

Message

From: Chris Kirkpatrick [CK@haymancapital.com]
Sent: 6/12/2015 6:13:16 PM
To: David Whipple [WhippleDa@SEC.GOV]; Keith J. Hunter [HunterK@SEC.GOV]
Subject: Fwd: UDF V Loan - 6.9.15
Attachments: UDF V Loan Issued 6.9.15.pdf; ATT00001.htm; image001.jpg; ATT00002.htm

Here the presentation that I referenced in my voicemail. Let me know if you would like to set up a call to have Parker walk you through it.

Begin forwarded message:

From: "Parker Lewis" <PL@haymancapital.com<mailto:PL@haymancapital.com>>
To: "Chris Kirkpatrick" <CK@haymancapital.com<mailto:CK@haymancapital.com>>
Subject: UDF V Loan - 6.9.15

Chris - see attached, this our review of the latest loan issued by UDF V. The entity which received the loan is a Mehrdad Moayedi entity. I reviewed the deed history and UDF III has or had (prior to this loan from UDF V) a \$4.8 million second lien loan to the same entity that was issued pre-financial crisis (2007) and has continued to grow for the past 7-8 years. In addition to attached analysis of the history of this entity and various loans, I also included a link to the UDF V 8-K that was put out yesterday. I'm going to look at the property this afternoon but let's not delay sending.

http://www.sec.gov/Archives/edgar/data/1591330/000114420415036674/v412974_8k.htm

[cid:image001.jpg@01C84251.44A3D170]

Parker Lewis
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**Shahan Prairie:
UDF V Development Loan
June 2015**

FOIA CONFIDENTIAL TREATMENT
REQUESTED BY KATTEN LLP

Shahan Prarier – A Centurion American Development

Shahan Prairie Estates

SHAHAN PRAIRIE

County: Dallas - Fort Worth, Denton County; Location: Price Ranges: Raw Land, Single Family; Starting From \$150K [View](#)

[View On Map](#)

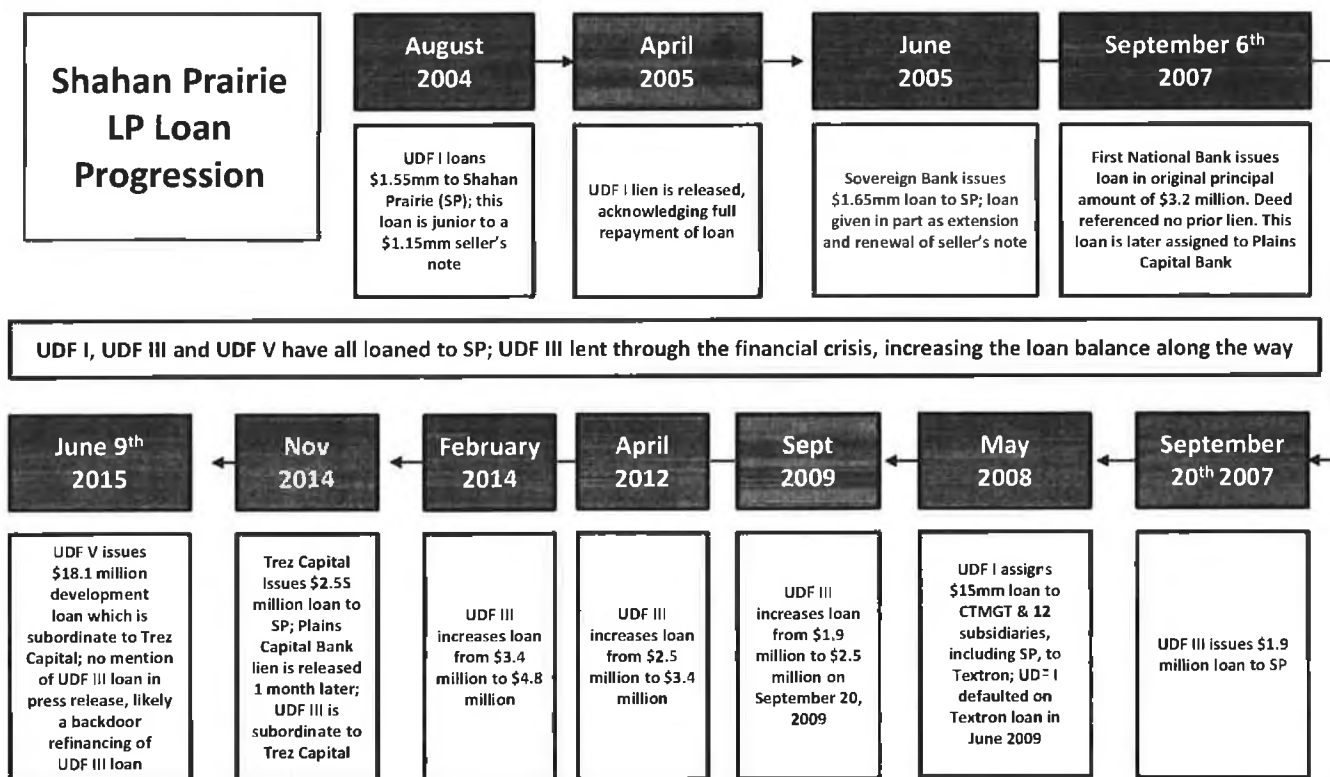
Shahan Prairie Estates in Denton County, Texas will be located on 100 acres in Denton County, Texas. It is a gated and partially-gated Phase I of the project includes Lake Leander with many of the best fishing spots. There is a new elementary school on the site. There are also the project within the Little Elm School District. The new Lake Leander toll bridge allows the property to easily access both I-35E, Dallas-Denton corridor and DFW Airport compliance that will.

