

**United States**  
**SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2007

**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 333-137734

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
(Exact Name of Registrant as Specified in Its Charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

20-5455968  
(I.R.S. Employer Identification No.)

110 South Poplar Street, Suite 101, Wilmington Delaware 19801  
(Address of principal executive offices)

(800) 819-5556  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.  Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

Yes  No

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.  
CONSOLIDATED BALANCE SHEETS  
(in thousands)**

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
	<b>(unaudited)</b>	<b>(audited)</b>
<b>ASSETS</b>		
Cash .....	\$ 4,101	\$ 1
Restricted cash .....	15,987	-
Accounts receivable .....	115	-
Due from lockbox .....	2,139	-
Investment in direct financing leases and notes, net.....	301,337	-
Investment in operating leases, (net of accumulated depreciation of \$339) .....	4,319	-
Other assets .....	1,821	-
	<u>\$ 329,819</u>	<u>\$ 1</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
<b>Liabilities:</b>		
Debt.....	\$ 281,088	\$ -
Accounts payable and accrued expenses .....	1,350	-
Fair value of interest rate swap .....	3,367	-
Security deposits .....	1,340	-
Due to related party, net.....	1,241	-
Total liabilities .....	288,386	-
<b>Partners' Capital</b> .....	41,433	1
	<u>\$ 329,819</u>	<u>\$ 1</u>

The accompanying notes are an integral part of these consolidated financial statements.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited)  
(in thousands, except unit data)

	<b>Three Months Ended September 30, 2007</b>	<b>Nine Months Ended September 30, 2007*</b>
<b>Income:</b>		
Interest on equipment financing.....	\$ 5,222	\$ 6,272
Rental income .....	274	418
Gain on sale of equipment and lease dispositions, net.....	288	287
Other .....	406	455
	6,190	7,432
<b>Expenses:</b>		
Interest expense.....	4,500	5,219
Depreciation on operating leases .....	225	339
Provision for credit losses.....	896	910
Management fee to related party.....	812	877
Administrative expense reimbursed to related party.....	378	426
General and administrative expenses .....	121	151
	6,932	7,922
Net loss .....	\$ (742)	\$ (490)
Weighted average number of limited partner units outstanding during the period.....	\$ 438,299	\$ 280,066
Net loss attributed to limited partners per unit.....	\$ (1.68)	\$ (1.73)

\*Operations commenced March 13, 2007

The accompanying notes are an integral part of these consolidated financial statements.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL**  
**AND COMPREHENSIVE LOSS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**  
(unaudited)  
(in thousands, except unit data)

	<b>General Partner Amount</b>	<b>Limited Partners</b>		<b>Accumulated Other Comprehensive Loss</b>	<b>Partners' Capital Total</b>	<b>Comprehensive Loss Total</b>
		<b>Units</b>	<b>Amount</b>			
Balance, January 1, 2007.....	\$ 1	-	\$ -	\$ -	\$ 1	
Limited Partners' contributions .....		530,778	53,205		53,205	
Offering costs related to the sale of Limited Partnership units.....	-	-	(6,828)		(6,828)	
Cash distributions paid.....	(11)	-	(1,077)		(1,088)	
Net loss .....	(5)	-	(485)		(490)	\$ (490)
Unrealized loss on hedging derivative.....	-	-	-	(3,367)	(3,367)	(3,367)
Balance, September 30, 2007 .....	<u>\$ (15)</u>	<u>530,778</u>	<u>\$ 44,815</u>	<u>\$ (3,367)</u>	<u>\$ (41,433)</u>	<u>\$ (3,857)</u>

The accompanying notes are an integral part of this consolidated financial statement.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**(unaudited)**  
**(in thousands)**

	<u>Nine Months Ended</u> <u>September 30, 2007*</u>
<b>Cash flows from operating activities:</b>	
Net loss .....	\$ (490)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Gain on sale of equipment .....	(287)
Depreciation.....	339
Provision for credit losses.....	910
Amortization of deferred financing costs.....	82
Changes in operating assets and liabilities:	
Accounts receivable .....	(115)
Due from lockbox .....	(2,139)
Accounts payable and accrued expenses.....	1,350
Other assets.....	(75)
Due to related parties, net .....	1,241
Net cash provided by operating activities .....	<u>816</u>
<b>Cash flows from investing activities:</b>	
Investment in direct financing leases and notes .....	(336,170)
Investment in equipment under operating leases, net.....	(4,566)
Proceeds from direct financing leases, net of earned income.....	34,120
Security deposits, net.....	1,340
Net cash used in investing activities .....	<u>(305,276)</u>
<b>Cash flows from financing activities:</b>	
Proceeds from debt .....	343,896
Repayment of debt.....	(62,808)
Increase in restricted cash .....	(15,987)
Deferred financing costs .....	(1,830)
Limited Partners' capital contributions .....	53,205
Payment of offering costs incurred for the sale of partnership units .....	(6,828)
Cash distributed to partners.....	(1,088)
Net cash provided by financing activities .....	<u>308,560</u>
Increase in cash.....	4,100
Cash, beginning of period.....	<u>1</u>
Cash, end of period.....	<u>\$ 4,101</u>

\*Operations commenced March 13, 2007

The accompanying notes are an integral part of this financial statement.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**September 30, 2007**  
**(unaudited)**

**NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS**

LEAF Equipment Leasing Income Fund III, L.P. (the “Fund”), a Delaware limited partnership, was formed on May 16, 2006 by its general partner, LEAF Asset Management, LLC (the “General Partner”). The Fund’s fiscal year ends on December 31. LEAF Asset Management, LLC, a Delaware corporation, is a wholly owned subsidiary of Resource America, Inc. (“RAI”). RAI is a publicly traded company (NASDAQ: REXI) operating in the financial fund management, real estate, and commercial finance sectors.

