

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

**FORM 10-Q**

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

For the quarterly period ended September 30, 2011

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 Number, Including Area Code:

(727) 567-1000

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

YES ☒

NO ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

YES ☒

NO ☐

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

Large accelerated filer ☐

Non-accelerated filer ☐

Accelerated filer ☐

Smaller Reporting Company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐

No ☒

PART I - Financial Information

Item 1. Financial Statements

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

BALANCE SHEETS  
(Unaudited)

	SERIES 7		SERIES 8		SERIES 9	
	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 866,643	\$ 770,297	\$ 125,264	\$ 231,397	\$ 175,842	\$ 142,196
Total Current Assets	866,643	770,297	125,264	231,397	175,842	142,196
Total Assets	<u>\$ 866,643</u>	<u>\$ 770,297</u>	<u>\$ 125,264</u>	<u>\$ 231,397</u>	<u>\$ 175,842</u>	<u>\$ 142,196</u>
<b>LIABILITIES AND PARTNERS' DEFICIT</b>						
Current Liabilities:						
Payable to General Partners	\$ 3,098	\$ 6,174	\$ 78,810	\$ 183,126	\$ 42,518	\$ 55,327
Distribution Payable	666,627	545,751	47,259	27,385	111,748	55,030
Total Current Liabilities	<u>669,725</u>	<u>551,925</u>	<u>126,069</u>	<u>210,511</u>	<u>154,266</u>	<u>110,357</u>
Long-Term Liabilities:						
Payable to General Partners	<u>1,089,079</u>	<u>1,065,589</u>	<u>1,190,036</u>	<u>1,150,230</u>	<u>711,538</u>	<u>690,195</u>
Partners' (Deficit) Equity:						
Limited Partners - 10,395, 9,980, and 6,254 units for Series 7, 8, and 9, respectively, at September 30, 2011 and March 31, 2011	(900,105)	(854,401)	(1,190,998)	(1,125,775)	(690,462)	(651,966)
General Partners	<u>7,944</u>	<u>7,184</u>	<u>157</u>	<u>(3,569)</u>	<u>500</u>	<u>(6,390)</u>
Total Partners' Deficit	<u>(892,161)</u>	<u>(847,217)</u>	<u>(1,190,841)</u>	<u>(1,129,344)</u>	<u>(689,962)</u>	<u>(658,356)</u>
Total Liabilities and Partners' Deficit	<u>\$ 866,643</u>	<u>\$ 770,297</u>	<u>\$ 125,264</u>	<u>\$ 231,397</u>	<u>\$ 175,842</u>	<u>\$ 142,196</u>

See accompanying notes to financial statements.

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

BALANCE SHEETS  
(Unaudited)

	SERIES 10		SERIES 11		TOTAL SERIES 7 - 11	
	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011
<b>ASSETS</b>						
Current Assets:						
Cash and Cash Equivalents	\$ 149,354	\$ 153,660	\$ 441,355	\$ 356,285	\$ 1,758,458	\$ 1,653,835
Total Current Assets	149,354	153,660	441,355	356,285	1,758,458	1,653,835
Investments in Project Partnerships, net	41,880	64,697	197,996	245,863	239,876	310,560
Total Assets	<u>\$ 191,234</u>	<u>\$ 218,357</u>	<u>\$ 639,351</u>	<u>\$ 602,148</u>	<u>\$ 1,998,334</u>	<u>\$ 1,964,395</u>
<b>LIABILITIES AND PARTNERS' DEFICIT</b>						
Current Liabilities:						
Payable to General Partners	\$ 2,144	\$ 27,005	\$ 2,159	\$ 4,167	\$ 128,729	\$ 275,799
Distribution Payable	38,145	12,000	225,544	125,774	1,089,323	765,940
Total Current Liabilities	<u>40,289</u>	<u>39,005</u>	<u>227,703</u>	<u>129,941</u>	<u>1,218,052</u>	<u>1,041,739</u>
Long-Term Liabilities:						
Payable to General Partners	<u>251,188</u>	<u>235,562</u>	<u>154,466</u>	<u>140,876</u>	<u>3,396,307</u>	<u>3,282,452</u>
Partners' (Deficit) Equity:						
Limited Partners - 5,043 and 5,127 units for Series 10 and 11, respectively, at September 30, 2011 and March 31, 2011	(93,205)	(23,468)	256,095	330,500	(2,618,675)	(2,325,110)
General Partners	<u>(7,038)</u>	<u>(32,742)</u>	<u>1,087</u>	<u>831</u>	<u>2,650</u>	<u>(34,686)</u>
Total Partners' (Deficit) Equity	<u>(100,243)</u>	<u>(56,210)</u>	<u>257,182</u>	<u>331,331</u>	<u>(2,616,025)</u>	<u>(2,359,796)</u>
Total Liabilities and Partners' Deficit	<u>\$ 191,234</u>	<u>\$ 218,357</u>	<u>\$ 639,351</u>	<u>\$ 602,148</u>	<u>\$ 1,998,334</u>	<u>\$ 1,964,395</u>

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	SERIES 7		SERIES 8		SERIES 9	
	2011	2010	2011	2010	2011	2010
Revenues:						
Distribution Income	\$ -	\$ 1,957	\$ 868	\$ 5,271	\$ 6,893	\$ 2,844
Total Revenues	-	1,957	868	5,271	6,893	2,844
Expenses:						
Asset Management Fee - General Partner	10,579	15,067	19,677	20,117	10,030	11,585
General and Administrative:						
Other	23,621	23,192	24,477	23,303	16,324	15,010
Amortization	-	73	-	-	-	-
Total Expenses	34,200	38,332	44,154	43,420	26,354	26,595
Loss Before Equity in Loss of Project Partnerships and Other Income	(34,200)	(36,374)	(43,286)	(38,149)	(19,461)	(23,751)
Equity in Loss of Project Partnerships	-	(288)	-	-	-	-
Gain on Sale of Project Partnerships	6,977	157,948	-	-	4,169	-
Interest Income	27	8	6	7	6	4
Net (Loss) Income	\$ (27,196)	\$ 121,294	\$ (43,280)	\$ (38,142)	\$ (15,286)	\$ (23,747)
Allocation of Net (Loss) Income:						
Limited Partners	\$ (26,924)	\$ 120,082	\$ (43,276)	\$ (37,760)	\$ (15,326)	\$ (23,510)
General Partners	(272)	1,212	(4)	(382)	40	(237)
	\$ (27,196)	\$ 121,294	\$ (43,280)	\$ (38,142)	\$ (15,286)	\$ (23,747)
Net (Loss) Income Per Limited Partnership Unit	\$ (2.59)	\$ 11.55	\$ (4.34)	\$ (3.78)	\$ (2.45)	\$ (3.76)
Number of Limited Partnership Units Outstanding	10,395	10,395	9,980	9,980	6,254	6,254

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	SERIES 10		SERIES 11		TOTAL SERIES 7 - 11	
	2011	2010	2011	2010	2011	2010
Revenues:						
Distribution Income	\$ 2,569	\$ 700	\$ 2,182	\$ 2,182	\$ 12,512	\$ 12,954
Total Revenues	<u>2,569</u>	<u>700</u>	<u>2,182</u>	<u>2,182</u>	<u>12,512</u>	<u>12,954</u>
Expenses:						
Asset Management Fee - General Partner	7,813	7,813	6,795	6,972	54,894	61,554
General and Administrative:						
General Partner	-	-	-	10,961	-	10,961
Other	12,412	11,783	12,369	11,871	89,203	85,159
Amortization	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>73</u>
Total Expenses	<u>20,225</u>	<u>19,596</u>	<u>19,164</u>	<u>29,804</u>	<u>144,097</u>	<u>157,747</u>
Loss Before Equity in Loss of Project Partnerships and Other Income	(17,656)	(18,896)	(16,982)	(27,622)	(131,585)	(144,792)
Equity in Loss of Project Partnerships	(10,810)	(18,150)	(23,470)	(110,312)	(34,280)	(128,750)
Gain on Sale of Project Partnerships	26,145	-	99,770	-	137,061	157,948
Interest Income	<u>4</u>	<u>5</u>	<u>11</u>	<u>7</u>	<u>54</u>	<u>31</u>
Net (Loss) Income	<u>\$ (2,317)</u>	<u>\$ (37,041)</u>	<u>\$ 59,329</u>	<u>\$ (137,927)</u>	<u>\$ (28,750)</u>	<u>\$ (115,563)</u>
Allocation of Net (Loss) Income:						
Limited Partners	\$ (28,176)	\$ (36,669)	\$ 58,736	\$ (136,548)	\$ (54,966)	\$ (114,405)
General Partners	<u>25,859</u>	<u>(372)</u>	<u>593</u>	<u>(1,379)</u>	<u>26,216</u>	<u>(1,158)</u>
	<u>\$ (2,317)</u>	<u>\$ (37,041)</u>	<u>\$ 59,329</u>	<u>\$ (137,927)</u>	<u>\$ (28,750)</u>	<u>\$ (115,563)</u>
Net (Loss) Income Per Limited Partnership Unit	<u>\$ (5.59)</u>	<u>\$ (7.27)</u>	<u>\$ 11.46</u>	<u>\$ (26.63)</u>		
Number of Limited Partnership Units Outstanding	<u>5,043</u>	<u>5,043</u>	<u>5,127</u>	<u>5,127</u>		

