

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 September 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: 0-21762

Gateway Tax Credit Fund III Ltd.

(Exact name of Registrant as specified in its charter)

Florida

59-3090386

(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 X 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 III LTD.
(A Florida Limited Partnership)
BALANCE SHEET

SERIES 7	SEPTEMBER 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 139,904	\$ 394,030
Investments in Securities	281,320	76,135
	-----	-----
Total Current Assets	421,224	470,165
Investments in Securities	77,810	74,969
Investments in Project Partnerships, Net	598,232	641,745
	-----	-----
Total Assets	\$1,097,266	\$1,186,879
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 58,442	\$ 60,090
	-----	-----
Total Current Liabilities	58,442	60,090
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	687,443	644,426
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (10,395 units for Series 7 at September 30, 2006 and March 31, 2006)	439,146	568,818
General Partners	(87,765)	(86,455)
	-----	-----
Total Partners' Equity	351,381	482,363
	-----	-----
Total Liabilities and Partners' Equity	\$1,097,266	\$1,186,879
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.
(A Florida Limited Partnership)
BALANCE SHEET

SERIES 8	SEPTEMBER 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 113,572	\$ 309,318
Investments in Securities	201,704	72,553
Accounts Receivable	24,220	24,220
	-----	-----
Total Current Assets	339,496	406,091
Investments in Securities	74,530	71,956
Investments in Project Partnerships, Net	405,863	415,344
	-----	-----
Total Assets	\$ 819,889 =====	\$ 893,391 =====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 49,223	\$ 51,363
	-----	-----
Total Current Liabilities	49,223	51,363
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	729,048	684,306
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (9,980 units for Series 8 at September 30, 2006 and March 31, 2006)	128,827	243,770
General Partners	(87,209)	(86,048)
	-----	-----
Total Partners' Equity	41,618	157,722
	-----	-----
Total Liabilities and Partners' Equity	\$ 819,889 =====	\$ 893,391 =====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.
(A Florida Limited Partnership)
BALANCE SHEET

SERIES 9	SEPTEMBER 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 58,285	\$ 222,993
Investments in Securities	168,610	40,745
	-----	-----
Total Current Assets	226,895	263,738
Investments in Securities	81,677	79,134
Investments in Project Partnerships, Net	496,928	550,442
	-----	-----
Total Assets	\$ 805,500	\$ 893,314
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 27,969	\$ 30,066
	-----	-----
Total Current Liabilities	27,969	30,066
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	453,298	428,649
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (6,254 units for Series 9 at September 30, 2006 and March 31, 2006)	375,827	485,089
General Partners	(51,594)	(50,490)
	-----	-----
Total Partners' Equity	324,233	434,599
	-----	-----
Total Liabilities and Partners' Equity	\$ 805,500	\$ 893,314
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.
(A Florida Limited Partnership)
BALANCE SHEET

SERIES 10	SEPTEMBER 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 25,190	\$ 144,697
Investments in Securities	132,195	30,440
	-----	-----
Total Current Assets	157,385	175,137
Investments in Securities	93,864	90,576
Investments in Project Partnerships, Net	1,289,493	1,360,959
	-----	-----
Total Assets	\$1,540,742	\$1,626,672
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 29,992	\$ 31,675
	-----	-----
Total Current Liabilities	29,992	31,675
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	61,963	45,123
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (5,043 units for Series 10 at September 30, 2006 and March 31, 2006)	1,478,477	1,578,554
General Partners	(29,690)	(28,680)
	-----	-----
Total Partners' Equity	1,448,787	1,549,874
	-----	-----
Total Liabilities and Partners' Equity	\$1,540,742	\$1,626,672
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.
(A Florida Limited Partnership)
BALANCE SHEET

SERIES 11	SEPTEMBER 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 26,846	\$ 207,490
Investments in Securities	188,528	35,682
	-----	-----
Total Current Assets	215,374	243,172
Investments in Securities	105,455	101,561
Investments in Project Partnerships, Net	1,908,041	1,926,349
	-----	-----
Total Assets	\$2,228,870	\$2,271,082
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 18,053	\$ 13,071
	-----	-----
Total Current Liabilities	18,053	13,071
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (5,127 units for Series 11 at September 30, 2006 and March 31, 2006)	2,234,699	2,281,421
General Partners	(23,882)	(23,410)
	-----	-----
Total Partners' Equity	2,210,817	2,258,011
	-----	-----
Total Liabilities and Partners' Equity	\$2,228,870	\$2,271,082
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.
(A Florida Limited Partnership)
BALANCE SHEET

TOTAL SERIES 7 - 11	SEPTEMBER 30, 2006 ----- (Unaudited)	MARCH 31, 2006 ----- (Audited)
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 363,797	\$ 1,278,528
Investments in Securities	972,357	255,555
Accounts Receivable	24,220	24,220
	-----	-----
Total Current Assets	1,360,374	1,558,303
Investments in Securities	433,336	418,196
Investments in Project Partnerships, Net	4,698,557	4,894,839
	-----	-----
Total Assets	\$ 6,492,267 =====	\$ 6,871,338 =====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 183,679	\$ 186,265
	-----	-----
Total Current Liabilities	183,679	186,265
	-----	-----
Long-Term Liabilities:		
Payable to General Partners	1,931,752	1,802,504
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (10,395 units for Series 7, 9,980 for Series 8, 6,254 for Series 9, 5,043 for Series 10 and 5,127 for Series 11 at September 30, 2006 and March 31, 2006)	4,656,976	5,157,652
General Partners	(280,140)	(275,083)
	-----	-----
Total Partners' Equity	4,376,836	4,882,569
	-----	-----
Total Liabilities and Partners' Equity	\$ 6,492,267 =====	\$ 6,871,338 =====

See accompanying notes to financial statements.

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

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

SERIES 7	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 11,320	\$ 8,855
	-----	-----
Total Revenues	11,320	8,855
	-----	-----
Expenses:		
Asset Management Fee-General Partner	21,509	21,612
General and Administrative:		
General Partner	31,402	21,101
Other	21,778	10,135
Amortization	7,651	1,553
	-----	-----
Total Expenses	82,340	54,401
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(71,020)	(45,546)
Equity in Losses of Project Partnerships	(13,056)	(15,453)
Interest Income	7,410	6,695
	-----	-----
Net Loss	\$ (76,666)	\$ (54,304)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (75,899)	\$ (53,761)
General Partners	(767)	(543)
	-----	-----
	\$ (76,666)	\$ (54,304)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (7.30)	\$ (5.17)
	=====	=====
Number of Limited Partnership Units Outstanding	10,395	10,395
	=====	=====

See accompanying notes to financial statements.

