

August 21, 2023



Dear Shareholders,

It is my privilege to provide you with this update on the progress and performance of United Development Funding V (“UDF V” or the “Trust”). First and foremost, we are pleased to announce the successful completion of the audit of UDF V’s financial statements for the year ended December 31, 2022. We are also pleased to have returned over \$13 million of capital to you through distributions in 2022 and the first half of 2023, bringing the total cash distributions to shareholders to over \$32 million. Following is an overview of (1) the Trust’s financial performance, (2) the UDF V portfolio, (3) UDF V distributions to shareholders and (4) an update on ongoing litigation matters.

### **Financial Update**

Enclosed with this letter are UDF V’s audited financial statements for the year ended December 31, 2022, including the consolidated balance sheet as of December 31, 2022, and the consolidated statements of operations, shareholder’s equity and cash flows. The full 2022 audited financial statements, including the related notes to the consolidated financial statements, can be found on the Trust’s website at <https://udfonline.com/wp-content/uploads/2023/08/UDF-V-Audited-Consolidated-Financial-Statements-2022.pdf>. Alternatively, the full 2022 audit report can also be mailed to any shareholder directly upon request by contacting Investor Relations at (800) 859-9338.

For the year ended December 31, 2022, UDF V generated total interest income of approximately \$1.2 million. After expenses and provision for loan losses, UDF V recognized a \$257,886 net loss for the year. As of December 31, 2022, UDF V had total assets of approximately \$12.2 million, consisting of cash and cash equivalents of approximately \$3.1 million, net notes receivable of approximately \$8.8 million, accrued interest receivable of \$257,695 and other assets of \$34,054.

As of December 31, 2022, UDF V had total liabilities of \$719,543 and shareholders’ equity of approximately \$11.5 million (approximately \$3.90 per share, based on 2,951,526 common shares outstanding).

### **Portfolio Update**

As of December 31, 2022, the Trust had one loan remaining in its portfolio. The loan is secured by a pledge of equity interests in an entity that owns real property. Through this pledge, UDF V has the right to receive net proceeds from lot sales and Public Improvement District reimbursements. As of December 31, 2022, the loan had a term of 7 months and bears interest at a rate of 13% per annum. The loan matured on July 31, 2023 was extended to June 30, 2025.

### **Distributions**

Since inception, UDF V has paid cash distributions to its shareholders totaling approximately \$32.3 million, including approximately \$13.3 million paid in 2022 and \$250,000 paid in each of the first two quarters of 2023. The Trust intends to continue paying cash distributions quarterly from available cash, as determined by the Trust’s Board of Trustees. The Board of Trustees makes all decisions regarding the Trust’s payment of dividends, subject to an evaluation of the Trust’s financial condition, results of operations and capital requirements, as well as applicable law, regulatory and contractual constraints, industry practice and other business considerations that the Board of Trustees considers relevant. No assurance can be provided regarding the timing or amount of future distributions to shareholders.

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In this letter, “UDF” refers to United Development Funding, L.P., United Development Funding II, L.P., United Development Funding III, L.P., United Development Funding IV, United Development Funding Income Fund V, United Mortgage Trust, United Development Funding Land Opportunity Fund, L.P., and United Development Funding Land Opportunity Fund Investors, L.L.C.

## **Litigation**

### UDF Lawsuit Against Bass/Hayman

On May 27, 2022, UDF dismissed its claims against J. Kyle Bass and his affiliated hedge funds (“Bass/Hayman”) in the County Court of Dallas County, Texas (the “Trial Court”). On the same day, Bass/Hayman purported to e-file a motion asserting various counterclaims against UDF. The parties are now litigating whether Bass/Hayman has a legal basis to bring these counterclaims and the matter is currently the subject of a mandamus proceeding pending before the Court of Appeals for the Fifth District of Texas (“Appeals Court”).

### Megatel

In March 2020, Megatel Homes, LLC, and two of its affiliates (collectively, “Megatel”) filed a federal lawsuit (the “Megatel Action”) against the principal of one of the Trust’s current borrowers and several UDF entities, including the Trust, as well as present and former executives of the General Partner of UDF I, UDF II, UDF III and the Advisors to UDF IV and V (such present and former executives, the “UDF Principals”). The sole cause of action pleaded against UDF and the UDF Principals is RICO conspiracy under 18 U.S.C. § 1962(d) regarding eleven real estate development projects, including properties that serve as collateral for UDF loans. UDF and the UDF Principals deny all claims and contentions alleged by Megatel and intend to vigorously defend themselves against these allegations.

