UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

# FORM 10-Q

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

For the quarterly period ended December 31, 2009

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<br>(State or other jurisdiction of incorporation or organization) | 59-3090386<br>(IRS Employer No.) |
| 880 Carillon Parkway<br>(Address of principal executive offices) | St. Petersburg, Florida 33716<br>(Zip Code) |
| Registrant’s Telephone Number, Including Area Code: | (727) 567-1000 |

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

YES [X] NO [ ]

Indicate by check mark whether the registrant 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 [X] 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 [ ] | Accelerated filer [ ] |
| Non-accelerated filer [ ] | Smaller Reporting Company [X] |

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

Yes [ ] No [X]

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 | |
|---|---|---|---|---|---|---|
| | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | $ 205,114 | $ 246,867 | $ 232,161 | $ 185,918 | $ 95,860 | $ 124,326 |
| Total Current Assets | 205,114 | 246,867 | 232,161 | 185,918 | 95,860 | 124,326 |
| Investments in Project Partnerships, net | 84,088 | 88,308 | 287 | 15,007 | 5,356 | 9,681 |
| Total Assets | $ 289,202 | $ 335,175 | $ 232,448 | $ 200,925 | $ 101,216 | $ 134,007 |
| LIABILITIES AND PARTNERS' DEFICIT | | | | | | |
| Current Liabilities: | | | | | | |
| Payable to General Partners | $ 81,744 | $ 61,563 | $ 207,430 | $ 171,880 | $ 48,468 | $ 31,416 |
| Distribution Payable | 5,555 | 78 | 385 | 385 | - | - |
| Deferred Gain on Sale of Project Partnerships | - | - | 23,000 | - | 10,000 | - |
| Total Current Liabilities | 87,299 | 61,641 | 230,815 | 172,265 | 58,468 | 31,416 |
| Long-Term Liabilities: | | | | | | |
| Payable to General Partners | 947,998 | 895,972 | 1,013,319 | 948,984 | 612,240 | 575,799 |
| Partners' Equity (Deficit): | | | | | | |
| Limited Partners - 10,395, 9,980, and 6,254 units for Series 7, 8, and 9, respectively, at December 31, 2009 and March 31, 2009 | (748,552) | (568,361) | (982,293) | (891,845) | (508,961) | (413,640) |
| General Partners | 2,457 | (54,077) | (29,393) | (28,479) | (60,531) | (59,568) |
| Total Partners' Deficit | (746,095) | (622,438) | (1,011,686) | (920,324) | (569,492) | (473,208) |
| Total Liabilities and Partners' Deficit | $ 289,202 | $ 335,175 | $ 232,448 | $ 200,925 | $ 101,216 | $ 134,007 |

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 | |
|---|---|---|---|---|---|---|
| | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash and Cash Equivalents | $ 108,923 | $ 121,062 | $ 166,043 | $ 204,816 | $ 808,101 | $ 882,989 |
| Investments in Securities | 40,217 | 38,104 | 43,640 | 41,233 | 83,857 | 79,337 |
| Total Current Assets | 149,140 | 159,166 | 209,683 | 246,049 | 891,958 | 962,326 |
| Investments in Project Partnerships, net | 106,534 | 136,408 | 431,877 | 536,485 | 628,142 | 785,889 |
| Total Assets | $ 255,674 | $ 295,574 | $ 641,560 | $ 782,534 | $ 1,520,100 | $ 1,748,215 |
| LIABILITIES AND PARTNERS' EQUITY (DEFICIT) | | | | | | |
| Current Liabilities: | | | | | | |
| Payable to General Partners | $ 43,653 | $ 32,774 | $ 12,283 | $ 15,049 | $ 393,578 | $ 312,682 |
| Distribution Payable | - | - | - | - | 5,940 | 463 |
| Deferred Gain on Sale of Project Partnerships | 10,000 | - | - | - | 43,000 | - |
| Total Current Liabilities | 53,653 | 32,774 | 12,283 | 15,049 | 442,518 | 313,145 |
| Long-Term Liabilities: | | | | | | |
| Payable to General Partners | 170,955 | 145,887 | 98,133 | 77,040 | 2,842,645 | 2,643,682 |
| Partners' Equity (Deficit): | | | | | | |
| Limited Partners - 5,043 and 5,127 units for Series 10 and 11, respectively, at December 31, 2009 and March 31, 2009 | 74,934 | 159,923 | 571,823 | 729,531 | (1,593,049) | (984,392) |
| General Partners | (43,868) | (43,010) | (40,679) | (39,086) | (172,014) | (224,220) |
| Total Partners' Equity (Deficit) | 31,066 | 116,913 | 531,144 | 690,445 | (1,765,063) | (1,208,612) |
| Total Liabilities and Partners' Equity (Deficit) | $ 255,674 | $ 295,574 | $ 641,560 | $ 782,534 | $ 1,520,100 | $ 1,748,215 |

See accompanying notes to financial statements.

