF V has done explicitly what it said it would not do**; it has just done it in a very opaque way at the asset level rather than directly buying loans from its affiliates, a practice which its predecessors actively engaged.
- Half of UDF V's loans to date have been issued to UDF III and UDF IV's largest borrower, Centurion, and specifically to entities that previously (and at the time of issuance) had loans outstanding due to UDF III and UDF IV.
- The Company does not disclose this, because it appears to be engaging in activities that it claimed it would not and because it appears UDF V is the latest mechanism by which liquidity is being provided to affiliates, UDF III & UDF IV.
- Many other examples just like Shahan Prairie exist within the UDF structure (UDF III, UDF IV and UDF V); this case study was chosen as an illustrative example to highlight how capital from later UDF vintages (and new investors) is used to provide liquidity to older UDF vintages (and older investors).

APPENDIX I

Deed History Sourced from Denton County Land Records

<http://216.60.44.147/TX/Denton/D/Default.aspx>

UDF I Loan Issued to Shahan Prairie – 2004

UDF I issued a second lien to Shahan Prairie in August 2004 for \$1.55 million; this was a second lien subordinate to a seller's note of \$1.15 million.

The land that was acquired was 102.324 acres in Oak Point, Texas which is located in Denton County.

SPECIAL WARRANTY DEED

Date: August 27, 2004

Grantor: Frederick E. Olden

Grantor's Mailing Address:

30 Ashton Court
Dallas, Texas 75230

Grantee: Shahan Prairie, L.P., a Texas limited partnership

Grantee's Mailing Address:

Shahan Prairie, L.P.
3901 Airport Freeway, Suite 200
Bedford, Texas 76021

Consideration: Cash and other good and valuable consideration to the undersigned paid by the Grantee herein named, the receipt of which is hereby acknowledged and the further consideration of the execution and delivery of a first lien purchase money promissory note in the original amount of \$1,150,000.00 payable to the Grantor and being secured by a vendor's lien herein and further secured by a Deed of Trust of even date to David B. Baxter, Trustee and in consideration of the execution and delivery of a second lien purchase money promissory note in the original amount of \$1,450,000.00 payable to United Development Funding, L.P., a Nevada Limited partnership and being secured by a subordinate vendor's lien herein and further secured by a second lien Deed of Trust of even date to Hollis Greenlaw, Trustee.

Property (including any improvements): Being a 102.324 acre tract of land situated in the E.A. Shahan Survey, Abstract No. 1204; E.A. Shahan, Abstract No. 1205 and the Lawson Clark Survey, Abstract 311, Denton County, Texas and being more particularly described by metes and bounds on

Source: Denton County Records

UDF I Loan to Shahan Prairie Assigned to Textron – 2008

On May 1st 2008, UDF issued a secured promissory note in the amount of \$15 million to CTMGT and 12 CTMGT subsidiaries, including Shahan Prairie, LP

On May 7th 2008, this loan was assigned to Textron Financial Corporation.

On June 14th 2009, UDF defaulted on its loan to Textron.

ASSIGNMENT OF SECURED PROMISSORY NOTE, DEED OF TRUST AND LOAN DOCUMENTS CTMGT, LLC

For and in consideration of the sum of one dollar (\$1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, UNITED DEVELOPMENT FUNDING, L.P., a Delaware limited partnership ("Assignor"), whose mailing address is 1812 Cindy Lane, Suite 208, Bedford, Texas 76021, does hereby, through its duly appointed and authorized officers, bargain, sell, give, grant, convey, transfer, set over and assign, WITHOUT RECOURSE, to TEXTRON FINANCIAL CORPORATION, its successors and assigns, all of Assignor's rights, title and interest in, to and under the following instruments and documents:

- (i) that certain Secured Promissory Note, dated effective as of May 1, 2008, executed by CTMGT, L.L.C., a Texas limited liability company ("Borrower"), and Shahan Prairie, LP, a Texas limited partnership, One Woodland Springs, Ltd., a Texas limited partnership, One Prairie Meadows, Ltd., a Texas limited partnership, 287 Waxahatchie, L.P., a Texas limited partnership, W.S. Mineral Holdings, L.L.C., a Texas limited liability company, State-114, L.P., a Texas limited partnership, 261 CW Springs, L.P., a Texas limited partnership, Valencia on the Lake, L.P., a Texas limited partnership ("Valencia"), One SR, L.P., a Texas limited partnership, Two SR, L.P., a Texas limited partnership, CTMGT Sanger, L.L.C., a Texas limited liability company, and CTMGT Coppell L.L.C., a Texas limited liability company (the "Subsidiaries") and in favor of Assignor in the original principal amount of Fifteen Million and no/100 Dollars (\$15,000,000.00) (the "Note"). The continuing indebtedness of Valencia to Assignor formerly