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

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

SERIES 8	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 800	\$ 0
	-----	-----
Total Revenues	800	0
	-----	-----
Expenses:		
Asset Management Fee-General Partner	22,371	22,477
General and Administrative:		
General Partner	34,623	23,266
Other	22,449	10,933
Amortization	3,206	567
	-----	-----
Total Expenses	82,649	57,243
	-----	-----
Loss Before Equity in (Losses) Income of Project Partnerships and Other Income	(81,849)	(57,243)
Equity in (Losses) Income of Project Partnerships	(6,065)	2,799
Interest Income	5,926	5,808
	-----	-----
Net Loss	\$ (81,988)	\$ (48,636)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (81,168)	\$ (48,149)
General Partners	(820)	(487)
	-----	-----
	\$ (81,988)	\$ (48,636)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (8.13)	\$ (4.82)
	=====	=====
Number of Limited Partnership Units Outstanding	9,980	9,980
	=====	=====

See accompanying notes to financial statements.

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

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

SERIES 9	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 0	\$ 0
	-----	-----
Total Revenues	0	0
	-----	-----
Expenses:		
Asset Management Fee-General Partner	12,325	12,377
General and Administrative:		
General Partner	19,325	12,985
Other	13,509	5,309
Amortization	3,013	594
	-----	-----
Total Expenses	48,172	31,265
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(48,172)	(31,265)
Equity in Losses of Project Partnerships	(32,758)	(23,320)
Interest Income	4,451	3,981
	-----	-----
Net Loss	\$ (76,479)	\$ (50,604)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (75,714)	\$ (50,098)
General Partners	(765)	(506)
	-----	-----
	\$ (76,479)	\$ (50,604)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (12.11)	\$ (8.01)
	=====	=====
Number of Limited Partnership Units Outstanding	6,254	6,254
	=====	=====

See accompanying notes to financial statements.

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

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

SERIES 10	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 0	\$ 0
	-----	-----
Total Revenues	0	0
	-----	-----
Expenses:		
Asset Management Fee-General Partner	8,420	8,455
General and Administrative:		
General Partner	12,078	8,115
Other	10,578	4,297
Amortization	6,027	1,192
	-----	-----
Total Expenses	37,103	22,059
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(37,103)	(22,059)
Equity in Losses of Project Partnerships	(38,392)	(34,370)
Interest Income	3,948	3,580
	-----	-----
Net Loss	\$ (71,547)	\$ (52,849)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (70,832)	\$ (52,321)
General Partners	(715)	(528)
	-----	-----
	\$ (71,547)	\$ (52,849)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (14.05)	\$ (10.37)
	=====	=====
Number of Limited Partnership Units Outstanding	5,043	5,043
	=====	=====

See accompanying notes to financial statements.

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

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

SERIES 11	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 2,182	\$ 1,195
	-----	-----
Total Revenues	2,182	1,195
	-----	-----
Expenses:		
Asset Management Fee-General Partner	6,938	7,005
General and Administrative:		
General Partner	9,663	6,493
Other	10,735	4,369
Amortization	8,374	1,477
	-----	-----
Total Expenses	35,710	19,344
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(33,528)	(18,149)
Equity in Losses of Project Partnerships	(14,953)	(32,334)
Interest Income	5,037	4,503
	-----	-----
Net Loss	\$ (43,444)	\$ (45,980)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (43,010)	\$ (45,520)
General Partners	(434)	(460)
	-----	-----
	\$ (43,444)	\$ (45,980)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (8.39)	\$ (8.88)
	=====	=====
Number of Limited Partnership Units Outstanding	5,127	5,127
	=====	=====

See accompanying notes to financial statements.

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

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

TOTAL SERIES 7 - 11	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 14,302	\$ 10,050
	-----	-----
Total Revenues	14,302	10,050
	-----	-----
Expenses:		
Asset Management Fee-General Partner	71,563	71,926
General and Administrative:		
General Partner	107,091	71,960
Other	79,049	35,043
Amortization	28,271	5,383
	-----	-----
Total Expenses	285,974	184,312
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(271,672)	(174,262)
Equity in Losses of Project Partnerships	(105,224)	(102,678)
Interest Income	26,772	24,567
	-----	-----
Net Loss	\$ (350,124)	\$ (252,373)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (346,623)	\$ (249,849)
General Partners	(3,501)	(2,524)
	-----	-----
	\$ (350,124)	\$ (252,373)
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 7	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 15,946	\$ 13,218
	-----	-----
Total Revenues	15,946	13,218
	-----	-----
Expenses:		
Asset Management Fee-General Partner	43,018	43,224
General and Administrative:		
General Partner	55,340	39,003
Other	24,661	15,696
Amortization	16,372	3,106
	-----	-----
Total Expenses	139,391	101,029
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(123,445)	(87,811)
Equity in Losses of Project Partnerships	(21,850)	(42,739)
Interest Income	14,313	12,766
	-----	-----
Net Loss	\$ (130,982)	\$ (117,784)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (129,672)	\$ (116,606)
General Partners	(1,310)	(1,178)
	-----	-----
	\$ (130,982)	\$ (117,784)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (12.47)	\$ (11.22)
	=====	=====
Number of Limited Partnership Units Outstanding	10,395	10,395
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 8	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 8,329	\$ 9,521
	-----	-----
Total Revenues	8,329	9,521
	-----	-----
Expenses:		
Asset Management Fee-General Partner	44,743	44,954
General and Administrative:		
General Partner	61,016	43,004
Other	25,070	16,931
Amortization	6,412	1,134
	-----	-----
Total Expenses	137,241	106,023
	-----	-----
Loss Before Equity in Income of Project Partnerships and Other Income	(128,912)	(96,502)
Equity in Income of Project Partnerships	1,155	7,482
Interest Income	11,653	11,167
	-----	-----
Net Loss	\$ (116,104)	\$ (77,853)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (114,943)	\$ (77,074)
General Partners	(1,161)	(779)
	-----	-----
	\$ (116,104)	\$ (77,853)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (11.52)	\$ (7.72)
	=====	=====
Number of Limited Partnership Units Outstanding	9,980	9,980
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 9	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 4,809	\$ 3,042
	-----	-----
Total Revenues	4,809	3,042
	-----	-----
Expenses:		
Asset Management Fee-General Partner	24,650	24,754
General and Administrative:		
General Partner	34,056	24,002
Other	14,729	9,520
Amortization	6,026	1,188
	-----	-----
Total Expenses	79,461	59,464
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(74,652)	(56,422)
Equity in Losses of Project Partnerships	(44,363)	(46,538)
Interest Income	8,649	7,632
	-----	-----
Net Loss	\$ (110,366)	\$ (95,328)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (109,262)	\$ (94,375)
General Partners	(1,104)	(953)
	-----	-----
	\$ (110,366)	\$ (95,328)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (17.47)	\$ (15.09)
	=====	=====
Number of Limited Partnership Units Outstanding	6,254	6,254
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 10	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 1,381	\$ 1,380
	-----	-----
Total Revenues	1,381	1,380
	-----	-----
Expenses:		
Asset Management Fee-General Partner	16,840	16,910
General and Administrative:		
General Partner	21,285	15,001
Other	12,023	6,476
Amortization	12,054	2,383
	-----	-----
Total Expenses	62,202	40,770
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(60,821)	(39,390)
Equity in Losses of Project Partnerships	(47,904)	(54,424)
Interest Income	7,638	6,895
	-----	-----
Net Loss	\$ (101,087)	\$ (86,919)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (100,077)	\$ (86,050)
General Partners	(1,010)	(869)
	-----	-----
	\$ (101,087)	\$ (86,919)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (19.84)	\$ (17.06)
	=====	=====
Number of Limited Partnership Units Outstanding	5,043	5,043
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 11	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 2,182	\$ 2,182
	-----	-----
Total Revenues	2,182	2,182
	-----	-----
Expenses:		
Asset Management Fee-General Partner	13,876	14,010
General and Administrative:		
General Partner	17,028	12,001
Other	11,668	6,379
Amortization	16,748	2,954
	-----	-----
Total Expenses	59,320	35,344
	-----	-----
Loss Before Equity in Income (Losses) of Project Partnerships and Other Income	(57,138)	(33,162)
Equity in Income (Losses) of Project Partnerships	227	(56,558)
Interest Income	9,717	8,650
	-----	-----
Net Loss	\$ (47,194)	\$ (81,070)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (46,722)	\$ (80,259)
General Partners	(472)	(811)
	-----	-----
	\$ (47,194)	\$ (81,070)
	=====	=====
Net Loss Per Number of Limited Partnership Units	\$ (9.11)	\$ (15.65)
	=====	=====
Number of Limited Partnership Units Outstanding	5,127	5,127
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