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	SERIES 7		SERIES 8		SERIES 9	
	2011	2010	2011	2010	2011	2010
Revenues:						
Distribution Income	\$ 8,047	\$ 6,489	\$ 8,762	\$ 7,446	\$ 10,275	\$ 5,652
Total Revenues	8,047	6,489	8,762	7,446	10,275	5,652
Expenses:						
Asset Management Fee - General Partner	23,490	30,132	39,806	40,233	21,344	23,169
General and Administrative:						
Other	29,549	26,876	30,465	27,594	20,547	17,736
Amortization	-	146	-	-	-	-
Total Expenses	53,039	57,154	70,271	67,827	41,891	40,905
Loss Before Equity in Loss of Project Partnerships and Other Income	(44,992)	(50,664)	(61,509)	(60,381)	(31,616)	(35,253)
Equity in Loss of Project Partnerships	-	(288)	-	-	-	-
Gain on Sale of Project Partnerships	120,876	157,948	19,875	-	56,718	-
Interest Income	48	13	12	13	10	6
Net Income (Loss)	\$ 75,932	\$ 107,009	\$ (41,622)	\$ (60,368)	\$ 25,112	\$ (35,247)
Allocation of Net Income (Loss):						
Limited Partners	\$ 75,172	\$ 105,940	\$ (45,348)	\$ (59,764)	\$ 18,222	\$ (34,895)
General Partners	760	1,069	3,726	(604)	6,890	(352)
	\$ 75,932	\$ 107,009	\$ (41,622)	\$ (60,368)	\$ 25,112	\$ (35,247)
Net Income (Loss) Per Limited Partnership Unit	\$ 7.23	\$ 10.19	\$ (4.54)	\$ (5.99)	\$ 2.91	\$ (5.58)
Number of Limited Partnership Units Outstanding	10,395	10,395	9,980	9,980	6,254	6,254

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	SERIES 10		SERIES 11		TOTAL SERIES 7 - 11	
	2011	2010	2011	2010	2011	2010
Revenues:						
Distribution Income	\$ 4,649	\$ 4,439	\$ 2,982	\$ 2,982	\$ 34,715	\$ 27,008
Total Revenues	4,649	4,439	2,982	2,982	34,715	27,008
Expenses:						
Asset Management Fee - General Partner	15,626	15,626	13,590	13,944	113,856	123,104
General and Administrative:						
General Partner	-	-	-	20,774	-	20,774
Other	15,696	13,633	15,693	13,669	111,950	99,508
Amortization	-	-	-	-	-	146
Total Expenses	31,322	29,259	29,283	48,387	225,806	243,532
Loss Before Equity in Loss of Project Partnerships and Other Income	(26,673)	(24,820)	(26,301)	(45,405)	(191,091)	(216,523)
Equity in Loss of Project Partnerships	(17,368)	(18,150)	(47,868)	(110,312)	(65,236)	(128,750)
Gain on Sale of Project Partnerships	26,145	-	99,770	-	323,384	157,948
Interest Income	8	9	20	12	98	53
Net (Loss) Income	\$ (17,888)	\$ (42,961)	\$ 25,621	\$ (155,705)	\$ 67,155	\$ (187,272)
Allocation of Net (Loss) Income:						
Limited Partners	\$ (43,592)	\$ (42,531)	\$ 25,365	\$ (154,148)	\$ 29,819	\$ (185,398)
General Partners	25,704	(430)	256	(1,557)	37,336	(1,874)
	\$ (17,888)	\$ (42,961)	\$ 25,621	\$ (155,705)	\$ 67,155	\$ (187,272)
Net (Loss) Income Per Limited Partnership Unit	\$ (8.64)	\$ (8.43)	\$ 4.95	\$ (30.07)		
Number of Limited Partnership Units Outstanding	5,043	5,043	5,127	5,127		

See accompanying notes to financial statements.



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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	SERIES 7			SERIES 8		
	Limited Partners	General Partners	Total	Limited Partners	General Partners	Total
Balance at March 31, 2010	\$ (782,420)	\$ 2,449	\$ (779,971)	\$ (1,028,499)	\$ (6,627)	\$ (1,035,126)
Net Income (Loss)	105,940	1,069	107,009	(59,764)	(604)	(60,368)
Distributions	(157,948)	-	(157,948)	-	-	-
Balance at September 30, 2010	<u>\$ (834,428)</u>	<u>\$ 3,518</u>	<u>\$ (830,910)</u>	<u>\$ (1,088,263)</u>	<u>\$ (7,231)</u>	<u>\$ (1,095,494)</u>
Balance at March 31, 2011	\$ (854,401)	\$ 7,184	\$ (847,217)	\$ (1,125,775)	\$ (3,569)	\$ (1,129,344)
Net Income (Loss)	75,172	760	75,932	(45,348)	3,726	(41,622)
Distributions	(120,876)	-	(120,876)	(19,875)	-	(19,875)
Balance at September 30, 2011	<u>\$ (900,105)</u>	<u>\$ 7,944</u>	<u>\$ (892,161)</u>	<u>\$ (1,190,998)</u>	<u>\$ 157</u>	<u>\$ (1,190,841)</u>

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	SERIES 9			SERIES 10		
	Limited Partners	General Partners	Total	Limited Partners	General Partners	Total
Balance at March 31, 2010	\$ (552,816)	\$ (50,873)	\$ (603,689)	\$ 40,732	\$ (34,113)	\$ 6,619
Net Loss	(34,895)	(352)	(35,247)	(42,531)	(430)	(42,961)
Balance at September 30, 2010	<u>\$ (587,711)</u>	<u>\$ (51,225)</u>	<u>\$ (638,936)</u>	<u>\$ (1,799)</u>	<u>\$ (34,543)</u>	<u>\$ (36,342)</u>
Balance at March 31, 2011	\$ (651,966)	\$ (6,390)	\$ (658,356)	\$ (23,468)	\$ (32,742)	\$ (56,210)
Net Income (Loss)	18,222	6,890	25,112	(43,592)	25,704	(17,888)
Distributions	(56,718)	-	(56,718)	(26,145)	-	(26,145)
Balance at September 30, 2011	<u>\$ (690,462)</u>	<u>\$ 500</u>	<u>\$ (689,962)</u>	<u>\$ (93,205)</u>	<u>\$ (7,038)</u>	<u>\$ (100,243)</u>

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	SERIES 11			TOTAL SERIES 7 - 11		
	Limited Partners	General Partners	Total	Limited Partners	General Partners	Total
Balance at March 31, 2010	\$ 543,134	\$ (40,969)	\$ 502,165	\$ (1,779,869)	\$ (130,133)	\$ (1,910,002)
Net Loss	(154,148)	(1,557)	(155,705)	(185,398)	(1,874)	(187,272)
Distributions	-	-	-	(157,948)	-	(157,948)
Balance at September 30, 2010	<u>\$ 388,986</u>	<u>\$ (42,526)</u>	<u>\$ 346,460</u>	<u>\$ (2,123,215)</u>	<u>\$ (132,007)</u>	<u>\$ (2,255,222)</u>
Balance at March 31, 2011	\$ 330,500	\$ 831	\$ 331,331	\$ (2,325,110)	\$ (34,686)	\$ (2,359,796)
Net Income	25,365	256	25,621	29,819	37,336	67,155
Distributions	(99,770)	-	(99,770)	(323,384)	-	(323,384)
Balance at September 30, 2011	<u>\$ 256,095</u>	<u>\$ 1,087</u>	<u>\$ 257,182</u>	<u>\$ (2,618,675)</u>	<u>\$ 2,650</u>	<u>\$ (2,616,025)</u>