The General Partner and the initial limited partner capitalized the Fund on August 31, 2006. The General Partner contributed \$1,000 to the Fund for a 1% partnership interest and the initial limited partner contributed \$1 to the Fund for a 99% limited partnership interest. Upon the Fund breaking escrow on March 13, 2007, the initial limited partner withdrew as a limited partner and its capital contribution was returned. The Fund is managed by the General Partner.

The General Partner owns a 1% general partnership interest, and the limited partners own a 99% limited partnership interest. Cash distributions, if available, are made monthly. The cash distributions are allocated 99% to the limited partners and 1% to the General Partner. Net income and net losses are allocated 99% to the limited partners and 1% to the General Partner. The Fund shall terminate on December 31, 2031, unless sooner dissolved or terminated as provided in the Limited Partnership Agreement.

The Fund seeks to acquire leases and secured loans primarily from LEAF Financial Corporation, an affiliate of the General Partner. The primary objective of the Fund is to invest the net proceeds raised from the sale of limited partnership units in equipment and portfolios of equipment subject to existing equipment leases and secured loans in order to generate regular cash distributions to the limited partners over the life of the Fund.

The consolidated financial statements and notes thereto as of September 30, 2007 and for the three and for the nine months then ended are unaudited. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission. However, in the opinion of management, these interim consolidated financial statements include all the necessary adjustments to fairly present the results of the interim period presented. The results of operations for the three and nine months ended September 30, 2007 may not necessarily be indicative of the results of operations for the full year ending December 31, 2007.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The consolidated financial statements include the accounts of the Fund and its wholly owned subsidiaries LEAF Fund III, LLC and LEAF III A SPE, LLC. All intercompany accounts and transactions have been eliminated in consolidation. Operations commenced on March 13, 2007 (hereafter referred to as the period ended September 30, 2007). All dollar amounts presented are in thousands, unless otherwise indicated.

**Classification**

Management believes that, consistent with the financial statement presentation of other equipment leasing companies, it is more appropriate to present the Fund’s balance sheets on a non-classified basis, which does not segregate assets and liabilities into current and non-current categories.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**September 30, 2007**  
**(unaudited)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Use of Estimates**

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the estimated unguaranteed residual values of leased equipment, the allowance for possible losses, impairment of long-lived assets and fair value of interest rate swaps. Actual results could differ from those estimates.

Unguaranteed residual value represents the estimated amount to be received at lease termination from lease extensions or ultimate disposition of the leased equipment. The estimates of residual values are based upon the General Partner’s history with regard to the realization of residuals, available industry data and the General Partner’s senior management’s experience with respect to comparable equipment. The estimated residual values are recorded as a component of investments in leases on a net present value basis. Residual values are reviewed periodically to determine if the current estimate of the equipment’s fair market value appears to be below its recorded estimate. If required, residual values are adjusted downward to reflect adjusted estimates of fair market values. In accordance with U.S. GAAP, upward adjustments to residual values are not permitted.

The Fund’s allowance for possible losses is primarily based on factors which include the General Partner’s historical loss experience on equipment finance portfolios it manages, an analysis of contractual delinquencies, economic conditions and trends, industry statistics and equipment finance portfolio characteristics. The Fund’s policy is to charge off to the allowance those financings which are in default and for which management has determined the probability of collection to be remote.

The Fund reviews its long-lived assets for impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. If it is determined that estimated undiscounted future cash flows derived from long-lived assets will not be sufficient to recover their carrying amounts, an impairment charge will be recorded if the carrying amount of the assets exceed their estimated fair values.

Interest rate swaps are recorded at fair value based on market quotes from the swap counterparty bank. There can be no assurance that the Fund’s hedging strategies or techniques will be effective, that profitability will not be adversely affected during any period of change in interest rates or that the costs of hedging will not exceed the benefits.

**Concentration of Credit Risk**

Financial instruments which potentially subject the Fund to concentrations of credit risk consist of excess cash. The Fund deposits its excess cash in high-quality financial institutions. As of September 30, 2007, the Fund had deposits at one bank totaling \$4.12 million of which \$4.02 million was over the insurance limit of the Federal Deposit Insurance Corporation. No losses have been experienced on such deposits.

**Revenue Recognition**

The Fund’s investment in financing assets consists of direct financing leases, notes and operating leases. Leases are recorded in accordance with Statement of Financial Accounting Standard (“SFAS”) No. 13, “Accounting for Leases,” and its various amendments and interpretations.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**September 30, 2007**  
**(unaudited)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Revenue Recognition – (Continued)**

*Direct Financing Leases.* Certain of the Fund's lease transactions are accounted for as direct financing leases (as distinguished from operating leases). Such leases transfer substantially all benefits and risks of equipment ownership to the customer. The Fund's investment in direct financing leases consists of the sum of the total future minimum lease payments receivable and the estimated unguaranteed residual value of leased equipment, less unearned finance income. Unearned finance income, which is recognized as revenue over the term of the financing by the effective interest method, represents the excess of the total future minimum contracted payments plus the estimated unguaranteed residual value expected to be realized at the end of the lease term over the cost of the related equipment.