Shahan Prairie Estates is located on the north side of Lake Leander (the north side of the Dallas-Denton Road) and is east of I-35E.

UDF I originally loaned to Shahan Prairie (Mehrdad Moayed) as a junior lender in 2004; UDF III entered the picture in 2007, extending and increasing its loan through the financial / housing crisis (the latest increase coming in 2014); UDF V is the latest to enter the picture, issuing a \$18.1 million subordinate development loan on June 9, 2015



Shahan Prairie Loan Timeline



UDF I Loan 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

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 \$1,550,000.00 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

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 300, 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 Waxahachie, L.P., a Texas limited partnership, W.S. Mineral Holdings, LLC, a Texas limited liability company, Shale-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, LLC, a Texas limited liability company, and CTMGT Cupell LLC, 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

UDF III Deed of Trust – Issued 2007, Increased 2009

On September 20th 2007, UDF III issued a secured promissory note in the amount of \$1.9 million to Shahan Prairie, LP.

On September 20th 2009, this loan was increased to \$2.5 million.

The land that secured the loan was "101.438 acres tract...being a part of a called 102.324 acre tract of land.

DEED OF TRUST, SECURITY AGREEMENT AND FUTURE PLEDGING (FINANCING STATEMENT)

SHAHAN PRAIRIE, LP, a Texas limited partnership ("Grantor"), in order to secure the payment of any indebtedness hereinafter referred to and the performance of the obligations, covenants, agreements, and undertakings of Grantor hereinafter defined, does hereby GRANT, BARGAIN, SELL, CONVEY, TRANSFER, ASSIGN and SET OVER to FODD ETTER, "Trustee" for the benefit of UNITED DEVELOPMENT FUNDING III, LP, a Delaware limited partnership (hereinafter referred to as "Beneficiary" or "Grantee" or "Lender"), the land described in Exhibit "A" attached to this Deed of Trust and made a part hereof, together with (a) all the buildings and other improvements now on or that may be placed hereon on such land during the existence of this lien, (b) Grantor's rights and interests in all fixtures or other property now or hereafter attached to, installed in, or used in connection with the buildings and other improvements now created or hereafter to be created on such land, (c) Grantor's rights and interests in all easements and rights of way used in connection with any of the foregoing property or as a means of ingress to or egress from such property, (d) Grantor's rights and interests in any streets, ways, alleys and strips of land adjoining such land or any part thereof; and (e) all rights, estates, powers and privileges appurtenant or incident to the foregoing.

