

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended March 31, 2004 Commission file number 33-00152

AMRECORP REALTY FUND III

(Exact name of registrant as specified in its charter)

TEXAS
(State or other jurisdiction of
incorporation or organization)

75-2045888
(IRS Employer
Identification Number)

2800 N Dallas Pkwy Suite 100
Plano, Texas 75093-5994

(Address of principal executive offices)

Registrant's telephone number, including area code: (972) 836-8000.

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: Y No:

REGISTRANT IS A LIMITED PARTNERSHIP

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Item 1. Financial Statements

The following Unaudited financial statements are filed herewith:

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The statements, insofar as they relate to the period subsequent to
December 31, 2003 are Unaudited.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

AMRECORP REALTY FUND III
Condensed Consolidated Balance Sheets

	March 31	December
	<u>2004</u>	<u>31,</u>
	(Unaudited)	<u>2003</u>
ASSETS		
Real Estate assets, at cost		
Land	\$1,000,000	\$1,000,000
Buildings and improvements	<u>7,180,636</u>	<u>7,180,636</u>
	8,180,636	8,180,636
Less: Accumulated depreciation	<u>(5,075,023)</u>	<u>(4,983,023)</u>
	3,105,613	3,197,613
Cash including cash investments	103,500	19,115
Escrow deposits	25,183	149,208
Deferred Financing Costs	69,599	71,881
Other assets	<u>9,457</u>	<u>29,787</u>
TOTAL ASSETS	<u><u>\$3,313,352</u></u>	<u><u>\$3,467,604</u></u>
LIABILITIES AND PARTNERS' EQUITY:		
LIABILITIES		
Mortgage and notes payable	\$3,981,565	\$3,999,545
Note Payable - Affiliates	96	1,338
Real estate taxes payable	18,090	136,892
Security deposits	58,819	57,788
Accounts payable & accrued expenses	132,818	116,175
	<u>4,191,388</u>	<u>4,311,738</u>
Partners Capital (Deficit)		
Limited Partners	(1,974,091)	(1,940,528)
Special Limited Partner	1,251,735	1,251,735
General Partner	<u>(155,680)</u>	<u>(155,341)</u>
Total Partners Capital (Deficit)	<u>(878,036)</u>	<u>(844,134)</u>
Total Liability And Partners Equity	<u><u>\$3,313,352</u></u>	<u><u>\$3,467,604</u></u>

See notes to Condensed Consolidated Financial Statements

AMRECORP REALTY FUND III
Condensed Consolidated Statement of Operations
(Unaudited)

	Three Months Ended	
	March 31,	
REVENUES	<u>2004</u>	<u>2003</u>
Rental income	391,224	\$390,882
Other property	25,368	17,814
Total revenues	<u>416,592</u>	<u>408,696</u>
 EXPENSES		
Salaries & wages	81,434	76,112
Maintenance & repairs	56,317	71,478
Utilities	42,227	48,625
Real estate taxes	37,500	37,500
General administrative	12,739	13,107
Contract services	23,029	23,730
Insurance	20,481	30,624
Interest	61,655	62,463
Depreciation and amortization	94,282	85,282
Property management fees	20,830	20,435
Total expenses	<u>450,494</u>	<u>469,356</u>
 NET INCOME (LOSS)	 <u><u>(\$33,902)</u></u>	 <u><u>(\$60,660)</u></u>
 NET INCOME PER SHARE	 <u><u>\$ (14.23)</u></u>	 <u><u>\$ (25.47)</u></u>

See Notes to Condensed Consolidated Financial Statements

AMRECORP REALTY FUND III
Condensed Consolidated Statement of Cash Flows
Unaudited