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

STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 7 | | SERIES 8 | | SERIES 9 | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Distribution Income | $ 7,640 | $ 2,656 | $ 3,218 | $ 1,104 | $ 1,959 | $ - |
| Total Revenues | 7,640 | 2,656 | 3,218 | 1,104 | 1,959 | - |
| Expenses: | | | | | | |
| Asset Management Fee - General Partner | 15,162 | 18,729 | 21,445 | 21,572 | 12,147 | 12,210 |
| General and Administrative: | | | | | | |
| General Partner | 21,805 | 26,858 | - | 32,230 | 17,181 | 18,417 |
| Other | 5,812 | 5,546 | 5,761 | 6,482 | 3,906 | 4,070 |
| Amortization | 73 | 1,254 | 289 | 2,769 | 748 | 2,511 |
| Impairment Loss on Investment in Project Partnerships | - | 157,405 | - | 221,243 | - | 173,523 |
| Total Expenses | 42,852 | 209,792 | 27,495 | 284,296 | 33,982 | 210,731 |
| Loss Before Equity in Loss of Project Partnerships and Other Income | (35,212) | (207,136) | (24,277) | (283,192) | (32,023) | (210,731) |
| Equity in Loss of Project Partnerships | - | (23,180) | - | (54,671) | - | (55,828) |
| Gain on Sale of Project Partnerships | - | 43,425 | - | - | - | - |
| Interest Income | 5 | 510 | 5 | 301 | 2 | 943 |
| Net Loss | $ (35,207) | $ (186,381) | $ (24,272) | $ (337,562) | $ (32,021) | $ (265,616) |
| Allocation of Net (Loss) Income: | | | | | | |
| Limited Partners | $ (35,204) | $ (227,508) | $ (24,029) | $ (334,186) | $ (31,701) | $ (262,960) |
| General Partners | (3) | 41,127 | (243) | (3,376) | (320) | (2,656) |
| | $ (35,207) | $ (186,381) | $ (24,272) | $ (337,562) | $ (32,021) | $ (265,616) |
| Net Loss Per Limited Partnership Unit | $ (3.39) | $ (21.89) | $ (2.41) | $ (33.49) | $ (5.07) | $ (42.05) |
| 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 DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 10 | | SERIES 11 | | TOTAL SERIES 7 - 11 | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Distribution Income | $ 1,432 | $ 432 | $ - | $ - | $ 14,249 | $ 4,192 |
| Total Revenues | 1,432 | 432 | - | - | 14,249 | 4,192 |
| Expenses: | | | | | | |
| Asset Management Fee - General Partner | 8,356 | 8,396 | 7,031 | 7,088 | 64,141 | 67,995 |
| General and Administrative: | | | | | | |
| General Partner | 10,639 | 11,511 | 8,722 | 9,208 | 58,347 | 98,224 |
| Other | 2,714 | 2,835 | 2,671 | 3,506 | 20,864 | 22,439 |
| Amortization | 167 | 5,229 | 3,129 | 7,245 | 4,406 | 19,008 |
| Impairment Loss on Investment in Project Partnerships | - | 403,450 | - | 190,666 | - | 1,146,287 |
| Total Expenses | 21,876 | 431,421 | 21,553 | 217,713 | 147,758 | 1,353,953 |
| Loss Before Equity in Loss of Project Partnerships and Other Income | (20,444) | (430,989) | (21,553) | (217,713) | (133,509) | (1,349,761) |
| Equity in Loss of Project Partnerships | (9,856) | (60,034) | (35,127) | (75,870) | (44,983) | (269,583) |
| Gain on Sale of Project Partnerships | - | - | - | - | - | 43,425 |
| Interest Income | 722 | 1,473 | 822 | 1,723 | 1,556 | 4,950 |
| Net Loss | $ (29,578) | $ (489,550) | $ (55,858) | $ (291,860) | $ (176,936) | $ (1,570,969) |
| Allocation of Net (Loss) Income: | | | | | | |
| Limited Partners | $ (29,282) | $ (484,655) | $ (55,299) | $ (288,941) | $ (175,515) | $ (1,598,250) |
| General Partners | (296) | (4,895) | (559) | (2,919) | (1,421) | 27,281 |
| | $ (29,578) | $ (489,550) | $ (55,858) | $ (291,860) | $ (176,936) | $ (1,570,969) |
| Net Loss Per Limited Partnership Unit | $ (5.81) | $ (96.10) | $ (10.79) | $ (56.36) | | |
| 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 OPERATIONS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 7 | | SERIES 8 | | SERIES 9 | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Distribution Income | $ 26,604 | $ 15,147 | $ 16,978 | $ 12,397 | $ 14,812 | $ 4,545 |
| Total Revenues | 26,604 | 15,147 | 16,978 | 12,397 | 14,812 | 4,545 |
| Expenses: | | | | | | |
| Asset Management Fee - General Partner | 52,026 | 61,295 | 64,335 | 64,716 | 36,441 | 36,630 |
| General and Administrative: | | | | | | |
| General Partner | 67,446 | 88,029 | - | 98,757 | 50,385 | 56,432 |
| Other | 30,591 | 34,361 | 31,842 | 37,997 | 21,733 | 24,523 |
| Amortization | 219 | 3,761 | 867 | 8,305 | 2,244 | 7,533 |
| Impairment Loss on Investment in Project Partnerships | - | 183,299 | - | 221,243 | - | 173,523 |
| Total Expenses | 150,282 | 370,745 | 97,044 | 431,018 | 110,803 | 298,641 |
| Loss Before Equity in Income (Loss) of Project Partnerships and Other Income | (123,678) | (355,598) | (80,066) | (418,621) | (95,991) | (294,096) |
| Equity in Income (Loss) of Project Partnerships | - | 707 | (11,312) | (45,239) | (301) | (72,322) |
| Gain on Sale of Project Partnerships | 301,008 | 43,425 | - | - | - | - |
| Interest Income | 21 | 5,805 | 16 | 3,568 | 8 | 4,564 |
| Net Income (Loss) | $ 177,351 | $ (305,661) | $ (91,362) | $ (460,292) | $ (96,284) | $ (361,854) |
| Allocation of Net Income (Loss): | | | | | | |
| Limited Partners | $ 120,817 | $ (345,595) | $ (90,448) | $ (455,689) | $ (95,321) | $ (358,235) |
| General Partners | 56,534 | 39,934 | (914) | (4,603) | (963) | (3,619) |
| | $ 177,351 | $ (305,661) | $ (91,362) | $ (460,292) | $ (96,284) | $ (361,854) |
| Net Income (Loss) Per Limited Partnership Unit | $ 11.62 | $ (33.25) | $ (9.06) | $ (45.66) | $ (15.24) | $ (57.28) |
| 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 NINE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 10 | | SERIES 11 | | TOTAL SERIES 7 - 11 | |
|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenues: | | | | | | |
| Distribution Income | $ 3,944 | $ 5,075 | $ 3,582 | $ 2,182 | $ 65,920 | $ 39,346 |
| Total Revenues | 3,944 | 5,075 | 3,582 | 2,182 | 65,920 | 39,346 |
| Expenses: | | | | | | |
| Asset Management Fee - General Partner | 25,068 | 25,188 | 21,093 | 21,264 | 198,963 | 209,093 |
| General and Administrative: | | | | | | |
| General Partner | 31,392 | 35,270 | 25,324 | 28,216 | 174,547 | 306,704 |
| Other | 15,729 | 16,623 | 15,780 | 16,629 | 115,675 | 130,133 |
| Amortization | 501 | 15,686 | 9,389 | 21,735 | 13,220 | 57,020 |
| Impairment Loss on Investment in Project Partnerships | - | 478,793 | - | 190,666 | - | 1,247,524 |
| Total Expenses | 72,690 | 571,560 | 71,586 | 278,510 | 502,405 | 1,950,474 |
| Loss Before Equity in (Loss) Income of Project Partnerships and Other Income | (68,746) | (566,485) | (68,004) | (276,328) | (436,485) | (1,911,128) |
| Equity in (Loss) Income of Project Partnerships | (19,223) | 1,770 | (93,719) | (102,603) | (124,555) | (217,687) |
| Gain on Sale of Project Partnerships | - | - | - | - | 301,008 | 43,425 |
| Interest Income | 2,122 | 5,685 | 2,422 | 8,091 | 4,589 | 27,713 |
| Net Loss | $ (85,847) | $ (559,030) | $ (159,301) | $ (370,840) | $ (255,443) | $ (2,057,677) |
| Allocation of Net (Loss) Income: | | | | | | |
| Limited Partners | $ (84,989) | $ (553,440) | $ (157,708) | $ (367,132) | $ (307,649) | $ (2,080,091) |
| General Partners | (858) | (5,590) | (1,593) | (3,708) | 52,206 | 22,414 |
| | $ (85,847) | $ (559,030) | $ (159,301) | $ (370,840) | $ (255,443) | $ (2,057,677) |
| Net Loss Per Limited Partnership Unit | $ (16.85) | $ (109.74) | $ (30.76) | $ (71.61) | | |
| 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 NINE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 7 | | | SERIES 8 | | |
|---|---|---|---|---|---|---|
| | Limited Partners | General Partners | Total | Limited Partners | General Partners | Total |
| Balance at March 31, 2008 | $ (136,355) | $ (93,577) | $ (229,932) | $ (378,909) | $ (23,650) | $ (402,559) |
| Net (Loss) Income | (345,595) | 39,934 | (305,661) | (455,689) | (4,603) | (460,292) |
| Distributions | (43,425) | - | (43,425) | - | - | - |
| Balance at December 31, 2008 | $ (525,375) | $ (53,643) | $ (579,018) | $ (834,598) | $ (28,253) | $ (862,851) |
| Balance at March 31, 2009 | $ (568,361) | $ (54,077) | $ (622,438) | $ (891,845) | $ (28,479) | $ (920,324) |
| Net Income (Loss) | 120,817 | 56,534 | 177,351 | (90,448) | (914) | (91,362) |
| Distributions | (301,008) | - | (301,008) | - | - | - |
| Balance at December 31, 2009 | $ (748,552) | $ 2,457 | $ (746,095) | $ (982,293) | $ (29,393) | $ (1,011,686) |

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 9 | | | SERIES 10 | | |
|---|---|---|---|---|---|---|
| | Limited Partners | General Partners | Total | Limited Partners | General Partners | Total |
| Balance at March 31, 2008 | $ (854) | $ (55,398) | $ (56,252) | $ 763,501 | $ (36,913) | $ 726,588 |
| Net Loss | (358,235) | (3,619) | (361,854) | (553,440) | (5,590) | (559,030) |
| Balance at December 31, 2008 | $ (359,089) | $ (59,017) | $ (418,106) | $ 210,061 | $ (42,503) | $ 167,558 |
| Balance at March 31, 2009 | $ (413,640) | $ (59,568) | $ (473,208) | $ 159,923 | $ (43,010) | $ 116,913 |
| Net Loss | (95,321) | (963) | (96,284) | (84,989) | (858) | (85,847) |
| Balance at December 31, 2009 | $ (508,961) | $ (60,531) | $ (569,492) | $ 74,934 | $ (43,868) | $ 31,066 |

See accompanying notes to financial statements.

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

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)
FOR THE NINE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 11 | | | TOTAL SERIES 7 - 11 | | |
|---|---|---|---|---|---|---|
| | Limited Partners | General Partners | Total | Limited Partners | General Partners | Total |
| Balance at March 31, 2008 | $ 1,192,925 | $ (34,405) | $ 1,158,520 | $ 1,440,308 | $ (243,943) | $ 1,196,365 |
| Net Loss | (367,132) | (3,708) | (370,840) | (2,080,091) | 22,414 | (2,057,677) |
| Distributions | - | - | - | (43,425) | - | (43,425) |
| Balance at December 31, 2008 | $ 825,793 | $ (38,113) | $ 787,680 | $ (683,208) | $ (221,529) | $ (904,737) |
| Balance at March 31, 2009 | $ 729,531 | $ (39,086) | $ 690,445 | $ (984,392) | $ (224,220) | $ (1,208,612) |
| Net (Loss) Income | (157,708) | (1,593) | (159,301) | (307,649) | 52,206 | (255,443) |
| Distributions | - | - | - | (301,008) | - | (301,008) |
| Balance at December 31, 2009 | $ 571,823 | $ (40,679) | $ 531,144 | $ (1,593,049) | $ (172,014) | $ (1,765,063) |

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 7 | | SERIES 8 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Cash Flows from Operating Activities: | | | | |
| Net Income (Loss) | $ 177,351 | $ (305,661) | $ (91,362) | $ (460,292) |
| Adjustments to Reconcile Net Income (Loss) to Net Cash (Used in) Provided by Operating Activities: | | | | |
| Amortization | 219 | 3,761 | 867 | 8,305 |
| Impairment Loss on Investment in Project Partnerships | - | 183,299 | - | 221,243 |
| Discount on Investment in Securities | - | (1,519) | - | (768) |
| Equity in (Income) Loss of Project Partnerships | - | (707) | 11,312 | 45,239 |
| Gain on Sale of Project Partnerships | (301,008) | (43,425) | - | - |
| Distribution Income | (26,604) | (15,147) | (16,978) | (12,397) |
| Changes in Operating Assets and Liabilities: | | | | |
| Decrease in Interest Receivable | - | 2,577 | - | 966 |
| Decrease in Receivable - Other | - | 696 | - | - |
| Increase in Payable to General Partners | 72,207 | 54,294 | 99,885 | 100,818 |
| Net Cash (Used in) Provided by Operating Activities | (77,835) | (121,832) | 3,724 | (96,886) |
| Cash Flows from Investing Activities: | | | | |
| Distributions Received from Project Partnerships | 30,604 | 21,166 | 19,519 | 12,868 |
| Net Proceeds from Sale of Project Partnerships | 301,008 | 43,425 | 23,000 | - |
| Redemption of Investment Securities | - | 200,000 | - | 75,000 |
| Purchase of Investment Securities | - | (160,337) | - | (80,169) |
| Net Cash Provided by Investing Activities | 331,612 | 104,254 | 42,519 | 7,699 |
| Cash Flows from Financing Activities: | | | | |
| Distributions Paid to Limited Partners | (295,530) | (43,347) | - | (67,964) |
| Net Cash Used in Financing Activities | (295,530) | (43,347) | - | (67,964) |
| (Decrease) Increase in Cash and Cash Equivalents | (41,753) | (60,925) | 46,243 | (157,151) |
| Cash and Cash Equivalents at Beginning of Year | 246,867 | 162,586 | 185,918 | 252,598 |
| Cash and Cash Equivalents at End of Period | $ 205,114 | $ 101,661 | $ 232,161 | $ 95,447 |

