

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 June 30, 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

	June 30 2006 (Unaudited)	December 31, 2005
ASSETS		
Real Estate assets, at cost		
Land	\$1,000,000	\$1,000,000
Buildings and improvements	7,479,441	7,454,441
	<u>8,479,441</u>	<u>8,454,441</u>
Less: Accumulated depreciation	(5,897,304)	(5,715,304)
	<u>2,582,137</u>	<u>2,739,137</u>
Cash including cash investments	128,075	23,891
Escrow deposits	78,470	157,525
Deferred Financing Costs	49,062	53,626
Other assets	<u>112,027</u>	<u>37,038</u>
TOTAL ASSETS	<u>\$2,949,771</u>	<u>\$3,011,217</u>
LIABILITIES AND PARTNERS' EQUITY:		
LIABILITIES		
Mortgage payable	\$3,855,244	\$3,885,910
Payable to affiliates	1,604	620
Real estate taxes payable	79,624	157,649
Security deposits	66,138	65,784
Accounts payable & accrued expenses	52,735	60,009
	<u>4,055,345</u>	<u>4,169,972</u>
Partners Capital (Deficit)		
Limited Partners	(1,866,851)	(1,919,501)
Special Limited Partner	915,875	915,875
General Partner	<u>(154,598)</u>	<u>(155,129)</u>
Total Partners' Capital (Deficit)	<u>(1,105,574)</u>	<u>(1,158,755)</u>
Total Liabilities And Partners' Equity	<u>\$2,949,771</u>	<u>\$3,011,217</u>

See notes to Condensed Financial Statements

AMRECORP REALTY FUND III

Condensed Statement of Operations

(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
REVENUES	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Rental income	451,981	\$428,289	\$891,522	\$848,788
Other property	34,407	36,847	73,807	58,649
Total revenues	486,388	465,136	965,329	907,437
EXPENSES				
Salaries & wages	99,527	74,392	179,533	147,612
Maintenance & repairs	44,491	58,698	67,633	103,851
Utilities	39,002	41,481	88,165	84,243
Real estate taxes	39,750	34,500	79,500	69,000
General and administrative	22,996	13,666	35,932	28,394
Contract services	33,338	29,946	56,819	58,080
Insurance	24,312	22,032	50,106	51,218
Interest	59,723	60,572	119,630	121,367
Depreciation and amortization	93,282	92,282	186,564	184,564
Property management fees	24,319	23,257	48,266	45,372
Total expenses	480,740	450,826	912,148	893,701
NET INCOME	<u>\$5,648</u>	<u>\$14,310</u>	<u>\$53,181</u>	<u>\$13,736</u>
NET INCOME PER LIMITED PARTNERSHIP UNIT BASIC	\$ 2.35	\$ 5.95	\$ 22.10	\$ 5.71
LIMITED PARTNERSHIP UNITS OUTSTANDING BASIC	<u>2,382</u>	<u>2,382</u>	<u>2,382</u>	<u>2,382</u>

See Notes to Condensed Financial Statements

AMRECORP REALTY FUND III
Condensed Statement of Cash Flows
Unaudited

	Six Months Ended June 30,	
	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITY		
Net income (loss)	\$53,181	\$13,736
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	186,564	184,564
Net Effect of changes in operating accounts		
Escrow deposits	79,055	53,460
Accrued real estate taxes	(78,025)	(71,629)
Security deposits	354	5,177
Accounts payable	(7,274)	30,517
Payable to affiliates	984	(2,976)
Other assets	(74,989)	(51,959)
Net cash provided by operating activities	<u>159,850</u>	<u>160,890</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Real Estate	(25,000)	0
Net cash used by investing activities	<u>(25,000)</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage notes payable	(30,666)	(33,725)
Distribution to special limited partner	0	(150,000)
Net cash used by financing activities	<u>(30,666)</u>	<u>(183,725)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	104,184	(22,835)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	23,891	56,866
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$128,075</u>	<u>\$34,031</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 "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 June 30, 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 95.8% during the second quarter of 2006 as compared to 98.7% for the second quarter of 2005.

SECOND QUARTER 2006 COMPARED TO SECOND QUARTER 2005

Revenue from property operations increased \$21,252, or 4.57%, for the second quarter of 2006, as compared to the second quarter of 2005. Rental income increased \$23,692 or 5.53% due to higher rental rates. Other property income decreased \$2,440 or 6.622% from decreased fee collections. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per cent Change</u>
Rental income	23,692	5.53%
Other property	(2,440)	6.62%
Net Increase (Decrease)	21,252	4.57%

Property operating expenses: increased by \$29,914 or 6.64% for the second quarter of 2006 compared to the second quarter of 2005 due primarily to increased salary and wages. Salaries and wages increased \$25,135 or 33.79% due to additional maintenance personnel. Maintenance and repairs decreased \$14,207 or 24.2% due to internal maintenance personnel. General and administrative increased \$9,330 or 68.27% due to advertising and professional fees. Real estate taxes increased \$5,250 or 15.22% due to higher assessed valuations. Insurance increased \$2,280 or 10.35% due to increased flood insurance costs. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	25,135	33.79%
Maintenance & repairs	(14,207)	24.20%
Utilities	(2,479)	5.98%
Real estate taxes	5,250	15.22%
General & administrative	9,330	68.27%
Contract services	3,392	11.33%
Insurance	2,280	10.35%
Interest	(849)	1.40%
Depreciation and amortization	1,000	1.08%
Property management fees	1,062	4.57%
Net Increase (Decrease)	29,914	6.64%

FIRST SIX MONTHS 2006 COMPARED TO FIRST SIX MONTHS 2005

Revenue from property operations increased \$57,892, or 6.38%, for the first six months of 2006, as compared to the first six months of 2005. Rental income increased \$42,734 or 5.03% due to higher rental rates. Other property income increased \$15,158 or 25.85% mainly due to increased fee collections. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Rental income	42,734	5.03%
Other property	15,158	25.85%
	<u>57,892</u>	<u>6.38%</u>

Property operating expenses: increased by \$18,447 or 2.06% for the first six months of 2006 compared to the first six months of 2005 due primarily to increased salaries. Salaries and wages increased \$31,921 or 21.62% due to additional employees. Maintenance and repairs decreased \$36,218 or 34.87% due to prior year exterior building maintenance. Real estate taxes increased \$10,500 or 15.22% due to higher assessed valuations. General and administrative increased \$7,538 or 26.55% due to increased information technology costs. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	31,921	21.62%
Maintenance & repairs	(36,218)	34.87%
Utilities	3,922	4.66%
Real estate taxes	10,500	15.22%
General & administrative	7,538	26.55%
Contract services	(1,261)	2.17%
Insurance	(1,112)	2.17%
Interest	(1,737)	1.43%
Depreciation and amortization	2,000	1.08%
Property management fees	2,894	6.38%
Net Increase (Decrease)	<u>18,447</u>	<u>2.06%</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 June 30, 2006, the Partnership had \$128,075 in cash and cash equivalents as compared to \$23,891 as of December 31, 2005. The net increase in cash of \$104,184 was cash flow from operations.

The property is encumbered by a non-recourse mortgage with a principal balance of \$3,855,244 as of June 30, 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 \$2,582,137.

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 June 30, 2006 is approximately \$1,906,000 of which \$990,000 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: July 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
July 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 June 30, 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
July 24, 2006