*Operating Leases.* Leases not meeting any of the criteria to be classified as direct financing leases are deemed to be operating leases. Under the accounting for operating leases, the cost of the leased equipment, including acquisition fees associated with lease placements, is recorded as an asset and depreciated on a straight-line basis over the equipment's estimated useful life, generally up to seven years. Rental income consists primarily of monthly periodic rental payments due under the terms of the leases. The Fund recognizes rental income on a straight line basis. Generally, during the lease terms of existing operating leases, the Fund will not recover all of the cost and related expenses of its rental equipment and, therefore, it is prepared to remarket the equipment in future years. The Fund's policy is to review, on a quarterly basis, the expected economic life of its rental equipment in order to determine the recoverability of its undepreciated cost. In accordance with U.S. GAAP, the Fund writes down its rental equipment to its estimated net realizable value when it is probable that its carrying amount exceeds such value and the excess can be reasonably estimated; gains are only recognized upon actual sale of the rental equipment. There were no write-downs of equipment during the three and nine months ended September 30, 2007.

*Notes Receivable.* The Fund's investment in notes receivable consists of the sum of the total future minimum loan payments receivable less unearned finance income. Unearned finance income, which is recognized as revenue over the term of the financing by the effective interest method, represents the excess of the total future minimum contracted payments term over the cost of the related equipment.

The Fund generally discontinues the recognition of revenue for direct financing leases and notes for which payments are more than 90 days past due. Fees from delinquent payments are recognized when received and are included in other income.

**Income Taxes**

Federal and state income tax laws provide that the income or losses of the Fund are reportable by the Partners on their individual income tax returns. Accordingly, no provision for such taxes has been made in the accompanying financial statements.

**Supplemental Disclosure of Cash Flow Information**

Information for the nine months ended September 30, 2007 is as follows (in thousands):

**Cash paid for:**

Interest ..... \$ 4,700

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**September 30, 2007**  
**(unaudited)**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Recently Issued Accounting Pronouncements**

In February 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS 159, “The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of SFAS 115” (“SFAS 159”), which permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option established by this Statement permits all entities to choose to measure eligible items at fair value at specified election dates. A business entity is required to report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Adoption is required for fiscal years beginning after November 15, 2007. The Fund is currently evaluating the expected effect of SFAS 159 on its consolidated financial statements.

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS 157, “Fair Value Measurements” (“SFAS 157”), which provides guidance on measuring the fair value of assets and liabilities. SFAS 157 will apply to other accounting pronouncements that require or permit assets or liabilities to be measured at fair value but does not expand the use of fair value to any new circumstances. This standard will also require additional disclosures in both annual and quarterly reports. SFAS 157 will be effective for financial statements issued for fiscal years beginning after November 15, 2007 and will be adopted by the Fund in the first quarter of its fiscal year 2008. The Fund is currently determining the effect, if any, the adoption of SFAS 157 will have on its financial statements.

**Fair Value of Financial Instruments**

For cash, receivables and payables, the carrying amounts approximate fair values because of the short term maturity of these instruments. The carrying value of debt approximates fair market value since interest rates approximate current market rates. The interest rate swaps discussed in Note 8 are recorded at fair value based on market quotes from the swaps counterparty banks.

It is not practicable for the Fund to estimate the fair value of the Fund’s notes receivables. They comprise of a large number of transactions with commercial customers in different businesses, and may be secured by liens on various types of equipment and may be guaranteed by third parties and cross-collateralized. Any difference between the carrying value and fair value of each transaction would be affected by a potential buyer's assessment of the transaction's credit quality, collateral value, guarantees, payment history, yield, term, documents and other legal matters, and other subjective considerations. Value received in a fair market sale of a transaction would be based on the terms of the sale, the Fund’s and the buyer's views of economic and industry conditions, the Fund’s and the buyer's tax considerations, and other factors.

**NOTE 3 – RESTRICTED CASH**

Restricted cash consists primarily of the cash reserve and cash held by the trustees related to the Fund’s debt facilities.

**NOTE 4 – DUE FROM LOCKBOX**

Customer payments are deposited into a lockbox shared with the Fund’s General Partner and other entities serviced by the Fund’s General Partner. The lockbox is in the name of U.S. Bank NA as trustee under an inter-creditor agreement amongst the Fund’s General Partner, the other entities and their respective lenders. Amounts recorded as due from lockbox on the accompanying consolidated Balance Sheets, represent customer payments received by the lockbox, applied to the respective customer’s accounts, but not transferred to the Fund’s bank account.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**September 30, 2007**  
**(unaudited)**

**NOTE 5 – INVESTMENT IN LEASES AND NOTES**

The Fund's direct financing leases are generally for initial lease terms ranging from 12 to 84 months. Unguaranteed residuals for direct financing leases represent the estimated amounts recoverable at lease termination from lease extensions or disposition of the equipment. The interest rates on notes receivable generally range from 7.5% to 12%. As of September 30, 2007, the average initial term of the Fund's financings was 41 months. As of September 30, 2007, 24% of the Fund's equipment was located in California. The following table sets forth investment in direct financing leases and notes:

	<b>September 30, 2007</b>
Direct financing leases .....	\$ 250,483
Notes receivable.....	<u>51,764</u>
	\$ 302,247
Allowance for possible losses .....	<u>(910)</u>
	<u>\$ 301,337</u>

The components of the net investment in direct financing leases for the periods indicated are as follows (in thousands):

	<b>September 30, 2007</b>
Total future minimum lease payments .....	\$ 277,423
Unearned rental income .....	(29,388)
Residuals, net of unearned residual income .....	<u>2,448</u>
	<u>\$ 250,483</u>

The following is a summary of the Fund's allowance for possible losses for the periods indicated (in thousands):

	<b>Period Ended September 30, 2007</b>
Allowance for possible losses, beginning of period .....	-
Provision for credit losses .....	\$ 910
Net write offs .....	-
Allowance for possible losses, end of period .....	-
	<u>\$ 910</u>

**NOTE 6 – OTHER ASSETS**

As of September 30, 2007 and December 31, 2006, other assets include \$1.7 million and \$0, respectively, of unamortized deferred financing costs which are being amortized over the terms of the related debt. Accumulated amortization as of September 30, 2007 and December 31, 2006 is \$82,200 and \$0, respectively. Amortization expense for each of the five succeeding twelve month periods ending September 30, are \$149,300, \$149,300, \$149,300, \$149,300 and \$149,300 respectively.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**September 30, 2007**  
**(unaudited)**

**NOTE 7 – DEBT**

The table below summarizes the Fund’s debt as of September 30, 2007 (in thousands):

	<b>September 30, 2007</b>
WestLB AG, New York Branch revolving line of credit, with an aggregate borrowing limit of \$200 million collateralized by specific leases and notes receivables and related equipment, with a 1% credit reserve of the outstanding line of credit. Interest on this facility is calculated at one month LIBOR plus .95% per annum. To mitigate fluctuations in interest rates the Fund has entered into interest rate swap agreements. The interest rate swap agreements terminate in January 2013. As of September 30, 2007, the interest rate swap agreements fix the interest rate on the outstanding balance at 6.46% on a weighted average basis. Interest and principal are due monthly. The line of credit expires in September 2010. The terms of the Fund’s credit facility with WestLB includes financial covenants related to the Fund’s net worth and leverage used. As of September 30, 2007, the Fund is in compliance with all such covenants.....	\$ 144,147
Merrill Lynch Bank USA, secured loan agreement, with an aggregate borrowing limit of \$200.0 million, collateralized by specific lease receivables and related equipment. Interest on this facility is calculated at one month LIBOR plus 0.80% per annum. To mitigate fluctuations in interest rates the Fund has entered into interest rate swap agreements. The interest rate swap agreements terminate on various dates ranging from June 2013 to August 2014. As of September 30, 2007, the interest rate swap agreements fix the interest rate on the outstanding balance at 6.17% on a weighted average basis. Interest and principal are due monthly. The secured loan is renewable for one year periods on June 28, 2008, 2009 and 2010. The terms of the Fund’s credit facility with Merrill Lynch include financial covenants related to the Funds net worth and leverage used. As of September 30, 2007, the Fund is in compliance with all such covenants.....	136,941
National City Bank, revolving line of credit, with an aggregate borrowing limit of \$50 million collateralized by specific leases and notes receivables and related equipment. Interest on this facility is calculated at one month LIBOR plus 1.75% per annum. Interest and principal are due monthly. The line of credit was paid in full in July 2007. ....	–
Total outstanding debt.....	<b>\$ 281,088</b>

The debt maturity for each of the succeeding twelve month periods ending September 30, and thereafter, are as follows (in thousands):

2008 .....	\$	100,045
2009 .....		79,920
2010 .....		55,620
2011 .....		32,317
2012 .....		11,750
Thereafter.....		1,436
	<b>\$</b>	<b>281,088</b>

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**September 30, 2007**  
**(unaudited)**

**NOTE 8 – DERIVATIVE INSTRUMENTS**

The majority of the Fund's assets and liabilities are financial contracts with fixed and variable rates. Any mismatch between the repricing and maturity characteristics of the Fund's assets and liabilities exposes it to interest rate risk when interest rates fluctuate. For example, the Fund's assets are structured on a fixed-rate basis, but since funds borrowed through warehouse facilities are obtained on a floating-rate basis, the Fund is exposed to a certain degree of risk if interest rates rise, which in turn will increase the Fund's borrowing costs. In addition, when the Fund originates assets, it bases its pricing in part on the spread it expects to achieve between the interest rate it charges its customers and the effective interest cost the Fund will pay when it funds those loans. Increases in interest rates that increase the Fund's permanent funding costs between the time the assets are originated and the time they are funded could narrow, eliminate or even reverse this spread.

To manage interest rate risk, the Fund employs a hedging strategy using derivative financial instruments such as interest rate swaps, which are designated as cash flow hedges. The Fund does not use derivative financial instruments for trading or speculative purposes. The Fund manages the credit risk of possible counterparty default in these derivative transactions by dealing exclusively with counterparties with investment grade ratings.

Before entering into a derivative transaction for hedging purposes, the Fund determines that a high degree of initial effectiveness exists between the change in the value of the hedged item and the change in the value of the derivative from a movement in interest rates. High effectiveness means that the change in the value of the derivative will be effectively offset by the change in the value of the hedged asset or liability. The Fund measures the effectiveness of each hedge throughout the hedge period. Any hedge ineffectiveness, as defined by U.S. GAAP is recognized in the consolidated statements of operations.

