

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2006

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-19022

Gateway Tax Credit Fund II Ltd.

Exact name of Registrant as specified in its charter)

Florida

65-0142704

(State or other jurisdiction of
incorporation or organization)

(IRS Employer No.)

880 Carillon Parkway, St. Petersburg, Florida

33716

(Address of principal executive offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code: (727) 567-1000

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES ☒ NO ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

PART I - Financial Information

Item 1. Financial Statements:

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
BALANCE SHEETS

| SERIES 2 | June 30, 2006 ----- (Unaudited) | March 31, 2006 ----- (Audited) |
|---|--|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 304,837 | \$ 250,529 |
| Investments in Securities | 0 | 66,276 |
| Total Current Assets | ----- 304,837 | ----- 316,805 |
| Investments in Project Partnerships, Net | 0 | 0 |
| Total Assets | ----- \$ 304,837 ===== | ----- \$ 316,805 ===== |
| LIABILITIES AND PARTNERS' EQUITY (Deficit) | | |
| Current Liabilities: | | |
| Payable to General Partners | \$ 48,798 | \$ 48,304 |
| Other Payable | 0 | 8,030 |
| Total Current Liabilities | ----- 48,798 | ----- 56,334 |
| Long-Term Liabilities: | | |
| Payable to General Partners | 616,098 | 599,253 |
| Partners' Equity (Deficit): | | |
| Assignor Limited Partner | | |
| Units of limited partnership interest consisting of 40,000 authorized BAC's, of which 6,136 at June 30, 2006 and March 31, 2006 have been issued to the assignees | | |
| Assignees | | |
| Units of beneficial interest of the limited partnership interest of the assignor limited partner, \$1,000 stated value per BAC, 6,136 at June 30, 2006 and March 31, 2006, issued and outstanding | (302,659) | (281,595) |
| General Partners | (57,400) | (57,187) |
| Total Partners' (Deficit) | ----- (360,059) | ----- (338,782) |
| Total Liabilities and Partners' (Deficit) | ----- \$ 304,837 ===== | ----- \$ 316,805 ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
BALANCE SHEETS

| SERIES 3 | June 30, 2006 ----- (Unaudited) | March 31, 2006 ----- (Audited) |
|--|--|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 290,151 | \$ 236,035 |
| Investments in Securities | 0 | 58,952 |
| | ----- | ----- |
| Total Current Assets | 290,151 | 294,987 |
| Investments in Project Partnerships, Net | 0 | 0 |
| | ----- | ----- |
| Total Assets | \$ 290,151 ===== | \$ 294,987 ===== |
| LIABILITIES AND PARTNERS' EQUITY (Deficit) | | |
| Current Liabilities: | | |
| Payable to General Partners | \$ 57,615 | \$ 52,905 |
| Other Payable | 0 | 7,300 |
| | ----- | ----- |
| Total Current Liabilities | 57,615 | 60,205 |
| | ----- | ----- |
| Long-Term Liabilities: | | |
| Payable to General Partners | 508,770 | 493,156 |
| | ----- | ----- |
| Partners' Equity (Deficit): | | |
| Assignor Limited Partner | | |
| Units of limited partnership interest | | |
| consisting of 40,000 authorized BAC's, of | | |
| which 5,456 at June 30, 2006 and March 31, | | |
| 2006 have been issued to the assignees | | |
| Assignees | | |
| Units of beneficial interest of the limited | | |
| partnership interest of the assignor limited | | |
| partner, \$1,000 stated value per BAC, 5,456 | | |
| at June 30, 2006 and March 31, 2006, issued | | |
| and outstanding | (225,656) | (207,975) |
| General Partners | (50,578) | (50,399) |
| | ----- | ----- |
| Total Partners' (Deficit) | (276,234) | (258,374) |
| | ----- | ----- |
| Total Liabilities and Partners' (Deficit) | \$ 290,151 ===== | \$ 294,987 ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
BALANCE SHEETS

| SERIES 4 | June 30, 2006 ----- (Unaudited) | March 31, 2006 ----- (Audited) |
|--|--|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 383,248 | \$ 322,204 |
| Investments in Securities | 0 | 74,685 |
| | ----- | ----- |
| Total Current Assets | 383,248 | 396,889 |
| Investments in Project Partnerships, Net | 0 | 0 |
| | ----- | ----- |
| Total Assets | \$ 383,248 ===== | \$ 396,889 ===== |
| LIABILITIES AND PARTNERS' EQUITY (Deficit) | | |
| Current Liabilities: | | |
| Payable to General Partners | \$ 64,106 | \$ 59,221 |
| Other Payable | 0 | 8,030 |
| | ----- | ----- |
| Total Current Liabilities | 64,106 | 67,251 |
| | ----- | ----- |
| Long-Term Liabilities: | | |
| Payable to General Partners | 666,670 | 647,438 |
| | ----- | ----- |
| Partners' Equity (Deficit): | | |
| Assignor Limited Partner | | |
| Units of limited partnership interest | | |
| consisting of 40,000 authorized BAC's, of | | |
| which 6,915 at June 30, 2006 and March 31, | | |
| 2006 have been issued to the assignees | | |
| Assignees | | |
| Units of beneficial interest of the limited | | |
| partnership interest of the assignor limited | | |
| partner, \$1,000 stated value per BAC, 6,915 | | |
| at June 30, 2006 and March 31, 2006, issued | | |
| and outstanding | (283,398) | (253,967) |
| General Partners | (64,130) | (63,833) |
| | ----- | ----- |
| Total Partners' (Deficit) | (347,528) | (317,800) |
| | ----- | ----- |
| Total Liabilities and Partners' (Deficit) | \$ 383,248 ===== | \$ 396,889 ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
BALANCE SHEETS

| SERIES 5 | June 30, 2006 ----- (Unaudited) | March 31, 2006 ----- (Audited) |
|---|--|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 346,323 | \$ 262,439 |
| Accounts Receivable - Other | 0 | 912 |
| Investments in Securities | 0 | 93,086 |
| | ----- | ----- |
| Total Current Assets | 346,323 | 356,437 |
| Investments in Project Partnerships, Net | 142,664 | 151,630 |
| | ----- | ----- |
| Total Assets | \$ 488,987 ===== | \$ 508,067 ===== |
| LIABILITIES AND PARTNERS' EQUITY (Deficit) | | |
| Current Liabilities: | | |
| Payable to General Partners | \$ 76,493 | \$ 77,770 |
| Distribution Payable | 0 | 0 |
| Other Payable | 0 | 3,650 |
| | ----- | ----- |
| Total Current Liabilities | 76,493 | 81,420 |
| | ----- | ----- |
| Long-Term Liabilities: | | |
| Payable to General Partners | 534,673 | 511,577 |
| | ----- | ----- |
| Partners' Equity (Deficit): | | |
| Assignor Limited Partner | | |
| Units of limited partnership interest consisting of 40,000 authorized BAC's, of which 8,616 at June 30, 2006 and March 31, 2006 have been issued to the assignees | | |
| Assignees | | |
| Units of beneficial interest of the limited partnership interest of the assignor limited partner, \$1,000 stated value per BAC, 8,616 at June 30, 2006 and March 31, 2006, issued and outstanding | (119,719) | (82,842) |
| General Partners | (2,460) | (2,088) |
| | ----- | ----- |
| Total Partners' Equity (Deficit) | (122,179) | (84,930) |
| | ----- | ----- |
| Total Liabilities and Partners' Equity (Deficit) | \$ 488,987 ===== | \$ 508,067 ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
BALANCE SHEETS

| SERIES 6 | June 30, 2006 ----- (Unaudited) | March 31, 2006 ----- (Audited) |
|---|--|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 454,765 | \$ 463,580 |
| Investments in Securities | 79,835 | 78,370 |
| | ----- | ----- |
| Total Current Assets | 534,600 | 541,950 |
| Investments in Project Partnerships, Net | 358,718 | 372,285 |
| | ----- | ----- |
| Total Assets | \$ 893,318 ===== | \$ 914,235 ===== |
| LIABILITIES AND PARTNERS' EQUITY (Deficit) | | |
| Current Liabilities: | | |
| Payable to General Partners | \$ 68,739 | \$ 73,971 |
| Distribution Payable | 46 | 46 |
| | ----- | ----- |
| Total Current Liabilities | 68,785 | 74,017 |
| | ----- | ----- |
| Long-Term Liabilities: | | |
| Payable to General Partners | 863,342 | 838,056 |
| | ----- | ----- |
| Partners' Equity (Deficit): | | |
| Assignor Limited Partner | | |
| Units of limited partnership interest | | |
| consisting of 40,000 authorized BAC's, of | | |
| which 10,105 at June 30, 2006 and March 31, | | |
| 2006 have been issued to the assignees | | |
| Assignees | | |
| Units of beneficial interest of the limited | | |
| partnership interest of the assignor limited | | |
| partner, \$1,000 stated value per BAC, 10,105 | | |
| at June 30, 2006 and March 31, 2006, issued | | |
| and outstanding | (38,399) | 2,162 |
| General Partners | (410) | 0 |
| | ----- | ----- |
| Total Partners' Equity (Deficit) | (38,809) | 2,162 |
| | ----- | ----- |
| Total Liabilities and Partners' Equity | \$ 893,318 | \$ 914,235 |
| (Deficit) | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
BALANCE SHEETS