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 9 | | SERIES 10 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Cash Flows from Operating Activities: | | | | |
| Net Loss | $ (96,284) | $ (361,854) | $ (85,847) | $ (559,030) |
| Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities: | | | | |
| Amortization | 2,244 | 7,533 | 501 | 15,686 |
| Impairment Loss on Investment in Project Partnerships | - | 173,523 | - | 478,793 |
| Accreted Interest Income on Investment in Securities | - | (2,172) | (2,113) | (3,855) |
| Discount on Investment in Securities | - | (308) | - | (472) |
| Equity in Loss (Income) of Project Partnerships | 301 | 72,322 | 19,223 | (1,770) |
| Distribution Income | (14,812) | (4,545) | (3,944) | (5,075) |
| Changes in Operating Assets and Liabilities: | | | | |
| Decrease in Interest Receivable | - | 1,288 | - | 644 |
| Increase in Payable to General Partners | 53,493 | 32,948 | 35,947 | 22,546 |
| Net Cash Used in Operating Activities | (55,058) | (81,265) | (36,233) | (52,533) |
| Cash Flows from Investing Activities: | | | | |
| Distributions Received from Project Partnerships | 16,592 | 7,128 | 14,094 | 14,193 |
| Net Proceeds from Sale of Project Partnerships | 10,000 | - | 10,000 | - |
| Redemption of Investment Securities | - | 100,000 | - | 50,000 |
| Purchase of Investment Securities | - | (34,641) | - | (49,487) |
| Net Cash Provided by Investing Activities | 26,592 | 72,487 | 24,094 | 14,706 |
| Decrease in Cash and Cash Equivalents | (28,466) | (8,778) | (12,139) | (37,827) |
| Cash and Cash Equivalents at Beginning of Year | 124,326 | 64,247 | 121,062 | 79,049 |
| Cash and Cash Equivalents at End of Period | $ 95,860 | $ 55,469 | $ 108,923 | $ 41,222 |

See accompanying notes to financial statements.

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

STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED DECEMBER 31, 2009 AND 2008
(Unaudited)

| | SERIES 11 | | TOTAL SERIES 7 - 11 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| Cash Flows from Operating Activities: | | | | |
| Net Loss | $ (159,301) | $ (370,840) | $ (255,443) | $ (2,057,677) |
| Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities: | | | | |
| Amortization | 9,389 | 21,735 | 13,220 | 57,020 |
| Impairment Loss on Investment in Project Partnerships | - | 190,666 | - | 1,247,524 |
| Accreted Interest Income on Investment in Securities | (2,407) | (4,517) | (4,520) | (10,544) |
| Discount on Investment in Securities | - | (1,242) | - | (4,309) |
| Equity in Loss of Project Partnerships | 93,719 | 102,603 | 124,555 | 217,687 |
| Gain on Sale of Project Partnerships | - | - | (301,008) | (43,425) |
| Distribution Income | (3,582) | (2,182) | (65,920) | (39,346) |
| Changes in Operating Assets and Liabilities: | | | | |
| Decrease in Interest Receivable | - | 1,610 | - | 7,085 |
| Decrease in Receivable - Other | - | - | - | 696 |
| Increase in Payable to General Partners | 18,327 | 21,339 | 279,859 | 231,945 |
| Net Cash Used in Operating Activities | (43,855) | (40,828) | (209,257) | (393,344) |
| Cash Flows from Investing Activities: | | | | |
| Distributions Received from Project Partnerships | 5,082 | 4,667 | 85,891 | 60,022 |
| Net Proceeds from Sale of Project Partnerships | - | - | 344,008 | 43,425 |
| Redemption of Investment Securities | - | 125,000 | - | 550,000 |
| Purchase of Investment Securities | - | (129,655) | - | (454,289) |
| Net Cash Provided by Investing Activities | 5,082 | 12 | 429,899 | 199,158 |
| Cash Flows from Financing Activities: | | | | |
| Distributions Paid to Limited Partners | - | - | (295,530) | (111,311) |
| Net Cash Used in Financing Activities | - | - | (295,530) | (111,311) |
| Decrease in Cash and Cash Equivalents | (38,773) | (40,816) | (74,888) | (305,497) |
| Cash and Cash Equivalents at Beginning of Year | 204,816 | 81,179 | 882,989 | 639,659 |
| Cash and Cash Equivalents at End of Period | $ 166,043 | $ 40,363 | $ 808,101 | $ 334,162 |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(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 December 31, 2009, 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.

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 future cash flows 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. During the quarter ended December 31, 2008, as a direct result of the deterioration that occurred within the United States financial markets and more specifically, its negative impact on the Tax Credit market, Gateway concluded that any residual value of the Project Partnerships given the Tax Credit market conditions could not be practicably determined. As a result, Gateway eliminated estimates of residual value of the Project Partnerships from the recoverability portion of its impairment analysis. Accordingly, in the quarter ended December 31, 2008, impairment expense of $1,146,287 was recognized in the Statement of Operations, comprised of $157,405 in Series 7, $221,243 in Series 8, $173,523 in Series 9, $403,450 in Series 10, and $190,666 in Series 11. Impairment expense for the year ended March 31, 2009 totaled $1,340,110, comprised of $183,299 in Series 7, $221,243 in Series 8, $180,400 in Series 9, $506,918 in Series 10, and $248,250 in Series 11. Refer to Note 5 – Investments in Project Partnerships for further details regarding the components of the Investments in Project Partnerships balance. 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 6 – Summary of Disposition Activities for the most recent update of those on-going activities. No impairment expense was recognized during the nine-month period ended December 31, 2009. Impairment expense for the nine months ended December 31, 2008 totaled $1,247,524, comprised of $183,299 in Series 7, $221,243 in Series 8, $173,523 in Series 9, $478,793 in Series 10, and $190,666 in Series 11.

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 nine-month periods ended December 31, 2009 and 2008.

Cash and Cash Equivalents

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

Concentrations of Credit Risk

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

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investment in Securities

Gateway is required under GAAP to categorize its debt securities as held-to-maturity, available-for-sale or trading securities, dependent upon Gateway's intent in holding the securities. Gateway's intent is to hold all of its debt securities (U.S. Treasury Security Strips) until maturity and to use these investments to fund Gateway's ongoing operations. Interest income is recognized ratably on the U.S. Treasury Security Strips using the effective yield to maturity. The U.S. Treasury Security Strips are carried at amortized cost, which approximates market value, and are adjusted for amortization of premiums and accretion of discounts to maturity. Such adjustments are included in Interest Income.

Income Taxes

No provision for income taxes has been made in these financial statements, as income taxes are a liability of the partners rather than of Gateway. 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 2006. The income tax returns subject to state examination by tax authorities are generally consistent with the federal period.

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

Generally, a variable interest entity, or VIE, is an entity with one or more of the following characteristics, (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support; (b) as a group the holders of the equity investment at risk lack (i) the ability to make decisions about an entity’s activities through voting or similar rights, (ii) the obligation to absorb the expected losses of the entity; or (c) the equity investors have voting rights that are not proportional to their economic interests and substantially all of the entity’s activities either involve, or are conducted on behalf of, an investor that has disproportionately few voting rights. 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. Gateway’s determination of the primary beneficiary of each VIE requires judgment and is based on an analysis of all relevant facts and circumstances including: (1) the existence of a principal-agency relationship between the limited partner and the general partner, (2) the relationship and significance of the activities of the VIE to each partner, (3) each partner’s exposure to the expected losses of the VIE, and (4) the design of 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 in those instances where the Project Partnership interests are determined to be VIEs, the general partner of the Project Partnership is more closely associated with the Project Partnership than the limited partner (Gateway) and therefore, Gateway is not the primary beneficiary.