There can be no assurance that the Fund's hedging strategies or techniques will be effective, that profitability will not be adversely affected during any period of change in interest rates or that the costs of hedging will not exceed the benefits.

At September 30, 2007 and December 31, 2006, the notional amounts of the interest rate swaps were \$274.3 million and \$0, respectively. For the nine months ended September 30, 2007, the Fund had an unrealized loss of \$3.4 million on these interest rate swaps which is included in accumulated other comprehensive income. The Fund recognized no gain or loss during the period ended September 30, 2007 for hedge ineffectiveness. Assuming market rates remain constant with the rates of September 30, 2007, \$1.4 of the \$3.4 million in accumulated other comprehensive loss is expected to be charged to earnings over the next 12 months.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**September 30, 2007**  
**(unaudited)**

**NOTE 9 – TRANSACTIONS WITH AFFILIATES**

The Fund relies on the General Partner and its affiliates to manage the funds operations and will pay the General Partner or its affiliates fees to manage the fund.

The General Partner and Chadwick Securities, Inc. (“Chadwick”), a wholly owned subsidiary of RAI, receive an organization and offering allowance of 3% of the offering proceeds raised. This amount includes reimbursement to Chadwick to use for the selling dealers’ bona fide accountable due diligence expenses of up to 0.5% of the proceeds of each unit sold by them. These charges are recorded by the Fund as offering costs related to the sale of Partnership units.

The General Partner and Chadwick receive an underwriting fee of up to 3% of the offering proceeds for obtaining and managing the group of selling broker-dealers who sell the units in the offering. Chadwick also receives sales commissions of 7% of the proceeds of each unit that they sell. Chadwick did not sell any units through September 30, 2007.

The General Partner receives a fee for assisting the Fund in acquiring equipment for lease, portfolios of equipment subject to existing equipment leases and secured loans equal to 2% of the Fund’s purchase price.

The General Partner receives a subordinated annual asset management fee equal to 4% of gross rental payments for operating leases, as defined in the partnership agreement, or 2% of gross rental payments for full payout leases, or a competitive fee, whichever is less. An operating lease is one in which the aggregate noncancellable rental payments during the initial term of the lease, on a net present value basis, are not sufficient to recover the purchase price of the equipment. A full payout lease is one in which the gross rental payments, on a net present value basis, are at least sufficient to recover the purchase price of the equipment. During the Fund’s five-year investment period, the management fee will be subordinated to the payment to the Fund’s limited partners of a cumulative annual distribution of 8.5% of their capital contributions, as adjusted by distributions deemed to be a return of capital.

The General Partner will receive a subordinated commission equal to one-half of a competitive commission, up to a maximum of 3% of the contract sales price, for arranging the sale of the Fund’s equipment after the expiration of a lease. This commission is subordinated to the payment to the limited partners of a cumulative 8.5% annual return on their capital contributions, as adjusted by distributions deemed to be returns of capital. No commissions were paid during the period from March 13, 2007 (Commencement of Operations) to September 30, 2007.

The General Partner or its affiliates are reimbursed by the Fund for certain costs of services and materials used by or for the Fund except those items covered by the above-mentioned fees.

The General Partner receives a commission equal to the lesser of a competitive rate or 2% of gross rental payments derived from any re-lease of equipment, payable as the Fund receives rental payments from re-lease. The Fund will not, however, pay a re-lease commission if the re-lease is with the original lessee or its affiliates. No release commissions were paid during the period from March 13, 2007 (Commencement of Operations) to September 30, 2007.

The following is a summary of fees and costs of services and materials charged by the General Partner or its affiliates during the periods indicated:

	<b>Three Months Ended September 30, 2007</b>	<b>Nine Months Ended September 30, 2007*</b>
Acquisition fees .....	\$ 2,245	\$ 6,510
Asset management fees.....	812	877
Reimbursed administrative expenses .....	378	426
Organization and offering expense allowance .....	591	1,596
Underwriting fees .....	2,031	5,232

\* Operations commenced March 13, 2007

Due to related parties, as of September 30, 2007 represents amounts due to the General Partner for management fees, reimbursed expenses and other advances.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**September 30, 2007**  
**(unaudited)**

**NOTE 10 – ALLOCATION OF PARTNERSHIP INCOME, LOSS AND CASH DISTRIBUTIONS**

Cash available for distributions, if any, are made monthly as follows: 99% to the Limited Partners and 1% to the General Partner until the Limited Partners have received an amount equal to their unpaid cumulative return (8.5%) of their adjusted capital contribution and thereafter, to investment and reinvestment in investments or, if the General Partner elects not to invest or reinvest such distributable cash, 99% to the Limited Partners and 1% to the General Partner.

**NOTE 11 – COMPREHENSIVE LOSS**

Comprehensive loss includes net loss and all other changes in the equity of a business during a period from non-owner sources. These changes, other than net loss, are referred to as “other comprehensive loss” and for the Fund, only includes changes in the fair value of unrealized hedging derivatives.