| TOTAL SERIES 2 - 6 | June 30, 2006 ----- (Unaudited) | March 31, 2006 ----- (Audited) |
|--|--|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$1,779,324 | \$1,534,787 |
| Accounts Receivable - Other | 0 | 912 |
| Investments in Securities | 79,835 | 371,369 |
| | ----- | ----- |
| Total Current Assets | 1,859,159 | 1,907,068 |
| Investments in Project Partnerships, Net | 501,382 | 523,915 |
| | ----- | ----- |
| Total Assets | \$2,360,541 ===== | \$2,430,983 ===== |
| LIABILITIES AND PARTNERS' EQUITY (Deficit) | | |
| Current Liabilities: | | |
| Payable to General Partners | \$ 315,751 | \$ 312,171 |
| Distribution Payable | 46 | 46 |
| Other Payable | 0 | 27,010 |
| | ----- | ----- |
| Total Current Liabilities | 315,797 | 339,227 |
| | ----- | ----- |
| Long-Term Liabilities: | | |
| Payable to General Partners | 3,189,553 | 3,089,480 |
| | ----- | ----- |
| Partners' Equity (Deficit): | | |
| Assignor Limited Partner | | |
| Units of limited partnership interest consisting of 40,000 authorized BAC's, of which 37,228 at June 30, 2006 and March 31, 2006 have been issued to the assignees | | |
| Assignees | | |
| Units of beneficial interest of the limited partnership interest of the assignor limited partner, \$1,000 stated value per BAC, 37,228 at June 30, 2006 and March 31, 2006, issued and outstanding | (969,831) | (824,217) |
| General Partners | (174,978) | (173,507) |
| | ----- | ----- |
| Total Partners' Equity (Deficit) | (1,144,809) | (997,724) |
| | ----- | ----- |
| Total Liabilities and Partners' Equity (Deficit) | \$2,360,541 ===== | \$2,430,983 ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30,
(Unaudited)

| SERIES 2 | 2006 | 2005 |
|--|-------------|-------------|
| | ---- | ---- |
| Revenues: | | |
| Distribution Income | \$ 2,556 | \$ 2,250 |
| | ----- | ----- |
| Total Revenues | 2,556 | 2,250 |
| | ----- | ----- |
| Expenses: | | |
| Asset Management Fee-General Partner | 16,845 | 16,902 |
| General and Administrative: | | |
| General Partner | 8,867 | 10,099 |
| Other | 1,346 | 2,920 |
| Amortization | 0 | 177 |
| | ----- | ----- |
| Total Expenses | 27,058 | 30,098 |
| | ----- | ----- |
| Loss Before Equity in Losses of | | |
| Project Partnerships and Other Income | (24,502) | (27,848) |
| Equity in Losses of Project Partnerships | 0 | (8,418) |
| Interest Income | 3,225 | 2,665 |
| | ----- | ----- |
| Net Loss | \$ (21,277) | \$ (33,601) |
| | ===== | ===== |
| Allocation of Net Loss: | | |
| Assignees | \$ (21,064) | \$ (33,265) |
| General Partners | (213) | (336) |
| | ----- | ----- |
| | \$ (21,277) | \$ (33,601) |
| | ===== | ===== |
| Net Loss Per Beneficial | | |
| Assignee Certificate | \$ (3.43) | \$ (5.42) |
| Number of Beneficial Assignee | ===== | ===== |
| Certificates Outstanding | 6,136 | 6,136 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30,
(Unaudited)

| SERIES 3 | 2006 | 2005 |
|--|-------------|-------------|
| | ---- | ---- |
| Revenues: | | |
| Distribution Income | \$ 10,940 | \$ 12,398 |
| | ----- | ----- |
| Total Revenues | 10,940 | 12,398 |
| | ----- | ----- |
| Expenses: | | |
| Asset Management Fee-General Partner | 15,615 | 15,679 |
| General and Administrative: | | |
| General Partner | 14,117 | 10,558 |
| Other | 2,128 | 2,892 |
| | ----- | ----- |
| Total Expenses | 31,860 | 29,129 |
| | ----- | ----- |
| Loss Before Equity in Losses of | | |
| Project Partnerships and Other Income | (20,920) | (16,731) |
| Equity in Losses of Project Partnerships | 0 | 0 |
| Interest Income | 3,060 | 2,448 |
| | ----- | ----- |
| Net Loss | \$ (17,860) | \$ (14,283) |
| | ===== | ===== |
| Allocation of Net Loss: | | |
| Assignees | \$ (17,681) | \$ (14,140) |
| General Partners | (179) | (143) |
| | ----- | ----- |
| | \$ (17,860) | \$ (14,283) |
| | ===== | ===== |
| Net Loss Per Beneficial | | |
| Assignee Certificate | \$ (3.24) | \$ (2.59) |
| Number of Beneficial Assignee | ===== | ===== |
| Certificates Outstanding | 5,456 | 5,456 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30,
(Unaudited)

| SERIES 4 | 2006 | 2005 |
|--|-------------|-------------|
| | ---- | ---- |
| Revenues: | | |
| Distribution Income | \$ 5,977 | \$ 5,113 |
| | ----- | ----- |
| Total Revenues | 5,977 | 5,113 |
| | ----- | ----- |
| Expenses: | | |
| Asset Management Fee-General Partner | 19,232 | 18,051 |
| General and Administrative: | | |
| General Partner | 17,800 | 13,312 |
| Other | 2,738 | 3,684 |
| | ----- | ----- |
| Total Expenses | 39,770 | 35,047 |
| | ----- | ----- |
| Loss Before Equity in Losses of | | |
| Project Partnerships and Other Income | (33,793) | (29,934) |
| Equity in Losses of Project Partnerships | 0 | 0 |
| Interest Income | 4,065 | 3,227 |
| | ----- | ----- |
| Net Loss | \$ (29,728) | \$ (26,707) |
| | ===== | ===== |
| Allocation of Net Loss: | | |
| Assignees | \$ (29,431) | \$ (26,440) |
| General Partners | (297) | (267) |
| | ----- | ----- |
| | \$ (29,728) | \$ (26,707) |
| | ===== | ===== |
| Net Loss Per Beneficial Assignee | | |
| Certificate | \$ (4.26) | \$ (3.82) |
| Number of Beneficial Assignee | ===== | ===== |
| Certificates Outstanding | 6,915 | 6,915 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30,
(Unaudited)

| SERIES 5 | 2006 | 2005 |
|--|-------------|-------------|
| | ---- | ---- |
| Revenues: | | |
| Distribution Income | \$ 12,500 | \$ 11,176 |
| | ----- | ----- |
| Total Revenues | 12,500 | 11,176 |
| | ----- | ----- |
| Expenses: | | |
| Asset Management Fee-General Partner | 23,096 | 23,180 |
| General and Administrative: | | |
| General Partner | 21,483 | 16,525 |
| Other | 1,616 | 4,370 |
| Amortization | 3,859 | 501 |
| | ----- | ----- |
| Total Expenses | 50,054 | 44,576 |
| | ----- | ----- |
| Loss Before Equity in Losses of | | |
| Project Partnerships and Other Income | (37,554) | (33,400) |
| Equity in Losses of Project Partnerships | (3,365) | (2,020) |
| Interest Income | 3,670 | 4,123 |
| | ----- | ----- |
| Net Loss | \$ (37,249) | \$ (31,297) |
| | ===== | ===== |
| Allocation of Net Loss: | | |
| Assignees | \$ (36,877) | \$ (30,984) |
| General Partners | (372) | (313) |
| | ----- | ----- |
| | \$ (37,249) | \$ (31,297) |
| | ===== | ===== |
| Net Loss Per Beneficial Assignee | | |
| Certificate | \$ (4.28) | \$ (3.60) |
| Number of Beneficial Assignee | ===== | ===== |
| Certificates Outstanding | 8,616 | 8,616 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30,
(Unaudited)

| SERIES 6 | 2006 | 2005 |
|--|-------------|-------------|
| | ---- | ---- |
| Revenues: | | |
| Distribution Income | \$ 13,373 | \$ 10,190 |
| | ----- | ----- |
| Total Revenues | 13,373 | 10,190 |
| | ----- | ----- |
| Expenses: | | |
| Asset Management Fee-General Partner | 25,287 | 26,127 |
| General and Administrative: | | |
| General Partner | 22,710 | 17,443 |
| Other | 2,099 | 4,843 |
| Amortization | 9,513 | 1,526 |
| | ----- | ----- |
| Total Expenses | 59,609 | 49,939 |
| | ----- | ----- |
| Loss Before Equity in Losses of | | |
| Project Partnerships and Other Income | (46,236) | (39,749) |
| Equity in Losses of Project Partnerships | (1,079) | (1,909) |
| Interest Income | 6,344 | 5,216 |
| | ----- | ----- |
| Net Loss | \$ (40,971) | \$ (36,442) |
| | ===== | ===== |
| Allocation of Net Loss: | | |
| Assignees | \$ (40,561) | \$ (36,078) |
| General Partners | (410) | (364) |
| | ----- | ----- |
| | \$ (40,971) | \$ (36,442) |
| | ===== | ===== |
| Net Loss Per Beneficial Assignee | | |
| Certificate | \$ (4.01) | \$ (3.57) |
| | ===== | ===== |
| Number of Beneficial Assignee | | |
| Certificates Outstanding | 10,105 | 10,105 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED JUNE 30,
(Unaudited)

