

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**THIRD AMENDED FORM 10-K/A-3**  
**(Amendment No. 3)**

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

For the fiscal year ended March 31, 2007

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  
(State or other jurisdiction of incorporation or organization)

59-3090386  
(IRS Employer No.)

880 Carillon Parkway  
(Address of principal executive offices)

St. Petersburg, Florida 33716  
(Zip Code)

Registrant's Telephone No., Including Area Code:

(727) 567-1000

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:  
Title of Each Class: Units of Limited Partnership Interest

<u>Title of Each Class</u>
Limited Partnership Interest
General Partner Interest

<u>Number of Record Holders</u>
<u>March 31, 2007</u>
2,559
2

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
YES\_\_\_ NO X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  
YES\_\_\_ NO X

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 if disclosure of delinquent filers pursuant to item 405 of Regulation S-K (Sec. 229.405 of this chapter) is not contained herein, and will not be contained to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K of any amendment to this Form 10-K. X

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 Act)  
Yes ☐ No ☒

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrants most recently completed second fiscal quarter.

There is no market for the Registrants Limited Partnership interests.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I, II, III and IV – Form S-11 Registration Statement  
and all amendments and supplements thereto.  
File No. 33-44238

GTW3

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## EXPLANATORY NOTE

This Third Amended Annual Report on Form 10-K/A-3 corrects the following disclosure that Gateway had reported on its original filing and subsequent amendments for the year ended March 31, 2007.

**Item 9A – Controls and Procedures** The Company has revised the disclosure, refer to revised disclosures contained therein.

Except as described above, no other changes have been made to the second amended Form 10-K/A, and this Form 10-K/A-3 does not amend, update, or change the financial statements or any other items or disclosures in the second amended Form 10-K/A. Except for the change stated above, this Form 10-K/A-3 does not reflect events occurring after the filing of the Form 10-K, Form 10-K/A-1, or Form 10-K/A-2 or modify or update those disclosures, including any exhibits to the Form 10-K, Form 10-K/A-1, or Form 10-K/A-2 affected by subsequent events. Accordingly, this Form 10-K/A-3 should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the filing of the original Form 10-K, including any amendments to those filings.

## PART I

### Item 1. Business

Gateway Tax Credit Fund III Ltd. ("Gateway") is a Florida Limited Partnership. The general partners are Raymond James Tax Credit Funds, Inc., the Managing General Partner, and Raymond James Partners, Inc., both sponsors of Gateway Tax Credit Fund III Ltd. and wholly-owned subsidiaries of Raymond James Financial, Inc. Gateway was formed October 17, 1991 and commenced operations July 16, 1992 with the first admission of Limited Partners.

Gateway is engaged in only one industry segment, to acquire limited partnership interests in unaffiliated limited partnerships ("Project Partnerships"), each of which owns and operates one or more apartment complexes eligible for Low-Income Housing Tax Credits under Section 42 of the Internal Revenue Code ("Tax Credits"), received over a ten year period. Subject to certain limitations, Tax Credits may be used by Gateway's investors to reduce their income tax liability generated from other income sources. Gateway will terminate on December 31, 2040, or sooner, in accordance with the terms of its Limited Partnership Agreement. As of March 31, 2007, Gateway received capital contributions of \$1,000 from the General Partners and from the Limited Partners: \$10,395,000 in Series 7, \$9,980,000 from Series 8, \$6,254,000 from Series 9, \$5,043,000 from Series 10 and \$5,127,000 from Series 11.

Gateway offered Limited Partnership units in series. Each series is treated as though it were a separate partnership, investing in a separate and distinct pool of Project Partnerships. Net proceeds from each series were 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 limited partners of such series.

Operating profits and losses, cash distributions from operations and Tax Credits are allocated 99% to the Limited Partners and 1% to the General Partners. Profit or loss and cash distributions from sales of property will be allocated as described in the Limited Partnership Agreement.

As of March 31, 2007, Gateway had invested in 133 Project Partnerships in total. Project Partnership investments by Series are as follows: 39 Project Partnerships for Series 7, 43 Project Partnerships for Series 8, 24 Project Partnerships for Series 9, 15 Project Partnerships for Series 10 and 12 Project Partnerships for Series 11. Gateway acquired its interests in these properties by becoming a limited partner in the Project Partnerships that own the properties. The primary source of funds for each series is the capital contributions from Limited Partner investors.

All but eight of the properties are financed with mortgage loans from the Farmers Home Administration (now called United States Department of Agriculture - Rural Development) ("USDA-RD") under Section 515 of the Housing Act of 1949. These mortgage loans are made at low interest rates for multi-family housing in rural and suburban areas, with the requirement that the interest savings be passed on to low income tenants in the form of lower rents. A significant portion of the project partnerships also receive rental assistance from USDA-RD to subsidize certain qualifying tenants. One property in Series 7 received conventional financing. One property in Series 9, two properties in Series 10 and one property in Series 11 are fully financed through the HOME Investment Partnerships Program. These HOME Program loans provide financing at rates of 0 % to 0.5% for a period of 15 to 42 years. One property in Series 11 is partially financed by HOME. Two properties in Series 11 received conventional financing.

Risks related to the operations of Gateway are described in detail on pages 29 through 38 of the Prospectus, as supplemented, contained in the Registration Statement, File No. 33-44238 ("Prospectus"), under the Caption "Risk Factors" which is incorporated herein by reference. The investment objectives of Gateway are to:

- 1) Provide tax benefits to Limited Partners in the form of Tax Credits during the period in which each Project is eligible to claim tax credits;
- 2) Preserve and protect the capital of each Series.

The investment objectives and policies of Gateway are described in detail on pages 39 through 47 of the Prospectus under the caption "Investment Objectives and Policies" which is incorporated herein by reference.

Gateway's goal is to invest in a diversified portfolio of Project Partnerships located in rural and suburban locations with a high demand for low income housing. As of March 31, 2007 each Series' investor capital contributions were successfully invested in Project Partnerships which met the investment criteria. Management anticipates that competition for tenants will only be with other low income housing projects and not with conventionally financed housing. With a significant number of rural American households living below the poverty level in substandard housing, management believes there will be a continuing demand for affordable low income housing for the foreseeable future.

Gateway has no direct employees. Services are performed by the Managing General Partner and its affiliates and by agents retained by it. The Managing General Partner has full and exclusive discretion in management and control of Gateway.

#### Exit Strategy Upon expiration of the Project Partnership Tax Credit Compliance Period

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

As of December 31, 2006, only one of the Project Partnerships had reached the end of its tax credit compliance period. However, all of the other 132 Project Partnerships will reach the end of the tax credit compliance period during one of the years ending December 31, 2007 through December 31, 2010.

When Project Partnerships reach the end of their tax credit compliance period, Gateway initiates a process of disposing of its investment in the Project Partnership. The objective of the process is to sell Gateway's interest in the properties for fair market value and ultimately, when Gateway's last Project Partnership investment is sold, liquidate Gateway.

#### Item 1A. Risk Factors

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. No such contributions have been made in fiscal year 2007, 2006 or 2005.

Investors eventually may be allocated profits for tax purposes which exceed any cash Gateway distributes to them. Under these circumstances, unless an investor has passive losses or credits to reduce such tax liability, the investor will have to pay federal income tax without a corresponding cash distribution from Gateway. Similarly, in the event of a sale or foreclosure of an apartment complex, an investor may be allocated taxable income, resulting in tax liability, in excess of any cash distributed to the investor as a result of such event.

There is no assurance that investors will receive any cash distributions from the sale or refinancing of a Project Partnership. The price at which a Project Partnership is sold may not be large enough to pay the mortgage and other expenses which must be paid at such time.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

Gateway owns a majority interest in properties through its limited partnership investments in Project Partnerships. The largest single net investment as of March 31, 2007 in a Project Partnership for each respective Series is: Series 7 is 21.6% of the Series' total assets and 3.5% of Gateway's total assets, Series 8 is 19.4% of the Series' total assets and 2.6% of Gateway's total assets, Series 9 is 15.4% of the Series' total assets and 1.9% of Gateway's total assets, Series 10 is 28.5% of the Series' total assets and 7.2% of Gateway's total assets, and Series 11 is 26.8% of the Series' total assets and 8.8% of Gateway's total assets. (refer to Note 5 in Part I, Item 8 of this report (the Investment in Project Partnership footnote) for further information regarding the Project Partnerships.)

The following tables provides certain summary information regarding the Project Partnerships in which Gateway had an interest as of December 31, 2006:

SERIES 7

PARTNERSHIP	LOCATION OF PROPERTY	# OF UNIT	DATE ACQUIRED	PROPERTY COST	OCCUPANCY RATE
-----	-----	----	-----	-----	-----
Nottingham	Pisgah, AL	18	6/92	729,584	100%
Cedar Hollow	Waterloo, NE	24	7/92	1,013,443	100%
Sunrise	Mission, SD	44	7/92	2,675,686	100%
Mountain City	Mountain City, TN	40	8/92	1,658,014	100%
Burbank	Falls City, NE	24	8/92	1,043,231	88%
Washington	Bloomfield, NE	24	9/92	989,726	46%
Brookstone	McCaysville, GA	40	9/92	1,461,449	100%
Tazewell	New Tazewell, TN	44	9/92	1,780,260	100%
N. Irvine	Irvine, KY	24	9/92	1,029,993	100%
Horton	Horton, KS	24	9/92	932,540	83%
Manchester	Manchester, GA	42	9/92	1,474,901	98%
Waynesboro	Waynesboro, GA	24	9/92	819,325	100%
Lakeland II	Lakeland, GA	30	9/92	1,009,647	93%
Mt. Vernon	Mt. Vernon, GA	24	9/92	900,526	100%
Meadow Run	Dawson, GA	48	9/92	1,744,840	92%
Spring Creek II	Quitman, GA	24	9/92	808,475	100%
Warm Springs	Warm Springs, GA	22	9/92	822,934	95%
Blue Ridge	Blue Ridge, GA	41	9/92	1,339,144	98%
Walnut	Elk Point, SD	24	9/92	1,059,696	96%
Pioneer	Mountain View, AR	48	9/92	1,490,047	100%
Dilley	Dilley, TX	28	9/92	890,402	90%
Elsa	Elsa, TX	40	9/92	1,342,015	95%
Clinch View	Gate City, VA	42	9/92	1,854,523	98%
Jamestown	Jamestown, TN	40	9/92	1,584,306	98%
Leander	Leander, TX	36	9/92	1,166,234	100%
Louisa Sr.	Louisa, KY	36	9/92	1,518,537	100%
Orchard Commons	Crab Orchard, KY	12	9/92	479,661	100%
Vardaman	Vardaman, MS	24	9/92	925,239	100%
Heritage Park	Paze, AZ	32	9/92	1,646,234	94%
BrooksHollow	Jasper, GA	40	9/92	1,437,907	100%
Cavalry Crossing	Ft. Scott, KS	40	9/92	1,853,889	85%
Carson City	Carson City, KS	24	11/92	970,707	88%
Matteson	Capa, KS	24	11/92	960,793	88%
Pembroke	Pembroke, KY	16	12/92	623,304	88%
Robynwood	Cynthiana, KY	24	12/92	1,011,684	96%
Atoka	Atoka, OK	24	1/93	835,334	96%
Coalgate	Coalgate, OK	24	1/93	828,505	100%
Hill Creek	West Blocton, AL	24	11/93	991,547	100%
Cardinal	Mountain Home, AR	32	11/93	785,240	100%
		----		-----	
		1,195		46,489,522	
		=====		=====	

The average effective rental income per unit for the year ended December 31, 2006 is \$4,262 per year (\$355 per month).

Item 2 - Properties (continued):

## SERIES 8

PARTNERSHIP	LOCATION OF PROPERTY	# OF UNIT	DATE ACQUIRED	PROPERTY COST	OCCUPANCY RATE
Purdy	Purdy, MO	16	12/9	613,537	94%
Galena	Galena, KS	24	12/9	809,692	100%
Antlers 2	Antlers, OK	24	1/9	787,859	100%
Holdenville	Holdenville, OK	24	1/9	892,598	100%
Wetumka	Wetumka, OK	24	1/9	812,853	96%
Mariners Cove	Marine City, MI	32	1/9	1,318,319	94%
Mariners Cove Sr.	Marine City, MI	24	1/9	1,026,699	96%
Antlers	Antlers, OK	36	3/9	1,321,039	78%
Bentonville	Bentonville, AR	24	3/9	758,489	100%
Deerpoint	Elgin, AL	24	3/9	948,824	96%
Aurora	Aurora, MO	28	3/9	936,677	100%
Baxter	Baxter Springs, KS	16	4/9	576,162	100%
Arbor Gate	Bridgeport, AL	24	5/9	943,390	88%
Timber Ridge	Collinsville, AL	24	5/9	929,109	88%
Concordia Sr.	Concordia, KS	24	5/9	826,389	92%
Mountainburg	Mountainburg, AR	24	6/9	883,990	100%
Lincoln	Pierre, SD	25	5/9	1,141,490	100%
Fox Ridge	Russellville, AL	24	6/9	902,785	92%
Meadow View	Bridgeport, NE	16	6/9	737,918	100%
Sheridan	Auburn, NE	16	6/9	784,810	100%
Morningside	Kenton, OH	32	6/9	1,189,817	94%
Grand Isle	Grand Isle, ME	16	6/9	1,200,210	88%
Meadowview	Van Buren, AR	29	8/9	994,717	96%
Taylor	Taylor, TX	44	9/9	1,529,792	100%
Brookwood	Gainesboro, TN	44	9/9	1,817,225	100%
Pleasant Valley	Lynchburg, TN	33	9/9	1,359,733	97%
Reelfoot	Ridgely, TN	20	9/9	829,848	95%
River Rest	Newport, TN	34	9/9	1,442,986	97%
Kirksville	Kirksville, MO	24	9/9	831,492	100%
Cimmaron	Arco, ID	24	9/9	1,182,386	83%
Kenton	Kenton, OH	46	9/9	1,781,759	83%
Lovingston	Lovingston, VA	64	9/9	2,778,712	100%
Pontotoc	Pontotoc, MS	36	10/9	1,342,794	100%
So. Brenchley	Rexburg, ID	30	10/9	1,585,546	100%
Hustonville	Hustonville, KY	16	10/9	709,635	88%
Northpoint	Jackson, KY	24	10/9	1,103,271	96%
Brooks Field	Louisville, GA	32	10/9	1,177,691	100%
Brooks Lane	Clayton, GA	36	10/9	1,358,623	97%
Brooks Point	Dahlonega, GA	41	10/9	1,659,514	100%
Brooks Run	Jasper, GA	24	10/9	924,701	96%
Logan Heights	Russellville, KY	24	11/9	954,580	83%
Lakeshore 2	Tuskegee, AL	36	12/9	1,437,725	92%
Cottondale	Cottondale, FL	25	1/9	948,319	100%
		1,207		48,093,705	

The average effective rental income per unit for the year ended December 31, 2006 is \$4,217 per year (\$351 per month).

Item 2 - Properties (continued):

SERIES 9

PARTNERSHIP	LOCATION OF PROPERTY	# OF UNIT	DATE ACQUIRED	PROPERTY COST	OCCUPANCY RATE
-----	-----	----	-----	-----	-----
Jay	Jay, OK	24	9/93	810,597	100%
Boxwood	Lexington, TX	24	9/93	770,939	96%
Stilwell 3	Stilwell, OK	16	9/93	587,132	100%
Arbor Trace	Lake Park, GA	24	11/93	918,358	100%
Arbor Trace 2	Lake Park, GA	42	11/93	1,806,434	98%
Omega	Omega, GA	36	11/93	1,407,304	100%
Cornell 2	Watertown, SD	24	11/93	1,239,494	96%
Elm Creek	Pierre, SD	24	11/93	1,250,635	83%
Marionville	Marionville, MO	20	11/93	774,019	95%
Lamar	Lamar, AR	24	12/93	904,325	92%
Mt. Glen	Heppner, OR	24	12/93	1,083,535	88%
Centreville	Centreville, AL	24	12/93	986,163	96%
Skyview	Troy, AL	36	12/93	1,423,402	97%
Sycamore	Coffeyville, KS	40	12/93	1,849,005	85%
Bradford	Cumberland, KY	24	12/93	1,055,632	96%
Cedar Lane	London, KY	24	12/93	1,008,022	100%
Stanton	Stanton, KY	24	12/93	1,001,158	100%
Abernathy	Abernathy, TX	24	1/94	781,898	100%
Pembroke	Pembroke, KY	24	1/94	1,006,295	88%
Meadowview	Greenville, AL	24	2/94	1,137,336	96%
Town Branch	Mt. Vernon, KY	24	12/93	984,410	100%
Fox Run	Ragland, AL	24	3/94	978,195	96%
Maple Street	Emporium, PA	32	3/94	1,715,881	100%
Manchester	Manchester, GA	18	5/94	735,614	98%
		----		-----	
		624		26,215,783	
		=====		=====	

The average effective rental income per unit for the year ended December 31, 2006 is \$4,142 per year (\$345 per month).

SERIES 10

PARTNERSHIP	LOCATION OF PROPERTY	# OF UNIT	DATE ACQUIRED	PROPERTY COST	OCCUPANCY RATE
-----	-----	----	-----	-----	-----
Redstone	Challis, ID	24	11/93	1,167,910	100%
Albany	Albany, KY	24	1/94	1,042,529	100%
Oak Terrace	Bonifay, FL	18	1/94	664,731	100%
Wellshill	West Liberty, KY	32	1/94	1,350,944	100%
Applegate	Florence, AL	36	2/94	1,864,817	97%
Heatherwood	Alexander, AL	36	2/94	1,642,814	97%
Peachtree	Gaffney, SC	28	3/94	1,100,996	93%
Donna	Donna, TX	50	1/94	1,778,667	98%
Wellsville	Wellsville, NY	24	2/94	1,438,809	100%
Tecumseh	Tecumseh, NE	24	4/94	1,142,972	83%
Clay City	Clay City, KY	24	5/94	1,043,798	100%
Irvine West	Irvine, KY	24	5/94	1,113,664	96%
New Castle	New Castle, KY	24	5/94	1,025,932	96%
Stigler	Stigler, OK	20	7/94	754,056	100%
Courtyard	Huron, SD	21	8/94	786,217	100%
		----		-----	
		409		17,918,856	
		=====		=====	

The average effective rental income per unit for the year ended December 31, 2006 is \$4,149 per year (\$346 per month).

Item 2 - Properties (continued):

## SERIES 11

PARTNERSHIP	LOCATION OF PROPERTY	# OF UNIT	DATE ACQUIRED	PROPERTY COST	OCCUPANCY RATE
-----	-----	----	-----	-----	-----
Homestead	Pinetop, AZ	32	9/94	1,816,695	94%
Mountain Oak	Collinsville, AL	24	9/94	894,455	75%
Eloy	Eloy, AZ	24	11/94	1,030,005	92%
Gila Bend	Gila Bend, AZ	36	11/94	1,545,966	67%
Creekstone	Dallas, GA	40	12/94	2,008,604	83%
Tifton	Tifton, GA	36	12/94	1,706,886	92%
Cass Towne	Cartersville, GA	10	12/94	330,663	100%
Warsaw	Warsaw, VA	56	12/94	3,404,797	100%
Royston	Royston, GA	25	12/94	935,159	100%
Red Bud	Mokane, MO	8	12/94	301,564	88%
Cardinal	Mountain Home, AR	32	12/94	512,292	100%
Parsons	Parsons, KS	38	12/94	1,384,172	66%
		----		-----	
		361		15,871,258	
		=====		=====	

The average effective rental income per unit for the year ended December 31, 2006 is \$4,496 per year (\$375 per month).

A summary of the book value of the fixed assets of the properties at December 31, 2006, 2005 and 2004 is as follows:

	12/31/06		
	<u>SERIES 7</u>	<u>SERIES 8</u>	<u>SERIES 9</u>
Land	\$ 1,628,119	\$ 1,978,809	\$ 1,099,659
Land Improvements	416,701	446,554	214,171
Buildings	42,317,581	43,601,388	23,734,613
Furniture and Fixtures	2,127,121	2,066,954	1,167,340
Construction in Progress	0	0	0
	-----	-----	-----
Properties, at Cost	46,489,522	48,093,705	26,215,783
Less: Accum. Depreciation	20,491,955	20,807,872	10,415,334
	-----	-----	-----
Properties, Net	<u>\$25,997,567</u>	<u>\$27,285,833</u>	<u>\$15,800,449</u>
	=====	=====	=====
	<u>SERIES 10</u>	<u>SERIES 11</u>	<u>TOTAL</u>
Land	\$ 648,625	\$ 599,197	\$ 5,954,409
Land Improvements	111,805	47,002	1,236,233
Buildings	16,457,363	14,647,240	140,758,185
Furniture and Fixtures	701,063	577,819	6,640,297
Construction in Progress	0	0	0
	-----	-----	-----
Properties, at Cost	17,918,856	15,871,258	154,589,124
Less: Accum. Depreciation	6,027,529	5,562,727	63,305,417
	-----	-----	-----
Properties, Net	<u>\$11,891,327</u>	<u>\$10,308,531</u>	<u>\$ 91,283,707</u>
	=====	=====	=====



Item 2 - Properties (continued):

	12/31/05		
	<u>SERIES 7</u>	<u>SERIES 8</u>	<u>SERIES 9</u>
Land	\$ 1,635,366	\$ 1,978,809	\$ 1,099,659
Land Improvements	391,926	424,067	207,602
Buildings	42,278,279	43,481,828	23,676,553
Furniture and Fixtures	1,985,906	1,976,324	1,126,301
Construction in Progress	0	0	0
	-----	-----	-----
Properties, at Cost	46,291,477	47,861,028	26,110,115
Less: Accum. Depreciation	19,022,427	19,218,334	9,640,414
	-----	-----	-----
Properties, Net	<u>\$27,269,050</u>	<u>\$28,642,694</u>	<u>\$16,469,701</u>

	<u>SERIES 10</u>	<u>SERIES 11</u>	<u>TOTAL</u>
Land	\$ 648,625	\$ 599,197	\$ 5,961,656
Land Improvements	94,649	22,242	1,140,486
Buildings	16,425,612	14,415,086	140,277,358
Furniture and Fixtures	663,802	626,431	6,378,764
Construction in Progress	0	0	0
	-----	-----	-----
Properties, at Cost	17,832,688	15,662,956	153,758,264
Less: Accum. Depreciation	5,569,061	5,314,654	58,764,890
	-----	-----	-----
Properties, Net	<u>\$12,263,627</u>	<u>\$10,348,302</u>	<u>\$ 94,993,374</u>

	12/31/04		
	<u>SERIES 7</u>	<u>SERIES 8</u>	<u>SERIES 9</u>
Land	\$ 1,632,366	\$ 1,978,809	\$ 1,099,659
Land Improvements	387,220	416,985	191,080
Buildings	42,243,157	43,408,843	23,642,433
Furniture and Fixtures	1,920,573	1,915,791	1,096,825
Construction in Progress	0	0	6,866
	-----	-----	-----
Properties, at Cost	46,183,316	47,720,428	26,036,863
Less: Accum. Depreciation	17,552,593	17,821,451	8,872,295
	-----	-----	-----
Properties, Net	<u>\$28,630,723</u>	<u>\$29,898,977</u>	<u>\$17,164,568</u>

	<u>SERIES 10</u>	<u>SERIES 11</u>	<u>TOTAL</u>
Land	\$ 648,625	\$ 599,197	\$ 5,958,656
Land Improvements	94,649	18,163	1,108,097
Buildings	16,376,552	14,401,963	140,072,948
Furniture and Fixtures	636,585	584,385	6,154,159
Construction in Progress	0	0	6,866
	-----	-----	-----
Properties, at Cost	17,756,411	15,603,708	153,300,726
Less: Accum. Depreciation	5,103,348	4,809,337	54,159,024
	-----	-----	-----
Properties, Net	<u>\$12,653,063</u>	<u>\$10,794,371</u>	<u>\$ 99,141,702</u>

Item 3. Legal Proceedings

Gateway is not a party to any material pending legal proceedings.

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

As of March 31, 2007, no matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise.

## PART II

### Item 5. Market for the Registrant's Securities and Related Security Holder Matters

(a) Gateway's Limited Partnership interests are not publicly traded. There is no market for Gateway's Limited Partnership interests and it is unlikely that any will develop. No transfers of Limited Partnership Interests are permitted without the prior written consent of the Managing General Partner. There have been numerous transfers from inception to date with most being from individuals to their trusts or heirs. The Managing General Partner is not aware of the price at which Limited Partnership units are transferred. The criteria for and the details regarding transfers are found on pages A-28 and A-29 of the Limited Partnership Agreement under ARTICLE XII under the caption "Transfers of Units" found in the Prospectus, which is incorporated herein by reference.

There have been no distributions to Limited Partner investors from inception to date.

(b) Approximate Number of Equity Security Holders:

<u>Title of Class</u>	<u>Number of Holders as of March 31, 2007</u>
Limited Partner Interest	2,559
General Partner Interest	2

### Item 6. Selected Financial Data

FOR THE YEARS ENDED MARCH 31, SERIES 7	2007 ----	2006 ----	2005 ----	2004 ----	2003 ----
Total Revenues	\$ 27,050	\$ 21,470	\$ 24,233	\$ 14,725	\$ 23,088
Net Loss	(366,648)	(467,796)	(261,487)	(261,362)	(233,056)
Equity in Losses of Project Partnerships	(78,519)	(92,380)	(139,599)	(130,277)	(137,118)
Total Assets	906,324	1,186,879	1,561,768	1,737,330	1,979,828
Investments In Project Partnerships	442,787	641,745	965,655	1,127,941	1,278,834
Per Weighted Average Limited Partnership Unit: (A)					
Tax Credits	.96	8.05	21.36	92.87	163.08
Portfolio Income	8.15	6.16	4.56	5.38	6.94
Passive Loss	(98.00)	(100.77)	(109.79)	(121.02)	(113.17)
Net Loss	(34.92)	(44.55)	(24.90)	(24.89)	(22.20)

FOR THE YEARS ENDED MARCH 31, SERIES 8	2007 ----	2006 ----	2005 ----	2004 ----	2003 ----
Total Revenues	\$ 15,890	\$ 16,963	\$ 16,447	\$ 20,098	\$ 19,195
Net Loss	(240,629)	(216,489)	(179,166)	(176,442)	(193,325)
Equity in Losses of Project Partnerships	(15,683)	(29,928)	(41,395)	(39,434)	(82,830)
Total Assets	741,918	893,391	1,013,718	1,163,295	1,305,623
Investments In Project Partnerships	377,733	415,344	461,161	512,795	560,231
Per Weighted Average Limited Partnership Unit: (A)					
Tax Credits					
Portfolio Income	1.55 10.68	16.92 7.30	56.12 5.23	140.61 5.04	162.03 7.29
Passive Loss	(110.42)	(110.88)	(121.46)	(127.45)	(125.60)
Net Loss	(23.87)	(21.48)	(17.77)	(17.50)	(19.18)
FOR THE YEARS ENDED MARCH 31, SERIES 9	2007 ----	2006 ----	2005 ----	2004 ----	2003 ----
Total Revenues	\$ 6,166	\$ 4,437	\$ 7,752	\$ 4,246	\$ 4,433
Net Loss	(248,128)	(341,082)	(234,846)	(311,941)	(346,402)
Equity in Losses of Project Partnerships	(117,893)	(101,726)	(157,684)	(230,291)	(279,770)
Total Assets	694,273	893,314	1,180,228	1,395,878	1,676,155
Investments In Project Partnerships	412,287	550,442	798,862	967,040	1,211,933
Per Weighted Average Limited Partnership Unit: (A)					
Tax Credits					
Portfolio Income	.00 7.40	6.34 5.41	102.00 3.98	153.39 4.44	154.93 6.10
Passive Loss	(103.96)	(90.51)	(105.86)	(112.92)	(127.50)
Net Loss	(39.28)	(53.99)	(37.18)	(49.38)	(54.84)

FOR THE YEARS ENDED MARCH 31, SERIES 10	2007 ----	2006 ----	2005 ----	2004 ----	2003 ----
Total Revenues	\$ 2,563	\$ 2,561	\$ 2,511	\$ 1,932	\$ 750
Net Loss	(261,712)	(355,932)	(186,236)	(228,743)	(246,694)
Equity in Losses of Project Partnerships	(113,347)	(111,553)	(133,597)	(175,628)	(201,773)
Total Assets	1,398,676	1,626,672	1,945,888	2,223,393	2,442,508
Investments In Project Partnerships	1,159,544	1,360,959	1,661,049	1,815,475	2,014,742
Per Weighted Average Limited Partnership Unit: (A)					
Tax Credits					
Portfolio Income	.00 8.75	9.58 7.55	106.09 6.36	151.14 6.94	151.14 8.34
Passive Loss	(91.68)	(90.73)	(111.19)	(89.01)	(93.89)
Net Loss	(51.38)	(69.87)	(36.58)	(44.91)	(48.43)
FOR THE YEARS ENDED MARCH 31, SERIES 11	2007 ----	2006 ----	2005 ----	2004 ----	2003 ----
Total Revenues	\$ 3,382	\$ 3,382	\$ 2,783	\$ 2,182	\$ 0
Net Loss	(470,714)	(776,165)	(153,967)	(143,577)	(207,311)
Equity in Losses of Project Partnerships	(32,981)	(96,562)	(112,606)	(101,608)	(169,857)
Total Assets	1,821,412	2,271,082	3,034,176	3,228,629	3,377,050
Investments In Project Partnerships	1,505,978	1,926,349	2,664,780	2,799,412	2,914,130
Per Weighted Average Limited Partnership Unit: (A)					
Tax Credits					
Portfolio Income	8.57 6.61	110.21 5.75	145.72 4.33	147.19 4.71	147.20 6.21
Passive Loss	(56.12)	(52.47)	(99.03)	(75.39)	(61.45)
Net Loss	(90.89)	(149.87)	(29.73)	(27.72)	(40.03)

(A) The tax information is as of December 31, the year end for tax purposes.

The above selected financial data should be read in conjunction with the financial statements and related notes appearing elsewhere in this report. This statement is not covered by the auditor's opinion included elsewhere in this report.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This item should be read in conjunction with the financial statements and other items contained elsewhere in this report.

