

# 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, 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 condensed 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**

	<b>September 30, 2007 (Unaudited)</b>	<b>December 31, 2006</b>
<b>ASSETS</b>		
Real Estate assets, at cost		
Land	<b>\$1,000,000</b>	\$1,000,000
Buildings and improvements	<b>7,609,972</b>	7,541,187
	<b>8,609,972</b>	8,541,187
Less: Accumulated depreciation	<b>(6,343,815)</b>	<b>(6,070,815)</b>
	<b>2,266,157</b>	2,470,372
Cash including cash investments	<b>82,639</b>	28,866
Escrow deposits	<b>129,602</b>	160,214
Deferred Financing Costs	<b>37,652</b>	44,498
Other assets	<b>63,106</b>	42,422
<b>TOTAL ASSETS</b>	<b><u>\$2,579,156</u></b>	<b><u>\$2,746,372</u></b>
<b>LIABILITIES AND PARTNERS' EQUITY:</b>		
<b>LIABILITIES</b>		
Mortgage and notes payable	<b>\$3,774,312</b>	\$3,823,618
Payable - Affiliates	<b>1,239</b>	1,602
Real estate taxes payable	<b>120,000</b>	177,346
Security deposits	<b>60,596</b>	63,187
Accounts payable & accrued expenses	<b>70,025</b>	58,711
	<b>4,026,172</b>	4,124,464
Partners Capital (Deficit)		
Limited Partners	<b>(2,076,180)</b>	<b>(2,136,645)</b>
Special Limited Partner	<b>785,875</b>	915,875
General Partner	<b>(156,711)</b>	<b>(157,322)</b>
Total Partners Capital (Deficit)	<b><u>(1,447,016)</u></b>	<b><u>(1,378,092)</u></b>
<b>Total Liabilities And Partners' Equity</b>	<b><u>\$2,579,156</u></b>	<b><u>\$2,746,372</u></b>

See notes to Condensed Financial Statements

# AMRECORP REALTY FUND III

## Condensed Statements of Income

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES</b>				
Rental income	453,670	\$450,007	\$1,353,426	\$1,341,529
Other property	40,728	40,090	112,635	113,897
Total revenues	494,398	490,097	1,466,061	1,455,426
<b>EXPENSES</b>				
Salaries & wages	86,726	85,829	282,517	265,362
Maintenance & repairs	38,952	31,141	98,735	98,774
Utilities	49,409	40,909	147,884	129,074
Real estate taxes	40,500	39,750	120,000	119,250
General & administrative	17,927	17,567	47,310	53,499
Contract services	31,728	31,657	92,971	88,476
Insurance	26,713	31,273	86,165	81,379
Interest	58,522	59,483	176,254	179,113
Depreciation and amortization	93,282	93,282	279,846	279,846
Property management fees	24,720	22,668	73,303	70,934
Total expenses	468,479	453,559	1,404,985	1,365,707
<b>NET INCOME</b>	<u>\$25,919</u>	<u>\$36,538</u>	<u>\$61,076</u>	<u>\$89,719</u>
<b>NET INCOME LIMITED PARTNERSHIP UNIT - BASIC</b>	<u>\$ 10.77</u>	<u>\$ 15.19</u>	<u>\$ 25.38</u>	<u>\$ 37.29</u>
Limited Partnership units outstanding - Basic	2,382	2,382	2,382	2,382

See Notes to Condensed Financial Statements

**AMRECORP REALTY FUND III**  
**Condensed Statements of Cash Flows**  
**(Unaudited)**

	Nine Months Ended September 30,	
	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Net income	<b>\$61,076</b>	\$89,719
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	<b>279,846</b>	279,846
Net Effect of changes in operating accounts		
Escrow deposits	<b>30,612</b>	38,183
Accrued real estate taxes	<b>(57,346)</b>	(28,235)
Security deposits	<b>(2,591)</b>	(986)
Accounts payable	<b>11,314</b>	4,488
Payable to affiliates	<b>(363)</b>	(620)
Other assets	<b>(20,684)</b>	(43,715)
Net cash provided by operating activities	<b>301,864</b>	338,680
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Real Estate	<b>(68,785)</b>	(44,000)
Net cash used by investing activities	<b>(68,785)</b>	(44,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage notes payable	<b>(49,306)</b>	(46,358)
Distribution to special limited partner	<b>(130,000)</b>	(200,000)
Net cash used by financing activities	<b>(179,306)</b>	(246,358)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>53,773</b>	48,322
<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>\$82,639</b>	\$72,213

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 September 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 93.2% during the third quarter of 2007 as compared to 94.3% for the third quarter of 2006.