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	<u>SERIES 7</u>		<u>SERIES 8</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:				
Net Income (Loss)	\$ 75,932	\$ 107,009	\$ (41,622)	\$ (60,368)
Adjustments to Reconcile Net Income (Loss)				
to Net Cash Used in Operating Activities:				
Amortization	-	146	-	-
Equity in Loss of Project Partnerships	-	288	-	-
Gain on Sale of Project Partnerships	(120,876)	(157,948)	(19,875)	-
Distribution Income	(8,047)	(6,489)	(8,762)	(7,446)
Changes in Operating Assets and Liabilities:				
Increase (Decrease) in Payable to General Partners	20,414	(23,811)	(64,511)	49,750
Net Cash Used in Operating Activities	(32,577)	(80,805)	(134,770)	(18,064)
Cash Flows from Investing Activities:				
Distributions Received from Project Partnerships	8,047	5,650	8,762	7,446
Net Proceeds from Sale of Project Partnerships	120,876	157,948	19,875	-
Net Cash Provided by Investing Activities	128,923	163,598	28,637	7,446
Increase (Decrease) in Cash and Cash Equivalents	96,346	82,793	(106,133)	(10,618)
Cash and Cash Equivalents at Beginning of Year	770,297	209,702	231,397	238,988
Cash and Cash Equivalents at End of Period	\$ 866,643	\$ 292,495	\$ 125,264	\$ 228,370
Supplemental disclosure of non-cash activities:				
Increase in Distribution Payable	\$ 120,876	\$ 157,948	\$ 19,875	\$ -
Distribution to Assignees	(120,876)	(157,948)	(19,875)	-
	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	SERIES 9		SERIES 10	
	2011	2010	2011	2010
Cash Flows from Operating Activities:				
Net Income (Loss)	\$ 25,112	\$ (35,247)	\$ (17,888)	\$ (42,961)
Adjustments to Reconcile Net Income (Loss)				
to Net Cash Used in Operating Activities:				
Equity in Loss of Project Partnerships	-	-	17,368	18,150
Gain on Sale of Project Partnerships	(56,718)	-	(26,145)	-
Distribution Income	(10,275)	(5,652)	(4,649)	(4,439)
Changes in Operating Assets and Liabilities:				
Increase (Decrease) in Payable to General Partners	8,534	33,640	(9,235)	9,419
Net Cash Used in Operating Activities	(33,347)	(7,259)	(40,549)	(19,831)
Cash Flows from Investing Activities:				
Distributions Received from Project Partnerships	10,275	5,651	10,098	10,590
Net Proceeds from Sale of Project Partnerships	56,718	-	26,145	-
Net Cash Provided by Investing Activities	66,993	5,651	36,243	10,590
Increase (Decrease) in Cash and Cash Equivalents	33,646	(1,608)	(4,306)	(9,241)
Cash and Cash Equivalents at Beginning of Year	142,196	96,912	153,660	153,638
Cash and Cash Equivalents at End of Period	\$ 175,842	\$ 95,304	\$ 149,354	\$ 144,397
Supplemental disclosure of non-cash activities:				
Increase in Distribution Payable	\$ 56,718	\$ -	\$ 26,145	\$ -
Distribution to Assignees	(56,718)	-	(26,145)	-
Increase in Receivable - Other	-	44,256	-	-
Increase in Deferred Gain on Sale of Project Partnerships	-	(43,030)	-	-
Decrease in Payable to General Partners	-	(1,226)	-	-
	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011 AND 2010  
(Unaudited)

	<u>SERIES 11</u>		<u>TOTAL SERIES 7 - 11</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:				
Net Income (Loss)	\$ 25,621	\$ (155,705)	\$ 67,155	\$ (187,272)
Adjustments to Reconcile Net Income (Loss)				
to Net Cash Used in Operating Activities:				
Amortization	-	-	-	146
Equity in Loss of Project Partnerships	47,868	110,312	65,236	128,750
Gain on Sale of Project Partnerships	(99,770)	-	(323,384)	(157,948)
Distribution Income	(2,982)	(2,982)	(34,715)	(27,008)
Changes in Operating Assets and Liabilities:				
Increase (Decrease) in Payable to General Partners	11,581	13,374	(33,217)	82,372
Net Cash Used in Operating Activities	(17,682)	(35,001)	(258,925)	(160,960)
Cash Flows from Investing Activities:				
Distributions Received from Project Partnerships	2,982	7,822	40,164	37,159
Net Proceeds from Sale of Project Partnerships	99,770	-	323,384	157,948
Net Cash Provided by Investing Activities	102,752	7,822	363,548	195,107
Increase (Decrease) in Cash and Cash Equivalents	85,070	(27,179)	104,623	34,147
Cash and Cash Equivalents at Beginning of Year	356,285	209,968	1,653,835	909,208
Cash and Cash Equivalents at End of Period	\$ 441,355	\$ 182,789	\$ 1,758,458	\$ 943,355
Supplemental disclosure of non-cash activities:				
Increase in Distribution Payable	\$ 99,770	\$ -	\$ 323,384	\$ 157,948
Distribution to Assignees	(99,770)	-	(323,384)	(157,948)
Increase in Receivable - Other	-	-	-	44,256
Increase in Deferred Gain on Sale of Project Partnerships	-	-	-	(43,030)
Decrease in Payable to General Partners	-	-	-	(1,226)
	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

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

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2011  
(Unaudited)

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 ("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 September 30, 2011, 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 and collectively the General Partners.

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

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting

Gateway utilizes the 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 loss 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,
- 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 loss of the Project Partnerships,
  - 2) Decreased for cash distributions received from the Project Partnerships,
  - 3) Decreased for the amortization of the acquisition fees and expenses,
  - 4) Increased for loans or advances made to the Project Partnerships by Gateway,
  - 5) Decreased, where appropriate, for impairment.
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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 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. In accordance with GAAP, once the net investment in a Project Partnership is reduced to zero, receivables due from the Project Partnership are decreased by Gateway's share of Project Partnership losses. 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 remaining low-income housing tax credits and other tax benefits is less than the carrying amount of the investment, Gateway recognizes an impairment loss. As part of its analysis, Gateway has historically considered the residual value of the Project Partnerships as one key component of its estimate of future cash flows. Gateway is continuing to execute its process of disposition of its interest in Project Partnerships that have reached the end of their Tax Credit compliance period, refer to Note 5 - Summary of Disposition Activities for the most recent update of those on-going activities. No impairment expense was recognized during each of the six month periods ended September 30, 2011 or 2010.

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. However, Gateway does not guarantee any of the mortgages or other debt of the Project Partnerships. No such funding to Project Partnerships occurred during each of the six month periods ended September 30, 2011 or 2010.

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.

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.

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. Gateway files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. Gateway is no longer subject to U.S. federal examination by tax authorities for years prior to calendar year 2008. The income tax returns subject to state examination by tax authorities are generally consistent with the federal period.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Distribution Payable

Distribution payable consists of amounts received as net sales proceeds. These amounts, net of the applicable state tax withholding, are due and payable to the Assignees and will be distributed at such time that state tax withholding liabilities have been settled.

State Tax Withholding

Certain state tax jurisdictions impose a capital gains tax on the taxable gains associated with the sale of investments in partnerships. As General Partner of Gateway, it is Gateway's obligation to calculate and withhold the applicable state taxes that are payable by the Partners of Gateway when Project Partnerships are sold or otherwise disposed by Gateway. In most cases, the state taxes are due regardless if proceeds are received from the sale of Project Partnerships. Therefore, Gateway has estimated the withholding taxes payable and the amount is included in Distribution Payable on the Balance Sheet.

Variable Interest Entities

In June 2009, the FASB issued new consolidation guidance applicable to variable interest entities. Gateway adopted this new guidance as of April 1, 2010. The adoption of this new guidance had no impact on Gateway's financial statements.

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 power to direct the activities of the entity that most significantly affect its economic performance, (ii) the obligation to absorb the expected losses or the right to receive the expected benefits 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. GAAP requires a VIE to be consolidated in the financial statements of the entity that is determined to be the primary beneficiary of the VIE. Determination of the primary beneficiary of each VIE requires judgment and is based on an analysis of control of the entity and economic factors. A VIE would be required to be consolidated if it has (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits that could possibly be significant to the VIE. In the design of Project Partnership VIEs, the overriding concept centers around the premise that the limited partner invests solely for tax attributes associated with the property held by the VIE, while the general partner of the Project Partnership is responsible for overseeing its operations. Based upon its analysis of all the relevant facts and considerations, Gateway has concluded that the general partner of the Project Partnership has the power to direct the activities of the Project Partnership that most significantly impact its economic performance, and the obligation to absorb losses or receive benefits that could be significant to the Project Partnership and therefore, Gateway is not the primary beneficiary.