The Managing General Partner monitors developments in the area of legal and regulatory compliance. For example, the Sarbanes-Oxley Act of 2002 (the "Act") mandates or suggests additional compliance measures with regard to governance, disclosure, audit and other areas and certain provisions of the Act will require implementation by Gateway in subsequent years. In light of these additional requirements of the Act, Gateway has and expects to continue to incur increased expenses related to compliance with the Act.

Results of Operations, Liquidity and Capital Resources

Operations commenced on July 16, 1992 with the admission of the first Limited Partners in Series 7. The proceeds from Limited Partner investors' capital contributions available for investment were used to acquire interests in Project Partnerships.

Gateway – All Series - The following discusses the overall results of operations, liquidity and capital resources for Gateway as a whole. A summary of the activity within each specific Series of Gateway then follows.

Distribution income arises from any cash distributions received from Project Partnerships which have a zero investment balance for financial reporting purposes. Distribution income increased 13% in fiscal year 2007 to \$55,051, an increase of \$6,238 from the fiscal year 2006 distribution income of \$48,813, which represented a \$4,913 or 9% decrease as compared to distribution income of \$53,726 in fiscal year 2005.

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 investors' return of their original capital contribution).

Total expenses of Gateway are \$1,385,068 for the fiscal year ended March 31, 2007, a decrease of \$485,465 as compared to the fiscal year 2006 total expenses of \$1,870,533, which represented a \$1,302,066 increase in total expenses over the fiscal year 2005 amount of \$568,467. Impairment expense represents a significant component of total expenses in fiscal year 2007 and 2006. Impairment expense is a non-cash element of expense that arises whenever events or changes in circumstances indicate that the recorded carrying value of a respective Investment in Project Partnership may not be recoverable. During fiscal year 2007, impairment expense was recorded in the aggregate amount of \$467,646. In fiscal year 2006, the impairment expense recorded was \$1,078,223. Net of this impairment expense, expenses of Gateway increased \$125,112, or 16% in fiscal year 2007 versus fiscal year 2006. The increase in fiscal year 2007 results from increases in the expense of the General Partner in administering the business of Gateway as well as increases in the cost of third-parties who provide services such as audit services to Gateway. The fiscal year 2006 expense represented a \$223,843, or 39%, increase over the fiscal year 2005 amount of \$568,467.

The sources of funds to pay the expenses of Gateway are cash and cash equivalents and short-term investments which are comprised of U.S. Treasury Security Strips ("Zero Coupon Treasuries") and U.S. Treasury Notes along with the interest earnings thereon, 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. Therefore, cash distributions from the operations of the Project Partnerships are not expected to increase in the near future. 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.

The financial performance of each respective Series is summarized as follows:

Series 7 - Gateway closed this series on October 16, 1992 after receiving \$10,395,000 from 635 Limited Partner investors. As of March 31, 2007, the series had invested \$7,732,089 in 39 Project Partnerships located in 14 states containing 1,195 apartment units. Average occupancy of the Project Partnerships was 95% at December 31, 2006.

Equity in losses of Project Partnerships for the year ended March 31, 2007 of \$78,519 were \$13,861 less than the Equity in Losses of Project Partnerships for the year ended March 31, 2006 which amounted to \$92,380. 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

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

of depreciation and amortization. (These Project Partnerships reported depreciation and amortization of \$1,494,903, \$1,472,897, and \$1,475,207 for the periods ended December 31, 2004, 2005 and 2006, respectively). As a result, management expects that this Series, as well as the Series described below, will report its equity in Project Partnerships as a loss for tax and financial reporting purposes. 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. For the fiscal years ended March 31, 2007 and 2006, impairment expenses of \$76,196 and \$193,195 were recognized in Series 7, respectively. There was no impairment expense in fiscal year 2005. Overall management believes the Project Partnerships are operating as expected and generated Tax Credits which met projections.

At March 31, 2007, the Series had \$179,018 of Cash and Cash Equivalents. Series 7 also had \$80,760 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 \$203,759 in U.S. Treasury Notes with a maturity value of \$203,000 at June 30, 2007.

As disclosed on the statement of cash flows, the Series had a net loss of \$366,648 for the year ending March 31, 2007. However, after considering the Equity in Losses of Project Partnerships of \$78,519 and the changes in operating assets and liabilities, net cash used in operating activities was \$135,812. Cash used in investing activities totaled \$79,200 consisting of \$39,620 in cash distributions from the Project Partnerships and \$81,000 from matured Zero Coupon Treasuries, offset by \$199,820 used to purchase U.S. Treasury Notes in July 2006.

Series 8 - Gateway closed this Series on June 28, 1993 after receiving \$9,980,000 from 664 Limited Partner investors. As of March 31, 2007, the series had invested \$7,586,105 in 43 Project Partnerships located in 18 states containing 1,207 apartment units. Average occupancy of the Project Partnerships was 94% at December 31, 2006.

Equity in losses of Project Partnerships for the year ended March 31, 2007 of \$15,683 were \$14,245 less than the Equity in Losses of Project Partnerships for the year ended March 31, 2006 which amounted to \$29,928. 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. (These Project Partnerships reported depreciation and amortization of \$1,512,305, \$1,485,669, and \$1,514,946 for the periods ended December 31, 2004, 2005 and 2006, respectively). 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. There were no impairment expenses in fiscal years 2007, 2006, and 2005. Overall management believes the Project Partnerships are operating as expected and generated Tax Credits which met projections.

At March 31, 2007, the Series had \$135,130 of Cash and Cash Equivalents. Series 8 also had \$77,196 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 \$127,639 in U.S. Treasury Notes with a maturity value of \$127,000 at June 30, 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 \$240,629 for the year ending March 31, 2007. However, after adjusting for Equity in Losses of Project Partnerships of \$15,683 and the changes in operating assets and liabilities, net cash used in operating activities was \$151,172. Cash used in investing activities totaled \$23,016 consisting of \$24,995 in cash distributions from the Project Partnerships and \$77,000 from matured Zero Coupon Treasuries, offset by \$125,011 used to purchase U.S. Treasury Notes in July 2006.

Series 9 - Gateway closed this Series on September 30, 1993 after receiving \$6,254,000 from 406 Limited Partner investors. As of March 31, 2007, the series had invested \$4,914,116 in 24 Project Partnerships located in 11 states containing 624 apartment units. Average occupancy of the Project Partnerships was 96% at December 31, 2006.

Equity in Losses of Project Partnerships for the year ended March 31, 2007 of \$117,893 were \$16,167 higher than the Equity in Losses of Project Partnerships for the year ended March 31, 2006 which amounted to \$101,726. 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. (These Project Partnerships reported depreciation and amortization of \$786,226, \$767,851, and \$774,921 for the years ended December 31, 2004, 2005 and 2006, respectively). 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. There was no impairment expense in fiscal year 2007. For the fiscal year ended March 31,

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2006 impairment expense of \$127,532 was recognized. There was no impairment expense in fiscal year 2005. Overall management believes the Project Partnerships are operating as expected and generated Tax Credits which met projections.

At March 31, 2007 the Series had \$70,044 of Cash and Cash Equivalents. Series 9 also had \$84,303 in Zero Coupon Treasuries with annual maturities providing \$42,999 in fiscal year 2007 increasing to \$47,000 in fiscal year 2009. In addition, the Series had \$127,639 in U.S. Treasury Notes with a maturity value of \$127,000 at June 30, 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 \$248,128 for the year ending March 31, 2007. However, after considering the Equity in Losses of Project Partnerships of \$117,893 and the changes in operating assets and liabilities, net cash used in operating activities was \$85,312. Cash used in investing activities totaled \$67,637 consisting of \$14,375 in cash distributions from the Project Partnerships and \$42,999 from matured Zero Coupon Treasuries, offset by \$125,011 used to purchase 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. As of March 31, 2007, the series had invested \$3,914,672 in 15 Project Partnerships located in 10 states containing 409 apartment units. Average occupancy of the Project Partnerships was 97% at December 31, 2006.

Equity in losses of Project Partnerships for the year ended March 31, 2007 of \$113,347 were \$1,794 higher than the Equity in Losses of Project Partnerships for the year ended March 31, 2006 which amounted to \$111,553. 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. (These Project Partnerships reported depreciation and amortization of \$469,719, \$466,542, and \$465,986 for the periods ended December 31, 2004, 2005, and 2006, respectively). 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. For the fiscal years ended March 31, 2007 and 2006, impairment expenses of \$46,129 and \$156,694 were recognized, respectively. There was no impairment expense in fiscal year 2005. Overall, management believes the Project Partnerships are operating as expected and generated Tax Credits which met projections.

At March 31, 2006, the Series had \$40,351 of Cash and Cash Equivalents. Series 10 also had \$97,272 in Zero Coupon Treasuries with annual maturities providing \$32,000 in fiscal year 2007 increasing to \$40,000 in fiscal year 2010. In addition, the Series had \$101,509 in U.S. Treasury Notes with a maturity value of \$101,000 at June 30, 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 \$261,712 for the year ending March 31, 2007. However, after considering the Equity in Losses of Project Partnerships of \$113,347 and the changes in operating assets and liabilities, net cash used in operating activities was \$57,324. Cash used in investing activities totaled \$47,022 consisting of \$20,396 in cash distributions from the Project Partnerships and \$32,000 from matured Zero Coupon Treasuries, offset by \$99,418 used to purchase U.S. Treasury Notes in July 2006.

Series 11 - Gateway closed this Series on April 29, 1994 after receiving \$5,127,000 from 330 Limited investors. As of March 31, 2007 the series had invested \$4,128,042 in 12 Project Partnerships located in 7 states containing 361 apartment units. Average occupancy of the Project Partnerships was 87% at December 31, 2006.

Equity in losses of Project Partnerships for the year ended March 31, 2007 of \$32,981 were \$63,581 lower than Equity in Losses of Project Partnerships for the year ended March 31, 2006 which amounted to \$96,562. 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. (These Project Partnerships reported depreciation and amortization of \$511,998, \$506,550, and \$498,431 for the periods ended December 31, 2004, 2005, and 2006, respectively). 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. For the fiscal years ended March 31, 2007 and 2006, impairment expenses of \$345,321 and \$600,802 were recognized, respectively. There was no impairment expense in fiscal year 2005. Overall, management believes the Project Partnerships are operating as expected and generated Tax Credits which met projections.

At March 31, 2006, the Series had \$53,170 of Cash and Cash Equivalents. Series 11 also had \$109,498 in Zero Coupon Treasuries with annual maturities providing \$38,000 in fiscal year

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

2007 increasing to \$44,000 in fiscal year 2010. In addition, the Series had \$152,766 in U.S. Treasury Notes with a maturity value of \$152,000 at June 30, 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 \$470,714 for the year ending March 31, 2007. However, after considering the Equity in Losses of Project Partnerships of \$32,981 and the changes in operating assets and liabilities, net cash used in operating activities was \$54,653. Cash used in investing activities totaled \$99,667, consisting of \$11,954 in cash distributions from Project Partnerships and \$37,998 from matured Zero Coupon Treasuries, offset by \$149,619 used to purchase U.S. Treasury Notes in July 2006.

Exit Strategy Upon expiration of the Project Partnership Tax Credit Compliance Period

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

As of December 31, 2006, only one of the Project Partnerships had reached the end of its tax credit compliance period. However, all of the other 132 Project Partnerships will reach the end of the tax credit compliance period during one of the years ending December 31, 2007 through December 31, 2010.

When Project Partnerships reach the end of their tax credit compliance period, Gateway initiates a process of disposing of its investment in the Project Partnership, the objective of the process is to sell Gateway's interest in the properties for fair market value and ultimately, when Gateway's last Project Partnership investment is sold, liquidate Gateway.

Disclosure of Contractual Obligations

		Payment due by period			
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-Term Debt Obligations					
Capital Lease Obligations					
Operating Lease Obligations					
Purchase Obligations					
Other Liabilities Reflected on the Registrant's Balance Sheet under GAAP	\$2,267,865 (1)	207,179	102,345	1,958,341	0

(1) The Other Liabilities represent the asset management fees and other general and administrative expense reimbursements owed to the General Partners as of March 31, 2007. It is unsecured, due on demand and, in accordance with the limited partnership agreement, non-interest bearing. As referred to in Note 4, the Managing General Partner does not intend to demand payment of the portion of this balance reflected as due later than one year within the next 12 months.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

As a small business issuer, no information is required.

Item 8. Financial Statements and Supplementary Data



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Gateway Tax Credit Fund III Ltd.

We have audited the accompanying balance sheets of Gateway Tax Credit Fund III, Ltd. (a Florida Limited Partnership) – Series 7 through 11, in total and for each series, as of March 31, 2007 and 2006, and the related statements of operations, partners' equity (deficit), and cash flows for the total partnership and for each of the series for each of the years in the two-year period ended March 31, 2007. Gateway's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain Project Partnerships for which \$1,075,284 of net investment for the total partnership is included in these financial statements as of March 31, 2006; and of the net investment for Series 7 as of March 31, 2006, \$0; and of the net investment for Series 8 as of March 31, 2006, \$167,199; and of the net investment for Series 9 as of March 31, 2006, \$99,292; and of the net investment for Series 10 as of March 31, 2006, \$808,793; and of the net investment for Series 11 as of March 31, 2006, \$0; and for which net losses of \$64,475 are included in total partnership loss for the year ended March 31, 2006; and of the loss for Series 7 for the year ended March 31, 2006, \$0; and of the loss for Series 8 for the year ended March 31, 2006, \$21,534; and of the loss for Series 9 for the year ended March 31, 2006, \$799; and of the loss for Series 10 for the year ended March 31, 2006, \$42,142; and of the loss for Series 11 for the year ended March 31, 2006, \$0. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such underlying partnerships, is based solely on the reports of the other auditors. The financial statements of Gateway Tax Credit Fund III, Ltd. for the year ended March 31, 2005, were audited by other auditors whose report dated September 8, 2005, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Gateway is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Gateway's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Gateway Tax Credit Fund III Ltd. – Series 7 through 11, in total and for each series, as of March 31, 2007 and 2006, and the results of its operations and its cash flows for the total partnership and for each of the series for each of the years in the two-year period ended March 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed under Item 15(a)(2) in the index are presented for purposes of complying with the Securities and Exchange Commission's rules and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audits and the report of other auditors, fairly state in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

/s/ Reznick Group, P.C.  
REZNICK GROUP, P.C.

Atlanta, Georgia  
December 22, 2008

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners of Gateway Tax Credit Fund III Ltd.

We have audited the accompanying statements of operations, partners' equity (deficit), and cash flows of each of the five Series (Series 7 through 11) constituting Gateway Tax Credit Fund III Ltd. (a Florida Limited Partnership) for the year ended March 31, 2005. These financial statements are the responsibility of Gateway's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain Project Partnerships for which net losses included on the statements of operations for the year ended March 31, 2005 are:

	Partnership Loss
	<u>Year ended March 31, 2005</u>
Series 7	\$ 0
Series 8	19,399
Series 9	55,286
Series 10	42,327
Series 11	0

Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such underlying partnerships, is based solely on the reports of the other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statements of operations, partners' equity (deficit), and cash flows are free of material misstatement. Gateway is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gateway's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements of operations, partners' equity (deficit), and cash flows, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statements of operations, partners' equity (deficit), and cash flows. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the statements of operations, partners' equity (deficit), and cash flows present fairly, in all material respects, the results of operations and cash flows of each of the five Series (Series 7 through 11) constituting Gateway Tax Credit Fund III Ltd. for the year ended March 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

SPENCE, MARSTON, BUNCH, MORRIS & CO.  
Certified Public Accountants

Clearwater, Florida  
September 8, 2005

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GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET  
MARCH 31, 2007 AND 2006

SERIES 7	2007	2006
	----	----
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 179,018	\$ 394,030
Investments in Securities	284,519	76,135
	-----	-----
Total Current Assets	463,537	470,165
Investments in Securities	0	74,969
Investments in Project Partnerships, Net	442,787	641,745
	-----	-----
Total Assets	\$ 906,324	\$1,186,879
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 60,257	\$ 60,090
	-----	-----
Total Current Liabilities	60,257	60,090
	-----	-----
Long Term Liabilities:		
Payable to General Partners	730,352	644,426
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (10,395 units for Series 7 at March 31, 2007 and 2006)	205,836	568,818
General Partners	(90,121)	(86,455)
	-----	-----
Total Partners' Equity	115,715	482,363
	-----	-----
Total Liabilities and Partners' Equity	\$ 906,324	\$1,186,879
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET  
MARCH 31, 2007 AND 2006

SERIES 8	2007	2006
	----	----
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 135,130	\$ 309,318
Investments in Securities	204,835	72,553
Receivable - Other	24,220	24,220
	-----	-----
Total Current Assets	364,185	406,091
Investments in Securities	0	71,956
Investments in Project Partnerships, Net	377,733	415,344
	-----	-----
Total Assets	\$ 741,918	\$ 893,391
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 51,149	\$ 51,363
	-----	-----
Total Current Liabilities	51,149	51,363
	-----	-----
Long Term Liabilities:		
Payable to General Partners	773,676	684,306
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (9,980 units for Series 8 at March 31, 2007 and 2006)	5,547	243,770
General Partners	(88,454)	(86,048)
	-----	-----
Total Partners' Equity (Deficit)	(82,907)	157,722
	-----	-----
Total Liabilities and Partners' Equity	\$ 741,918	\$ 893,391
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET  
MARCH 31, 2007 AND 2006

SERIES 9	2007	2006
	----	----
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 70,044	\$ 222,993
Investments in Securities	170,233	40,745
	-----	-----
Total Current Assets	240,277	263,738
Investments in Securities	41,709	79,134
Investments in Project Partnerships, Net	412,287	550,442
	-----	-----
Total Assets	\$ 694,273	\$ 893,314
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 29,911	\$ 30,066
	-----	-----
Total Current Liabilities	29,911	30,066
	-----	-----
Long Term Liabilities:		
Payable to General Partners	477,891	428,649
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (6,254 units for Series 9 at March 31, 2007 and 2006)	239,442	485,089
General Partners	(52,971)	(50,490)
	-----	-----
Total Partners' Equity	186,471	434,599
	-----	-----
Total Liabilities and Partners' Equity	\$ 694,273	\$ 893,314
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET  
MARCH 31, 2007 AND 2006

SERIES 10	2007	2006
	----	----
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 40,351	\$ 144,697
Investments in Securities	133,864	30,440
	-----	-----
Total Current Assets	174,215	175,137
Investments in Securities	64,917	90,576
Investments in Project Partnerships, Net	1,159,544	1,360,959
	-----	-----
Total Assets	\$1,398,676	\$1,626,672
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 31,747	\$ 31,675
	-----	-----
Total Current Liabilities	31,747	31,675
	-----	-----
Long Term Liabilities:		
Payable to General Partners	78,767	45,123
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (5,043 units for Series 10 at March 31, 2007 and 2006)	1,319,459	1,578,554
General Partners	(31,297)	(28,680)
	-----	-----
Total Partners' Equity	1,288,162	1,549,874
	-----	-----
Total Liabilities and Partners' Equity	\$1,398,676	\$1,626,672
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET  
MARCH 31, 2007 AND 2006

SERIES 11	2007	2006
	----	----
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 53,170	\$ 207,490
Investments in Securities	190,291	35,682
	-----	-----
Total Current Assets	243,461	243,172
Investments in Securities	71,973	101,561
Investments in Project Partnerships, Net	1,505,978	1,926,349
	-----	-----
Total Assets	\$1,821,412	\$2,271,082
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 34,115	\$ 13,071
	-----	-----
Total Current Liabilities	34,115	13,071
	-----	-----
Partners' Equity (Deficit):		
Limited Partners (5,127 units for Series 11 at March 31, 2007 and 2006)	1,815,414	2,281,421
General Partners	(28,117)	(23,410)
	-----	-----
Total Partners' Equity	1,787,297	2,258,011
	-----	-----
Total Liabilities and Partners' Equity	\$1,821,412	\$2,271,082
	=====	=====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
BALANCE SHEET  
MARCH 31, 2007 AND 2006

TOTAL SERIES 7 -11	2007	2006
	----	----
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 477,713	\$ 1,278,528
Investments in Securities	983,742	255,555
Receivable - Other	24,220	24,220
	-----	-----
Total Current Assets	1,485,675	1,558,303
Investments in Securities	178,599	418,196
Investments in Project Partnerships, Net	3,898,329	4,894,839
	-----	-----
Total Assets	\$ 5,562,603	\$ 6,871,338
	=====	=====
LIABILITIES AND PARTNERS' EQUITY		
Current Liabilities:		
Payable to General Partners	\$ 207,179	\$ 186,265
	-----	-----
Total Current Liabilities	207,179	186,265
	-----	-----
Long Term Liabilities:		
Payable to General Partners	2,060,686	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 March 31, 2007 and 2006)		
General Partners	3,585,698	5,157,652
	(290,960)	(275,083)
	-----	-----
Total Partners' Equity	3,294,738	4,882,569
	-----	-----
Total Liabilities and Partners' Equity	\$ 5,562,603	\$ 6,871,338
	=====	=====

See accompanying notes to financial statements.



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

STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED MARCH 31,

SERIES 7	2007	2006	2005
	----	----	----
Revenues:			
Distribution Income	\$ 27,050	\$ 21,470	\$ 24,233
	-----	-----	-----
Total Revenues	27,050	21,470	24,233
	-----	-----	-----
Expenses:			
Asset Management Fee-General Partner	85,926	86,447	86,447
General and Administrative:			
General Partner	109,100	84,526	56,857
Other	39,852	28,296	18,197
Amortization	31,673	30,603	7,089
Impairment of Investment in Project Partnerships			
	76,196	193,195	0
	-----	-----	-----
Total Expenses	342,747	423,067	168,590
	-----	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(315,697)	(401,597)	(144,357)
Equity in Losses of Project Partnerships	(78,519)	(92,380)	(139,599)
Interest Income	27,568	26,181	22,469
	-----	-----	-----
Net Loss	\$ (366,648)	\$ (467,796)	\$ (261,487)
	=====	=====	=====
Allocation of Net Loss:			
Limited Partners	\$ (362,982)	\$ (463,118)	\$ (258,872)
General Partners	(3,666)	(4,678)	(2,615)
	-----	-----	-----
	\$ (366,648)	\$ (467,796)	\$ (261,487)
	=====	=====	=====
Net Loss Per Limited Partnership Unit	\$ (34.92)	\$ (44.55)	\$ (24.90)
	=====	=====	=====
Number of Limited Partnership Units Outstanding	10,395	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 YEARS ENDED MARCH 31.

SERIES 8	2007	2006	2005
	----	----	----
Revenues:			
Distribution Income	\$ 15,890	\$ 16,963	\$ 16,447
	-----	-----	-----
Total Revenues	15,890	16,963	16,447
	-----	-----	-----
Expenses:			
Asset Management Fee-General Partner	89,370	89,908	89,908
General and Administrative:			
General Partner	120,278	93,195	62,689
Other	40,354	30,409	19,352
Amortization	12,823	12,823	2,553
Impairment of Investment in Project			
Partnerships	0	0	0
	-----	-----	-----
Total Expenses	262,825	226,335	174,502
	-----	-----	-----
Loss Before Equity in Losses of Project			
Partnerships and Other Income	(246,935)	(209,372)	(158,055)
Equity in Losses of Project Partnerships	(15,683)	(29,928)	(41,395)
Interest Income	21,989	22,811	20,284
	-----	-----	-----
Net Loss	\$(240,629)	\$(216,489)	\$(179,166)
	=====	=====	=====
Allocation of Net Loss:			
Limited Partners	\$(238,223)	\$(214,324)	\$(177,374)
General Partners	(2,406)	(2,165)	(1,792)
	-----	-----	-----
	\$(240,629)	\$(216,489)	\$(179,166)
	=====	=====	=====
Net Loss Per Limited Partnership Unit	\$ (23.87)	\$ (21.48)	\$ (17.77)
	=====	=====	=====
Number of Limited Partnership Units	9,980	9,980	9,980
Outstanding	=====	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED MARCH 31

SERIES 9	2007	2006	2005
	----	----	----
Revenues:			
Distribution Income	\$ 6,166	\$ 4,437	\$ 7,752
	-----	-----	-----
Total Revenues	6,166	4,437	7,752
	-----	-----	-----
Expenses:			
Asset Management Fee-General Partner	49,242	49,509	49,509
General and Administrative:			
General Partner	67,132	52,016	34,990
Other	24,841	18,273	11,260
Amortization	12,053	12,194	2,377
Impairment of Investment in Project Partnerships	0	127,532	0
	-----	-----	-----
Total Expenses	153,268	259,524	98,136
	-----	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(147,102)	(255,087)	(90,384)
Equity in Losses of Project Partnerships	(117,893)	(101,726)	(157,684)
Interest Income	16,867	15,731	13,222
	-----	-----	-----
Net Loss	\$(248,128)	\$(341,082)	\$(234,846)
	=====	=====	=====
Allocation of Net Loss:			
Limited Partners	\$(245,647)	\$(337,671)	\$(232,498)
General Partners	(2,481)	(3,411)	(2,348)
	-----	-----	-----
	\$(248,128)	\$(341,082)	\$(234,846)
	=====	=====	=====
Net Loss Per Limited Partnership Unit	\$ (39.28)	\$ (53.99)	\$ (37.18)
	=====	=====	=====
Number of Limited Partnership Units Outstanding	6,254	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 YEARS ENDED MARCH 31.

SERIES 10	2007	2006	2005
	----	----	----
Revenues:			
Distribution Income	\$ 2,563	\$ 2,561	\$ 2,511
	-----	-----	-----
Total Revenues	2,563	2,561	2,511
	-----	-----	-----
Expenses:			
Asset Management Fee-General Partner	33,643	33,819	33,819
General and Administrative:			
General Partner	41,958	32,510	21,868
Other	19,835	13,039	8,149
Amortization	24,106	24,700	4,141
Impairment of Investment in Project Partnerships	46,129	156,694	0
	-----	-----	-----
Total Expenses	165,671	260,762	67,977
	-----	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(163,108)	(258,201)	(65,466)
Equity in Losses of Project Partnerships	(113,347)	(111,553)	(133,597)
Interest Income	14,743	13,822	12,737
	-----	-----	-----
Net Loss	\$(261,712)	\$(355,932)	\$(186,326)
	=====	=====	=====
Allocation of Net Loss:			
Limited Partners	\$(259,095)	\$(352,373)	\$(184,463)
General Partners	(2,617)	(3,559)	(1,863)
	-----	-----	-----
	\$(261,712)	\$(355,932)	\$(186,326)
	=====	=====	=====
Net Loss Per Limited Partnership Unit	\$ (51.38)	\$ (69.87)	\$ (36.58)
	=====	=====	=====
Number of Limited Partnership Units Outstanding	5,043	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 YEARS ENDED MARCH 31,

SERIES 11	2007	2006	2005
	----	----	----
Revenues:			
Distribution Income	\$ 3,382	\$ 3,382	\$ 2,783
	-----	-----	-----
Total Revenues	3,382	3,382	2,783
	-----	-----	-----
Expenses:			
Asset Management Fee-General Partner	27,989	28,021	28,021
General and Administrative:			
General Partner	33,565	26,008	17,494
Other	20,185	12,519	7,404
Amortization	33,497	33,495	6,343
Impairment of Investment in Project Partnerships	345,321	600,802	0
	-----	-----	-----
Total Expenses	460,557	700,845	59,262
	-----	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(457,175)	(697,463)	(56,479)
Equity in Losses of Project Partnerships	(32,981)	(96,562)	(112,606)
Interest Income	19,442	17,860	15,118
	-----	-----	-----
Net Loss	\$(470,714)	\$(776,165)	\$(153,967)
	=====	=====	=====
Allocation of Net Loss:			
Limited Partners	\$(466,007)	\$(768,404)	\$(152,427)
General Partners	(4,707)	(7,761)	(1,540)
	-----	-----	-----
	\$(470,714)	\$(776,165)	\$(153,967)
	=====	=====	=====
Net Loss Per Limited Partnership Unit	\$ (90.89)	\$ (149.87)	\$ (29.73)
	=====	=====	=====
Number of Limited Partnership Units Outstanding	5,127	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 YEARS ENDED MARCH 31.

TOTAL SERIES 7 - 11	2007	2006	2005
	----	----	----
Revenues:			
Distribution Income	\$ 55,051	\$ 48,813	\$ 53,726
	-----	-----	-----
Total Revenues	55,051	48,813	53,726
	-----	-----	-----
Expenses:			
Asset Management Fee-General Partner	286,170	287,704	287,704
General and Administrative:			
General Partner	372,033	288,255	193,898
Other	145,067	102,536	64,362
Amortization	114,152	113,815	22,503
Impairment of Investment in Project Partnerships			
	467,646	1,078,223	0
	-----	-----	-----
Total Expenses	1,385,068	1,870,533	568,467
	-----	-----	-----
Loss Before Equity in Losses of Project Partnerships and Other Income	(1,330,017)	(1,821,720)	(514,741)
Equity in Losses of Project Partnerships	(358,423)	(432,149)	(584,881)
Interest Income	100,609	96,405	83,830
	-----	-----	-----
Net Loss	\$(1,587,831)	\$(2,157,464)	\$(1,015,792)
	=====	=====	=====
Allocation of Net Loss:			
Limited Partners	\$(1,571,954)	\$(2,135,890)	\$(1,005,634)
General Partners	(15,877)	(21,574)	(10,158)
	-----	-----	-----
	\$(1,587,831)	\$(2,157,464)	\$(1,015,792)
	=====	=====	=====

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (deficit)  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

SERIES 7	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2004	\$ 1,290,808	\$ (79,162)	\$ 1,211,646
Net Loss	(258,872) -----	(2,615) -----	(261,487) -----
Balance at March 31, 2005	1,031,936	(81,777)	950,159
Net Loss	(463,118) -----	(4,678) -----	(467,796) -----
Balance at March 31, 2006	568,818	(86,455)	482,363
Net Loss	(362,982) -----	(3,666) -----	(366,648) -----
Balance at March 31, 2007	\$ 205,836 =====	\$ (90,121) =====	\$ 115,715 =====

STATEMENTS OF PARTNERS' EQUITY (deficit)  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

SERIES 8	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2004	\$ 635,468	\$ (82,091)	\$ 553,377
Net Loss	(177,374) -----	(1,792) -----	(179,166) -----
Balance at March 31, 2005	458,094	(83,883)	374,211
Net Loss	(214,324) -----	(2,165) -----	(216,489) -----
Balance at March 31, 2006	243,770	(86,048)	157,722
Net Loss	(238,223) -----	(2,406) -----	(240,629) -----
Balance at March 31, 2007	\$ 5,547 =====	\$ (88,454) =====	\$ (82,907) =====

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (deficit)  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

SERIES 9	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2004	\$ 1,055,258	\$ (44,731)	\$ 1,010,527
Net Loss	(232,498) -----	(2,348) -----	(234,846) -----
Balance at March 31, 2005	822,760	(47,079)	775,681
Net Loss	(337,671) -----	(3,411) -----	(341,082) -----
Balance at March 31, 2006	485,089	(50,490)	434,599
Net Loss	(245,647) -----	(2,481) -----	(248,128) -----
Balance at March 31, 2007	<u>\$ 239,442</u>	<u>\$ (52,971)</u>	<u>\$ 186,471</u>

STATEMENTS OF PARTNERS' EQUITY (deficit)  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

SERIES 10	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2004	\$ 2,115,390	\$ (23,258)	\$ 2,092,132
Net Loss	(184,463) -----	(1,863) -----	(186,326) -----
Balance at March 31, 2005	1,930,927	(25,121)	1,905,806
Net Loss	(352,373) -----	(3,559) -----	(355,932) -----
Balance at March 31, 2006	1,578,554	(28,680)	1,549,874
Net Loss	(259,095) -----	(2,617) -----	(261,712) -----
Balance at March 31, 2007	<u>\$ 1,319,459</u>	<u>\$ (31,297)</u>	<u>\$ 1,288,162</u>

See accompanying notes to financial statements.