**THIRD QUARTER 2007 COMPARED TO THIRD QUARTER 2006**

**Revenue from property operations** increased \$4,301, or 0.88%, for the third quarter of 2007, as compared to the third quarter of 2006. Rental income increased \$3,663 or 0.81% due to higher rental rates. Other property income increased \$638 or 1.59% from increased fee collections. The following table illustrates the components:

	<u><b>Increase (Decrease)</b></u>	<u><b>Percent Change</b></u>
Rental income	3,663	0.81%
Other property	638	1.59%
<b>Net Increase (Decrease)</b>	<u>4,301</u>	<u>0.88%</u>

**Property operating expenses** increased by \$14,920 or 3.29% for the third quarter of 2007 compared to the third quarter of 2006 due primarily to increased maintenance and repairs. Maintenance and repairs increased \$7,811 or 25.08% due to higher plumbing repairs. Utilities increased \$8,500 or 20.78% due to higher gas and electric costs. Insurance decreased \$4,560 or 14.58% due to the annual renewal. The following table illustrates the components:

	<u><b>Increase (Decrease)</b></u>	<u><b>Percent Change</b></u>
Salaries & wages	897	1.05%
Maintenance & repairs	7,811	25.08%
Utilities	8,500	20.78%
Real estate taxes	750	1.89%
General & administrative	360	2.05%
Contract services	71	0.22%
Insurance	(4,560)	14.58%
Interest	(961)	1.62%
Property management fees	2,052	9.05%
<b>Net Increase (Decrease)</b>	<u>14,920</u>	<u>3.29%</u>

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

**Revenue from property operations** increased \$10,635, or 0.73%, for the first nine months of 2007, as compared to the first nine months of 2006. Rental income increased \$11,897 or 0.89% due to higher rental rates. Other property income decreased \$1,262 or 1.11% 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	11,897	0.89%
Other property	(1,262)	1.11%
Net Increase (Decrease)	<u>10,635</u>	<u>0.73%</u>

**Property operating expenses** increased by \$39,278 or 2.88% for the first nine months of 2007 compared to the first nine months of 2006 due primarily to increased utilities. Utilities increased \$18,810 or 14.57% due to higher gas costs. Salaries and wages increased \$17,155 or 6.46% due to additional employees. Insurance increased \$4,786 or 5.88% due to higher flood insurance premiums. General and administrative decreased \$6,189 or 11.57% due to decreased information technology costs. The following table illustrates the components:

	<b><u>Increase (Decrease)</u></b>	<b><u>Percent Change</u></b>
Salaries & wages	17,155	6.46%
Maintenance & repairs	(39)	0.04%
Utilities	18,810	14.57%
Real estate taxes	750	0.63%
General & administrative	(6,189)	11.57%
Contract services	4,495	5.08%
Insurance	4,786	5.88%
Interest	(2,859)	1.60%
Property management fees	<u>2,369</u>	<u>3.34%</u>
Net Increase (Decrease)	<u>39,278</u>	<u>2.88%</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, 2007, the Partnership had \$82,639 in cash and cash equivalents as compared to \$28,866 as of December 31, 2006. The net increase in cash of \$53,773 was cash flow from operations.

The property is encumbered by a non-recourse mortgage with a principal balance of \$3,774,312 as of September 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 \$2,266,157.

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 September 30, 2007 is approximately \$1,589,000 of which \$744,000 is the remaining distribution preference and \$845,000 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 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 September 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: November 6, 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: November 6, 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 September 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: November 6, 2007

/s/ Robert J. Werra

General Partner

Robert J. Werra

Acting Principal Executive Officer and  
Chief Financial Officer