| TOTAL SERIES 2 - 6 | 2006 | 2005 |
|--|--------------|--------------|
| | ---- | ---- |
| Revenues: | | |
| Distribution Income | \$ 45,346 | \$ 41,127 |
| | ----- | ----- |
| Total Revenues | 45,346 | 41,127 |
| | ----- | ----- |
| Expenses: | | |
| Asset Management Fee-General Partner | 100,075 | 99,939 |
| General and Administrative: | | |
| General Partner | 84,977 | 67,937 |
| Other | 9,927 | 18,709 |
| Amortization | 13,372 | 2,204 |
| | ----- | ----- |
| Total Expenses | 208,351 | 188,789 |
| | ----- | ----- |
| Loss Before Equity in Losses of | | |
| Project Partnerships and Other Income | (163,005) | (147,662) |
| Equity in Losses of Project Partnerships | (4,444) | (12,347) |
| Interest Income | 20,364 | 17,679 |
| | ----- | ----- |
| Net Loss | \$ (147,085) | \$ (142,330) |
| | ===== | ===== |
| Allocation of Net Loss: | | |
| Assignees | \$ (145,614) | \$ (140,907) |
| General Partners | (1,471) | (1,423) |
| | ----- | ----- |
| | \$ (147,085) | \$ (142,330) |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 2 | Assignees ----- | General Partners ----- | Total ----- |
|---------------------------|-----------------------|------------------------------|-----------------------|
| Balance at March 31, 2005 | \$ (126,760) | \$ (55,623) | \$ (182,383) |
| Net Loss | (33,265) ----- | (336) ----- | (33,601) ----- |
| Balance at June 30, 2005 | \$ (160,025) ===== | \$ (55,959) ===== | \$ (215,984) ===== |
| Balance at March 31, 2006 | \$ (281,595) | \$ (57,187) | \$ (338,782) |
| Net Loss | (21,064) ----- | (213) ----- | (21,277) ----- |
| Balance at June 30, 2006 | \$ (302,659) ===== | \$ (57,400) ===== | \$ (360,059) ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 3 | Assignees ----- | General Partners ----- | Total ----- |
|---------------------------|-----------------------|------------------------------|-----------------------|
| Balance at March 31, 2005 | \$ (100,780) | \$ (49,316) | \$ (150,096) |
| Net Loss | (14,140) ----- | (143) ----- | (14,283) ----- |
| Balance at June 30, 2005 | \$ (114,920) ===== | \$ (49,459) ===== | \$ (164,379) ===== |
| Balance at March 31, 2006 | \$ (207,975) | \$ (50,399) | \$ (258,374) |
| Net Loss | (17,681) ----- | (179) ----- | (17,860) ----- |
| Balance at June 30, 2006 | \$ (225,656) ===== | \$ (50,578) ===== | \$ (276,234) ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 4 | Assignees ----- | General Partners ----- | Total ----- |
|---------------------------|-----------------------|------------------------------|-----------------------|
| Balance at March 31, 2005 | \$ (117,046) | \$ (62,450) | \$ (179,496) |
| Net Loss | (26,440) ----- | (267) ----- | (26,707) ----- |
| Balance at June 30, 2005 | \$ (143,486) ===== | \$ (62,717) ===== | \$ (206,203) ===== |
| Balance at March 31, 2006 | \$ (253,967) | \$ (63,833) | \$ (317,800) |
| Net Loss | (29,431) ----- | (297) ----- | (29,728) ----- |
| Balance at June 30, 2006 | \$ (283,398) ===== | \$ (64,130) ===== | \$ (347,528) ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 5 | Assignees ----- | General Partners ----- | Total ----- |
|---------------------------|-----------------------|------------------------------|-----------------------|
| Balance at March 31, 2005 | \$ 123,860 | \$ 0 | \$ 123,860 |
| Net Loss | (30,984) ----- | (313) ----- | (31,297) ----- |
| Balance at June 30, 2005 | \$ 92,876 ===== | \$ (313) ===== | \$ 92,563 ===== |
| Balance at March 31, 2006 | \$ (82,842) | \$ (2,088) | \$ (84,930) |
| Net Loss | (36,877) ----- | (372) ----- | (37,249) ----- |
| Balance at June 30, 2006 | \$ (119,719) ===== | \$ (2,460) ===== | \$ (122,179) ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 6 | Assignees ----- | General Partners ----- | Total ----- |
|---------------------------|----------------------|------------------------------|----------------------|
| Balance at March 31, 2005 | \$ 651,535 | \$ (83,041) | \$ 568,494 |
| Net Loss | (36,078) ----- | (364) ----- | (36,442) ----- |
| Balance at June 30, 2005 | \$ 615,457 ===== | \$ (83,405) ===== | \$ 532,052 ===== |
| Balance at March 31, 2006 | \$ 2,162 | \$ 0 | \$ 2,162 |
| Net Loss | (40,561) ----- | (410) ----- | (40,971) ----- |
| Balance at June 30, 2006 | \$ (38,399) ===== | \$ (410) ===== | \$ (38,809) ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| TOTAL SERIES 2 - 6 | Assignees ----- | General Partners ----- | Total ----- |
|---------------------------|-----------------------|------------------------------|-------------------------|
| Balance at March 31, 2005 | \$ 430,809 | \$ (250,430) | \$ 180,379 |
| Net Loss | (140,907) ----- | (1,423) ----- | (142,330) ----- |
| Balance at June 30, 2005 | \$ 289,902 ===== | \$ (251,853) ===== | \$ 38,049 ===== |
| Balance at March 31, 2006 | \$ (824,217) | \$ (173,507) | \$ (997,724) |
| Net Loss | (145,614) ----- | (1,471) ----- | (147,085) ----- |
| Balance at June 30, 2006 | \$ (969,831) ===== | \$ (174,978) ===== | \$ (1,144,809) ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 2 | 2006 | 2005 |
|--|-------------|-------------|
| ----- | ---- | ---- |
| Cash Flows from Operating Activities: | | |
| Net Loss | \$ (21,277) | \$ (33,601) |
| Adjustments to Reconcile Net Loss to Net | | |
| Cash Used in Operating Activities: | | |
| Amortization | 0 | 177 |
| Accreted Interest Income on Investments in | | |
| Securities | 0 | (1,175) |
| Equity in Losses of Project Partnerships | 0 | 8,418 |
| Distribution Income | (2,556) | (2,250) |
| Changes in Operating Assets and Liabilities: | | |
| Increase in Payable to General Partners | 17,339 | 16,937 |
| Decrease in Other Payable | (8,030) | 0 |
| | ----- | ----- |
| Net Cash Used in Operating | | |
| Activities | (14,524) | (11,494) |
| | ----- | ----- |
| Cash Flows from Investing Activities: | | |
| Distributions Received from Project | | |
| Partnerships | 2,556 | 2,250 |
| Redemption of Investment in Securities | 66,276 | 63,561 |
| | ----- | ----- |
| Net Cash Provided by Investing | | |
| Activities | 68,832 | 65,811 |
| | ----- | ----- |
| Increase (Decrease) in Cash and Cash Equivalents | 54,308 | 54,317 |
| Cash and Cash Equivalents at Beginning of Year | 250,529 | 235,004 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$ 304,837 | \$ 289,321 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 3 | 2006 | 2005 |
|--|-------------|-------------|
| ----- | ---- | ---- |
| Cash Flows from Operating Activities: | | |
| Net Loss | \$ (17,860) | \$ (14,283) |
| Adjustments to Reconcile Net Loss to Net | | |
| Cash Provided by (Used in) Operating Activities: | | |
| Accreted Interest Income on Investments | | |
| in Securities | 0 | (1,045) |
| Equity in Losses of Project Partnerships | 0 | 0 |
| Distribution Income | (10,940) | (12,398) |
| Changes in Operating Assets and Liabilities: | | |
| Increase in Payable to General Partners | 20,324 | 15,662 |
| Decrease in Other Payable | (7,300) | 0 |
| | ----- | ----- |
| Net Cash Used in Operating | | |
| Activities | (15,776) | (12,064) |
| | ----- | ----- |
| Cash Flows from Investing Activities: | | |
| Distributions Received from Project | | |
| Partnerships | 10,940 | 12,398 |
| Redemption of Investment in Securities | 58,952 | 56,536 |
| | ----- | ----- |
| Net Cash Provided by Investing | | |
| Activities | 69,892 | 68,934 |
| | ----- | ----- |
| Increase in Cash and Cash Equivalents | 54,116 | 56,870 |
| Cash and Cash Equivalents at Beginning of Year | 236,035 | 218,547 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$ 290,151 | \$ 275,417 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 4 | 2006 | 2005 |
|--|-------------|-------------|
| ----- | ---- | ---- |
| Cash Flows from Operating Activities: | | |
| Net Loss | \$ (29,728) | \$ (26,707) |
| Adjustments to Reconcile Net Loss to Net | | |
| Cash Provided by (Used in) Operating Activities: | | |
| Accreted Interest Income on Investments in | | |
| Securities | 0 | (1,324) |
| Distribution Income | (5,977) | (5,113) |
| Changes in Operating Assets and Liabilities: | | |
| Increase in Payable to General Partners | 24,117 | 18,310 |
| Decrease in Other Payable | (8,030) | 0 |
| | ----- | ----- |
| Net Cash Used in Operating Activities | (19,618) | (14,834) |
| | ----- | ----- |
| Cash Flows from Investing Activities: | | |
| Distributions Received from Project | | |
| Partnerships | 5,977 | 5,113 |
| Redemption of Investment in Securities | 74,685 | 71,627 |
| | ----- | ----- |
| Net Cash Provided by Investing | | |
| Activities | 80,662 | 76,740 |
| | ----- | ----- |
| Increase (Decrease) in Cash and Cash Equivalents | 61,044 | 61,906 |
| Cash and Cash Equivalents at Beginning of Year | 322,204 | 304,447 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$ 383,248 | \$ 366,353 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 5 | 2006 | 2005 |
|--|-------------|-------------|
| ----- | ---- | ---- |
| Cash Flows from Operating Activities: | | |
| Net Loss | \$ (37,249) | \$ (31,297) |
| Adjustments to Reconcile Net Loss to Net | | |
| Cash Used in Operating Activities: | | |
| Amortization | 3,859 | 501 |
| Accreted Interest Income on Investments in | | |
| Securities | 0 | (1,651) |
| Equity in Losses of Project Partnerships | 3,365 | 2,020 |
| Distribution Income | (12,500) | (11,176) |
| Changes in Operating Assets and Liabilities: | | |
| Decrease in Accounts Receivable - Other | 912 | 0 |
| Increase (Decrease) in Payable to General | | |
| Partners | 21,819 | 23,563 |
| Decrease in Other Payable | (3,650) | (700) |
| | ----- | ----- |
| Net Cash Used in Operating | | |
| Activities | (23,444) | (18,740) |
| | ----- | ----- |
| Cash Flows from Investing Activities: | | |
| Distributions Received from Project | | |
| Partnerships | 14,242 | 11,176 |
| Redemption of Investment in Securities | 93,086 | 89,274 |
| | ----- | ----- |
| Net Cash Provided by Investing | | |
| Activities | 107,328 | 100,450 |
| | ----- | ----- |
| Increase (Decrease) in Cash and Cash Equivalents | 83,884 | 81,710 |
| Cash and Cash Equivalents at Beginning of Year | 262,439 | 238,360 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$ 346,323 | \$ 320,070 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| SERIES 6 | 2006 | 2005 |
|--|-------------|-------------|
| ----- | ---- | ---- |
| Cash Flows from Operating Activities: | | |
| Net Income (Loss) | \$ (40,971) | \$ (36,442) |
| Adjustments to Reconcile Net Income (Loss) to | | |
| Net Cash Used in Operating Activities: | | |
| Amortization | 9,513 | 1,526 |
| Accreted Interest Income on Investments | | |
| in Securities | (1,465) | (2,737) |
| Equity in Losses of Project Partnerships | 1,079 | 1,909 |
| Distribution Income | (13,373) | (10,190) |
| Changes in Operating Assets and Liabilities: | | |
| Decrease in Accounts Receivable - Other | 0 | 700 |
| Increase in Payable to General Partners | 20,054 | 26,329 |
| Decrease in Other Payable | 0 | (500) |
| | ----- | ----- |
| Net Cash Used In Operating | | |
| Activities | (25,163) | (19,405) |
| | ----- | ----- |
| Cash Flows from Investing Activities: | | |
| Distributions Received from Project | | |
| Partnerships | 16,348 | 10,190 |
| | ----- | ----- |
| Net Cash Provided by Investing | | |
| Activities | 16,348 | 10,190 |
| | ----- | ----- |
| Decrease in Cash and Cash Equivalents | (8,815) | (9,215) |
| Cash and Cash Equivalents at Beginning of Year | 463,580 | 444,751 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$ 454,765 | \$ 435,536 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(Unaudited)