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

STATEMENTS OF PARTNERS' EQUITY (deficit)  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

SERIES 11	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2004	\$ 3,202,252	\$ (14,109)	\$ 3,188,143
Net Loss	(152,427) -----	(1,540) -----	(153,967) -----
Balance at March 31, 2005	3,049,825	(15,649)	3,034,176
Net Loss	(768,404) -----	(7,761) -----	(776,165) -----
Balance at March 31, 2006	2,281,421	(23,410)	2,258,011
Net Loss	(466,007) -----	(4,707) -----	(470,714) -----
Balance at March 31, 2007	\$ 1,815,414 =====	\$ (28,117) =====	\$ 1,787,297 =====

STATEMENTS OF PARTNERS' EQUITY (deficit)  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

TOTAL SERIES 7 - 11	Limited Partners -----	General Partners -----	Total -----
Balance at March 31, 2004	\$ 8,299,176	\$ (243,351)	\$ 8,055,825
Net Loss	(1,005,634) -----	(10,158) -----	(1,015,792) -----
Balance at March 31, 2005	7,293,542	(253,509)	7,040,033
Net Loss	(2,135,890) -----	(21,574) -----	(2,157,464) -----
Balance at March 31, 2006	5,157,652	(275,083)	4,882,569
Net Loss	(1,571,954) -----	(15,877) -----	(1,587,831) -----
Balance at March 31, 2007	\$ 3,585,698 =====	\$ (290,960) =====	\$ 3,294,738 =====

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

<u>SERIES 7</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:			
Net Loss	\$ (366,648)	\$ (467,796)	\$ (261,487)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Amortization	31,673	30,603	7,089
Impairment of Investment in Project Partnerships	76,196	193,195	0
Accreted Interest Income on Investments in Securities	(10,656)	(15,333)	(19,255)
Accreted Discount on Investments in Securities	(813)	0	0
Equity in Losses of Project Partnerships	78,519	92,380	139,599
Distributions Included in Other Income	(27,050)	(21,470)	(23,983)
Changes in Operating Assets and Liabilities:			
Increase in Interest Receivable	(3,126)	0	0
Increase in Payable to General Partners	86,093	92,907	85,925
Net Cash Used in Operating Activities	<u>(135,812)</u>	<u>(95,514)</u>	<u>(72,112)</u>
Cash Flows from Investing Activities:			
Distributions Received from Project Partnerships	39,620	29,202	39,581
Investment in Securities	(199,820)	0	0
Redemption of Investment in Securities	81,000	77,000	72,000
Net Cash (Used in) Provided by Investing Activities	<u>(79,200)</u>	<u>106,202</u>	<u>111,581</u>
(Decrease) Increase in Cash and Cash Equivalents	(215,012)	10,688	39,469
Cash and Cash Equivalents at Beginning of Year	<u>394,030</u>	<u>383,342</u>	<u>343,873</u>
Cash and Cash Equivalents at End of Year	<u>\$ 179,018</u>	<u>\$ 394,030</u>	<u>\$ 383,342</u>

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

<u>SERIES 8</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:			
Net Loss	\$ (240,629)	\$ (216,489)	\$ (179,166)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Amortization	12,823	12,823	2,553
Impairment of Investment in Project Partnerships	0	0	0
Accreted Interest Income on Investments in Securities	(9,687)	(13,833)	(17,293)
Accreted Discount on Investments in Securities	(509)	0	0
Equity in Losses of Project Partnerships	15,683	29,928	41,395
Distributions Included in Other Income	(15,890)	(16,963)	(16,447)
Changes in Operating Assets and Liabilities:			
Increase in Interest Receivable	(2,119)	0	0
Increase in Payable to General Partners	89,156	96,162	29,589
Net Cash Used in Operating Activities	<u>(151,172)</u>	<u>(108,372)</u>	<u>(139,369)</u>
Cash Flows from Investing Activities:			
Distributions Received from Project Partnerships	24,995	20,029	24,132
Investment in Securities	(125,011)	0	0
Redemption of Investment in Securities	<u>77,000</u>	<u>71,999</u>	<u>67,000</u>
Net Cash (Used in) Provided by Investing Activities	<u>(23,016)</u>	<u>92,028</u>	<u>91,132</u>
Decrease in Cash and Cash Equivalents	(174,188)	(16,344)	(48,237)
Cash and Cash Equivalents at Beginning of Year	<u>309,318</u>	<u>325,662</u>	<u>373,899</u>
Cash and Cash Equivalents at End of Year	<u>\$ 135,130</u>	<u>\$ 309,318</u>	<u>\$ 325,662</u>

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

<u>SERIES 9</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:			
Net Loss	\$ (248,128)	\$ (341,082)	\$ (234,846)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Amortization	12,053	12,194	2,377
Impairment of Investment in Project Partnerships	0	127,532	0
Accreted Interest Income on Investments in Securities	(7,423)	(9,410)	(11,133)
Accreted Discount on Investments in Securities	(509)	0	0
Equity in Losses of Project Partnerships	117,893	101,726	157,684
Distributions Included in Other Income	(6,166)	(4,437)	(7,752)
Changes in Operating Assets and Liabilities:			
Increase in Interest Receivable	(2,119)	0	0
Decrease in Receivable - Other	0	0	600
Increase in Payable to General Partners	49,087	54,168	19,196
Net Cash Used in Operating Activities	(85,312)	(59,309)	(73,874)
Cash Flows from Investing Activities:			
Distributions Received from Project Partnerships	14,375	11,405	15,869
Investment in Securities	(125,011)	0	0
Redemption of Investment in Securities	42,999	41,000	39,000
Net Cash (Used in) Provided by Investing Activities	(67,637)	52,405	54,869
Decrease in Cash and Cash Equivalents	(152,949)	(6,904)	(19,005)
Cash and Cash Equivalents at Beginning of Year	222,993	229,897	248,902
Cash and Cash Equivalents at End of Year	\$ 70,044	\$ 222,993	\$ 229,897

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

<u>SERIES 10</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:			
Net Loss	\$ (261,712)	\$ (355,932)	\$ (186,326)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Amortization	24,106	24,700	4,141
Impairment of Investment in Project Partnerships	46,129	156,694	0
Accreted Interest Income on Investments in Securities	(8,256)	(9,816)	(11,128)
Accreted Discount on Investments in Securities	(405)	0	0
Equity in Losses of Project Partnerships	113,347	111,553	133,597
Distributions Included in Other Income	(2,563)	(2,561)	(2,511)
Changes in Operating Assets and Liabilities:			
Increase in Interest Receivable	(1,686)	0	0
Increase (Decrease) in Payable to General Partners	33,716	36,716	(91,179)
Net Cash Used in Operating Activities	<u>(57,324)</u>	<u>(38,646)</u>	<u>(153,406)</u>
Cash Flows from Investing Activities:			
Distributions Received from Project Partnerships	20,396	9,703	19,197
Investment in Securities	(99,418)	0	0
Redemption of Investment in Securities	<u>32,000</u>	<u>31,002</u>	<u>29,000</u>
Net Cash (Used in) Provided by Investing Activities	<u>(47,022)</u>	<u>40,705</u>	<u>48,197</u>
Increase (Decrease) in Cash and Cash Equivalents	(104,346)	2,059	(105,209)
Cash and Cash Equivalents at Beginning of Year	<u>144,697</u>	<u>142,638</u>	<u>247,847</u>
Cash and Cash Equivalents at End of Year	<u>\$ 40,351</u>	<u>\$ 144,697</u>	<u>\$ 142,638</u>

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

<u>SERIES 11</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:			
Net Loss	\$ (470,714)	\$ (776,165)	\$ (153,967)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Amortization	33,497	33,495	6,343
Impairment of Investment in Project Partnerships	345,321	600,802	0
Accreted Interest Income on Investments in Securities	(10,253)	(12,070)	(13,595)
Accreted Discount on Investments in Securities	(609)	0	0
Equity in Losses of Project Partnerships	32,981	96,562	112,606
Distributions Included in Other Income	(3,382)	(3,382)	(2,783)
Changes in Operating Assets and Liabilities:			
Increase in Interest Receivable	(2,538)	0	0
Increase (Decrease) in Receivable- Other	0	8,291	(8,291)
Increase (Decrease) in Payable to General Partners	21,044	13,071	(40,486)
Net Cash Used in Operating Activities	<u>(54,653)</u>	<u>(39,396)</u>	<u>(100,173)</u>
Cash Flows from Investing Activities:			
Distributions Received from Project Partnerships	11,954	10,954	18,466
Investment in Securities	(149,619)	0	0
Redemption of Investment in Securities	<u>37,998</u>	<u>36,001</u>	<u>34,000</u>
Net Cash (Used in) Provided by Investing Activities	<u>(99,667)</u>	<u>46,955</u>	<u>52,466</u>
Increase (Decrease) in Cash and Cash Equivalents	(154,320)	7,559	(47,707)
Cash and Cash Equivalents at Beginning of Year	<u>207,490</u>	<u>199,931</u>	<u>247,638</u>
Cash and Cash Equivalents at End of Year	<u>\$ 53,170</u>	<u>\$ 207,490</u>	<u>\$ 199,931</u>

See accompanying notes to financial statements.

GATEWAY TAX CREDIT FUND III LTD.  
(A Florida Limited Partnership)  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED MARCH 31, 2007, 2006 AND 2005:

<u>TOTAL SERIES 7 - 11</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cash Flows from Operating Activities:			
Net Loss	\$ (1,587,831)	\$ (2,157,464)	\$ (1,015,792)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:			
Amortization	114,152	113,815	22,503
Impairment of Investment in Project Partnerships	467,646	1,078,223	0
Accreted Interest Income on Investments in Securities	(46,275)	(60,462)	(72,404)
Accreted Discount on Investments in Securities	(2,845)	0	0
Equity in Losses of Project Partnerships	358,423	432,149	584,881
Distributions Included in Other Income	(55,051)	(48,813)	(53,476)
Changes in Operating Assets and Liabilities:			
Increase in Interest Receivable	(11,588)	0	0
Increase (Decrease) in Receivable- Other	0	8,291	(7,691)
Increase in Payable to General Partners	279,096	293,024	3,045
Net Cash Used in Operating Activities	<u>(484,273)</u>	<u>(341,237)</u>	<u>(538,934)</u>
Cash Flows from Investing Activities:			
Distributions Received from Project Partnerships	111,340	81,293	117,245
Investment in Securities	(698,879)	0	0
Redemption of Investment in Securities	<u>270,997</u>	<u>257,002</u>	<u>241,000</u>
Net Cash (Used in) Provided by Investing Activities	<u>(316,542)</u>	<u>338,295</u>	<u>358,245</u>
Decrease in Cash and Cash Equivalents	(800,815)	(2,942)	(180,689)
Cash and Cash Equivalents at Beginning of Year	<u>1,278,528</u>	<u>1,281,470</u>	<u>1,462,159</u>
Cash and Cash Equivalents at End of Year	<u>\$ 477,713</u>	<u>\$1,278,528</u>	<u>\$1,281,470</u>

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007, 2006 AND 2005

NOTE 1 - ORGANIZATION:

Gateway Tax Credit Fund III Ltd. ("Gateway"), 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 (the "Agreement"). As of March 31, 2007, 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.

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 will be 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 will be 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 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 Statements 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.

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.



## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

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. For the fiscal year ended March 31, 2007, impairment expense was recognized in the Statement of Operations in the following Series and in the following amounts: Series 7 - \$76,196, Series 10 - \$46,129, Series 11 - \$345,321. The total impairment expense for all Series in Gateway for fiscal year 2007 was \$467,646. For the fiscal year ended March 31, 2006, impairment expense was recognized in the State of Operations in the following Series and in the following amounts: Series 7 - \$193,195, Series 9 - \$127,533, 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 for 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. However, Gateway does not guarantee any of the mortgages or other debt of the Project Partnerships. No such funding to Project Partnerships occurred during fiscal year 2007, 2006, or 2005.

### 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 holds 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 VIEs, which consist of Project Partnerships, of which Gateway is not the primary beneficiary. Five of Gateways Project Partnership investments were determined not to be VIEs. Gateway's maximum exposure to loss as a result of its involvement with unconsolidated VIEs is limited to Gateway's recorded investments in and receivables from those VIEs, which is approximately \$3,898,329 at March 31, 2007. 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.

### Cash and Cash Equivalents

Gateway's policy is 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.

### 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 whose investment advisor is a wholly-owned subsidiary of Raymond James Financial, Inc.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investment in Securities

Gateway applies Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ("FAS 115")(refer to Note 3 below). 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 which are comprised of U.S. Government Security Strips and U.S. Treasury Notes (collectively the "Gateway Securities"), until maturity and to use these investments to fund Gateway's ongoing operations. Interest income is recognized ratably on the Gateway Securities using the effective yield to maturity. The Gateway Securities are carried at amortized cost, which approximates market value, and are adjusted for amortization of premiums and accretion of discounts to maturity. Such adjustments are included in interest income.

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.

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.

NOTE 3 - INVESTMENT IN SECURITIES:

The March 31, 2007 Balance Sheet includes Gateway Securities at cost, plus accreted interest income or accreted discounts in the case of U.S. Treasury Notes, as applicable, of \$57,413 for Series 7, \$51,165 for Series 8, \$50,807 for Series 9, \$61,021 for Series 10 and \$71,139 for Series 11. The Gateway Securities are commonly held in a brokerage account maintained at 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 and Accreted Discounts	Gross Unrealized Gains and (Losses)	
	-----	-----	-----	
Series 7	\$ 284,776	\$ 284,519	\$ 257	
Series 8	205,209	204,834	375	
Series 9	212,893	211,941	952	
Series 10	201,543	198,782	2,761	
Series 11	267,151	262,264	4,887	
As of March 31, 2007, the cost and accreted interest/discount of debt securities by contractual maturities is as follows:				
		Series 7	Series 8	Series 9
		-----	-----	-----
Due within 1 year		\$ 284,519	\$ 204,835	\$ 170,233
After 1 year through 5 years		0	0	41,709
		-----	-----	-----
Total amount recorded on Balance Sheet		\$ 284,519	\$ 204,835	\$ 211,942
		=====	=====	=====
		Series 10	Series 11	Total
		-----	-----	-----
Due within 1 year		\$ 133,864	\$ 190,291	\$ 983,742
After 1 year through 5 years		64,917	71,973	178,599
		-----	-----	-----
Total amount recorded on Balance Sheet		\$ 198,781	\$ 262,264	\$ 1,162,341
		=====	=====	=====

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.

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued):

For the periods ended March 31, 2007, 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 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.

	2007	2006	2005
	----	----	----
Series 7	\$ 85,926	\$ 86,447	\$ 86,447
Series 8	89,370	89,908	89,908
Series 9	49,242	49,509	49,509
Series 10	33,643	33,819	33,819
Series 11	27,989	28,021	28,021
	-----	-----	-----
Total	\$ 286,170	\$ 287,704	\$ 287,704
	=====	=====	=====

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.

	2007	2006	2005
	----	----	----
Series 7	\$109,100	\$ 84,526	\$ 56,857
Series 8	120,278	93,195	62,689
Series 9	67,132	52,016	34,990
Series 10	41,958	32,510	21,868
Series 11	33,565	26,008	17,494
	-----	-----	-----
Total	\$372,033	\$288,255	\$193,898
	=====	=====	=====

Total unpaid asset management fees and administrative expenses payable to the General Partners, which are included on the Balance Sheet as of March 31, 2007 and 2006 are as follows.

	March 31, 2007	March 31, 2006
	-----	-----
Series 7	\$ 790,609	\$ 704,516
Series 8	824,825	735,669
Series 9	507,802	458,715
Series 10	110,514	76,798
Series 11	34,115	13,071
	-----	-----
Total	\$2,267,865	\$1,988,769
	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS:

SERIES 7

As of March 31, 2007, Gateway 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:

	MARCH 31, 2007	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)	(7,303,018)	(7,224,499)
Cumulative distributions received from Project Partnerships	(254,317)	(241,747)
	-----	-----
Investment in Project Partnerships before Adjustment	174,754	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	(255,911)	(224,238)
Impairment of Investment in Project Partnerships	(269,391)	(193,195)
	-----	-----
Investments in Project Partnerships	\$ 442,787	\$ 641,745
	=====	=====

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$5,388,453 for the year ended March 31, 2007 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 March 31, 2007, Gateway 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:

	MARCH 31, 2007	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)	(7,430,366)	(7,414,683)
Cumulative distributions received from Project Partnerships	(183,684)	(174,579)
	-----	-----
Investment in Project Partnerships before Adjustment	(27,945)	(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	(144,095)	(131,272)
Impairment of Investment in Project Partnerships	0	0
	-----	-----
Investments in Project Partnerships	\$ 377,733	\$ 415,344
	=====	=====

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$6,190,831 for the year ended March 31, 2007 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 March 31, 2007, Gateway 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:

	MARCH 31, 2007	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)	(4,377,991)	(4,260,098)
Cumulative distributions received from Project Partnerships	(156,970)	(148,761)
	-----	-----
Investment in Project Partnerships before Adjustment	379,155	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	(83,423)	(71,370)
Impairment of Investment in Project Partnerships	(127,532)	(127,532)
	-----	-----
Investments in Project Partnerships	\$ 412,287	\$ 550,442
	=====	=====

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$2,054,048 for the year ended March 31, 2007 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 March 31, 2007, Gateway 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:

	MARCH 31, 2007	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)	(2,432,267)	(2,318,920)
Cumulative distributions received from Project Partnerships	(209,368)	(191,535)
	-----	-----
Investment in Project Partnerships before Adjustment	1,273,037	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	(107,408)	(83,302)
Impairment of Investment in Project Partnerships	(202,823)	(156,694)
	-----	-----
Investments in Project Partnerships	\$ 1,159,544	\$ 1,360,959
	=====	=====

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$421,709 for the year ended March 31, 2007 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 March 31, 2007, Gateway 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:

	MARCH 31, 2007	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	(1,637,144)	(1,604,163)
Cumulative distributions received from Project Partnerships	(181,137)	(172,565)
	-----	-----
Investment in Project Partnerships before Adjustment	2,309,761	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	(147,995)	(114,498)
Impairment of Investment in Project Partnerships	(946,123)	(600,802)
	-----	-----
Investments in Project Partnerships	<u>\$ 1,505,978</u>	<u>\$ 1,926,349</u>

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$941,227 for the year ended March 31, 2007 and cumulative suspended losses of \$546,725 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:

	MARCH 31, 2007	MARCH 31, 2006
TOTAL SERIES 7 - 11	-----	-----
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	(23,180,786)	(22,822,363)
Cumulative distributions received from Project Partnerships	(985,476)	(929,187)
	-----	-----
Investment in Project Partnerships before Adjustment	4,108,762	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	(738,832)	(624,680)
Impairment of Investment in Project Partnerships	(1,545,869)	(1,078,223)
	-----	-----
Investments in Project Partnerships	<u>\$ 3,898,329</u>	<u>\$ 4,894,839</u>

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NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with Gateway'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 December 31 of each year:

SERIES 7	2006	DECEMBER 31, 2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
Assets:			
Current assets	\$ 4,443,999	\$ 4,085,716	\$ 3,827,640
Investment properties, net	25,997,567	27,269,050	28,630,723
Other assets	13,554	21,083	13,204
	-----	-----	-----
Total assets	\$30,455,120	\$31,375,849	\$32,471,567
	=====	=====	=====
Liabilities and Partners' Equity:			
Current liabilities	\$ 863,069	\$ 831,051	\$ 856,813
Long-term debt	35,419,494	35,642,424	35,849,766
	-----	-----	-----
Total liabilities	36,282,563	36,473,475	36,706,579
	-----	-----	-----
Partners' equity (deficit)			
Gateway	(5,418,259)	(4,746,260)	(3,929,006)
General Partners	(409,184)	(351,366)	(306,006)
	-----	-----	-----
Total Partners' equity (deficit)	(5,827,443)	(5,097,626)	(4,235,012)
	-----	-----	-----
Total liabilities and partners' equity	\$30,455,120	\$31,375,849	\$32,471,567
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 7,002,838	\$ 6,906,393	\$ 6,666,046
Expenses:	-----	-----	-----
Operating expenses	3,675,144	3,610,427	3,435,485
Interest expense	2,500,007	2,611,771	2,558,539
Depreciation and amortization	1,475,207	1,472,897	1,494,903
	-----	-----	-----
Total expenses	7,650,358	7,695,095	7,488,927
	-----	-----	-----
Net loss	\$ (647,520)	\$ (788,702)	\$ (822,881)
	=====	=====	=====
	\$ (5,725)	\$ (11,553)	\$ (12,017)
	=====	=====	=====
Other partners' share of net loss			
	=====	=====	=====
Gateway's share of net loss	\$ (641,795)	\$ (777,149)	\$ (810,864)
Suspended losses	563,276	684,769	671,265
	-----	-----	-----
Equity in Losses of Project Partnerships	\$ (78,519)	\$ (92,380)	\$ (139,599)
	=====	=====	=====

As of March 31, 2007, Gateways investment balance in one Project Partnership, Cardinal Apartments, comprised 21.6% of the total assets of Series 7. Refer to Exhibit 99.1 herein for the financial statements of this entity. Additionally, another Project Partnership, Elsa Retirement, Ltd., comprised 10.7% of the total assets of Series 7.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

Below is the summarized balance sheet for Elsa Retirement, Ltd. as of December 31, 2006, 2005 and 2004 and its summarized statement of operations for the years then ended. The reporting period is consistent with Gateway's policy of presenting the financial information of Project Partnerships on a three-month lag.

	2006	2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
<b>Assets:</b>			
Current assets			
Investment properties, net	\$ 217,354	\$ 201,144	\$ 187,378
Other assets	904,833	932,425	960,000
	0	0	0
	-----	-----	-----
Total assets	\$ 1,122,187	\$ 1,133,569	\$ 1,147,378
	=====	=====	=====
<b>Liabilities and Partners' Equity (Deficit):</b>			
Current liabilities	\$ 25,390	\$ 9,591	\$ 7,063
Long-term debt	1,011,834	1,016,908	1,021,604
	-----	-----	-----
Total liabilities	1,037,224	1,026,499	1,028,667
	-----	-----	-----
<b>Partners' equity (deficit)</b>			
Limited Partner	89,143	109,750	119,995
General Partners	(4,180)	(2,680)	(1,284)
	-----	-----	-----
Total Partners' equity (deficit)	84,963	107,070	118,711
	-----	-----	-----
Total liabilities and partners' equity (deficit)	\$ 1,122,187	\$ 1,133,569	\$ 1,147,378
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 229,041	\$ 226,977	\$ 212,381
	-----	-----	-----
<b>Expenses:</b>			
Operating expenses	142,315	129,422	113,234
Interest expense	78,632	79,009	79,359
Depreciation and amortization	27,591	27,575	27,555
	-----	-----	-----
Total expenses	248,538	236,006	220,148
	-----	-----	-----
Net income (loss)	\$ (19,497)	\$ (9,029)	\$ (7,767)
	=====	=====	=====
Other partners' share of net income (loss)	\$ (195)	\$ (90)	\$ (78)
	=====	=====	=====
Gateway's share of net income (loss)	\$ (19,302)	\$ (8,939)	\$ (7,689)
Suspended losses	0	0	0
	-----	-----	-----
Equity in Income (Loss) of Project Partnerships	\$ (19,302)	\$ (8,939)	\$ (7,689)
	=====	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with Gateway'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 December 31 of each year:

SERIES 8 (1)	2006	DECEMBER 31, 2005	2004
	----	----	----
SUMMARIZED BALANCE SHEETS			
Assets:			
Current assets	\$ 4,432,607	\$ 4,016,344	\$ 3,739,242
Investment properties, net	27,285,833	28,642,694	29,898,977
Other assets	36,096	15,794	43,322
	-----	-----	-----
Total assets	\$31,754,536	\$32,674,832	\$33,681,541
	=====	=====	=====
Liabilities and Partners' Equity:			
Current liabilities	\$ 1,307,637	\$ 1,270,463	\$ 1,239,508
Long-term debt	37,297,268	37,532,816	37,745,148
	-----	-----	-----
Total liabilities	38,604,905	38,803,279	38,984,656
	-----	-----	-----
Partners' equity (deficit)			
Gateway	(6,102,740)	(5,424,268)	(4,664,925)
General Partners	(747,629)	(704,179)	(638,190)
	-----	-----	-----
Total Partners' equity (deficit)	(6,850,369)	(6,128,447)	(5,303,115)
	-----	-----	-----
Total liabilities and partners' equity	\$31,754,536	\$32,674,832	\$33,681,541
	=====	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS			
Rental and other income	\$ 7,087,148	\$ 6,808,514	\$ 6,504,960
Expenses:			
Operating expenses	3,618,940	3,427,081	3,374,344
Interest expense	2,621,057	2,635,945	2,511,212
Depreciation and amortization	1,514,946	1,485,669	1,512,305
	-----	-----	-----
Total expenses	7,754,943	7,548,695	7,397,861
	-----	-----	-----
Net loss	\$ (667,795)	\$ (740,181)	\$ (892,901)
	=====	=====	=====
	\$ (8,672)	\$ (9,286)	\$ (7,845)
	=====	=====	=====
Other partners' share of net loss			
Gateway's share of net loss	\$ (659,123)	\$ (730,895)	\$ (885,056)
Suspended losses	643,440	700,967	843,661
	-----	-----	-----
Equity in Losses of Project Partnerships	\$ (15,683)	\$ (29,928)	\$ (41,395)
	=====	=====	=====

(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 Gateway's 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 years ending December 2006 and December 2005 is as follows:

	<u>December 2006</u>	<u>December 2005</u>
Total Assets	\$ 527,248	\$ 583,925
Total Liabilities	812,492	826,484
Gateway Equity (Deficit)	(168,563)	(126,305)
Other Partner's Equity (Deficit)	(116,681)	(116,254)
Total Revenue	105,272	118,006
Net Income (Loss)	\$ (42,685)	\$ (2,359)

As of March 31, 2007, Gateway's Series 8 investment balance in one Project Partnership, Taylor Retirement, Ltd., comprised 19.4% of the total assets of Series 8.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

Below is the summarized balance sheet for Taylor Retirement, Ltd. as of December 31, 2006, 2005 and 2004 and its summarized statement of operations for the years then ended. The report period is consistent with Gateway's policy of presenting the financial information of Project Partnerships on a three-month lag.

	2006	2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
<b>Assets:</b>			
Current assets			
Investment properties, net	\$ 274,595	\$ 256,429	\$ 235,640
Other assets	1,146,308	1,175,454	1,204,600
	0	0	0
	-----	-----	-----
Total assets	\$ 1,420,903	\$ 1,431,883	\$ 1,440,240
	=====	=====	=====
<b>Liabilities and Partners' Equity (Deficit):</b>			
Current liabilities	\$ 83,775	\$ 86,643	\$ 79,904
Long-term debt	1,213,020	1,220,584	1,227,673
	-----	-----	-----
Total liabilities	1,296,795	1,307,227	1,307,577
	-----	-----	-----
<b>Partners' equity (deficit)</b>			
Limited Partner	138,192	137,188	143,568
General Partners	(14,084)	(12,532)	(10,905)
	-----	-----	-----
Total Partners' equity (deficit)	124,108	124,656	132,663
	-----	-----	-----
Total liabilities and partners' equity (deficit)	\$ 1,420,903	\$ 1,431,883	\$ 1,440,240
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 239,631	\$ 235,638	\$ 229,892
	-----	-----	-----
<b>Expenses:</b>			
Operating expenses	128,762	131,753	118,787
Interest expense	79,115	79,590	80,035
Depreciation and amortization	29,146	29,146	29,145
	-----	-----	-----
Total expenses	237,023	240,489	227,967
	-----	-----	-----
Net income (loss)	\$ 2,608	\$ (4,851)	\$ 1,925
	=====	=====	=====
Other partners' share of net income (loss)	\$ 26	\$ (49)	\$ 19
	=====	=====	=====
Gateway's share of net income (loss)	\$ 2,582	\$ (4,802)	\$ 1,906
Suspended losses	0	0	0
	-----	-----	-----
Equity in Income (Loss) of Project Partnerships	\$ 2,582	\$ (4,802)	\$ 1,906
	=====	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with Gateway'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 December 31 of each year:

SERIES 9	2006	DECEMBER 31, 2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
Assets:			
Current assets	\$ 2,249,554	\$ 2,109,283	\$ 1,930,617
Investment properties, net	15,800,449	16,469,701	17,164,568
Other assets	5,761	4,788	4,302
	-----	-----	-----
Total assets	\$18,055,764	\$18,583,772	\$19,099,487
	=====	=====	=====
Liabilities and Partners' Equity:			
Current liabilities	\$ 334,186	\$ 321,281	\$ 324,971
Long-term debt	19,818,860	19,934,839	20,040,773
	-----	-----	-----
Total liabilities	20,153,046	20,256,120	20,365,744
	-----	-----	-----
Partners' equity (deficit)			
Gateway	(1,733,811)	(1,339,512)	(960,476)
General Partners	(363,471)	(332,836)	(305,781)
	-----	-----	-----
Total Partners' equity (deficit)	(2,097,282)	(1,672,348)	(1,266,257)
	-----	-----	-----
Total liabilities and partners' equity	\$18,055,764	\$18,583,772	\$19,099,487
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 3,621,179	\$ 3,496,332	\$ 3,352,708
Expenses:			
Operating expenses	1,859,165	1,715,590	1,715,832
Interest expense	1,370,495	1,381,933	1,315,209
Depreciation and amortization	774,921	767,851	786,226
	-----	-----	-----
Total expenses	4,004,581	3,865,374	3,817,267
	-----	-----	-----
Net loss	\$ (383,402)	\$ (369,042)	\$ (464,559)
	=====	=====	=====
	\$ (3,834)	\$ (3,691)	\$ (4,646)
	=====	=====	=====
Other partners' share of net loss			
	=====	=====	=====
Gateway's share of net loss	\$ (379,568)	\$ (365,351)	\$ (459,913)
Suspended losses	261,675	263,625	302,229
	-----	-----	-----
Equity in Losses of Project Partnerships	\$ (117,893)	\$ (101,726)	\$ (157,684)
	=====	=====	=====

As of March 31, 2007, Gateways Series 9 investment balance in Skyview Apartments, Ltd. and Meadowview Apartments, Ltd., comprised 15.4% and 12.1% respectively, of the total assets of Series 9.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

Below is the summarized balance sheet for Skyview Apartments, Ltd. as of December 31, 2006, 2005 and 2004 and its summarized statement of operations for the years then ended. The reporting period is consistent with Gateway's policy of presenting the financial information of Project Partnerships on a three-month lag.