Gateway holds variable interests in 99 VIEs, which consist of Project Partnerships (Refer to Note 1 - Organization for information about Gateway's involvement in the Project Partnerships). Gateway is not the primary beneficiary of the VIEs. Since its inception, Gateway's maximum exposure to loss as a result of its involvement with unconsolidated VIEs is limited to Gateway's capital contributions to those VIEs, which is approximately \$20,658,852 at September 30, 2011. Over the course of the investment and Tax Credit Cycle, this maximum exposure to loss was offset by actual losses experienced by the Project Partnerships recorded by Gateway in its equity accounting. Accordingly, at the current stage of the investment and Tax Credit Cycle, the carrying value of Gateway's interest in the VIEs has been reduced to \$239,876. Tabular disclosures within Note 4 - Investments in Project Partnerships detail total capital contributions to VIEs, the carrying amount of assets and liabilities related to Gateway's VIEs and the aggregate assets, liabilities and Gateway's exposure to loss from those VIEs. 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. Gateway does not currently intend to provide future financial support to the Project Partnerships.

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NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Preparation

The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the financial statements and notes thereto included with Gateway's report on Form 10-K for the year ended March 31, 2011. In the opinion of management, these financial statements include adjustments, consisting only of normal recurring adjustments, necessary to fairly summarize Gateway's financial position and results of operations. The results of operations for the periods may not be indicative of the results to be expected for the year.

NOTE 3 - RELATED PARTY TRANSACTIONS:

The Payable to General Partners primarily represents the asset management fees and general and administrative expenses owed to the General Partners at the end of the period. It is unsecured, due on demand and, in accordance with the 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 (see further discussion in Note 4).

For the six months ended September 30, 2011 and 2010, 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 Statements of Operations.

	2011	2010
Series 7	\$ 23,490	\$ 30,131
Series 8	39,806	40,233
Series 9	21,344	23,169
Series 10	15,626	15,626
Series 11	13,590	13,944
Total	<u>\$ 113,856</u>	<u>\$ 123,103</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 Statements of Operations. During fiscal year 2011, the General Partner ceased further allocations of general and administrative expenses to Gateway.

	2011	2010
Series 7	\$ -	\$ -
Series 8	-	-
Series 9	-	-
Series 10	-	-
Series 11	-	20,774
Total	<u>\$ -</u>	<u>\$ 20,774</u>

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**NOTE 4 - INVESTMENTS IN PROJECT PARTNERSHIPS:**

As of September 30, 2011, Gateway had acquired a 99% interest in the profits, losses, and Tax Credits as a limited partner in Project Partnerships (Series 7 - 20, Series 8 - 39, and Series 9 - 19) which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Project Partnership agreement. Upon dissolution, proceeds will be distributed according to each Project Partnership agreement.

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

	SERIES 7		SERIES 8		SERIES 9	
	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 3,581,298	\$ 4,648,444	\$ 6,793,467	\$ 6,965,669	\$ 3,824,212	\$ 4,599,313
Cumulative equity in losses of Project Partnerships (1) (2)	(3,416,047)	(4,533,144)	(6,704,158)	(6,877,633)	(3,489,505)	(4,242,472)
Cumulative distributions received from Project Partnerships	(146,261)	(177,214)	(179,115)	(179,115)	(124,615)	(164,111)
Investment in Project Partnerships before Adjustment	18,990	(61,914)	(89,806)	(91,079)	210,092	192,730
Excess of investment cost over the underlying assets acquired:						
Acquisition fees and expenses	378,175	496,983	512,354	513,903	174,172	218,681
Accumulated amortization of acquisition fees and expenses	(191,696)	(229,600)	(161,278)	(161,554)	(76,332)	(103,479)
Reserve for Impairment of Investment in Project Partnerships	(205,469)	(205,469)	(261,270)	(261,270)	(307,932)	(307,932)
Investments in Project Partnerships	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$3,857,162 in Series 7, \$8,933,515 in Series 8, and \$3,160,747 in Series 9 for the period ended September 30, 2011; and cumulative suspended losses of \$5,196,366 in Series 7, \$8,784,792 in Series 8, and \$3,506,137 in Series 9 for the year ended March 31, 2011 are not included.

(2) In accordance with Gateway's accounting policy to apply equity in losses of Project Partnerships to receivables from Project Partnerships, \$24,220 in losses are included in Series 8 as of September 30, 2011 and March 31, 2011. (See discussion in Note 2 - Significant Accounting Policies).

**NOTE 4 - INVESTMENTS IN PROJECT PARTNERSHIPS (Continued):**

As of September 30, 2011, Gateway had acquired a 99% interest in the profits, losses, and Tax Credits as a limited partner in Project Partnerships (Series 10 - 13 and Series 11 - 8) which own and operate government assisted multi-family housing complexes. Cash flows from operations are allocated according to each Project Partnership agreement. Upon dissolution, proceeds will be distributed according to each Project Partnership agreement.

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

	SERIES 10		SERIES 11		TOTAL SERIES 7 - 11	
	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011	September 30, 2011	March 31, 2011
Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships	\$ 3,565,393	\$ 3,716,106	\$ 2,894,482	\$ 3,832,294	\$ 20,658,852	\$ 23,761,826
Cumulative equity in losses of Project Partnerships (1)	(2,217,311)	(2,350,831)	(1,130,636)	(2,013,680)	(16,957,657)	(20,017,761)
Cumulative distributions received from Project Partnerships	(242,191)	(241,641)	(173,763)	(203,283)	(865,945)	(965,363)
Investment in Project Partnerships before Adjustment	1,105,891	1,123,634	1,590,083	1,615,331	2,835,250	2,778,702
Excess of investment cost over the underlying assets acquired:						
Acquisition fees and expenses	167,749	174,878	201,455	267,568	1,433,905	1,672,013
Accumulated amortization of acquisition fees and expenses	(145,834)	(147,889)	(170,316)	(200,224)	(745,456)	(842,746)
Reserve for Impairment of Investment in Project Partnerships	(1,085,926)	(1,085,926)	(1,423,226)	(1,436,812)	(3,283,823)	(3,297,409)
Investments in Project Partnerships	\$ 41,880	\$ 64,697	\$ 197,996	\$ 245,863	\$ 239,876	\$ 310,560

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of \$847,360 in Series 10 and \$906,963 in Series 11 for the period ended September 30, 2011; and cumulative suspended losses of \$856,925 in Series 10 and \$1,579,776 in Series 11 for the year ended March 31, 2011 are not included.

NOTE 4 - 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 balance sheets for the Project Partnerships of Series 7 and Series 8 as of June 30 and the respective summarized statements of operations for the six months ended June 30 of each year:

	SERIES 7		SERIES 8 (1)	
	2011	2010	2011	2010
<b>SUMMARIZED BALANCE SHEETS</b>				
<b>Assets:</b>				
Current assets	\$ 2,415,356	\$ 3,450,800	\$ 4,343,699	\$ 4,423,474
Investment properties, net	9,823,472	14,838,861	19,465,307	20,683,891
Other assets	16,048	31,784	76,700	349,988
Total assets	<u>\$ 12,254,876</u>	<u>\$ 18,321,445</u>	<u>\$ 23,885,706</u>	<u>\$ 25,457,353</u>
<b>Liabilities and Partners' Deficit:</b>				
Current liabilities	\$ 551,955	\$ 723,527	\$ 1,379,362	\$ 1,359,919
Long-term debt	15,836,566	23,307,541	32,313,356	33,354,386
Total liabilities	<u>16,388,521</u>	<u>24,031,068</u>	<u>33,692,718</u>	<u>34,714,305</u>
<b>Partners' deficit</b>				
Limited Partner	(3,903,852)	(5,394,428)	(8,971,585)	(8,566,537)
General Partners	(229,793)	(315,195)	(835,427)	(690,415)
Total partners' deficit	<u>(4,133,645)</u>	<u>(5,709,623)</u>	<u>(9,807,012)</u>	<u>(9,256,952)</u>
Total liabilities and partners' deficit	<u>\$ 12,254,876</u>	<u>\$ 18,321,445</u>	<u>\$ 23,885,706</u>	<u>\$ 25,457,353</u>
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>				
Rental and other income	\$ 1,338,771	\$ 1,905,739	\$ 2,675,570	\$ 2,683,210
<b>Expenses:</b>				
Operating expenses	1,096,962	1,517,956	2,067,294	2,009,087
Interest expense	149,049	238,408	333,533	346,293
Depreciation and amortization	311,964	482,563	693,364	698,643
Total expenses	<u>1,557,975</u>	<u>2,238,927</u>	<u>3,094,191</u>	<u>3,054,023</u>
Net loss	<u>\$ (219,204)</u>	<u>\$ (333,188)</u>	<u>\$ (418,621)</u>	<u>\$ (370,813)</u>
Other partners' share of net income (loss)	<u>\$ 11,902</u>	<u>\$ 16,959</u>	<u>\$ 3,447</u>	<u>\$ (983)</u>
Gateway's share of net loss	\$ (231,106)	\$ (350,147)	\$ (422,068)	\$ (369,830)
Suspended losses	231,106	349,859	422,068	369,830
Equity in Loss of Project Partnerships	<u>\$ -</u>	<u>\$ (288)</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 4 - INVESTMENTS IN PROJECT PARTNERSHIPS (Continued):