| TOTAL SERIES 2 - 6 | 2006 | 2005 |
|--|--------------|--------------|
| ----- | ---- | ---- |
| Cash Flows from Operating Activities: | | |
| Net Loss | \$ (147,085) | \$ (142,330) |
| Adjustments to Reconcile Net Loss to Net | | |
| Cash Used in Operating Activities: | | |
| Amortization | 13,372 | 2,204 |
| Accreted Interest Income on Investments | | |
| in Securities | (1,465) | (7,932) |
| Equity in Losses of Project Partnerships | 4,444 | 12,347 |
| Distribution Income | (45,346) | (41,127) |
| Changes in Operating Assets and Liabilities: | | |
| Decrease in Accounts Receivable - Other | 912 | 700 |
| Increase in Payable to General Partners | 103,653 | 100,801 |
| Decrease in Other Payable | (27,010) | (1,200) |
| | ----- | ----- |
| Net Cash Used in Operating | | |
| Activities | (98,525) | (76,537) |
| | ----- | ----- |
| Cash Flows from Investing Activities: | | |
| Distributions Received from Project | | |
| Partnerships | 50,063 | 41,127 |
| Redemption of Investment in Securities | 292,999 | 280,998 |
| | ----- | ----- |
| Net Cash Provided by Investing | | |
| Activities | 343,062 | 322,125 |
| | ----- | ----- |
| Increase (Decrease) in Cash and Cash Equivalents | 244,537 | 245,588 |
| Cash and Cash Equivalents at Beginning of Year | 1,534,787 | 1,441,109 |
| | ----- | ----- |
| Cash and Cash Equivalents at End of Period | \$1,779,324 | \$1,686,697 |
| | ===== | ===== |

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND II LTD.
(A Florida Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
(Unaudited)
JUNE 30, 2006

NOTE 1 - ORGANIZATION:

Gateway Tax Credit Fund II Ltd. ("Gateway" or "Partnership"), a Florida Limited Partnership, was formed September 12, 1989, under the laws of Florida. Operations commenced on September 14, 1990 for Series 2, September 28, 1990 for Series 3, February 1, 1991 for Series 4, July 1, 1991 for Series 5 and January 1, 1992 for Series 6. Gateway has invested, as a limited partner, in other limited partnerships ("Project Partnerships") each of which owns and operates one or more apartment complexes expected to qualify for Low-Income Housing Tax Credits. Gateway will terminate on December 31, 2040, or sooner, in accordance with the terms of the Limited Partnership Agreement. As of June 30, 2006, Gateway had received capital contributions of \$1,000 from the General Partners and \$37,228,000 from Beneficial Assignee Certificate investors (the "Assignees"). The fiscal year of Gateway for reporting purposes ends on March 31.

Pursuant to the Securities Act of 1933, Gateway filed a Form S-11 Registration Statement with the Securities and Exchange Commission, effective September 12, 1989, which covered the offering (the "Public Offering") of Gateway's Beneficial Assignee Certificates ("BACs") representing assignments of units for the beneficial interest of the limited partnership interest of the Assignor Limited Partner. The Assignor Limited Partner was formed for the purpose of serving in that capacity for the Fund and will not engage in any other business.

Raymond James Partners, Inc. and Raymond James Tax Credit Funds, Inc., wholly-owned subsidiaries of Raymond James Financial, Inc., are the General Partner and the Managing General Partner, respectively.

Gateway offered BACs in five series. BACs in the amounts of \$6,136,000, \$5,456,000, \$6,915,000, \$8,616,000 and \$10,105,000 for Series 2, 3, 4, 5 and 6, respectively had been issued as of June 30, 2006. Each Series is treated as a separate partnership, investing in a separate and distinct pool of Project Partnerships. Net proceeds from each Series are used to acquire Project Partnerships which are specifically allocated to such Series. Income or loss and all tax items from the Project Partnerships acquired by each Series are specifically allocated among the Assignees of such Series.

Operating profits and losses, cash distributions from operations and tax credits are allocated 99% to the Assignees and 1% to the General Partners. Profit or loss and cash distributions from sales of properties will be allocated as formulated in the Limited Partnership Agreement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

Gateway utilizes the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when obligations are incurred.

Gateway accounts for its investments as the sole limited partner in Project Partnerships ("Investments in Project Partnerships") using the equity method of accounting, because management believes that Gateway does not have a majority control of the major operating and financial policies of the Project Partnerships in which it invests, and reports the equity in losses of the Project Partnerships on a 3-month lag in the Statements of Operations. Under the equity method, the Investments in Project Partnerships initially include:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

- 1) Gateway's capital contribution,
- 2) Acquisition fees paid to the General Partner for services rendered in selecting properties for acquisition, and
- 3) Acquisition expenses including legal fees, travel and other miscellaneous costs relating to acquiring properties.