	2006	2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
<b>Assets:</b>			
Current assets			
Investment properties, net	\$ 194,439	\$ 160,960	\$ 137,938
Other assets	1,011,256	1,041,273	1,073,963
	0	0	0
	-----	-----	-----
Total assets	\$ 1,205,695	\$ 1,202,233	\$ 1,211,901
	=====	=====	=====
<b>Liabilities and Partners' Equity (Deficit):</b>			
Current liabilities	\$ 13,320	\$ 13,099	\$ 13,976
Long-term debt	1,109,790	1,115,303	1,120,431
	-----	-----	-----
Total liabilities	1,123,110	1,128,402	1,134,407
	-----	-----	-----
<b>Partners' equity (deficit)</b>			
Limited Partner	102,926	92,596	94,559
General Partners	(20,341)	(18,765)	(17,065)
	-----	-----	-----
Total Partners' equity (deficit)	82,585	73,831	77,494
	-----	-----	-----
Total liabilities and partners' equity (deficit)	\$ 1,205,695	\$ 1,202,233	\$ 1,211,901
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 208,501	\$ 196,819	\$ 190,448
	-----	-----	-----
<b>Expenses:</b>			
Operating expenses	81,198	79,859	84,986
Interest expense	81,988	84,261	84,173
Depreciation and amortization	33,705	33,506	33,995
	-----	-----	-----
Total expenses	196,891	197,626	203,154
	-----	-----	-----
Net income (loss)	\$ 11,610	\$ (807)	\$ (12,706)
	=====	=====	=====
Other partners' share of net income (loss)	\$ 116	\$ (8)	\$ (127)
	=====	=====	=====
Gateway's share of net income (loss)	\$ 11,494	\$ (799)	\$ (12,579)
Suspended losses	0	0	0
	-----	-----	-----
Equity in Income (Loss) of Project Partnerships	\$ 11,494	\$ (799)	\$ (12,579)
	=====	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

Below is the summarized balance sheet for Meadowview Apartments, Ltd. as of December 31, 2006, 2005 and 2004 and its summarized statement of operations for the years then ended. The report period is consistent with Gateway's policy of presenting the financial information of Project Partnerships on a three-month lag.

	2006	2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
<b>Assets:</b>			
Current assets			
Investment properties, net	\$ 67,349	\$ 85,796	\$ 71,827
Other assets	802,051	829,234	855,966
	0	0	0
	-----	-----	-----
Total assets	\$ 869,400	\$ 915,030	\$ 927,793
	=====	=====	=====
<b>Liabilities and Partners' Equity (Deficit):</b>			
Current liabilities	\$ 49,329	\$ 45,637	\$ 42,702
Long-term debt	643,045	650,556	650,556
	-----	-----	-----
Total liabilities	692,374	696,193	693,258
	-----	-----	-----
<b>Partners' equity (deficit)</b>			
Limited Partner	204,994	244,407	259,948
General Partners	(27,968)	(25,570)	(25,413)
	-----	-----	-----
Total Partners' equity (deficit)	177,026	218,837	234,535
	-----	-----	-----
Total liabilities and partners' equity (deficit)	\$ 869,400	\$ 915,030	\$ 927,793
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 95,881	\$ 91,913	\$ 74,055
	-----	-----	-----
<b>Expenses:</b>			
Operating expenses	105,083	76,891	87,707
Interest expense	3,426	3,565	1,701
Depreciation and amortization	27,183	27,155	27,785
	-----	-----	-----
Total expenses	135,692	107,611	117,193
	-----	-----	-----
Net income (loss)	\$ (39,811)	\$ (15,698)	\$ (43,138)
	=====	=====	=====
Other partners' share of net income (loss)	\$ (398)	\$ (157)	\$ (431)
	=====	=====	=====
Gateway's share of net income (loss)	\$ (39,413)	\$ (15,541)	\$ (42,707)
Suspended losses	0	0	0
	-----	-----	-----
Equity in Income (Loss) of Project Partnerships	\$ (39,413)	\$ (15,541)	\$ (42,707)
	=====	=====	=====



NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with Gateway'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 December 31 of each year:

SERIES 10	2006	DECEMBER 31, 2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
Assets:			
Current assets	\$ 1,858,876	\$ 1,772,233	\$ 1,724,502
Investment properties, net	11,891,327	12,263,627	12,653,063
Other assets	2,116	2,013	1,974
	-----	-----	-----
Total assets	\$13,752,319	\$14,037,873	\$14,379,539
	=====	=====	=====
Liabilities and Partners' Equity:			
Current liabilities	\$ 352,954	\$ 340,730	\$ 320,218
Long-term debt	12,982,207	13,054,976	13,126,101
	-----	-----	-----
Total liabilities	13,335,161	13,395,706	13,446,319
	-----	-----	-----
Partners' equity (deficit)			
Gateway	843,845	1,046,051	1,311,594
General Partners	(426,687)	(403,884)	(378,374)
	-----	-----	-----
Total Partners' equity	417,158	642,167	933,220
	-----	-----	-----
Total liabilities and partners' equity	\$13,752,319	\$14,037,873	\$14,379,539
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 2,304,668	\$ 2,149,462	\$ 2,195,063
Expenses:	-----	-----	-----
Operating expenses	1,263,208	1,240,546	1,153,775
Interest expense	769,303	697,764	781,972
Depreciation and amortization	465,986	466,542	469,719
	-----	-----	-----
Total expenses	2,498,497	2,404,852	2,405,466
	-----	-----	-----
Net loss	\$ (193,829)	\$ (255,390)	\$ (210,403)
	=====	=====	=====
	\$ (4,845)	\$ (3,553)	\$ (3,449)
	=====	=====	=====
Other partners' share of net loss			
	=====	=====	=====
Gateway's share of net loss	\$ (188,984)	\$ (251,837)	\$ (206,954)
Suspended losses	75,637	140,284	73,357
	-----	-----	-----
Equity in Losses of Project Partnerships	\$ (113,347)	\$ (111,553)	\$ (133,597)
	=====	=====	=====

As of March 31, 2007, Gateway's Series 10 investment balance in Applegate Apartments, Ltd. and Heatherwood Apartments, Ltd., comprised 25.8% and 28.5%, respectively, of the total assets of Series 10. Refer to Exhibit 99.2 and 99.3 herein for the financial statements of these two entities. Additionally, another Project Partnership, Donna Retirement, Ltd., comprised 12.7% of the total assets of Series 10.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

Below is the summarized balance sheet for Donna Retirement, Ltd. as of December 31, 2006, 2005 and 2004 and its summarized statement of operations for the years then ended. The report period is consistent with Gateway's policy of presenting the financial information of Project Partnerships on a three-month lag.

	2006	2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
<b>Assets:</b>			
Current assets			
Investment properties, net	\$ 241,826	\$ 223,256	\$ 216,353
Other assets	1,348,211	1,381,372	1,414,685
	0	0	0
	-----	-----	-----
Total assets	\$ 1,590,037	\$ 1,604,628	\$ 1,631,038
	=====	=====	=====
<b>Liabilities and Partners' Equity (Deficit):</b>			
Current liabilities	\$ 12,552	\$ 19,023	\$ 11,210
Long-term debt	1,387,265	1,395,814	1,403,825
	-----	-----	-----
Total liabilities	1,399,817	1,414,837	1,415,035
	-----	-----	-----
<b>Partners' equity (deficit)</b>			
Limited Partner	221,646	218,555	241,838
General Partners	(31,426)	(28,764)	(25,835)
	-----	-----	-----
Total Partners' equity (deficit)	190,220	189,791	216,003
	-----	-----	-----
Total liabilities and partners' equity (deficit)	\$ 1,590,037	\$ 1,604,628	\$ 1,631,038
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 290,617	\$ 275,754	\$ 262,955
	-----	-----	-----
<b>Expenses:</b>			
Operating expenses	161,108	172,197	152,743
Interest expense	90,476	91,013	91,516
Depreciation and amortization	33,161	33,313	33,465
	-----	-----	-----
Total expenses	284,745	296,523	277,724
	-----	-----	-----
Net income (loss)	\$ 5,872	\$ (20,769)	\$ (14,769)
	=====	=====	=====
Other partners' share of net income (loss)	\$ 59	\$ (208)	\$ (148)
	=====	=====	=====
Gateway's share of net income (loss)	\$ 5,813	\$ (20,561)	\$ (14,621)
Suspended losses	0	0	0
	-----	-----	-----
Equity in Income (Loss) of Project Partnerships	\$ 5,813	\$ (20,561)	\$ (14,621)
	=====	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with Gateway'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 December 31 of each year:

SERIES 11	2006	DECEMBER 31, 2005	2004
	----	----	----
<b>SUMMARIZED BALANCE SHEETS</b>			
Assets:			
Current assets	\$ 1,144,097	\$ 1,029,906	\$ 946,787
Investment properties, net	10,308,531	10,348,302	10,794,371
Other assets	256,291	238,281	294,853
	=====	=====	=====
Total assets	\$11,708,919	\$11,616,489	\$12,036,011
	=====	=====	=====
Liabilities and Partners' Equity:			
Current liabilities	\$ 312,089	\$ 240,533	\$ 236,290
Long-term debt	10,324,803	9,847,071	9,982,493
	=====	=====	=====
Total liabilities	10,636,892	10,087,604	10,218,783
	=====	=====	=====
Partners' equity (deficit)			
Limited Partner	1,375,171	1,809,656	2,090,653
General Partners	(303,144)	(280,771)	(273,425)
	=====	=====	=====
Total Partners' equity	1,072,027	1,528,885	1,817,228
	=====	=====	=====
Total liabilities and partners' equity	\$11,708,919	\$11,616,489	\$12,036,011
	=====	=====	=====
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>			
Rental and other income	\$ 1,980,664	\$ 1,945,641	\$ 1,807,439
Expenses:	=====	=====	=====
Operating expenses	1,397,288	1,150,195	1,113,123
Interest expense	521,968	576,977	478,503
Depreciation and amortization	498,431	506,550	511,998
	=====	=====	=====
Total expenses	2,417,687	2,233,722	2,103,624
	=====	=====	=====
Net loss	\$ (437,023)	\$ (288,081)	\$ (296,185)
	=====	=====	=====
	\$ (9,541)	\$ (17,384)	\$ (19,155)
	=====	=====	=====
Other partners' share of net loss			
	=====	=====	=====
Gateway's share of net loss	\$ (427,482)	\$ (270,697)	\$ (277,030)
Suspended losses	394,501	174,135	164,424
	=====	=====	=====
Equity in Losses of Project Partnerships	\$ (32,981)	\$ (96,562)	\$ (112,606)
	=====	=====	=====

As of March 31, 2007, Gateway's Series 11 investment balance in Creekstone Apartments, LP and Magnolia Place, LP, comprised 26.8% and 23.1%, respectively, of the total assets of Series 11. Refer to Exhibit 99.4 and 99.5 herein for financial statements of these two entities.

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

In accordance with Gateway'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 December 31 of each year:

TOTAL SERIES 7 - 11	2006	DECEMBER 31, 2005	2004
	----	----	----
SUMMARIZED BALANCE SHEETS			
Assets:			
Current assets	\$ 14,129,133	\$ 13,013,482	\$ 12,168,788
Investment properties, net	91,283,707	94,993,374	99,141,702
Other assets	313,818	281,959	357,655
	-----	-----	-----
Total assets	\$105,726,658	\$108,288,815	\$111,668,145
	=====	=====	=====
Liabilities and Partners' Equity:			
Current liabilities	\$ 3,169,935	\$ 3,004,058	\$ 2,977,800
Long-term debt	115,842,632	116,012,126	116,744,281
	-----	-----	-----
Total liabilities	119,012,567	119,016,184	119,722,081
	-----	-----	-----
Partners' equity (deficit)			
Limited Partner	(11,035,794)	(8,654,333)	(6,152,160)
General Partners	(2,250,115)	(2,073,036)	(1,901,776)
	-----	-----	-----
Total Partners' equity (deficit)	(13,285,909)	(10,727,369)	(8,053,936)
	-----	-----	-----
Total liabilities and partners' equity	\$105,726,658	\$108,288,815	\$111,668,145
	=====	=====	=====
SUMMARIZED STATEMENTS OF OPERATIONS			
Rental and other income	\$ 21,996,497	\$ 21,306,342	\$ 20,526,216
Expenses:			
Operating expenses	11,813,745	11,143,839	10,792,559
Interest expense	7,782,830	7,904,390	7,645,435
Depreciation and amortization	4,729,491	4,699,509	4,775,151
	-----	-----	-----
Total expenses	24,326,066	23,747,738	23,213,145
	-----	-----	-----
Net loss	\$(2,329,569)	\$(2,441,396)	\$(2,686,929)
	=====	=====	=====
	\$ (32,617)	\$ (45,467)	\$ (47,112)
	=====	=====	=====
Other partners' share of net loss			
	=====	=====	=====
Gateway's share of net loss	\$(2,296,952)	\$(2,395,929)	\$(2,639,817)
Suspended losses	1,938,529	1,963,780	2,054,936
	-----	-----	-----
Equity in Losses of Project Partnerships	\$ (358,423)	\$ (432,149)	\$ (584,881)
	=====	=====	=====

NOTE 5 - INVESTMENTS IN PROJECT PARTNERSHIPS (continued):

Gateway's equity by series as reflected by the Project Partnerships differs from Gateway's Investments in Project Partnerships before acquisition fees and expenses and amortization by series primarily because of suspended losses on Gateway's books.

	Equity Per Project Partnership	Equity Per Gateway
Series 7	\$ (5,418,259)	\$ 174,752
Series 8	(6,102,740)	(27,944)
Series 9	(1,733,811)	379,153
Series 10	843,845	1,273,039
Series 11	1,375,171	2,309,761

NOTE 6 - TAXABLE INCOME (LOSS):

The following is a reconciliation between Net Loss as described in the financial statements and Gateway's loss for tax purposes:

SERIES 7	2007 ----	2006 ----	2005 ----
Net Loss per Financial Statements	\$ (366,648)	\$ (467,796)	\$ (261,487)
Equity in Losses of Project Partnerships for tax purposes in excess of losses for financial statement purposes	(744,619)	(827,640)	(917,936)
Adjustments to convert March 31, fiscal year end to December 31, taxable year end	(139,599)	232,618	(17,690)
Items Expensed for Financial Statement purposes not expensed for Tax purposes:			
Asset Management Fee	86,138	86,222	91,474
Amortization Expense	50,301	6,431	6,643
Impairment Expense	193,195	0	0
Other Adjustments	(22,042)	(24,185)	(5,914)
Gateway loss for tax purposes as of December 31	<u><u>\$ (943,274)</u></u>	<u><u>\$ (994,350)</u></u>	<u><u>\$ (1,104,910)</u></u>
	December 31, 2006 -----	December 31, 2005 -----	December 31, 2004 -----
Federal Low Income Housing Tax Credits (Unaudited)	<u><u>\$ 9,934</u></u>	<u><u>\$ 84,568</u></u>	<u><u>\$ 975,096</u></u>

The differences in the assets and liabilities of the Series for financial reporting purposes and tax reporting purposes for the year ended March 31, 2007 are as follows:

	Financial Reporting Purposes	Tax Reporting Purposes	Differences
Investments in Local Limited Partnerships	\$ 442,787	\$ (6,984,364)	\$ 7,427,151
Other Assets	\$ 463,537	\$ 1,673,746	\$ (1,210,209)
Liabilities	\$ 790,609	\$ 12,861	\$ 777,748

NOTE 6 - TAXABLE INCOME (LOSS) (Continued):

The following is a reconciliation between Net Loss as described in the financial statements and Gateway's loss for tax purposes:

SERIES 8	2007 ----	2006 ----	2005 ----
Net Loss per Financial Statements	\$ (240,629)	\$ (216,489)	\$ (179,166)
Equity in Losses of Project Partnerships for tax purposes in excess of losses for financial statement purposes	(852,613)	(928,195)	(1,010,034)
Adjustments to convert March 31, fiscal year end to December 31, taxable year end	(8,485)	22,154	(8,575)
Items Expensed for Financial Statement purposes not expensed for Tax purposes:			
Asset Management Fee	89,592	89,605	31,002
Amortization Expense	20,740	1,950	3,072
Other Adjustments	(13,876)	(14,323)	(8,025)
	-----	-----	-----
Gateway loss for tax purposes as of December 31	<u>\$ (1,005,271)</u>	<u>\$ (1,045,298)</u>	<u>\$ (1,171,726)</u>
	December 31, 2006 -----	December 31, 2005 -----	December 31, 2004 -----
Federal Low Income Housing Tax Credits (Unaudited)	<u>\$ 15,422</u>	<u>\$ 170,591</u>	<u>\$ 565,711</u>

The differences in the assets and liabilities of the Series for financial reporting purposes and tax reporting purposes for the year ended March 31, 2007 are as follows:

	Financial Reporting <u>Purposes</u>	Tax Reporting <u>Purposes</u>	<u>Differences</u>
Investments in Local Limited Partnerships	\$ 377,733	\$ (7,504,979)	\$ 7,882,712
Other Assets	\$ 364,185	\$ 1,573,901	\$ (1,209,716)
Liabilities	\$ 824,825	\$ 13,840	\$ 810,985

NOTE 6 - TAXABLE INCOME (LOSS) (Continued):

The following is a reconciliation between Net Loss as described in the financial statements and Gateway's loss for tax purposes:

SERIES 9	2007 ----	2006 ----	2005 ----
Net Loss per Financial Statements	\$ (248,128)	\$ (341,082)	\$ (234,846)
Equity in Losses of Project Partnerships for tax purposes in excess of losses for financial statement purposes	(417,301)	(389,575)	(420,083)
Adjustments to convert March 31, fiscal year end to December 31, taxable year end	(135,479)	148,091	(7,265)
Items Expensed for Financial Statement purposes not expensed for Tax purposes:			
Asset Management Fee			
Amortization Expense	49,353	49,357	16,737
Impairment Expense	19,451	1,846	3,082
Other Adjustments	127,532	0	0
	(5,409)	(6,176)	(1,208)
	-----	-----	-----
Gateway loss for tax purposes as of December 31	\$ (609,981)	\$ (537,539)	\$ (643,583)
	=====	=====	=====
	December 31, 2006	December 31, 2005	December 31, 2004
	-----	-----	-----
Federal Low Income Housing Tax Credits (Unaudited)	\$ 0	\$ 40,080	\$ 644,340
	=====	=====	=====

The differences in the assets and liabilities of the Series for financial reporting purposes and tax reporting purposes for the year ended March 31, 2007 are as follows:

	Financial Reporting <u>Purposes</u>	Tax Reporting <u>Purposes</u>	<u>Differences</u>
Investments in Local Limited Partnerships	\$ 412,287	\$ (3,009,879)	\$ 3,422,166
Other Assets	\$ 281,986	\$ 1,042,892	\$ (760,906)
Liabilities	\$ 507,802	\$ 7,691	\$ 500,111

NOTE 6 - TAXABLE INCOME (LOSS) (Continued):

The following is a reconciliation between Net Loss as described in the financial statements and Gateway's loss for tax purposes:

SERIES 10	2007 ----	2006 ----	2005 ----
Net Loss per Financial Statements	\$ (261,712)	\$ (355,932)	\$ (186,326)
Equity in Losses of Project Partnerships for tax purposes in excess of losses for financial statement purposes	(262,403)	(285,809)	(259,879)
Adjustments to convert March 31, fiscal year end to December 31, taxable year end	(125,267)	181,059	(2,089)
Items Expensed for Financial Statement purposes not expensed for Tax purposes:			
Asset Management Fee			
Amortization Expense	33,713	33,768	(89,867)
Impairment Expense	39,206	4,281	4,578
Other Adjustments	156,694	0	0
	(2,562)	(1,062)	(432)
	-----	-----	-----
Gateway loss for tax purposes as of December 31	\$ (422,331)	\$ (423,695)	\$ (534,015)
	=====	=====	=====
	December 31, 2006	December 31, 2005	December 31, 2004
	-----	-----	-----
Federal Low Income Housing Tax Credits (Unaudited)	\$ 0	\$ 48,806	\$ 540,394
	=====	=====	=====

The differences in the assets and liabilities of the Series for financial reporting purposes and tax reporting purposes for the year ended March 31, 2007 are as follows:

	Financial Reporting Purposes	Tax Reporting Purposes	Differences
Investments in Local Limited Partnerships	\$ 1,159,544	\$ (997,098)	\$ 2,156,642
Other Assets	\$ 239,132	\$ 846,143	\$ (607,011)
Liabilities	\$ 110,514	\$ 5,209	\$ 105,305



NOTE 6 - TAXABLE INCOME (LOSS) (Continued):

The following is a reconciliation between Net Loss as described in the financial statements and Gateway's loss for tax purposes:

SERIES 11	2007 ----	2006 ----	2005 ----
Net Loss per Financial Statements	\$ (470,714)	\$ (776,165)	\$ (153,967)
Equity in Losses of Project Partnerships for tax purposes in excess of losses for financial statement purposes	(172,636)	(216,021)	(208,933)
Adjustments to convert March 31, fiscal year end to December 31, taxable year end	(276,160)	632,332	(3,760)
Items Expensed for Financial Statement purposes not expensed for Tax purposes:			
Asset Management Fee			
Amortization Expense	11,508	114,970	(131,503)
Impairment Expense	54,186	5,725	6,726
Other Adjustments	600,802	0	0
	(3,382)	(2,785)	985
	-----	-----	-----
Gateway loss for tax purposes as of December 31	\$ (256,396)	\$ (241,944)	\$ (490,452)
	=====	=====	=====
	December 31, 2006	December 31, 2005	December 31, 2004
	-----	-----	-----
Federal Low Income Housing Tax Credits (Unaudited)	\$ 43,946	\$ 570,762	\$ 754,678
	=====	=====	=====

The differences in the assets and liabilities of the Series for financial reporting purposes and tax reporting purposes for the year ended March 31, 2006 are as follows:

	Financial Reporting Purposes	Tax Reporting Purposes	Differences
Investments in Local Limited Partnerships	\$ 1,505,978	\$ 1,282,528	\$ 223,450
Other Assets	\$ 315,434	\$ 777,448	\$ (462,014)
Liabilities	\$ 34,115	\$ 4,509	\$ 29,606

NOTE 6 - TAXABLE INCOME (LOSS) (Continued):

The following is a reconciliation between Net Loss as described in the financial statements and Gateway's loss for tax purposes:

TOTAL SERIES 7 – 11	2007 ----	2006 ----	2005 ----
Net Loss per Financial Statements	\$ (1,587,831)	\$ (2,157,464)	\$ (1,015,792)
Equity in Losses of Project Partnerships for tax purposes in excess of losses for financial statement purposes	(2,449,572)	(2,647,240)	(2,816,865)
Adjustments to convert March 31, fiscal year end to December 31, taxable year end	(684,990)	1,216,254	(39,379)
Items Expensed for Financial Statement purposes not expensed for Tax purposes:			
Asset Management Fee			
Amortization Expense	270,304	373,921	(82,157)
Impairment Expense	183,884	20,233	24,101
Other Adjustments	1,078,223	0	0
	(47,271)	(48,531)	(14,594)
	-----	-----	-----
Gateway loss for tax purposes as of December 31	<u>\$ (3,237,253)</u>	<u>\$ (3,242,827)</u>	<u>\$ (3,944,686)</u>

The difference in the total value of Gateway's Investment in Project Partnerships is approximately \$7,427,151 higher for Series 7, \$7,882,712 higher for Series 8, \$3,422,166 higher for Series 9, \$2,156,642 higher for Series 10 and \$223,450 higher for Series 11 for financial reporting purposes than for tax purposes because (i) there were depreciation differences between financial reporting purposes and tax return purposes and (ii) certain expenses are not deductible for tax return purposes.

The differences in the assets and liabilities of Gateway for financial reporting purposes and tax reporting purposes for the year ended March 31, 2007 are as follows:

	Financial Reporting Purposes	Tax Reporting Purposes	Differences
Investments in Local Limited Partnerships	\$ 3,898,329	\$ (17,213,791)	\$ 21,112,120
Other Assets	\$ 1,664,274	\$ 5,914,130	\$ (4,249,856)
Liabilities	\$ 2,267,865	\$ 44,110	\$ 2,223,755

NOTE 7 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED):

Series 7 <u>Year 2007</u>	Quarter 1 <u>6/30/2006</u>	Quarter 2 <u>9/30/2006</u>	Quarter 3 <u>12/31/2006</u>	Quarter 4 <u>3/31/2007</u>
Total Revenues	\$ 4,626	\$ 11,320	\$ 1,560	\$ 9,544
Net Income (Loss)	\$ (54,316)	\$ (76,666)	\$ (59,253)	\$ (176,413)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (5.17)	\$ (7.30)	\$ (5.64)	\$ (16.81)

Series 8 <u>Year 2007</u>	Quarter 1 <u>6/30/2006</u>	Quarter 2 <u>9/30/2006</u>	Quarter 3 <u>12/31/2006</u>	Quarter 4 <u>3/31/2007</u>
Total Revenues	\$ 7,529	\$ 800	\$ 0	\$ 7,561
Net Income (Loss)	\$ (34,116)	\$ (81,988)	\$ (73,632)	\$ (50,893)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (3.38)	\$ (8.13)	\$ (7.30)	\$ (5.06)

Series 9 <u>Year 2007</u>	Quarter 1 <u>6/30/2006</u>	Quarter 2 <u>9/30/2006</u>	Quarter 3 <u>12/31/2006</u>	Quarter 4 <u>3/31/2007</u>
Total Revenues	\$ 4,809	\$ 0	\$ 0	\$ 1,357
Net Income (Loss)	\$ (33,887)	\$ (76,479)	\$ (34,871)	\$ (102,891)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (5.36)	\$ (12.11)	\$ (5.52)	\$ (16.29)

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NOTE 7 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued):

Series 10 <u>Year 2007</u>	Quarter 1 <u>6/30/2006</u>	Quarter 2 <u>9/30/2006</u>	Quarter 3 <u>12/31/2006</u>	Quarter 4 <u>3/31/2007</u>
Total Revenues	\$ 1,381	\$ 0	\$ 0	\$ 1,182
Net Income (Loss)	\$ (29,540)	\$ (71,547)	\$ (32,580)	\$ (128,045)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (5.80)	\$ (14.05)	\$ (6.40)	\$ (25.13)

Series 11 <u>Year 2007</u>	Quarter 1 <u>6/30/2006</u>	Quarter 2 <u>9/30/2006</u>	Quarter 3 <u>12/31/2006</u>	Quarter 4 <u>3/31/2007</u>
Total Revenues	\$ 0	\$ 2,182	\$ 600	\$ 600
Net Income (Loss)	\$ (3,750)	\$ (43,444)	\$ (18,523)	\$ (404,997)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (0.72)	\$ (8.39)	\$ (3.58)	\$ (78.20)

Series 7 - 11 <u>Year 2007</u>	Quarter 1 <u>6/30/2006</u>	Quarter 2 <u>9/30/2006</u>	Quarter 3 <u>12/31/2006</u>	Quarter 4 <u>3/31/2007</u>
Total Revenues	\$ 18,345	\$ 14,302	\$ 2,160	\$ 20,244
Net Income (Loss)	\$ (155,609)	\$ (350,124)	\$ (218,859)	\$ (863,239)

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NOTE 7 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued):

Series 7 <u>Year 2006</u>	Quarter 1 <u>6/30/2005</u>	Quarter 2 <u>9/30/2005</u>	Quarter 3 <u>12/31/2005</u>	Quarter 4 <u>3/31/2006</u>
Total Revenues	\$ 10,434	\$ 15,550	\$ 10,586	\$ 11,081
Net Income (Loss)	\$ (63,480)	\$ (54,304)	\$ (49,060)	\$ (300,952)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (6.05)	\$ (5.17)	\$ (4.67)	\$ (28.66)

Series 8 <u>Year 2006</u>	Quarter 1 <u>6/30/2005</u>	Quarter 2 <u>9/30/2005</u>	Quarter 3 <u>12/31/2005</u>	Quarter 4 <u>3/31/2006</u>
Total Revenues	\$ 14,880	\$ 5,808	\$ 7,765	\$ 11,321
Net Income (Loss)	\$ (29,217)	\$ (48,636)	\$ (39,117)	\$ (99,519)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (2.90)	\$ (4.82)	\$ (3.88)	\$ (9.87)

Series 9 <u>Year 2006</u>	Quarter 1 <u>6/30/2005</u>	Quarter 2 <u>9/30/2005</u>	Quarter 3 <u>12/31/2005</u>	Quarter 4 <u>3/31/2006</u>
Total Revenues	\$ 6,693	\$ 3,981	\$ 4,867	\$ 4,627
Net Income (Loss)	\$ (44,724)	\$ (50,604)	\$ (51,742)	\$ (194,012)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (7.08)	\$ (8.01)	\$ (8.19)	\$ (30.71)

NOTE 7 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued):

Series 10 <u>Year 2006</u>	Quarter 1 <u>6/30/2005</u>	Quarter 2 <u>9/30/2005</u>	Quarter 3 <u>12/31/2005</u>	Quarter 4 <u>3/31/2006</u>
Total Revenues	\$ 4,695	\$ 3,580	\$ 3,663	\$ 4,445
Net Income (Loss)	\$ (34,070)	\$ (52,849)	\$ (42,389)	\$ (226,624)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (6.69)	\$ (10.37)	\$ (8.32)	\$ (44.49)

Series 11 <u>Year 2006</u>	Quarter 1 <u>6/30/2005</u>	Quarter 2 <u>9/30/2005</u>	Quarter 3 <u>12/31/2005</u>	Quarter 4 <u>3/31/2006</u>
Total Revenues	\$ 5,134	\$ 5,698	\$ 5,255	5,155
Net Income (Loss)	\$ (35,090)	\$ (45,980)	\$ (46,096)	\$ (648,999)
Earnings (Loss) Per Weighted Average Limited Partnership Units Outstanding	\$ (6.78)	\$ (8.88)	\$ (8.90)	\$ (125.32)

Series 11 <u>Year 2006</u>	Quarter 1 <u>6/30/2005</u>	Quarter 2 <u>9/30/2005</u>	Quarter 3 <u>12/31/2005</u>	Quarter 4 <u>3/31/2006</u>
Total Revenues	\$ 41,836	\$ 34,617	\$ 32,136	\$ 36,629
Net Income (Loss)	\$ (206,581)	\$ (252,373)	\$ (228,404)	\$ (1,470,106)

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INDEPENDENT AUDITORS' REPORT  
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To the Partners  
Lakeshore II, Ltd.  
Tuskegee, Alabama

We have audited the accompanying balance sheets of Lakeshore II, Ltd., a limited partnership, RHS Project No: 01-044-631056927 as of December 31, 2005 and 2004, and the related statements of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the U.S. Department of Agriculture, Farmers Home Administration Audit Program, and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lakeshore II, Ltd., RHS Project No: 01-044-631056927 as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 11 through 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplemental information presented in the Multiple Family Housing Borrower Balance Sheet (Form FmHA 1930-8) Parts I and II for the years ended December 31, 2005 and 2004, is presented for purposes of complying with the requirements of the Rural Housing Services and is also not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 21, 2006 on our consideration of Lakeshore II, Ltd.'s, internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit. However, the partnership has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included only the consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control over financial reporting. Accordingly, we express no such opinion.

