
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from to

Commission file number **0-17686**

**DIVALL INSURED INCOME PROPERTIES 2 LIMITED
PARTNERSHIP**

(Exact name of registrant as specified in its charter)

Wisconsin
*(State or other jurisdiction of
incorporation or organization)*

39-1606834
*(I.R.S. Employer
Identification No.)*

1100 Main Street, Suite 1830 Kansas City, Missouri 64105
(Address of principal executive offices, including zip code)

(816) 421-7444
(Registrant's telephone number, including area code)

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 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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED BALANCE SHEETS

**March 31, 2016 and December 31, 2015
(unaudited)**

ASSETS

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
INVESTMENT PROPERTIES: (Note 3)		
Land	\$ 2,794,122	\$ 2,794,122
Buildings	4,468,642	4,468,642
Accumulated depreciation	<u>(3,836,752)</u>	<u>(3,802,913)</u>
Net investment properties	<u>\$ 3,426,012</u>	<u>\$ 3,459,851</u>
OTHER ASSETS:		
Cash	\$ 786,322	\$ 246,791
Cash held in Indemnification Trust (Note 9)	453,687	453,171
Property tax cash escrow	6,706	3,931
Security deposits escrow	70,749	70,617
Rents and other receivables	0	549,289
Deferred tenant award proceeds escrow	123,098	126,523
Prepaid insurance	3,419	4,885
Deferred charges, net	126,249	133,014
Note receivable (Note 10)	41,942	57,157
Total other assets	<u>\$ 1,612,172</u>	<u>\$ 1,645,378</u>
Total assets	<u>\$ 5,038,184</u>	<u>\$ 5,105,229</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED BALANCE SHEETS

**March 31, 2016 and December 31, 2015
(unaudited)**

LIABILITIES AND PARTNERS' CAPITAL

	<u>March 31, 2016</u>	<u>December 31, 2015</u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 39,100	\$ 13,353
Property tax payable	5,781	3,006
Due to General Partner (Note 6)	1,536	1,416
Deferred rent	122,537	128,024
Security deposits	70,440	70,440
Unearned rental income	<u>5,000</u>	<u>5,000</u>
Total current liabilities	<u>\$ 244,394</u>	<u>\$ 221,239</u>
PARTNERS' CAPITAL: (Notes 1 and 4)		
General Partner -		
Cumulative net income (retained earnings)	\$ 351,227	\$ 350,928
Cumulative cash distributions	(145,812)	(145,692)
	<u>\$ 205,415</u>	<u>\$ 205,236</u>
Limited Partners (46,280.3 interests outstanding at March 31, 2016 and December 31, 2015)		
Capital contributions	\$ 46,280,300	\$ 46,280,300
Offering Costs	(6,921,832)	(6,921,832)
Cumulative net income (retained earnings)	41,137,404	41,107,783
Cumulative cash distributions	(75,067,268)	(74,947,268)
	<u>\$ 5,428,604</u>	<u>\$ 5,518,983</u>
Former General Partner -		
Cumulative net income (retained earnings)	\$ 707,513	\$ 707,513
Cumulative cash distributions	(1,547,742)	(1,547,742)
	<u>\$ (840,229)</u>	<u>\$ (840,229)</u>
Total partners' capital	<u>\$ 4,793,790</u>	<u>\$ 4,883,990</u>
Total liabilities and partners' capital	<u>\$ 5,038,184</u>	<u>\$ 5,105,229</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED STATEMENTS OF INCOME

**For the Three Month Periods Ended March 31, 2016 and 2015
(unaudited)**

	Three Months ended	
	<u>March 31, 2016</u>	<u>March 31, 2015</u>
OPERATING REVENUES:		
Rental income (Note 5)	\$ 243,427	\$ 242,705
TOTAL OPERATING REVENUES	<u>243,427</u>	<u>242,705</u>
OPERATING EXPENSES		
Partnership management fees (Note 6)	66,771	66,034
Insurance	1,466	1,607
General and administrative	19,307	21,047
Advisory Board fees and expenses	2,625	2,625
Professional services	85,466	107,825
Depreciation	33,839	33,839
Amortization	6,765	6,765
TOTAL OPERATING EXPENSES	<u>216,239</u>	<u>239,742</u>
OTHER INCOME		
Interest income	1,788	1,653
Note receivable interest income (Note 10)	944	2,005
Other income	0	0
TOTAL OTHER INCOME	<u>2,732</u>	<u>3,658</u>
NET INCOME	<u>\$ 29,920</u>	<u>\$ 6,621</u>
NET INCOME - GENERAL PARTNER	<u>\$ 299</u>	<u>\$ 66</u>
NET INCOME - LIMITED PARTNERS	<u>29,621</u>	<u>6,555</u>
	<u>\$ 29,920</u>	<u>\$ 6,621</u>
PER LIMITED PARTNERSHIP INTEREST,		
Based on 46,280.3 interests outstanding:		
NET INCOME PER LIMITED PARTNERSHIP INTEREST	<u>\$ 0.65</u>	<u>\$ 0.14</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED STATEMENTS OF CASH FLOWS

**For the Three Month Periods Ended March 31, 2016 and 2015
(unaudited)**

	Three Months ended	
	<u>March 31, 2016</u>	<u>March 31, 2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 29,920	\$ 6,621
Adjustments to reconcile net income to net cash from operating activities -		
Depreciation and amortization	40,604	40,604
Interest applied to Indemnification Trust account	(516)	(111)
Decrease in rents and other receivables	549,289	500,746
Increase in security deposit escrow	(132)	(131)
Increase in property tax cash escrow	(2,775)	(2,775)
Decrease in prepaid insurance	1,466	4,177
Increase in accounts payable and accrued expenses	25,747	59,162
Increase in property tax payable	2,775	2,775
Decrease in deferred award escrow	3,425	5,215
Increase (Decrease) in due to General Partner	120	(3,228)
Net cash from operating activities	<u>649,923</u>	<u>613,055</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Note receivable, principal payment received	15,215	14,154
Deferred rent	(5,487)	(5,487)
Net cash from investing activities	<u>9,728</u>	<u>8,667</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash distributions to Limited Partners	(120,000)	(600,000)
Cash distributions to General Partner	(120)	(26)
Net cash used in financing activities	<u>(120,120)</u>	<u>(600,026)</u>
NET INCREASE IN CASH	539,531	21,696
CASH AT BEGINNING OF YEAR	<u>246,791</u>	<u>704,531</u>
CASH AT END OF PERIOD	<u>\$ 786,322</u>	<u>\$ 726,227</u>

The accompanying notes are an integral part of these unaudited condensed financial statements.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO UNAUDITED CONDENSED FINANCIAL STATEMENTS

These unaudited interim condensed financial statements should be read in conjunction with DiVall Insured Income Properties 2 Limited Partnership's (the "Partnership") 2015 annual audited financial statements within its Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 25, 2016.