Quarterly the Investments in Project Partnerships are increased or decreased as follows:

- 1) Increased for equity in income or decreased for equity in losses of the Project Partnerships,
- 2) Decreased for cash distributions received from the Project Partnerships, and
- 3) Decreased for the amortization of the acquisition fees and expenses.

For the fiscal year ended March 31, 2006, Gateway changed the period over which the intangible acquisition fees and expenses are amortized. In all prior years, the period in which such intangible assets had been amortized was 35 years. In the fiscal year period ended March 31, 2006, this amortization period was changed to 15 years to better approximate the period over which the benefits of these investments are realized. As a result of this change in estimate, an additional amortization expense of \$23,779 for Series 5 and \$33,465 for Series 6, or a total of \$57,244 for all Series of Gateway, was recognized during the year-ended March 31, 2006, as compared to the amortization expense amount which would have been realized had the estimated amortization period not changed during the year. The amortization expense is shown on the Statements of Operations.

Pursuant to the limited partnership agreements for the Project Partnerships, cash losses generated by the Project Partnerships are allocated to the general partners of those partnerships. In subsequent years, cash profits, if any, are first allocated to the general partners to the extent of the allocation of prior years' cash losses.

Since Gateway invests as a limited partner, and therefore is not obligated to fund losses or make additional capital contributions, it does not recognize losses from individual Project Partnerships to the extent that these losses would reduce the investment in those Project Partnerships below zero. The suspended losses will be used to offset future income from the individual Project Partnerships. Any cash distributions received from Project Partnerships which have a zero investment balance are accounted for as distribution income in the period the cash distribution is received by Gateway.

Gateway reviews its investments in Project Partnerships to determine if there has been any permanent impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the investment, Gateway recognizes an impairment loss. No impairment loss has been recognized in the accompanying financial statements. For the fiscal year ended March 31, 2006, impairment expense was recognized in the statement of operations in Series 6 in the total amount of \$343,241. There was no impairment expense in fiscal years 2005 or 2004. Refer to Note 5 - Investment in Project Partnerships for further details regarding the components of the Investment in Project Partnership balance.

Gateway, as a limited partner in the Project Partnerships, is subject to risks inherent in the ownership of property which are beyond its control, such as fluctuations in occupancy rates and operating expenses, variations in rental schedules, proper maintenance and continued eligibility of tax credits. If the cost of operating a property exceeds the rental income earned thereon, Gateway may deem it in its best interest to voluntarily provide funds in order to protect its investment. Gateway does not guarantee any of the mortgages or other debt of the Project Partnerships.

Cash and Cash Equivalents

It is Gateway's policy to include short-term investments with an original maturity of three months or less in Cash and Cash Equivalents. Short-term investments are comprised of money market mutual funds.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Concentration of Credit Risk

Financial instruments which potentially subject Gateway to concentrations of credit risk consist of cash investments in a money market mutual fund that is a wholly-owned subsidiary of Raymond James Financial, Inc.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates that affect certain reported amounts and disclosures. These estimates are based on management's knowledge and experience. Accordingly, actual results could differ from these estimates.

Investment in Securities

Gateway applies Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("FAS 115"). Under FAS 115, Gateway is required to categorize its debt securities as held-to-maturity, available-for-sale or trading securities, dependent upon Gateway's intent in holding the securities. Gateway's intent is to hold all of its debt securities (U. S. Government Security Strips) until maturity and to use these reserves to fund Gateway's ongoing operations. Interest income is recognized ratably on the U. S. Government Strips using the effective yield to maturity.

Income Taxes

No provision for income taxes has been made in these financial statements, as income taxes are a liability of the partners rather than of Gateway.

Variable Interest Entities

In January 2003, the FASB issued FASB Interpretation No. 46 ("FIN46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51," which was subsequently revised in December, 2003. Gateway has adopted FIN 46 and applied its requirements to all Project Partnerships in which Gateway held an interest. Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics, (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group the holders of the equity investment at risk lack (i) the ability to make decisions about an entity's activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity's activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. FIN 46 requires VIE to be consolidated in the financial statements of the entity that is determined to be the primary beneficiary of the VIE. The primary beneficiary, as is applicable to Gateway's circumstances, is the party in the Project Partnership equity group that is most closely associated with the Project Partnership.

Gateway holds variable interests in 141 VIE's, which consist of Project Partnerships, which Gateway is not the primary beneficiary. Gateway's maximum exposure to loss as a result of its involvement with unconsolidated VIE's is limited to Gateway's recorded investments in and receivables from those VIE's, which is approximately \$501,382 at June 30, 2006. Gateway may be subject to additional losses to the extent of any financial support that Gateway voluntarily provides to those Project Partnerships in the future.

Basis of Preparation

The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the financial statements and notes thereto included with the Partnership's Form 10-K for the year ended March 31, 2006. In the opinion of management these financial statements include adjustments, consisting only of normal recurring adjustments, necessary to fairly summarize the Partnership's financial position and results of operations. The results of operations for the periods may not be indicative of the results to be expected for the year.

NOTE 3 - INVESTMENT IN SECURITIES:

The June 30, 2006 Balance Sheet includes Investment in Securities consisting of U.S. Government Security Strips which represents their cost, plus accreted interest income of \$79,835 for Series 6. There are no investments in securities in any other Series. The Investment in Securities are commonly held in a brokerage account with Raymond James and Associates, Inc. A separate accounting is maintained for each series' share of the investments.

| | Estimated Market Value | Cost Plus Accreted Interest | Gross Unrealized Gains and (Losses) |
|----------|---------------------------|--------------------------------|--|
| | ----- | ----- | ----- |
| Series 6 | \$ 80,452 | \$ 79,835 | \$ 617 |

As of June 30, 2006, the cost and accreted interest of debt securities by contractual maturities is as follows:

| | Series 6 | Total |
|--|-----------|-----------|
| | ----- | ----- |
| Due within 1 year | \$ 79,835 | \$ 79,835 |
| After 1 year through 5 years | 0 | 0 |
| | ----- | ----- |
| Total Amount Carried on Balance Sheet | \$ 79,835 | \$ 79,835 |
| | ===== | ===== |

NOTE 4 - RELATED PARTY TRANSACTIONS:

The Payable to General Partners primarily represents the asset management fees owed to the General Partners at the end of the period. It is unsecured, due on demand and, in accordance with the limited partnership agreement, non-interest bearing. Within the next 12 months, the Managing General Partner does not intend to demand payment on the portion of Asset Management Fees payable classified as long-term on the Balance Sheet.

For the three months June 30, 2006 and 2005 the General Partners and affiliates are entitled to compensation and reimbursement for costs and expenses incurred by Gateway as follows:

Asset Management Fee - The Managing General Partner is entitled to be paid an annual asset management fee equal to 0.25% of the aggregate cost of Gateway's interest in the projects owned by the Project Partnerships. The asset management fee will be paid only after all other expenses of Gateway have been paid. These fees are included in the Statements of Operations.

| | 2006 | 2005 |
|----------|------------|-----------|
| | ----- | ----- |
| Series 2 | \$ 16,845 | \$ 16,902 |
| Series 3 | 15,615 | 15,679 |
| Series 4 | 19,232 | 18,051 |
| Series 5 | 23,096 | 23,180 |
| Series 6 | 25,287 | 26,127 |
| | ----- | ----- |
| Total | \$ 100,075 | \$ 99,939 |
| | ===== | ===== |

General and Administrative Expenses - The Managing General Partner is reimbursed for general and administrative expenses of Gateway on an accountable basis. This expense is included in the Statements of Operations.

| | 2006 | 2005 |
|----------|-----------|-----------|
| | ----- | ----- |
| Series 2 | \$ 8,867 | \$ 10,099 |
| Series 3 | 14,117 | 10,558 |
| Series 4 | 17,800 | 13,312 |
| Series 5 | 21,483 | 16,525 |
| Series 6 | 22,710 | 17,443 |
| | ----- | ----- |
| Total | \$ 84,977 | \$ 67,937 |
| | ===== | ===== |

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS:

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 22 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

| SERIES 2 | JUNE 30, 2006 ----- | MARCH 31, 2006 ----- |
|---|---------------------------|----------------------------|
| Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships | \$ 4,524,678 | \$ 4,524,678 |
| Cumulative equity in losses of Project Partnerships (1) | (4,742,761) | (4,742,761) |
| Cumulative distributions received from Project Partnerships | (87,605) | (87,605) |
| Investment in Project Partnerships before Adjustment | (305,688) | (305,688) |
| Excess of investment cost over the underlying assets acquired: | | |
| Acquisition fees and expenses | 390,838 | 390,838 |
| Accumulated amortization of acquisition fees and expenses | (85,150) | (85,150) |
| Investments in Project Partnerships | \$ 0 ===== | \$ 0 ===== |