/s/ Donald W. Causey & Associates, P.C.  
Certified Public Accountants

Gadsden, Alabama  
February 21, 2006

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Donald W. Causey & Associates, P.C.  
516 Walnut Street-P.O. Box 775  
Gadsden, AL 35902  
PHONE: 256-543-3707  
FAX: 256-543-9800

INDEPENDENT AUDITORS' REPORT  
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To the Partners  
Skyview Apartments, Ltd.  
Troy, Alabama

We have audited the accompanying balance sheets of Skyview Apartments, Ltd., a limited partnership, as of December 31, 2005 and 2004, and the related statements of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The partnership has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Skyview Apartments, Ltd., as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Donald W. Causey & Associates, P.C.  
Certified Public Accountants

Gadsden, Alabama  
February 6, 2006



Donald W. Causey & Associates, P.C.  
516 Walnut Street-P.O. Box 775  
Gadsden, AL 35902  
PHONE: 256-543-3707  
FAX: 256-543-9800

INDEPENDENT AUDITORS' REPORT  
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To the Partners  
Meadowview Apartments, Ltd.  
Greenville, Alabama

We have audited the accompanying balance sheets of Meadowview Apartments, Ltd., a limited partnership, as of December 31, 2005 and 2004, and the related statements of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The partnership has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meadowview Apartments, Ltd., a limited partnership, as of December 31, 2005 and 2004, and the results of its operations, changes in partners capital and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 9 and 10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Donald W. Causey and Associates, P.C.  
Certified Public Accountant

Gadsden, Alabama  
February 23, 2006

Donald W. Causey & Associates, P.C.  
516 Walnut Street-P.O. Box 775  
Gadsden, AL 35902  
PHONE: 256-543-3707  
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INDEPENDENT AUDITORS' REPORT

To the Partners  
Applegate Apartments, Ltd.  
Florence, Alabama

We have audited the accompanying balance sheets of Applegate Apartments, Ltd., a limited partnership, as of December 31, 2005 and 2004, and the related statements of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The partnership has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Applegate Apartments, Ltd., as of December 31, 2005 and 2004, and the results of its operations, changes in partners' capital and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Donald W. Causey & Associates, P.C.  
Certified Public Accountants

Gadsden, Alabama  
February 20, 2006

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516 Walnut Street-P.O. Box 775  
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INDEPENDENT AUDITORS' REPORT  
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To the Partners  
Heatherwood Apartments, Ltd.  
Alexander City, Alabama

We have audited the accompanying balance sheets of Heatherwood Apartments, Ltd., a limited partnership, as of December 31, 2005 and 2004, and the related statements of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The partnership has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heatherwood Apartments, Ltd., as of December 31, 2005 and 2004, and the results of its operations, changes in partners' capital and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 9 and 10 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Donald W. Causey & Associates, P.C.  
Certified Public Accountants

Gadsden, Alabama  
February 28, 2006

Item 9. Changes in and disagreements with Accountants on Accounting and Financial Disclosures

None

Item 9A. Controls and Procedures

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

With respect to the Rule 13a-14(a)/15d-14(a) Certifications of the President and Chief Financial Officer, respectively, of the Managing General Partner of Gateway (see Exhibits 31.1 and 31.2 included herein), such certifications are applicable to each of the Series as well as to the total partnership.

Item 9B. Other Information

None.

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## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

Gateway has no directors or executive officers. Gateway's affairs are managed and controlled by the Managing General Partner. Certain information concerning the directors and certain officers of the Managing General Partner are set forth below.

#### Raymond James Tax Credit Funds, Inc. - Managing General Partner

Raymond James Tax Credit Funds, Inc. is the Managing General Partner and is responsible for decisions pertaining to the acquisition and sale of Gateway's interests in the Project Partnerships and other matters related to the business operations of Gateway. Certain officers and the directors of the Managing General Partner are as follows:

Ronald M. Diner, age 63, is President and a Director. He is a Senior Vice President of Raymond James & Associates, Inc., with whom he has been employed since June 1983. Mr. Diner received an MBA degree from Columbia University (1968) and a BS degree from Trinity College (1966). Prior to joining Raymond James & Associates, Inc., he managed the broker-dealer activities of Pittway Real Estate, Inc., a real estate development firm. He was previously a loan officer at Marine Midland Realty Credit Corp., and spent three years with Common, Dann & Co., a New York regional investment firm. He has served as a member of the Board of Directors of the Council for Rural Housing and Development, a national organization of developers, managers and syndicators of properties developed under the RECD Section 515 program, and is a member of the Board of Directors of the Florida Council for Rural Housing and Development. Mr. Diner has been a speaker and panel member at state and national seminars relating to the low-income housing credit.

J. Davenport Mosby III, age 51, is a Vice President and a Director. He is a Senior Managing Director of Raymond James & Associates, Inc. which he joined in 1982. Mr. Mosby received an MBA from the Harvard Business School (1982). He graduated magna cum laude with a BA from Vanderbilt University where he was elected to Phi Beta Kappa.

Raymond James Tax Credit Funds, Inc. is a wholly owned subsidiary of Raymond James Financial, Inc. ("RJF"). RJF has adopted a Business Ethics and Corporate Policy that is applicable to the officers and employees of Raymond James Tax Credit Funds, Inc., the Managing General Partner of the of Gateway. That policy is posted on RJF's Internet website at <http://www.raymondjames.com> under "About Our Company" --- Investor Relations --- Corporate Governance --- Employee Code of Ethics.

#### Raymond James Partners, Inc. -

Raymond James Partners, Inc. was formed to act as the general partner, with affiliated corporations, in limited partnerships sponsored by Raymond James Financial, Inc.

Information regarding the officers and directors of Raymond James Partners, Inc. is included on page 68 of the Prospectus under the section captioned "Management" (consisting of pages 66 through 69 of the Prospectus) which is incorporated herein by reference.

### Item 11. Executive Compensation

Gateway has no directors or officers.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Neither of the General Partners own any units of the outstanding securities of Gateway as of March 31, 2007. Ronald M. Diner, President of Raymond James Tax Credit Funds, Inc. owns 5 units of Series 7. None of the other directors and officers own any units of the outstanding securities of Gateway as of March 31, 2007.

Gateway is a Limited Partnership and therefore does not have voting shares of stock. To the knowledge of Gateway, no person owns of record or beneficially, more than 5% of Gateway's outstanding units.

### Item 13. Certain Relationships and Related Transactions and Director Independence

Gateway has no officers or directors. However, under the terms of the public offering, various kinds of compensation and fees are payable to the General Partners and its affiliates during the organization and operations of Gateway. Additionally, the General Partners will receive distributions from Gateway if there is cash available for distribution or residual proceeds as defined in the Partnership Agreement. The amounts and kinds of compensation and fees are described on pages 24 to 26 of the Prospectus under the caption "Management Compensation", which is incorporated herein by reference.

The Payable to General Partners primarily represents the asset management fees owed to the General Partners at the end of the year. 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 years ended March 31, 2007, 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 receive an annual asset management fee equal to the greater of (i) \$2,000 for each limited partnership in which Gateway invests, as adjusted by the Consumer Price Index 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.

	2007	2006	2005
	----	----	----
Series 7	\$ 85,926	\$ 86,447	\$ 86,447
Series 8	89,370	89,908	89,908
Series 9	49,242	49,509	49,509
Series 10	33,643	33,819	33,819
Series 11	27,989	28,021	28,021
	-----	-----	-----
Total	<u>\$286,170</u>	<u>\$287,704</u>	<u>\$287,704</u>

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.

	2007	2006	2005
	----	----	----
Series 7	\$109,100	\$ 84,526	\$ 56,857
Series 8	120,278	93,195	62,689
Series 9	67,132	52,016	34,990
Series 10	41,958	32,510	21,868
Series 11	33,565	26,008	17,494
	-----	-----	-----
Total	<u>\$372,033</u>	<u>\$288,255</u>	<u>\$193,898</u>

Total unpaid asset management fees and administrative expenses payable to the General Partners, which are included on the Balance Sheet as of March 31, 2007 and 2006 are as follows:

	March 31, 2007	March 31, 2006
	-----	-----
Series 7	\$ 790,609	\$ 704,516
Series 8	824,825	735,669
Series 9	507,802	458,715
Series 10	110,514	76,798
Series 11	34,115	13,071
	-----	-----
Total	<u>\$2,267,865</u>	<u>\$1,988,769</u>

#### Item 14. Principal Accounting Fees & Services

##### Audit Fees

The aggregate fees incurred by Gateway's principal accounting firm, Reznick Group, P.C., for professional services rendered for the audit of the annual financial statements and review of financial statements included in Gateway's quarterly report on Form 10-Q was \$82,000 and \$70,000 for the years ended March 31, 2007 and 2006, respectively. The aggregate fees incurred by Gateway's former principal accounting firm, Spence, Marston, Bunch, Morris and Co., totaled \$2,000 for the year ended March 31, 2007 for services pertaining to prior years audit reports and \$1,575 for the year ended March 31, 2006 for review of certain quarterly reports on Form 10-Q.

#### Tax Fees

During fiscal 2007 and 2006, Spence, Marston, Bunch, Morris & Co. was engaged to prepare Gateway's federal tax return, for which they billed \$9,000 and \$7,000 for years ended March 31, 2007 and 2006, respectively.

#### Other Fees

The two members of Raymond James Tax Credit Funds, Inc. Board of Directors, Ronald M. Diner and J. Davenport Mosby III also serve as the members of the Audit Committee on behalf of Gateway. The audit committee charter requires that the committee approve the engagement of the principal accounting firm prior to the rendering of any audit or non-audit services. During fiscal 2007, 100% of the audit related and other services and 100% of the tax services were pre-approved by the Audit Committee.

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PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

a.(1) Financial Statements

(2) Financial Statement Schedules –

Schedule III – Real Estate and Accumulated Depreciation of Property Owned by Project Partnerships

Schedule IV – Mortgage loans on real estate

All other schedules are omitted because they are not applicable or not required, or because the required information is shown either in the financial statements or the notes thereto.

(3) Exhibit Listing

Exhibit

Number Description

- 3.1 Amended Certificate of Limited Partnership of Gateway Tax Credit Fund III, Ltd. (Filed as an Exhibit to Registration Statement on Form S-11, File No. 33-44238, and incorporated by reference.)
- 4.1 The Form of Partnership Agreement of the Partnership (included as Exhibit “A” to the Prospectus, File No. 33-44238, and incorporated herein by reference.)
- 23 The consent of Reznick Group, P.C. (Filed herewith.)
- 23 The consent of Spence, Marston, Bunch, Morris & Co. (Filed herewith.)
- 31.1 Certification required by Rule 15d-14(a). (Filed herewith.)
- 31.2 Certification required by Rule 15d-14(a). (Filed herewith.)
- 32 Certification required by Rule 15d-14(b). (Filed herewith.)
- 99.1 Independent Auditor Report and Financial Statements for Cardinal Apartments, an Arkansas Limited Partnership, for the years ended December 31, 2006 and 2005. (Filed herewith.)
- 99.2 Independent Auditor Report and Financial Statements for Applegate Apartments, Ltd., for the years ended December 31, 2006 and 2005. (Filed herewith.)
- 99.3 Independent Auditor Report and Financial Statements for Heatherwood Apartments, Ltd., for the years ended December 31, 2006 and 2005. (Filed herewith.)
- 99.4 Independent Auditor Report and Financial Statements for Creekstone Apartments, LP, for the years ended December 31, 2006 and 2005. (Filed herewith.)
- 99.5 Independent Auditor Report and Financial Statements for Magnolia Place Apartments, LP, for the years ended December 31, 2006 and 2005. (Filed herewith.)



GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 7  
Apartment Properties

Partnership	Location	# of Units	Mortgage Loan Balance
-----	-----	-----	-----
Nottingham	Pisgah, AL	18	\$ 560,076
Cedar Hollow	Waterloo, NE	24	742,603
Sunrise	Mission, SD	44	1,972,950
Mountain City	Mountain City, TN	40	1,284,215
Burbank	Falls City, NE	24	787,047
Washington	Bloomfield, NE	24	781,286
BrookStone	McCaysville, GA	40	1,164,196
Tazewell	New Tazewell, TN	44	1,366,000
N. Irvine	Irvine, KY	24	772,394
Horton	Horton, KS	24	750,019
Manchester	Manchester, GA	42	1,171,595
Waynesboro	Waynesboro, GA	24	654,016
Lakeland II	Lakeland, GA	30	812,541
Mt. Vernon	Mt. Vernon, GA	24	720,277
Meadow Run	Dawson, GA	48	1,389,160
Spring Creek II	Quitman, GA	24	649,724
Warm Springs	Warm Springs, GA	22	658,954
Blue Ridge	Blue Ridge, GA	41	1,068,590
Walnut	Elk Point, SD	24	802,488
Pioneer	Mountain View, AR	48	1,182,344
Dilley	Dilley, TX	28	708,493
Elsa	Elsa, TX	40	1,011,834
Clinch View	Gate City, VA	42	1,419,838
Jamestown	Jamestown, TN	40	1,190,819
Leander	Leander, TX	36	893,901
Louisa Sr.	Louisa, KY	36	1,161,050
Orchard Commons	Crab Orchard, KY	12	324,382
Vardaman	Vardaman, MS	24	713,560
Heritage Park	Paze, AZ	32	1,214,647
BrooksHollow	Jasper, GA	40	1,149,121
Cavalry Crossing	Ft. Scott, KS	40	1,386,082
Carson City	Carson City, KS	24	769,610
Matteson	Capa, KS	24	744,283
Pembroke	Pembroke, KY	16	496,889
Robynwood	Cynthiana, KY	24	753,370
Atoka	Atoka, OK	24	656,802
Coalgate	Coalgate, OK	24	656,830
Hill Creek	West Blocton, AL	24	755,037
Cardinal	Mountain Home, AR	32	122,471
			-----
			\$35,419,494
			=====

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN AS OF DECEMBER 31, 2006	Cost At Acquisition		Net Improvements Capitalized Subsequent to Acquisition
	Land	Buildings, Improvements and Equipment	
Partnership	Land		
-----	----	-----	-----
Nottingham	\$ 21,070	\$ 695,113	\$ 13,401
Cedar Hollow	25,000	889,355	99,088
Sunrise	30,000	837,000	1,808,686
Mountain City	67,000	1,345,826	245,188
Burbank	25,000	595,780	422,451
Washington	30,000	401,435	558,291
BrookStone	45,000	176,183	1,240,266
Tazewell	75,000	834,811	870,449
N. Irvine	27,600	696,407	305,986
Horton	15,615	641,460	275,465
Manchester	40,000	243,179	1,191,722
Waynesboro	45,310	107,860	666,155
Lakeland II	30,000	149,453	830,194
Mt. Vernon	19,500	156,335	724,691
Meadow Run	20,000	241,802	1,483,038
Spring Creek II	40,000	117,323	651,152
Warm Springs	45,000	196,691	581,243
Blue Ridge	0	234,193	1,104,951
Walnut	20,000	112,079	927,617
Pioneer	30,000	1,092,918	367,129
Dilley	30,000	847,755	12,647
Elsa	40,000	1,286,910	15,105
Clinch View	99,000	409,447	1,346,076
Jamestown	53,800	436,875	1,093,631
Leander	46,000	1,063,200	57,034
Louisa Sr.	90,000	449,409	979,128
Orchard Commons	28,789	452,556	(1,684)
Vardaman	15,000	93,877	816,362
Heritage Park	199,000	1,243,700	203,534
BrooksHollow	67,155	183,029	1,187,723
Cavalry Crossing	82,300	894,246	877,343
Carson City	86,422	354,778	529,507
Matteson	28,438	556,314	376,041
Pembroke	22,000	190,283	411,021
Robynwood	35,000	315,110	661,574
Atoka	16,000	819,334	0
Coalgate	22,500	806,005	0
Hill Creek	29,337	622,291	339,919
Cardinal	24,207	650,852	110,181
	-----	-----	-----
	\$ 1,666,043	\$21,441,174	\$23,382,305
	=====	=====	=====

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 7  
Apartment Properties

Gross Amount At Which Carried At December 31, 2006

Partnership	Land	Buildings, Improvements and Equipment	Total
Nottingham	\$ 21,070	\$ 708,514	\$ 729,584
Cedar Hollow	25,000	988,443	1,013,443
Sunrise	30,000	2,645,686	2,675,686
Mountain City	67,000	1,591,014	1,658,014
Burbank	25,000	1,018,231	1,043,231
Washington	30,000	959,726	989,726
BrookStone	45,000	1,416,449	1,461,449
Tazewell	75,000	1,705,260	1,780,260
N. Irvine	27,600	1,002,393	1,029,993
Horton	15,615	916,925	932,540
Manchester	49,455	1,425,446	1,474,901
Waynesboro	37,500	781,825	819,325
Lakeland II	29,600	980,047	1,009,647
Mt. Vernon	19,500	881,026	900,526
Meadow Run	40,000	1,704,840	1,744,840
Spring Creek II	30,000	778,475	808,475
Warm Springs	20,000	802,934	822,934
Blue Ridge	0	1,339,144	1,339,144
Walnut	20,000	1,039,696	1,059,696
Pioneer	30,000	1,460,047	1,490,047
Dilley	30,000	860,402	890,402
Elsa	40,000	1,302,015	1,342,015
Clinch View	99,000	1,755,523	1,854,523
Jamestown	53,800	1,530,506	1,584,306
Leander	46,000	1,120,234	1,166,234
Louisa Sr.	90,000	1,428,537	1,518,537
Orchard Commons	28,789	450,872	479,661
Vardaman	15,000	910,239	925,239
Heritage Park	199,000	1,447,234	1,646,234
BrooksHollow	67,000	1,370,907	1,437,907
Cavalry Crossing	94,118	1,759,771	1,853,889
Carson City	40,028	930,679	970,707
Matteson	39,000	921,793	960,793
Pembroke	22,000	601,304	623,304
Robynwood	35,000	976,684	1,011,684
Atoka	16,000	819,334	835,334
Coalgate	22,500	806,005	828,505
Hill Creek	29,337	962,210	991,547
Cardinal	24,207	761,033	785,240
	\$ 1,628,119	\$44,861,403	\$46,489,522

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 7 Apartment Properties Partnership -----	Accumulated Depreciation -----	Depreciable Life -----
Nottingham	\$ 270,130	5.0-40.0
Cedar Hollow	394,109	7.0-40.0
Sunrise	1,321,888	5.0-27.5
Mountain City	861,067	7.0-27.5
Burbank	438,180	5.0-30.0
Washington	489,333	5.0-30.0
BrookStone	677,039	5.0-27.5
Tazewell	892,072	7.0-27.5
N. Irvine	364,810	5.0-40.0
Horton	520,599	5.0-25.0
Manchester	641,697	5.0-25.0
Waynesboro	361,421	10.0-30.0
Lakeland II	461,085	10.0-30.0
Mt. Vernon	400,680	5.0-30.0
Meadow Run	805,102	7.0-27.5
Spring Creek II	359,010	10.0-30.0
Warm Springs	379,660	5.0-40.0
Blue Ridge	657,887	5.0-25.0
Walnut	415,160	5.0-40.0
Pioneer	540,221	12.0-40.0
Dilley	250,938	5.0-50.0
Elsa	437,182	7.0-50.0
Clinch View	914,601	7.0-27.5
Jamestown	786,520	7.0-27.5
Leander	585,496	7.0-30.0
Louisa Sr.	537,813	5.0-40.0
Orchard Commons	175,630	5.0-40.0
Vardaman	327,354	5.0-40.0
Heritage Park	774,693	7.0-27.5
BrooksHollow	642,217	5.0-27.5
Cavalry Crossing	648,831	12.0-40.0
Carson City	481,582	7.0-27.5
Matteson	491,880	7.0-27.5
Pembroke	225,854	5.0-40.0
Robynwood	360,166	5.0-40.0
Atoka	457,316	5.0-25.0
Coalgate	455,831	5.0-25.0
Hill Creek	443,531	7.0-27.5
Cardinal	243,370	7.0-27.5
	-----	
	\$20,491,955	
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GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 8

Apartment Properties  
Partnership

	Location	# of Units	Mortgage Loan Balance
Purdy	Purdy, MO	16	\$ 447,676
Galena	Galena, KS	24	593,776
Antlers 2	Antlers, OK	24	616,872
Holdenville	Holdenville, OK	24	701,799
Wetumka	Wetumka, OK	24	636,354
Mariners Cove	Marine City, MI	32	1,011,809
Mariners Cove Sr.	Marine City, MI	24	783,641
Antlers	Antlers, OK	36	1,064,675
Bentonville	Bentonville, AR	24	494,073
Deerpoint	Elgin, AL	24	720,188
Aurora	Aurora, MO	28	709,806
Baxter	Baxter Springs, KS	16	415,221
Arbor Gate	Bridgeport, AL	24	734,292
Timber Ridge	Collinsville, AL	24	717,301
Concordia Sr.	Concordia, KS	24	665,173
Mountainburg	Mountainburg, AR	24	692,444
Lincoln	Pierre, SD	25	870,356
Fox Ridge	Russellville, AL	24	725,397
Meadow View	Bridgeport, NE	16	577,409
Sheridan	Auburn, NE	16	592,600
Morningside	Kenton, OH	32	950,629
Grand Isle	Grand Isle, ME	16	921,238
Meadowview	Van Buren, AR	29	730,311
Taylor	Taylor, TX	44	1,213,020
Brookwood	Gainesboro, TN	44	1,425,697
Pleasant Valley	Lynchburg, TN	33	1,073,463
Reelfoot	Ridgely, TN	20	635,847
River Rest	Newport, TN	34	1,121,140
Kirksville	Kirksville, MO	24	668,339
Cimmaron	Arco, ID	24	808,345
Kenton	Kenton, OH	46	1,396,888
Lovington	Lovington, VA	64	2,169,188
Pontotoc	Pontotoc, MS	36	1,078,641
So. Branchley	Rexburg, ID	30	1,209,736
Hustonville	Hustonville, KY	16	507,633
Northpoint	Jackson, KY	24	875,282
Brooks Field	Louisville, GA	32	934,286
Brooks Lane	Clayton, GA	36	1,079,764
Brooks Point	Dahlonega, GA	41	1,339,529
Brooks Run	Jasper, GA	24	742,886
Logan Heights	Russellville, KY	24	766,265
Lakeshore 2	Tuskegee, AL	36	1,129,681
Cottondale	Cottondale, FL	25	748,598
			-----
			\$37,297,268
			=====

## SERIES 8

Cost At Acquisition

GTW3

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 8

Gross Amount At Which Carried At December 31, 2006			
Partnership	Land	Buildings, Improvements and Equipment	Total
Purdy	\$ 12,200	\$ 601,337	\$ 613,537
Galena	19,200	790,492	809,692
Antlers 2	26,000	761,859	787,859
Holdenville	15,000	877,598	892,598
Wetumka	19,977	792,876	812,853
Mariners Cove	64,000	1,254,319	1,318,319
Mariners Cove Sr.	46,216	980,483	1,026,699
Antlers	50,529	1,270,510	1,321,039
Bentonville	15,220	743,269	758,489
Deerpoint	19,500	929,324	948,824
Aurora	35,000	901,677	936,677
Baxter	14,845	561,317	576,162
Arbor Gate	43,218	900,172	943,390
Timber Ridge	15,145	913,964	929,109
Concordia Sr.	65,000	761,389	826,389
Mountainburg	20,000	863,990	883,990
Lincoln	121,000	1,020,490	1,141,490
Fox Ridge	35,000	867,785	902,785
Meadow View	18,000	719,918	737,918
Sheridan	20,100	764,710	784,810
Morningside	31,163	1,158,654	1,189,817
Grand Isle	20,000	1,180,210	1,200,210
Meadowview	40,000	954,717	994,717
Taylor	105,334	1,424,458	1,529,792
Brookwood	28,148	1,789,077	1,817,225
Pleasant Valley	56,269	1,303,464	1,359,733
Reelfoot	13,827	816,021	829,848
River Rest	52,062	1,390,924	1,442,986
Kirskville	50,000	781,492	831,492
Cimmaron	6,000	1,176,386	1,182,386
Kenton	61,699	1,720,060	1,781,759
Lovington	171,772	2,606,940	2,778,712
Pontotoc	40,500	1,302,294	1,342,794
So. Brenchley	99,658	1,485,888	1,585,546
Hustonville	20,000	689,635	709,635
Northpoint	140,000	963,271	1,103,271
Brooks Field	45,761	1,131,930	1,177,691
Brooks Lane	57,500	1,301,123	1,358,623
Brooks Point	108,000	1,551,514	1,659,514
Brooks Run	50,366	874,335	924,701
Logan Heights	24,600	929,980	954,580
Lakeshore 2	45,000	1,392,725	1,437,725
Cottondale	36,000	912,319	948,319
	\$ 1,978,809	\$46,114,896	\$48,093,705

GTW3

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 8

Apartment Properties Partnership -----	Accumulated Depreciation -----	Depreciable Life -----
Purdy	\$ 350,409	7.0-27.5
Galena	426,465	7.0-27.5
Antlers 2	425,544	5.0-25.0
Holdenville	476,223	5.0-25.0
Wetumka	432,384	5.0-25.0
Mariners Cove	651,005	7.0-27.5
Mariners Cove Sr.	504,081	7.0-27.5
Antlers	697,867	10.0-25.0
Bentonville	428,432	5.0-25.0
Deerpoint	277,964	5.0-50.0
Aurora	508,534	7.0-27.5
Baxter	296,188	7.0-27.5
Arbor Gate	317,697	5.0-40.0
Timber Ridge	324,636	5.0-40.0
Concordia Sr.	409,576	5.0-25.0
Mountainburg	468,283	5.0-25.0
Lincoln	508,232	7.0-27.5
Fox Ridge	254,626	5.0-50.0
Meadow View	311,238	5.0-30.0
Sheridan	292,530	5.0-50.0
Morningside	488,893	5.0-33.0
Grand Isle	608,946	7.0-27.5
Meadowview	515,547	5.0-25.0
Taylor	383,484	5.0-50.0
Brookwood	819,833	5.0-50.0
Pleasant Valley	609,828	5.0-50.0
Reelfoot	364,766	7.0-27.5
River Rest	602,554	7.0-50.0
Kirskville	399,646	5.0-27.5
Cimmaron	562,234	7.0-27.5
Kenton	696,217	5.0-33.0
Lovington	1,269,507	7.0-27.5
Pontotoc	403,289	5.0-40.0
So. Brenchley	723,829	7.0-27.5
Hustonville	236,476	5.0-40.0
Northpoint	337,380	5.0-40.0
Brooks Field	500,169	5.0-40.0
Brooks Lane	573,159	5.0-40.0
Brooks Point	673,782	5.0-40.0
Brooks Run	391,788	5.0-40.0
Logan Heights	451,520	7.0-40.0
Lakeshore 2	431,267	5.0-40.0
Cottondale	401,844	5.0-27.5
	-----	
	\$20,807,872	
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GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 9