These unaudited condensed financial statements and notes have been prepared on the same basis as the annual audited financial statements and include all normal and recurring adjustments, which are in the opinion of management, necessary to present a fair statement of the Partnership's financial position, results of operations and cash flows as of and for the interim periods presented. The results of operations for the three month period ended March 31, 2016 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2016, for any other interim period, or for any other future year.

The condensed balance sheets as of December 31, 2015 contained herein have been derived from the audited financial statements as of December 31, 2015, but do not include all disclosures required by GAAP.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

DiVall Insured Income Properties 2 Limited Partnership (the "Partnership") was formed on November 20, 1987, pursuant to the Uniform Limited Partnership Act of the State of Wisconsin. The initial capital, contributed during 1987, consisted of \$300, representing aggregate capital contributions of \$200 by the former general partners and \$100 by the initial limited partner. A subsequent offering of limited partnership interests closed on February 22, 1990, with 46,280.3 limited partnership interests having been sold in that offering, resulting in total proceeds to the Partnership, net of underwriting compensation and other offering costs, of \$39,358,468.

The Partnership is currently engaged in the business of owning and operating its investment portfolio of commercial real estate properties (each a "Property", and collectively, the "Properties"). The Properties are leased on a triple net basis primarily to, and operated by, franchisors or franchisees of national, regional, and local retail chains under long-term leases. The lessees are operators of fast food, family style, and casual/theme restaurants. As of March 31, 2016, the Partnership owned eleven Properties, which are located in a total of four states.

The Partnership will be dissolved on November 30, 2020, or earlier upon the prior occurrence of any of the following events: (a) the disposition of all its Properties; (b) the written determination by the General Partner, that the Partnership's assets may constitute "plan assets" for purposes of ERISA; (c) the agreement of limited partners owning a majority of the outstanding limited partner interests to dissolve the Partnership; or (d) the dissolution, bankruptcy, death, withdrawal, or incapacity of the last remaining General Partner, unless an additional General Partner is elected previously by a majority of the limited partners. During the second or third quarters of the eight odd numbered years from 2001- 2015, consent solicitations were circulated to the Partnership's limited partners which, if approved by the limited partners, would have authorized the General Partner to initiate the potential sale of all of the Properties and the dissolution of the Partnership (each a "Consent"). Limited partners owning a majority of the Interests did not vote in favor of any of the Consents. Therefore, the Partnership continues to operate as a going concern.

Significant Accounting Policies

Rental revenue from the Properties is recognized on a straight-line basis over the term of the respective lease. Percentage rents are only accrued when the tenant has reached the sales breakpoint stipulated in the lease.

Rents and other receivables are comprised of billed but uncollected amounts due for monthly rents and other charges, and amounts due for scheduled rent increases for which rentals have been earned and will be collected in the future under the terms of the leases. Receivables are recorded at management's estimate of the amounts that will be collected.

Based on an analysis of specific accounts and historical experience, as of March 31, 2016, and December 31, 2015, there was \$0 recorded as allowance for doubtful accounts.

The Partnership considers its operations to be in only one segment, the operation of a portfolio of commercial real estate leased on a triple net basis, and therefore no segment disclosure is made.

Depreciation of the Properties are provided on a straight-line basis over the estimated useful lives of the buildings and improvements.

Deferred charges represent leasing commissions paid when the Properties are leased and upon the negotiated extension of a lease. Leasing commissions are capitalized and amortized over the term of the lease. As of March 31, 2016 and December 31, 2015, accumulated amortization amounted to \$165,289 and \$158,524, respectively.

Deferred tenant award proceeds escrow represents the portion of the award proceeds from the sale of the Mt. Pleasant, SC property that will be paid to the tenant ratably over 99 months beginning August 1, 2013.

The Partnership generally maintains cash in federally insured accounts which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

Financial instruments that potentially subject the Partnership to significant concentrations of credit risk consist primarily of cash investments and leases. Additionally, as of March 31, 2016, nine of the Partnership's eleven Properties are leased to three significant tenants, Wendgusta, LLC ("Wendgusta"), Wendcharles I, LLC ("Wendcharles I") and Wendcharles II, LLC ("Wendcharles II"), all three of whom are Wendy's restaurant franchisees. The property lease(s) for the three tenants comprised approximately 56%, 15% and 8%, respectively, of the total operating base rents reflected as of March 31, 2016.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities (and disclosure of contingent assets and liabilities) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets disposed of or deemed to be classified as held for sale require the reclassification of current and previous years' operations to discontinued operations in accordance with GAAP applicable to "Accounting for the Impairment or Disposal of Long Lived Assets". As such, prior year operating results for those properties considered as held for sale or properties no longer considered for sale have been reclassified to conform to the current year presentation without affecting total income. When properties are considered held for sale, depreciation of the properties is discontinued, and the properties are valued at the lower of the depreciated cost or fair value, less costs to dispose. If circumstances arise that were previously considered unlikely, and, as a result, the property previously classified as held for sale is no longer to be sold, the property is reclassified as held and used. Such property is measured at the lower of its carrying amount (adjusted for any depreciation and amortization expense that would have been recognized had the property been continuously classified as held and used) or fair value at the date of the subsequent decision not to sell.

Assets are classified as held for sale, generally, when all criteria within GAAP applicable to "Accounting for the Impairment or Disposal of Long Lived Assets" have been met.

The Partnership periodically reviews its long-lived assets, primarily real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership's review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash flows, to the carrying value of the assets. Based on this analysis, a provision for possible loss is recognized, if any. There were no adjustments to carrying values for the three month periods ended March 31, 2016 and 2015.

The Financial Accounting Standards Board ("FASB") guidance on "Fair Value Measurements and Disclosure" defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measures required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. The adoption of the provisions of this FASB issuance, with respect to nonrecurring fair value measurements of nonfinancial assets and liabilities, including (but not limited to) the valuation of reporting units for the purpose of assessing goodwill impairment and the valuation of property and equipment when assessing long-lived asset impairment, did not have a material impact on how the Partnership estimated its fair value measurements but did result in increased disclosures about fair value measurements in the Partnership's financial statements as of and for the three month period ended March 31, 2016 and the year ended December 31, 2015. See Note 11 for further disclosure.