Gateway holds variable interests in 118 VIEs, which consist of Project Partnerships, of which Gateway is not the primary beneficiary. Five of Gateway’s Project Partnership investments have been determined not to be VIEs. Gateway’s maximum exposure to loss as a result of its involvement with unconsolidated VIEs is limited to Gateway’s capital contributions to and receivables from those VIEs, which is $24,008,145. Gateway may be subject to additional losses to the extent of any financial support that Gateway voluntarily provides to those Project Partnerships in the future.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued):

Basis of Preparation

The unaudited financial statements presented herein have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by generally accepted accounting principles. These statements should be read in conjunction with the financial statements and notes thereto included with Gateway's report on Form 10-K for the year ended March 31, 2009. 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 - INVESTMENT IN SECURITIES:

The December 31, 2009 Balance Sheet includes U.S. Treasury Security Strips at cost, plus accreted interest income of $27,296 for Series 10 and $30,271 for Series 11. The March 31, 2009 Balance Sheet includes U.S. Treasury Security Strips at cost, plus accreted interest income of $25,183 for Series 10 and $27,864 for Series 11. The U.S. Treasury Security Strips are commonly held in a brokerage account maintained at Raymond James and Associates, Inc., an affiliate of the General Partners. A separate accounting is maintained for each Series' share of any investments.

| | Series 10 | | Series 11 | |
|---|---|---|---|---|
| | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 |
| Amortized Cost | $ 40,217 | $ 38,104 | $ 43,640 | $ 41,233 |
| Gross Unrealized (Loss) Gain | (221) | 1,730 | 356 | 2,584 |
| Fair Value | $ 39,996 | $ 39,834 | $ 43,996 | $ 43,817 |

| | Total Series 10 - 11 | |
|---|---|---|
| | December 31, 2009 | March 31, 2009 |
| Amortized Cost | $ 83,857 | $ 79,337 |
| Gross Unrealized Gain | 135 | 4,314 |
| Fair Value | $ 83,992 | $ 83,651 |

As of December 31, 2009, the cost and accreted interest of debt securities by contractual maturities is as follows:

| | Series 10 | Series 11 | Total |
|---|---|---|---|
| Due within 1 year | $ 40,217 | $ 43,640 | $ 83,857 |
| After 1 year through 5 years | - | - | - |
| Total Amount Carried on Balance Sheet | $ 40,217 | $ 43,640 | $ 83,857 |

NOTE 4 - 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 5).

NOTE 4 - RELATED PARTY TRANSACTIONS (Continued):

For the nine months ended December 31, 2009 and 2008, 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.

| | 2009 | 2008 |
|---|---|---|
| Series 7 | $ 52,026 | $ 61,295 |
| Series 8 | 64,335 | 64,716 |
| Series 9 | 36,441 | 36,630 |
| Series 10 | 25,068 | 25,188 |
| Series 11 | 21,093 | 21,264 |
| Total | $ 198,963 | $ 209,093 |

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.

| | 2009 | 2008 |
|---|---|---|
| Series 7 | $ 67,446 | $ 88,029 |
| Series 8 | - | 98,757 |
| Series 9 | 50,385 | 56,432 |
| Series 10 | 31,392 | 35,270 |
| Series 11 | 25,324 | 28,216 |
| Total | $ 174,547 | $ 306,704 |

NOTE 5 – INVESTMENTS IN PROJECT PARTNERSHIPS:

As of December 31, 2009, Gateway had acquired a 99% interest in the profits, losses, and Tax Credits as a limited partner in Project Partnerships (Series 7 - 30, Series 8 - 42, and Series 9 - 24) 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 | |
|---|---|---|---|---|---|---|
| | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 |
| Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships | $ 5,721,083 | $ 6,861,114 | $ 7,400,711 | $ 7,400,711 | $ 4,914,116 | $ 4,914,116 |
| Loan receivable from Project Partnerships | - | - | 24,220 | 24,220 | - | - |
| Cumulative equity in losses of Project Partnerships (1) (2) | (5,194,990) | (6,402,875) | (7,352,151) | (7,340,840) | (4,566,385) | (4,566,084) |
| Cumulative distributions received from Project Partnerships | (216,295) | (252,589) | (190,367) | (187,825) | (170,765) | (168,985) |
| Investment in Project Partnerships before Adjustment | 309,798 | 205,650 | (117,587) | (103,734) | 176,966 | 179,047 |
| Excess of investment cost over the underlying assets acquired: | | | | | | |
| Acquisition fees and expenses | 573,481 | 703,733 | 536,715 | 536,715 | 244,087 | 244,087 |
| Accumulated amortization of acquisition fees and expenses | (246,634) | (268,518) | (166,252) | (165,385) | (107,765) | (105,521) |
| Reserve for Impairment of Investment in Project Partnerships | (552,557) | (552,557) | (252,589) | (252,589) | (307,932) | (307,932) |
| Investments in Project Partnerships | $ 84,088 | $ 88,308 | $ 287 | $ 15,007 | $ 5,356 | $ 9,681 |

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of $5,309,332 in Series 7, $8,274,156 in Series 8, and $3,287,034 in Series 9 for the period ended December 31, 2009; and cumulative suspended losses of $5,704,356 in Series 7, $7,564,293 in Series 8, and $2,844,368 in Series 9 for the year ended March 31, 2009 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 December 31, 2009 and March 31, 2009. (See discussion in Note 2 - Significant Accounting Policies.)

NOTE 5 – INVESTMENTS IN PROJECT PARTNERSHIPS (Continued):

As of December 31, 2009, Gateway had acquired a 99% interest in the profits, losses, and Tax Credits as a limited partner in Project Partnerships (Series 10 - 15 and Series 11 - 12) 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 | |
|---|---|---|---|---|---|---|
| | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 | December 31, 2009 | March 31, 2009 |
| Capital Contributions to Project Partnerships and purchase price paid for limited partner interests in Project Partnerships | $ 3,914,672 | $ 3,914,672 | $ 4,128,042 | $ 4,128,042 | $ 26,078,624 | $ 27,218,655 |
| Loan receivable from Project Partnerships | - | - | - | - | 24,220 | 24,220 |
| Cumulative equity in losses of Project Partnerships (1) | (2,526,030) | (2,506,807) | (1,921,266) | (1,827,547) | (21,560,822) | (22,644,153) |
| Cumulative distributions received from Project Partnerships | (239,991) | (229,841) | (196,394) | (194,894) | (1,013,812) | (1,034,134) |
| Investment in Project Partnerships before Adjustment | 1,148,651 | 1,178,024 | 2,010,382 | 2,105,601 | 3,528,210 | 3,564,588 |
| Excess of investment cost over the underlying assets acquired: | | | | | | |
| Acquisition fees and expenses | 196,738 | 196,738 | 290,335 | 290,335 | 1,841,356 | 1,971,608 |
| Accumulated amortization of acquisition fees and expenses | (152,929) | (152,428) | (219,862) | (210,473) | (893,442) | (902,325) |
| Reserve for Impairment of Investment in Project Partnerships | (1,085,926) | (1,085,926) | (1,648,978) | (1,648,978) | (3,847,982) | (3,847,982) |
| Investments in Project Partnerships | $ 106,534 | $ 136,408 | $ 431,877 | $ 536,485 | $ 628,142 | $ 785,889 |

(1) In accordance with Gateway's accounting policy to not carry Investments in Project Partnerships below zero, cumulative suspended losses of $848,457 in Series 10 and $1,338,996 in Series 11 for the period ended December 31, 2009; and cumulative suspended losses of $660,430 in Series 10 and $1,231,664 in Series 11 for the year ended March 31, 2009 are not included.

NOTE 5 – INVESTMENTS IN PROJECT PARTNERSHIPS (Continued):

In accordance with Gateway's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized balance sheets for the Project Partnerships of Series 7 and Series 8 as of September 30 and the respective summarized statements of operations for the nine months ended September 30 of each year:

| | SERIES 7 | | SERIES 8 **(1)** | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| SUMMARIZED BALANCE SHEETS | | | | |
| Assets: | | | | |
| Current assets | $ 3,657,899 | $ 4,924,546 | $ 4,745,962 | $ 4,726,966 |
| Investment properties, net | 16,319,613 | 20,739,161 | 22,745,223 | 24,071,468 |
| Other assets | 32,935 | 22,535 | 335,717 | 307,004 |
| Total assets | $ 20,010,447 | $ 25,686,242 | $ 27,826,902 | $ 29,105,438 |
| Liabilities and Partners' Deficit: | | | | |
| Current liabilities | $ 746,803 | $ 824,092 | $ 1,438,787 | $ 1,570,652 |
| Long-term debt | 24,666,597 | 30,700,844 | 35,579,018 | 35,854,400 |
| Total liabilities | 25,413,400 | 31,524,936 | 37,017,805 | 37,425,052 |
| Partners' deficit | | | | |
| Limited Partner | (5,143,290) | (5,434,990) | (8,422,794) | (7,615,127) |
| General Partners | (259,663) | (403,704) | (768,109) | (704,487) |
| Total partners' deficit | (5,402,953) | (5,838,694) | (9,190,903) | (8,319,614) |
| Total liabilities and partners' deficit | $ 20,010,447 | $ 25,686,242 | $ 27,826,902 | $ 29,105,438 |
| SUMMARIZED STATEMENTS OF OPERATIONS | | | | |
| Rental and other income | $ 2,977,595 | $ 3,591,392 | $ 4,149,000 | $ 4,056,111 |
| Expenses: | | | | |
| Operating expenses | 2,412,447 | 2,519,353 | 3,205,102 | 3,213,272 |
| Interest expense | 387,565 | 490,088 | 551,292 | 575,791 |
| Depreciation and amortization | 751,169 | 962,452 | 1,123,804 | 1,116,489 |
| Total expenses | 3,551,181 | 3,971,893 | 4,880,198 | 4,905,552 |
| Net loss | $ (573,586) | $ (380,501) | $ (731,198) | $ (849,441) |
| Other partners' share of net loss | $ (1,224) | $ (3,805) | $ (10,023) | $ (11,218) |
| Gateway's share of net loss | $ (572,362) | $ (376,696) | $ (721,175) | $ (838,223) |
| Suspended losses | 572,362 | 377,403 | 709,863 | 792,984 |
| Equity in Income (Loss) of Project Partnerships | $ - | $ 707 | $ (11,312) | $ (45,239) |