TOTAL SERIES 7 - 11	2006	2005
	----	----
Revenues:		
Distribution Income	\$ 32,647	\$ 29,343
	-----	-----
Total Revenues	32,647	29,343
	-----	-----
Expenses:		
Asset Management Fee-General Partner	143,127	143,852
General and Administrative:		
General Partner	188,725	133,011
Other	88,151	55,002
Amortization	57,612	10,765
	-----	-----
Total Expenses	477,615	342,630
	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(444,968)	(313,287)
Equity in Losses of Project Partnerships	(112,735)	(192,777)
Interest Income	51,970	47,110
	-----	-----
Net Loss	\$ (505,733)	\$ (458,954)
	=====	=====
Allocation of Net Loss:		
Limited Partners	\$ (500,676)	\$ (454,364)
General Partners	(5,057)	(4,590)
	-----	-----
	\$ (505,733)	\$ (458,954)
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND 2005:
(Unaudited)

SERIES 7	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 1,031,936	\$ (81,777)	\$ 950,159
Net Loss	(116,606) -----	(1,178) -----	(117,784) -----
Balance at September 30, 2005	\$ 915,330 =====	\$ (82,955) =====	\$ 832,375 =====
Balance at March 31, 2006	\$ 568,818	\$ (86,455)	\$ 482,363
Net Loss	(129,672) -----	(1,310) -----	(130,982) -----
Balance at September 30, 2006	\$ 439,146 =====	\$ (87,765) =====	\$ 351,381 =====

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND 2005:
(Unaudited)

SERIES 8	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 458,094	\$ (83,883)	\$ 374,211
Net Loss	(77,074) -----	(779) -----	(77,853) -----
Balance at September 30, 2005	\$ 381,020 =====	\$ (84,662) =====	\$ 296,358 =====
Balance at March 31, 2006	\$ 243,770	\$ (86,048)	\$ 157,722
Net Loss	(114,943) -----	(1,161) -----	(116,104) -----
Balance at September 30, 2006	\$ 128,827 =====	\$ (87,209) =====	\$ 41,618 =====

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND 2005:
(Unaudited)

SERIES 9	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 822,760	\$ (47,079)	\$ 775,681
Net Loss	(94,375) -----	(953) -----	(95,328) -----
Balance at September 30, 2005	\$ 728,385 =====	\$ (48,032) =====	\$ 680,353 =====
Balance at March 31, 2006	\$ 485,089	\$ (50,490)	\$ 434,599
Net Loss	(109,262) -----	(1,104) -----	(110,366) -----
Balance at September 30, 2006	\$ 375,827 =====	\$ (51,594) =====	\$ 324,233 =====

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND 2005:
(Unaudited)

SERIES 10	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 1,930,927	\$ (25,121)	\$ 1,905,806
Net Loss	(86,050) -----	(869) -----	(86,919) -----
Balance at September 30, 2005	\$ 1,844,877 =====	\$ (25,990) =====	\$ 1,818,887 =====
Balance at March 31, 2006	\$ 1,578,554	\$ (28,680)	\$ 1,549,874
Net Loss	(100,077) -----	(1,010) -----	(101,087) -----
Balance at September 30, 2006	\$ 1,478,477 =====	\$ (29,690) =====	\$ 1,448,787 =====

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND 2005:
(Unaudited)

SERIES 11	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 3,049,825	\$ (15,649)	\$ 3,034,176
Net Loss	(80,259) -----	(811) -----	(81,070) -----
Balance at September 30, 2005	\$ 2,969,566 =====	\$ (16,460) =====	\$ 2,953,106 =====
Balance March 31, 2006	\$ 2,281,421	\$ (23,410)	\$ 2,258,011
Net Loss	(46,722) -----	(472) -----	(47,194) -----
Balance at September 30, 2006	\$ 2,234,699 =====	\$ (23,882) =====	\$ 2,210,817 =====

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2006 AND 2005:
(Unaudited)

TOTAL SERIES 7 - 11	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2005	\$ 7,293,542	\$ (253,509)	\$ 7,040,033
Net Loss	(454,364) -----	(4,590) -----	(458,954) -----
Balance at September 30, 2005	\$ 6,839,178 =====	\$ (258,099) =====	\$ 6,581,079 =====
Balance at March 31, 2006	\$ 5,157,652	\$ (275,083)	\$ 4,882,569
Net Loss	(500,676) -----	(5,057) -----	(505,733) -----
Balance at September 30, 2006	\$ 4,656,976 =====	\$ (280,140) =====	\$ 4,376,836 =====