GAAP applicable to Disclosure About Fair Value of Financial Instruments, requires entities to disclose the fair value of all financial assets and liabilities for which it is practicable to estimate. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The General Partner believes that the carrying value of the Partnership's assets (exclusive of the Properties) and liabilities approximate fair value due to the relatively short maturity of these instruments.

No provision for federal income taxes has been made, as any liability for such taxes would be that of the individual partners rather than of the Partnership.

The Partnership is not subject to federal income tax because its income and losses are includable in the tax returns of its partners, but may be subject to certain state taxes. FASB has provided guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the entity's tax returns to determine whether the tax positions are more-likely-than-not of being sustained when challenged or when examined by the applicable taxing authority. Management has determined that there were no material uncertain income tax positions. Tax returns filed by the Partnership generally are subject to examination by U.S. and state taxing authorities for the years ended after December 31, 2012.

2. REGULATORY INVESTIGATION:

A preliminary investigation during 1992 by the Office of Commissioner of Securities for the State of Wisconsin and the Securities and Exchange Commission (the "Investigation") revealed that during at least the four years ended December 31, 1992, the former general partners of the Partnership, Gary J. DiVall ("DiVall") and Paul E. Magnuson ("Magnuson"), had transferred substantial cash assets of the Partnership and two affiliated publicly registered limited partnerships, DiVall Insured Income Fund Limited Partnership ("DiVall 1"), which was dissolved December of 1998, and DiVall Income Properties 3 Limited Partnership ("DiVall 3", and together with the Partnership and DiVall 1, the "three original partnerships"), which was dissolved December of 2003, to various other entities previously sponsored by or otherwise affiliated with DiVall and Magnuson. The unauthorized transfers were in violation of the respective Partnership Agreements and resulted, in part, from material weaknesses in the internal control system of the three original partnerships.

Subsequent to discovery, and in response to the regulatory inquiries, The Provo Group ("TPG" or the "General Partner") was appointed Permanent Manager (effective February 8, 1993) to assume responsibility for daily operations and assets of the three original partnerships as well as to develop and execute a plan of restoration for the three original partnerships. Effective May 26, 1993, the limited partners, by written consent of a majority of limited partnership interests, elected TPG as General Partner of the Partnership. TPG terminated the former general partners by accepting their tendered resignations.

In 1993, the General Partner estimated an aggregate recovery of \$3 million for the three original partnerships. At that time, an allowance was established against amounts due from former general partners and their affiliates reflecting the estimated \$3 million receivable. This net receivable was allocated among the three original partnerships based on their pro rata share of the total misappropriation, and restoration costs and recoveries have been allocated based on the same percentage. Through December 31, 2015, approximately \$5,918,000 of recoveries have been received which exceeded the original estimate of \$3 million. As a result, from January 1, 1996 through December 31, 2015, the Partnership has recognized a total of approximately \$1,229,000 as recovery of amounts previously written off in the statements of income, which represents its share of the excess recovery. The General Partner continues to pursue recoveries of the misappropriated funds; however, no further significant recoveries are anticipated.

3. INVESTMENT PROPERTIES AND PROPERTIES HELD FOR SALE:

The total cost of the Properties includes the original purchase price plus acquisition fees and other capitalized costs paid to an affiliate of the former general partners.

As of March 31, 2016, the Partnership owned property leased to eleven operators of constructed fast-food restaurants. The eleven tenants are composed of, and operate, the following: nine Wendy's restaurants, an Applebee's restaurant, and a KFC restaurant. The Properties are located in a total of four states.

Discontinued Operations

During the three month periods ended March 31, 2016 and 2015, the Partnership recognized no income or loss from discontinued operations.

4. PARTNERSHIP AGREEMENT:

The Amended Agreement of Limited Partnership was amended, effective as of November 9, 2009, to extend the term of the Partnership to November 30, 2020, or until dissolution prior thereto pursuant to the consent of the majority of the outstanding limited partnership interests.

Under the terms of the Partnership Agreement, as amended, net profits or losses from operations are allocated 99% to the limited partners and 1% to the current General Partner. The amendment also provided for distributions from Net Cash Receipts to be made 99% to limited partners and 1% to the current General Partner, provided that quarterly distributions are cumulative and are not to be made to the current General Partner unless and until each limited partner has received a distribution from Net Cash Receipts in an amount equal to 10% per annum, cumulative simple return on his or her Adjusted Original Capital, as defined, from the Return Calculation Date, as defined, except to the extent needed by the General Partner to pay its federal and state income taxes on the income allocated to it attributable to such year.

The provisions regarding distribution of Net Proceeds, as defined, provide that Net Proceeds are to be distributed as follows: (a) to the limited partners, an amount equal to 100% of their Adjusted Original Capital; (b) then, to the limited partners, an amount necessary to provide each limited partner a liquidation preference equal to a 13.5% per annum, cumulative simple return on Adjusted Original Capital from the Return Calculation Date including in the calculation of such return on all prior distributions of Net Cash Receipts and any prior distributions of Net Proceeds under this clause, except to the extent needed by the General Partner to pay its federal and state income tax on the income allocated to it attributable to such year; and (c) then, to limited partners, 99%, and to the General Partner, 1%, of remaining Net Proceeds available for distribution.

5. LEASES:

Original lease terms for the Properties are generally five to twenty years from their inception. The leases generally provide for minimum rents and additional rents based upon percentages of gross sales in excess of specified breakpoints. The lessee is responsible for occupancy costs such as maintenance, insurance, real estate taxes, and utilities. Accordingly, these amounts are not reflected in the statements of income except in circumstances where, in management's opinion, the Partnership will be required to pay such costs to preserve its assets (i.e., payment of past-due real estate taxes). Management has determined that the leases are properly classified as operating leases; therefore, rental income is reported when earned on a straight-line basis and the cost of the property, excluding the cost of the land, is depreciated over its estimated useful life.

As of March 31, 2016, the aggregate minimum operating lease payments (including the aggregate total of the first quarter of 2016 collected revenues of \$243,427) to be received under the current operating leases for the Properties are as follows:

Year ending December 31,		
	2016	\$ 914,607
	2017	720,433
	2018	690,433
	2019	660,433
	2020	660,433
Thereafter		947,983
		<u>\$ 4,594,322</u>

At March 31, 2016 and December 31, 2015, rents and other receivables included \$0 and \$549,289, respectively, of unbilled percentage rents. As of March 31, 2016, all of the 2015 percentage rents had been billed and collected.