NOTE 5 – INVESTMENTS IN PROJECT PARTNERSHIPS (Continued):

(1) As discussed in Note 4, an affiliate of the General Partner (Value Partners, Inc.) is the operating general partner in one of the Project Partnerships included 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 September 2009 and September 2008 is as follows:

| | September 2009 | September 2008 |
|---|---|---|
| Total Assets | $ 438,462 | $ 486,093 |
| Total Liabilities | 803,920 | 809,698 |
| Gateway Deficit | (333,155) | (291,720) |
| Other Partner's Deficit | (32,303) | (31,885) |
| Total Revenue | 93,012 | 86,151 |
| Net Loss | $ (41,218) | $ (19,910) |

NOTE 5 – INVESTMENTS IN PROJECT PARTNERSHIPS (Continued):

In accordance with Gateway's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized balance sheets for the Project Partnerships of Series 9 and Series 10 as of September 30 and the respective summarized statements of operations for the nine months ended September 30 of each year:

| | SERIES 9 | | SERIES 10 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| SUMMARIZED BALANCE SHEETS | | | | |
| Assets: | | | | |
| Current assets | $ 2,360,620 | $ 2,439,986 | $ 2,178,747 | $ 2,166,482 |
| Investment properties, net | 13,837,720 | 14,570,885 | 10,847,568 | 11,251,037 |
| Other assets | 45,889 | 50,426 | 28,718 | 20,578 |
| Total assets | $ 16,244,229 | $ 17,061,297 | $ 13,055,033 | $ 13,438,097 |
| Liabilities and Partners' Equity (Deficit): | | | | |
| Current liabilities | $ 421,171 | $ 478,090 | $ 429,177 | $ 430,866 |
| Long-term debt | 19,445,872 | 19,584,456 | 12,824,266 | 12,931,615 |
| Total liabilities | 19,867,043 | 20,062,546 | 13,253,443 | 13,362,481 |
| Partners' equity (deficit) | | | | |
| Limited Partner | (3,181,934) | (2,595,966) | 298,624 | 534,959 |
| General Partners | (440,880) | (405,283) | (497,034) | (459,343) |
| Total partners' equity (deficit) | (3,622,814) | (3,001,249) | (198,410) | 75,616 |
| Total liabilities and partners' equity (deficit) | $ 16,244,229 | $ 17,061,297 | $ 13,055,033 | $ 13,438,097 |
| SUMMARIZED STATEMENTS OF OPERATIONS | | | | |
| Rental and other income | $ 2,192,329 | $ 2,129,679 | $ 1,462,951 | $ 1,475,579 |
| Expenses: | | | | |
| Operating expenses | 1,750,158 | 1,651,433 | 1,140,884 | 1,103,057 |
| Interest expense | 296,080 | 302,572 | 162,135 | 166,482 |
| Depreciation and amortization | 592,980 | 588,017 | 364,958 | 359,554 |
| Total expenses | 2,639,218 | 2,542,022 | 1,667,977 | 1,629,093 |
| Net loss | $ (446,889) | $ (412,343) | $ (205,026) | $ (153,514) |
| Other partners' share of net (loss) income | $ (3,922) | $ (4,123) | $ 2,224 | $ (3,639) |
| Gateway's share of net loss | $ (442,967) | $ (408,220) | $ (207,250) | $ (149,875) |
| Suspended losses | 442,666 | 335,898 | 188,027 | 151,645 |
| Equity in (Loss) Income of Project Partnerships | $ (301) | $ (72,322) | $ (19,223) | $ 1,770 |

NOTE 5 – INVESTMENTS IN PROJECT PARTNERSHIPS (Continued):

In accordance with Gateway's policy of presenting the financial information of the Project Partnerships on a three month lag, below is the summarized balance sheets for the Project Partnerships of Series 11 and Total Series 7 - 11 as of September 30 and the respective summarized statements of operations for the nine months ended September 30 of each year:

| | SERIES 11 | | TOTAL SERIES 7 - 11 | |
|---|---|---|---|---|
| | 2009 | 2008 | 2009 | 2008 |
| SUMMARIZED BALANCE SHEETS | | | | |
| Assets: | | | | |
| Current assets | $ 1,240,468 | $ 1,236,176 | $ 14,183,696 | $ 15,494,156 |
| Investment properties, net | 9,169,170 | 9,514,690 | 72,919,294 | 80,147,241 |
| Other assets | 297,854 | 274,783 | 741,113 | 675,326 |
| Total assets | $ 10,707,492 | $ 11,025,649 | $ 87,844,103 | $ 96,316,723 |
| Liabilities and Partners' Equity (Deficit): | | | | |
| Current liabilities | $ 490,754 | $ 393,023 | $ 3,526,692 | $ 3,696,723 |
| Long-term debt | 9,916,521 | 10,035,475 | 102,432,274 | 109,106,790 |
| Total liabilities | 10,407,275 | 10,428,498 | 105,958,966 | 112,803,513 |
| Partners' equity (deficit) | | | | |
| Limited Partner | 696,633 | 955,016 | (15,752,761) | (14,156,108) |
| General Partners | (396,416) | (357,865) | (2,362,102) | (2,330,682) |
| Total partners' equity (deficit) | 300,217 | 597,151 | (18,114,863) | (16,486,790) |
| Total liabilities and partners' equity (deficit) | $ 10,707,492 | $ 11,025,649 | $ 87,844,103 | $ 96,316,723 |
| SUMMARIZED STATEMENTS OF OPERATIONS | | | | |
| Rental and other income | $ 1,368,621 | $ 1,330,562 | $ 12,150,496 | $ 12,583,323 |
| Expenses: | | | | |
| Operating expenses | 1,022,046 | 1,001,486 | 9,530,637 | 9,488,601 |
| Interest expense | 159,746 | 159,495 | 1,556,818 | 1,694,428 |
| Depreciation and amortization | 392,611 | 397,273 | 3,225,522 | 3,423,785 |
| Total expenses | 1,574,403 | 1,558,254 | 14,312,977 | 14,606,814 |
| Net loss | $ (205,782) | $ (227,692) | $ (2,162,481) | $ (2,023,491) |
| Other partners' share of net loss | $ (4,732) | $ (6,808) | $ (17,677) | $ (29,593) |
| Gateway's share of net loss | $ (201,050) | $ (220,884) | $ (2,144,804) | $ (1,993,898) |
| Suspended losses | 107,331 | 118,281 | 2,020,249 | 1,776,211 |
| Equity in Loss of Project Partnerships | $ (93,719) | $ (102,603) | $ (124,555) | $ (217,687) |

NOTE 6 – 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 December 31, 2009, Gateway has sold its interest in 10 Project Partnerships (9 in Series 7 and 1 in Series 8). 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 2010 Disposition Activity:

Series 7

| Transaction Month / Year | Project Partnership | Net Proceeds | Net Proceeds Per LP Unit | Gain on Disposal |
|---|---|---|---|---|
| August 2009 | Mountain City Manor | $ 36,860 | $ 3.54 | $ 38,190 |
| August 2009 | Tazewell Village | 41,290 | 3.97 | 42,620 |
| August 2009 | Jamestown Village | 36,450 | 3.51 | 37,864 |
| August 2009 | Clinch View Manor | 134,400 | 12.93 | 135,814 |
| May 2009 | Spring Creek Apartments II LP | 46,520 | 4.48 | 46,520 |
| | | | | $ 301,008 |

The net proceeds per LP unit from the sale of Mountain City Manor, Tazewell Village, Jamestown Village, Clinch View Manor, and Spring Creek Apartments II LP were distributed to the Series 7 Limited Partners in September 2009.

Fiscal Year 2009 Disposition Activity:

Series 7

| Transaction Month / Year | Project Partnership | Net Proceeds | Net Proceeds Per LP Unit | Gain on Disposal |
|---|---|---|---|---|
| September 2008 | Cedar Hollow Apartments | $ 9,741 | $ 0.94 | $ 9,741 |
| September 2008 | Sunrise I Apartments | 14,741 | 1.42 | 14,741 |
| September 2008 | Burbank Apartments | 9,502 | 0.91 | 9,502 |
| September 2008 | Walnut Apartments | 9,441 | 0.91 | 9,441 |
| | | | | $ 43,425 |

The net proceeds per LP unit from the sale of Cedar Hollow Apartments, Sunrise I Apartments, Burbank Apartments, and Walnut Apartments were distributed to the Series 7 Limited Partners in December 2008.

Series 8

| Transaction Month / Year | Project Partnership | Net Proceeds | Net Proceeds Per LP Unit | Gain on Disposal |
|---|---|---|---|---|
| | Other, net (see below) | $ - | $ - | $ 349 |
| | | | | $ 349 |

Gateway recognized an additional gain on sale of Project Partnerships in the amount of $349 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 8 Limited Partners in a subsequent quarter.