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 7 -----	2006 ----	2005 ----
Cash Flows from Operating Activities:		
Net Loss	\$ (130,982)	\$ (117,784)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	16,372	3,106
Accreted Interest Income on Investments		
in Securities	(7,942)	(7,971)
Equity in Losses of Project Partnerships	21,850	42,739
Distribution Income	(15,946)	(13,218)
Changes in Operating Assets and Liabilities:		
Increase in Payable to General Partners	41,369	45,138
	-----	-----
Net Cash Used in Operating Activities	(75,279)	(47,990)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	21,237	15,774
Investment in Securities	(200,084)	0
	-----	-----
Net Cash (Used In) Provided by Investing		
Activities	(178,847)	15,774
	-----	-----
Decrease in Cash and Cash Equivalents	(254,126)	(32,216)
Cash and Cash Equivalents at Beginning of		
Year	394,030	383,342
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 139,904	\$ 351,126
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 8 -----	2006 ----	2005 ----
Cash Flows from Operating Activities:		
Net Loss	\$ (116,104)	\$ (77,853)
Adjustments to Reconcile Net Loss to Net		
Cash Used In Operating Activities:		
Amortization	6,412	1,134
Accreted Interest Income on Investments		
in Securities	(6,548)	(7,155)
Equity in Income of Project Partnerships	(1,155)	(7,482)
Distribution Income	(8,329)	(9,521)
Changes in Operating Assets and Liabilities:		
Increase in Payable to General Partners	42,602	46,375
	-----	-----
Net Cash Used in Operating Activities	(83,122)	(54,502)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	12,553	10,663
Investment in Securities	(125,177)	0
	-----	-----
Net Cash (Used In) Provided by Investing		
Activities	(112,624)	10,663
	-----	-----
Decrease in Cash and Cash Equivalents	(195,746)	(43,839)
Cash and Cash Equivalents at Beginning of		
Year	309,318	325,662
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 113,572	\$ 281,823
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 9 -----	2006 ----	2005 ----
Cash Flows from Operating Activities:		
Net Loss	\$ (110,366)	\$ (95,328)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	6,026	1,188
Accreted Interest Income on Investments		
in Securities	(5,231)	(4,800)
Equity in Losses of Project Partnerships	44,363	46,538
Distribution Income	(4,809)	(3,042)
Changes in Operating Assets and Liabilities:		
Increase in Payable to General Partners	22,552	25,885
	-----	-----
Net Cash Used in Operating Activities	(47,465)	(29,559)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	7,934	4,766
Investment in Securities	(125,177)	0
	-----	-----
Net Cash (Used In) Provided by Investing		
Activities	(117,243)	4,766
	-----	-----
Decrease in Cash and Cash Equivalents	(164,708)	(24,793)
Cash and Cash Equivalents at Beginning of		
Year	222,993	229,897
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 58,285	\$ 205,104
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 10 -----	2006 ----	2005 ----
Cash Flows from Operating Activities:		
Net Loss	\$ (101,087)	\$ (86,919)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	12,054	2,383
Accreted Interest Income on Investments		
in Securities	(5,492)	(5,113)
Equity in Losses of Project Partnerships	47,904	54,424
Distribution Income	(1,381)	(1,380)
Changes in Operating Assets and Liabilities:		
Increase in Payable to General Partners	15,157	17,401
	-----	-----
Net Cash Used in Operating Activities	(32,845)	(19,204)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	12,889	6,597
Investment in Securities	(99,551)	0
	-----	-----
Net Cash (Used In) Provided by Investing	(86,662)	6,597
Activities	-----	-----
Decrease in Cash and Cash Equivalents	(119,507)	(12,607)
Cash and Cash Equivalents at Beginning of		
Year	144,697	142,638
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 25,190	\$ 130,031
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

SERIES 11 -----	2006 ----	2005 ----
Cash Flows from Operating Activities:		
Net Loss	\$ (47,194)	\$ (81,070)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	16,748	2,954
Accreted Interest Income on Investments		
in Securities	(6,922)	(6,123)
Equity in (Income) Losses of Project		
Partnerships	(227)	56,558
Distribution Income	(2,182)	(2,182)
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	0	8,291
Increase in Payable to General Partners	4,982	5,900
	-----	-----
Net Cash Used in Operating Activities	(34,795)	(15,672)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	3,969	3,969
Investment in Securities	(149,818)	0
	-----	-----
Net Cash (Used In) Provided by Investing		
Activities	(145,849)	3,969
	-----	-----
Decrease in Cash and Cash Equivalents	(180,644)	(11,703)
	-----	-----
Cash and Cash Equivalents at Beginning of		
Year	207,490	199,931
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 26,846	\$ 188,228
	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED SEPTEMBER 30,
(Unaudited)

TOTAL SERIES 7 - 11	2006	2005
-----	----	----
Cash Flows from Operating Activities:		
Net Loss	\$ (505,733)	\$ (458,954)
Adjustments to Reconcile Net Loss to Net		
Cash Used in Operating Activities:		
Amortization	57,612	10,765
Accreted Interest Income on Investments		
in Securities	(32,135)	(31,162)
Equity in Losses of Project Partnerships	112,735	192,777
Distribution Income	(32,647)	(29,343)
Changes in Operating Assets and Liabilities:		
Decrease in Accounts Receivable	0	8,291
Increase in Payable to General Partners	126,662	140,699
	-----	-----
Net Cash Used in Operating Activities	(273,506)	(166,927)
	-----	-----
Cash Flows from Investing Activities:		
Distributions Received from Project		
Partnerships	58,582	41,769
Investment in Securities	(699,807)	0
	-----	-----
Net Cash (Used In) Provided by Investing		
Activities	(641,225)	41,769
	-----	-----
Decrease in Cash and Cash Equivalents	(914,731)	(125,158)
	-----	-----
Cash and Cash Equivalents at Beginning of		
Year	1,278,528	1,281,470
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 363,797	\$1,156,312
	=====	=====

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006
(Unaudited)

NOTE 1 - ORGANIZATION:

Gateway Tax Credit Fund III Ltd. ("Gateway" or "Partnership"), a Florida Limited Partnership, was formed October 17, 1991 under the laws of Florida. Gateway offered its limited partnership interests in Series. The first Series for Gateway is Series 7. Operations commenced on July 16, 1992 for Series 7, January 4, 1993 for Series 8, September 30, 1993 for Series 9, January 21, 1994 for Series 10 and April 29, 1994 for Series 11. Each Series invests, as a limited partner, in other limited partnerships ("Project Partnerships"), each of which owns and operates apartment complexes eligible for Low-Income Housing Tax Credits ("Tax Credits"), provided for in Section 42 of the Internal Revenue Code of 1986. Gateway will terminate on December 31, 2040 or sooner, in accordance with the terms of the limited partnership agreement. As of September 30, 2006, Gateway had received capital contributions of \$1,000 from the General Partners and \$36,799,000 from the investor Limited Partners.

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

Gateway received capital contributions of \$10,395,000, \$9,980,000, \$6,254,000, \$5,043,000 and \$5,127,000 from the investor Limited Partners in Series 7, 8, 9, 10 and 11, respectively. Each Series is treated as though it were a separate partnership, investing in a separate and distinct pool of Project Partnerships. Income or loss and all tax items from the Project Partnerships acquired by each Series are specifically allocated among the limited partners of such Series.