Apartment Properties  
Partnership

	Location	# of Units	Mortgage Loan Balance
-----	-----	-----	-----
Jay	Jay, OK	24	\$ 636,124
Boxwood	Lexington, TX	24	599,487
Stilwell 3	Stilwell, OK	16	452,220
Arbor Trace	Lake Park, GA	24	724,419
Arbor Trace 2	Lake Park, GA	42	1,426,495
Omega	Omega, GA	36	1,109,650
Cornell 2	Watertown, SD	24	901,665
Elm Creek	Pierre, SD	24	932,993
Marionville	Marionville, MO	20	549,556
Lamar	Lamar, AR	24	695,889
Mt. Glen	Heppner, OR	24	805,078
Centreville	Centreville, AL	24	771,843
Skyview	Troy, AL	36	1,109,790
Sycamore	Coffeyville, KS	40	1,384,512
Bradford	Cumberland, KY	24	773,985
Cedar Lane	London, KY	24	710,457
Stanton	Stanton, KY	24	783,343
Abernathy	Abernathy, TX	24	604,708
Pembroke	Pembroke, KY	24	780,566
Meadowview	Greenville, AL	24	643,045
Town Branch	Mt. Vernon, KY	24	751,302
Fox Run	Ragland, AL	24	757,241
Maple Street	Emporium, PA	32	1,336,359
Manchester	Manchester, GA	18	578,133
			-----
			\$19,818,860
			=====

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 9

Apartment Properties

	Cost At Acquisition		Net Improvements Capitalized Subsequent to Acquisition
Partnership	Land	Buildings, Improvements and Equipment	-----
-----	-----	-----	-----
Jay	\$ 30,000	\$ 103,524	\$ 677,073
Boxwood	22,273	718,529	30,137
Stilwell 3	15,567	82,347	489,218
Arbor Trace	62,500	185,273	670,585
Arbor Trace 2	100,000	361,210	1,345,224
Omega	35,000	188,863	1,183,441
Cornell 2	29,155	576,296	634,043
Elm Creek	71,360	233,390	945,885
Marionville	24,900	409,497	339,622
Lamar	18,000	202,240	684,085
Mt. Glen	23,500	480,064	579,971
Centreville	36,000	220,952	729,211
Skyview	120,000	220,161	1,083,241
Sycamore	64,408	415,748	1,368,849
Bradford	66,000	285,025	704,607
Cedar Lane	49,750	952,314	5,958
Stanton	41,584	959,574	0
Abernathy	30,000	751,898	0
Pembroke	43,000	955,687	7,608
Meadowview	46,270	1,086,351	4,715
Town Branch	21,000	942,114	21,296
Fox Run	47,467	919,296	11,432
Maple Street	85,000	1,178,856	452,025
Manchester	24,100	711,035	479
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	\$ 1,106,834	\$13,140,244	\$11,968,705
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GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 9		Gross Amount At Which Carried At December 31, 2006	
Apartment Properties		-----	
Partnership	Land	Buildings, Improvements and Equipment	Total
-----	----	-----	-----
Jay	\$ 25,000	\$ 785,597	\$ 810,597
Boxwood	22,273	748,666	770,939
Stilwell 3	10,000	577,132	587,132
Arbor Trace	62,500	855,858	918,358
Arbor Trace 2	100,000	1,706,434	1,806,434
Omega	35,000	1,372,304	1,407,304
Cornell 2	29,155	1,210,339	1,239,494
Elm Creek	71,360	1,179,275	1,250,635
Marionville	25,000	749,019	774,019
Lamar	18,000	886,325	904,325
Mt. Glen	23,500	1,060,035	1,083,535
Centreville	36,000	950,163	986,163
Skyview	120,000	1,303,402	1,423,402
Sycamore	64,600	1,784,405	1,849,005
Bradford	66,000	989,632	1,055,632
Cedar Lane	49,750	958,272	1,008,022
Stanton	41,584	959,574	1,001,158
Abernathy	30,000	751,898	781,898
Pembroke	43,000	963,295	1,006,295
Meadowview	46,270	1,091,066	1,137,336
Town Branch	21,000	963,410	984,410
Fox Run	47,467	930,728	978,195
Maple Street	85,000	1,630,881	1,715,881
Manchester	27,200	708,414	735,614
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	\$ 1,099,659	\$25,116,124	\$26,215,783
=====	=====	=====	=====

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 9			
Apartment Properties			
Partnership	Accumulated Depreciation	Depreciable Life	
-----	-----	-----	
Jay	\$ 406,257	5.0-25.0	
Boxwood	404,090	5.0-25.0	
Stilwell 3	300,479	5.0-25.0	
Arbor Trace	354,553	10.0-30.0	
Arbor Trace 2	705,962	10.0-30.0	
Omega	575,953	5.0-50.0	
Cornell 2	581,210	5.0-30.0	
Elm Creek	550,951	5.0-27.5	
Marionville	382,516	7.0-27.5	
Lamar	465,735	5.0-25.0	
Mt. Glen	529,118	7.0-27.5	
Centreville	485,066	5.0-40.0	
Skyview	412,146	5.0-40.0	
Sycamore	578,323	12.0-40.0	
Bradford	341,524	5.0-40.0	
Cedar Lane	352,495	5.0-40.0	
Stanton	349,776	5.0-40.0	
Abernathy	399,050	5.0-25.0	
Pembroke	339,223	7.0-40.0	
Meadowview	335,285	5.0-40.0	
Town Branch	317,583	7.0-40.0	
Fox Run	422,518	7.0-27.5	
Maple Street	528,207	7.0-40.0	
Manchester	297,314	5.0-27.5	
-----	-----		
	\$10,415,334		
	=====		

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 10			
Apartment Properties			
Partnership	Location	# of Units	Mortgage Loan Balance
-----	-----	-----	-----
Redstone	Challis, ID	24	\$ 822,454
Albany	Albany, KY	24	753,455
Oak Terrace	Bonifay, FL	18	528,684
Wellshill	West Liberty, KY	32	1,059,520
Applegate	Florence, AL	36	1,114,105
Heatherwood	Alexander City, AL	36	869,600
Peachtree	Gaffney, SC	28	979,393
Donna	Donna, TX	50	1,387,265
Wellsville	Wellsville, NY	24	1,016,709
Tecumseh	Tecumseh, NE	24	871,877
Clay City	Clay City, KY	24	793,679
Irvine West	Irvine, KY	24	792,056
New Castle	New Castle, KY	24	786,142
Stigler	Stigler, OK	20	579,767
Courtyard	Huron, SD	21	627,501
			-----
			\$12,982,207
			=====
Cost At Acquisition			
-----			
Partnership	Land	Buildings, Improvements and Equipment	Net Improvements Capitalized Subsequent to Acquisition
-----	-----	-----	-----
Redstone	\$ 24,000	\$ 747,591	\$ 396,319
Albany	39,500	990,162	12,867
Oak Terrace	27,200	633,284	4,247
Wellshill	75,000	1,270,844	5,100
Applegate	125,000	1,467,675	272,142
Heatherwood	55,000	1,551,679	36,135
Peachtree	25,000	1,021,466	54,530
Donna	112,000	1,661,889	4,778
Wellsville	38,000	1,286,389	114,420
Tecumseh	20,000	1,038,151	84,821
Clay City	22,750	998,334	22,714
Irvine West	25,000	1,060,585	28,079
New Castle	40,575	971,520	13,837
Stigler	24,000	730,056	0
Courtyard	12,000	465,936	308,281
	-----	-----	-----
	\$ 665,025	\$15,895,561	\$ 1,358,270
	=====	=====	=====

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 10  
Apartment Properties

Gross Amount At Which Carried At December 31, 2006

Partnership	Land	Buildings, Improvements and Equipment	Total
-----	----	-----	-----
Redstone	\$ 7,600	\$ 1,160,310	\$ 1,167,910
Albany	39,500	1,003,029	1,042,529
Oak Terrace	27,200	637,531	664,731
Wellshill	75,000	1,275,944	1,350,944
Applegate	125,000	1,739,817	1,864,817
Heatherwood	55,000	1,587,814	1,642,814
Peachtree	25,000	1,075,996	1,100,996
Donna	112,000	1,666,667	1,778,667
Wellsville	38,000	1,400,809	1,438,809
Tecumseh	20,000	1,122,972	1,142,972
Clay City	22,750	1,021,048	1,043,798
Irvine West	25,000	1,088,664	1,113,664
New Castle	40,575	985,357	1,025,932
Stigler	24,000	730,056	754,056
Courtyard	12,000	774,217	786,217
	-----	-----	-----
	\$ 648,625	\$17,270,231	\$17,918,856
	=====	=====	=====

Partnership	Accumulated Depreciation	Depreciable Life
-----	-----	-----
Redstone	\$ 580,562	7.0-27.5
Albany	368,186	5.0-40.0
Oak Terrace	294,658	5.0-27.5
Wellshill	436,222	5.0-40.0
Applegate	533,770	5.0-40.0
Heatherwood	487,825	5.0-40.0
Peachtree	343,153	5.0-40.0
Donna	430,456	7.0-50.0
Wellsville	670,382	7.0-27.5
Tecumseh	343,869	5.0-50.0
Clay City	335,092	5.0-40.0
Irvine West	350,131	5.0-40.0
New Castle	317,253	5.0-40.0
Stigler	240,314	5.0-25.0
Courtyard	295,656	5.0-40.0
	-----	
	\$ 6,027,529	
	=====	

GATEWAY TAX CREDIT FUND III LTD.  
 SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
 OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
 AS OF DECEMBER 31, 2006

SERIES 11			
Apartment Properties			
Partnership	Location	# of Units	Mortgage Loan Balance
-----	-----	-----	-----
Homestead	Pinetop, AZ	32	\$ 1,280,603
Mountain Oak	Collinsville, AL	24	661,436
Eloy	Eloy, AZ	24	635,583
Gila Bend	Gila Bend, AZ	36	1,626,636
Creekstone	Dallas, GA	40	631,737
Tifton	Tifton, GA	36	779,837
Cass Towne	Cartersville, GA	10	0
Warsaw	Warsaw, VA	56	2,595,203
Royston	Royston, GA	25	728,009
Red Bud	Mokane, MO	8	234,051
Cardinal	Mountain Home, AR	32	79,900
Parsons	Parsons, KS	38	1,071,808
			-----
			\$10,324,803
			=====

Cost At Acquisition			
-----			
Partnership	Land	Buildings, Improvements and Equipment	Net Improvements Capitalized Subsequent to Acquisition
-----	----	-----	-----
Homestead	\$ 126,000	\$ 1,628,502	\$ 62,193
Mountain Oak	30,000	473,033	391,422
Eloy	12,000	882,913	135,092
Gila Bend	18,000	945,233	582,733
Creekstone	130,625	170,655	1,707,324
Tifton	17,600	192,853	1,496,433
Cass Towne	22,690	301,458	6,515
Warsaw	146,800	3,200,738	57,259
Royston	36,000	785,602	113,557
Red Bud	5,500	295,617	447
Cardinal	15,793	424,616	71,883
Parsons	45,188	953,512	385,472
	-----	-----	-----
	\$ 606,196	\$10,254,732	\$5,010,330
	=====	=====	=====



GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006

SERIES 11  
Apartment Properties

Gross Amount At Which Carried At December 31, 2006

Partnership	Land	Buildings, Improvements and Equipment	Total
-----	----	-----	-----
Homestead	\$ 126,000	\$ 1,690,695	\$ 1,816,695
Mountain Oak	30,000	864,455	894,455
Eloy	12,000	1,018,005	1,030,005
Gila Bend	18,000	1,527,966	1,545,966
Creekstone	130,650	1,877,954	2,008,604
Tifton	17,327	1,689,559	1,706,886
Cass Towne	22,690	307,973	330,663
Warsaw	146,800	3,257,997	3,404,797
Royston	36,000	899,159	935,159
Red Bud	5,500	296,064	301,564
Cardinal	15,793	496,499	512,292
Parsons	38,437	1,345,735	1,384,172
-----	-----	-----	-----
	\$ 599,197	\$15,272,061	\$15,871,258
=====	=====	=====	=====

Partnership	Accumulated Depreciation	Depreciable Life
-----	-----	-----
Homestead	\$ 566,547	5.0-40.0
Mountain Oak	394,092	5.0-27.5
Eloy	482,722	5.0-27.5
Gila Bend	398,018	5.0-40.0
Creekstone	765,404	7.0-27.5
Tifton	471,594	5.0-25.0
Cass Towne	98,078	7.0-27.5
Warsaw	1,383,550	7.0-27.5
Royston	353,367	7.0-40.0
Red Bud	85,604	7.0-40.0
Cardinal	158,775	7.0-27.5
Parsons	404,976	12.0-40.0
-----	-----	
	\$ 5,562,727	
	=====	

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006  
GATEWAY TAX CREDIT FUND III LTD.  
NOTES TO SCHEDULE III

SERIES 7

Balance at beginning of period - December 31, 2005		\$46,291,477
Additions during period:		
Acquisitions through foreclosure		
Other acquisitions	\$ 205,292	
Improvements, etc.	0	
Other	0	
	-----	
Deductions during period:		205,292
Cost of real estate sold	7,247	
	-----	
		(7,247)
		-----
Balance at end of period - December 31, 2006		\$46,489,522
		=====
Reconciliation of Accumulated Depreciation current year changes:		
Balance at beginning of period - December 31, 2005		\$19,022,427
Current year expense		1,475,208
Less Accumulated Depreciation of real estate sold		(5,679)
		-----
Balance at end of period - December 31, 2006		\$20,491,956
		=====

SCHEDULE III -REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006  
NOTES TO SCHEDULE III

Series 8

Balance at beginning of period - December 31, 2005		\$47,861,028
Additions during period:		
Acquisitions through foreclosure		
Other acquisitions	\$ 232,677	
Improvements, etc.	0	
Other	0	
	-----	
Deductions during period:		232,677
Cost of real estate sold		
Other	0	
	-----	
		0
		-----
Balance at end of period - December 31, 2006		\$48,093,705
		=====
Reconciliation of Accumulated Depreciation current year changes:		
Balance at beginning of period - December 31, 2005		\$19,218,334
Current year expense		1,514,499
Less Accumulated Depreciation of real estate sold		75,039
Other		0
		-----
Balance at end of period - December 31, 2006		\$20,807,872
		=====

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006  
GATEWAY TAX CREDIT FUND III LTD.  
NOTES TO SCHEDULE III

Series 9		
Balance at beginning of period - December 31, 2005		\$26,110,115
Additions during period:		
Acquisitions through foreclosure		
Other acquisitions	\$ 105,668	
Improvements, etc.	0	
Other	0	
	-----	
Deductions during period:		
Cost of real estate sold		105,668
Other	0	
	0	
	-----	
		0
		-----
Balance at end of period - December 31, 2006		\$26,215,783
		=====
Reconciliation of Accumulated Depreciation current year changes:		
Balance at beginning of period - December 31, 2005		9,640,414
Current year expense		774,921
Less Accumulated Depreciation of real estate sold		(1)
Other		0
		-----
Balance at end of period - December 31, 2006		\$10,415,334
		=====

SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006  
NOTES TO SCHEDULE III

Series 10		
Balance at beginning of period - December 31, 2005		\$17,832,688
Additions during period:		
Acquisitions through foreclosure		
Other acquisitions	\$ 86,168	
Improvements, etc.	0	
Other	0	
	0	
	-----	
Deductions during period:		
Cost of real estate sold		86,168
Other	0	
	0	
	-----	
		0
		-----
Balance at end of period - December 31, 2006		\$17,918,856
		=====
Reconciliation of Accumulated Depreciation current year changes:		
Balance at beginning of period - December 31, 2005		\$ 5,569,061
Current year expense		465,794
Less Accumulated Depreciation of real estate sold		(7,326)
Other		0
		-----
Balance at end of period - December 31, 2006		\$ 6,027,529
		=====



SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION  
OF PROPERTY OWNED BY PROJECT PARTNERSHIPS INVESTED IN  
AS OF DECEMBER 31, 2006  
GATEWAY TAX CREDIT FUND III LTD.  
NOTES TO SCHEDULE III

Series 11		
Balance at beginning of period - December 31, 2005		\$15,662,956
Additions during period:		
Acquisitions through foreclosure		
Other acquisitions	\$ 208,302	
Improvements, etc.	0	
Other	0	
	0	
	-----	
Deductions during period:		
Cost of real estate sold		208,302
Other	0	
	0	
	-----	
		0
		-----
Balance at end of period - December 31, 2006		\$15,871,258
		=====
Reconciliation of Accumulated Depreciation current year changes:		
Balance at beginning of period - December 31, 2005		
		\$ 5,314,654
Current year expense		
		497,357
Less Accumulated Depreciation of real estate sold		(249,285)
Other		0
		-----
Balance at end of period - December 31, 2006		\$ 5,562,726
		=====

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE  
AS OF DECEMBER 31, 2006

SERIES 7					
PARTNERSHIP	# OF UNITS	BALANCE	INTEREST RATE	MONTHLY DEBT SERVICE	TERM (YEARS)
-----	-----	-----	-----	-----	-----
Nottingham	18	560,076	7.75%	4,182	50
Cedar Hollow	24	742,603	7.75%	3,128	50
Sunrise	44	1,972,950	7.25%	9,226	50
Mountain City	40	1,284,215	7.75%	5,399	50
Burbank	24	787,047	8.25%	2,990	50
Washington	24	781,286	8.25%	2,923	50
BrookStone	40	1,164,196	6.50%	6,491	50
Tazewell	44	1,366,000	7.25%	6,463	50
N. Irvine	24	772,394	7.75%	3,164	50
Horton	24	750,019	7.75%	2,845	50
Manchester	42	1,171,595	6.50%	6,417	50
Waynesboro	24	654,016	6.50%	3,398	50
Lakeland II	30	812,541	7.25%	3,800	50
Mt. Vernon	24	720,277	6.50%	3,899	50
Meadow Run	48	1,389,160	6.50%	7,564	50
Spring Creek II	24	649,724	6.50%	3,623	50
Warm Springs	22	658,954	7.25%	2,775	50
Blue Ridge	41	1,068,590	7.25%	4,869	50
Walnut	24	802,488	7.75%	3,401	50
Pioneer	48	1,182,344	8.25%	4,524	50
Dilley	28	708,493	8.25%	2,650	50
Elsa	40	1,011,834	7.75%	4,347	50
Clinch View	42	1,419,838	8.75%	7,509	50
Jamestown	40	1,190,819	7.25%	5,565	50
Leander	36	893,901	7.75%	3,506	50
Louisa Sr.	36	1,161,050	7.25%	6,061	50
Orchard Commons	12	324,382	7.75%	5,732	50
Vardaman	24	713,560	7.25%	3,006	50
Heritage Park	32	1,214,647	7.75%	5,077	50
BrooksHollow	40	1,149,121	6.50%	6,294	50
Cavalry Crossing	40	1,386,082	7.75%	5,676	50
Carson City	24	769,610	7.25%	3,500	50
Matteson	24	744,283	7.25%	3,500	50
Pembroke	16	496,889	7.25%	2,951	50
Robynwood	24	753,370	7.25%	5,251	50
Atoka	24	656,802	7.25%	3,917	50
Coalgate	24	656,830	7.25%	3,793	50
Hill Creek	24	755,037	6.50%	3,830	50
Cardinal	32	122,471	6.50%	5,200	50
		-----			
		\$35,419,494			
		=====			

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE  
AS OF DECEMBER 31, 2006

SERIES 8					
PARTNERSHIP	# OF UNITS	BALANCE	INTEREST RATE	MONTHLY DEBT SERVICE	TERM (YEARS)
Purdy	16	\$ 447,676	7.75%	2,285	50
Galena	24	593,776	7.25%	2,776	50
Antlers 2	24	616,872	7.25%	4,085	50
Holdenville	24	701,799	6.50%	4,330	50
Wetumka	24	636,354	6.50%	4,314	50
Mariners Cove	32	1,011,809	7.25%	4,600	50
Mariners Cove Sr.	24	783,641	7.25%	3,500	50
Antlers	36	1,064,675	7.25%	4,619	50
Bentonville	24	494,073	7.75%	14,430	45
Deerpoint	24	720,188	7.75%	6,238	50
Aurora	28	709,806	7.25%	3,236	50
Baxter	16	415,221	6.50%	2,720	50
Arbor Gate	24	734,292	6.50%	4,099	50
Timber Ridge	24	717,301	7.25%	3,446	50
Concordia Sr.	24	665,173	6.50%	3,350	50
Mountainburg	24	692,444	6.50%	3,824	50
Lincoln	25	870,356	8.25%	3,351	50
Fox Ridge	24	725,397	7.25%	3,398	50
Meadow View	16	577,409	7.25%	2,683	50
Sheridan	16	592,600	8.25%	3,211	50
Morningside	32	950,629	7.25%	4,331	50
Grand Isle	16	921,238	8.25%	8,875	50
Meadowview	29	730,311	7.25%	7,575	39
Taylor	44	1,213,020	7.50%	6,644	50
Brookwood	44	1,425,697	6.50%	7,860	50
Pleasant Valley	33	1,073,463	7.25%	4,893	50
Reelfoot	20	635,847	7.25%	3,892	50
River Rest	34	1,121,140	7.25%	4,791	50
Kirskville	24	668,339	7.25%	2,591	50
Cimmaron	24	808,345	10.75%	4,428	50
Kenton	46	1,396,888	7.25%	6,044	50
Lovington	64	2,169,188	7.00%	10,920	50
Pontotoc	36	1,078,641	7.25%	4,490	50
So. Brenchley	30	1,209,736	7.25%	5,200	50
Hustonville	16	507,633	6.50%	3,187	50
Northpoint	24	875,282	7.25%	4,112	50
Brooks Field	32	934,286	7.25%	4,004	50
Brooks Lane	36	1,079,764	7.25%	4,297	50
Brooks Point	41	1,339,529	7.25%	4,833	50
Brooks Run	24	742,886	7.25%	2,975	50
Logan Heights	24	766,265	7.25%	3,072	50
Lakeshore 2	36	1,129,681	7.75%	4,147	50
Cottondale	25	748,598	7.75%	2,711	50
		\$37,297,268			

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE  
AS OF DECEMBER 31, 2006

SERIES 9

PARTNERSHIP	# OF UNITS	BALANCE	INTEREST RATE	MONTHLY DEBT SERVICE	TERM (YEARS)
-----	----	-----	-----	-----	-----
Jay	24	\$ 636,124	7.25%	2,851	50
Boxwood	24	599,487	6.50%	3,894	50
Stilwell 3	16	452,220	7.25%	2,728	50
Arbor Trace	24	724,419	7.25%	3,309	50
Arbor Trace 2	42	1,426,495	7.25%	6,157	50
Omega	36	1,109,650	7.25%	4,679	50
Cornell 2	24	901,665	7.25%	4,135	50
Elm Creek	24	932,993	7.25%	4,223	50
Marionville	20	549,556	6.50%	2,974	50
Lamar	24	695,889	7.25%	11,480	50
Mt. Glen	24	805,078	6.50%	4,344	50
Centreville	24	771,843	7.25%	3,340	50
Skyview	36	1,109,790	7.25%	4,771	50
Sycamore	40	1,384,512	7.25%	5,914	50
Bradford	24	773,985	7.03%	3,205	50
Cedar Lane	24	710,457	6.50%	5,465	50
Stanton	24	783,343	7.25%	3,892	50
Abernathy	24	604,708	6.50%	3,737	50
Pembroke	24	780,566	7.25%	3,495	50
Meadowview	24	643,045	0.50%	2,162	20
Town Branch	24	751,302	7.25%	4,347	50
Fox Run	24	757,241	6.50%	3,685	50
Maple Street	32	1,336,359	7.25%	5,421	50
Manchester	18	578,133	7.25%	2,438	50
		-----			
		\$19,818,860			
		=====			

GATEWAY TAX CREDIT FUND III LTD.  
SCHEDULE IV - MORTGAGE LOANS ON REAL ESTATE  
AS OF DECEMBER 31, 2006

SERIES 10

PARTNERSHIP	# OF UNITS	BALANCE	INTEREST RATE	MONTHLY DEBT SERVICE	TERM (YEARS)
-----	----	-----	-----	-----	-----
Redstone	24	\$ 822,454	6.50%	4,505	50
Albany	24	753,455	6.50%	4,992	50
Oak Terrace	18	528,684	6.50%	2,861	50
Wellshill	32	1,059,520	7.25%	4,437	50
Applegate	36	1,114,105	0.50%	0	20
Heatherwood	36	869,600	0.50%	0	20
Peachtree	28	979,393	7.25%	4,608	50
Donna	50	1,387,265	6.50%	7,509	50
Wellsville	24	1,016,709	6.50%	8,231	50
Tecumseh	24	871,877	7.25%	3,531	50
Clay City	24	793,679	7.25%	3,619	50
Irvine West	24	792,056	7.25%	3,361	50
New Castle	24	786,142	7.25%	5,131	50
Stigler	20	579,767	7.25%	3,813	50
Courtyard	21	627,501	6.50%	2,386	50
		-----			
		\$12,982,207			
		=====			

SERIES 11

PARTNERSHIP	# OF UNITS	BALANCE	INTEREST RATE	MONTHLY DEBT SERVICE	TERM (YEARS)
-----	----	-----	-----	-----	-----
Homestead	32	\$ 1,280,603	6.50%	6,408	50
Mountain Oak	24	661,436	8.00%	4,666	50
Eloy	24	635,583	6.00%	2,109	50
Gila Bend	36	1,626,636	8.00%	3,070	50
Creekstone	40	631,737	11.00%	56,427	30
Tifton	36	779,837	0.00%	24,929	42
Cass Towne	10	0	3.00%	17,000	10
Warsaw	56	2,595,203	6.50%	12,984	50
Royston	25	728,009	6.75%	3,009	50
Red Bud	8	234,051	7.25%	863	50
Cardinal	32	79,900	6.50%	3,392	50
Parsons	38	1,071,808	8.00%	3,943	50
		-----			
		\$ 10,324,803			
		=====			

GTW3

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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.

Date: January 20, 2009

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

Date: January 20, 2009

By: /s/ J. Davenport Mosby III  
J. Davenport Mosby III  
Director

Date: January 20, 2009

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

Date: January 20, 2009

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

**EXHIBIT 31.1**

**Rule 13a-14(a)/15d-14(a) Certification**

I, Ron Diner, certify that:

1. I have reviewed this Third Amended Annual Report on Form 10-K/A-3 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 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: January 20, 2009

By: /s/ Ronald M. Diner  
President

Raymond James Tax Credit Funds, Inc.  
(the Managing General Partner)

**EXHIBIT 31.2**

**Rule 13a-14(a)/15d-14(a) Certification**

I, Jonathan Oorlog, certify that:

1. I have reviewed this Third Amended Annual Report on Form 10-K/A-3 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 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: January 20, 2009

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



**EXHIBIT 32**

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

We, each hereby certify to the best of our knowledge that the Third Amended Annual Report of Form 10-K/A-3 of Gateway Tax Credit Fund III Ltd. for the year ended March 31, 2007 containing the financial statements fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that information contained in the periodic report fairly presents, in all material respects, the financial condition and results of operations of Gateway.

/s/ Ronald M. Diner

President

Raymond James Tax Credit Funds, Inc.  
(the Managing General Partner)

January 20, 2009

/s/ Jonathan Oorlog

Vice President and Chief Financial Officer

Raymond James Tax Credit Funds, Inc.  
(the Managing General Partner)

January 20, 2009

Cardinal Apartments,  
An Arkansas Limited Partnership,  
D/B/A Cardinal Apartments

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Financial Section

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Miller & Rose P.A.  
Certified Public Accountants  
1309 E. Race Avenue  
Searcy, Arkansas 72143  
(501) 268-8356 Fax (501) 268-9362

Steaven E. Miller Jr., CPA  
L. Scott Rose, CPA

Independent Auditors' Report

Partners  
Cardinal Apartments, An Arkansas Limited Partnership,  
D/B/A Cardinal Apartments  
351 E. 4th Street  
Mountain Home, AR 72653

We have audited the accompanying financial statements of Cardinal Apartments, An Arkansas Limited Partnership, D/B/A Cardinal Apartments as of December 31, 2006 and 2005, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cardinal Apartments, An Arkansas Limited Partnership, D/B/A Cardinal Apartments as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

February 2, 2007

Miller & Rose, P.A.  
Certified Public Accountants

Members, American Institute of Certified Public Accountants

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Financial Statements

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Cardinal Apartments, An Arkansas Limited Partnership  
D/B/A Cardinal Apartments

Balance Sheet  
December 31, 2006 and 2005

	2006	2005
Current Assets		
Cash and Cash Equivalents	\$ 19,339.10	\$ 21,006.24
Accounts Receivable	0	398.05
Prepaid Insurance	2,039.99	2,214.09
Rent-Up Reserve - Due from General Partner	12,800.00	12,800.00
Total Current Assets	34,179.09	36,418.38
Other Assets		
Restricted Cash		
Taxes and Insurance Escrow	20,958.15	30,732.68
Security Deposits Held in Trust	10,500.00	9,321.00
Reserve for Replacements	60,280.55	47,143.37
Total Other Assets	91,738.70	87,197.05
Fixed Assets		
Land	40,000.00	40,000.00
Buildings	1,168,010.00	1,168,010.00
Equipment and Furnishings	89,521.74	89,521.74
Less Accumulated Depreciation	(402,144.78)	(365,164.34)
Net Fixed Assets	895,386.96	932,367.40
TOTAL ASSETS	\$1,021,304.75	\$1,055,982.83
Current Liabilities		
Accounts Payable	\$ 0	\$ 6,294.22
Accrued Interest Payable	1,586.54	1,176.65
Accrued Property Taxes	6,770.83	6,320.95
Tenant Security Deposits	10,500.00	9,321.00
Current Portion of Long-term Debt	23,459.99	42,286.87
Total Current Liabilities	42,317.36	65,399.69
Long-Term Debt, Net of Current Portion		
Notes Payable	178,910.96	192,415.85
Total Long-Term Debt, Net of Current Portion	178,910.96	192,415.85
Owners' Equity		
T.J. Embach, Capital	68,004.20	67,985.11
Gateway Tax Credit Fund III, Ltd., Capital	732,072.23	730,182.18
Total Owners' Equity	800,076.43	798,167.29
TOTAL LIABILITIES AND OWNERS' EQUITY	\$1,021,304.75	\$1,055,982.83

See accompanying notes.

Cardinal Apartments, An Arkansas Limited Partnership  
D/B/A Cardinal Apartments

Statement of Income  
Years Ended December 31, 2006 and 2005

	2006	2005
Revenue		
Dwelling Rentals	\$ 134,774.00	\$ 125,769.45
Miscellaneous Revenues	6,966.20	8,099.66
Total Revenue	141,740.20	133,869.11
Expenses		
Administrative	29,733.15	23,324.11
Utilities	21,390.51	22,804.98
Operating and Maintenance	24,121.90	26,726.65
Taxes and Insurance	12,212.99	11,714.89
Depreciation	36,980.44	36,980.44
Total Expenses	124,438.99	121,551.07
Net Operating Income (Loss)	17,301.21	12,318.04
Other Revenue (Expense)		
Interest Expense	(18,532.68)	(19,199.27)
Interest Income	3,140.61	1,600.36
Total Other Revenue (Expense)	(15,392.07)	(17,598.91)
Net Income (Loss)	\$ 1,909.14	\$ (5,280.87)

See accompanying notes.

