

# 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, 2007 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, 2006 are Unaudited.

PART 1. FINANCIAL INFORMATION

**Item 1. Financial Statements**

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

	June 30 <u>2007</u> (Unaudited)	December 31, <u>2006</u>
<b>ASSETS</b>		
Real Estate assets, at cost		
Land	\$1,000,000	\$1,000,000
Buildings and improvements	7,569,497	7,541,187
	<u>8,569,497</u>	<u>8,541,187</u>
Less: Accumulated depreciation	<u>(6,252,815)</u>	<u>(6,070,815)</u>
	2,316,682	2,470,372
 Cash including cash investments	 1,065	 28,866
Escrow deposits	78,425	160,214
Deferred Financing Costs	39,934	44,498
Other assets	<u>89,818</u>	<u>42,422</u>
 TOTAL ASSETS	 <u><u>\$2,525,924</u></u>	 <u><u>\$2,746,372</u></u>
 <b>LIABILITIES AND PARTNERS' EQUITY:</b>		
<b>LIABILITIES</b>		
Mortgage and notes payable	\$3,791,002	\$3,823,618
Payable - Affiliates	3,811	1,602
Real estate taxes payable	79,500	177,346
Security deposits	64,237	63,187
Accounts payable & accrued expenses	<u>60,309</u>	<u>58,711</u>
	3,998,859	4,124,464
 Partners Capital (Deficit)		
Limited Partners	(2,101,840)	(2,136,645)
Special Limited Partner	785,875	915,875
General Partner	<u>(156,970)</u>	<u>(157,322)</u>
 Total Partners Capital (Deficit)	 <u>(1,472,935)</u>	 <u>(1,378,092)</u>
 Total Liabilities And Partners' Equity	 <u><u>\$2,525,924</u></u>	 <u><u>\$2,746,372</u></u>

See notes to Condensed Financial Statements

# AMRECORP REALTY FUND III

## Condensed Statement of Operations

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>				
Rental income	\$457,070	\$451,981	\$899,756	\$891,522
Other property	36,506	34,407	71,907	73,807
Total revenues	493,576	486,388	971,663	965,329
<b>EXPENSES</b>				
Salaries & wages	108,362	99,527	195,791	179,533
Maintenance & repairs	32,858	44,491	59,783	67,633
Utilities	52,783	39,002	98,475	88,165
Real estate taxes	39,750	39,750	79,500	79,500
General & administrative	18,347	22,996	29,383	35,932
Contract services	33,048	33,338	61,243	56,819
Insurance	28,178	24,312	59,452	50,106
Interest	58,740	59,723	117,732	119,630
Depreciation and amortization	93,282	93,282	186,564	186,564
Property management fees	24,679	24,319	48,583	48,266
Total expenses	490,027	480,740	936,506	912,148
<b>NET INCOME</b>	<u>\$3,549</u>	<u>\$5,648</u>	<u>\$35,157</u>	<u>\$53,181</u>
<b>NET INCOME LIMITED PARTNERSHIP</b>	<u>\$ 1.48</u>	<u>\$ 2.35</u>	<u>\$ 14.61</u>	<u>\$ 22.10</u>
<b>UNIT - BASIC</b>				
Limited Partnership units outstanding Basic	2,382	2,382	2,382	2,382

See Notes to Condensed Financial Statements

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

	Six Months Ended June 30,	
	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Net income	<b>\$35,157</b>	\$53,181
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	<b>186,564</b>	186,564
Net Effect of changes in operating accounts		
Escrow deposits	<b>81,789</b>	79,055
Accrued real estate taxes	<b>(97,846)</b>	(78,025)
Security deposits	<b>1,050</b>	354
Accounts payable	<b>1,598</b>	(7,274)
Payable to affiliates	<b>2,209</b>	984
Other assets	<b>(47,396)</b>	(74,989)
Net cash provided by operating activities	<b>163,125</b>	159,850
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Real Estate	<b>(28,310)</b>	(25,000)
Net cash used by investing activities	<b>(28,310)</b>	(25,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage notes payable	<b>(32,616)</b>	(30,666)
Distribution to special limited partner	<b>(130,000)</b>	0
Net cash used by financing activities	<b>(162,616)</b>	(30,666)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(27,801)</b>	<b>104,184</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>28,866</b>	23,891
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$1,065</b>	\$128,075
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 2006 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, 2007.

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

### **Results of Operations**

At June 30, 2007 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 95.6% during the second quarter of 2007 as compared to 96.5% for the second quarter of 2006.