NOTE 7 – SIGNIFICANT EQUITY INVESTEES:

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 September 30, 2009 for each Significant Project Partnership:

Series 7

| | Cardinal Apartments |
|---|---|
| Rental and other income | $ 68,489 |
| Gross profit | 24,695 |
| Net income | $ 4,558 |

Series 10

| | Stigler Properties |
|---|---|
| Rental and other income | $ 69,337 |
| Gross profit | 27,382 |
| Net income | $ 5,521 |

Series 11

| | Creekstone Apartments, L.P. | Magnolia Place Apartments, L.P. |
|---|---|---|
| Rental and other income | $ 168,205 | $ 108,791 |
| Gross profit | 7,078 | 28,606 |
| Net loss | $ (44,909) | $ (3,056) |

NOTE 8 – NONRECURRING FAIR VALUE MEASUREMENTS:

Gateway is required to disclose assets and liabilities measured at fair value and the method used to determine fair value. The methods are categorized by level. These levels are: (Level 1) – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets, (Level 2) – inputs are based upon quoted prices for similar instruments in active markets or can be corroborated by observable market data for substantially the full term of the assets or liabilities, or (Level 3) – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability.

Gateway measures certain assets, including Investments in Project Partnerships, at fair value on a nonrecurring basis. Refer to Basis of Accounting section within Note 2 – Significant Accounting Polices for discussion of impairment. The table below sets out the balances for those assets required to be measured at fair value on a nonrecurring basis and the associated losses recognized as a result of fair value changes during the nine-month period ended December 31, 2009:

| Investments in Project Partnerships, Net | December 31, 2009 | Level 1 | Level 2 | Level 3 | Total Losses |
|---|---|---|---|---|---|
| Series 7 | $ 84,088 | $ - | $ - | $ 84,088 | $ - |
| Series 8 | 287 | - | - | 287 | - |
| Series 9 | 5,356 | - | - | 5,356 | - |
| Series 10 | 106,534 | - | - | 106,534 | - |
| Series 11 | 431,877 | - | - | 431,877 | - |
| Total | $ 628,142 | $ - | $ - | $ 628,142 | $ - |

NOTE 9 – SUBSEQUENT EVENTS:

Gateway reviewed and evaluated events from the period ended December 31, 2009 through the date the financial statements were issued, February 12, 2010, and concluded that no other subsequent events have occurred that require recognition in the financial statements.

Series 8

Subsequent to the December 31, 2009 quarter-end, Gateway sold its partnership interest in South Brenchley Limited Partnership and Cimmaron Station Limited Partnership. Gateway received approximately $23,000 in net proceeds (approximately $2.30 per limited partnership unit) from these sale transactions. Available proceeds, less the applicable state tax withholding, will be distributed to the Series 8 Limited Partners in a subsequent quarter. The net proceeds were received in December 2009. In accordance with GAAP, although the net proceeds from these sale transactions were received on or prior to December 31, 2009, the gain on the sale of these assets of $23,000 and the related distribution payable ($2.30 per limited partnership unit) will be recognized in the Statement of Operations when all conditions for a sale of real estate have been met. All conditions for recognition of the gain on sale of these Project Partnerships were met after December 31, 2009. Gateway's financial statements reflect the net proceeds in the Deferred Gain on Sale of Project Partnerships on the Balance Sheet as of December 31, 2009.

Series 9

Subsequent to the December 31, 2009 quarter-end, Gateway sold its partnership interest in Mountain Glen Limited Partnership. Gateway received approximately $10,000 in net proceeds (approximately $1.60 per limited partnership unit) from this sale transaction. Available proceeds, less the applicable state tax withholding, will be distributed to the Series 9 Limited Partners in a subsequent quarter. The net proceeds were received in December 2009. In accordance with GAAP, although the net proceeds from this sale transaction were received on or prior to December 31, 2009, the gain on the sale of this asset of $10,000 and the related distribution payable ($1.60 per limited partnership unit) will be recognized in the Statement of Operations when all conditions for a sale of real estate have been met. All conditions for recognition of the gain on sale of this Project Partnership were met after December 31, 2009. Gateway's financial statements reflect the net proceeds in the Deferred Gain on Sale of Project Partnerships on the Balance Sheet as of December 31, 2009.

Series 10

Subsequent to the December 31, 2009 quarter-end, Gateway sold its partnership interest in Redstone Limited Partnership. Gateway received approximately $10,000 in net proceeds (approximately $1.98 per limited partnership unit) from this sale transaction. Available proceeds, less the applicable state tax withholding, will be distributed to the Series 10 Limited Partners in a subsequent quarter. The net proceeds were received in December 2009. In accordance with GAAP, although the net proceeds from this sale transaction were received on or prior to December 31, 2009, the gain on the sale of this asset of $10,000 and the related distribution payable ($1.98 per limited partnership unit) will be recognized in the Statement of Operations when all conditions for a sale of real estate have been met. All conditions for recognition of the gain on sale of this Project Partnership were met after December 31, 2009. Gateway's financial statements reflect the net proceeds in the Deferred Gain on Sale of Project Partnerships on the Balance Sheet as of December 31, 2009.

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.

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 125 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 $26,574 from $39,346 for the nine months ended December 31, 2008 to $65,920 for the nine months ended December 31, 2009. The increase in distribution income is a result of fewer Project Partnerships with investment balances coupled with an increase of gross distributions received from Project Partnerships. The number of Project Partnerships with an investment balance decreased from 32 as of December 31, 2008 to 13 Project Partnerships as of December 31, 2009. The gross distributions received from Project Partnerships increased from $60,022 for the nine-month period ended December 31, 2008 to $85,891 for the same period ended in 2009.

Total expenses of Gateway were $502,405 for the nine months ended December 31, 2009, a decrease of $1,448,069 as compared to the nine months ended December 31, 2008 total expenses of $1,950,474. The decrease results primarily from decreases in 1) 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, 2) amortization expense (resulting from the suspension of amortization due to Project Partnership investment balances reaching zero or the acquisition fees and expense being fully amortized), and 3) impairment losses on Project Partnerships. Impairment expense is a non-cash charge that reflects a potential decline in the carrying value of Gateway's interest in Project Partnerships. Historically, Gateway has considered the residual value of the Project Partnerships as one key component of its estimate of the present value of Gateway's interest in any of its Project Partnerships. During the quarter ended December 31, 2008, as a direct result of the deterioration that occurred within the United States financial markets and more specifically, its negative impact on the Tax Credit market, Gateway concluded that any residual value of the Project Partnerships given the Tax Credit market conditions could not be practicably determined. As a result, in the quarter ended December 31, 2008 Gateway eliminated estimates of residual value of the Project Partnerships from the recoverability portion of its impairment analysis. Resultantly, non-cash impairment expense for that quarter was incurred. No impairment expense was recognized during the nine-month period ended December 31, 2009.

Equity in Loss of Project Partnerships decreased $93,132 from $217,687 for the nine months ended December 31, 2008 to $124,555 for the nine months ended December 31, 2009 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 nine months ended September 30, 2009 (Project Partnership financial information is on a three-month lag), Gateway's share of the net loss was $2,144,804, of which $2,020,249 was suspended. For the nine months ended September 30, 2008, Gateway's share of the net loss was $1,993,898, of which $1,776,211 was suspended.

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

Gain on Sale of Project Partnerships increased $257,583 from $43,425 for the nine months ended December 31, 2008 to $301,008 for the nine months ended December 31, 2009. As more fully discussed within this MD&A, five Project Partnership investments were sold during the first three quarters of fiscal year 2010 as compared to the first three quarters of fiscal year 2009 when four 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 decreased $23,124 from $27,713 for the nine months ended December 31, 2008 to $4,589 for the nine months ended December 31, 2009. The change in interest income results primarily from the fluctuation of interest rates on short-term investments over this period along with the maturation of several investments in securities over the same period. Investments in Securities decreased $499,386 from $583,243 as of December 31, 2008 to $83,857 as of December 31, 2009 from the redemption of U.S. Treasury Notes in January 2009 and the redemption of U.S. Treasury Security Strips in February 2009, and the reinvestment of these funds into cash and cash equivalents. 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).

The sources of funds to pay the expenses of Gateway are cash and cash equivalents and short-term investments which are generally comprised of U.S. Treasury Security Strips along with the interest earnings thereon, 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 a net loss of $255,443 from operations for the nine months ended December 31, 2009. Cash and Cash Equivalents decreased by $74,888 and Investments in Securities increased by $4,520. Of the Cash and Cash Equivalents on hand as of December 31, 2009 and March 31, 2009, $5,940 and $463 are payable to certain Series' Limited Partners arising from the sale of Project Partnerships. Distributions either have occurred or will occur to those certain Limited Partners in a subsequent quarter, less the applicable state tax withholding. After consideration of these sales proceeds, Cash and Cash Equivalents and Investments in Securities decreased $75,845 as compared to the prior year-end balances.

