

# 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, 2006 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, 2005 are Unaudited.

PART 1. FINANCIAL INFORMATION

**Item 1. Financial Statements**

**AMRECORP REALTY FUND III**  
**Condensed Balance Sheets**

	<b>March 31 2006 (Unaudited)</b>	<b>December 31, 2005</b>
<b>ASSETS</b>		
Real Estate assets, at cost		
Land	\$1,000,000	\$1,000,000
Buildings and improvements	7,469,441	7,454,441
	<u>8,469,441</u>	<u>8,454,441</u>
Less: Accumulated depreciation	(5,806,304)	(5,715,304)
	<u>2,663,137</u>	<u>2,739,137</u>
Cash including cash investments	162,058	23,891
Escrow deposits	37,598	157,525
Deferred Financing Costs	51,344	53,626
Other assets	<u>11,244</u>	<u>37,038</u>
<b>TOTAL ASSETS</b>	<b><u>\$2,925,381</u></b>	<b><u>\$3,011,217</u></b>
<b>LIABILITIES AND PARTNERS' EQUITY:</b>		
<b>LIABILITIES</b>		
Mortgage payable	\$3,870,695	\$3,885,910
Payable - Affiliates	2,194	620
Real estate taxes payable	39,874	157,649
Security deposits	65,785	65,784
Accounts payable & accrued expenses	58,055	60,009
	<u>4,036,603</u>	<u>4,169,972</u>
Partners Capital (Deficit)		
Limited Partners	(1,872,443)	(1,919,501)
Special Limited Partner	915,875	915,875
General Partner	<u>(154,654)</u>	<u>(155,129)</u>
<b>Total Partners Capital (Deficit)</b>	<b><u>(1,111,222)</u></b>	<b><u>(1,158,755)</u></b>
<b>Total Liability And Partners Equity</b>	<b><u>\$2,925,381</u></b>	<b><u>\$3,011,217</u></b>

See notes to Condensed Financial Statements

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
<b>REVENUES</b>	<b><u>2006</u></b>	<b><u>2005</u></b>
Rental income	439,541	\$420,499
Other property	<u>39,400</u>	<u>21,802</u>
Total revenues	478,941	442,301
<b>EXPENSES</b>		
Salaries & wages	80,006	73,220
Maintenance & repairs	23,142	45,153
Utilities	49,163	42,762
Real estate taxes	39,750	34,500
General administrative	12,936	14,728
Contract services	23,481	28,134
Insurance	25,794	29,186
Interest	59,907	60,795
Depreciation and amortization	93,282	92,282
Property management fees	<u>23,947</u>	<u>22,115</u>
Total expenses	<u>431,408</u>	<u>442,875</u>
<b>NET INCOME (LOSS)</b>	<u><u>\$47,533</u></u>	<u><u>(\$574)</u></u>
<b>NET INCOME (LOSS)</b>		
<b>PER LIMITED PARTNERSHIP UNIT</b>	<u><u>\$ 19.76</u></u>	<u><u>\$ (0.24)</u></u>
<b>Limited Partnership units outstanding</b>	2,382	2,382

See Notes to Condensed Financial Statements

**AMRECORP REALTY FUND III**  
**Condensed Statement of Cash Flows**  
**Unaudited**

	Three Months Ended March 31,	
	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Net income (loss)	\$47,533	(\$574)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	93,282	92,282
Net Effect of changes in operating accounts		
Escrow deposits	119,927	93,188
Accrued real estate taxes	(117,775)	(106,129)
Security deposits	1	6,091
Accounts payable	(1,954)	51,158
Other assets	25,794	14,226
Net cash provided by operating activities	<u>166,808</u>	<u>150,242</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Real Estate	(15,000)	0
Net cash used for investing activities	<u>(15,000)</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage notes payable	(15,215)	(19,123)
Note payable - affiliates	1,574	(1,127)
Distribution to special limited partner	0	(150,000)
Net cash used for financing activities	<u>(13,641)</u>	<u>(170,250)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>138,167</b>	<b>(20,008)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>23,891</b>	<b>56,866</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b><u>\$162,058</u></b>	<b><u>\$36,858</u></b>

See Notes to Condensed Financial Statements

**Basis of Presentation:**

The accompanying unaudited condensed financial statements have been prepared by Amrecorp Realty Fund III (the "Partnership") 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 Partnership 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 Partnership's 2005 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, 2006.

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

### **Results of Operations**

At March 31, 2006 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 2006 as compared to 98.6% for the first quarter of 2005.

### **FIRST QUARTER 2006 COMPARED TO FIRST QUARTER 2005**

**Revenue from property operations** increased \$36,640, or 8.28%, for the first quarter of 2006, as compared to the first quarter of 2005. Rental income increased \$19,042 or 4.53% due to higher rental rates. Other property income increased \$17,598 or 80.72% from increased fee collections. The following table illustrates the components:

	<u>Increase</u>	<u>Percent Change</u>
Rental income	19,042	4.53%
Other property	17,598	80.72%
	<u>36,640</u>	<u>8.28%</u>

**Property operating expenses:** decreased by \$11,467 or 2.59% for the first quarter of 2006 compared to the first quarter of 2005 due primarily to decreased maintenance and repairs. Maintenance and repairs decreased \$22,011 or 48.75% due to prior years pool and roof repairs. Contract services increased \$4,653 or 16.54% due to higher rubbish and cable television costs. Utilities increased \$6,401 or 14.97% due to a increase in electric costs. Real estate taxes increased \$5,250 or 15.22% due to higher assessed valuations. Insurance decreased \$3,392 or 11.62% due to decreased flood insurance. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Salaries & wages	6,786	9.27%
Maintenance & repairs	(22,011)	48.75%
Utilities	6,401	14.97%
Real estate taxes	5,250	15.22%
General administrative	(1,792)	12.17%
Contract services	(4,653)	16.54%
Insurance	(3,392)	11.62%
Interest	(888)	1.46%
Depreciation and amortization	1,000	1.08%
Property management fees	1,832	8.28%
Net Increase (Decrease)	<u>(11,467)</u>	<u>2.59%</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 March 31, 2006, the Partnership had \$162,058 in cash and cash equivalents as compared to \$23,891 as of December 31, 2005. The net increase in cash of \$138,167 was cash flow from operations.

The property is encumbered by a non-recourse mortgage with a principal balance of \$3,870,695 as of March 31, 2006. 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 \$2,663,137.

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, 2006 is approximately \$1,884,000 of which \$968,000 is the remaining distribution preference and \$916,000 is the original contribution. Any additional available cash will then be distributed in accordance with the partnership agreement. During 2006, 2005, and 2004, distributions of \$0, \$320,000, and \$90,000, 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 it's 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: April 24, 2006

## 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 Partnership;
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 Partnership 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 Partnership 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 Partnership’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 Partnership's internal control over financial reporting that occurred during the Partnership's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Partnership'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 Partnership'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 Partnership'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 Partnership's internal control over financial reporting.

/s/ Robert J. Werra

Robert J. Werra  
Acting Principal Executive Officer and Chief Financial Officer  
April 24, 2006

## **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 Partnership”) on Form 10-Q for the period ending March 31, 2006 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 Partnership.

/s/ Robert J. Werra

Robert J. Werra  
Acting Principal Executive Officer and Chief Financial Officer  
April 24, 2006