

**UNITED DEVELOPMENT FUNDING INCOME FUND V  
AUDIT COMMITTEE CHARTER**

**Adopted October 10, 2014**

**I. STATEMENT OF PURPOSE**

The Board of Trustees of United Development Funding Income Fund V, a Maryland Real Estate Investment Trust (the “Trust”), appoints an Audit Committee to represent and assist the Board of Trustees in discharging its responsibilities relating to the accounting, reporting and financial practices and legal compliance of the Trust and its subsidiaries. The Audit Committee has general responsibility for oversight of the accounting and financial reporting processes and the audits of the financial statements of the Trust and its subsidiaries, including oversight of the integrity of the Trust’s financial statements, the Trust’s compliance with legal and regulatory requirements, the qualification and independence of the Trust’s auditors, the performance of the Trust’s independent auditors, and the preparation of the report that the Securities and Exchange Commission (the “SEC”) requires to be included in the Trust’s annual proxy statement or annual report.

Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Trust’s policies, procedures and practices at all levels. The Audit Committee should also provide an open avenue of communication among the independent auditors, financial and senior management, members of the internal auditing team (or other personnel responsible for the internal audit function) and the Board of Trustees.

**II. COMMITTEE MEMBERS**

The Audit Committee shall have at least three members appointed by the Board of Trustees, with one member appointed as chairperson. The Audit Committee shall consist entirely of “independent” members of the Board of Trustees. “Independent” means a trustee who (i) satisfies all criteria for independence established by the SEC and either the New York Stock Exchange or the NASDAQ Stock Market LLC, and (ii) is otherwise free from any relationship that would interfere with the exercise of his or her independent judgment as a member of the Audit Committee, all as determined by the Board of Trustees.

Each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Trust’s balance sheet, income statement, and cash flow statement, or must become able to read and understand fundamental financial statements within a reasonable period of time. At least one member of the Audit Committee must have accounting or related financial management expertise and qualify as an “audit committee financial expert” as defined in Item 407(d)(5) of Regulation S-K, each as determined by the Board of Trustees. The identity of at least one member of the Audit Committee determined to have such experience shall be disclosed in the Trust’s filings made with the SEC, as required.

The members of the Audit Committee shall be elected by the Board of Trustees at each annual meeting of the Board of Trustees and shall be eligible to serve until their successors are

duly elected and qualified. Unless a chair is elected by the full Board of Trustees, the members of the Audit Committee may designate a chair by majority vote of the full Audit Committee.

### **III. POWERS, DUTIES AND RESPONSIBILITIES**

In carrying out its intended purpose, the Audit Committee shall have the powers, duties and responsibilities delegated to it by the Board of Trustees as set forth below. The Audit Committee shall:

#### ***A. Services of Independent Auditors***

(a) Have direct responsibility for appointing and overseeing a public accounting firm registered with the Public Company Accounting Oversight Board (“PCAOB”) to serve as the Trust’s independent auditors and to perform the Trust’s annual audit (subject, if applicable, to shareholder ratification). This responsibility shall include the direct authority to retain and terminate such independent auditors, the sole authority to approve the terms and conditions of all audit engagements as well as all significant non-audit engagements with such independent auditors, and the sole authority to determine the compensation to be paid to such independent auditors and to require the Trust to provide funding for the payment of such compensation. This authority may not be delegated to management (although the Audit Committee may obtain input from management).

(b) Oversee the work performed by the Trust’s independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting). Such independent auditors shall report directly to the Audit Committee and shall be ultimately accountable to the entire Board of Trustees through the Audit Committee.

(c) Review with the independent auditors the scope of the audit, pre-approve the audit services (which may entail providing comfort letters in connection with securities underwritings) to be performed by the independent auditors, and review the results of the annual audit and any reports of the independent auditors with respect to the Trust’s financial statements or policies.

(d) Pre-approve all non-audit services provided to the Trust by the independent auditors. In no event shall the Audit Committee engage the Trust’s independent auditor to perform any service enumerated in Section 201(a) of the Sarbanes-Oxley Act of 2002, as amended, except as may otherwise be provided by law or regulation, or approve any non-audit service that the SEC or other applicable regulatory authority determines is impermissible. Non-audit services that constitute less than 5% of the revenues paid by the Trust and its subsidiaries to the independent auditors may be approved by the Audit Committee (or one or more members authorized by the Audit Committee) after the services are commenced but before the completion of the audit, provided that such services were not recognized by the Trust at the time of the engagement to be non-audit services and such services are promptly brought to the attention of the Audit Committee.