6. TRANSACTIONS WITH GENERAL PARTNER AND ITS AFFILIATES:

Pursuant to the terms of the Permanent Manager Agreement (“PMA”) executed in 1993 and renewed for an additional two year term as of January 1, 2015, the General Partner receives a base fee (the “Base Fee”) for managing the Partnership equal to four percent of gross receipts, subject initially to a minimum annual Base Fee. The PMA also provides that the Partnership is responsible for reimbursement of the General Partner for office rent and related office overhead (“Expenses”) up to an initial annual maximum of \$13,250. Both the Base Fee and Expense reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2016, the minimum annual Base Fee and the maximum Expense reimbursement increased by 0.12% from the prior year, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2016, the minimum annual Base Fee paid by the Partnership was raised to \$267,300 and the maximum annual Expense reimbursement was increased to \$21,564.

For purposes of computing the four percent overall fee paid to the General Partner, gross receipts include amounts recovered in connection with the misappropriation of assets by the former general partners and their affiliates. Through the quarter ended March 31, 2016, in total the General Partner had received fees from the Partnership totaling \$59,729 on the amounts recovered. The fee received from the Partnership on the amounts recovered reduces the minimum monthly Base Fee by that same amount.

Amounts paid and/or accrued to the General Partner and its affiliates for the three month periods ended March 31, 2016 and 2015 are as follows:

	Three Month Period ended <u>March 31, 2016</u> (Unaudited)	Three Month Period ended <u>March 31, 2015</u> (Unaudited)
<u>General Partner</u>		
Management fees	\$ 66,771	\$ 66,034
Overhead allowance	5,387	5,327
Other outsourced administrative fees	0	488
Reimbursement for out-of-pocket expenses	2,500	2,500
Cash distribution due to partner	120	26
	<u>\$ 74,778</u>	<u>\$ 74,375</u>

At March 31, 2016 and December 31, 2015, \$1,536 and \$1,416, respectively, was payable to the General Partner.

As of March 31, 2016 and December 31, 2015, TPG Finance Corp. owned 200 limited partnership interests of the Partnership. The President of the General Partner, Bruce A. Provo, is also the President of TPG Finance Corp., but he is not a shareholder of TPG Finance Corp.

As of March 31, 2016, the General Partner did not own any limited partnership interests in the Partnership. The following table identifies the beneficial ownership of Mr. Provo, the executive officer and director of the General Partner, with the General Partner controlling the affairs of the Partnership. Mr. Provo is the only person performing the functions of an executive officer of the Partnership that beneficially owns any limited partnership interests:

Title of Class	Name of Beneficial Owner(1)	Amount and Nature of Beneficial Ownership	Percentage of Class Outstanding (3)
Limited Partnership Interest	Bruce A. Provo	200(2)	0.43%

- (1) A beneficial owner of a security includes a person who, directly or indirectly, has or shares voting or investment power with respect to such security. Voting power is the power to vote or direct the voting of the security and investment power is the power to dispose or direct the disposition of the security.
- (2) Bruce A. Provo is deemed to have beneficial ownership of all of TPG Finance Corp.'s limited partnership interests in the Partnership due to his control as President of TPG Finance Corp.
- (3) Based on 46,280.3 limited partnership interests outstanding as of March 31, 2016.

7. TRANSACTIONS WITH OWNERS WITH GREATER THAN TEN PERCENT BENEFICIAL INTERESTS:

As of March 31, 2016, Jesse Small, an Advisory Board Member, beneficially owned greater than ten percent of the Partnership's outstanding limited partnership interests. Amounts paid to Mr. Small for his services as a member of the Advisory Board for the three month periods ended March 31, 2016 and 2015 are as follows:

	Incurred for the Three Month Period ended March 31, 2016 <u>(Unaudited)</u>	Incurred for the Three Month Period ended March 31, 2015 <u>(Unaudited)</u>
Advisory Board Fees paid	<u>\$ 875</u>	<u>\$ 875</u>

At March 31, 2016 and December 31, 2015 there were no outstanding Advisory Board Fees accrued and payable to Jesse Small.

8. CONTINGENT LIABILITIES:

According to the Partnership Agreement, as amended, TPG, as General Partner, may receive a disposition fee not to exceed three percent of the contract price on the sale of the three original partnerships' properties (See Note 2 for further information as to the original three original partnerships). In addition, fifty percent of all such disposition fees earned by TPG were to be escrowed until the aggregate amount of recovery of the funds misappropriated from the three original partnerships by the former general partners was greater than \$4,500,000. Upon reaching such recovery level, full disposition fees would thereafter be payable and fifty percent of the previously escrowed amounts would be paid to TPG. At such time as the recovery exceeded \$6,000,000 in the aggregate, the remaining escrowed disposition fees were to be paid to TPG. If such levels of recovery were not achieved, TPG would contribute the amounts escrowed toward the recovery until the three original partnerships were made whole. In lieu of a disposition fee escrow, the fifty percent of all such disposition fees previously discussed were paid directly to a restoration account and then distributed among the three original partnerships; whereby the three original partnerships recorded the recoveries as income (See Note 2). After the recovery level of \$4,500,000 was exceeded, fifty percent of the total disposition fee amount paid to the three original partnerships recovery through the restoration account (in lieu of the disposition fee escrow) was refunded to TPG during March 1996. The remaining fifty percent amount allocated to the Partnership through the restoration account, and which was previously reflected as Partnership recovery income, may be owed to TPG if the \$6,000,000 recovery level is met. As of March 31, 2016, the Partnership may owe TPG \$16,296 if the \$6,000,000 recovery level is achieved. TPG does not expect any future refund, as it is uncertain that such a \$6,000,000 recovery level will be achieved.