Operating profits and losses, cash distributions from operations and Tax Credits from each Series are generally allocated 99% to the Limited Partners in that Series and 1% to the General Partners. Profit or loss and cash distributions from sales of property by each Series are allocated as formulated in the Limited Partnership Agreement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

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

Gateway accounts for its investments as the 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 Statement of Operations. Under the equity method, the Investments in Project Partnerships initially include:

- 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 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 \$24,835 for Series 7, \$10,553 for Series 8, \$9,817 for Series 9, \$19,964 for Series 10 and \$27,587 for Series 11, or \$92,756 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 six-month period ended September 30, 2006. For the fiscal year ended March 31, 2006, impairment expense was recognized in the statement of operations in the following Series and in the following amounts: Series 7 - \$193,195, Series 9 - \$127,532, Series 10 - \$156,694, Series 11 - \$600,802. The total impairment expense for all Series in Gateway for fiscal year 2006 was \$1,078,223. 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):

Concentrations 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 advised by 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. Treasury Security Strips and U.S. Treasury Notes) until maturity and to use these assets to fund Gateway's ongoing operations. Interest income is recognized ratably on the U.S. Treasury Strips and U.S. Treasury Notes 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 a 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 128 VIE's, which consist of Project Partnerships, which Gateway is not the primary beneficiary. Five of Gateway's Project Partnership investments were determined not to be VIE's. 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 \$3,889,764 at September 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 report on 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 September 30, 2006 Balance Sheets include Investment in Securities consisting of U.S. Treasury Security Strips and U.S. Treasury Notes which represents their cost, plus accreted interest income of \$103,737 for Series 7, \$93,226 for Series 8, \$70,094 for Series 9, \$75,085 for Series 10 and \$87,874 for Series 11. The Investment in Securities are commonly held in a brokerage account with Raymond James and Associates, Inc., an affiliate of the General Partners. 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 7	\$ 361,137	\$ 359,130	\$ 2,007
Series 8	278,230	276,234	1,996
Series 9	252,319	250,287	2,032
Series 10	229,978	226,059	3,919
Series 11	300,802	293,983	6,819

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

	Series 7	Series 8	Series 9
	-----	-----	-----
Due within 1 year	\$ 281,320	\$ 201,704	\$ 168,610
After 1 year through 5 years	77,810	74,530	81,677
	-----	-----	-----
Total Amount Carried on Balance Sheet	\$ 359,130	\$ 276,234	\$ 250,287
	=====	=====	=====
	Series 10	Series 11	Total
	-----	-----	-----
Due within 1 year	\$ 132,195	\$ 188,528	\$ 972,357
After 1 year through 5 years	93,864	105,455	433,336
	-----	-----	-----
Total Amount Carried on Balance Sheet	\$ 226,059	\$ 293,983	\$1,405,693
	=====	=====	=====

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.

Value Partners, Inc., an affiliate of Gateway, acquired the general partner interest in Logan Heights, one of the Project Partnerships in Series 8, in 2003.

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

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued):

Asset Management Fee - The Managing General Partner is entitled to receive an annual asset management fee equal to the greater of (i) \$2,000 for each limited partnership in which Gateway invests, or (ii) 0.275% of Gateway's gross proceeds from the sale of limited partnership interests. In either event (i) or (ii), the maximum amount may not exceed 0.2% of the aggregate cost (Gateway's capital contribution plus Gateway's share of the Properties' mortgage) of Gateway's interest in properties 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 Statement of Operations.

	2006	2005
	-----	-----
Series 7	\$ 43,018	\$ 43,224
Series 8	44,743	44,954
Series 9	24,650	24,754
Series 10	16,840	16,910
Series 11	13,876	14,010
	-----	-----
Total	\$143,127	\$143,852
	=====	=====

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 Statement of Operations.

	2006	2005
	-----	-----
Series 7	\$ 55,340	\$ 39,003
Series 8	61,016	43,004
Series 9	34,056	24,002
Series 10	21,285	15,001
Series 11	17,028	12,001
	-----	-----
Total	\$188,725	\$133,011
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS:

SERIES 7

As of September 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 39 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 the 39 Project Partnerships as of:

	SEPTEMBER 30, 2006 -----	MARCH 31, 2006 -----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 7,732,089	\$ 7,732,089
Cumulative equity in losses of Project Partnerships (1)	(7,246,349)	(7,224,499)
Cumulative distributions received from Project Partnerships	(247,038)	(241,747)
	-----	-----
Investment in Project Partnerships before adjustment	238,702	265,843
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	793,335	793,335
Accumulated amortization of acquisition fees and expenses	(240,610)	(224,238)
Impairment of Investment in Project Partnership	(193,195)	(193,195)
	-----	-----
Investments in Project Partnerships	\$ 598,232 =====	\$ 641,745 =====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$5,034,646 for the period ended September 30, 2006 and cumulative suspended losses of \$4,825,178 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 8

As of September 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 43 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 the 43 Project Partnerships as of:

	SEPTEMBER 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 7,586,105	\$ 7,586,105
Cumulative equity in losses of Project Partnerships (1)	(7,413,528)	(7,414,683)
Cumulative distributions received from Project Partnerships	(178,803)	(174,579)
	-----	-----
Investment in Project Partnerships before adjustment	(6,226)	(3,157)
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	549,773	549,773
Accumulated amortization of acquisition fees and expenses	(137,684)	(131,272)
	-----	-----
Investments in Project Partnerships	\$ 405,863	\$ 415,344
	=====	=====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$5,749,539 for the period ended September 30, 2006 and cumulative suspended losses of \$5,547,391 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 9

As of September 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 24 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 the 24 Project Partnerships as of:

	SEPTEMBER 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 4,914,116	\$ 4,914,116
Cumulative equity in losses of Project Partnerships (1)	(4,304,461)	(4,260,098)
Cumulative distributions received from Project Partnerships	(151,886)	(148,761)
	-----	-----
Investment in Project Partnerships before adjustment	457,769	505,257
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	244,087	244,087
Accumulated amortization of acquisition fees and expenses	(77,396)	(71,370)
Impairment of Investment in Project Partnership	(127,532)	(127,532)
	-----	-----
Investments in Project Partnerships	\$ 496,928	\$ 550,442
	=====	=====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$1,900,491 for the period ended September 30, 2006 and cumulative suspended losses of \$1,792,373 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 10

As of September 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 15 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 the 15 Project Partnerships as of:

	SEPTEMBER 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 3,914,672	\$ 3,914,672
Cumulative equity in losses of Project Partnerships (1)	(2,366,824)	(2,318,920)
Cumulative distributions received from Project Partnerships	(203,043)	(191,535)
	-----	-----
Investment in Project Partnerships before adjustment	1,344,805	1,404,217
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	196,738	196,738
Accumulated amortization of acquisition fees and expenses	(95,356)	(83,302)
Impairment of Investment in Project Partnership	(156,694)	(156,694)
	-----	-----
Investments in Project Partnerships	\$ 1,289,493	\$ 1,360,959
	=====	=====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$379,607 for the period ended September 30, 2006 and cumulative suspended losses of \$346,072 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 11

As of September 30, 2006, the Partnership had acquired a 99% interest in the profits, losses and tax credits as a limited partner in 12 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 the 12 Project Partnerships as of:

	SEPTEMBER 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 4,128,042	\$ 4,128,042
Cumulative equity in losses of Project Partnerships (1)	(1,603,936)	(1,604,163)
Cumulative distributions received from Project Partnerships	(174,352)	(172,565)
	-----	-----
Investment in Project Partnerships before adjustment	2,349,754	2,351,314
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	290,335	290,335
Accumulated amortization of acquisition fees and expenses	(131,246)	(114,498)
Impairment of Investment in Project Partnership	(600,802)	(600,802)
	-----	-----
Investments in Project Partnerships	\$ 1,908,041	\$ 1,926,349
	=====	=====

(1) In accordance with the Partnership's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$602,725 for the period September 30, 2006 and cumulative suspended losses of \$546,725 for the year ended March 31, 2006 are not included.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

TOTAL SERIES 7 - 11

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

	SEPTEMBER 30, 2006	MARCH 31, 2006
	-----	-----
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 28,275,024	\$ 28,275,024
Cumulative equity in losses of Project Partnerships (1)	(22,935,098)	(22,822,363)
Cumulative distributions received from Project Partnerships	(955,122)	(929,187)
	-----	-----
Investment in Project Partnerships before adjustment	4,384,804	4,523,474
Excess of investment cost over the underlying assets acquired:		
Acquisition fees and expenses	2,074,268	2,074,268
Accumulated amortization of acquisition fees and expenses	(682,292)	(624,680)
Impairment of Investment in Project Partnership	(1,078,223)	(1,078,223)
	-----	-----
Investments in Project Partnerships	\$ 4,698,557	\$ 4,894,839
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 7

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 June 30, of each year:

	2006	2005
	----	----
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 4,389,278	\$ 4,081,191
Investment properties, net	26,532,590	27,882,864
Other assets	56,584	21,049
	-----	-----
Total assets	\$30,978,452	\$31,985,104
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 673,983	\$ 716,603
Long-term debt	35,642,424	35,849,766
	-----	-----
Total liabilities	36,316,407	36,566,369
	-----	-----
Partners' equity (deficit)		
Limited Partner	(4,975,425)	(4,271,797)
General Partners	(362,530)	(309,468)
	-----	-----
Total Partners' equity (deficit)	(5,337,955)	(4,581,265)
	-----	-----
Total liabilities and partners' equity	\$30,978,452	\$31,985,104
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 2,616,827	\$ 2,472,841
Expenses:		
Operating expenses	1,732,943	1,688,423
Interest expense	381,079	382,812
Depreciation and amortization	736,460	747,859
	-----	-----
Total expenses	2,850,482	2,819,094
	-----	-----
Net loss	\$ (233,655)	\$ (346,253)
	=====	=====
Other partners' share of net loss	\$ (2,337)	\$ (3,462)
	=====	=====
Partnerships' share of net loss	\$ (231,318)	\$ (342,791)
Suspended losses	209,468	300,052
	-----	-----
Equity in Losses of Project Partnerships	\$ (21,850)	\$ (42,739)
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 8

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 June 30, of each year:

	2006 ----	2005 ----
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 4,235,582	\$ 3,937,978
Investment properties, net	27,900,068	29,143,062
Other assets	62,851	99,780
	-----	-----
Total assets	\$32,198,501	\$33,180,820
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 1,010,337	\$ 1,045,729
Long-term debt	37,532,816	37,745,148
	-----	-----
Total liabilities	38,543,153	38,790,877
	-----	-----
Partners' equity (deficit)		
Limited Partner	(5,631,359)	(4,967,719)
General Partners	(713,293)	(642,338)
	-----	-----
Total Partners' equity (deficit)	(6,344,652)	(5,610,057)
	-----	-----
Total liabilities and partners' equity	\$32,198,501	\$33,180,820
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 2,632,965	\$ 2,484,614
Expenses:		
Operating expenses	1,679,205	1,615,234
Interest expense	415,395	420,407
Depreciation and amortization	742,626	755,915
	-----	-----
Total expenses	2,837,226	2,791,556
	-----	-----
Net loss	\$ (204,261)	\$ (306,942)
	=====	=====
Other partners' share of net loss	\$ (3,268)	\$ (4,147)
	=====	=====
Partnerships' share of net loss	\$ (200,993)	\$ (302,795)
Suspended losses	202,148	310,277
	-----	-----
Equity in Income of Project Partnerships	\$ 1,155	\$ 7,482
	=====	=====

(1) As discussed in Note 4, an affiliate of the General Partner (Value Partners, Inc.) is the operating general partner in one of the Project Partnerships included above (Logan Heights). The Logan Heights Project Partnership is not consolidated in Gateway's financial statements as Gateways investment in Logan Heights is accounted for under the equity method. The information below is included for related party disclosure purposes. The Project Partnership's financial information for the periods ending June 2006 and June 2005 is as follows:

	June 2006	June 2005
Total Assets	\$ 576,837	\$ 565,465
Total Liabilities	(823,000)	821,647
Gateway Equity	(129,873)	(139,791)
Other Partner's Equity	(116,290)	(116,391)
Total Revenue	56,009	47,805
Net Loss	\$ (3,568)	\$ (11,264)

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 9

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 June 30, of each year:

	2006	2005
	----	----
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 2,263,082	\$ 2,047,879
Investment properties, net	16,085,769	16,771,553
Other assets	5,364	4,868
	-----	-----
Total assets	\$18,354,215	\$18,824,300
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 252,977	\$ 220,397
Long-term debt	19,934,839	20,040,773
	-----	-----
Total liabilities	20,187,816	20,261,170
	-----	-----
Partners' equity (deficit)		
Limited Partner	(1,496,234)	(1,129,384)
General Partners	(337,367)	(307,486)
	-----	-----
Total Partners' equity (deficit)	(1,833,601)	(1,436,870)
	-----	-----
Total liabilities and partners' equity	\$18,354,215	\$18,824,300
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 1,288,287	\$ 1,263,556
Expenses:	-----	-----
Operating expenses	845,850	825,196
Interest expense	212,526	215,958
Depreciation and amortization	383,932	393,015
	-----	-----
Total expenses	1,442,308	1,434,169
	-----	-----
Net loss	\$ (154,021)	\$ (170,613)
	=====	=====
Other partners' share of net loss	\$ (1,540)	\$ (1,706)
	=====	=====
Partnerships' share of net loss	\$ (152,481)	\$ (168,907)
Suspended losses	108,118	122,369
	-----	-----
Equity in Losses of Project Partnerships	\$ (44,363)	\$ (46,538)
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 10