TO HAVE AND TO HOLD the foregoing property (herein called the "Property") unto the Trustee and his successors or substitutes in this trust; and to all of their successors and assigns, IN TRUST, however, upon the terms, provisions and conditions herein set forth.

ARTICLE I Secured Indebtedness

1. Secured Indebtedness. This Deed of Trust, Security Agreement and Future Pledge (Financing Statement) (this "Deed of Trust") is made to secure and enforce the payment of (a) that certain Secured Promissory Note (collectively, and together with all other notes, in any substitution, renewal and together with all amendments, modifications, increases, renewals and/or extensions thereof, the "Note") issued by Grantor (also referred to herein as the "Borrower") and payable to the order of Lender, dated

September 20, 2007, in the principal amount of One Million Eight Hundred Ninety Seven Thousand Two Hundred and NOY100 Dollars (\$1,897,200.00) as increased by Two Million Five Hundred Thousand and NOY100 Dollars (\$2,500,000.00), occasioned by that certain First Lien Modification Agreement dated effective as of September 20, 2009 to Grantor, with principal and interest being payable as therein provided, with interest on the outstanding principal balance of the Note to be charged at the interest rates hereinafter provided, and containing a provision for the payment of certain other fees, including retroactive attorneys' fees, and (b) all other obligations of Borrower to Lender of any kind or nature, including without limitation, all such obligations arising under the Note and the other Loan Documents (as such term is defined in the Note). The indebtedness referred to in this Section 1.1 is hereinafter sometimes called the "secured indebtedness" or the "indebtedness secured hereby." **THE AMOUNT OF THE LIEN EVIDENCED AND CREATED BY THIS DEED OF TRUST WHICH IS INSURED BY A TEXAS MORTGAGEE POLICY OF TITLE INSURANCE ON FORM T-2 IS \$602,800.00.** Capitalized terms not defined herein shall have the respective meanings given to such terms in the Note.

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY

BEING A 101.438 ACRE TRACT OF LAND SITUATED IN THE E.A. SHAHAN SURVEY, ABSTRACT NO. 1284, E.A. SHAHAN SURVEY, ABSTRACT NO. 1205, AND THE LAWSON CLARK SURVEY, ABSTRACT NO. 311, DENTON COUNTY, TEXAS, AND BEING PART OF A CALLED 102.324 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 542, PLAT RECORDS, DENTON COUNTY, TEXAS, SAID 101.438 ACRE TRACT, WITH BEARING BASIS BEING GRID NORTH, TEXAS STATE PLANE COORDINATE SYSTEM NAD83 (CORS), NORTH CENTRAL ZONE 4202 BASED ON GPS MEASUREMENTS ON JULIAN DAY 329, 2004 FROM COLLIN COUNTY CORS ARP (PIN DF8982), DENTON CORS ARP (PIN DF8986) AND ARLINGTON RRP2 CORS ARP (PIN DF5387), BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

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.

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

TODD EYER, Trustee,

and

UNITED DEVELOPMENT FUNDING III, LP,
a Delaware limited partnership

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

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

EXHIBIT "A"

BEING A 101.438 ACRE TRACT OF LAND SITUATED IN THE E.A. SHAHAN SURVEY, ABSTRACT NO. 1204, E.A. SHAHAN SURVEY, ABSTRACT NO. 1205, AND THE LAWSON CLARK SURVEY, ABSTRACT NO. 311, DENTON COUNTY, TEXAS, AND BEING PART OF A CALLED 101.324 ACRE TRACT OF LAND, CONVEYED TO SHAHAN PRAIRIE, L.P. BY DEED RECORDED IN INSTRUMENT 2694-125495 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 542, PLAT RECORDS, DENTON COUNTY, TEXAS. SAID 101.438 ACRE TRACT, WITH BEARING BASIS BEING GRID NORTH, TEXAS STATE PLANK COORDINATE SYSTEM NAD83 (CORS), NORTH CENTRAL ZONE 4202 BASED ON GPS MEASUREMENTS ON JULIAN DAY 329, 2004 FROM COLLIN COUNTY CORS ARP (PIN DF8982), DENTON CORS ARP (PIN DV9086) AND ARLINGTON IRP2 CORS ARP (PIN DF5387), BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

Note: That certain Secured Promissory Note dated on or about September 20, 2007, issued by Borrower and payable to the order of Beneficiary in the amount of \$1,897,200.00, 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 \$3,379,000.00 pursuant to that certain Second Loan Modification Agreement dated effective as of April 1, 2012, 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.