Source: Denton County Records

The UMT Loan is subordinate to UDF Senior Debt, which includes a line of credit provided by Textron Financial Corporation in the amount of \$30,000,000, and all other indebtedness of UDF to any national or state chartered banking association or other institutional lender that is approved by UMT in writing. On June 14, 2009, the Textron loan agreement matured and became due and payable in full. The loan is in default and as of December 31, 2009 the outstanding balance owing to Textron under the Textron loan agreement was approximately \$26,242,000. Effective August 15, 2009, Textron and UDF entered into a Forbearance Agreement pursuant to which Textron agreed to forbear in exercising its rights and remedies under their loan agreement until November 15, 2009. Pursuant to a second amendment to the Forbearance Agreement, effective March 1, 2010, the forbearance period has been extended to June 30, 2010; provided, that the forbearance period will end earlier if UDF otherwise defaults under the Forbearance Agreement. Management understands that UDF intends to continue to make payments on the Textron loan and does not believe that the repayment of the Textron debt will have a material adverse effect on UDF III's participation in the Company's subordinate line of credit to UDF.

Source: United Mortgage Trust 10-K (12.31.09)

[illegible]

UDF III Deed of Trust – Further Increased 2012

On April 1, 2012, UDF III's loan to Shahan Prairie was further increased from \$2.5 million to \$3.37 million.

EXHIBIT "A"

BEING A 16148 ACRE TRACT OF LAND SITUATED IN THE E.A. SHAHAN SURVEY, ABSTRACT NO. 1181, E.A. SHAHAN SURVEY, ABSTRACT NO. 1185, AND THE LAWSON CLARK SURVEY, ABSTRACT NO. 111, DENTON COUNTY, TEXAS, AND BEING PART OF A CALLED 162314 ACRE TRACT OF LAND, CONVEYED TO SHAHAN PRAIRIE, L.P. BY DEED RECORDED IN INSTRUMENT 2634.125425 REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS, AND BEING ALL OF A 42167 ACRE TRACT OF LAND KNOWN AS SHAHAN LAKEVIEW ADDITION, PHASE I, AN ADDITION TO THE CITY OF OAK POINT, AS RECORDED IN CARRANT X, PAGE 542, PLAT RECORDS, DENTON COUNTY, TEXAS, SAID 16148 ACRE TRACT, WITH BEARING BASIS BEING GRID NORTH, TEXAS STATE PLANE COORDINATE SYSTEM RADCS (CRS), NAD83, ZONE 4202 BASED ON GPS MEASUREMENTS ON JULIAN DAY 389, 2004 FROM COLLINS COUNTY CORNERS (JUN DE6662), DENTON CORNERS (JUN DE6662) AND ARLINGTON 11922 CORNERS (JUN DE6662), BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

Source: Denton County Records

SHAHAN PRAIRIE, L.P., a Texas limited partnership,
Grantor,

TODD ETTER, Trustee,

and

UNITED DEVELOPMENT FUNDING III, L.P.,
a Delaware limited partnership

DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
(Denton County, Texas)

This instrument affects certain real and personal property
located in Denton County, State of Texas.

Note: That certain Secured Preliminary Note dated on or about September 20, 2007, issued by Borrower and payable to the order of Beneficiary in the amount of \$1,897,260.00, as increased to \$2,500,000.00 pursuant to that certain First Loan Modification Agreement dated effective as of September 20, 2009, as further increased to \$3,370,000.00 pursuant to that certain Special Loan Modification Agreement dated effective as of April 1, 2012, and any and all renewals, modifications, reassignments, replacements, extensions, or extensions of such preliminary note or of any preliminary note or notes given in renewal, substitution or replacement thereof.

UDF III Deed of Trust – Further Increased 2014

On February 27, 2014, UDF III issued a second junior loan to Shahan Prairie in the amount of \$1.39 million, “the Supplemental Junior Note”.