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 June 30, of each year:

	2006	2005
	----	----
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 1,856,453	\$ 1,849,550
Investment properties, net	12,030,765	12,418,323
Other assets	2,180	3,124
	-----	-----
Total assets	\$13,889,398	\$14,270,997
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 283,456	\$ 289,768
Long-term debt	13,054,976	13,126,101
	-----	-----
Total liabilities	13,338,432	13,415,869
	-----	-----
Partners' equity (deficit)		
Limited Partner	956,738	1,234,655
General Partners	(405,772)	(379,527)
	-----	-----
Total Partners' equity	550,966	855,128
	-----	-----
Total liabilities and partners' equity	\$13,889,398	\$14,270,997
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 874,031	\$ 843,396
Expenses:	-----	-----
Operating expenses	606,314	563,954
Interest expense	118,098	122,710
Depreciation and amortization	232,946	234,824
	-----	-----
Total expenses	957,358	921,488
	-----	-----
Net loss	\$ (83,327)	\$ (78,092)
	=====	=====
Other partners' share of net loss	\$ (1,888)	\$ (1,152)
	=====	=====
Partnerships' share of net loss	\$ (81,439)	\$ (76,940)
Suspended losses	33,535	22,516
	-----	-----
Equity in Losses of Project Partnerships	\$ (47,904)	\$ (54,424)
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

SERIES 11

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 June 30, of each year:

	2006	2005
	----	----
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 1,076,448	\$ 963,056
Investment properties, net	10,095,642	10,539,081
Other assets	264,912	323,930
	-----	-----
Total assets	\$11,437,002	\$11,826,067
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 120,269	\$ 179,820
Long-term debt	9,847,071	9,982,493
	-----	-----
Total liabilities	9,967,340	10,162,313
	-----	-----
Partners' equity (deficit)		
Limited Partner	1,753,082	1,947,356
General Partners	(283,420)	(283,602)
	-----	-----
Total Partners' equity	1,469,662	1,663,754
	-----	-----
Total liabilities and partners' equity	\$11,437,002	\$11,826,067
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 827,452	\$ 788,763
Expenses:		
Operating expenses	527,037	578,062
Interest expense	106,178	108,885
Depreciation and amortization	252,660	255,290
	-----	-----
Total expenses	885,875	942,237
	-----	-----
Net loss	\$ (58,423)	\$ (153,474)
	=====	=====
Other partners' share of net loss	\$ (2,650)	\$ (10,174)
	=====	=====
Partnerships' share of net loss	\$ (55,773)	\$ (143,300)
Suspended losses	56,000	86,742
	-----	-----
Equity in Income (Losses) of Project Partnerships	\$ 227	\$ (56,558)
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

TOTAL SERIES 7 - 11

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 June 30, of each year:

	2006	2005
	----	----
SUMMARIZED BALANCE SHEETS		
Assets:		
Current assets	\$ 13,820,843	\$ 12,879,654
Investment properties, net	92,644,834	96,754,883
Other assets	391,891	452,751
	-----	-----
Total assets	\$106,857,568	\$110,087,288
	=====	=====
Liabilities and Partners' Equity:		
Current liabilities	\$ 2,341,022	\$ 2,452,317
Long-term debt	116,012,126	116,744,281
	-----	-----
Total liabilities	118,353,148	119,196,598
	-----	-----
Partners' equity (deficit)		
Limited Partner	(9,393,198)	(7,186,889)
General Partners	(2,102,382)	(1,922,421)
	-----	-----
Total Partners' equity (deficit)	(11,495,580)	(9,109,310)
	-----	-----
Total liabilities and partners' equity	\$106,857,568	\$110,087,288
	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS		
Rental and other income	\$ 8,239,562	\$ 7,853,170
Expenses:		
Operating expenses	5,391,349	5,270,869
Interest expense	1,233,276	1,250,772
Depreciation and amortization	2,348,624	2,386,903
	-----	-----
Total expenses	8,973,249	8,908,544
	-----	-----
Net loss	\$ (733,687)	\$ (1,055,374)
	=====	=====
Other partners' share of net loss	\$ (11,683)	\$ (20,641)
	=====	=====
Partnerships' share of net loss	\$ (722,004)	\$ (1,034,733)
Suspended losses	609,269	841,956
	-----	-----
Equity in Losses of Project Partnerships	\$ (112,735)	\$ (192,777)
	=====	=====

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

Results of Operations, Liquidity and Capital Resources

Overview - The proceeds from Limited Partner investors' capital contributions available for investment are used to acquire interests in Project Partnerships.

As disclosed on the statement of operations for each Series, interest income is comparable for the six months ended September 30, 2006 and September 30, 2005. Equity in Losses of Project Partnerships for the six months ended September 30, 2006 decreased from \$192,777 for the six months ended September 30, 2005 to \$112,735. The decrease in Equity in Losses of Project Partnerships is a result of a greater increase in rental revenue than operating costs of the Project Partnerships. The General and Administrative Expenses - Other increased from \$55,002 for the six months ended September 30, 2005 to \$88,151 for the six months ended September 30, 2006. The General and Administrative Expenses - General Partner was significantly higher. This increase was due to higher administrative costs incurred by the General Partner.

The capital resources of each Series are used to pay General and Administrative operating costs including personnel, supplies, data processing, travel and legal and third-party tax and audit fees 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 investors' return of their original capital contribution.)

The sources of funds to pay the operating costs of each Series are short-term investments and interest earned thereon, the maturity of U.S. Treasury Security Strips ("Zero Coupon Treasuries") and U.S Treasury Notes (purchased in July 2006) which were purchased with funds set aside for this purpose, and cash distributed to the Series from the operations of the Project Partnerships.

Due to the rent limitations applicable to the Project Partnerships projects as a result of their qualifying for Low-Income Housing Tax Credits, Gateway does not expect there to be a significant increase in future rental income of the Project Partnerships.

Series 7 - Gateway closed this series on October 16, 1992 after receiving \$10,395,000 from 635 Limited Partner investors. Equity in Losses of Project Partnerships for the six months ended September 30, 2006 decreased from \$42,739 for the six months ended September 30, 2005 to \$21,850 due to an increase in rental revenue at the Project Partnerships. In general, it is common in the real estate industry to experience losses for financial and tax reporting purposes because of the non-cash expenses of depreciation and amortization. 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 are generating tax credits which meet projections.