9. PMA INDEMNIFICATION TRUST:

The PMA provides that TPG will be indemnified from any claims or expenses arising out of or relating to TPG serving in the capacity of general partner or as substitute general partner, so long as such claims do not arise from fraudulent or criminal misconduct by TPG. The PMA provides that the Partnership fund this indemnification obligation by establishing a reserve of up to \$250,000 of Partnership assets which would not be subject to the claims of the Partnership's creditors. An Indemnification Trust (the "Trust") serving such purposes has been established at United Missouri Bank, N.A. The corpus of the Trust has been fully funded with Partnership assets. Funds are invested in U.S. Treasury securities. In addition, \$203,687 of earnings has been credited to the Trust as of March 31, 2016. The rights of TPG to the Trust shall be terminated upon the earliest to occur of the following events: (i) the written release by TPG of any and all interest in the Trust; (ii) the expiration of the longest statute of limitations relating to a potential claim which might be brought against TPG and which is subject to indemnification; or (iii) a determination by a court of competent jurisdiction that TPG shall have no liability to any person with respect to a claim which is subject to indemnification under the PMA. At such time as the indemnity provisions expire or the full indemnity is paid, any funds remaining in the Trust will revert back to the general funds of the Partnership.

10. NOTE RECEIVABLE:

A sales contract was executed on September 30, 2009 for the installment sale of the Partnership's former property operated as a Panda Buffet restaurant ("Panda Buffet") located in Grand Forks, ND to the owner tenant. The Partnership completed the sale of the Panda Buffet property on November 12, 2009 for \$450,000. The buyer paid \$150,000 at closing with the remaining balance of \$300,000 being delivered in the form of a promissory note (the "Buyers Note") to the Partnership. The Buyers Note originally had a term of three years, an interest rate of 7.25%, and principal and interest payments paid monthly. Principal was amortized over a period of ten years beginning December 1, 2009 with a balloon payment originally scheduled to be due on November 1, 2012. The Buyers Note also requires the buyer to escrow property taxes with the Partnership which, as of January 1, 2013, was \$925 per month.

Effective November 1, 2012, the Partnership amended the Buyers Note in the amount of \$232,777, to \$200,000 after a principal payment of \$32,777 was received on October 19, 2012 under the following extended terms: The principal balance was to be amortized over five years at an interest rate of 7.25% per annum with a full balloon payment due November 1, 2014.

Effective November 1, 2014, the Partnership agreed to another two year extension as follows: buyer made a principal payment of \$13,396 which reduced the principal balance to \$120,000 as of November 1, 2014, and the loan is scheduled to be paid off by October 31, 2016.

Per the Buyer's Note amortization schedule, the monthly payments total approximately \$5,386 per month. The amortized principal payments yet to be received under the Buyer's Note amounted to \$41,942 as of March 31, 2016. During the three month period ended March 31, 2016, three note payments were received by the Partnership and totaled \$15,215 in principal and \$944 in interest.

11. FAIR VALUE DISCLOSURES

The Partnership has determined the fair value based on hierarchy that gives the highest priority to quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy under the accounting principle are described below:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment.

Level 3. Unobservable inputs for which there is little, if any, market activity for the investment. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation and the use of discounted cash flow models to value the investment.

The fair value hierarchy is based on the lowest level of input that is significant to the fair value measurements. The Partnership's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment.

The Partnership assesses the levels of the investments at each measurement date, and transfers between levels are recognized on the actual date of the event or change in circumstances that caused the transfer in accordance with the Partnership's accounting policy regarding the recognition of transfers between levels of the fair value hierarchy. For the three month periods ended March 31, 2016 and 2015, there were no such transfers.

12. SUBSEQUENT EVENTS

We have evaluated material events and transactions that have occurred subsequent to March 31, 2016, and concluded that none have occurred that require adjustment to or disclosure in the unaudited condensed Financial Statements.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

CAUTIONARY STATEMENT

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements are not historical facts but are the intent, belief or current expectations of management of the Partnership based on its knowledge and understanding of the business and industry. Words such as “may,” “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “estimates,” “would,” “could,” “should” and variations of these words and similar expressions are intended to identify forward-looking statements. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. These statements are not guarantees of future performance and are subject to risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted in the forward-looking statements.

Examples of forward-looking statements include, but are not limited to, statements we make regarding:

- our expectations regarding financial condition or results of operations in future periods;
- our future sources of, and needs for, liquidity and capital resources;
- our expectations regarding economic and business conditions;
- our business strategies and our ability to grow our business;
- our ability to collect rents on our leases;
- our ability to attract and retain tenants;
- future capital expenditures;
- our ability to hire and retain key personnel and consultants; and
- other risks and uncertainties described from time to time in our filings with the Securities and Exchange Commission (the “SEC”).

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. The Partnership cautions readers not to place undue reliance on forward-looking statements, which reflect management’s view only as of the date of this Form 10-Q. All subsequent written and oral forward-looking statements attributable to the Partnership, or persons acting on the Partnership’s behalf, are expressly qualified in their entirety by this cautionary statement. Management undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. Factors that could cause actual results to differ materially from any forward-looking statements made in this Form 10-Q include, without limitation, changes in general economic conditions, changes in real estate conditions, including without limitation, decreases in valuations of real properties, increases in property taxes and lack of buyers should the Partnership want to dispose of a property, lease-up risks, ability of tenants to fulfill their obligations to the Partnership under existing leases, sales levels of tenants whose leases include a percentage rent component, adverse changes to the restaurant market, entrance of competitors to the Partnership’s lessees in markets in which the Partnership’s investment portfolio of commercial real estate properties (collectively, the “Properties”) are located, inability to obtain new tenants upon the expiration of existing leases, the potential need to fund tenant improvements or other capital expenditures out of operating cash flows and, our inability to realize value for Limited Partners upon disposition of the Partnership’s assets and such other factors as discussed in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the year end December 31, 2015.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On a regular basis, we evaluate these estimates, including investment impairment. These estimates are based on management's historical industry experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Partnership believes that its most significant accounting policies deal with:

Depreciation methods and lives- Depreciation of the Properties is provided on a straight-line basis over the estimated useful life of the buildings and improvements. While the Partnership believes these are the appropriate lives and methods, use of different lives and methods could result in different impacts on net income. Additionally, the value of real estate is typically based on market conditions and property performance, so depreciated book value of real estate may not reflect the market value of real estate assets.

Revenue recognition- Rental revenue from investment properties is recognized on a straight-line basis over the life of the respective lease when collectability is assured. Percentage rents are accrued only when the tenant has reached the sales breakpoint stipulated in the lease.

Impairment- The Partnership periodically reviews its long-lived assets, primarily real estate, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The Partnership's review involves comparing current and future operating performance of the assets, the most significant of which is undiscounted operating cash flows, to the carrying value of the assets. Based on this analysis, if deemed necessary, a provision for possible loss is recognized.

Investment Properties

As of March 31, 2016, the Partnership owned the Properties which are leased and operated as eleven separate fast-food restaurants. In addition, one Property is located on a parcel of land that is subject to a ground lease. The eleven tenants operate the following: nine Wendy's restaurants, an Applebee's restaurant, and a KFC restaurant. The Properties are located in a total of four states.