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.

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 \$3,370,000, 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 2014-24585 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 \$1,390,000.00 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 2007-120597 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

TRACT 1:

BEING A 101.438 ACRE TRACT OF LAND SITUATED IN THE E.A. SHAHAN SURVEY, ABSTRACT NO. 1214, E.A. SHAHAN SURVEY, ABSTRACT NO. 1295, AND TIFP LAWSON CLARK SURVEY, ABSTRACT NO. 311, DENTON COUNTY, TEXAS, AND BEING PART OF A CALLED 102.424 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 542, PLAT RECORDS, DENTON COUNTY, TEXAS, SAID 101.438 ACRE TRACT, WITH BEARING BASIS BEING GRID NORTH, TEXAS STATE PLANE COORDINATE SYSTEM NAD83 (CORR), NORTH CENTRAL ZONE 4202 BASED ON GPS MEASUREMENTS ON JULIAN DAY 329, 2004 FROM COLLIN COUNTY CORRS ARP (PIN DE9882), DENTON CORRS ARP (PIN DP8986) AND ARLINGTON RRP2 CORRS ARP (PIN DF5387), BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

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 14th day 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 "Senior Lender"; UNITED DEVELOPMENT FUNDING III, LP, a Delaware limited partnership hereinafter referred to as the "Junior Lender"; and SHAHAN PRAIRIE, LP, a Texas limited partnership ("Borrower").

TRACT 1:

BEING A 101.458 ACRE TRACT OF LAND SITUATED IN THE E-A SHAHAN SURVEY, ABSTRACT NO. 1204, E-A SHAHAN SURVEY, ABSTRACT NO. 1205, AND THE LAWSON CLARK SURVEY, ABSTRACT NO. 311, DENTON COUNTY, TEXAS, AND BEING PART OF A CALLED 102.324 ACRE TRACT OF LAND, CONVEYED TO SHAHAN PRAIRIE, L.P. BY DEED RECORDED IN COUNTY CLERK'S FILE NO. 2004-125495 REAL PROPERTY RECORDS, DENTON COUNTY, TEXAS, SAID 101.438 ACRE TRACT, WITH BEARING BASIS BEING GRID NORTH TEXAS STATE PLANE COORDINATE SYSTEM NAD83 (GCRS), NORTH CENTRAL ZONE 4202 BASED ON GPS MEASUREMENTS ON JULIAN DAY 329, 2004 FROM COLLIN COUNTY GCRS ARP (PIN DE8982), DENTON GCRS ARP (PIN DF8986) AND ARLINGTON RRP2 GCRS ARP (PIN DF5387), BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS:

Deed Title
No. 14 00850-1090

DEED OF TRUST (WITH SECURITY AGREEMENT)

STATE OF TEXAS

COUNTY OF DENTON

KNOW ALL MEN BY THESE PRESENTS:

That SHAHAN PRAIRIE, L.P., a Texas limited partnership ("Grantor"), having its principal place of business at 1860 Valley View Lane, Suite 300, Farmers Branch, 75234, for and in consideration of the obligations hereinafter described, has granted, bargained, sold and conveyed, and by these presents does grant, bargain, sell and convey unto Collateral Services, Inc. ("Trustee", whether one or more), and to his successors and assigns forever, for the benefit and security of TREZ CAPITAL (2014) CORPORATION, a corporation formed under the laws of British Columbia ("Beneficiary") having its principal place of business at 1155 West Georgia Street, Suite 1550, Vancouver, B.C., V6E 4E6, 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 incorporated herein (collectively, the "Permitted Exceptions")

(b) All rights, titles, interests, estates, reversions and remainders now owned or hereafter acquired by Grantor in and to the Land and in 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. Obligations Secured. This conveyance is made in trust, however, to secure payment and performance of Grantor's obligations (collectively the "Obligations") set forth in: (a) that certain Promissory Note of even date herewith ("Note") in the original principal amount of \$2,555,000 executed by Grantor and payable to the order of Beneficiary and finally maturing on the "Maturity Date" provided therein (unless maturity is sooner accelerated pursuant to the terms of the Note of this Deed of Trust); (b) this Deed of Trust (with Security Agreement) (this "Deed of Trust"); and (c) the Environmental Liabilities Agreement, of even date herewith 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, rearrangements, 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 – 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.