Including the “Original Junior Note” in the amount of \$3.37 million, the total amount of promissory notes from UDF III to Shahan Prairie was \$4.76 million as of February 2014.

The loan was also extended to March 6, 2015.

TRACT 1:

BEING A 161.438 ACRE TRACT OF LAND SITUATED IN THE E.A. SHAHAN SURVEY, ABSTRACT NO. 1204, E.A. SHAHAN SURVEY, ABSTRACT NO. 205, AND THE LAWSON CLARK SURVEY, ABSTRACT NO. 211, DENTON COUNTY, TEXAS, AND BEING PART OF A CALLED 102.524 ACRE TRACT OF LAND, CONVEYED TO SHAHAN PRAIRIE, L.P. BY DEED RECORDED IN INSTRUMENT 2004-125495 REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS, AND BEING ALL OF A 49.187 ACRE TRACT OF LAND KNOWN AS SHAHAN LAKEVIEW ADDITION, PHASE 1, AN ADDITION TO THE CITY OF OAK POINT, AS RECORDED IN CABINET X, PAGE 562, PLAT RECORDS, DENTON COUNTY, TEXAS, SAID 161.438 ACRE TRACT, WITH BEARING BASES BEING GRID NORTH, TEXAS STATE PLANE COORDINATE SYSTEM NAD83 (GCS: NORTH CENTRAL ZONE 12N) BASED ON GPS MEASUREMENTS ON JULIAN DAY 326, 2004 FROM COLLIN COUNTY CORS ARP (PIN DF8352), DENTON CORS ARP (PIN DF8596) AND ARLINGTON RRP2 CORS ARP (PIN DF8355), BEING MORE PARTICULARLY DESCRIBED BY ARTICLES AND BOUNDS AS FOLLOWS:

Source: Denton County Records

SHAHAN PRAIRIE, LP,
a Texas limited partnership
("Grantor"),

TODD ETTER,
("Trustee"),

and

UNITED DEVELOPMENT FUNDING III, L.P.,
a Delaware limited partnership
("Beneficiary")

B. On or about September 20, 2007, Borrower executed that Secured Promissory Note in the original principal amount of \$1,897,200, dated effective as of September 20, 2007 payable to the order of Junior Lender (as modified by that certain First Loan Modification Agreement, dated September 20, 2009, which among other things increased the face amount of the Secured Promissory Note to \$2,500,000, that certain Second Loan Modification Agreement, dated as of April 1, 2012, which among other things increased the face amount of the Secured Promissory Note to \$5,373,000, that certain Third Loan Modification Agreement, dated as of March 6, 2013, that certain Fourth Loan Modification Agreement, dated as of February 27, 2014, and filed of record as Document Number 2014-14386 in the Real Property Records of Denton County, Texas, and the certain Fifth Loan Modification Agreement dated as of the date hereof, the "Original Junior Note"), that Secured Promissory Note in the original principal amount of \$1,897,200 dated as of February 27, 2014 (the "Supplemental Junior Note" and together with the Original Junior Note, the "Junior Note"), all evidencing together with all other amounts due and payable under other Junior Loan Documents (as hereinafter defined); a loan (together with the Junior Note, the "Junior Loan") from Junior Lender to Borrower for the purpose of partially funding the initial acquisition and development of the Land, which Junior Loan is secured by, among other things, (i) that certain Deed of Trust, Security Agreement and Fixture Filing (Financing Statement) dated effective as of September 20, 2007, executed by Borrower in favor of Junior Lender covering the Land (as the same may hereafter be amended, extended, restated, supplemented, increased, consolidated, renewed or otherwise modified or replaced from time to time, the "Original Junior Deed of Trust"), and filed of record as Document Number 2007-126557 in the Real Property Records of Denton County, Texas creating a lien on the Land, (ii) that certain Deed of Trust, Security Agreement and Fixture Filing (Financing Statement) dated effective as of November 6, 2009, executed by Borrower in favor of Junior Lender covering the Land (as the same may hereafter be amended, extended, restated, supplemented, increased, consolidated, renewed or otherwise modified or replaced from time to time, the "First Supplemental Junior Deed of Trust"), and filed of record as Document Number 2009-131261 in the Real Property Records of Denton County, Texas

Trez Capital Enters the Picture – Later in 2014

On November 4, 2014, Trez Capital issued a promissory note in the amount of \$2.55 million to Shahan Prairie, LP on the same piece of property.