(1) As discussed in Note 3, an affiliate of the General Partner (Value Partners, Inc.) is the operating general partner in one of the Project Partnerships included in Series 8 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 periods ending June 2011 and June 2010 is as follows:

	June 2011	June 2010
Total Assets	\$ 443,552	\$ 426,600
Total Liabilities	795,376	800,540
Gateway Deficit	(234,477)	(341,551)
Other Partner's Deficit	(117,348)	(32,388)
Total Revenue	66,877	52,905
Net Income (Loss)	\$ 3,149	\$ (5,742)

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NOTE 4 - 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 balance sheets for the Project Partnerships of Series 9 and Series 10 as of June 30 and the respective summarized statements of operations for the six months ended June 30 of each year:

	SERIES 9		SERIES 10	
	2011	2010	2011	2010
<b>SUMMARIZED BALANCE SHEETS</b>				
<b>Assets:</b>				
Current assets	\$ 1,739,878	\$ 2,107,730	\$ 2,125,935	\$ 2,049,308
Investment properties, net	9,682,944	12,701,605	9,788,879	10,167,968
Other assets	47,302	54,435	69,090	42,881
Total assets	<u>\$ 11,470,124</u>	<u>\$ 14,863,770</u>	<u>\$ 11,983,904</u>	<u>\$ 12,260,157</u>
<b>Liabilities and Partners' Deficit:</b>				
Current liabilities	\$ 371,036	\$ 434,354	\$ 473,583	\$ 440,067
Long-term debt	14,513,118	18,083,323	11,850,415	11,952,788
Total liabilities	<u>14,884,154</u>	<u>18,517,677</u>	<u>12,323,998</u>	<u>12,392,855</u>
<b>Partners' (deficit) equity</b>				
Limited Partner	(3,040,658)	(3,221,020)	188,942	(494,217)
General Partners	(373,372)	(432,887)	(529,036)	361,519
Total partners' (deficit) equity	<u>(3,414,030)</u>	<u>(3,653,907)</u>	<u>(340,094)</u>	<u>(132,698)</u>
Total liabilities and partners' deficit	<u>\$ 11,470,124</u>	<u>\$ 14,863,770</u>	<u>\$ 11,983,904</u>	<u>\$ 12,260,157</u>
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>				
Rental and other income	\$ 1,165,716	\$ 1,382,726	\$ 959,747	\$ 941,457
<b>Expenses:</b>				
Operating expenses	870,767	1,113,437	726,167	690,425
Interest expense	137,228	183,646	94,577	97,057
Depreciation and amortization	302,650	362,545	219,811	219,823
Total expenses	<u>1,310,645</u>	<u>1,659,628</u>	<u>1,040,555</u>	<u>1,007,305</u>
Net loss	<u>\$ (144,929)</u>	<u>\$ (276,902)</u>	<u>\$ (80,808)</u>	<u>\$ (65,848)</u>
Other partners' share of net (loss) income	<u>\$ (1,450)</u>	<u>\$ (2,768)</u>	<u>\$ 16,439</u>	<u>\$ 17,571</u>
Gateway's share of net loss	\$ (143,479)	\$ (274,134)	\$ (97,247)	\$ (83,419)
Suspended losses	143,479	274,134	79,879	65,269
Equity in Loss of Project Partnerships	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,368)</u>	<u>\$ (18,150)</u>

NOTE 4 - 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 balance sheets for the Project Partnerships of Series 11 and Total Series 7 - 11 as of June 30 and the respective summarized statements of operations for the six months ended June 30 of each year:

	SERIES 11		TOTAL SERIES 7 - 11	
	2011	2010	2011	2010
<b>SUMMARIZED BALANCE SHEETS</b>				
<b>Assets:</b>				
Current assets	\$ 1,014,176	\$ 1,166,163	\$ 11,639,044	\$ 13,197,475
Investment properties, net	7,194,418	8,768,962	55,955,020	67,161,287
Other assets	222,423	273,316	431,563	752,404
Total assets	<u>\$ 8,431,017</u>	<u>\$ 10,208,441</u>	<u>\$ 68,025,627</u>	<u>\$ 81,111,166</u>
<b>Liabilities and Partners' Deficit:</b>				
Current liabilities	\$ 394,609	\$ 364,783	\$ 3,170,545	\$ 3,322,650
Long-term debt	8,559,153	9,799,866	83,072,608	96,497,904
Total liabilities	<u>8,953,762</u>	<u>10,164,649</u>	<u>86,243,153</u>	<u>99,820,554</u>
<b>Partners' (deficit) equity</b>				
Limited Partner	(64,825)	466,474	(15,791,978)	(17,209,728)
General Partners	(457,920)	(422,682)	(2,425,548)	(1,499,660)
Total partners'(deficit) equity	<u>(522,745)</u>	<u>43,792</u>	<u>(18,217,526)</u>	<u>(18,709,388)</u>
Total liabilities and partners' deficit	<u>\$ 8,431,017</u>	<u>\$ 10,208,441</u>	<u>\$ 68,025,627</u>	<u>\$ 81,111,166</u>
<b>SUMMARIZED STATEMENTS OF OPERATIONS</b>				
Rental and other income	\$ 829,816	\$ 950,673	\$ 6,969,620	\$ 7,863,805
<b>Expenses:</b>				
Operating expenses	633,750	770,223	5,394,941	6,101,128
Interest expense	86,814	104,247	801,201	969,651
Depreciation and amortization	246,310	261,979	1,774,100	2,025,553
Total expenses	<u>966,874</u>	<u>1,136,449</u>	<u>7,970,242</u>	<u>9,096,332</u>
Net loss	<u>\$ (137,058)</u>	<u>\$ (185,776)</u>	<u>\$ (1,000,622)</u>	<u>\$ (1,232,527)</u>
Other partners' share of net (loss) income	<u>\$ (38,865)</u>	<u>\$ (6,220)</u>	<u>\$ (8,529)</u>	<u>\$ 24,559</u>
Gateway's share of net loss	\$ (98,193)	\$ (179,556)	\$ (992,093)	\$ (1,257,086)
Suspended losses	50,325	69,244	926,857	1,128,336
Equity in Loss of Project Partnerships	<u>\$ (47,868)</u>	<u>\$ (110,312)</u>	<u>\$ (65,236)</u>	<u>\$ (128,750)</u>



NOTE 4 - INVESTMENTS IN PROJECT PARTNERSHIPS (Continued):

The aggregate assets, liabilities and exposure to loss from the VIEs in which Gateway holds a variable interest, but has concluded that it is not the primary beneficiary, are provided in the table below (refer to Note 2 for discussion of variable interest entities).

	June 30, 2011			June 30, 2010		
	Aggregate Assets	Aggregate Liabilities	Our Risk Of Loss	Aggregate Assets	Aggregate Liabilities	Our Risk Of Loss
Series 7	\$ 12,254,876	\$ 16,388,521	\$ -	\$ 18,321,445	\$ 24,031,068	\$ 84,423
Series 8	23,885,706	33,692,718	-	25,457,353	34,714,305	-
Series 9	11,470,124	14,884,154	-	14,863,770	18,517,677	-
Series 10	11,983,904	12,323,998	41,880	12,260,157	12,392,855	72,966
Series 11	8,431,017	8,953,762	197,996	10,208,441	10,164,649	296,720
Total	<u>\$ 68,025,627</u>	<u>\$ 86,243,153</u>	<u>\$ 239,876</u>	<u>\$ 81,111,166</u>	<u>\$ 99,820,554</u>	<u>\$ 454,109</u>

NOTE 5 - SUMMARY OF DISPOSITION ACTIVITIES:

Gateway at one time held investments in 133 Project Partnerships (39 in Series 7, 43 in Series 8, 24 in Series 9, 15 in Series 10, and 12 in Series 11). As of September 30, 2011, Gateway has sold its interest in 34 Project Partnerships (19 in Series 7, 4 in Series 8, 5 in Series 9, 2 in Series 10 and 4 in Series 11). A summary of the sale transactions for the Project Partnerships disposed during the current fiscal year-to-date and the previous fiscal year are summarized below.