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

The electronic copies of the deed of trust and any releases of liens have not yet been filed; as such, it is difficult to determine the status of UDF III's loan.

However, it is interesting that UDF V's press release mentions Trez Capital's loan but that it doesn't mention UDF III's loan.

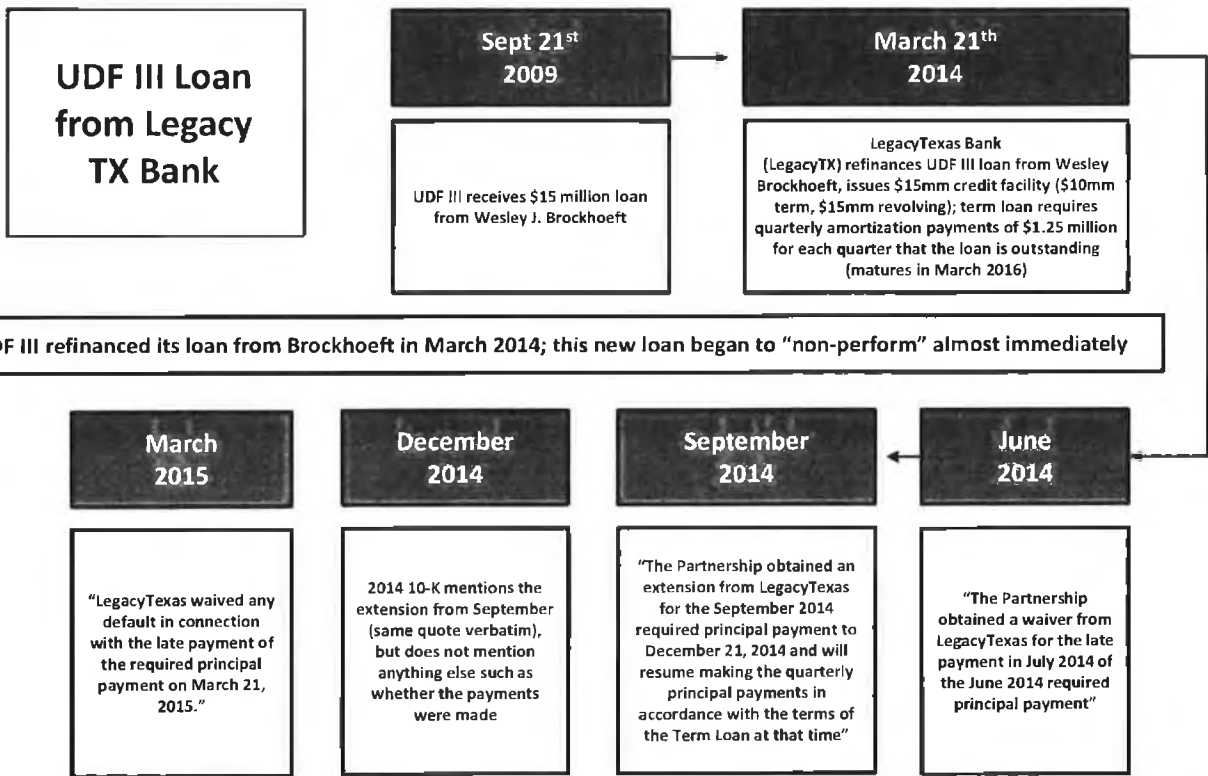
\$18.1 million is way too much to develop 102 acres, which begs the recurring question of "Where is the money going?"

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 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 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 \$2,779,913 under the Loan.

