



March 23, 2016

Dear Limited Partner,

In our March 7, 2016 letter to United Development Funding III, L.P.'s ("UDF III") investors, we communicated certain events which have disrupted the normal course of operations of UDF III. Our focus continues to be on preserving UDF III's loan portfolio value as its clients complete and monetize their real estate developments.

At present, we feel it is prudent for UDF III to preserve cash as we continue to work with UDF III's borrowers to determine their capital requirements. Therefore, we are not forecasting limited partner distributions at this time. We intend to provide further updates on limited partner distributions as we make further progress with UDF III's clients and their projects.

Please contact UDF III's Investor Services Department at (800) 859-9338 with any additional questions.

Thank you,

UMT Services, Inc. Board of Directors

  
Todd F. Etter, Chairman      Hollis M. Greenlaw      Michael K. Wilson