Fiscal Year 2012 Disposition Activity:

Series 7

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
April 2011	Blue Ridge Elderly Housing	\$ 32,675	\$ 3.14	\$ 32,675
April 2011	Lakeland II	23,875	2.30	23,875
April 2011	Meadow Run Apartments	38,275	3.68	38,275
April 2011	Mount Vernon Rental Housing	19,074	1.83	19,074
August 2011	Cavalry Crossing Apartments	4,977	0.48	4,977
	Other, net (see below)	-	-	2,000
				<u>\$ 120,876</u>

The net proceeds per LP unit from the sale of Blue Ridge Elderly Housing, Lake Lakeland II, Meadow Run Apartments, Mount Vernon Rental Housing and Cavalry Crossing Apartments are a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 7 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$2,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from Project Partnership sale transactions which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 7 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 8

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
April 2011	Cottdale Rental Housing	\$ 19,875	\$ 1.99	\$ 19,875
				<u>\$ 19,875</u>

NOTE 5 - SUMMARY OF DISPOSITION ACTIVITIES:

The net proceeds per LP unit from the sale of Cottdale Rental Housing is a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 8 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 9

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
April 2011	Arbor Trace Apartments Phase I	\$ 19,075	\$ 3.05	\$ 19,075
April 2011	Arbor Trace Apartments Phase II	33,474	5.35	33,474
August 2011	Sycamore Landing	4,169	0.67	4,169
				<u>\$ 56,718</u>

The net proceeds per LP unit from the sale of Arbor Trace Apartment Phase, Arbor Trace Apartments Phase II and Sycamore Landing are a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 9 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 10

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
September 2011	Peachtree Apartments	\$ 26,145	\$ 5.18	\$ 26,145
				<u>\$ 26,145</u>

The net proceeds per LP unit from the sale of Peachtree Apartments is a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 10 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 11

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
August 2011	Parsons Village	\$ 2,681	\$ 0.52	\$ 2,681
September 2011	Mountain Oak Apartments	5,324	1.04	5,324
September 2011	Warsaw Manor Apartments	89,765	17.51	89,765
	Other, net (see below)	-	-	2,000
				<u>\$ 99,770</u>

The net proceeds per LP unit from the sale of Parson Village, Mountain Oak Apartments and Warsaw Manor Apartments are a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 11 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$2,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from Project Partnership sale transactions which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 11 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Fiscal Year 2011 Disposition Activity:

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NOTE 5 - SUMMARY OF DISPOSITION ACTIVITIES (Continued):

Series 7

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
August 2010	Pioneer Apartments, L.P.	\$ 157,948	\$ 15.19	\$ 157,948
December 2010	Lake Village Apartments	65,125	6.27	65,125
December 2010	Savannah Park of Atoka	65,125	6.27	65,125
December 2010	Savannah Park of Coalgate	65,125	6.27	65,125
December 2010	Cardinal Apartments	272,071	26.17	187,362
				<u>\$ 540,685</u>

The net proceeds per LP unit from the sale of Pioneer Apartments, Lake Village Apartments, Savannah Park of Atoka, Savannah Park of Coalgate and Cardinal Apartments are a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 7 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 8

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
	Other, net (see below)	\$ -	\$ -	\$ 4,000
				<u>\$ 4,000</u>

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$4,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from Project Partnership sale transactions which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 8 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 9

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
September 2010	Stilwell Properties III	\$ 43,030	\$ 6.88	\$ 43,030
	Other, net (see below)	-	-	2,000
				<u>\$ 45,030</u>

The net proceeds per LP unit from the sale of Stilwell Properties III is a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 9 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$2,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from a Project Partnership sale transaction which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 9 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 10

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
	Other, net (see below)	\$ -	\$ -	\$ 2,000
				<u>\$ 2,000</u>

NOTE 5 - SUMMARY OF DISPOSITION ACTIVITIES (Continued):

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$2,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from a Project Partnership sale transaction which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 10 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 11

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
December 2010	Cardinal Apartments	\$ 175,667	\$ 34.26	\$ 125,774
				<u>\$ 125,774</u>

The net proceeds per LP unit from the sale of Cardinal Apartments is a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 11 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

NOTE 6 - SIGNIFICANT EQUITY INVESTEEES:

Certain Project Partnerships constitute 20% or more of assets, equity or income (loss) from continuing operations of the respective Series in which they are held ("Significant Project Partnerships"). In accordance with Gateway's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized results of operations as of June 30, 2011 for each Significant Project Partnership:

<u>Series 10</u>		Heatherwood Apartments, Ltd.	Stigler Properties
Rental and other income		\$ 70,582	\$ 44,909
Gross profit		12,527	5,308
Net loss		\$ (8,521)	\$ (9,023)
<u>Series 11</u>		Creekstone Apartments, L.P.	Magnolia Place Apartments, L.P.
Rental and other income		\$ 102,774	\$ 77,661
Gross profit (loss)		10,014	(30)
Net loss		\$ (27,214)	\$ (21,138)

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

The following Management's Discussion and Analysis ("MD&A") is intended to help the reader understand the results of operations and financial condition of Gateway. The MD&A is provided as a supplement to, and should be read in conjunction with the financial statements and accompanying footnotes to the financial statements 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 have been implemented by Gateway and other provisions will be implemented by Gateway in subsequent years.

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.

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

Results of Operations

As more fully detailed in the Exit Strategy discussion included within this MD&A, all of the Project Partnerships have delivered their Tax Credits to Gateway and the Tax Credit compliance period has expired for all 133 of the Project Partnerships initially held. Gateway is in the process of selling or disposing of its interests in Project Partnerships that have reached the end of their Tax Credit compliance period. Net proceeds received from the sales are in turn distributed to the Limited Partners. Once all Project Partnership interests have been sold or otherwise disposed of, Gateway will be liquidated. The target date for liquidation of Gateway is on or before December 31, 2012, although there is no certainty, and it may not even be considered likely at this time, that all the activities necessary to occur as of such date will have transpired.

Distribution income arises from any cash distributions received from Project Partnerships which have a zero investment balance for financial reporting purposes. Distribution income increased \$7,707 from \$27,008 for the six months ended September 30, 2010 to \$34,715 for the six months ended September 30, 2011. The increase in distribution income for the period ended September 30, 2011 results primarily from an increase of gross distributions received from Project Partnerships. The gross distributions received from Project Partnerships increased from \$37,159 for the six month period ended September 30, 2010 to \$40,164 for the same period ended in 2011.

Total expenses of Gateway were \$225,806 for the six months ended September 30, 2011, a decrease of \$17,726 as compared to the six months ended September 30, 2010 total expenses of \$243,532. The decrease results primarily from decreases in asset management fees and general and administrative expenses - General Partner due to sales of Project Partnerships (Gateway ceases accruing Asset Management Fees and General and Administrative expenses - General Partner for sold Project Partnerships) along with the cessation of accruals for general and administrative expenses - General Partner in Series 8 beginning in fiscal year 2010, and Series 7, Series 9, Series 10, and Series 11 beginning in fiscal year 2011.

Equity in Loss of Project Partnerships decreased from \$128,750 for the six months ended September 30, 2010 to \$65,236 for the six months ended September 30, 2011 because of a decrease in the losses from Project Partnerships with positive investment balances. Because Gateway utilizes the equity method of accounting to account for its investment in Project Partnerships, income or losses from Project Partnerships with a zero investment balance are not recognized in the Statement of Operations. For the six months ended June 30, 2011 (Project Partnership financial information is on a three-month lag), Gateway's share of the net loss was \$992,093, of which \$926,857 was suspended. For the six months ended June 30, 2010, Gateway's share of the net loss was \$1,257,086, of which \$1,128,336 was suspended.

Gain on Sale of Project Partnerships increased from \$157,948 for the six months ended September 30, 2010 to \$323,384 for the six months ended September 30, 2011. As more fully discussed within this MD&A, six Project Partnership investments were sold during the second quarter of fiscal year 2012 as compared to the second quarter of fiscal year 2011 when two Project Partnership investments were sold. The amount of the gain or loss from the sale of a Project Partnership and the period in which it is recognized on the Statement of Operations is dependent upon the specifics related to each sale or disposition transaction. Refer to the discussion of each Project Partnership sold in the Exit Strategy section within this MD&A.