## **Conclusion**

In closing, I want to express my deepest gratitude to all our valued shareholders. Your continued support is invaluable to us, and we are committed to maintaining open and transparent communication. As previously communicated, the Trust is not currently originating any new loans and intends to continue returning capital to the Trust’s shareholders as the portfolio liquidates. If you have questions or comments, please call our Investor Relations department at (800) 859-9338.

Sincerely,

Jim Kenney, Chief Executive Officer of UDF V

## **Forward-Looking Statements**

This letter contains forward-looking statements relating to, among other things: the Trust’s plans to pay future distributions to shareholders; and outstanding litigation involving UDF. These forward-looking statements are based on management’s current expectations and are not guarantees of future performance or future events. Such forward-looking statements generally can be identified by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” or other similar words. Readers should be aware that there are various factors, many of which are beyond UDF V’s control, which could cause actual results to differ materially from any forward-looking statements made in this correspondence. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this correspondence. Forward-looking statements in this document speak only as of the date on which such statements were made, and UDF V undertakes no obligation to update any such statements that may become untrue because of subsequent events.

**UNITED DEVELOPMENT FUNDING INCOME FUND V  
CONSOLIDATED BALANCE SHEET**

	<b>December 31, 2022</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 3,097,852
Accrued interest receivable	257,695
Note receivable, net	8,834,487
Other assets, net	34,054
 Total assets	 \$ 12,224,088
 <b>Liabilities and Shareholders' Equity</b>	
Accounts payable and accrued liabilities	\$ 248,398
Accrued liabilities – related parties	471,145
Total liabilities	719,543
 Commitments and contingencies	
 Shareholders' Equity	
Shares of beneficial interest; \$.01 par value; 400,000,000 shares authorized; 2,951,526 shares issued and outstanding	29,515
Additional paid-in capital	52,015,035
Accumulated deficit	(40,540,005)
Total Shareholders' equity	11,504,545
 Total liabilities and shareholders' equity	 \$ 12,224,088

To be read in conjunction with the related notes to the consolidated financial statements. The full 2022 audit report can be found on the Trust's website at <https://udfonline.com/wp-content/uploads/2023/08/UDF-V-Audited-Consolidated-Financial-Statements-2022.pdf>

**UNITED DEVELOPMENT FUNDING INCOME FUND V**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

	<b>For the Year Ended</b> <b>December 31, 2022</b>
<b>Interest Income:</b>	
Loan interest income	\$ 1,146,246
Other interest income	15,032
Total interest income	<u>1,161,278</u>
Provision for loan losses	226,525
Provision for other losses	<u>146,578</u>
Net interest income after provision for losses	<u>788,175</u>
<b>Expenses:</b>	
Advisory fee – related party	320,360
General and administrative	703,087
General and administrative – related parties	22,614
Total expenses	<u>1,046,061</u>
<b>Net loss</b>	<u><u>\$ (257,886)</u></u>

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**UNITED DEVELOPMENT FUNDING INCOME FUND V**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Year Ended December 31, 2022**

	<b>Shares of</b>		<b>Additional</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Beneficial Interest</b>				
	<b>Shares</b>	<b>Amount</b>	<b>Paid-in</b>	<b>Deficit</b>	
	<b>Capital</b>				
Balance at December 31, 2021	2,951,526	\$ 29,515	\$ 52,015,035	\$ (26,952,729)	\$ 25,091,821
Distributions	-	-	-	(13,329,390)	(13,329,390)
Net loss	-	-	-	(257,886)	(257,886)
Balance at December 31, 2022	<u>2,951,526</u>	<u>\$ 29,515</u>	<u>\$ 52,015,035</u>	<u>\$ (40,540,005)</u>	<u>\$11,504,545</u>

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**UNITED DEVELOPMENT FUNDING INCOME FUND V**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<u>For the Year Ended</u> <u>December 31, 2022</u>
<b>Operating Activities</b>	
Net loss	\$ (257,886)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Provision for loan losses	226,525
Provision for other losses	146,578
Changes in assets and liabilities:	
Accrued interest receivable	(257,694)
Other assets	3,245,327
Accounts payable and accrued liabilities	(34,100)
Accrued liabilities – related party	342,872
Net cash provided by operating activities	<u>3,411,622</u>
<b>Investing Activities</b>	
Investments in notes receivable	(552,304)
Principal receipts from notes receivable	5,483,855
Net cash provided by investing activities	<u>4,931,551</u>
<b>Financing Activities</b>	
Distributions	(13,329,390)
Net cash used in financing activities	<u>(13,329,390)</u>
Net change in cash and cash equivalents	(4,986,217)
Cash and cash equivalents at beginning of year	<u>8,084,069</u>
Cash and cash equivalents at end of year	<u>\$ 3,097,852</u>

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