	Three Months Ended March 31,	
	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITY		
Net income (loss)	(\$33,902)	(\$60,660)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	92,000	83,000
Net Effect of changes in operating accounts		
Escrow deposits	124,025	100,208
Capital replacement reserve	0	284
Accrued real estate taxes	(118,802)	(112,034)
Security deposits	1,031	(1,763)
Accounts payable	16,643	27,720
Deferred Financing Costs	2,282	30,624
Other assets	20,330	2,282
Net cash provided by operating activities	<u>103,607</u>	<u>69,661</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment of mortgage notes payable	(17,980)	(16,905)
Note payable - affiliates	(1,242)	415
Distribution to special limited partner	0	(70,000)
Net cash used by investing activities	<u>(19,222)</u>	<u>(86,490)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	84,385	(16,829)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	19,115	23,824
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$103,500</u>	<u>\$6,995</u>

See Notes to Condensed Consolidated Financial Statements

Basis of Presentation:

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Partnership believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Partnership's latest annual report on Form 10-K.

Item 2. RESULTS OF OPERATIONS AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

Results of Operations

At March 31, 2004 the Partnership owned Las Brisas Apartments, a 376-unit apartment community located at 2010 South Clark Street, Abilene, Taylor County, Texas 79606. The Partnership purchased a fee simple interest in Las Brisas Apartments on July 30, 1986. The property contains approximately 312,532 net rentable square feet, one clubhouse, and five laundry facilities located on approximately 19.11 acres of land.

The occupancy of Las Brisas averaged 97.4% during the first quarter of 2004 as compared to 92.8% for the first quarter of 2003.

FIRST QUARTER 2004 COMPARED TO FIRST QUARTER 2003

Revenue from property operations increased \$7,896, or 1.93%, for the first quarter of 2004, as compared to the first quarter of 2003. Other property income increased \$7,554 or 42.4% mainly due to increased fee collections. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	342	0.09%
Other property	7,554	42.40%
	<u>7,896</u>	<u>1.93%</u>

Property operating expenses: decreased by \$18,862 or 4.02% for the first quarter of 2004 compared to the first quarter of 2003 due primarily to decreased maintenance and repair costs. Maintenance & repairs decreased \$15,161 or 21.21% due to decreased exterior building maintenance. Insurance costs decreased \$10,143 or 33.12% due to lower flood insurance costs. Utilities decreased \$6,398 or 13.16 due to lower electric and gas consumption. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	5,322	6.99%
Maintenance & repairs	(15,161)	21.21%
Utilities	(6,398)	13.16%
General administrative	(368)	2.81%
Contract services	(701)	2.95%
Insurance	(10,143)	33.12%
Interest	(808)	1.29%
Depreciation and amortization	9,000	10.55%
Property management fees	395	1.93%
Net Increase (Decrease)	<u>(18,862)</u>	<u>4.02%</u>

FIRST QUARTER 2003 COMPARED TO FIRST QUARTER 2002

Revenue from property operations increased \$19,675, or 6.29%, for the first quarter of 2003, as compared to the first quarter of 2002. Increased occupancy in the first quarter of 2003 accounted for the increase in rental income of \$29,320 or 9.92%. Other property income decreased \$9,645 or 55.85% mainly due to decreased fee collections. The following table illustrates the components:

	<u>Three Month Comparison</u>	
	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Rental income	29,320	9.92%
Other property	(9,645)	55.85%
Net Increase (Decrease)	19,675	6.29%

Property operating expenses: increased by \$40,726 or 11.79% for the first quarter of 2003 compared to the first quarter of 2002 due primarily to increased insurance costs. Insurance increased \$4,593 or 68.65% due to higher premiums and a new flood insurance policy as required by the new lender. Contract service increased \$3,404 or 47.65% due to higher cable rates for the property. Maintenance & repairs increased \$14,199 or 25.37% due to roof and carpentry repairs. Utilities increased \$9,397 or 25.22% from higher natural gas costs. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Salaries & wages	7,726	10.87%
Maintenance & repairs	14,199	25.37%
Utilities	9,397	25.22%
Real estate taxes	1,749	5.55%
General administrative	(68)	0.55%
Contract services	3,404	47.65%
Insurance	4,593	68.65%
Interest	(1,260)	2.99%
Property management fees	986	6.05%
Net Increase (Decrease)	40,726	11.79%