Property taxes, general maintenance, insurance and ground rent on the Properties are the responsibility of the tenant. However, when a tenant fails to make the required tax payments or when a property becomes vacant, the Partnership makes the appropriate property tax payments to avoid possible foreclosure of the property. In a property vacancy the Partnership pays for insurance and maintenance related to the vacant property.

Such taxes, insurance and ground rent are accrued in the period in which the liability is incurred. The Partnership leases property to one restaurant which is located on a parcel of land where the Partnership holds a long-term ground lease, as lessee, which is set to expire in 2018. The Partnership has the option to extend the ground lease for two additional ten year periods. The Partnership owns all improvements constructed on the land (including the building and improvements) until the termination of the ground lease, at which time all constructed improvements will become the land owner's property. The tenant, the operator of a KFC restaurant, is responsible for the \$3,400 per month ground lease payment per the terms of its lease with the Partnership.

There were no building improvements capitalized during the three month period ending March 31, 2016.

Net Income

Net income for the three month periods ended March 31, 2016 and 2015 were \$29,920 and \$6,621, respectively. Net income per limited partnership interest for the three month periods ended March 31, 2016 and 2015 were \$0.65 and \$0.14, respectively.

The increase is the result of lower professional fees paid in the first quarter of 2016 compared to the first quarter of 2015. In mid-2015, the Partnership began using a new service provider for the conversion and filing of reports the Partnership files with the SEC, which has resulted in lower costs and expenses to the Partnership.

Results of Operations

Income from continuing operations for the three month periods ended March 31, 2016 and 2015 was \$29,920 and \$6,621, respectively.

Three month period ended March 31, 2016 as compared to the three month period ended March 31, 2015:

Operating Rental Income: Rental income for the three month periods ended March 31, 2016 and 2015 was \$243,427 and \$242,705, respectively. The rental income was comprised primarily of monthly lease obligations.

General and Administrative Expense: General and administrative expenses for the three month periods ended March 31, 2016 and 2015 were \$19,307 and \$21,047, respectively. General and administrative expenses were comprised of management expense, state/city registration and annual report filing fees, XBRL outsourced fees, office supplies, printing costs, outside storage expenses, copy/fax costs, postage and shipping expenses, long-distance telephone expenses, website fees, bank fees and state income tax expenses. The decrease for the quarter ended March 31, 2016 is due primarily to an increase in postage expense, but offset by lower outsourced XBRL fees and lower offsite storage costs.

Professional Services: Professional services expenses for the three month periods ended March 31, 2016 and 2015 were \$85,466 and \$107,825, respectively. Professional services expenses were primarily comprised of investor relations data processing, investor mailings processing, website design, legal, auditing and tax preparation fees, and SEC report conversion and processing fees. The decrease is due primarily to cost savings attributable to decreased fees related to the conversion and filing of the Partnership's SEC reports, in addition to lower audit and investor relations fees.

Cash Flow Analysis

Net cash flows provided by operating activities for the three month periods ended March 31, 2016 and 2015 were \$649,923 and \$613,055, respectively. The variance in cash provided by operating activities from 2015 to 2016 is primarily due to the increased net income and increased percentage rents collected year over year, offset by lower accrued payables.

Cash flows provided from investing activities for the three month periods ended March 31, 2016 and 2015 were \$9,728 and \$8,667, respectively. These amounts were comprised of the receipt of note receivable principal payments from the Buyer's Note in relation to the 2009 sale of the Panda Buffet property, and the decrease in deferred rent relating to the revised terms of the Wendy's – Mt. Pleasant, South Carolina lease. The amount for the 2016 period is higher because of the higher principal payments received from the Buyer's Note.

For the three month period ended March 31, 2016, cash flows used in financing activities was \$120,120 and consisted of aggregate Limited Partner distributions of \$120,000, and General Partner distributions of \$120. For the three month period ended March 31, 2015, cash flows used in financing activities was \$600,026 and consisted of aggregate Limited Partner distributions of \$600,000, which included \$489,558 in net sale proceeds from the December 2014 sale of the vacant Des Moines, IA property, \$18,057 in Buyer's Note principal payments received in relation to the 2009 sale of the Panda Buffet property, and General Partner distributions of \$26.

Liquidity and Capital Resources

The Partnership's cash balance was \$786,322 at March 31, 2016. Cash of \$600,000, including \$549,289 of 2015 percentage rents received, is anticipated to be used to fund the anticipated 2016 first quarter aggregate distribution to Limited Partners on May 16, 2016, and cash of approximately \$38,179 is anticipated to be used for the payment of quarter-end accrued liabilities, which are included in the balance sheets. The remainder represents amounts deemed necessary to allow the Partnership to operate normally.

The Partnership's principal demands for liquidity historically have been, and are expected to be, for the payment of operating expenses and distributions. Management anticipates that cash generated through the operations of the Properties and sales of Properties will primarily provide the sources for future Partnership liquidity and Limited Partner distributions. During the process of leasing the Properties, the Partnership may experience competition from owners and managers of other properties. As a result, in connection with negotiating tenant leases, along with recognizing market conditions, the Partnership may offer rental concessions, or other inducements, which may have an adverse impact on the results of the Partnership's operations. The Partnership is also in competition with sellers of similar properties to locate suitable purchasers for its Properties. The two primary liquidity risks in the absence of mortgage debt are the Partnership's inability to collect rent receivables and near or chronic property vacancies. The amount of cash to be distributed to our Limited Partners is determined by the General Partner and is dependent on a number of factors, including funds available for payment of distributions, capital expenditures, and taxable income recognition matching, which is primarily attributable to percentage rents and property sales.

As of March 31, 2016, the current eleven operating Properties were leased 100 percent. In addition, the Partnership collected 100% of its base rent from current operating tenants for the period ended March 31, 2016 and the fiscal year ended December 31, 2015, which we believe is a good indication of overall tenant quality and stability.

There are two leases set to expire in 2016. A lease for a Property operated as an Applebee's restaurant expires October 31, 2016 and the Partnership anticipates that the tenant will exercise another of its remaining two year options. The lease for the Property located in Martinez, GA and operated as a Wendy's restaurant expires on November 6, 2016. On February 16, 2016, the Partnership received a Notice of Lease Surrender in connection with that lease. The tenant will not be renewing the lease when it expires on November 6, 2016 and will cease doing business and vacate the premises prior to that date. The Partnership anticipates that it will be able to identify a new tenant for the Martinez, GA Property. However, if that Property sits vacant for longer than anticipated, or if the Applebee's franchisee identified above does not renew its lease, the vacancy of one or more Properties even for short durations of time would likely impact the operating revenues and expenses of the Partnership, and, correspondingly diminished cash flow from operations would adversely affect distributions.