**NOTE 12 – NET LOSS PER LIMITED PARTNERSHIP UNIT**

Net loss per limited partnership unit is computed by dividing net loss allocated to the Fund’s Limited Partners by the weighted average number of limited partnership units outstanding during the period. The weighted average number of limited partnership units outstanding during the period is computed based on the number of limited partnership units issued during the period weighted for the days outstanding during the period. Basic loss per limited partnership unit equals dilutive net loss per limited partnership unit because there are no potential dilutive units.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (unaudited)**

When used in this Form 10-Q, the words "believes" "anticipates," "expects" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties more particularly described in Item 3, under the caption "Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges" in our Form S-1. These risks and uncertainties could cause actual results to differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We undertake no obligation to publicly release the results of any revisions to forward-looking statements which we may make to reflect events or circumstances after the date of this Form 10-Q or to reflect the occurrence of unanticipated events.

### **OVERVIEW**

We are LEAF Equipment Leasing Income Fund III, L.P. (the "Fund"), a Delaware limited partnership, formed on May 16, 2006 by its general partner, LEAF Asset Management, LLC (the "General Partner"). The Fund's fiscal year ends on December 31. LEAF Asset Management, LLC, a Delaware corporation, is a wholly owned subsidiary of Resource America, Inc. ("RAI"). RAI is a publicly-traded company (NASDAQ: REXI) operating in the financial fund management, real estate, and commercial finance sectors. We received our minimum subscription proceeds of \$2.0 million (20,000 units) required to begin operations and we broke escrow on March 13, 2007. As of September 30, 2007, we had sold subscriptions for 530,778 limited partner units (\$53.2 million).

We seek to acquire a diversified portfolio of new, used or reconditioned equipment that we lease to third parties. We also acquire portfolios of equipment subject to existing leases from other equipment lessors. In addition, up to 30% of our funds available for investment at any given time may be used to make secured loans to the end users to finance their purchase of equipment. We attempt to structure our secured loans so that, in an economic sense, there is no difference to us between a secured loan and a full payout equipment lease. The equipment we finance includes computers, medical and dental equipment, general office equipment, furniture, energy and climate control systems, and industrial equipment. Industrial equipment is comprised of various equipment types which include the following: light and heavy duty trucks, excavation equipment, construction equipment and machinery used in manufacturing. Financing assets within the industrial equipment category averaged \$33,000 at September 30, 2007. We focus on the small to mid-size business market, which generally includes businesses with:

- 500 or fewer employees;
- \$1.0 billion or less in total assets; or
- \$100.0 million or less in total annual sales.

We expect that the per unit equipment cost for leases we originate generally will be between \$20,000 and \$2.0 million. Our principal objective is to generate regular cash distributions to our limited partners.

Our leases consist of direct financing and operating leases as defined by U.S. GAAP. Under the direct financing method of accounting, interest income (the excess of the aggregate future rentals and estimated unguaranteed residuals upon expiration of the lease over the related equipment cost) is recognized over the life of the lease using the interest method. Under the operating method, the cost of the leased equipment, including acquisition fees associated with lease placements, is recorded as an asset and depreciated on a straight-line basis over its estimated useful life. Rental income on operating leases consists primarily of monthly periodic rentals due under the terms of the leases. Generally, during the lease terms of existing operating leases, we will not recover all of the cost and related expenses of rental equipment and, therefore, we are prepared to remarket the equipment in future years. When a direct financing lease or note is 90 days or more delinquent, the lease or note is classified as being on non-accrual and we do not recognize interest income on that lease or note until the lease or note become less than 90 days delinquent.

Our offering began on February 7, 2007 and we broke escrow on March 13, 2007. As of September 30, 2007, our portfolio contained 9,518 equipment leases with 8,539 individual end users located in 50 states as well as the District of Columbia and Puerto Rico. No individual end user or single piece of equipment accounted for more than 3% of our portfolio based on original cost of the equipment. As of September 30, 2007, we had a net investment of \$4.3 million in equipment under operating leases and a net investment of \$301.3 million in direct financing leases and notes for a total investment in equipment financing assets of \$305.6 million. Our average original equipment cost per equipment financing transaction was \$34,700 as of September 30, 2007. As of September 30, 2007, the average initial term of our financings was 41 months. As of September 30, 2007, 23% of our equipment was located in California. No other state accounted for more than 10% of our equipment portfolio.

We utilize debt in addition to our equity to fund the acquisitions of lease portfolios. As of September 30, 2007, our outstanding debt was \$281.1 million.

#### Our Lease Portfolio

The following schedules detail the type, net investment (before allocating the allowance for possible losses) and percentage of the various types of equipment leased by us under operating leases, direct financing leases and notes as of September 30, 2007 (dollars in thousands):

#### Direct Financing Leases and Notes

<u>Type of Equipment</u>	<u>September 30, 2007</u>	
	<u>Net Investment</u>	<u>Percentage</u>
Industrial Equipment.....	\$ 197,443	65.3%
Computers.....	25,853	8.6
Medical Equipment.....	23,448	7.8
Restaurant Equipment.....	15,549	5.1
Office Equipment.....	14,164	4.7
Communications.....	6,342	2.1
Building Systems.....	5,632	1.9
Garment Care.....	1,918	0.6
Software.....	1,462	0.5
Other.....	<u>10,436</u>	<u>3.4</u>
	<u>\$ 302,247</u>	<u>100.0%</u>

#### Operating Leases

<u>Type of Equipment</u>	<u>September 30, 2007</u>	
	<u>Net Investment</u>	<u>Percentage</u>
Industrial Equipment.....	\$ 3,001	69.4%
Office Equipment.....	361	8.4
Communications.....	314	7.3
Computers.....	192	4.4
Building Systems.....	151	3.5
Other.....	<u>300</u>	<u>7.0</u>
	<u>\$ 4,319</u>	<u>100.0%</u>