Source: UDF V 8-K http://www.sec.gov/Archives/edgar/data/1591330/000110420415016674/w432974_8k.htm

While UDF III CANNOT Make Timely Payments to Bank...



Source: UDF III 10Ks & 10Qs

UDF III Disclosure on Legacy Texas Bank Credit Facility

This is the specific disclosure from UDF III's March 31, 2015 10Q that highlights 1) a late payment on its latest required principal payment and 2) the fact that its revolving credit facility matures on June 21, 2015.

Legacy TX Credit Facility

On March 21, 2014, the Partnership entered into a loan agreement with Legacy Texas Bank ("Legacy Texas") pursuant to which Legacy Texas provided the Partnership with an aggregate credit facility of up to \$150 million (the "Legacy TX Credit Facility") consisting of a term loan in the original principal amount of \$100 million (the "Term Loan") and a revolving line of credit in the maximum principal amount of \$50 million (the "Legacy Line of Credit"). The interest rate on the Term Loan is equal to 6% per annum, and the interest rate on the Legacy Line of Credit is equal to the greater of (1) the prime rate plus 1% per annum, or (2) 6% per annum (6% at March 31, 2015). Accrued interest on the outstanding principal amount of the Legacy TX Credit Facility is payable monthly. The Term Loan requires the Partnership to make quarterly principal payments in the amount of \$1.25 million on March 21, June 21, September 21 and December 21 of each

http://www.sec.gov/Archives/edgar/data/1357320/001442041303133440342_10q.htm

2109

210923

http://www.sec.gov/Archives/edgar/data/1357320/001442041303133440342_10q.htm

state that the Term Loan is outstanding. Legacy Texas waived any default in connection with the late payment of the required principal payment on March 21, 2015.

The Legacy TX Credit Facility is secured by a first priority lien on all of the Partnership's existing and future assets. The Term Loan requires, as of March 21, 2015, the liquidation of Legacy Texas as a result of the Term Loan's maturity and the full commitment fee in the amount of \$100,000, which is being amortized over the life of the Term Loan. The Legacy Line of Credit matures on June 21, 2015, as amended in connection with Legacy Texas operating the Legacy Line of Credit, the Partnership and the bank's commitment fee in the amount of \$50,000, which is being amortized over the life of the Legacy Line of Credit. In conjunction with the Legacy TX Credit Facility, the Partnership also paid UMTIII General Services, LP ("General Services"), a Delaware limited partnership, a debt placement fee equal to 1% (510,000) of the Legacy TX Credit Facility, which will be amortized over the lives of the Term Loan and the Legacy Line of Credit. General Services and Land Development are each owned 99.9% by CMT Holdings and 0.1% by UMT Services, which serves as the general partner for both General Services and Land Development.

The Partnership utilized the Legacy TX Credit Facility to pay off its Brax's Debt Credit Facility (as defined below) and currently uses the Legacy TX Credit Facility as liquidity, indebtedness, bridge liquidity, and to reduce and avoid the need for large idle cash reserves, including usage to fund identified investments pending receipt of proceeds from the partial or full repayment of loans. This allows the Partnership to keep funds invested in loans, instead of holding such loan repayment proceeds idle until new investments are identified. The Partnership intends to use the Legacy TX Credit Facility as a Partnership portfolio administration tool and not to provide long-term or permanent leverage on Partnership investments. Proceeds from the operations of the Partnership will be used to repay the Legacy TX Credit Facility. As of March 31, 2015 and December 31, 2014, approximately \$11.75 million in principal was outstanding under the Legacy TX Credit Facility. Interest expense associated with the Legacy TX Credit Facility was approximately \$169,000 and \$10,000 for the three months ended March 31, 2015 and 2014, respectively.

Source: UDF III 10Q (3.31.15)

Remember UDF V's 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"
- So unlike UDF III or UDF IV, UDF V will not directly loan money to affiliates nor will it acquire participation interest in related party / affiliate originated loans.

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.

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

- While UDF V, technically, has not lent to an affiliate program, it practically has by lending to an entity that previously received and currently has a 2nd lien loan from an affiliate (UDF III), not to mention this entity is controlled by its affiliate's largest borrower (although none of this relevant information is disclosed).