Cardinal Apartments, An Arkansas Limited Partnership  
D/B/A Cardinal Apartments

Statement of Changes in Owners' Equity  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
T.J. Embach, Capital		
Balance at Beginning of Year	\$ 67,985.11	\$ 68,037.92
Net Income (Loss)	<u>19.09</u>	<u>(52.81)</u>
Balance at End of Year	<u>68,004.20</u>	<u>67,985.11</u>
 Gateway Tax Credit Fund III, Ltd., Capital		
Balance at Beginning of Year	730,182.18	735,410.24
Net Income (Loss)	<u>1,890.05</u>	<u>(5,228.06)</u>
Balance at End of Year	<u>732,072.23</u>	<u>730,182.18</u>
 TOTAL OWNERS' EQUITY, END OF YEAR	<u>\$800,076.43</u>	<u>\$798,167.29</u>

See accompanying notes.

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Cardinal Apartments, An Arkansas Limited Partnership  
D/B/A Cardinal Apartments

Statement of Cash Flows  
Years Ended December 31, 2006 and 2005

	2006	2005
Cash Flows From Operating Activities		
Net Income (Loss)	\$ 1,909.14	\$ (5,280.87)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	36,980.44	36,980.44
(Increase) Decrease in Accounts Receivable	398.05	(398.05)
(Increase) Decrease in Prepaid Expenses	174.10	(345.19)
Increase (Decrease) in Accounts Payable	(6,294.22)	1,580.00
Increase (Decrease) in Security Deposits	1,179.00	1,346.00
Increase (Decrease) in Accrued Liabilities	449.88	595.44
Increase (Decrease) in Interest Payable	409.89	(64.33)
Total Adjustments	33,297.14	39,694.31
Net Cash Provided by Operating Activities	35,206.28	34,413.44
Cash Flows From Investing Activities		
Security Deposits Held in Trust Funded	(1,179.00)	(1,346.00)
Taxes and Insurance Escrow Funded	9,774.53	(1,691.66)
Reserve for Replacements, Deposits	(18,903.81)	(10,754.54)
Reserve for Replacements, Interest Retained in Reserve Account	(1,906.87)	(651.27)
Interest Earned on Investments	--	18,153.97
Reserve for Replacements, Withdrawals	7,673.50	5,725.34
Net Cash Provided by Investing Activities	(4,541.65)	9,435.84
Cash Flows From Financing Activities		
Debt Retirement	(12,331.77)	(11,190.96)
Developers Fees Paid	(20,000.00)	(20,000.00)
Net Cash Provided by Financing Activities	(32,331.77)	(31,190.96)
Net Increase (Decrease) in Cash and Cash Equivalents	(1,667.14)	12,658.32
Cash and Cash Equivalents, Beginning of Year	21,006.24	8,347.92
Cash and Cash Equivalents, End of Year	\$ 19,339.10	\$ 21,006.24
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for:		
Interest Expense	\$ 18,122.79	\$ 19,263.60

See accompanying notes.

Cardinal Apartments, An Arkansas Limited Partnership,  
D/B/A Cardinal Apartments

Notes to the Financial Statements  
December 31, 2006 and 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Organization. The Partnership has been organized exclusively to acquire land, develop, finance, construct, own, maintain, operate, and sell or otherwise dispose of the multi-family housing units for the purpose of obtaining: (a) long-term appreciation; (b) periodic cash distributions; and (c) tax credits and tax losses.

The Partnership consists of a General Partner, T.J. Embach, and a Limited Partner, Gateway Tax Credit Fund III, Ltd., with profits, losses, and credits allocated in a ratio of 1% and 99% respectively, with projected tax credits of \$136,561.00. The Partnership shall continue until December 31, 2050. The Partnership Agreement contains no provision for guaranteed payments to partners. All other terms can be found therein. The General Partner is responsible for management of the Apartment Project. The partnership operates a 32 unit apartment project in Mountain Home, Arkansas.

B. Financial Reporting. This summary of significant accounting policies of the Partnership is presented to assist in understanding the Partnership's financial statements. The financial statements and notes are representations of the Partnership's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

1. Depreciation. Depreciation has been provided over the estimated useful lives using the straight-line method. Depreciation expense was \$36,980.44 and \$36,980.44 for 2006 and 2005, respectively. The estimated useful lives are as follows:

<u>Asset</u>	<u>Useful Life</u>
Buildings	40 years
Equipment	12 years

All fixed assets are valued at historical cost. During construction, interest expenditures are capitalized. Subsequent to development, interest expenditures are accrued.

2. Cash and cash equivalents. The entity defines cash to include certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities with maturities of three months or less. Consequently, the cost, carrying value, and market value are equivalent. Cash and cash equivalents do not include restricted cash, taxes and insurance escrow, and security deposits held in trust.

3. Income taxes. No income tax provision has been incorporated into the financial statements since the income or loss of the partnership is allocated to the partners according to their profit or loss ratio and included in the respective partners' returns.

4. Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

**NOTE 2- CONCENTRATIONS OF CREDIT RISK**

Financial instruments that subject the partnership to potential concentrations of credit risk consist principally of temporary cash investments. The partnership places its temporary cash investments with financial institutions and limits the amount of credit exposure to any one financial institution. There were no deposits in excess of FDIC limits at December 31, 2006 and 2005.

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Cardinal Apartments, An Arkansas Limited Partnership,  
D/B/A Cardinal Apartments

Notes to the Financial Statements (Continued)  
December 31, 2006 and 2005

NOTE 3 - RESERVE FOR REPLACEMENTS

Analysis of the reserve for replacements account is as follows:

	<u>2006</u>	<u>2005</u>
Balance, beginning of period	\$ 47,143.37	\$ 41,462.90
Deposits	18,903.81	10,754.54
Interest	1,906.87	651.27
Withdrawals	<u>(7,673.50)</u>	<u>(5,725.34)</u>
Balance, end of period	<u>\$ 60,280.55</u>	<u>\$ 47,143.37</u>

The Partnership Agreement requires the entity to fund a reserve for replacements through payments to the fund at a rate not less than \$9,600.00 annually. Disbursements from the reserve account for replacement of structural elements or mechanical equipment of the project in excess of \$5,000 annually may be made only with proper written consent of the Limited Partner. No approval was noted for current year withdrawals.

NOTE 4 - DEPOSITS AND ESCROW ACCOUNTS

Tenant Security Deposits

Security deposits collected from tenants are held in a separate bank account. The account's status at December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Security Deposits Held in Trust	\$ 10,500.00	\$ 9,321.00
Tenant Security Deposits Payable	<u>(10,500.00)</u>	<u>(9,321.00)</u>
Excess (Deficit)	<u>\$ .00</u>	<u>\$ .00</u>

Taxes and Insurance Escrow

The partnership maintains a taxes and insurance escrow account which is funded through monthly payments in order to ensure adequate cash is available when taxes and insurance are due. The account's status at December 31, 2006 and 2005 is as follows:

	<u>2006</u>	<u>2005</u>
Taxes and insurance escrow account balance	\$ 20,958.15	\$ 30,732.68
Accrued and unpaid:		
Real estate taxes	(1,521.12)	(1,420.05)
Insurance expense	<u>(2,101.06)</u>	<u>(2,358.54)</u>
Excess (Deficit)	<u>\$ 17,335.97</u>	<u>\$ 26,954.09</u>

Real estate taxes payable of \$6,770.83 as of December 31, 2006 and \$6,320.95 as of December 31, 2005 are related to the years 2006 and 2005, respectively. Tax payments are considered late if paid after October 10th of the following year.

Disbursements for property insurance were \$4,098.36 in 2006 and \$4,530.88 in 2005.

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Cardinal Apartments, An Arkansas Limited Partnership,  
D/B/A Cardinal Apartments

Notes to the Financial Statements (Continued)  
December 31, 2006 and 2005

NOTE 5- PROPERTY AND EQUIPMENT

Property and equipment are summarized by major classifications as follows:

	2006	2005
Land, land improvements	\$ 40,000.00	\$ 40,000.00
Buildings	1,168,010.00	1,168,010.00
Equipment	89,521.74	89,521.74
Total	1,297,531.74	1,297,531.74
Less accumulated depreciation	(402,144.78)	(365,164.34)
Net property and equipment	\$ 895,386.96	\$ 932,367.40

NOTE 6- LONG-TERM DEBT

Long-term debt consists of the following:

	2006	2005
9.122% note due First Security Bank, payable in monthly installments of \$2,537.88, including principal and interest, through June 10, 2016. See Note 8 - Security Agreement.	\$192,370.95	\$204,702.72

Thomas J. Embach, 0.00%, the entire amount that is unpaid on June 1, 2006, will be due and payable on that date.

See Note 9 - Related Party Transactions.	10,000.00	30,000.00
Total	202,370.95	234,702.72
Current portion of long-term debt	(23,459.99)	(42,286.87)
Long-term debt, net of current portion	\$178,910.96	\$192,415.85

Maturities of long-term debt are as follows:

Within first year	\$ 23,459.99
Within second year	14,740.46
Within third year	16,142.77
Within fourth year	17,678.47
Within fifth year	19,360.27
Thereafter	110,988.99

NOTE 7 - SECURITY AGREEMENT

The entity has executed a Security Agreement with its lender which establishes a lien on all structures and improvements to assure payment of principal and interest on the indebtedness until paid.

Cardinal Apartments, An Arkansas Limited Partnership,  
D/B/A Cardinal Apartments

Notes to the Financial Statements (Continued)  
December 31, 2006 and 2005

NOTE 8- RELATED PARTY TRANSACTIONS

The entity has entered into a management agreement with Professional Property Management to conduct day-to-day management functions related to tenant certification, rent collection, maintenance, leasing, and other required compliance functions. The entity's General Partner has an ownership interest in Professional Property Management. The management agreement in the amount of \$30 per occupied unit per month in 2006 and 2005.

The following amounts were paid to Professional Property Management for management fees and other property expenses:

	2006	2005
Management fees	\$ 10,830.00	\$ 10,620.00
Manager salaries	5,596.00	5,613.75
Maintenance salaries	4,048.25	3,081.00
Payroll taxes and other payroll expenses	1,497.42	1,213.59
Property and liability insurance	148.60	113.73
Management bonus incentive	890.00	315.00
Workers' compensation	748.72	606.80
HVAC-labor	1,281.79	960.79
HVAC-parts	698.68	555.45
Fidelity bond premiums	8.64	8.68
Advertising	9.83	.00
Office supplies	184.96	320.78
Auto insurance – employees	6.71	.00
Repairs and maintenance contracts	621.25	412.00
Elevator maintenance	.00	20.00
Telephone - pager – fax	37.03	24.02
Tool/ equipment	.00	110.30
Painting and decorating	1,375.00	660.00
Damage insurance settlement	304.11	.00
Other administrative expenses	31.00	.00

The Partnership owed Professional Property Management \$1,943.53 at December 31, 2005.

The Contribution Receivable - Embach of \$12,800.00 represents amounts due the partnership from the General Partner, Thomas J. Embach, for working capital as set forth in the partnership agreement.

Developers' Fees of \$10,000.00 and \$30,000.00 at December 31, 2006 and 2005, respectively, represent amounts due to the General Partner, Thomas J. Embach, for services performed during project construction. Payments were made to the General Partner related to these fees in the amounts of \$20,000.00 and \$20,000.00 during 2006 and 2005, respectively.

NOTE 9 – CONTINGENCIES

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

APPLEGATE APARTMENTS, LTD.

Financial Statements  
Year Ended December 31, 2006 and 2005  
with  
Reports of Certified Public Accountants

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DONALD W. CAUSEY & ASSOCIATES, P.C.  
Certified Public Accountants

Donald W. Causey, CPA  
David M. Chesnut, CPA

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516 Walnut Street  
Gadsden, Alabama 35902  
Telephone: (258) 543-3707  
Fax: (256) 543-9800

INDEPENDENT AUDITORS' REPORT

To the Partners  
Applegate Apartments, Ltd.  
Florence, Alabama

We have audited the accompanying balance sheets of Applegate Apartments, Ltd., a limited partnership, as of December 31, 2006 and 2005, and the related statement of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The partnership has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Applegate Apartments, Ltd., as of December 31, 2006 and 2005, and the results of its operations, changes in partners' capital and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DONALD W. CAUSEY & ASSOCIATES, P.C.  
Gadsden, Alabama  
February 28, 2007

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APPLEGATE APARTMENTS, LTD.  
BALANCE SHEETS  
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 8,973	\$ 8,147
Tenant rent receivable	--	286
Prepaid insurance	2,528	3,030
Prepaid management fees	<u>177</u>	<u>181</u>
TOTAL CURRENT ASSETS	11,678	11,644
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Tenant security deposits	8,495	9,494
Real estate tax and insurance escrow	22,977	19,327
Replacement reserve escrow	<u>110,784</u>	<u>99,249</u>
TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES	142,256	128,070
PROPERTY AND EQUIPMENT		
Land	125,000	125,000
Land improvements	1,385	--
Buildings	1,695,046	1,695,046
Furniture and fixtures	<u>43,386</u>	<u>35,839</u>
	1,864,817	1,855,885
LESS ACCUMULATED DEPRECIATION	<u>533,770</u>	<u>489,002</u>
NET PROPERTY AND EQUIPMENT	1,331,047	1,366,883
OTHER ASSETS		
Utility deposits	<u>100</u>	<u>100</u>
TOTAL ASSETS	<u><u>\$1,485,081</u></u>	<u><u>\$1,506,697</u></u>

The accompanying notes are an integral part of these statements.

APPLEGATE APARTMENTS, LTD.  
BALANCE SHEETS  
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts payable	\$ 335	\$ 727
Accrued property taxes	<u>3,857</u>	<u>3,858</u>
TOTAL CURRENT LIABILITIES	4,192	4,585
ACCRUED INTEREST	68,373	62,490
LONG-TERM DEBT	1,114,105	1,114,105
TENANT SECURITY DEPOSITS	<u>7,140</u>	<u>7,290</u>
TOTAL LIABILITIES	1,193,810	1,188,470
PARTNERS' CAPITAL	<u>291,271</u>	<u>318,227</u>
 TOTAL LIABILITIES AND PARTNERS' CAPITAL	 <u><u>\$1,485,081</u></u>	 <u><u>\$1,506,697</u></u>

The accompanying notes are an integral part of these statements.

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APPLEGATE APARTMENTS, LTD.  
STATEMENTS OF OPERATIONS  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUE		
Rental income:		
Tenants	\$ 121,538	\$ 121,659
Laundry income	--	305
Interest income	1,794	1,251
Security deposit forfeited	1,600	--
Late charges	30	--
Miscellaneous income	<u>160</u>	<u>--</u>
TOTAL REVENUE	125,122	123,215
EXPENSES		
Administrative	19,399	18,819
Utilities	13,324	12,186
Management fee	12,533	12,196
Maintenance and operations	23,551	26,110
Taxes	16,662	17,271
Insurance	10,958	10,782
Interest	5,883	5,854
Depreciation	<u>44,768</u>	<u>44,856</u>
TOTAL EXPENSES	<u>147,078</u>	<u>148,074</u>
NET LOSS	<u><u>\$ (21,956)</u></u>	<u><u>\$ (24,859)</u></u>

The accompanying notes are an integral part of these statements.

APPLEGATE APARTMENTS, LTD.  
STATEMENTS OF PARTNERS' CAPITAL  
Years Ended December 31, 2006 and 2005

	<u>TOTAL</u>	<u>Gateway Construction Corporation General Partner</u>	<u>Allan Rappuhn General Partner</u>	<u>Gateway Tax Credit Fund III, Ltd. Limited Partner</u>
Balance, January 1, 2005	\$343,086	\$(72,161)	\$(62,329)	\$477,576
Deduct:				
Net loss for year	<u>24,859</u>	<u>124</u>	<u>124</u>	<u>24,611</u>
Balance, December 31, 2005	318,227	(72,285)	(62,453)	452,965
Less:				
Capital withdrawal	5,000	--	3,300	1,700
Deduct:				
Net loss for year	<u>21,956</u>	<u>109</u>	<u>111</u>	<u>21,736</u>
Balance, December 31, 2006	\$291,271	\$(72,394)	\$(65,864)	\$429,529

The accompanying notes are an integral part of these statements.

APPLEGATE APARTMENTS, LTD.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(21,956)	\$(24,859)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	44,768	44,856
(Increase) Decrease in accounts receivable	286	(174)
(Increase) Decrease in prepaid insurance	502	(190)
(Increase) Decrease in prepaid management fees	4	(181)
(Increase) Decrease in escrow for insurance and taxes	(3,650)	(8,572)
Increase (Decrease) in accounts payable	(392)	304
Increase (Decrease) in accrued property taxes	(1)	(8)
Increase (Decrease) in accrued interest	5,883	5,854
Net security deposits received (paid)	<u>849</u>	<u>(1,719)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,293	15,311
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits to reserve for replacements	(11,535)	(11,040)
Purchase of fixed assets	<u>(8,932)</u>	<u>(3,453)</u>
NET CASH USED IN INVESTING ACTIVITIES	(20,467)	(14,493)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital withdrawals	<u>(5,000)</u>	<u>--</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(5,000)</u>	<u>--</u>
NET INCREASE IN CASH	826	818
CASH AT BEGINNING OF YEAR	<u>8,147</u>	<u>7,329</u>
CASH AT END OF YEAR	<u><u>\$ 8,973</u></u>	<u><u>\$ 8,147</u></u>

The accompanying notes are an integral part of these statements.

APPLEGATE APARTMENTS, LTD.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Applegate Apartments, Ltd., a limited partnership, is presented to assist in understanding the Partnership's financial statements. The financial statements and notes are representations of the Partnership's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Partnership's books are recorded on the cash basis. Memorandum entries, while not recorded in the books of the Partnership, have been made in the financial statements to conform with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include savings accounts and all certificates of deposit with original maturities of three months or less. However, at December 31, 2006 and 2005, the Partnership had no cash equivalents.

Allowance for Doubtful Accounts

The general partners consider all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Property and Equipment

Land, buildings and improvements are recorded at cost. Maintenance and repairs are charged to expense as incurred and improvements are capitalized. Disposals of depreciable property are recorded to the appropriate property accounts by reducing the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

	<u>Years</u>
Buildings and Improvements	25-40
Furniture and Fixtures	5-10

Total depreciation expense for December 31, 2006 and 2005 is \$44,768 and \$45,856, respectively.

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APPLEGATE APARTMENTS, LTD.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the partnership and the tenants of the property are operating leases.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements, since taxable income or loss passes through to, and is reportable by, the partners individually.

SFAS No. 144

Statement of Financial and Accounting Standards (SFAS) No. 144 requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of SFAS No. 144 has not materially affected the partnership's reported earnings, financial condition or cash flows.

NOTE B - NATURE OF OPERATIONS

Applegate Apartments, Ltd., was organized under the laws of Alabama as a limited partnership to develop, construct, own, maintain and operate a 36 unit rental housing project for persons of low and moderate income. The project is located in Florence, Alabama and is currently known as Applegate Apartments. The Partnership has qualified for but is no longer receiving low-income credit established by the Tax Reform Act of 1986.

NOTE C - FAIR VALUE

The Partnership has a number of financial instruments, none of which are held for trading purposes. The Partnership estimates that the fair value of all financial instruments at December 31, 2006 and 2005, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Partnership using available market information and appropriate valuation methodologies. Considerable judgement is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Partnership could realize in a current market exchange.

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APPLEGATE APARTMENTS, LTD.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE D - RESTRICTED CASH

Tenant Security Deposits

The tenant security deposit account represents cash restricted for the purpose of refunding tenants security deposits paid at the move-in date. Security deposits are refunded to the tenants at the time of move-out in accordance with the tenant lease subject to cleaning and repairs incidental to normal wear on the tenant unit. Tenant security deposits retained by the Partnership are recorded as "Non-refundable security deposit income".

NOTE E - LONG-TERM DEBT

Long-term debt at December 31, 2006 and 2005 consists of a note payable to Alabama Housing Finance Authority in the amount of \$1,114,105. The pre-default interest rate payable is fixed at one-half of one percent (1/2 of 1%) per year for the term of the note. Pre-default interest shall accrue and compound annually and shall be payable at the maturity date (20 years after January 26, 1996).

In the event of default, the interest rate on the entire unpaid balance of the note shall increase to the greater of 1) twelve percent (12%) per year or 2) four percent (4%) per year in excess of the prime rate published in The Wall Street Journal under the heading "money rates", until the default is cured or the note is paid in full.

The total amount of accrued interest at December 31, 2006 and 2005 was \$68,373 and \$62,490, respectively. Interest accrued in 2006 and 2005 in the amount of \$5,883 and \$5,854, respectively.

The loan agreement imposes certain conditions on the partnership regarding operating policies, distributions to partners, incurrence of future borrowings aside from those necessary to meet current expenses, rental charges and certain operating expenses.

In accordance with the loan agreement, a reserve for replacements account is to maintain the minimum amount of \$40,000. The account shall be opened with monthly contributions to be made in the amount of \$833 on the 15th day of each month. Such contributions are required during any month in which the account balance is less than the minimum reserve amount. At December 31, 2006 and 2005 the reserve account balance was \$110,784 and \$99,249, respectively.

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APPLEGATE APARTMENTS, LTD.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE F - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Amounts Paid to Related Parties

The Partnership paid distributions to the partners from excess cash flow in 2006 as follows:

	<u>2006</u>
Allan Rappuhn, the general partner	\$ 3,300
Gateway Tax Credit Fund III, Ltd., the limited partner	<u>1,700</u>
	<u>\$ 5,000</u>

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SUPPLEMENTAL INFORMATION



APPLEGATE APARTMENTS, LTD.  
SCHEDULES OF ADMINISTRATIVE, UTILITIES,  
MAINTENANCE, TAXES, INSURANCE AND INTEREST EXPENSE  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ADMINISTRATIVE EXPENSES		
Accounting	\$ 2,550	\$ 2,541
Auditing	542	276
Advertising	228	461
Credit bureau expense	188	87
Educational seminars	1,132	803
Office expense and postage	3,739	3,919
Salaries – manager	10,411	10,039
Telephone	<u>609</u>	<u>693</u>
	<u>\$19,399</u>	<u>\$18,819</u>
UTILITIES		
Electricity	\$ 2,944	\$ 2,959
Heat, light and water allowance	--	--
Fuel Oil	2,159	2,065
Water	3,841	3,860
Sewer	<u>4,380</u>	<u>3,302</u>
	<u>\$13,324</u>	<u>\$12,186</u>
MAINTENANCE EXPENSE		
Grounds upkeep	\$ 8,903	\$ 9,135
Salaries – maintenance	975	1,043
Repairs – appliances	238	446
Repairs – buildings	1,304	832
Repairs – heating and air conditioning	2,586	3,960
Repairs – plumbing	249	154
Repairs – painting	657	671
Apartment clean-up labor	970	671
Pest Control	1,728	1,197
Garbage and trash removal	4,320	5,184
Supplies	<u>1,621</u>	<u>2,617</u>
	<u>\$23,551</u>	<u>\$26,110</u>

APPLEGATE APARTMENTS, LTD.  
SCHEDULES OF ADMINISTRATIVE, UTILITIES,  
MAINTENANCE, TAXES, INSURANCE AND INTEREST EXPENSE  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
TAXES		
Taxes and licenses	\$15,526	\$15,523
Payroll taxes	<u>1,136</u>	<u>1,748</u>
	<u>\$16,662</u>	<u>\$17,271</u>
INSURANCE EXPENSE		
Property insurance	\$ 7,448	\$ 7,817
Worker's compensation	636	541
Employee health	<u>2,874</u>	<u>2,424</u>
	<u>\$10,958</u>	<u>\$10,782</u>
INTEREST EXPENSE		
Interest on mortgage	\$ 5,883	\$ 5,854
Other interest	<u>--</u>	<u>--</u>
	<u>\$ 5,883</u>	<u>\$ 5,854</u>

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

HEATHERWOOD APARTMENTS, LTD.

December 31, 2006 and 2005

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DONALD W. CAUSEY & ASSOCIATES, P.C.  
Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

To the Partners  
Heatherwood Apartments, Ltd.  
Alexander City, Alabama

We have audited the accompanying balance sheets of Heatherwood Apartments, Ltd., a limited partnership, as of December 31, 2006 and 2005, and the related statement of operations, partners' capital and cash flows for the years then ended. These financial statements are the responsibility of the partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted the audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The partnership has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heatherwood Apartments, Ltd., as of December 31, 2006 and 2005, and the results of its operations, changes in partners' capital and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 10 and 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DONALD W. CAUSEY & ASSOCIATES, P.C.  
Gadsden, Alabama  
March 7, 2007

---

HEATHERWOOD APARTMENTS, LTD.  
BALANCE SHEETS  
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
	ASSETS	
CURRENT ASSETS		
Cash	\$ 15,440	\$ 8,611
Tenant rent receivable	828	113
Prepaid insurance	<u>2,201</u>	<u>2,413</u>
TOTAL CURRENT ASSETS	18,469	11,137
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Tenant security deposits	7,627	7,658
Real estate tax and insurance escrow	41,167	37,644
Replacement reserve escrow	<u>95,782</u>	<u>84,881</u>
TOTAL RESTRICTED DEPOSITS AND FUNDED RESERVES	144,576	130,183
PROPERTY AND EQUIPMENT		
Land	55,000	55,000
Buildings	1,573,524	1,573,524
Furniture and fixtures	<u>14,290</u>	<u>14,290</u>
	1,642,814	1,642,814
LESS ACCUMULATED DEPRECIATION	<u>487,825</u>	<u>447,637</u>
NET PROPERTY AND EQUIPMENT	1,154,989	1,195,177
OTHER ASSETS		
Utility deposits	<u>250</u>	<u>250</u>
TOTAL OTHER ASSETS	<u>250</u>	<u>250</u>
TOTAL ASSETS	<u><u>\$1,318,284</u></u>	<u><u>\$1,336,747</u></u>

The accompanying notes are an integral part of these statements.



HEATHERWOOD APARTMENTS, LTD.  
BALANCE SHEETS  
December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts payable	\$ 557	\$ 536
Accrued property taxes	2,209	2,207
Accrued payroll and taxes	495	495
Accrued management fees	4,566	4,461
Accrued interest	56,624	52,001
Rent received in advance	<u>236</u>	<u>226</u>
TOTAL CURRENT LIABILITIES	64,687	59,926
LONG-TERM DEBT	869,600	874,264
TENANT SECURITY DEPOSITS	<u>7,340</u>	<u>10,882</u>
TOTAL LIABILITIES	941,627	945,072
PARTNERS' CAPITAL	<u>376,657</u>	<u>391,675</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u><u>\$1,318,284</u></u>	<u><u>\$1,336,747</u></u>

The accompanying notes are an integral part of these statements.

HEATHERWOOD APARTMENTS, LTD.  
STATEMENTS OF OPERATIONS  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
REVENUE		
Rental income:		
Tenants	\$ 115,552	\$ 109,514
Laundry income	3,037	2,831
Interest income	1,269	1,351
Security deposit forfeited	5,314	--
Late charges	<u>820</u>	<u>444</u>
TOTAL REVENUE	125,992	114,140
EXPENSES		
Administrative	20,974	20,334
Utilities	5,321	3,941
Management fee	12,174	11,667
Maintenance and operations	35,136	30,655
Taxes	10,426	10,679
Insurance	7,568	10,010
Interest	4,623	4,624
Depreciation	<u>40,188</u>	<u>39,939</u>
TOTAL EXPENSES	<u>136,410</u>	<u>131,849</u>
NET LOSS	<u><u>\$ (10,418)</u></u>	<u><u>\$ (17,709)</u></u>

The accompanying notes are an integral part of these statements.

HEATHERWOOD APARTMENTS, LTD.  
STATFMENTS OF PARTNERS' CAPITAL  
Years Ended December 31, 2006 and 2005

	TOTAL	Gateway Construction Corporation General Partner	Allan Rappuhn General Partner	Gateway Tax Credit Fund III, Ltd. Limited Partner
Balance, January 1, 2005	\$417,384	\$(36,057)	\$(52,587)	\$506,028
Less: Capital withdrawal	8,000	--	5,550	2,450
Deduct: Net loss for year	<u>17,709</u>	<u>89</u>	<u>89</u>	<u>17,531</u>
Balance, December 31, 2005	391,675	(36,146)	(58,226)	486,047
Less: Capital withdrawal	4,600	--	3,000	1,600
Deduct: Net loss for year	<u>10,418</u>	<u>52</u>	<u>52</u>	<u>10,314</u>
Balance, December 31, 2006	\$376,657	\$(36,198)	\$(61,278)	\$474,133

The accompanying notes are an integral part of these statements.

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HEATHERWOOD APARTMENTS, LTD.  
STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (10,419)	\$ (17,709)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	40,188	39,939
(Increase) Decrease in accounts receivable	(715)	222
(Increase) Decrease in prepaid insurance	212	1,690
(Increase) Decrease in escrow for insurance and taxes	(3,523)	(15,354)
Increase (Decrease) in accounts payable	22	(22)
Increase (Decrease) in accrued property taxes	2	(4)
Increase (Decrease) in accrued management fees	105	--
Increase (Decrease) in accrued interest	4,623	4,624
Increase (Decrease) in rent received in advance	10	201
Net security deposits received (paid)	<u>(3,511)</u>	<u>3,705</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	26,994	17,292
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits to reserve for replacements	(10,901)	(11,056)
Withdrawals from reserve for replacements	--	22,560
Purchase of fixed assets	<u>--</u>	<u>(22,560)</u>
NET CASH USED IN INVESTING ACTIVITIES	(10,901)	(11,056)
CASH FLOWS FROM FINANCING ACTIVITIES		
Debt reduction:		
Long-term	(4,664)	(7,526)
Capital withdrawals	<u>(4,600)</u>	<u>(8,000)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(9,264)</u>	<u>(15,526)</u>
NET INCREASE (DECREASE) IN CASH	6,829	(9,290)
CASH AT BEGINNING OF YEAR	<u>8,611</u>	<u>17,901</u>
CASH AT END OF YEAR	<u><u>\$ 15,440</u></u>	<u><u>\$ 8,611</u></u>

The accompanying notes are an integral part of these statements.