The following schedules detail the type of business (before allocating the allowance for possible losses) by standard industrial classification that lease our equipment as of September 30, 2007 (dollars in thousands):

**Direct Financing Leases and Notes**

<u>Type of Business</u>	<u>September 30, 2007</u>	
	<u>Net Investment</u>	<u>Percentage</u>
Services .....	\$ 90,421	29.9%
Transportation/Communication/Energy .....	49,417	16.4
Manufacturing .....	41,570	13.8
Construction .....	33,485	11.1
Retail Trade .....	28,708	9.5
Wholesale Trade .....	20,826	6.9
Agriculture/Forestry/Fishing .....	15,497	5.1
Finance/Insurance/Real Estate .....	10,713	3.5
Public Administration .....	286	0.1
Other .....	<u>11,324</u>	<u>3.7</u>
	<u>\$ 302,247</u>	<u>100.0%</u>

**Operating Leases**

<u>Type of Business</u>	<u>September 30, 2007</u>	
	<u>Net Investment</u>	<u>Percentage</u>
Transportation/Communication/Energy .....	\$ 1,484	34.4%
Services .....	1,187	27.5
Construction .....	940	21.8
Manufacturing .....	260	6.0
Wholesale Trade .....	224	5.2
Finance/Insurance/Real Estate .....	112	2.6
Agriculture/Forestry/Fishing .....	95	2.2
Retail Trade .....	15	0.3
Other .....	<u>2</u>	<u>0.0</u>
	<u>\$ 4,319</u>	<u>100.0%</u>

In evaluating our allowance for possible uncollectible accounts, we consider our contractual delinquencies, economic conditions and trends, industry statistics, lease portfolio characteristics and our General Partner's prior experience with similar lease assets. As of September 30, 2007, our credit evaluation indicated the need for an allowance for possible losses of our commercial finance assets of \$910,000.

## Results of Operations

We commenced our operations on March 13, 2007. We obtained a \$200.0 million credit facility with WestLB. In July 2007, we entered into a secured loan with Merrill Lynch bank, with an aggregate borrowing limit of \$200.0 million. The National City Line was repaid in July 2007. These facilities will allow us to leverage our equity to acquire additional equipment financings. Under the terms of our WestLB credit facility, we can leverage our equity up to 8.0 to 1.

### *Revenues – Three and Nine Months Ended September 30, 2007.*

- Our interest and rental income was \$5.5 million and \$6.7 million, for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007 respectively. We expect our revenues to increase as we continue to acquire equipment finance assets from our General Partner. Our investments in financing assets increased to \$305.7 million as of September 30, 2007.

### *Expenses – Three and Nine Months Ended September 30, 2007.*

- Operating expenses were \$6.9 million and \$7.9 million for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007 respectively. We expect our operating expenses to increase as our portfolio of equipment financing assets increases.
- Interest expense was \$4.5 million and \$5.2 million for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007 respectively. We had outstanding debt of \$281.1 million as of September 30, 2007.
- Depreciation on operating leases was \$225,000 and \$339,000 for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007 respectively. Our investment in operating leases increased to \$4.3 million as of September 30, 2007. We expect depreciation expense to increase as we continue to purchase operating leases from our General Partner.
- Our administrative expenses reimbursed to related party was \$378,000 and \$426,000 for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007 respectively. Administrative expenses represents reimbursements made to our General Partner for expenses incurred for managing us.
- Management fees to related party are based on payments of financings assets processed by our General Partner. The management fees charged by our General Partner were \$812,000 and \$877,000 for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007 respectively.
- The general and administrative expenses of \$121,000 and \$151,000 for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007 respectively, represent costs we incurred to operate on a daily basis.

We expect to acquire additional equipment financings as we raise more capital through the sale of partnership units. Our General Partner expects revenue derived from these additional leases and loans is expected to exceed the interest expense incurred by the debt incurred to obtain these financings.

We had a net loss of \$(742,000) and \$(490,000) for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007 respectively. The net loss per limited partnership unit, after losses allocated to our General Partner was \$(1.68) and \$(1.73) for the three months ended September 30, 2007 and the period from March 13, 2007 (commencement of operations) to September 30, 2007, respectively.

## Liquidity and Capital Resources

Our major sources of liquidity have been obtained by the sale of partnership units and bank debt. Our primary cash requirements, in addition to normal operating expenses, are for debt service, investment in leases and notes and distributions to partners. In addition to cash generated from operations, we plan to meet our cash requirements through additional credit facilities and sale of partnership units.

The following table sets forth our sources and uses of cash for the period indicated (in thousands):

	<b>Nine Months Period Ended September 30, 2007</b>
Net cash provided by operating activities .....	\$ 816
Net cash used in investing activities.....	(305,276)
Net cash provided by financing activities .....	308,560
Increase in cash .....	<u>\$ 4,100</u>

Our liquidity is affected by our ability to leverage our portfolio through expansion of our credit facilities. On June 19, 2007, we entered into a new \$200.0 million revolving credit facility with WestLB. Interest on this facility is calculated at one month LIBOR plus 0.95% per annum. In July 2007, we entered into a new \$200.0 million revolving credit facility with Merrill Lynch Equipment Finance Corporation (Merrill Lynch). Interest on this facility is calculated at one month LIBOR plus 0.80 % per annum. We fully paid off our National City Bank revolving line of credit in July 2007. Our credit facilities with WestLB and Merrill Lynch will allow us to leverage the additional equity we raise. Our debt to equity ratio is 6.78 to 1 at September 30, 2007.