Trez Capital's loan is senior to UDF III's notes (the Junior Notes).

On December 5, 2014, PlainsCapital Bank released a lien with an original principal amount of \$3.2 million (theoretically refinanced by Trez Capital).

THIS SUBORDINATION AGREEMENT (the "Agreement") is made to be effective as of the 3rd day of November, 2014, by and among TREZ CAPITAL FUNDING II, LLC, a Delaware limited liability company, as Administrative Agent for TREZ CAPITAL (2014) CORPORATION, a British Columbia corporation (together with its successors and assigns are hereinafter referred to as the "Beneficiary"), and SHAHAN PRAIRIE, LP, a Delaware limited partnership (the "Debtor").

TRACT 1

BEING A SEVERAL TRACT OF LAND SITUATED IN THE P.A. SHAHAN SURVEY, ABSTRACT NO. 104, 1st 1/4, SHAHAN SURVEY, ABSTRACT NO. 104, AND THE LARSON CO. SUBDIVISION, ABSTRACT NO. 104, HOGAN COUNTY, IOWA, AND BEING PART OF A 1/4 SECTION 10, TOWNSHIP 36 NORTH, RANGE 12 WEST, PLAT 125465 REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS, SAID 101.48 ACRE TRACT, WITH BEARING BASIS BEING GRID NORTH, TEXAS STATE PLANE COORDINATE SYSTEM, 1983, NORTH CENTRAL ZONE, 125465 REAL PROPERTY RECORDS, BEING MORE PARTICULARLY DESCRIBED BY DEEDS AND BOUNDS AS FOLLOWS:

Source: Denton County Records

DEED OF TRUST
(WITH SECURITY AGREEMENT)

STATE OF TEXAS
COUNTY OF DENTON

KNOW ALL MEN BY THESE PRESENTS:

That SHAHAN PRAIRIE, LP, a limited liability partnership ("Grantor"), having its principal place of business at 1800 Valley View Lane, Suite 300, Farmers Branch, 75234, for and in consideration of the obligations hereinafter described, has granted, conveyed, sold and conveyed, and by these presents does grant, bargain, sell and convey unto Collateral Services, Inc. ("Beneficiary"), whether one or more of its trusts to accept and assign to, for the benefit and security of TREZ CAPITAL (2014) CORPORATION, a corporation created under the laws of British Columbia ("Beneficiary"), having its principal place of business at 1185 West Georgia Street, Suite 1550, Vancouver, B.C. V6E 2E9, all and singular the property hereinafter described and situated in Denton County, Texas:

(a) That certain land (the "[Land]") described on Exhibit "A" attached hereto and incorporated herein, subject to, however, those, but only those, exceptions more specifically described on Exhibit "B" attached hereto and hereinafter more collectively, the "Permitted Exceptions";

(b) All rights, titles, interests, claims, reversion and successors now owned or hereafter acquired by Grantor or any of the Land and be and to the other properties covered hereby;

(c) All improvements now or hereafter located on the Land (all of the foregoing being collectively referred to as the "Mortgaged Property").

To have and to hold the Mortgaged Property unto Trustee, and Trustee's successors in this trust and Trustee's assigns, forever, and Grantor does hereby bind itself, its respective successors and assigns to warrant and forever defend the title to the Mortgaged Property, or any part thereof, unto Trustee and Trustee's successors and assigns, against all persons whomsoever claiming or to claim the same or any part thereof.

1. Shahan Prairie, LP. This agreement is made in trust, however, to secure payment and performance of Grantor's obligations (collectively the "[Obligations]") or fulfill, in part, that certain Promissory Note of even date herewith ("Note") in the original principal amount of \$2,550,000 executed by Grantor and payable to the order of Beneficiary and finally maturing on the "Maturity Date" provided herein (unless maturity is sooner accelerated pursuant to the terms of the Note or this Deed of Trust); (b) the Trust of Trust (with Security Agreement) (this "Deed of Trust"); and (c) the Environmental Liabilities Agreement, or even those between Grantor and Agent, and (d) all other documents evidencing, securing or related in any manner to the loan evidenced Note (collectively, the "Loan Documents") (together with all renewals, extensions, reamortizations, modifications and/or restatements of such Obligations). The loan evidenced by the Note and secured by this Deed of Trust is referred to herein as the

UDF V Enters the Picture – June 2015

On June 9, 2015, UDF V entered into a loan agreement with Shahan Prairie, LP to provide a \$18.1 million subordinate development loan on the same piece of property, “102 acres of land in Oak Point, Denton County, Texas”.