HEATHER WOOD APARTMENTS, LTD.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of Heatherwood Apartments, Ltd., a limited partnership, is presented to assist in understanding the Partnership's financial statements. The financial statements and notes are representations of the Partnership's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting

The Partnership's books are recorded on the cash basis. Memorandum entries, while not recorded in the books of the Partnership, have been made in the financial statements to conform with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include savings accounts and all certificates of deposit with original maturities of three months or less. However at December 31, 2006 and 2005, the Partnership had no cash equivalents.

Allowance for Doubtful Accounts

The general partners consider all accounts receivable to be fully collectible; accordingly no allowance for doubtful accounts is required.

Property and Equipment

Land, buildings and improvements are recorded at cost. Maintenance and repairs are charged to expense as incurred and improvements are capitalized. Disposals of depreciable property are recorded to the appropriate property accounts by reducing the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, which range as follows:

	<u>Years</u>
Buildings and Improvements	25-40
Furniture and Fixtures	5-10

Total depreciation expense for December 31, 2006 and 2005 is \$40,188 and \$39,939, respectively.

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HEATHERWOOD APARTMENTS, LTD.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the partnership and the tenants of the property are operating leases.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements, since taxable income or loss passes through to, and is reportable by, the partners individually.

SFAS No. 144

Statement of Financial Accounting Standards (SFAS) No. 144 requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of SFAS No. 144 has not materially affected the partnership's reported earnings, financial condition or cash flows.

NOTE B - NATURE OF OPERATIONS

Heatherwood Apartments, Ltd., was organized under the laws of Alabama limited partnership to develop, construct, own, maintain and operate a 36 unit rental housing project for persons of low and moderate income. The project is located in Alexander City, Alabama and is currently known as Heatherwood Apartments. The Partnership has qualified for and is receiving low-income credit established by the Tax Reform Act of 1986.

NOTE C - FAIR VALUE

The Partnership has a number of financial instruments, none of which are held for trading purposes. The Partnership estimates that the fair value of all financial instruments at December 31, 2006 and 2005 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Partnership using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Partnership could realize in a current market exchange.

NOTE D - LONG-TERM DEBT

Long-term debt at December 31, 2006 and 2005 consists of a note payable to Alabama Housing Finance Authority in the amount of \$869,600 and \$874,264. The pre-default interest rate payable is fixed at one-half of one percent (1/2 of 1%) per year for the term of the note. Pre-default interest shall accrue and compound annually and shall be payable at the maturity date (20 years after November 29, 1994).

In the event of default, the interest rate on the entire unpaid balance of the note shall increase to the greater of 1) twelve percent (12%) per year or 2) four percent (4%) per year in excess of the prime rate published in The Wall Street Journal under the heading "money rates", until the default is cured or the note is paid in full.

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HEATHERWOOD APARTMENTS, LTD.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006 and 2005

NOTE C - LONG-TERM DEBT – CONTINUED

The loan agreement imposes certain conditions on the partnership regarding operating policies, distributions to partners, incurrence of future borrowings aside from those necessary to meet current expenses, rental charges and certain operating expenses.

Total interest expensed and accrued was \$4,623 and \$4,624 in 2006 and 2005, respectively.

In accordance with the loan agreement, a reserve for replacements account is to maintain the minimum amount of \$64,000. The account shall be opened with an initial lump sum in the amount of \$15,000 with monthly contributions to be made in the amount of \$667 on the 15th day of each month. Such contributions are required during any month in which the account balance is less than the minimum reserve amount.

NOTE D - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Amounts Paid to Related Parties

During 2006 and 2005, the Partnership paid distributions to the partners from excess cash flows as follows:

	2006	2005
Allan Rappuhn, the general partner.	\$ 3,000	\$ 5,550
Gateway Tax Credit Fund III, Ltd., the limited partner.	1,600	2,450
	<u>\$ 4,600</u>	<u>\$ 8,000</u>

NOTE G - TAXABLE INCOME (LOSS)

A reconciliation of financial statement net earning (loss) to taxable income (loss) of the partnership for the years ended December 31, 2006 and 2005 is as follows:

	2006	2005
Financial statement net earnings (loss)	\$ (10,418)	\$ (17,709)
Adjustments		
Excess of depreciation for income tax purposes over Financial reporting purposes	<u>17,985</u>	<u>18,497</u>
Taxable income (loss) as shown on tax return	<u>\$ (28,403)</u>	<u>\$ (36,206)</u>

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SUPPLEMENTAL INFORMATION





HEATHERWOOD APARTMENTS LTD.  
SCHEDULES OF ADMINISTRATIVE, UTILITIES  
MAINTENANCE, TAXES, INSURANCE, AND INTEREST EXPENSE  
Years Ended December 31, 2006 and 2005

	2006	2005
ADMINISTRATIVE EXPENSES		
Accounting	\$ 3,100	\$ 3,100
Auditing	542	317
Advertising	182	181
Credit bureau expense	462	--
Educational seminars	1,128	995
Legal fees	78	--
Office expense and postage	2,376	3,080
Salaries – manager	12,289	11,983
Telephone	817	678
	<u>\$ 20,974</u>	<u>\$ 20,334</u>
UTILITIES		
Electricity	\$ 3,745	\$ 2,919
Water	1,010	559
Sewer	566	463
	<u>\$ 5,321</u>	<u>\$ 3,941</u>
MAINTENANCE EXPENSE		
Grounds upkeep	\$ 9,788	\$ 9,921
Salaries – maintenance	1,333	--
Repairs – appliances	132	908
Repairs – buildings	448	3,390
Repairs – heating and air conditioning	4,141	3,708
Repairs – plumbing	1,578	2,557
Repairs – painting	2,105	1,997
Apartment clean-up labor	1,252	1,937
Pest Control	6,612	2,389
Garbage and trash removal	2,077	1,856
Supplies	5,670	1,992
	<u>\$ 35,136</u>	<u>\$ 30,655</u>

HEATHERWOOD APARTMENTS, LTD.  
SCHEDULES OF ADMINISTRATIVE UTILITIES,  
MAINTENANCE, TAXES, INSURANCE, AND INTEREST EXPENSE  
Years Ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
TAXES		
Taxes and licenses	\$ 9,129	\$ 8,926
Payroll taxes	<u>1,297</u>	<u>1,753</u>
	<u>\$ 10,426</u>	<u>\$ 10,679</u>
INSURANCE EXPENSE		
Property insurance	\$ 7,372	\$ 9,469
Worker's compensation	<u>196</u>	<u>541</u>
	<u>\$ 7,568</u>	<u>\$ 10,010</u>
INTEREST EXPENSE		
Interest on mortgage	<u>\$ 4,623</u>	<u>\$ 4,624</u>

CREEKSTONE APARTMENTS, L.P.

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HA&W  
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Partners  
Creekstone Apartments, L.P.

We have audited the accompanying balance sheets of CREEKSTONE APARTMENTS, L.P. (a limited partnership) as of December 31, 2006 and 2005, and the related statements of operations, changes in partners' equity (deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CREEKSTONE APARTMENTS, L.P. as of December 31, 2006 and 2005, and the results of its operations, its changes in partners' equity (deficit), and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 11 - 12 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Habif, Arogeti, & Wynne, LLP  
Atlanta, Georgia

February 22, 2007

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An Independent Member of Baker Tilly International, Certified Public Accountants

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CREEKSTONE APARTMENTS, L.P.  
BALANCE SHEETS  
DECEMBER 31,

ASSETS

	<u>2006</u>	<u>2005</u>
<u>Current assets</u>		
Cash	\$ 46,443	\$ 38,111
Prepaid expenses	520	3,112
Miscellaneous current assets	<u>480</u>	<u>480</u>
Total current assets	<u>47,443</u>	<u>41,703</u>
<u>Restricted deposits and funded reserves</u>		
Tenant security deposits	15,325	15,133
Tax and insurance escrow	29,503	41,793
Operating deficit reserve	70,308	65,290
Replacement reserve	<u>62,351</u>	<u>65,775</u>
	<u>177,487</u>	<u>187,991</u>
<u>Property and equipment, at cost</u>		
Land	130,650	130,650
Building and improvements	<u>1,877,954</u>	<u>1,877,954</u>
	2,008,604	2,008,604
Accumulated depreciation	<u>(765,404)</u>	<u>(697,115)</u>
	<u>1,243,200</u>	<u>1,311,489</u>
<u>Other assets</u>		
Monitoring fees, net of accumulated amortization of \$11,308 and \$10,280 for 2006 and 2005, respectively	4,111	5,139
Miscellaneous other assets	<u>11,536</u>	<u>0</u>
	<u>\$1,483,777</u>	<u>\$1,546,322</u>

See auditors' report and accompanying notes

CREEKSTONE APARTMENTS, L.P.  
BALANCE SHEETS  
DECEMBER 31,

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

	<u>2006</u>	<u>2005</u>
<u>Current liabilities</u>		
Accrued property taxes	\$ 0	\$ 16,299
Accrued interest payable	130	253
Current portion of mortgage notes payable	55,123	61,078
Tenant security deposits	<u>15,325</u>	<u>15,133</u>
Total current liabilities	<u>70,578</u>	<u>92,763</u>
<u>Long-term debt</u>		
Mortgage payable, net of current portion	576,614	624,364
<u>Partners' equity (deficit)</u>	<u>836,585</u>	<u>829,195</u>
	<u>\$1,483,777</u>	<u>\$1,546,322</u>

See auditors' report and accompanying notes

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CREEKSTONE APARTMENTS, L.P.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2006</u>	<u>2005</u>
<u>Revenues</u>		
Rental income	\$ 205,761	\$ 204,272
Miscellaneous service revenue	4,453	2,409
Interest income	<u>831</u>	<u>1,282</u>
	<u>211,045</u>	<u>207,963</u>
<u>Expenses</u>		
Administrative	3,438	2,754
Amortization	1,028	1,028
Depreciation	68,289	68,289
Employee benefits	283	202
Management fees	16,800	14,400
Mortgage interest	3,380	5,387
Office expense	7,376	2,941
Payroll taxes	1,198	1,216
Professional services	11,586	11,552
Property insurance	8,900	8,736
Real estate taxes	16,440	18,366
Repairs and maintenance	39,270	32,336
Salaries	14,172	13,605
Utilities	8,998	8,740
Miscellaneous	<u>2,497</u>	<u>0</u>
	<u>203,655</u>	<u>189,552</u>
Net income	<u><u>\$ 7,390</u></u>	<u><u>\$ 18,411</u></u>

See auditors' report and accompanying notes

CREEKSTONE APARTMENTS, L.P.  
STATEMENTS OF CHANGES IN PARTNERS' EQUITY (DEFICIT)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>Limited</u>	<u>General</u>	<u>Total</u>
Partners' equity (deficit), December 31, 2004	\$ 846,729	\$ (20,945)	\$ 825,784
Less: Distributions	(3,300)	(11,700)	(15,000)
Net income	<u>18,227</u>	<u>184</u>	<u>18,411</u>
Partners' equity (deficit), December 31, 2005	861,656	(32,461)	829,195
Net income	<u>7,316</u>	<u>74</u>	<u>7,390</u>
Partners' equity (deficit), December 31, 2006	<u><u>\$ 868,972</u></u>	<u><u>\$ (32,387)</u></u>	<u><u>\$ 836,585</u></u>

See auditors' report and accompanying notes

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CREEKSTONE APARTMENTS, L.P.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

Increase (Decrease) In Cash

	2006	2005
<u>Cash flows from operating activities</u>		
Net income	\$ 7,390	\$18,411
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization	1,028	1,028
Depreciation	68,289	68,289
Changes in assets and liabilities		
Decrease in prepaid expenses	2,592	624
(Increase) Decrease in tax and insurance escrow	12,290	(16,514)
Increase in miscellaneous assets	(11,536)	(480)
Decrease in accounts payable	0	(7,271)
Increase (Decrease) in accrued property taxes	(16,299)	16,299
Decrease in accrued interest payable	(123)	(37)
Total adjustments	56,241	61,938
Net cash provided by operating activities	63,631	80,349
<u>Cash flows from investing activities</u>		
Net (deposits) releases to/from reserve for replacement	3,424	(638)
Net deposits to operating deficit reserve	(5,018)	(4,912)
Net cash used by investing activities	(1,594)	(5,550)
<u>Cash flows from financing activities</u>		
Principal payments on mortgage notes	(53,705)	(58,453)
Distributions to partners	0	(15,000)
Net cash used by financing activities	(53,705)	(73,453)
Net increase in cash	8,332	1,346
Cash, beginning of year	38,111	36,765
Cash, end of year	\$46,443	\$38,111
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</u>		
Cash paid during the years for interest	\$ 3,503	\$ 5,424

See auditors' report and accompanying notes

CREEKSTONE APARTMENTS, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

**Note A**

**Organization and Summary of Significant Accounting Policies**

The Partnership was organized as a limited partnership under the laws of the state of Georgia. The Partnership was formed for the purpose of constructing and operating a rental housing project of 40 units located in Dallas, Georgia, and is currently operating under the name of Creekstone Apartments.

The following significant accounting policies have been followed in the preparation of the financial statements:

a. Property and Equipment:

Property and equipment have been recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of 27.5 years for real property by use of the straight-line method.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

b. Intangible Assets:

Compliance monitoring fees are being amortized on the straight-line method over the terms of the compliance period of 15 years.

c. Income Taxes:

Income or loss of the Partnership is allocated 1% to the general partner and 99% to the limited partners. No income tax provision has been included in the financial statements, since income or loss of the Partnership is required to be reported by the partners on their respective income tax returns.

d. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note B**

**Partner's Capital Contributions**

In accordance with the partnership agreement, the investor limited partner is required to contribute \$873,046. As of December 31, 2006, all amounts have been received by the Partnership.

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CREEKSTONE APARTMENTS, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

**Note C**

**Concentration of Credit Risk Arising from Cash Deposits in Excess of Insured Limits**

The Partnership maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. The Partnership believes it is not exposed to any significant credit risk on cash.

**Note D**

**Mortgage Payable**

The mortgage payable with Community Trust Bank is secured by a first deed of trust on the rental property. The mortgage was renewed in April 2006 in an amount of \$41,989 and bears interest at the rate of 8.5% per annum with monthly payments of \$2,495 for 18 months maturing in October 2007.

The mortgage payable with State Home Mortgage, in the original amount of \$935,000, is secured by rental property. The mortgage is payable in monthly installments of \$2,597 for the first 15 years bearing no interest and maturing in June 2026. The aggregate mortgage payable is due to the mortgagee as follows:

<u>December 31,</u>	<u>Bank Mortgage</u>	<u>State Home Mortgage</u>	<u>Totals</u>
2007	\$ 23,959	\$ 31,164	\$ 55,123
2008	0	31,164	31,164
2009	0	31,164	31,164
2010	0	31,164	31,164
2011	0	31,164	31,164
Thereafter	0	451,958	451,958
	<u>\$ 23,959</u>	<u>\$607,778</u>	<u>\$631,737</u>

**Note E**

**Partnership Profits, Losses and Distributions**

Operating profits and losses are allocated 99% to the limited partners and 1% to the general partner. Cash distributions from operations are allocated [a] first, 100% to the limited partners until the limited partners have received the required amount [b] then, 100% to the guarantors until all loans are made by the guarantors pursuant to the operating deficit agreement [c] then, \$2,000 to the limited partner [d] and the balance, if any, 10% to the limited partners and 90% to the general partners and any Class B limited partners. Tax credits are to be allocated 99% to the limited partners and 1% to the general partner. Profit or loss and cash distributions from sales of property will be allocated as formulated in the partnership agreement.

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CREEKSTONE APARTMENTS, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

**Note F**

**Transactions with Affiliates**

The Partnership's rental property is managed by Tower Management Company, which is owned by a general partner. The management company received fees of \$35 and \$30 per unit per month for the years ended December 31, 2006 and 2005, respectively. Management fees of \$16,800 and \$14,400 were incurred for these services for the years ended December 31, 2006 and 2005, respectively.

The Partnership has incurred a developer's fee, payable to the general partner and its consultants for services rendered to the Partnership overseeing the construction of the Project. At December 31, 2006, all developer's fees had been paid.

**Note G**

**Commitments and Contingencies**

The Project's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the limited partners.

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SUPPLEMENTAL INFORMATION

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CREEKSTONE APARTMENTS, L.P.  
SCHEDULES OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
<u>REVENUE</u>		
Gross rental revenue	\$ 228,912	\$ 219,312
Less: Vacancies	(23,151)	(15,040)
Less: Miscellaneous	0	0
Subtotal	205,761	204,272
Vacancy percentage	10.11%	6.86%
Security deposit	1,050	0
Laundry income	0	0
Interest income	831	1,282
Miscellaneous income	3,403	2,409
Total revenue	211,045	207,963
<u>EXPENSES</u>		
Professional fees	4,772	5,321
Telephone	65	1,088
General and administrative subtotal	5,637	6,409
Decorating/improvements	7,761	6,718
Fees and permits	148	110
Garbage and trash	6,141	6,177
Electric	8,998	8,740
Insurance	9,183	8,938
Lawn	9,785	10,330
Miscellaneous	19,112	10,728
Payroll	3,164	2,920
Pest control	600	600
Repairs and maintenance	14,983	8,511
Real estate taxes	16,440	18,366
Manager payroll	12,206	11,902
Management fee	16,800	14,400
Operating expenditure subtotal	125,321	108,440
Total expenses	130,958	114,849
Net operating income	\$ 80,087	\$ 93,114
Replacement reserve	\$ 8,004	\$ 8,004
Income to service debt	\$ 72,083	\$ 85,110
Debt service #1	\$ 31,164	\$ 31,164
Debt service #2	\$ 25,921	\$ 32,676

See auditors' report

CREEKSTONE APARTMENTS, L.P.  
SCHEDULES OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

Summary of Operating and Administrative Expenses

General and administrative	<u>\$ 5,637</u>	<u>\$ 6,409</u>
Utilities	<u>15,139</u>	<u>14,917</u>
Payroll	<u>15,370</u>	<u>14,822</u>
Maintenance	<u>52,389</u>	<u>36,997</u>
Management fees	<u>16,800</u>	<u>14,400</u>
Tax	<u>16,440</u>	<u>18,366</u>
Insurance	<u>9,183</u>	<u>8,938</u>
Total expenses	<u>\$130,958</u>	<u>\$114,849</u>
Revenue growth rate	1.48%	3.09%
Expense growth rate	14.03%	(2.72)%
Total number of units: 40		
Per-unit replacement reserve	\$ 200	\$ 200

See auditors' report

HA&W  
Certified Public Accountants and Business Advisors

INDEPENDENT AUDITORS' REPORT

To the Partners  
MAGNOLIA PLACE, L.P.

We have audited the accompanying balance sheets of Magnolia Place, L.P. (a Georgia limited partnership) as of December 31, 2006 and 2005, and the related statements of operations, changes in partners' equity(deficit), and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Magnolia Place, L.P. as of December 31, 2006 and 2005, and the results of its operations, its changes in partners' equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information on pages 10 - 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Habif, Arogeti, & Wynne, LLP  
Atlanta, Georgia

March 15, 2007

Habif, Arogeti & Wynne, LLP  
5565 Glenridge Connector, Suite 200, Atlanta, Georgia 30342  
404.892.9651 - Fax 404.876.3913  
An Independent Member of Baker Tilly International, Certified Public Accountants

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MAGNOLIA PLACE, L.P.  
BALANCE SHEETS  
DECEMBER 31,

ASSETS

	<u>2006</u>	<u>2005</u>
<u>Current assets</u>		
Cash	\$ 17,394	\$ 11,994
Accounts receivable - tenant	5,937	4,050
Interest receivable	<u>1,279</u>	<u>1,279</u>
Total current assets	<u>24,610</u>	<u>17,323</u>
<u>Restricted deposits and funded reserves</u>		
Tenant security deposits	10,065	10,116
Tax and insurance escrow	7,038	3,616
Mortgage escrow fund	108,424	105,549
Replacement reserve	<u>68,305</u>	<u>59,630</u>
	<u>193,832</u>	<u>178,911</u>
<u>Property and equipment, at cost</u>		
Land	17,327	17,327
Building and improvements	1,688,623	1,688,623
Equipment	<u>936</u>	<u>936</u>
	1,706,886	1,706,886
Accumulated depreciation	<u>(471,594)</u>	<u>(429,379)</u>
	<u>1,235,292</u>	<u>1,277,507</u>
	<u>\$1,453,734</u>	<u>\$1,473,741</u>

LIABILITIES AND PARTNERS' EQUITY(DEFICIT)

<u>Current liabilities</u>		
Accounts payable	\$ 1,222	\$ 639
Current portion of mortgage notes payable	24,929	24,929
Tenant security deposits	<u>9,797</u>	<u>10,116</u>
Total current liabilities	<u>35,948</u>	<u>35,684</u>
<u>Long-term debt</u>		
Mortgage payable, net of current portion	<u>754,908</u>	<u>779,837</u>
<u>Partners' equity (deficit)</u>	<u>662,878</u>	<u>658,220</u>
	<u>\$ 1,453,734</u>	<u>\$ 1,473,741</u>

MAGNOLIA PLACE, L.P.  
STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2006</u>	<u>2005</u>
<u>Revenues</u>		
Rental income	\$ 134,904	\$ 132,627
Miscellaneous service revenue	3,520	4,328
Interest income	<u>6,149</u>	<u>3,433</u>
	<u>144,573</u>	<u>140,388</u>
<u>Expenses</u>		
Administrative	715	1,035
Depreciation	42,216	42,216
Management fees	11,100	11,200
Office expense	1,127	1,200
Professional services	3,731	3,459
Property insurance	4,756	4,642
Real estate taxes	16,978	17,598
Repairs and maintenance	44,364	42,971
Salaries	4,556	4,665
Utilities	9,065	9,686
Miscellaneous	<u>1,307</u>	<u>2,155</u>
	<u>139,915</u>	<u>140,827</u>
Net income (loss)	<u>\$ 4,658</u>	<u>\$ (439)</u>

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MAGNOLIA PLACE, L.P.  
STATEMENTS OF CHANGES IN PARTNERS' EQUITY(DEFICIT)  
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>Limited</u>	<u>General</u>	<u>Total</u>
Partners' equity (deficit), December 31, 2004	\$ 719,641	\$ (60,982)	\$ 658,659
Net loss	<u>(435)</u>	<u>(4)</u>	<u>(439)</u>
Partners' equity(deficit), December 31, 2005	\$ 719,206	\$ (60,986)	\$ 658,220
Net income	<u>4,611</u>	<u>47</u>	<u>4,658</u>
Partners' equity (deficit), December 31, 2006	<u>\$ 723,817</u>	<u>\$ (60,939)</u>	<u>\$ 662,878</u>

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MAGNOLIA PLACE, L.P.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

Increase (Decrease) In Cash

	<u>2006</u>	<u>2005</u>
<u>Cash flows from operating activities</u>		
Net income (loss)	\$ 4,658	\$ (439)
Adjustments to reconcile net income(loss) to net cash provided by operating activities		
Depreciation	42,216	42,216
Changes in assets and liabilities		
Increase in tenant rent receivable	(1,887)	(783)
Increase in tax and insurance escrow	(3,422)	(2,681)
Increase (Decrease) in accounts payable	582	(594)
Decrease in tenant security deposits	(268)	(2,960)
Total adjustments	<u>37,221</u>	<u>35,198</u>
Net cash provided by operating activities	<u>41,879</u>	<u>34,759</u>
<u>Cash flows from investing activities</u>		
Net deposits to mortgage escrow	(2,875)	(1,915)
Net deposits to reserve for replacement	<u>(8,675)</u>	<u>(6,918)</u>
Telephone		
Net cash used by investing activities	<u>(11,550)</u>	<u>(8,833)</u>
<u>Cash flows from financing activities</u>		
Principal payments on mortgage notes	<u>(24,929)</u>	<u>(24,928)</u>
Net cash used by financing activities	<u>(24,929)</u>	<u>(24,928)</u>
Net increase in cash	5,400	998
Cash, beginning of year	<u>11,994</u>	<u>10,996</u>
Cash, end of year	<u><u>\$ 17,394</u></u>	<u><u>\$ 11,994</u></u>

MAGNOLIA PLACE, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

**Note A**

**Organization and Summary of Significant Accounting Policies**

The Partnership was organized as a limited partnership under the laws of the state of Georgia in 1994. The Partnership was formed for the purpose of constructing and operating a rental housing project of 36 units known as Magnolia Place Apartments.

The following significant accounting policies have been followed in the preparation of the financial statements:

a. Property and Equipment:

Property and equipment have been recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of 40 years for real property and five years for personal property by use of the straight-line method.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related costs and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

b. Income Taxes:

Income or loss of the Partnership is allocated 1% to the general partner and 99% to the limited partners. No income tax provision has been included in the financial statements, since income or loss of the Partnership is required to be reported by the partners on their respective income tax returns.

c. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

d. Reclassifications:

Certain items on the 2005 financial statements have been reclassified to conform to the 2006 presentation.

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MAGNOLIA PLACE, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

**Note B**  
**Partners' Capital Contributions**

In accordance with the partnership agreement, the investor's limited partner is required to contribute \$694,498. As of December 31, 2006, all amounts have been received by the Partnership.

**Note C**  
**Escrowed Funds**

The Partnership is required to maintain certain escrow accounts. The accounts are restricted in their use under the mortgage agreement or the Partnership agreement. The following is a list of restricted cash at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Tax and insurance	\$ 7,038*	\$ 3,616*
Replacement reserve	68,305*	59,630*
Mortgage escrow fund	108,424*	105,549*
Subtotal	<u>\$ 183,767</u>	<u>\$ 168,795</u>
* Restricted by Mortgage Agreement	6.22%	0.32%

**Note D**  
**Mortgage Payable**

The mortgage payable to the Georgia Department of Community Affairs in the original amount of \$1,047,000 is secured by a deed of trust on the rental property. The note is non-interest-bearing and is payable in monthly installments of \$2,077.

Maturities of long-term debt as of December 31, 2006, are as follows:

<u>December 31,</u>	<u>Amount</u>
2007	\$ 24,929
2008	24,929
2009	24,929
2010	24,929
2011	24,929
2012 - thereafter	655,192
	<u>754,908</u>
	<u>\$779,837</u>

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MAGNOLIA PLACE, L.P.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2006 AND 2005

**Note E**

**Management Fees**

The Partnership is managed by Investors Management Company. Management fees charged to operations in 2006 and 2005 were \$11,100 and \$11,200, respectively.

**Note F**

**Partnership Profits, Losses and Distributions**

Operating profits and losses are allocated 99% to the limited partners and 1% to the general partner. Cash distributions from operations are allocated 50% to the limited partners and 50% to the general partner. Tax credits are to be allocated 99% to the limited partners and 1% to the general partner. Profit or loss and cash distributions from sales of property will be allocated as formulated in the partnership agreement.

**Note G**

**Transactions with Affiliates**

The Partnership has incurred a developer's fee of \$282,492, payable to the general partner and its consultants for services rendered to the Partnership overseeing the construction of the Project. As of December 31, 2001, all amounts had been received by the developer. The developer's fee has been capitalized into the basis of the building.

**Note H**

**Concentration of Credit Risk**

The Partnership maintains all of its mortgage escrow fund deposits at one financial depository institution. The amount of accounting loss due to credit risk the Partnership would incur if the financial depository institution failed would be the cash deposits in excess of the \$100,000 amount per depositor that is federally insured. Cash in excess of insured balances is \$8,423 and \$0 for 2006 and 2005, respectively.

**Note I**

**Commitments and Contingencies**

The Project's low-income housing credits are contingent on the Project's ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the limited partners.

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SUPPLEMENTAL INFORMATION

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MAGNOLIA PLACE, L.P.  
SCHEDULE OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31,

	2006	2005
<u>REVENUE</u>		
Gross rental revenue	\$ 143,856	\$ 133,056
Less: Vacancies	(8,952)	(429)
Less: Miscellaneous	0	0
Subtotal	<u>134,904</u>	<u>132,627</u>
Vacancy percentage	6.22%	0.32%
Laundry income	0	82
Interest income	6,149	3,433
Miscellaneous income	<u>3,520</u>	<u>4,247</u>
Total revenue	<u>144,573</u>	<u>140,389</u>
<u>EXPENSES</u>		
Professional fees	3,731	3,459
Telephone	<u>494</u>	<u>575</u>
General and administrative subtotal	<u>4,225</u>	<u>4,034</u>
Decorating/Improvements	793	1,639
Garbage and trash	3,705	4,272
Electric	1,265	1,749
Heat	441	645
Insurance	5,575	5,973
Lawn	6,620	7,086
Miscellaneous	1,348	1,660
Pest control	1,342	1,271
Repairs and maintenance	31,904	28,703
Water and sewer	7,359	7,292
Real estate taxes	16,978	17,598
Manager payroll	5,044	5,489
Management fee	<u>11,100</u>	<u>11,200</u>
Operating expenditure subtotal	<u>93,474</u>	<u>94,577</u>
Total expenses	<u>97,699</u>	<u>98,611</u>
Net operating income	<u>\$ 46,874</u>	<u>\$ 41,778</u>
Replacement reserve	<u>\$ 5,400</u>	<u>\$ 5,400</u>
Income to service debt	<u>\$ 41,474</u>	<u>\$ 36,378</u>
Debt service #1	<u>\$ 24,929</u>	<u>\$ 24,928</u>

MAGNOLIA PLACE, L.P.  
SCHEDULE OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31,

Summary of Operating and Administrative Expenses

	<u>2006</u>	<u>2005</u>
General and administrative	\$ 4,225	\$ 4,034
Utilities	12,770	13,958
Payroll	5,044	5,489
Maintenance	42,007	40,359
Management fees	11,100	11,200
Tax	16,978	17,598
Insurance	<u>5,575</u>	<u>5,973</u>
Total expenses	<u>\$97,699</u>	<u>\$98,611</u>
Revenue growth rate	2.98%	(0.29)%
Expense growth rate	(0.92)%	(3.55)%
Total number of units:36 Per unit replacement reserve	\$ 150	\$ 150