LIQUIDITY AND CAPITAL RESOURCES

On July 31, 1986 the Partnership purchased the Las Brisas Apartments. The purchase provided for the sellers to receive cash at closing and notes totaling \$660,000. On September 30, 1987 the principal balance due totaled \$210,000. In order to obtain the necessary proceeds to finally retire these notes the General Partners offered 254 Units of the Partnership to two investors at the price of \$200,660. No commissions were taken nor did the General Partner receive any fees in connection with these interests. The Partnership then obtained short term financing from Resource Savings Association totaling \$260,000, bearing interest at the rate of 2% over prime and payable quarterly together with principal payments of \$15,000 each. Security for the loan was provided by a \$100,000 certificate of deposit and the personal guaranties of the Partnership's General Partners. The Resource Savings Association loan matured December 31, 1983. In September, 1991 Mr. Werra paid \$40,750 in satisfaction of his personal guaranty of the Partnership loan.

The Partnership defaulted in its debt obligations in August, 1988. The Partnership was forced to seek protection under Chapter 11 of the United States Bankruptcy Code in December, 1988 when negotiations with Aetna Life Insurance Company, ("Aetna") the holder of the two underlying first mortgage notes and Las Brisas Apartments, Ltd. and Abilene Associates, Ltd., the holders of respective wrap mortgage notes ("Wrap Note Holders") failed to provide any relief.

The Partnership emerged from bankruptcy on May 15, 1990, having negotiated a modification of its debt with its major creditors. In June, 1989 an affiliate of the individual General Partner provided \$401,910.77 to bring the Aetna notes current. At the same time the Wrap Note Holders agreed to reduced the payments due on their respective wrap notes in order to mirror the payments made on the underlying Aetna notes. The term of each wrap note will be extended from July 31, 1995 to July 1, 2002

and July 1, 2007 respectively. The \$401,910.77 note is collateralized by junior mortgage on the property. In addition, the affiliate has the option to purchase the wrap notes for \$85,000 at any time prior to the respective maturity dates of the wrap notes.

Commencing on July 1, 1992, payments on the notes reverted to the original amounts of \$19,442 and \$15,454. During the prior two years the Partnership deferred \$214,460 in debit service payments. The modification gave the Partnership room to deal with the economic difficulties experienced in the market at the time.

In February 1991, Amrecorp Realty Inc. resigned as the Managing General Partner of the Partnership. As was communicated to all limited partners, this step was taken in order to minimize any effect that Amrecorp's financial difficulties might have on the partnership. Management of the Partnership's assets is performed by Univesco, Inc., a Texas corporation, Robert J. Werra, CEO.

On November 12, 1993 the Partnership refinanced the properties secured debt with an 8.15%, ten year, mortgage loan from Lexington Mortgage Company. The \$3,250,000 mortgage loan provides for monthly payments of \$415,000 based on an amortized schedule of 300 months with a final payment of the entire remaining principal balance in December 2003. The proceeds of this new loan were used to pay off the \$2,500,000 and \$2,300,000 mortgage notes which previously held the first mortgage position. The old first mortgagee provided a discount of approximately ten percent of the outstanding principal balances of two old notes. The balance of funds needed to retire the old notes (approximately \$100,000) was provided by Robert J. Werra. In addition Robert J. Werra exercised his option in the property's wrap mortgage notes. The new lender prohibited subordinate debt. To meet this requirement the subordinate debt held by Mr. Werra was converted to a class of equity with the same terms and conditions as it possessed as debt. The wrap mortgage lender would not agree to the change in status so Mr. Werra paid \$85,000 to complete his purchase of the wrap notes and now holds an equity position in the partnership as a Special Limited partner.

The partnership agreement was amended by vote of the limited partners to include the appointment of a new corporate general partner, LBAL, Inc., a Texas corporation wholly owned by Robert J. Werra.

While it is the General Partners primary intention to operate and manage the existing real estate investment, the General Partner also continually evaluates this investment in light of current economic conditions and trends to determine if this asset should be considered for disposal. At this time, there is no plan to dispose of Las Brisas Apartments.