Interest income increased \$45 from \$53 for the six months ended September 30, 2010 to \$98 for the six months ended September 30, 2011. The change in interest income results from the fluctuation of interest rates on short-term investments over this period, along with an increase in Cash and Cash Equivalents over the same period. Interest income is generally one source of funds available to pay administrative costs of Gateway.

Liquidity and Capital Resources

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

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

The sources of funds to pay the expenses of Gateway are cash and cash equivalents and cash distributed to the Series from the operations of the Project Partnerships. Due to the rent limitations applicable to the Project Partnerships as a result of their qualifying for Tax Credits, Gateway does not expect there to be a significant increases in future rental income of the Project Partnerships. Therefore, cash distributions from the operations of the Project Partnerships are not expected to increase. However, operational factors of the Project Partnerships and the timing of distributions contribute to fluctuations of distributions from period to period and year to year. 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.

In total, Gateway reported net income of \$67,155 from operations for the six months ended September 30, 2011. Cash and Cash Equivalents increased by \$104,623 during the six months ended September 30, 2011. Of the Cash and Cash Equivalents on hand as of September 30, 2011 and March 31, 2011, \$1,089,323 and \$765,940, respectively, are payable to certain Series' Limited Partners arising from the sale of Project Partnerships. Distributions will occur to those certain Limited Partners in a subsequent quarter, less the applicable state tax withholding.

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. Equity in Loss of Project Partnerships was \$0 for the six months ended September 30, 2011 and \$288 for the six months ended September 30, 2010. For the six months ended June 30, 2011 and 2010, the Project Partnerships generated a loss of \$219,204 and \$333,188 on Rental and other income of \$1,338,771 and \$1,905,739, respectively. Gateway's share of the Project Partnerships' net loss for the six months ended June 30, 2011 and 2010 was \$231,106 and \$350,147, of which \$231,106 and \$349,859 were suspended, respectively. 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 \$311,964 and \$482,563 for the six months ended June 30, 2011 and 2010, respectively. Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At September 30, 2011, the Series had \$866,643 of Cash and Cash Equivalents. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had net income of \$75,932 for the six months ended September 30, 2011. However, after considering the changes in operating assets and liabilities, net cash used in operating activities was \$32,577. Cash provided by investing activities totaled \$128,923 consisting of cash distributions from the Project Partnerships of \$8,047 and Net Proceeds from Sale of Project Partnerships of \$120,876.

Series 8 - Gateway closed this Series on June 28, 1993 after receiving \$9,980,000 from 664 Limited Partner investors. Equity in Loss of Project Partnerships has been \$0 for each of the six month periods ended September 30, 2011 and 2010. For the six months ended June 30, 2011 and 2010, the Project Partnerships generated a loss of \$418,621 and \$370,813 on Rental and other income of \$2,675,570 and \$2,683,210, respectively. Gateway's share of the Project Partnerships' net loss for the six months ended June 30, 2011 and 2010 was \$422,068 and \$369,830, all of which was suspended. 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 \$693,364 and \$698,643 for the six months ended June 30, 2011 and 2010, respectively. Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At September 30, 2011, the Series had \$125,264 of Cash and Cash Equivalents. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$41,622 for the six months ended September 30, 2011. However, after considering the changes in operating assets and liabilities, net cash used in operating activities was \$134,770. Cash provided by investing activities totaled \$28,637 consisting of cash distributions from the Project Partnerships of \$8,762 and Net Proceeds from Sale of Project Partnerships of \$19,875.

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

Series 9 - Gateway closed this Series on September 30, 1993 after receiving \$6,254,000 from 406 Limited Partner investors. Equity in Loss of Project Partnerships has been \$0 for each of the six month periods ended September 30, 2011 and 2010. For the six months ended June 30, 2011 and 2010, the Project Partnerships generated a loss of \$144,929 and \$276,902 on Rental and other income of \$1,165,716 and \$1,382,726, respectively. Gateway's share of the Project Partnerships' net loss for six months ended June 30, 2011 and 2010 was \$143,479 and \$274,134, all of which was suspended. 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 \$302,650 and \$362,545 for the six months ended June 30, 2011 and 2010, respectively. Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At September 30, 2011, the Series had \$175,842 of Cash and Cash Equivalents. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had net income of \$25,112 for the six months ended September 30, 2011. However, after considering the changes in operating assets and liabilities, net cash used in operating activities was \$33,347. Cash provided by investing activities totaled \$66,993 consisting of cash distributions from the Project Partnerships of \$10,275 and Net Proceeds from Sale of Project Partnerships of \$56,718.

Series 10 - Gateway closed this Series on January 21, 1994 after receiving \$5,043,000 from 325 Limited Partner investors. Equity in Loss of Project Partnerships decreased from \$18,150 for the six months ended September 30, 2010 to \$17,368 for the six months ended September 30, 2011. For the six months ended June 30, 2011 and 2010, the Project Partnerships generated a loss of \$80,808 and \$65,848 on Rental and other income of \$959,747 and \$941,457, respectively. Gateway's share of the Project Partnerships' net loss for the six months ended June 30, 2011 and 2010 was \$97,247 and \$83,419, of which \$79,879 and \$65,269 were suspended, respectively. 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 \$219,811 and \$219,823 for the six months ended June 30, 2011 and 2010, respectively. Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At September 30, 2011, the Series had \$149,354 of Cash and Cash Equivalents. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of \$17,888 for the six months ended September 30, 2011. However, after considering the changes in operating assets and liabilities, net cash used in operating activities was \$40,549. Cash provided by investing activities totaled \$36,243 consisting of cash distributions from the Project Partnerships of \$10,098 and Net Proceeds from Sale of Project Partnerships of \$26,145.

Series 11 - Gateway closed this Series on April 29, 1994 after receiving \$5,127,000 from 330 Limited Partner investors. The Equity in Loss of Project Partnerships decreased from \$110,312 for the six months ended September 30, 2010 to \$47,868 for the six months ended September 30, 2011. For the six months ended June 30, 2011 and 2010, the Project Partnerships generated a loss of \$137,058 and \$185,776 on Rental and other income of \$829,816 and \$950,673, respectively. Gateway's share of the Project Partnerships' net loss for the six months ended June 30, 2011 and 2010 was \$98,193 and \$179,556, of which \$50,325 and \$69,244 were suspended, respectively. 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 \$246,310 and \$261,979 for the six months ended June 30, 2011 and 2010, respectively. Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At September 30, 2011, the Series had \$441,355 of Cash and Cash Equivalents. Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future and to pay part of the Asset Management Fee.

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

As disclosed on the statement of cash flows, the Series had net income of \$25,621 for the six months ended September 30, 2011. However, after considering the changes in operating assets and liabilities, net cash used in operating activities was \$17,682. Cash provided by investing activities totaled \$102,752 consisting of cash distributions from the Project Partnerships of \$2,982 and Net Proceeds from Sale of Project Partnerships of \$99,770.

Critical Accounting Estimates

Gateway reviews its investments in Project Partnerships to determine if there has been any permanent impairment whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. If the sum of the expected future cash flows is less than the carrying amount of the investment, Gateway recognizes an impairment loss. No impairment expense was recognized during each of the six-month periods ended September 30, 2011 and 2010.

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. When Project Partnerships reach the end of their Tax Credit compliance period, Gateway initiates the 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. Generally, the market for Project Partnerships is limited. Some of the factors which negatively impact the marketability of these projects include (1) requirements by government agencies or the project's debt holder to continue to maintain the property in the low-income housing program, and (2) the mortgage balance of the property is very near the initial balance as a result of the heavily subsidized debt of the Project Partnerships and lengthy (usually 50 year) amortization periods.

As of September 30, 2011, Gateway holds a limited partner interest in 99 Project Partnerships which own and operate government assisted multi-family housing complexes. Gateway at one time held investments in 133 Project Partnerships. As of December 31, 2010, all of the Project Partnerships had reached the end of their Tax Credit compliance period. As of September 30, 2011, 34 of the Project Partnerships have been sold (19 in Series 7, 4 in Series 8, 5 in Series 9, 2 in Series 10 and 4 in Series 11) and, in accordance with the Gateway partnership agreement, the entire net proceeds received from these sales either have been or will be distributed to the Limited Partners of the respective Series. A summary of the sale transactions for the Project Partnerships disposed during the current fiscal year-to-date and the previous fiscal year are summarized below.

