PART I

ITEM 1 – BUSINESS

General

We are a Delaware limited partnership formed on May 16, 2006 by our General Partner, LEAF Asset Management, LLC (the "General Partner"), which manages us. The General Partner is a Delaware limited liability company, and subsidiary of Resource America, Inc. ("RAI"). RAI is a publicly-traded company (NASDAQ: REXI) that uses industry specific expertise to evaluate, originate, service and manage investment opportunities through its commercial finance, real estate and financial fund management segments. Through our offering termination date of April 24, 2008 we raised $120.0 million by selling 1.2 million of our limited partner units. We commenced operations in March 2007.

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PART II

ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our limited partner units are not publicly traded. There is no market for our limited partner units and it is unlikely that any will develop. The following table shows the number of equity security holders, including our General Partner with respect to limited partner units it purchased.

Title of Class	Number of Partners as of December 31, 2009
Limited Partners	2,524
General Partner	1

Total distributions paid to limited partners for the years ended December 31, 2009 and 2008 and for the period ended December 31, 2007 were $10.2 million, $9.1 million and $2.3 million, respectively. These distributions were paid on a monthly basis to our limited partners at an annualized rate of approximately 8.5% of their original capital contribution to us.

ITEM 6 – SELECTED FINANCIAL DATA

The following selected financial data should be read together with our consolidated financial statements, the notes to our financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 in this report. We derived the selected consolidated financial data below from our consolidated financial statements appearing elsewhere in this report, which has been audited by Grant Thornton LLP, an independent registered public accounting firm. We deem March 13, 2007 to be the commencement of our operations and we refer to the period from that date through December 31, 2007 as the period ended December 31, 2007 (in thousands, except unit and per unit data).

	Year Ended December 31,		Period Ended December 31,
	2009	2008	2007
Revenues	$ 59,178	$ 74,088	$ 15,816
Expenses	91,022	94,154	16,184
Equity in earnings of affiliate	(212)	1,812	—
Noncontrolling interest	3,261	600	—
Net loss attributable to LEAF III	$ (28,795)	$ (17,654)	$ (368)
Net loss allocated to LEAF III's limited partners	$ (28,507)	$ (17,477)	$ (364)

	2009	2008	2007
Distributions to partners	$ 10,278	$ 9,205	$ 2,304
Weighted average number of limited partner units outstanding during the period	1,197,029	1,114,102	384,672
Net loss per weighted average limited partner unit	$ (23.81)	$ (15.69)	$ (0.95)

	December 31,		
	2009	2008	2007
Investment in leases and loans, net	$ 334,452	$ 682,458	$ 499,704
Total assets	364,550	738,422	536,442
Bank debt	314,420	644,223	467,625
Partners' (deficit) capital:			
General partner	(686)	(295)	(26)
Limited partners	36,106	74,914	61,879
Accumulated other comprehensive loss	(10,261)	(18,563)	(6,803)
Total partners' capital	$ 25,159	$ 56,056	$ 55,050

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Borrowings

Our borrowing relationships each require the pledging of eligible leases and loans to secure amounts advanced. Borrowings outstanding under our credit facilities were as follows as of December 31, 2009 (in thousands):

	Type	Maturity	Maximum Facility Amount	Amount Outstanding	Amount Available(1)	Amount of Collateral(2)
WestLB(3)	Revolving	June 2010	$ 175,000	$ 144,194	$ 30,806	$ 168,132
DZ Bank	Revolving	November 2013	150,000	116,649	33,351	133,712
Key Equipment Finance	Term	June 2013	53,577	53,577	—	63,392
			$ 378,577	$ 314,420	$ 64,157	$ 365,236

(1) Availability under these debt facilities is subject to having eligible leases or loans (as defined in the respective agreements) to pledge as collateral and compliance with the borrowing base formula.

(2) Recourse under these facilities is limited to the amount of collateral pledged, and with respect to the DZ Bank facility, an additional 5% of the outstanding debt balance, or $5.8 million as of December 31, 2009.

(3) If the WestLB facility is not extended at the time of renewal (June 2010), we would not be required to make full repayment at the time of renewal. Rather, we would repay the outstanding debt as payments are received on the underlying leases and loans pledged as collateral.

In 2009, and again in February 2010, we amended our revolving credit facility with WestLB AG. These amendments changed certain performance covenants in light of the current economic recession and its potential effect on future delinquencies. Interest on this facility increased to LIBOR plus 2.50% per annum for all borrowings subsequent to March 2009. In addition, these amendments reduced the availability under the facility to $175 million and adjusted our borrowing base formula, requiring a larger portion of our cash flow advance to be pledged as collateral on borrowings.