Changes in interest rates will affect the market value of our portfolio and our ability to obtain financing. In general, the market value of an equipment lease will change in inverse relation to an interest rate change where the lease has a fixed rate of return. Accordingly, in a period of rising interest rates, the market value of our equipment leases will decrease. A decrease in the market value of our portfolio will adversely affect our ability to obtain financing against our portfolio or to liquidate it. In addition, the terms of our credit facility with Merrill Lynch and WestLB include financial covenants. As of September 30, 2007, we were in compliance with all such covenants. If we do not meet the requirements of the covenants in the future, a default could occur that would have an adverse effect on our operations and could force us to liquidate our portfolio.

Our liquidity could also be affected by higher than expected equipment lease defaults. Higher than expected equipment lease defaults will result in a loss of anticipated revenues. These losses may adversely affect our ability to make distributions to partners and, if the level of defaults is sufficiently large, may result in our inability to fully recover our investment in the underlying equipment. In evaluating our allowance for possible losses on uncollectible leases, we consider our contractual delinquencies, economic conditions and trends, industry statistics, lease portfolio characteristics and our General Partner's management's prior experience with similar lease assets. At September 30, 2007, our credit evaluation indicated a need for an allowance for possible losses of \$910,000. As our lease portfolio increases, we anticipate the need to establish an increased allowance for possible losses.

We received \$46.4 million net of offering costs of \$6.8 million, from the sale of our limited partnership units during the period from February 7, 2007, the date our offering began to September 30, 2007. From the proceeds we raised and borrowings from our Merrill Lynch and our West LB credit facility, we invested \$340.7 million in direct financing leases, notes and operating leases during the period from March 13, 2007 (Commencement of Operations) to September 30, 2007.

Partner's distributions paid for the nine months ended September 30, 2007 were \$1.1 million. Distributions to partners were 8.5% of invested capital.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At September 30, 2007, our outstanding debt totaled \$281.1 million, which consists of variable rate debt of \$144.1 million and \$137.0 million with West LB and Merrill Lynch, respectively. The National City Bank revolving line of credit was fully paid off in July 2007. To mitigate interest rate risk on the variable rate debt, we employ a hedging strategy using derivative financial instruments such as interest rate swaps, which fixes the interest rate at 6.46% and 6.17% for the WestLB and Merrill Lynch credit facility, respectively, on a weighted average basis.

#### **ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the U.S. Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our General Partner's 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, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Under the supervision of our General Partner's Chief Executive Officer and Chief Financial Officer, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our General Partner's Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

There have been no significant changes in our internal controls over financial reporting during the period ended September 30, 2007 that has materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Our limited partner units are not publicly traded. As of September 30, 2007, we had 707 limited partners.

We are currently offering units of our limited partnership interests pursuant to a registration statement (File No. 333-137734) that was made effective by the Securities and Exchange Commission on February 7, 2007 when the offering commenced. The dealer manager for the offering is Chadwick Securities, Inc. We registered the sale of 120,000 units of limited partnership interest at an aggregate offering price of \$120,000,000.

The following table shows the use of proceeds from the offering since the effective date of the registration statement through September 30, 2007.

Offering proceeds	\$ 53,204,532
Expenses:	
Sales commissions <sup>(1)</sup>	\$ 3,691,350
Underwriting fees <sup>(1)</sup>	1,540,229
Organization and offering expenses <sup>(2)</sup>	<u>1,596,136</u>
Public offering expenses	<u>6,827,715</u>
Net offering proceeds	46,376,817
Reserves	<u>463,768</u>
Total proceeds available for investment	<u>\$ 45,913,049</u>
Use of proceeds for investment (estimated):	
Used in operations <sup>(3)</sup>	\$ 2,021,599
Acquisition of lease portfolios <sup>(4)</sup>	39,524,358
Working capital	4,367,092

(1) Paid to an affiliate of the general partner which is then remitted to third parties.

(2) Paid to our general partner.

(3) Our general partner was reimbursed \$426,340 for operating expenses and asset management fees of \$876,696.

(4) Included are asset acquisition fees of \$6,509,765 that were paid to our general partner.

### ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
10.1	Secured Loan Agreement between LEAF Equipment Leasing Income Fund III, L.P. as seller and wholly-owned subsidiary, LEAF III A SPE, LLC as borrower, and Zane Funding, LLC as LP rate lender and Merrill Lynch Bank U.S.A as administrative agent dated July 2, 2007
31.1	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Executive Officer.
31.2	Rule 13a-14(a)/Rule 15d-14(a) Certification of Chief Financial Officer.
32.1	Certification of Chief Executive Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
32.2	Certification of Chief Financial Officer pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

**LEAF EQUIPMENT LEASING INCOME FUND III, L.P.**

A Delaware Limited Partnership

By: LEAF Asset Management, LLC, its General Partner

November 14, 2007

/s/ Crit DeMent

CRIT DEMENT

Chairman and Chief Executive Officer of the General Partner

November 14, 2007

/s/ Robert K. Moskovitz

ROBERT K. MOSKOVITZ

Chief Financial Officer and Treasurer of the General Partner