

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 September 30, 2005 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:

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes: No: N

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

Yes: No: N

REGISTRANT IS A LIMITED PARTNERSHIP

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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, 2004 are Unaudited.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

AMRECORP REALTY FUND III

Condensed Balance Sheets

	September 30 2005 (Unaudited)	December 31, 2004
ASSETS		
Real Estate assets, at cost		
Land	\$1,000,000	\$1,000,000
Buildings and improvements	7,345,211	7,345,211
	8,345,211	8,345,211
Less: Accumulated depreciation	(5,621,122)	(5,351,122)
	2,724,089	2,994,089
Cash including cash investments	26,871	56,866
Escrow deposits	119,122	136,621
Deferred Financing Costs	55,908	62,753
Other assets	74,525	41,560
TOTAL ASSETS	<u>\$3,000,515</u>	<u>\$3,291,889</u>
LIABILITIES AND PARTNERS' EQUITY:		
LIABILITIES		
Mortgage and notes payable	\$3,895,923	\$3,944,478
Payable - Affiliates	1,643	1,220
Real estate taxes payable	105,250	140,629
Security deposits	63,575	57,644
Accounts payable & accrued expenses	96,110	58,394
	<u>4,162,501</u>	<u>4,202,365</u>
Partners Capital (Deficit)		
Limited Partners	(1,923,240)	(1,931,645)
Special Limited Partner	916,420	1,176,420
General Partner	(155,166)	(155,251)
Total Partners Capital (Deficit)	<u>(1,161,986)</u>	<u>(910,476)</u>
Total Liability And Partners Equity	<u>\$3,000,515</u>	<u>\$3,291,889</u>

See notes to Condensed Financial Statements

AMRECORP REALTY FUND III

Condensed Statement of Operations

(Unaudited)

	Three Months Ended		Nine Months Ended	
	June 30,		September 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
REVENUES				
Rental income	442,403	\$415,116	\$1,291,191	\$1,212,374
Other property	<u>28,682</u>	<u>32,590</u>	<u>87,331</u>	<u>86,013</u>
Total revenues	471,085	447,706	1,378,522	1,298,387
EXPENSES				
Salaries & wages	85,006	88,185	232,618	243,199
Maintenance & repairs	75,193	62,485	179,044	187,438
Utilities	39,233	47,912	123,476	117,642
Real estate taxes	36,250	36,500	105,250	111,500
General administrative	14,162	14,942	42,556	42,516
Contract services	31,292	26,641	89,372	82,186
Insurance	18,994	29,186	70,212	77,618
Interest	60,345	61,232	181,712	184,331
Depreciation and amortization	92,282	94,282	276,846	282,846
Property management fees	<u>23,574</u>	<u>22,386</u>	<u>68,946</u>	<u>64,920</u>
Total expenses	476,331	483,751	1,370,032	1,394,196
NET INCOME (LOSS)	<u>(\$5,246)</u>	<u>(\$36,045)</u>	<u>\$8,490</u>	<u>(\$95,809)</u>
NET INCOME PER SHARE	<u>\$ (2.18)</u>	<u>\$ (14.98)</u>	<u>\$ 3.53</u>	<u>\$ (39.82)</u>

See Notes to Condensed Financial Statements

AMRECORP REALTY FUND III
Condensed Statement of Cash Flows
Unaudited

	Nine Months Ended September 30,	
	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITY		
Net income (loss)	\$8,490	(\$95,809)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	276,845	282,846
Net Effect of changes in operating accounts		
Escrow deposits	17,499	35,812
Accrued real estate taxes	(35,379)	(26,267)
Security deposits	5,931	(455)
Accounts payable	37,716	4,925
Other assets	(32,965)	(37,917)
Net cash provided by operating activities	<u>278,137</u>	<u>163,135</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used by investing activities	<u>0</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage notes payable	(48,555)	(45,652)
Note payable - affiliates	423	(855)
Distribution to special limited partner	(260,000)	(90,000)
Net cash used by financing activities	<u>(308,132)</u>	<u>(136,507)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(29,995)</u>	26,628
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>56,866</u>	<u>19,115</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$26,871</u></u>	<u><u>\$45,743</u></u>

See Notes to Condensed Financial Statements

Basis of Presentation:

The accompanying unaudited condensed financial statements have been prepared by Amrecorp Realty Fund III (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies 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 such rules and regulations.

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2004 Annual Report on Form 10-K filed with the Securities and Exchange

Commission. The results of operations for interim periods are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ending December 31, 2005.

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

Results of Operations

At September 30, 2005 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 97.6% during the third quarter of 2005 as compared to 97.0% for the third quarter of 2004.