At September 30, 2006, the Series had \$139,904 of short-term investments (Cash and Cash Equivalents). It also had \$156,799 in Zero Coupon Treasuries with annual maturities providing \$81,000 in the current fiscal year and \$86,000 in fiscal year 2008. In addition, the Series had \$202,331 in U.S. Treasury Notes with a maturity value of \$203,000 at June 30, 2007. Management believes these 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 \$130,982 for the six months ended September 30, 2006. However, after considering the Equity in Losses of Project Partnerships of \$21,850 and the changes in operating assets and liabilities, net cash used in operating activities was \$75,279. Cash used in investing activities totaled \$178,847, consisting of cash distributions from the Project Partnerships, offset by the purchase of U.S. Treasury Notes in July 2006.

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

Series 8 - Gateway closed this Series on September 28, 1993 after receiving \$9,980,000 from 664 Limited Partner investors. Equity in Income of Project Partnerships for the six months ended September 30, 2006 decreased from \$7,482 for the six months ended September 30, 2005 to \$1,155. At September 30, 2006, the Series had \$113,572 of short-term investments (Cash and Cash Equivalents). It also had \$149,651 in Zero Coupon Treasuries with annual maturities providing \$77,000 in the current fiscal year and \$82,000 in fiscal year 2008. In addition, the Series had \$126,583 in U.S. Treasury Notes with a maturity value of \$127,000 at June 30, 2007. Management believes these 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 \$116,104 for the six months ended September 30, 2006. However, after considering the Equity in Income of Project Partnerships of \$1,155 and the changes in operating assets and liabilities, net cash used in operating activities was \$83,122. Cash used in investing activities totaled \$112,624, consisting of cash distributions from the Project Partnerships, offset by the purchase of U.S. Treasury Notes in July 2006.

Series 9 - Gateway closed this Series on December 31, 1993 after receiving \$6,254,000 from 406 Limited Partner investors. Equity in Losses of Project Partnerships for the six months ended September 30, 2006 decreased from \$46,538 for the six months ended September 30, 2005 to \$44,363. At September 30, 2006, the Series had \$58,285 of short-term investments (Cash and Cash Equivalents). It also had \$123,704 in Zero Coupon Treasuries with annual maturities providing \$43,000 in the current fiscal year, \$45,000 in fiscal year 2008 and \$47,000 in fiscal year 2009. In addition, the Series had \$126,583 in U.S. Treasury Notes with a maturity value of \$127,000 at June 30, 2007. Management believes these 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 \$110,366 for the six months ended September 30, 2006. However, after considering the Equity in Losses of Project Partnerships of \$44,363 and the changes in operating assets and liabilities, net cash used in operating activities was \$47,465. Cash used in investing activities totaled \$117,243, consisting of cash distributions from the Project Partnerships, offset by the purchase of U.S. Treasury Notes in July 2006.

Series 10 - Gateway closed this Series on January 21, 1994 after receiving \$5,043,000 from 325 Limited Partner investors. Equity in Losses of Project Partnerships for the six months ended September 30, 2006 decreased from \$54,424 for the six months ended September 30, 2005 to \$47,904 as a result of an increase in suspended losses. Suspended losses are a direct result of the Investment balance in any single Project Partnership reaching a zero balance. Since more Project Partnerships have accumulated enough losses resulting in a zero balance, additional losses are suspended since the Partnership's accounting policy is to not carry Investments in Project Partnerships below zero. At September 30, 2006, the Series had \$25,190 of short-term investments (Cash and Cash Equivalents). It also had \$125,390 in Zero Coupon Treasuries with annual maturities providing \$32,000 in the current fiscal year, \$34,000 in fiscal year 2008, \$36,000 in fiscal year 2009 and \$40,000 in fiscal year 2010. In addition, the Series had \$100,669 in U.S. Treasury Notes with a maturity value of \$101,000 at June 30, 2007. Management believes these 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 \$101,087 for the six months ended September 30, 2006. However, after considering the Equity in Losses of Project Partnerships of \$47,904 and the changes in operating assets and liabilities, net cash used in operating activities was \$32,845. Cash used in investing activities totaled \$86,662, consisting of cash distributions from the Project Partnerships, offset by the purchase of U.S. Treasury Notes in July 2006.

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

Series 11 - Gateway closed this Series on April 29, 1994 after receiving \$5,127,000 from 330 Limited investors. Equity in Losses of Project Partnerships for the six months ended September 30, 2006 decreased from a loss of \$56,558 for the six months ended September 30, 2005 to income of \$227 as a result of higher rental and other income and lower operating expenses. At September 30, 2006, the Series had \$26,846 of short-term investments (Cash and Cash Equivalents). It also had \$142,483 in Zero Coupon Treasuries with annual maturities providing \$38,000 in the current fiscal year, \$40,000 in fiscal year 2008, \$42,000 in fiscal year 2009 and \$44,000 in fiscal year 2010. In addition, the Series had \$151,500 in U.S. Treasury Notes with a maturity value of \$152,000 at June 30, 2007. Management believes these 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 \$47,194 for the six months ended September 30, 2006. However, after considering the Equity in Income of Project Partnerships of \$227 and the changes in operating assets and liabilities, net cash used in operating activities was \$34,795. Cash used in investing activities totaled \$145,849, consisting of cash distributions from Project Partnerships, offset by the purchase of U.S. Treasury Notes in July 2006.

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 Managing General Partner'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 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:

31.1 Principal Executive Officer Certification as required by Rule 13a-14(a)/15d-14(a), filed herewith.

31.2 Principal Financial Officer Certification as required by Rule 13a-14(a)/15d-14(a), filed herewith.

32. Certification of the Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

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 III, LTD.
(A Florida Limited Partnership)
By: Raymond James Tax Credit Funds, Inc.
(Managing General Partner)

Date: November 16, 2006

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

Date: November 16, 2006

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

Date: November 16, 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, III, Ltd.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2006

By: /s/ Ronald M. Diner
Ronald M. Diner
President
Raymond James Tax Credit Funds, Inc.
(Managing General Partner)

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, III, Ltd.;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included 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 report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, 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 report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 16, 2006

By: /s/ Jonathan Oorlog
Jonathan Oorlog
Vice President and Chief Financial Officer
Raymond James Tax Credit Funds, Inc.
(Managing General Partner)

EXHIBIT 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Gateway Tax Credit Fund III, Ltd.; (the "Partnership") on Form 10-Q for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to our knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

/s/ Ronald M. Diner
Ronald M. Diner
President
Raymond James Tax Credit Funds, Inc.
(Managing General Partner)
November 16, 2006

/s/ Jonathan Oorlog
Jonathan Oorlog
Vice President and Chief Financial Officer
Raymond James Tax Credit Funds, Inc.
(Managing General Partner)
November 16, 2006