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$5,683,495 for the period ended June 30, 2006 and cumulative suspended losses of \$5,632,737 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 23 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

| SERIES 3 | JUNE 30, 2006 | MARCH 31, 2006 |
|---|------------------|-------------------|
| | ----- | ----- |
| Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships | \$ 3,888,713 | \$ 3,888,713 |
| Cumulative equity in losses of Project Partnerships (1) | (4,133,478) | (4,133,478) |
| Cumulative distributions received from Project Partnerships | (164,417) | (164,417) |
| | ----- | ----- |
| Investment in Project Partnerships before Adjustment | (409,182) | (409,182) |
| Excess of investment cost over the underlying assets acquired: | | |
| Acquisition fees and expenses | 491,746 | 491,746 |
| Accumulated amortization of acquisition fees and expenses | (82,564) | (82,564) |
| | ----- | ----- |
| Investments in Project Partnerships | \$ 0 | \$ 0 |
| | ===== | ===== |

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$6,498,879 for the period ended June 30, 2006 and cumulative suspended losses of \$6,446,347 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 29 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

| SERIES 4 | JUNE 30, 2006 | MARCH 31, 2006 |
|---|------------------|-------------------|
| | ----- | ----- |
| Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships | \$ 4,952,519 | \$ 4,952,519 |
| Cumulative equity in losses of Project Partnerships (1) | (5,268,905) | (5,268,905) |
| Cumulative distributions received from Project Partnerships | (124,819) | (124,819) |
| | ----- | ----- |
| Investment in Project Partnerships before Adjustment | (441,205) | (441,205) |
| Excess of investment cost over the underlying assets acquired: | | |
| Acquisition fees and expenses | 562,967 | 562,967 |
| Accumulated amortization of acquisition fees and expenses | (121,762) | (121,762) |
| | ----- | ----- |
| Investments in Project Partnerships | \$ 0 | \$ 0 |
| | ===== | ===== |

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$5,715,920 for the period ended June 30, 2006 and cumulative suspended losses of \$5,604,678 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 35 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

| SERIES 5 | JUNE 30, 2006 ----- | MARCH 31, 2006 ----- |
|---|---------------------------|----------------------------|
| Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships | \$ 6,010,273 | \$ 6,010,273 |
| Cumulative equity in losses of Project Partnerships (1) | (6,130,571) | (6,127,206) |
| Cumulative distributions received from Project Partnerships | (200,831) ----- | (199,089) ----- |
| Investment in Project Partnerships before Adjustment | (321,129) | (316,022) |
| Excess of investment cost over the underlying assets acquired: | | |
| Acquisition fees and expenses | 632,419 | 632,419 |
| Accumulated amortization of acquisition fees and expenses | (168,626) ----- | (164,767) ----- |
| Investments in Project Partnerships | \$ 142,664 ===== | \$ 151,630 ===== |

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$6,455,569 for the period ended June 30, 2006 and cumulative suspended losses of \$6,332,840 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

As of June 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 37 Project Partnerships which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Partnership agreement. Upon dissolution proceeds will be distributed according to each Partnership agreement.

The following is a summary of Investments in Project Partnerships as of:

| SERIES 6 | JUNE 30, 2006 | MARCH 31, 2006 |
|---|------------------|-------------------|
| | ----- | ----- |
| Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships | \$ 7,250,034 | \$ 7,250,034 |
| Cumulative equity in losses of Project Partnerships (1) | (6,846,932) | (6,845,853) |
| Cumulative distributions received from Project Partnerships | (221,286) | (218,311) |
| | ----- | ----- |
| Investment in Project Partnerships before Adjustment | 181,816 | 185,870 |
| Excess of investment cost over the underlying assets acquired: | | |
| Acquisition fees and expenses | 768,912 | 768,912 |
| Accumulated amortization of acquisition fees and expenses | (248,769) | (239,256) |
| Impairment of Investment in Project Partnerships | (343,241) | (343,241) |
| | ----- | ----- |
| Investments in Project Partnerships | \$ 358,718 | \$ 372,285 |
| | ===== | ===== |

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$4,389,183 for the period ended June 30, 2006 and cumulative suspended losses of \$4,294,234 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

The following is a summary of Investments in Project Partnerships as of:

| TOTAL SERIES 2 - 6 | JUNE 30, 2006 ----- | MARCH 31, 2006 ----- |
|---|---------------------------|----------------------------|
| Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships | \$ 26,626,217 | \$ 26,626,217 |
| Cumulative equity in losses of Project Partnerships | (27,122,647) | (27,118,203) |
| Cumulative distributions received from Project Partnerships | (798,958) ----- | (794,241) ----- |
| Investment in Project Partnerships before Adjustment | (1,295,388) | (1,286,227) |
| Excess of investment cost over the underlying assets acquired: | | |
| Acquisition fees and expenses | 2,846,882 | 2,846,882 |
| Accumulated amortization of acquisition fees and expenses | (706,871) | (693,499) |
| Impairment of Investment in Project Partnerships | (343,241) ----- | (343,241) ----- |
| Investments in Project Partnerships | \$ 501,382 ===== | \$ 523,915 ===== |

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

| SERIES 2 | 2006 | 2005 |
|--|--------------|--------------|
| | ---- | ---- |
| SUMMARIZED BALANCE SHEETS | | |
| Assets: | | |
| Current assets | \$ 2,124,764 | \$ 2,023,122 |
| Investment properties, net | 14,776,496 | 15,562,482 |
| Other assets | 8,115 | 6,758 |
| | ----- | ----- |
| Total assets | \$16,909,375 | \$17,592,362 |
| | ===== | ===== |
| Liabilities and Partners' Equity: | | |
| Current liabilities | \$ 449,977 | \$ 448,469 |
| Long-term debt | 22,653,237 | 22,746,522 |
| | ----- | ----- |
| Total liabilities | 23,103,214 | 23,194,991 |
| | ----- | ----- |
| Partners' equity (deficit) | | |
| Limited Partner | (6,050,187) | (5,475,538) |
| General Partners | (143,652) | (127,091) |
| | ----- | ----- |
| Total Partners' equity (deficit) | (6,193,839) | (5,602,629) |
| | ----- | ----- |
| Total liabilities and partners' equity | \$16,909,375 | \$17,592,362 |
| | ===== | ===== |
| SUMMARIZED STATEMENTS OF OPERATIONS | | |
| Rental and other income | \$ 758,597 | \$ 715,331 |
| Expenses: | ----- | ----- |
| Operating expenses | 460,837 | 489,578 |
| Interest expense | 130,162 | 130,865 |
| Depreciation and amortization | 218,869 | 217,428 |
| | ----- | ----- |
| Total expenses | 809,868 | 837,871 |
| | ----- | ----- |
| Net loss | \$ (51,271) | \$ (122,540) |
| | ===== | ===== |
| Other partners' share of net loss | \$ (513) | \$ (1,226) |
| | ===== | ===== |
| Partnerships' share of net loss | \$ (50,758) | \$ (121,314) |
| Suspended losses | 50,758 | 112,896 |
| | ----- | ----- |
| Equity in Losses of Project Partnerships | \$ 0 | \$ (8,418) |
| | ===== | ===== |

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

| SERIES 3 | 2006 | 2005 |
|--|--------------|--------------|
| | ---- | ---- |
| SUMMARIZED BALANCE SHEETS | | |
| Assets: | | |
| Current assets | \$ 2,751,299 | \$ 2,566,729 |
| Investment properties, net | 11,796,726 | 12,631,798 |
| Other assets | 148,463 | 175,063 |
| | ----- | ----- |
| Total assets | \$14,696,488 | \$15,373,590 |
| | ===== | ===== |
| Liabilities and Partners' Equity: | | |
| Current liabilities | \$ 401,006 | \$ 388,473 |
| Long-term debt | 21,307,645 | 21,412,108 |
| | ----- | ----- |
| Total liabilities | 21,708,651 | 21,800,581 |
| | ----- | ----- |
| Partners' equity (deficit) | | |
| Limited Partner | (7,338,869) | (6,781,401) |
| General Partners | 326,706 | 354,410 |
| | ----- | ----- |
| Total Partners' equity (deficit) | (7,012,163) | (6,426,991) |
| | ----- | ----- |
| Total liabilities and partners' equity | \$14,696,488 | \$15,373,590 |
| | ===== | ===== |
| SUMMARIZED STATEMENTS OF OPERATIONS | | |
| Rental and other income | \$ 768,120 | \$ 719,827 |
| Expenses: | ----- | ----- |
| Operating expenses | 471,193 | 471,745 |
| Interest expense | 110,922 | 113,425 |
| Depreciation and amortization | 239,589 | 241,463 |
| | ----- | ----- |
| Total expenses | 821,704 | 826,633 |
| | ----- | ----- |
| Net loss | \$ (53,584) | \$ (106,806) |
| | ===== | ===== |
| Other partners' share of net loss | \$ (1,052) | \$ (1,570) |
| | ===== | ===== |
| Partnerships' share of net loss | \$ (52,532) | \$ (105,236) |
| Suspended losses | 52,532 | 105,236 |
| | ----- | ----- |
| Equity in Losses of Project Partnerships | \$ 0 | \$ 0 |
| | ===== | ===== |