Fiscal Year 2012 Disposition Activity:

Series 7

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
April 2011	Blue Ridge Elderly Housing	\$ 32,675	\$ 3.14	\$ 32,675
April 2011	Lakeland II	23,875	2.30	23,875
April 2011	Meadow Run Apartments	38,275	3.68	38,275
April 2011	Mount Vernon Rental Housing	19,074	1.83	19,074
August 2011	Cavalry Crossing Apartments	4,977	0.48	4,977
	Other, net (see below)	-	-	2,000
				<u>\$ 120,876</u>

The net proceeds per LP unit from the sale of Blue Ridge Elderly Housing, Lake Lakeland II, Meadow Run Apartments, Mount Vernon Rental Housing and Cavalry Crossing Apartments are a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 7 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$2,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from Project Partnership sale transactions which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 7 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.



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

Series 8

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
April 2011	Cottdale Rental Housing	\$ 19,875	\$ 1.99	\$ 19,875
				\$ 19,875

The net proceeds per LP unit from the sale of Cottdale Rental Housing is a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 8 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 9

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
April 2011	Arbor Trace Apartments Phase I	\$ 19,075	\$ 3.05	\$ 19,075
April 2011	Arbor Trace Apartments Phase II	33,474	5.35	33,474
August 2011	Sycamore Landing	4,169	0.67	4,169
				\$ 56,718

The net proceeds per LP unit from the sale of Arbor Trace Apartment Phase, Arbor Trace Apartments Phase II and Sycamore Landing are a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 9 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 10

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
September 2011	Peachtree Apartments	\$ 26,145	\$ 5.18	\$ 26,145
				\$ 26,145

The net proceeds per LP unit from the sale of Peachtree Apartments is a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 10 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 11

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
August 2011	Parsons Village	\$ 2,681	\$ 0.52	\$ 2,681
September 2011	Mountain Oak Apartments	5,324	1.04	5,324
September 2011	Warsaw Manor Apartments	89,765	17.51	89,765
	Other, net (see below)	-	-	2,000
				\$ 99,770

The net proceeds per LP unit from the sale of Parson Village, Mountain Oak Apartments and Warsaw Manor Apartments are a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 11 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$2,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from Project Partnership sale transactions which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 11 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

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

Fiscal Year 2011 Disposition Activity:

Series 7

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
August 2010	Pioneer Apartments, L.P.	\$ 157,948	\$ 15.19	\$ 157,948
December 2010	Lake Village Apartments	65,125	6.27	65,125
December 2010	Savannah Park of Atoka	65,125	6.27	65,125
December 2010	Savannah Park of Coalgate	65,125	6.27	65,125
December 2010	Cardinal Apartments	272,071	26.17	187,362
				<u>\$ 540,685</u>

The net proceeds per LP unit from the sale of Pioneer Apartments, Lake Village Apartments, Savannah Park of Atoka, Savannah Park of Coalgate and Cardinal Apartments are a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 7 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 8

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
	Other, net (see below)	\$ -	\$ -	\$ 4,000
				<u>\$ 4,000</u>

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$4,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from Project Partnership sale transactions which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 8 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 9

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
September 2010	Stilwell Properties III	\$ 43,030	\$ 6.88	\$ 43,030
	Other, net (see below)	-	-	2,000
				<u>\$ 45,030</u>

The net proceeds per LP unit from the sale of Stilwell Properties III is a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 9 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$2,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from a Project Partnership sale transaction which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 9 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 10

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
	Other, net (see below)	\$ -	\$ -	\$ 2,000
				<u>\$ 2,000</u>

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

Gateway recognized an additional gain on sale of Project Partnerships in the amount of \$2,000 resulting from the true-up of certain legal and other sale transaction closing expenses arising from a Project Partnership sale transaction which closed in the prior fiscal year. This amount, less the applicable state tax withholding, will be distributed to the Series 10 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Series 11

Transaction Month / Year	Project Partnership	Net Proceeds	Net Proceeds Per LP Unit	Gain on Disposal
December 2010	Cardinal Apartments	\$ 175,667	\$ 34.26	\$ 125,774
				\$ 125,774

The net proceeds per LP unit from the sale of Cardinal Apartments is a component of the Distribution Payable on the Balance Sheet as of September 30, 2011. These net proceeds, less the applicable state tax withholding, will be distributed to the Series 11 Limited Partners in a subsequent period at such time that state withholding tax liabilities have been settled.

Status Update on Unsold Project Partnerships:

The following summarizes the most recent status of the sale/disposal process for the Project Partnership investments held as of September 30, 2011:

Gateway has approved the sale to the general partner of the Project Partnership or a third party:

Series 8

Antlers Properties	Logan Heights, Ltd.
AAA Properties of Bentonville	Meadowview Properties Limited Partnership
Concordia Senior Housing, L.P.	Mountainburg Properties
Kirksville Senior Apartments, Limited Partnership	Wetumka Properties

These approvals are subject to a number of contingencies, the outcome of which cannot be predicted with certainty. However, utilizing the sales amounts as approved by Gateway, should all the transactions close without modification, the estimated net proceeds to Gateway from the sales of these Project Partnerships are estimated to be \$573,000, or \$57.41 per limited partnership unit. Sales proceeds would be available for distribution, less the applicable state tax withholding, to the Series 8 Limited Partners in a period subsequent to the closing of these sales transactions which would most likely occur within the next two years.

Series 9

Abernathy Properties	Jay Properties II
Boxwood Place Properties	Lamar Properties, L.P.

These approvals are subject to a number of contingencies, the outcome of which cannot be predicted with certainty. However, utilizing the sales amounts as approved by Gateway, should all the transactions close without modification, the estimated net proceeds to Gateway from the sales of these Project Partnerships are estimated to be \$260,000, or \$41.57 per limited partnership unit. Sales proceeds would be available for distribution, less the applicable state tax withholding, to the Series 9 Limited Partners in a period subsequent to the closing of these sales transactions which would most likely occur within the next two years.

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

Series 10

Stigler Properties

This approval is subject to a number of contingencies, the outcome of which cannot be predicted with certainty. However, utilizing the sale amount as approved by Gateway, should the transaction close without modification, the estimated net proceeds to Gateway from the sale of this Project Partnership is estimated to be \$54,000, or \$10.71 per limited partnership unit. Sales proceeds would be available for distribution, less the applicable state tax withholding, to the Series 10 Limited Partners in a period subsequent to the closing of this sales transaction which would most likely occur within the next two years.

Item 3. Quantitative and Qualitative Disclosure About Market Risk.

As a smaller reporting company, no information is required.

Item 4. Controls and Procedures.

Not applicable to this report.

Item 4T. Controls and Procedures.

Disclosure controls are procedures designed to ensure that information required to be disclosed in Gateway's reports filed under the Exchange Act, such as this report, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls are also designed to ensure that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable, not absolute, assurance of achieving the desired control objectives, as Gateway's are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision and with the participation of the Managing General Partner's management, including the Chief Executive Officer and Chief Financial Officer, Gateway has evaluated the effectiveness of its disclosure controls and procedures applicable to each of the Series as well as to the total partnership pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures applicable to each of the Series as well as to the total partnership are effective. There were no changes in Gateway's internal control over financial reporting during the six months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, Gateway's internal control over financial reporting.

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.

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PART II - Other Information

Item 1. Legal Proceedings.

Not applicable to this report.

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

Not applicable to this report.

Item 3. Defaults upon Senior Securities.

Not applicable to this report.

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

Not applicable to this report.

Item 5. Other Information.

Not applicable to this report.

Item 6. Exhibits.

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

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

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

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GATEWAY TAX CREDIT FUND III, LTD.

(A Florida Limited Partnership)

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

Date: November 10, 2011

By: /s/ Ronald M. Diner

Ronald M. Diner  
President

Date: November 10, 2011

By: /s/ Toni S. Matthews

Toni S. Matthews  
Vice President and Chief Financial Officer

**EXHIBIT 31.1**

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

I, Ron Diner, certify that:

1. I have reviewed this Report on Form 10-Q of Gateway Tax Credit Fund III, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2011

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, Toni S. Matthews, certify that:

1. I have reviewed this Report on Form 10-Q of Gateway Tax Credit Fund III, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2011

By: /s/ Toni S. Matthews  
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 Quarterly Report of Form 10-Q of Gateway Tax Credit Fund III, Ltd. for the period ended September 30, 2011 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

Ronald M. Diner

President

Raymond James Tax Credit Funds, Inc.

(the Managing General Partner)

November 10, 2011

/s/ Toni S. Matthews

Toni S. Matthews

Vice President and Chief Financial Officer

Raymond James Tax Credit Funds, Inc.

(the Managing General Partner)

November 10, 2011