Nine of the Partnership's eleven Properties operate as Wendy's fast food restaurants and are franchises of the international Wendy's Company. Operating base rents from the nine Wendy's leases comprised approximately 79% of the total 2015 operating base rents. At December 31, 2015, additional 2015 percentage rents totaled \$549,289, \$546,453 of which were unbilled and accrued in relation to the Properties operated as Wendy's restaurants. Therefore, during the fiscal year 2015, the Partnership generated approximately 86% of its total operating revenues from these nine Properties. Additionally, as of March 31, 2016, these nine Properties exceeded 75% of the Partnership's total Properties, both by asset value and number. One of the Wendy's leases is set to expire in November 2016, another seven are set to expire in November 2021, with a ninth lease set to expire in November 2026.

Since more than 75% of the Properties, both by historical asset value and number, are leased to Wendy's franchises, the financial status of the three tenants may be considered material to investors. At the request of the Partnership, Wendgusta, Wendcharles I and Wendcharles II provided the Partnership with a copy of their reviewed financial statements for the fiscal years ended December 27, 2015 and December 28, 2014. Those reviewed financial statements prepared by Wendgusta's, Wendcharles I's and Wendcharles II's accountants are attached as Exhibits 99.0, 99.1 and 99.2, respectively, to the Partnership's December 31, 2015 Annual Report on Form 10-K, filed with the SEC on March 25, 2016. The Partnership has no rights to audit or review Wendgusta's, Wendcharles I's or Wendcharles II's financial statements and the Partnership's independent registered public accounting firm has not audited or reviewed the financial statements received from Wendgusta, Wendcharles I or Wendcharles II.

Disposition Policies

The General Partner intends to hold the Properties until such time as a sale or other disposition appears to be advantageous to achieve the Partnership's investment objectives or until it appears that such objectives will either currently not be met or not be met in the future. In deciding whether to sell Properties, the General Partner considers factors such as potential capital appreciation or depreciation, cash flow and federal income tax considerations, including possible adverse federal income tax consequences to the Limited Partners. The General Partner may exercise its discretion as to whether and when to sell a Property, and there is no obligation to sell any of the Properties at any particular time, except upon Partnership termination on November 30, 2020 or if Limited Partners holding a majority of the outstanding limited partnership interests vote to liquidate and dissolve the Partnership in response to a formal consent solicitation to liquidate the Partnership.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

As a smaller reporting company, the Partnership is not required to provide the information required by Item 305 of Regulation S-K.

Item 4. Controls and Procedures

Controls and Procedures:

The Partnership's management, including the persons performing the functions of the Partnership's principal executive officer and principal financial officer, have concluded that the Partnership's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report were effective based on the evaluation of these controls and procedures as required by paragraph (b) of Rule 13a-15 or Rule 15d-15 under the Exchange Act.

Changes in Internal Control over Financial Reporting:

There has been no change in the Partnership's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the fiscal quarter ending March 31, 2016 that has materially affected, or is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As of the date of this report there are no material pending legal proceedings to which the Partnership is a party.

Item 1a. Risk Factors

Not Applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(a) Listing of Exhibits

- 3.1 Certificate of Limited Partnership dated November 20, 1987, filed as Exhibit 3.7 to the Partnership's Annual Report on Form 10-K filed March 22, 2013, Commission File 0-17686, and incorporated herein by reference.
- 4.1 Agreement of Limited Partnership dated as of November 20, 1987, amended as of November 25, 1987, and February 20, 1988, filed as Exhibit 3A to Amendment No. 1 to the Partnership's Registration Statement on Form S-11 as filed on February 22, 1988, and incorporated herein by reference.
- 4.2 Amendments to Amended Agreement of Limited Partnership dated as of June 21, 1988, included as part of Supplement dated August 15, 1988, filed under Rule 424(b)(3), Commission File 0-17686, and incorporated herein by reference.
- 4.3 Amendment to Amended Agreement of Limited Partnership dated as of February 8, 1993, filed as Exhibit 3.3 to the Partnership's Annual Report on Form 10-K for the year ended December 31, 1992, Commission File 0-17686, and incorporated herein by reference.
- 4.4 Amendment to Amended Agreement of Limited Partnership dated as of May 26, 1993, filed as Exhibit 3.4 to the Partnership's Annual Report on Form 10-K for the year ended December 31, 1993, Commission File 0-17686, and incorporated herein by reference.

- 4.5 Amendment to Amended Agreement of Limited Partnership dated as of June 30, 1994, filed as Exhibit 3.5 to the Partnership's Annual Report on Form 10-K for the year ended December 31, 1994, Commission File 0-17686, and incorporated herein by reference.
- 4.6 Amendment to Amended Agreement of Limited Partnership dated as of November 9, 2009, filed as Exhibit 4.1 to the Partnership's Quarterly Report on Form 10-Q filed November 12, 2009, Commission File 0-17686, and incorporated herein by reference.
- 31.1 SOX 302 Certification
- 31.2 SOX 302 Certification
- 32.1 Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350.
- 99.1 Correspondence to the Limited Partners, scheduled to be mailed on or about May 16, 2016, regarding the first quarter of 2016 distribution.
- 101 The following materials from the Partnership's Quarterly Report on Form 10-Q for the quarter ended, formatted in XBRL (Extensible Business Reporting Language): (i) Unaudited Condensed Balance Sheets at March 31, 2016 and December 31, 2015, (ii) Unaudited Condensed Statements of Income for the three month periods ended March 31, 2016 and 2015, (iii) Unaudited Condensed Statement of Cash Flows for the three month periods ended March 31, 2016 and 2015, and (iv) Notes to the Unaudited Condensed Financial Statements.

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.

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

By: /s/ Lynette L. DeRose
Lynette L. DeRose
(Chief Financial Officer and
Duly Authorized Officer of the Partnership)

Date: May 12, 2016

**DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIP**

CERTIFICATIONS

I, Lynette L. DeRose, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DiVall Insured Income Properties 2 Limited 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 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. The Registrant's other certifying officer and I are 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. The registrant's other certifying officer and 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.