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

| SERIES 4 | 2006 | 2005 |
|--|--------------|--------------|
| | ---- | ---- |
| SUMMARIZED BALANCE SHEETS | | |
| Assets: | | |
| Current assets | \$ 2,469,109 | \$ 2,387,268 |
| Investment properties, net | 18,907,914 | 19,791,742 |
| Other assets | 33,564 | 37,539 |
| | ----- | ----- |
| Total assets | \$21,410,587 | \$22,216,549 |
| | ===== | ===== |
| Liabilities and Partners' Equity: | | |
| Current liabilities | \$ 916,609 | \$ 850,025 |
| Long-term debt | 26,080,239 | 26,191,312 |
| | ----- | ----- |
| Total liabilities | 26,996,848 | 27,041,337 |
| | ----- | ----- |
| Partners' equity (deficit) | | |
| Limited Partner | (6,251,354) | (5,550,326) |
| General Partners | 665,093 | 725,538 |
| | ----- | ----- |
| Total Partners' equity (deficit) | (5,586,261) | (4,824,788) |
| | ----- | ----- |
| Total liabilities and partners' equity | \$21,410,587 | \$22,216,549 |
| | ===== | ===== |
| SUMMARIZED STATEMENTS OF OPERATIONS | | |
| Rental and other income | \$ 912,564 | \$ 887,617 |
| Expenses: | ----- | ----- |
| Operating expenses | 617,717 | 599,564 |
| Interest expense | 146,588 | 146,814 |
| Depreciation and amortization | 261,003 | 258,304 |
| | ----- | ----- |
| Total expenses | 1,025,308 | 1,004,682 |
| | ----- | ----- |
| Net loss | \$ (112,744) | \$ (117,065) |
| | ===== | ===== |
| Other partners' share of net loss | \$ (1,502) | \$ (1,761) |
| | ===== | ===== |
| Partnerships' share of net loss | \$ (111,242) | \$ (115,304) |
| Suspended losses | 111,242 | 115,304 |
| | ----- | ----- |
| Equity in Losses of Project Partnerships | \$ 0 | \$ 0 |
| | ===== | ===== |

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

| SERIES 5 | 2006 | 2005 |
|--|--------------|--------------|
| | ---- | ---- |
| SUMMARIZED BALANCE SHEETS | | |
| Assets: | | |
| Current assets | \$ 3,372,371 | \$ 3,184,399 |
| Investment properties, net | 21,403,421 | 22,443,077 |
| Other assets | 5,471 | 57,644 |
| | ----- | ----- |
| Total assets | \$24,781,263 | \$25,685,120 |
| | ===== | ===== |
| Liabilities and Partners' Equity: | | |
| Current liabilities | \$ 694,157 | \$ 693,692 |
| Long-term debt | 31,256,580 | 31,392,413 |
| | ----- | ----- |
| Total liabilities | 31,950,737 | 32,086,105 |
| | ----- | ----- |
| Partners' equity (deficit) | | |
| Limited Partner | (6,807,386) | (6,078,492) |
| General Partners | (362,088) | (322,493) |
| | ----- | ----- |
| Total Partners' equity (deficit) | (7,169,474) | (6,400,985) |
| | ----- | ----- |
| Total liabilities and partners' equity | \$24,781,263 | \$25,685,120 |
| | ===== | ===== |
| SUMMARIZED STATEMENTS OF OPERATIONS | | |
| Rental and other income | \$ 1,075,519 | \$ 1,056,442 |
| Expenses: | | |
| Operating expenses | 729,261 | 724,976 |
| Interest expense | 172,744 | 174,781 |
| Depreciation and amortization | 300,882 | 306,296 |
| | ----- | ----- |
| Total expenses | 1,202,887 | 1,206,053 |
| | ----- | ----- |
| Net loss | \$ (127,368) | \$ (149,611) |
| | ===== | ===== |
| Other partners' share of net loss | \$ (1,274) | \$ (1,496) |
| | ===== | ===== |
| Partnerships' share of net loss | \$ (126,094) | \$ (148,115) |
| Suspended losses | 122,729 | 146,095 |
| | ----- | ----- |
| Equity in Losses of Project Partnerships | \$ (3,365) | \$ (2,020) |
| | ===== | ===== |

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

| SERIES 6 | 2006 | 2005 |
|--|--------------|--------------|
| | ---- | ---- |
| SUMMARIZED BALANCE SHEETS | | |
| Assets: | | |
| Current assets | \$ 4,312,217 | \$ 4,162,671 |
| Investment properties, net | 25,020,029 | 26,737,853 |
| Other assets | 62,349 | 8,038 |
| | ----- | ----- |
| Total assets | \$29,394,595 | \$30,908,562 |
| | ===== | ===== |
| Liabilities and Partners' Equity: | | |
| Current liabilities | \$ 687,842 | \$ 621,722 |
| Long-term debt | 33,537,501 | 34,688,448 |
| | ----- | ----- |
| Total liabilities | 34,225,343 | 35,310,170 |
| | ----- | ----- |
| Partners' equity (deficit) | | |
| Limited Partner | (4,318,546) | (3,912,997) |
| General Partners | (512,202) | (488,611) |
| | ----- | ----- |
| Total Partners' equity (deficit) | (4,830,748) | (4,401,608) |
| | ----- | ----- |
| Total liabilities and partners' equity | \$29,394,595 | \$30,908,562 |
| | ===== | ===== |
| SUMMARIZED STATEMENTS OF OPERATIONS | | |
| Rental and other income | \$ 1,169,891 | \$ 1,210,249 |
| Expenses: | | |
| Operating expenses | 758,303 | 786,778 |
| Interest expense | 185,614 | 193,509 |
| Depreciation and amortization | 323,305 | 344,762 |
| | ----- | ----- |
| Total expenses | 1,267,222 | 1,325,049 |
| | ----- | ----- |
| Net loss | \$ (97,331) | \$ (114,800) |
| | ===== | ===== |
| Other partners' share of net loss | \$ (1,303) | \$ (1,278) |
| | ===== | ===== |
| Partnerships' share of net loss | \$ (96,028) | \$ (113,522) |
| Suspended losses | 94,949 | 111,613 |
| | ----- | ----- |
| Equity in Losses of Project Partnerships | \$ (1,079) | \$ (1,909) |
| | ===== | ===== |

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with the Partnership's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized financial information for the Series' Project Partnerships as of March 31, of each year:

| TOTAL SERIES 2- 6 | 2006 | 2005 |
|--|---------------|---------------|
| | ---- | ---- |
| SUMMARIZED BALANCE SHEETS | | |
| Assets: | | |
| Current assets | \$ 15,029,760 | \$ 14,324,189 |
| Investment properties, net | 91,904,586 | 97,166,952 |
| Other assets | 257,962 | 285,042 |
| | ----- | ----- |
| Total assets | \$107,192,308 | \$111,776,183 |
| | ===== | ===== |
| Liabilities and Partners' Equity: | | |
| Current liabilities | \$ 3,149,591 | \$ 3,002,381 |
| Long-term debt | 134,835,202 | 136,430,803 |
| | ----- | ----- |
| Total liabilities | 137,984,793 | 139,433,184 |
| | ----- | ----- |
| Partners' equity (deficit) | | |
| Limited Partner | (30,766,342) | (27,798,754) |
| General Partners | (26,143) | 141,753 |
| | ----- | ----- |
| Total Partners' equity (deficit) | (30,792,485) | (27,657,001) |
| | ----- | ----- |
| Total liabilities and partners' equity | \$107,192,308 | \$111,776,183 |
| | ===== | ===== |
| SUMMARIZED STATEMENTS OF OPERATIONS | | |
| Rental and other income | \$ 4,684,691 | \$ 4,589,466 |
| Expenses: | | |
| Operating expenses | 3,037,311 | 3,072,641 |
| Interest expense | 746,030 | 759,394 |
| Depreciation and amortization | 1,343,648 | 1,368,253 |
| | ----- | ----- |
| Total expenses | 5,126,989 | 5,200,288 |
| | ----- | ----- |
| Net loss | \$ (442,298) | \$ (610,822) |
| | ===== | ===== |
| Other partners' share of net loss | \$ (5,644) | \$ (7,331) |
| | ===== | ===== |
| Partnerships' share of net loss | \$ (436,654) | \$ (603,491) |
| Suspended losses | 432,210 | 591,144 |
| | ----- | ----- |
| Equity in Losses of Project Partnerships | \$ (4,444) | \$ (12,347) |
| | ===== | ===== |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations:

Results of Operations, Liquidity and Capital Resources

Operations commenced on September 14, 1990, with the first admission of Assignees in Series 2. The proceeds from Assignees' capital contributions available for investment were used to acquire interests in Project Partnerships.

As disclosed on the statement of operations for each Series, interest income is comparable for the three months ended June 30, 2006 and June 30, 2005. The General and Administrative expenses - General Partner and General and Administrative expenses - Other for the three months ended June 30, 2006, as compared to the three months ended June 30, 2005, have increased due to higher administrative costs arising from the process of evaluating potential dispositions of Project Partnerships.

The capital resources of each Series are used to pay General and Administrative operating costs including personnel, supplies, data processing, travel and legal and accounting associated with the administration and monitoring of Gateway and the Project Partnerships. The capital resources are also used to pay the Asset Management Fee due the Managing General Partner, but only to the extent that Gateway's remaining resources are sufficient to fund Gateway's ongoing needs. (Payment of any Asset Management Fee unpaid at the time Gateway sells its interests in the Project Partnerships is subordinated to the return of the investors' original capital contributions).