(e) Review information, including written statements from the independent auditors, concerning any relationship between the auditors and the Trust or any other relationships that

may adversely affect the independence of the auditors, and periodically assess the independence of the Trust's auditors as set forth in the rules, regulations and standards of the SEC and the PCAOB. The Audit Committee shall, at least annually, obtain and review a report by the Trust's independent auditors describing: (1) the firm's internal quality-control procedures; (2) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (3) all relationships between the independent auditors and the Trust. The Audit Committee shall present its conclusions on the matters contained in the aforementioned report to the Board of Trustees. In addition, the Audit Committee shall actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may affect the objectivity and independence of the independent auditors and shall take, or recommend that the entire Board of Trustees take, appropriate action to oversee the independence of the independent auditors. The Audit Committee should evaluate the lead partner of the independent audit firm and whether such independent audit firm should be rotated, and present its conclusions to the Board of Trustees.

#### ***B. Audit Practices and Financial Reporting Matters***

(a) Obtain and review all reports and other information that the independent auditors are required by law, rule or regulation to submit to the Audit Committee, including periodic reports on: (1) all critical accounting policies and practices used by the Trust; (2) all material alternative treatments of financial information within accounting principles generally accepted in the United States of American ("GAAP") in effect from time to time that have been discussed with management, the ramification of the use of such alternative disclosures and treatment, and the treatment preferred by the independent auditors; and (3) other material written communications between the independent auditors and management of the Trust, such as any management letter or schedule of unadjusted differences.

(b) Meet to review and discuss with management and the independent auditors the Trust's annual audited financial statements and quarterly financial statements, including a discussion of the Trust's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and a discussion with the independent auditors of their judgments as to the quality of the Trust's accounting principles.

(c) Review with management and the independent auditors the results of any significant matters identified as a result of the independent auditors' interim review procedures prior to the filing of each quarterly report on Form 10-Q. The Audit Committee may delegate this function to one or more of its members having sufficient accounting or financial management expertise to perform such review.

(d) Discuss, at least generally, earnings press releases and financial information and earnings guidance provided to analysts and rating agencies.

(e) Establish guidelines for the Trust's internal audit function, review the qualifications, appointment, replacement, reassignment and dismissal of senior management members of the Trust's internal audit team, review the annual program and schedule for the

Trust's internal audits, review audit reports submitted by the internal auditing staff and review the adequacy of the Trust's internal controls and any changes to the Trust's internal controls.

(f) Review changes in the accounting policies of the Trust and accounting and financial reporting proposals that may have a significant impact on the Trust's financial reports, and make reports on the foregoing to the Board of Trustees.

(g) Regularly review with the independent auditors any audit problems or difficulties and management's response, including any restrictions on the scope of the independent auditors' activities or access to information and any significant disagreements with management. This review should address: (1) any accounting adjustments that were noted or proposed by the independent auditors but rejected by management; (2) any communications between the audit team and the independent auditor's national or international office respecting auditing or accounting issues presented by the engagement; and (3) any "internal control" letter issued or proposed to be issued by the independent auditors to the Trust. This review should also include a discussion of the responsibilities, budget and staffing of the Trust's internal audit function.

(h) Meet separately and periodically with management, internal auditors (or other personnel responsible for the internal audit function) and independent auditors in connection with the performance of its oversight function.

### ***C. Trust Governance Policies and Compliance***

(a) Prepare the report that SEC rules require to be included in the Trust's annual proxy statement or annual report.

(b) Establish policies for the Trust to follow in hiring employees or former employees of the independent auditors (which may include a prohibition on such hiring). Any such policies should consider the restriction that no registered public accounting firm may audit the Trust if the Trust's chief executive officer, chief financial officer, chief accounting officer, controller or other persons serving similar functions were employed by the accounting firm and participated in the Trust's audit during the one year prior to commencement of the audit.

(c) Discuss with management policies with respect to financial risk assessment and management, including guidelines to govern the process by which the Trust undertakes financial risk assessment and management. Such discussion should include the Trust's major financial risk exposures and the steps management has taken to monitor and control such exposures.