As of March 31, 2004, the Partnership had \$103,500 in cash and cash equivalents as compared to \$19,115 as of December 31, 2003. The net increase in cash of \$84,385 was cash flow from operations.

The property is encumbered by a non-recourse mortgage with a principal balance of \$3,981,565 as of March 31, 2004. During the year ended December 31, 2001, the Partnership refinanced the mortgage payable. The mortgage payable bears interest at a rate of 6.18% and is payable in monthly installments of principal and interest of \$25,058 through December 2011, at which time a lump sum payment of approximately \$3,447,000 is due. This mortgage note is secured by real estate with a net book value of \$3,169,117.

For the foreseeable future, the Partnership anticipates that mortgage principal payments (excluding balloon mortgage payments), improvements and capital expenditures will be funded by net cash from operations. The primary source of capital to fund future Partnership acquisitions and balloon mortgage payments will be proceeds from the sale financing or refinancing of the Property.

The special limited partner distribution preference arises from a preferred return on certain special limited partnership contributions made in prior years in conjunction with the refinancing of the mortgage debt. The total unpaid amount due to the special limited partners at March 31, 2004 is approximately \$2,190,000 of which \$858,000 is the remaining distribution preference and \$1,332,000 is the original contribution. Any additional available cash will then be distributed in accordance with the partnership agreement. During 2003, 2002, and 2001, distributions of \$110,000, \$523,560, and \$985,408, respectively, were made to the special limited partners in accordance with this agreement.

PART II

Other Information

- Item 1. Legal Proceedings.
None
- Item 2. Changes in Securities.
None
- Item 3. Defaults upon Senior Securities.
None
- Item 4. Submission of Matters to a vote of Security Holders.
None
- Item 5. Other Information.
None
- Item 6. Exhibits and Reports on Form 8-K.

(A) The following documents are filed herewith or incorporated herein by reference as indicated as Exhibits:

<u>Exhibit Designation</u>	<u>Document Description</u>
3	Certificate of Limited Partnership, Incorporated by reference to Registration Statement No. 33-00152 Effective November 26, 1985.
4	Certificate of Limited Partnership, Incorporated by reference to Registration Statement No. 33-00152 Effective November 26, 1985
9	Not Applicable.
10	None.
11	Not Applicable.
12	Not Applicable.
13	Not Applicable.
18	Not Applicable.
19	Not Applicable.
22	Not Applicable.
23	Not Applicable.
24	Not Applicable.
25	Power of Attorney, Incorporated by reference to Registration Statement No. 33-00152 Effective November 26, 1985
28	None.
31.1	Certification Pursuant to Rules 13a-14 and 15d-14 Under the Securities Exchange Act of 1934, as

Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.

32.1

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

(B) Reports on form 8-K for quarter ended March 31, 2004.
1. None

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.

AMRECORP REALTY FUND III
A Texas limited partnership

By: /s/ Robert J. Werra
Robert J. Werra,
General Partner

Date: May 6, 2004

Exhibit 31.1

CERTIFICATION PURSUANT TO RULES 13a-14 AND 15d-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I Robert J. Werra, Acting Principal Executive Officer and Chief Financial of Amrecorp Realty Fund III (“the Company”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. I am 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 Company and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company and its consolidated subsidiaries is made known to me by others within those entities, particularly for the periods presented in this quarterly report;
 - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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 Company’s disclosure controls and procedures and presented in this report my 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

**CERTIFICATION PURSUANT TO RULES 13a-14 AND 15d-14 UNDER
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 - continued**

- d. disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- 5. I have disclosed based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and Audit Committee of the Board of Directors (or persons fulfilling the equivalent function):
 - 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 Company's ability to record, process, summarize, and report financial data; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Robert J. Werra

Robert J. Werra
Acting Principal Executive Officer and Chief Financial Officer
May 6, 2004

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amrecorp Realty Fund III (“the Company”) on Form 10-Q for the period ending March 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (“the Report”), I, Robert J. Werra, Acting Principal Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert J. Werra

Robert J. Werra
Acting Principal Executive Officer and Chief Financial Officer
October 31, 2003