The sources of funds to pay the operating costs of each Series are cash and cash equivalents, short-term investments and interest earned thereon, the maturity of U.S. Treasury Security Strips ("Zero Coupon Treasuries"), which were purchased with funds set aside for this purpose and cash distributed to the Series from the operations of the Project Partnerships.

From inception of Gateway to-date, two Series have paid distributions upon sale of Project Partnerships. A distribution of \$157,126 related to the sale of Highland View, LP, in Series 5 was made during the quarter ended September 30, 2005, and a distribution of \$224,074 related to the sale of Mountain Crest, LP, in Series 6 was made during the quarter ended December 31, 2005. Future distributions may be made for any particular Series as a result of the sale of other Project Partnerships.

Series 2 - Gateway closed this series on September 14, 1990 after receiving \$6,136,000 from 375 Assignees. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 decreased from \$8,413 for the three months ended June 30, 2005 to \$0 as a result of the suspension of losses in this Series so that the Investment in Project Partnerships does not fall below zero. (These Project Partnerships reported depreciation and amortization of \$217,428 and \$218,869 for the three months ended March 31, 2005 and 2006, respectively.) As a result, management expects that this Series, as well as those described below, will report its equity in Project Partnerships as a loss for tax and financial reporting purposes. Overall, management believes the Project Partnerships are operating as expected and have generated tax credits which met projections.

At June 30, 2006, the Series had \$304,837 of short-term investments (Cash and Cash Equivalents). Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$21,277 for the three months ended June 30, 2006. However, after adjusting for the changes in operating assets and liabilities, net cash used in operating activities was \$81,450. Cash provided by investing activities totaled \$68,832, consisting of cash distributions from the Project Partnerships and proceeds from the redemption of securities.

Series 3 - Gateway closed this series on December 13, 1990 after receiving \$5,456,000 from 398 Assignees. Equity in Losses of Project Partnerships for the three months ended March 31, 2006 and 2005 was \$0 as a result of the suspension of losses in this Series so that the Investment in Project Partnerships does not

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued):

fall below zero. (These Project Partnerships reported depreciation and amortization of \$241,463 and \$239,589 for the three months ended March 31, 2005 and 2006, respectively.) Overall, management believes the Project Partnerships are operating as expected and have generated tax credits which met projections.

At June 30, 2006, the Series had \$290,151 of short-term investments (Cash and Cash Equivalents). Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$17,860 for the three months ended June 30, 2006. However, after adjusting for the changes in operating assets and liabilities, net cash used in operating activities was \$75,305. Cash provided by investing activities totaled \$69,892, consisting of cash distributions from the Project Partnerships and proceeds from the redemption of securities.

Series 4 - Gateway closed this series on May 31, 1991 after receiving \$6,915,000 from 465 Assignees. Equity in Losses of Project Partnerships for the three months ended June 30, 2005 and 2004 was \$0 as a result of the suspension of all losses in this Series so that the Investment in Project Partnerships does not fall below zero. (These Project Partnerships reported depreciation and amortization of \$258,304 and \$261,003 for the three months ended March 31, 2005 and 2006, respectively.) Overall, management believes the Project Partnerships are operating as expected and have generated tax credits which met projections.

At June 30, 2006, the Series had \$383,248 of short-term investments (Cash and Cash Equivalents). Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$29,728 for the three months ended June 30, 2006. However, after adjusting for the changes in operating assets and liabilities, net cash used in operating activities was \$95,035. Cash provided by investing activities totaled \$80,662, consisting of cash distributions from the Project Partnership and proceeds from the redemption of securities.

Series 5 - Gateway closed this series on October 11, 1991 after receiving \$8,616,000 from 535 Assignees. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 increased from \$2,020 for the three months ended June 30, 2005 to \$3,365 as a result of a greater proportion of the Partnerships' share of net loss being suspended. Suspended losses are a direct result of the Investment balance in Project Partnership reaching a zero balance of individual Project Partnerships. Since more Project Partnerships have accumulated enough losses to warrant a zero balance, additional losses are suspended since the Partnership's accounting policy is to not carry Investments in Project Partnerships below zero. (These Project Partnerships reported depreciation and amortization of \$306,296 and \$300,882 for the three months ended March 31, 2004 and 2005, respectively.) Overall, management believes the Project Partnerships are operating as expected and have generated tax credits which met projections.

At June 30, 2006, the Series had \$346,323 of short-term investments (Cash and Cash Equivalents). Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$37,249 for the three months ended June 30, 2006. However, after adjusting for Equity in Losses of Project Partnerships of \$3,365 and the changes in operating assets and liabilities, net cash used in operating activities was \$117,442. Cash provided by investing activities totaled \$107,328, consisting of cash distributions from the Project Partnerships and proceeds from the redemption of securities.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued):

Series 6 - Gateway closed this series on March 11, 1992 after receiving \$10,105,000 from 625 Assignees. Equity in Losses of Project Partnerships for the three months ended June 30, 2006 was comparable to the three months ended June 30, 2005. (These Project Partnerships reported depreciation and amortization of \$344,762 and \$323,305 for the three months ended March 31, 2005 and 2006, respectively.) Overall, management believes the Project Partnerships are operating as expected and are generating tax credits which meet projections.

At June 30, 2006, the Series had \$454,765 of short-term investments (Cash and Cash Equivalents). It also had \$79,835 in Zero Coupon Treasuries with maturities providing \$83,000 in fiscal year 2007. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$40,971 for the three months ended June 30, 2006. However, after adjusting for Equity in Losses of Project Partnerships of \$1,709 and the changes in operating assets and liabilities, net cash used in operating activities was \$25,163. Cash provided by investing activities totaled \$16,638, consisting of cash distributions from the Project Partnerships.

Exit Strategy

The IRS compliance period for low-income housing tax credit properties is generally 15 years from occupancy following construction or rehabilitation completion.

Many of the Project Partnerships have reached the end of their tax-credit compliance period and those Project Partnerships that have yet to reach the end of their tax-credit compliance period will do so within the next three years. To-date, two of the Project Partnerships have been sold and, in accordance with the Gateway partnership agreement, the entire net proceeds received from these sales have been disbursed to the Limited Partners of those series of Gateway.

Gateway is presently evaluating the potential disposition of each of the Project Partnerships which have reached the end of their tax-credit compliance period and as opportunities arise, will endeavor to sell Gateway's interest in those Project Partnerships. The Partnerships objective is to maximize the investor's return wherever possible and ultimately, to liquidate the Project Partnerships that no longer provide tax benefits to investors.

Gateway has no direct employees. The General Partners have full and exclusive discretion in management and control of Gateway.

Currently, Gateway has listed the following properties for sale on a commercial marketing website:

Series 2
Lewiston Country Estates

Series 3
Southwood Apartments
Mill Run Apartments

Series 4
Ashland Estates
Village Apartments of St. Joseph II

Series 5
Fox Ridge Apartments
Redmont II Apartments
Village Apartments of Effingham
Village Apartments of Seymour II

Item 3. Quantitative and Qualitative Disclosure About Market Risk:

As a small business issuer, no information is required.

Item 4. Controls and Procedures:

Within 90 days prior to the filing of this report, under the supervision and with the participation of the Partnership's management, including the General Managing Partnership's chief executive and chief financial officers, an evaluation of the effectiveness of the Partnership's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934) was performed. Based on this evaluation, such officers have concluded that the Partnership's disclosure controls and procedures were effective as of the date of that evaluation in alerting them in a timely manner to material information relating to the Partnership required to be included in this report and the Partnership's other reports that it files or submits under the Securities Exchange Act of 1934. There were no significant changes in the Partnership's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

PART II - Other Information

Item 1. Legal Proceedings:

None.

Item 1A. Risk Factors:

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds:

None.

Item 3. Defaults upon Senior Securities:

None.

Item 4. Submission of Matters to a Vote of Security Holders:

None.

Item 5. Other Information:

None.

Item 6. Exhibits:

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

GATEWAY TAX CREDIT FUND II, LTD.
(A Florida Limited Partnership)
By: Raymond James Tax Credit Funds, Inc.

Date: August 14, 2006

By: /s/ Ronald M. Diner
Ronald M. Diner
President

Date: August 14, 2006

By: /s/ Jonathan Oorlog
Jonathan Oorlog
Vice President and Chief Financial Officer

Date: August 14, 2006

By: /s/ Sandra C. Humphreys
Sandra C. Humphreys
Secretary and Treasurer

EXHIBIT 31.1

CERTIFICATIONS*

I, Ron Diner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gateway Tax Credit Fund II, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information include in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 14, 2006

By: /s/ Ronald M. Diner
Ronald M. Diner
President

EXHIBIT 31.2

CERTIFICATIONS*

I, Jonathan Oorlog, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gateway Tax Credit Fund II, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information include in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 14, 2006

By: /s/ Jonathan Oorlog
Jonathan Oorlog
Vice President and Chief Financial Officer