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 Income of Project Partnerships decreased to $0 for the nine months ended December 31, 2009 from $707 for the nine months ended December 31, 2008. For the nine months ended September 30, 2009 and 2008, the Project Partnerships generated a loss of $573,586 and $380,501 on Rental and other income of $2,977,595 and $3,591,392, respectively. Gateway's share of the Project Partnerships' net loss for the nine months ended September 30. 2009 and 2008 was $572,362 and $376,696, of which $572,362 and $377,403 were suspended, respectively. The suspended losses for the nine months ended September 30, 2008 of $377,403 exceed Gateway's share of the total net loss of $376,696 because certain Project Partnerships with investment balances generated net income of $707. 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 $751,169 and $962,452 for the nine months ended September 30, 2009 and 2008, respectively.) Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

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

At December 31, 2009, the Series had $205,114 of short-term investments (Cash and Cash Equivalents). Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had net income of $177,351 for the nine months ended December 31, 2009. However, after considering the changes in operating assets and liabilities, net cash used in operating activities was $77,835. Cash provided by investing activities totaled $331,612 consisting of $30,604 in cash distributions from the Project Partnerships and $301,008 in net proceeds from the Sale of Project Partnerships (refer to the Exit Strategy section within this MD&A for more detailed discussion of these sales of Project Partnerships). Cash used in financing activities consists of distributions paid to Limited Partners totaling $295,530.

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 decreased $33,927 from $45,239 for the nine months ended December 31, 2008 to $11,312 for the nine months ended December 31, 2009. For the nine months ended September 30, 2009 and 2008, the Project Partnerships generated a loss of $731,198 and $849,441 on Rental and other income of $4,149,000 and $4,056,111, respectively. Gateway's share of the Project Partnerships' net loss for the nine months ended September 30, 2009 and 2008 was $721,175 and $838,223, of which $709,863 and $792,984 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 $1,123,804 and $1,116,489 for the nine months ended September 30, 2009 and 2008, respectively). Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At December 31, 2009, the Series had $232,161 of short-term investments (Cash and Cash Equivalents). Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of $91,362 for the nine months ended December 31, 2009. However, after considering the Equity in Loss of Project Partnerships of $11,312 and the changes in operating assets and liabilities, net cash provided by operating activities was $3,724. Cash provided by investing activities totaled $42,519 consisting of $19,519 in cash distributions from the Project Partnerships and $23,000 in net proceeds from the Sale of Project Partnerships (refer to the Exit Strategy section within this MD&A for more detailed discussion of these sales of Project Partnerships).

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 decreased $72,021 from $72,322 for the nine months ended December 31, 2008 to $301 for the nine months ended December 31, 2009. For the nine months ended September 30, 2009 and 2008, the Project Partnerships generated a loss of $446,889 and $412,343 on Rental and other income of $2,192,329 and $2,129,679, respectively. Gateway's share of the Project Partnerships' net loss for the nine months ended September 30, 2009 and 2008 was $442,967 and $408,220, of which $442,666 and $335,898 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 $592,980 and $588,017 for the nine months ended September 30, 2009 and 2008, respectively.) Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At December 31, 2009, the Series had $95,860 of short-term investments (Cash and Cash Equivalents). Management believes the sources of funds are sufficient to meet current and ongoing operating costs for the foreseeable future, and to pay part of the Asset Management Fee.

As disclosed on the statement of cash flows, the Series had a net loss of $96,284 for the nine months ended December 31, 2009. However, after considering the Equity in Loss of Project Partnerships of $301 and the changes in operating assets and liabilities, net cash used in operating activities was $55,058. Cash provided by investing activities totaled $26,592 consisting of $16,592 in cash distributions from the Project Partnerships and $10,000 in net proceeds from the Sale of Project Partnerships (refer to the Exit Strategy section within this MD&A for more detailed discussion of this sale of Project Partnership).

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

Series 10 - Gateway closed this Series on January 21, 1994 after receiving $5,043,000 from 325 Limited Partner investors. Equity in (Loss) Income of Project Partnerships decreased $20,993 from income of $1,770 for the nine months ended December 31, 2008 to a loss of $19,223 for the nine months ended December 31, 2009. For the nine months ended September 30, 2009 and 2008, the Project Partnerships generated a loss of $205,026 and $153,514 on Rental and other income of $1,462,951 and $1,475,579, respectively. Gateway's share of the Project Partnerships' net loss for the nine months ended September 30, 2009 and 2008 was $207,250 and $149,875, of which $188,027 and $151,645 were suspended, respectively. The suspended losses for the nine months ended September 30, 2008 of $151,645 exceed Gateway's share of the total net loss of $149,875 because certain Project Partnerships with investment balances generated net income of $1,770. 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 $364,958 and $359,554 for the nine months ended September 30, 2009 and 2008, respectively.) Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At December 31, 2009, the Series had $108,923 of short-term investments (Cash and Cash Equivalents). Series 10 also had $40,217 in U.S. Treasury securities with annual maturities providing $40,000 in the current fiscal year. 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 $85,847 for the nine months ended December 31, 2009. However, after considering the Equity in Loss of Project Partnerships of $19,223 and the changes in operating assets and liabilities, net cash used in operating activities was $36,233. Cash provided by investing activities totaled $24,094 consisting of $14,094 in cash distributions from the Project Partnerships and $10,000 in net proceeds from the Sale of Project Partnerships (refer to the Exit Strategy section within this MD&A for more detailed discussion of this sale of Project Partnership).

Series 11 - Gateway closed this Series on April 29, 1994 after receiving $5,127,000 from 330 Limited Partner investors. Equity in Loss of Project Partnerships decreased $8,884 from $102,603 for the nine months ended December 31, 2008 to $93,719 for the nine months ended December 31, 2009. For the nine months ended September 30, 2009 and 2008, the Project Partnerships generated a loss of $205,782 and $227,692 on Rental and other income of $1,368,621 and $1,330,562, respectively. Gateway's share of the Project Partnerships' net loss for the nine months ended September 30, 2009 and 2008 was $201,050 and $220,884, of which $107,331 and $118,281 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 $392,611 and $397,273 for the nine months ended September 30, 2009 and 2008, respectively.) Overall, management believes the Project Partnerships are operating as expected and have generated Tax Credits which met projections.

At December 31, 2009, the Series had $166,043 of short-term investments (Cash and Cash Equivalents). Series 11 also had $43,640 in U.S. Treasury securities with annual maturities providing $44,000 in the current fiscal year. 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 $159,301 for the nine months ended December 31, 2009. However, after considering the Equity in Loss of Project Partnerships of $93,719 and the changes in operating assets and liabilities, net cash used in operating activities was $43,855. Cash provided by investing activities consists of cash distributions from the Project Partnerships totaling $5,082.

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 the nine-month period ended December 31, 2009. Impairment expense for the nine months ended December 31, 2008 totaled $1,247,524, comprised of $183,299 in Series 7, $221,243 in Series 8, $173,523 in Series 9, $478,793 in Series 10, and $190,666 in Series 11.

Recent Accounting Changes

Certain accounting guidance within FASB ASC 740 – Income Taxes ("ASC 740") was issued in July 2006 which interpreted previous guidance. The "Accounting for Income Tax Changes" required all taxpayers to analyze all material positions they have taken or plan to take in all tax returns that have been filed or should have been filed with all taxing authorities for all years still subject to challenge by those taxing authorities. If the position taken is "more-likely-than-not" to be sustained by the taxing authority on its technical merits and if there is more than a 50% likelihood that the position would be sustained if challenged and considered by the highest court in the relevant jurisdiction, the tax consequences of that position should be reflected in the taxpayer's GAAP financial statements. Earlier proposed interpretations within ASC 740 had recommended a "probable" standard for recognition of tax consequences rather than the "more-likely-than-not" standard finally adopted.

Because Gateway is a pass-through entity and is not required to pay income taxes, the changes to ASC 740 do not currently have any impact on its financial statements. On December 30, 2008, the FASB issued further guidance regarding ASC 740 which deferred the effective date of the Accounting for Income Tax Changes for nonpublic enterprises included within the scope of the revised guidance to the annual financial statements for fiscal years beginning after December 15, 2008. The deferred effective date was intended to give the Board additional time to develop guidance on the application of the Accounting for Income Tax Changes by pass-through entities and not-for-profit organizations. FASB also issued further guidance in September 2009 about the implementation on accounting for uncertainty in income taxes. Gateway may modify its disclosures if the FASB's guidance regarding application of the Accounting for Income Tax Changes to pass-through entities changes.

In November 2008, the FASB updated FASB ASC 323 – Investments – Equity Method and Joint Ventures by clarifying the accounting for certain transactions and impairment considerations involving equity method investments. This update was effective in fiscal years beginning on or after December 15, 2008, and interim periods within those fiscal years. The changes in this standard did not have a material impact on Gateway's financial position, operations or cash flow.

In December 2008, the FASB updated FASB ASC 860 – Transfers and Servicing to require public entities to provide additional disclosures about transferors' continuing involvements with transferred financial assets. The adoption of this standard did not have a material impact on the Gateway's financial statements.

In June 2009, the FASB issued amendments to the consolidation guidance applicable to variable interest entities. Upon adoption of the standards, Gateway will have reconsidered its previous ASC 810-10 conclusions regarding its investments in Project Partnerships. These amendments are not effective for Gateway until its fiscal year ended March 31, 2011 and early adoption is prohibited. Gateway has not yet determined the impact, if any, the amendments will have on its financial statements for the year-ended March 31, 2011.