Trez Capital’s loan remains senior to UDF V’s “land development loan”.

Item 1.01 Entry into a Material Definitive Agreement.

Effective June 9, 2015, United Development Funding Income Fund V, a Maryland real estate investment trust (“UDF V”), entered into a loan agreement to provide a \$18,092,000 subordinate land development loan (the “Loan”) to Shahan Prairie, L.P., an unaffiliated single-purpose entity (“Borrower”). The Loan is evidenced and secured by a subordinate deed of trust to be recorded against approximately 102 acres of land in Oak Point, Denton County, Texas, a promissory note, assignments of builder sale contracts, assignments of developer reimbursements, and other loan documents. The Loan is subordinate to a \$2,555,000 senior acquisition loan, which the Borrower intends to refinance with a new senior development loan provided by a regional bank or other senior lender. UDF V intends to subordinate its lien to the new senior development loan. The proceeds of the Loan will be used to refinance the land, to pay closing costs, to develop the land into single family residential lots for sale to homebuilders, and to pay senior debt service and other project costs. The annual interest rate under the Loan is the lower of 13% or the highest rate allowed by law. The Loan matures and becomes due and payable in full on June 9, 2018. During the Loan term, Borrower is required to first pay off the senior loan in full and then pay down the Loan by paying over to UDF V all net proceeds of lot sales and developer reimbursements. Payments on the Loan will be generally applied first to accrued interest, and then to principal. The loan documents contain representations, warranties, covenants, and provisions for events of default that are typical for loans of this nature. UDF V received an origination fee equal to \$180,920 at the closing of the Loan. As of June 10, 2015, UDF V had funded \$2,279,914 under the Loan.

DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (Shahan Prairie, Denton County, Texas) UDF V Loan # 9005

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this “*Deed of Trust*”), is entered into effective as of June 9, 2015 (the “*Effective Date*”), by SHAHAN PRAIRIE, LP, a Texas limited partnership (referred to herein as “*Grantor*”), whose mailing address for notice hereunder is 1809 Valley View Lane, Suite 300, Farmers Branch, Texas 75234, to Todd Eiter, Trustee, whose mailing address is 1301 Municipal Way, Suite 200, Grapevine, Texas 76051, for the benefit of the hereinafter described Beneficiary.

Note: That certain Secured Promissory Note dated on or about the Effective Date, in the original principal amount of \$18,092,000.00, issued, executed and delivered by Borrower, payable to the order of Beneficiary, and any and all renewals, modifications, rearrangements, reinstatements, enlargements, or extensions of such promissory note or of any promissory note or notes given in renewal, substitution or replacement thereof.

Source: UDF V 8 K http://www.sec.gov/Archives/edgar/data/1591330/000114420415036674/v41297d_8k.htm

UDF III Releases Lien – June 2015

UDF III released its lien on the Shahan Prairie land on the same date that UDF V issued a loan to Shahan Prairie, June 9, 2015.

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

RELEASE OF LIEN
(UDF III Loan – Shahan Prairie)

Date: June 9, 2015

Holder of Note and Lien: United Development Funding III L.P., a Delaware limited partnership

Holder's Mailing Address: 1301 Municipal Way, Suite 200
Grapevine, Tarrant County, Texas 76051

Note: Date: April 1, 2012

Original principal amount: \$3,700,000.00

Borrower: Shahan Prairie L.P., a Texas limited partnership

Lender: United Development Funding III, L.P., a Delaware limited partnership

Note and Lien Are Described in the Following Documents (the "Security Document"):

Deed of Trust made by Borrower, as the Grantor hereunder, to Todd Eater, Trustee, for the benefit of Lender, dated April 1, 2012, recorded in the Real Property Records of Denton County, Texas, as instrument number 2012-46449.

Property to Be Released from Lien ("Released Property"): The Property legal described on the Exhibit "A" hereto as being a portion of the land being released from the lien.

For good and valuable consideration, the Released Property is hereby released from the lien of the Security Document.

When the context requires, singular nouns and pronouns include the plural.

[SIGNATURE APPEARS ON THE FOLLOWING PAGE]

Source: Denton County Records