THIRD QUARTER 2005 COMPARED TO THIRD QUARTER 2004

Revenue from property operations increased \$23,379, or 5.22%, for the third quarter of 2005, as compared to the third quarter of 2004. Rental income increased \$27,287 or 6.57% due to higher occupancy. Other property income decreased \$3,908 or 11.99% mainly due to decreased fee collections. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	27,287	6.57%
Other property	(3,908)	11.99%
Net Increase (Decrease)	23,379	5.22%

Property operating expenses: decreased by \$7,420 or 1.53% for the third quarter of 2005 compared to the third quarter of 2004 due primarily to decreased insurance costs. Insurance decreased \$10,192 or 34.92% due to decreased flood insurance. Maintenance and repairs increased \$12,708 or 20.34% due to roof and pool repairs. Utilities decreased \$8,679 or 18.11% due to a decrease in electric consumption. Contract services increased \$4,651 or 17.46% due to higher rubbish and cable television costs. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	(3,179)	3.60%
Maintenance & repairs	12,708	20.34%
Utilities	(8,679)	18.11%
Real estate taxes	(250)	0.68%
General administrative	(780)	5.22%
Contract services	4,651	17.46%
Insurance	(10,192)	34.92%
Interest	(887)	1.45%
Depreciation and amortization	(2,000)	2.12%
Property management fees	1,188	5.31%
Net Increase (Decrease)	(7,420)	1.53%

FIRST NINE MONTHS 2005 COMPARED TO FIRST NINE MONTHS 2004

Revenue from property operations increased \$80,135, or 6.17%, for the first nine months of 2005, as compared to the first nine months of 2004. Rental income increased \$78,817 or 6.50% due to higher occupancy. Other property income increased \$1,318 or 1.53% mainly due to increased fee collections. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	78,817	6.50%
Other property	1,318	1.53%
	<u>80,135</u>	<u>6.17%</u>

Property operating expenses: decreased by \$24,164 or 1.73% for the first nine months of 2005 compared to the first nine months of 2004 due primarily to decreased insurance costs. Insurance decreased \$7,406 or 9.54% due to decreased flood insurance. Contract services increased \$7,186 or 8.74% due to higher rubbish and cable television costs. Real estate taxes decreased \$6,250 or 5.61% due to successful tax appeals. Utilities increased \$5,834 or 4.96% due to higher gas prices. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	(10,581)	4.35%
Maintenance & repairs	(8,394)	4.48%
Utilities	5,834	4.96%
Real estate taxes	(6,250)	5.61%
General administrative	40	0.09%
Contract services	7,186	8.74%
Insurance	(7,406)	9.54%
Interest	(2,619)	1.42%
Depreciation and amortization	(6,000)	2.12%
Property management fees	4,026	6.20%
Net Increase (Decrease)	<u>(24,164)</u>	<u>1.73%</u>

LIQUIDITY AND CAPITAL RESOURCES

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 September 30, 2005, the Partnership had \$26,871 in cash and cash equivalents as compared to \$56,866 as of December 31, 2004. The net decrease in cash of \$29,995 was cash used for financing.

The property is encumbered by a non-recourse mortgage with a principal balance of \$3,895,923 as of September 30, 2005. 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 \$2,994,090.

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 September 30, 2005 is approximately \$1,906,000 of which \$975,000 is the remaining distribution preference and \$931,000 is the original contribution. Any additional available cash will then be distributed in accordance with the partnership agreement. During 2005, 2004, and 2003, distributions of \$260,000, \$90,000, and \$110,000, respectively, were made to the special limited partners in accordance with this agreement.

Item 3 – Quantitative and Qualitative Disclosure about Market Risk

The Partnership is exposed to interest rate changes primarily as a result of its real estate mortgages. The Partnerships interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives, the Partnership borrows primarily at fixed rates. The Partnership does not enter into derivative or interest rate transactions for any purpose.

The Partnerships' activities do not contain material risk due to changes in general market conditions. The partnership invests only in fully insured bank certificates of deposits, and mutual funds investing in United States treasury obligations.

Item 4 - Controls and Procedures

Based on their most recent evaluation, which was completed within 90 days of the filing of this Form 10-Q, our Acting Principal Executive Officer and Chief Financial Officer, believe our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective. There were not any significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, and there has not been any corrective action with regard to significant deficiencies and material weaknesses.

PART II

Other Information

<u>Item 1.</u>	Legal Proceedings. None
<u>Item 2.</u>	Changes in Securities. None
<u>Item 3.</u>	Defaults upon Senior Securities. None
<u>Item 4.</u>	Submission of Matters to a vote of Security Holders. None
<u>Item 5.</u>	Other Information. None
<u>Item 6.</u>	Exhibits

(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.

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: November 2, 2005

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 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
November 2, 2005

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 September 30, 2005 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
November 2, 2005