In June 2009, the FASB issued, and Gateway has adopted, FASB ASC 855 – Subsequent Events. The objective of this statement is to establish general standards of accounting for disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. See Note 9 for information resulting from the implementation of this new standard.

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.

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

As of December 31, 2009, Gateway holds a limited partner interest in 123 Project Partnerships which own and operate government assisted multi-family housing complexes. Project investments by Series are as follows: 30 Project Partnerships for Series 7, 42 Project Partnerships for Series 8, 24 Project Partnerships for Series 9, 15 Project Partnerships for Series 10, and 12 Project Partnerships for Series 11. Gateway 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 December 31, 2009, only 8 of the Project Partnerships have yet to reach the end of their Tax Credit compliance period but will do so in the year ending December 31, 2010. As of December 31, 2009, 10 of the Project Partnerships have been sold (9 in Series 7 and 1 in Series 8) 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. No Project Partnership interests were sold during the quarter-ended December 31, 2009, leaving the total number of Project Partnerships sold during the current fiscal year-to-date at 5 (all in Series 7). 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 2010 Disposition Activity:

Series 7

| Transaction Month / Year | Project Partnership | Net Proceeds | Net Proceeds Per LP Unit | Gain on Disposal |
|---|---|---|---|---|
| August 2009 | Mountain City Manor | $ 36,860 | $ 3.54 | $ 38,190 |
| August 2009 | Tazewell Village | 41,290 | 3.97 | 42,620 |
| August 2009 | Jamestown Village | 36,450 | 3.51 | 37,864 |
| August 2009 | Clinch View Manor | 134,400 | 12.93 | 135,814 |
| May 2009 | Spring Creek Apartments II LP | 46,520 | 4.48 | 46,520 |
| | | | | $ 301,008 |

The net proceeds per LP unit from the sale of Mountain City Manor, Tazewell Village, Jamestown Village, Clinch View Manor, and Spring Creek Apartments II LP were distributed to the Series 7 Limited Partners in September 2009.

Fiscal Year 2009 Disposition Activity:

Series 7

| Transaction Month / Year | Project Partnership | Net Proceeds | Net Proceeds Per LP Unit | Gain on Disposal |
|---|---|---|---|---|
| September 2008 | Cedar Hollow Apartments | $ 9,741 | $ 0.94 | $ 9,741 |
| September 2008 | Sunrise I Apartments | 14,741 | 1.42 | 14,741 |
| September 2008 | Burbank Apartments | 9,502 | 0.91 | 9,502 |
| September 2008 | Walnut Apartments | 9,441 | 0.91 | 9,441 |
| | | | | $ 43,425 |

The net proceeds per LP unit from the sale of Cedar Hollow Apartments, Sunrise I Apartments, Burbank Apartments, and Walnut Apartments were distributed to the Series 7 Limited Partners in December 2008.

Series 8

| Transaction Month / Year | Project Partnership | Net Proceeds | Net Proceeds Per LP Unit | Gain on Disposal |
|---|---|---|---|---|
| | Other, net (see below) | $ - | $ - | $ 349 |
| | | | | $ 349 |

Gateway recognized an additional gain on sale of Project Partnerships in the amount of $349 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 8 Limited Partners in a subsequent quarter.

Status Update on Unsold Project Partnerships:

The following summarizes the most recent status of the sale/disposal process for the remaining Project Partnership investments held as of December 31, 2009:

Project Partnerships sold subsequent to December 31, 2009:

Series 8

South Brenchley Limited Partnership

Cimmaron Station Limited Partnership

Subsequent to the December 31, 2009 quarter-end, Gateway sold its partnership interest in South Brenchley Limited Partnership and Cimmaron Station Limited Partnership. Gateway received approximately $23,000 in net proceeds (approximately $2.30 per limited partnership unit) from these sale transactions. Available proceeds, less the applicable state tax withholding, will be distributed to the Series 8 Limited Partners in a subsequent quarter. The net proceeds were received in December 2009. In accordance with GAAP, although the net proceeds from these sale transactions were received on or prior to December 31, 2009, the gain on the sale of these assets of $23,000 and the related distribution payable ($2.30 per limited partnership unit) will be recognized in the Statement of Operations when all conditions for a sale of real estate have been met. All conditions for recognition of the gain on sale of these Project Partnerships were met after December 31, 2009. Gateway’s financial statements reflect the net proceeds in the Deferred Gain on Sale of Project Partnerships on the Balance Sheet as of December 31, 2009.

Series 9

Mountain Glen Limited Partnership

Subsequent to the December 31, 2009 quarter-end, Gateway sold its partnership interest in Mountain Glen Limited Partnership. Gateway received approximately $10,000 in net proceeds (approximately $1.60 per limited partnership unit) from this sale transaction. Available proceeds, less the applicable state tax withholding, will be distributed to the Series 9 Limited Partners in a subsequent quarter. The net proceeds were received in December 2009. In accordance with GAAP, although the net proceeds from this sale transaction were received on or prior to December 31, 2009, the gain on the sale of this asset of $10,000 and the related distribution payable ($1.60 per limited partnership unit) will be recognized in the Statement of Operations when all conditions for a sale of real estate have been met. All conditions for recognition of the gain on sale of this Project Partnership were met after December 31, 2009. Gateway’s financial statements reflect the net proceeds in the Deferred Gain on Sale of Project Partnerships on the Balance Sheet as of December 31, 2009.

Series 10

Redstone Limited Partnership

Subsequent to the December 31, 2009 quarter-end, Gateway sold its partnership interest in Redstone Limited Partnership. Gateway received approximately $10,000 in net proceeds (approximately $1.98 per limited partnership unit) from this sale transaction. Available proceeds, less the applicable state tax withholding, will be distributed to the Series 10 Limited Partners in a subsequent quarter. The net proceeds were received in December 2009. In accordance with GAAP, although the net proceeds from this sale transaction were received on or prior to December 31, 2009, the gain on the sale of this asset of $10,000 and the related distribution payable ($1.98 per limited partnership unit) will be recognized in the Statement of Operations when all conditions for a sale of real estate have been met. All conditions for recognition of the gain on sale of this Project Partnership were met after December 31, 2009. Gateway’s financial statements reflect the net proceeds in the Deferred Gain on Sale of Project Partnerships on the Balance Sheet as of December 31, 2009.

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

Series 7

Mt. Vernon Rental Housing, L.P.
Lakeland II, LP
Washington Apartments Limited Partnership
Atoka Properties
Meadow Run Apartments, LP
Blue Ridge Elderly Housing, Ltd., L.P.
Horton Housing, L.P.
Coalgate 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 $295,000, or $28.38 per limited partnership unit. Sales proceeds would be available for distribution, less the applicable state tax withholding, to the Series 7 Limited Partners subsequent to the closing of these sales transactions which would most likely occur within the next two years.

Series 8

Logan Heights, Ltd.
Antlers Properties II
Meadowview Properties Limited Partnership
Holdenville Properties
Mountainburg Properties
Antlers Properties
AAA Properties of Bentonville
Concordia Senior Housing, L.P.
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 $635,000, or $63.63 per limited partnership unit. Sales proceeds would be available for distribution, less the applicable state tax withholding, to the Series 8 Limited Partners subsequent to the closing of these sales transactions which would most likely occur within the next two years.

Series 9

Arbor Trace Apartments Phase I LP
Abernathy Properties
Lamar Properties, L.P.
Jay Properties II
Arbor Trace Apartments Phase II LP
Boxwood Place Properties
Stilwell Properties III

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 $350,000, or $55.96 per limited partnership unit. Sales proceeds would be available for distribution, less the applicable state tax withholding, to the Series 9 Limited Partners subsequent to the closing of these sales transactions which would most likely occur within the next two years.

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 sales amount as approved by Gateway, should the transaction close without modification, the estimated net proceeds to Gateway from the sale of this Project Partnership are 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 subsequent to the closing of this sales transaction which would most likely occur within the next two years.

Gateway has consented to the general partner granting an option for either the general partner or a third-party to purchase either the Project Partnership Interest or Assets:

Series 7

Pioneer Apartments, an Arkansas Limited Partnership

Should this option be exercised, the estimated net sales proceeds to Gateway from the sales transaction are estimated to be $157,000, or $15.10 per limited partnership unit potentially available for distribution, less the applicable state tax withholding, to the Series 7 Limited Partners within the next two years. This option to purchase could expire without being exercised which would result in no sales proceeds and remarketing of the Project Partnership, the results of which are undeterminable.

Gateway is exploring options regarding the sale or other disposition of the remaining Project Partnership investments that have exited their Tax Credit compliance period and are not specifically listed above. Any net proceeds arising from these particular Project Partnerships are anticipated to be minimal.

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 nine months ended December 31, 2009 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.

## 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.

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: February 12, 2010 | By:/s/ Ronald M. Diner<br>Ronald M. Diner<br>President |
| Date: February 12, 2010 | By:/s/ Toni S. Matthews<br>Toni S. Matthews<br>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: February 12, 2010

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: February 12, 2010

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 December 31, 2009 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)
February 12, 2010

/s/ Toni S. Matthews
Toni S. Matthews
Vice President and Chief Financial Officer
Raymond James Tax Credit Funds, Inc.
(the Managing General Partner)
February 12, 2010