### **SECOND QUARTER 2007 COMPARED TO SECOND QUARTER 2006**

**Revenue from property operations** decreased \$7,188, or 1.48%, for the second quarter of 2007, as compared to the second quarter of 2006. Rental income increased \$5,089 or 1.13% due to higher rental rates. Other property income increased \$2,099 or 6.10% from increased fee collections. The following table illustrates the components:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per cent Change</u></b>
Rental income	5,089	1.13%
Other property	2,099	6.10%
<b>Net Increase (Decrease)</b>	<b>7,188</b>	<b>1.48%</b>

**Property operating expenses:** increased by \$9,287 or 1.93% for the second quarter of 2007 compared to the second quarter of 2006 due primarily to increased salaries and wages. Salaries and wages increased \$8,835 or 8.88% due to higher staffing levels. Maintenance and repairs decreased \$11,633 or 26.15% due to plumbing repairs in the prior year. Utilities increased \$13,781 or 35.33% due to higher gas and electric costs. Insurance increased \$3,866 or 15.90% due to increased flood insurance costs. General and administrative decreased \$4,649 or 20.22% due to decreased professional fees. The following table illustrates the components:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Salaries & wages	8,835	8.88%
Maintenance & repairs	(11,633)	26.15%
Utilities	13,781	35.33%
Real estate taxes	0	0.00%
General & administrative	(4,649)	20.22%
Contract services	(290)	0.87%
Insurance	3,866	15.90%
Interest	(983)	1.65%
Depreciation and amortization	0	0.00%
Property management fees	360	1.48%
<b>Net Increase (Decrease)</b>	<b>9,287</b>	<b>1.93%</b>

## **FIRST SIX MONTHS 2007 COMPARED TO FIRST SIX MONTHS 2006**

**Revenue from property operations** increased \$6,334, or 0.66%, for the first six months of 2007, as compared to the first six months of 2006. Rental income increased \$8,234 or 0.92% due to higher rental rates. Other property income decreased \$1,900 or 2.57% mainly due to decreased fee collections. The following table illustrates the components:

	<b><u>Increase (Decrease)</u></b>	<b><u>Percent Change</u></b>
Rental income	8,234	0.92%
Other property	(1,900)	2.57%
	<b><u>6,334</u></b>	<b><u>0.66%</u></b>

**Property operating expenses:** increased by \$24,358 or 2.67% for the first six months of 2007 compared to the first six months of 2006 due primarily to increased utilities. Utilities increased \$10,310 or 11.69% due to higher gas costs. Salaries and wages increased \$16,258 or 9.06% due to additional employees. Maintenance and repairs decreased \$7,850 or 11.61% due to prior year exterior building maintenance. Insurance increased \$9,346 or 18.65% due to higher flood insurance premiums. General and administrative decreased \$6,549 or 18.23% due to decreased information technology costs. The following table illustrates the components:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Salaries & wages	16,258	9.06%
Maintenance & repairs	(7,850)	11.61%
Utilities	10,310	11.69%
General & administrative	(6,549)	18.23%
Contract services	4,424	7.79%
Insurance	9,346	18.65%
Interest	(1,898)	1.59%
Depreciation and amortization	0	0.00%
Property management fees	317	0.66%
Net Increase (Decrease)	<b><u>24,358</u></b>	<b><u>2.67%</u></b>

## **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, 2007, the Partnership had \$1,065 in cash and cash equivalents as compared to \$28,866 as of December 31, 2006. The net decrease in cash of \$27,801 was capital purchases and repayments to the special limited partner.

The property is encumbered by a non-recourse mortgage with a principal balance of \$3,791,002 as of June 30, 2007. 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 \$2,316,682.

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 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, 2007 is approximately \$1,567,000 of which \$724,000 is the remaining distribution preference and \$843,000 is the original contribution. Any additional available cash will then be distributed in accordance with the partnership agreement. During 2007, 2006, and 2005, distributions of \$130,000, \$300,000, and \$320,000, 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 June 30, 2007, 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: August 7, 2007

## CERTIFICATION

I, Robert J. Werra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of American Republic Realty Fund;

2. Based on my knowledge, this 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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 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 registrant and have:

- (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
- (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our 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 registrant's disclosure controls and procedures and presented in this report our 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
- (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

- (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 registrant's ability to record, process, summarize and report financial information; and
- (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2007

/s/ Robert J. Werra

Robert J. Werra

Acting Chief Executive Officer

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**CERTIFICATION**

**Pursuant to 18 United States Code § 1350**

I, Robert J. Werra, General Partner of Amrecorp Realty Fund III Quarterly Report on Form 10-Q for the quarter ended June 30, 2007 of Amrecorp Realty Fund III. (the “Company”) filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2007

/s/ Robert J. Werra

General Partner

Robert J. Werra

Acting Principal Executive Officer and  
Chief Financial Officer