Dated: May 12, 2016

By: /s/ Lynette L. DeRose

Chief Financial Officer of the Partnership
(principal financial officer of the registrant)

**DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIP**

CERTIFICATIONS

I, Bruce A. Provo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of DiVall Insured Income Properties 2 Limited 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 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. The Registrant's other certifying officer and I are 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. The registrant's other certifying officer and 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.

Dated: May 12, 2016

By: /s/ Bruce A. Provo

President, and Chief Executive Officer of The Provo Group, Inc.,
the General Partner
of the Partnership
(principal executive officer of the registrant)

**DIVALL INSURED INCOME PROPERTIES 2
LIMITED PARTNERSHIP**

**Certification of Periodic Financial Report
Pursuant to 18 U.S.C. Section 1350**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned principal executive officer and principal financial officer of DiVall Insured Income Properties 2 Limited Partnership (the "Company") certify that this Quarterly Report on Form 10-Q of the Company for the period ended March 31, 2016 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: May 12, 2016

By: /s/ Lynette L. DeRose

Chief Financial Officer of the Partnership
(principal financial officer of the registrant)

By: /s/ Bruce A. Provo

President, and Chief Executive Officer of
The Provo Group, Inc., the General Partner
of the Partnership
(principal executive officer of the registrant)

This certification is made solely for the purpose of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

DiVall Insured Income Properties 2, L.P.

Quarterly News

A Publication of The Provo Group, Inc.

May 16, 2016

2016 First Quarter Distribution will be \$600,000, or \$12.96 per unit

Total percentage rents earned in 2015 were \$549,289 up from \$500,746 in 2014. The increase is attributable to stronger sales volume across multiple Wendy's locations inside our portfolio of properties. Cash received from the percentage rents will be distributed to the limited partners as part of the first quarter distribution, scheduled to be mailed on May 16, 2016.

For 2016, our first quarter earnings were higher than in the first quarter of 2015, primarily due to lower audit fees and decreased professional fees related to SEC filings.

As a result, the first quarter distribution will be \$12.96 per unit, which is comprised of \$11.88 per unit from 2015 annual percentage rents and \$1.08 per unit from Q1 operations.

As expected, we received notice in February, that Wendy's will not be renewing the lease that expires in November 2016, on our Martinez, GA, property.

Distribution Highlights...

- \$600,000 (\$12.96 per unit) will be distributed for the first quarter of 2016 on or about May 16, 2016.
- Since the partnership's initial capital raise of \$46 million in the early 1990's, the partnership has distributed approximately \$75 million to investors, from both operations and strategic sales.

Additional financial information can be accessed...

For further Quarterly 2016 unaudited financial information, see the Partnership's interim financial reports filed on form 10-Q. A copy of these filings and other public reports can be viewed and printed free of charge at the Partnership's website at www.divallproperties.com or at the SEC's website at www.sec.gov. The Partnership's 2015 Annual Report on Form 10-K was filed with the SEC on March 25, 2016. These reports can also be accessed via the websites listed.

FORWARD LOOKING STATEMENTS

Forward-looking statements may differ materially from actual results. Investors are cautioned not to place undue reliance on forward-looking statements, which reflect the Partnership's management's view only as of May 16, 2016, the date this newsletter was sent for printing and mail assembly. The Partnership undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results. Factors that could cause actual results to differ materially from any forward-looking statements made in this newsletter include changes in general economic conditions, changes in real estate conditions and markets, inability of current tenants to meet financial obligations, inability to obtain new tenants upon the expiration of existing leases, and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

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- 2** Questions & Answers
- 2** Contact Information

QUESTIONS & ANSWERS

- ❖ ***When can I expect to receive my next distribution mailing?***
Your distribution correspondence for the Second Quarter of 2016 is scheduled to be mailed on or about August 15, 2016.
- ❖ ***When will the Partnership mail the 2015 K-1's?***
2015 K-1's were mailed to investors in the first week of March 2016.
- ❖ ***What was the estimated December 31, 2015 Net Unit Value ("NUV")?***
Management has estimated the December 31, 2015 Net Unit Value of each interest of the Partnership to approximate \$340. Please note that the estimated year-end NUV should be adjusted (reduced) for any subsequent property sale(s) or applicable impairment write-downs during the following year. As with any valuation methodology, the General Partner's methodology is based upon a number of estimates and assumptions that may not be accurate or complete. Different parties with different assumptions and estimates could derive a different estimated NUV. Accordingly, with respect to the estimated NUV, the Partnership can give no assurance that:
 - an investor would be able to resell his or her units at this estimated NUV;
 - an investor would ultimately realize distributions per unit equal to the Partnership's estimated NUV per unit upon the liquidation of all of the Partnership's assets and settlement of its liabilities;
 - the Partnership's units would trade at the estimated NUV per unit in a secondary market; or
 - the methodology used to estimate the Partnership's NUV per unit would be acceptable to FINRA or under ERISA for compliance with their respective reporting requirements.
- ❖ ***How can I obtain hard copies of Quarterly and Annual Reports or other SEC filings?***
Please visit the Investor Relations page at the Partnership website at www.divallproperties.com or the SEC website at www.sec.gov to print a copy of the report(s) or contact Investor Relations.
- ❖ ***What is the meaning of the word "Insured" in the name of this investment?***
In the offering materials from the late 1980's, sponsored by the former general partners, there was a representation (but no "guarantee") that the Partnership would seek to insure rents from vacant properties. Although, there was some initial availability of very restrictive and limited (one year) insurance, that availability vanished in the early 1990's. In other words, the former general partners were "fast and loose" with professing the concept of "Insured" and the next and final partnership they sold did not use the term in the investment's name.
- ❖ ***How do I have a question answered in the next Newsletter?***
Please e-mail your specific question to Lynette DeRose at lderos@theprovgroup.com or visit the Investor Relations page at www.divallproperties.com.
- ❖ ***I've moved. How do I update my account registration?***
Please mail or fax to DiVall Investor Relations a signed letter stating your new address and telephone number. Updates cannot be accepted over the telephone or via voicemail messages.
- ❖ ***If I have questions or comments, how can I reach DiVall Investor Relations?***
You can reach DiVall Investor Relations at the address and/or number(s) listed below.

CONTACT INFORMATION

MAIL: DiVall Investor Relations
c/o Phoenix American Financial Services, Inc.
2401 Kerner Blvd.
San Rafael, CA 94901

PHONE: 1-800-547-7686
FAX: 1-415-485-4553