(d) Conduct an annual review of: (1) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Trust's selection or application of accounting principles, and major issues as to the adequacy of the Trust's internal controls and any special audit steps adopted in light of material control deficiencies; (2) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (3) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Trust; (4) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of "pro forma,"

or “adjusted” non-GAAP, information), as well as review any financial information and earnings guidance provided to analysts and rating agencies; and (5) the adequacy of this Charter.

(e) Review with management and the independent auditors any correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Trust’s financial statements or accounting policies, including any fraud involving management or other employees who have a significant role in the Trust’s financial reporting. In connection therewith, the Audit Committee shall establish procedures for (1) the receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls or auditing matters, and (2) the confidential, anonymous submission by employees of the Trust of concerns of questionable accounting or auditing matters.

(f) Establish procedures for the receipt, retention and treatment of reports of evidence of a material violation made by attorneys appearing and practicing before the SEC in the representation of the Trust or any of its subsidiaries, or reports made by the Trust’s management in relation thereto.

#### ***D. General Powers***

(a) Have the authority to cause the Trust to reimburse the Audit Committee for all ordinary administrative expenses that are necessary or appropriate in carrying out its duties.

(b) Have the ability (but not the obligation) to conduct or authorize, if it considers appropriate, investigations into any matters within the scope of its responsibilities.

(c) Have the authority (without separate approval from the Board of Trustees) to obtain advice, services and assistance from outside legal, accounting or other advisors, as the Audit Committee deems necessary to assist it in carrying out its responsibilities, to determine the compensation for any such advisors, and to receive from the Trust funding in an amount that is appropriate as determined by the Audit Committee to pay for such advisors.

(d) Perform such activities consistent with this Charter, the Trust’s Bylaws and applicable law as the Board of Trustees or the Audit Committee deems necessary or appropriate.

(e) Have the authority to delegate, in its discretion, all or a portion of its duties and responsibilities to a subcommittee of the Audit Committee.

(f) Otherwise make regular reports and recommendations to the Board of Trustees within the scope of its functions. The Audit Committee should review with the Board of Trustees any issues that arise with respect to the quality and integrity of the Trust’s financial statements, the Trust’s compliance with legal and regulatory requirements, the qualification and independence of the Trust’s auditors, and the performance of the Trust’s internal audit function and independent auditors.

(g) Prepare and review with the Board of Trustees an annual performance evaluation of the Audit Committee, which evaluation shall compare the performance of the Audit Committee with the requirements of this Charter. The performance evaluation shall also recommend to the Board of Trustees any improvements to this Charter deemed necessary or

desirable by the Audit Committee. The performance evaluation by the Audit Committee shall be conducted in such manner as the Audit Committee deems appropriate. The report to the Board of Trustees may take the form of an oral report by the chairperson of the Audit Committee or any other member of the Audit Committee designated by the Audit Committee to make this report.

#### **IV. SCOPE OF DUTIES**

While the Audit Committee has the responsibilities and the authority set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Trust's financial statements are complete and accurate and are in accordance with GAAP. This is the responsibility of management and the independent auditors. Nor is it the duty of the Audit Committee to assure compliance by the Trust or its subsidiaries with laws and regulations.

#### **V. COMMITTEE MEETINGS**

The Audit Committee will meet at least four times annually, or more often as it deems necessary or appropriate, in its judgment, either in person or telephonically, and at such times and places as the Audit Committee determines. Periodically, as it deems appropriate, the Audit Committee (or designated members thereof, if appropriate) will meet in private sessions with the independent auditors, the Trust's chief financial officer and with the senior manager(s) of the Trust's internal audit functions (or other personnel responsible for the internal audit function), regarding any matters that the Audit Committee or any of these groups believe should be discussed, including any matters within the scope of the Audit Committee's responsibilities. The chairperson of the Audit Committee, a majority of the members of the Audit Committee or the Trust's chief executive officer may call a special meeting of the Audit Committee. The person or persons authorized to call special meetings of the Audit Committee may fix any place as the place for holding any special meeting called by them. The majority of the members of the Audit Committee shall constitute a quorum for Audit Committee meetings and, unless otherwise required by this Charter of the Trust's Bylaws, action may be taken by majority vote of the members present at a meeting where a quorum is present.