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 June 30, 2014

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	**39-1606834**
(State or other jurisdiction of incorporation or organization)	**(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

June 30, 2014 and December 31, 2013

ASSETS

	June 30, 2014 (unaudited)	December 31, 2013
INVESTMENT PROPERTIES: **(Note 3)**		
Land	$ 2,956,118	$ 2,956,118
Buildings	5,028,699	5,028,699
Accumulated depreciation	(4,060,040)	(3,984,987)
Net investment properties	$ 3,924,777	$ 3,999,830
OTHER ASSETS:		
Cash	$ 250,710	$ 244,319
Cash held in Indemnification Trust **(Note 9)**	452,806	452,645
Property tax cash escrow	22,448	25,697
Security deposits escrow	70,528	70,765
Rents and other receivables (net of allowance, $31,116 and $0, respectively)	52,602	470,478
Deferred tenant award proceeds escrow **(Note 3)**	161,044	171,948
Deferred rent receivable	0	2,250
Prepaid insurance	7,396	4,992
Deferred charges, net	164,800	178,987
Note receivable **(Note 11)**	145,652	163,491
Total other assets	$ 1,327,986	$ 1,785,572
Total assets	$ 5,252,763	$ 5,785,402

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

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED BALANCE SHEETS

June 30, 2014 and December 31, 2013

LIABILITIES AND PARTNERS' CAPITAL

	June 30, 2014 (unaudited)	December 31, 2013
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 63,858	$ 50,979
Property tax payable	30,597	25,701
Due to General Partner **(Note 6)**	335	1,227
Deferred rent	160,944	171,918
Security deposits	70,440	70,440
Unearned rental income	5,000	5,000
Total current liabilities	$ 331,174	$ 325,265
CONTINGENCIES AND COMMITMENTS **(Notes 8 and 9)**		
PARTNERS' CAPITAL: **(Notes 1, 4 and 10)**		
General Partner -		
Cumulative net income (retained earnings)	$ 335,021	$ 334,153
Cumulative cash distributions	(139,341)	(139,006)
	$ 195,680	$ 195,147
Limited Partners (46,280.3 interests outstanding at June 30, 2014 and December 31, 2013)		
Capital contributions	$ 46,280,300	$ 46,280,300
Offering Costs	(6,921,832)	(6,921,832)
Cumulative net income (retained earnings)	39,532,938	39,447,019
Cumulative cash distributions	(73,325,268)	(72,700,268)
	$ 5,566,138	$ 6,105,219
Former General Partner -		
Cumulative net income (retained earnings)	$ 707,513	$ 707,513
Cumulative cash distributions	(1,547,742)	(1,547,742)
	($ 840,229)	($ 840,229)
Total partners' capital	$ 4,921,589	$ 5,460,137
Total liabilities and partners' capital	$ 5,252,763	$ 5,785,402

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

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED STATEMENTS OF INCOME (LOSS)

For the Three and Six Month Periods Ended June 30, 2014 and 2013

	Three Months ended		Six Months Ended	
	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
OPERATING REVENUES:				
Rental income **(Note 5)**	$305,699	$289,320	$564,347	$545,524
TOTAL OPERATING REVENUES	$305,699	$289,320	$564,347	$545,524
OPERATING EXPENSES				
Partnership management fees **(Note 6)**	65,679	64,734	130,728	128,592
Insurance	1,732	1,471	3,230	2,940
General and administrative	46,246	13,737	95,736	36,399
Advisory Board fees and expenses	2,625	2,625	5,250	5,250
Professional services	53,210	49,143	158,951	147,785
Property tax expense	1,629	0	1,629	0
Other property expenses	306	0	306	0
Depreciation	37,526	37,526	75,053	75,053
Amortization	7,019	7,168	14,187	14,336
TOTAL OPERATING EXPENSES	215,972	176,404	485,070	410,355
OTHER INCOME				
Interest income	862	434	1,851	1,216
Note receivable interest income **(Note 11)**	2,748	3,376	5,659	6,903
Gain on sale of land	0	307,270	0	307,270
Other income	0	0	0	280
TOTAL OTHER INCOME	3,610	311,080	7,510	315,669
NET INCOME	$ 93,337	$423,996	$ 86,787	$450,838
NET INCOME - GENERAL PARTNER	$ 933	$ 4,240	$ 868	$ 4,508
NET INCOME - LIMITED PARTNERS	$ 92,404	$419,756	$ 85,919	$446,330
	$ 93,337	$423,996	$ 86,787	$450,838
PER LIMITED PARTNERSHIP INTEREST,				
Based on 46,280.3 interests outstanding:				
NET INCOME PER LIMITED PARTNERSHIP INTEREST	$ 2.00	$ 9.07	$ 1.86	$ 9.64

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 Six Month Periods Ended June 30, 2014 and 2013

	Six Months Ended 30-Jun-14 (Unaudited)	Six Months Ended 30-Jun-13 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 86,787	$ 450,838
Net gain on disposal of land	0	(307,270)
Adjustments to reconcile net income to net cash from operating activities -		
Provision for doubtful accounts	31,116	0
Depreciation and amortization	89,240	89,389
Interest paid (applied) to Indemnification Trust account	(161)	(313)
Decrease in rents and other receivables	386,760	432,469
Increase (Decrease) in property tax cash escrow	3,249	(5,233)
Increase (Decrease) in security deposit escrow	237	(67,587)
Increase (Decrease) in prepaid insurance	(2,404)	2,941
Increase (Decrease) in deferred rent receivable	2,250	(2,979)
Increase in accounts payable and accrued expenses	12,879	9,438
Increase in property tax payable	4,896	5,233
Decrease in deferred award escrow	10,904	0
Increase (Decrease) in due to General Partner	(892)	16,660
Net cash from operating activities	624,861	623,586
CASH FLOWS FROM INVESTING ACTIVITIES:		
Note receivable, principal payment received	17,839	16,595
Net proceeds from sale of condemned land	0	341,261
Condemnation award receivable	0	(543,185)
Deferred rent	(10,974)	181,062
Net cash from (used in) investing activities	6,865	(4,267)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash distributions to Limited Partners	(625,000)	(1,125,000)
Cash distributions to General Partner	(335)	(1,803)
Net cash used in financing activities	(625,335)	(1,126,803)
NET INCREASE (DECREASE) IN CASH	6,391	(507,484)
CASH AT BEGINNING OF YEAR	244,319	693,221
CASH AT END OF PERIOD	$ 250,710	$ 185,736

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

DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

NOTES TO 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") 2013 annual audited financial statements within its Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 28, 2014.

These unaudited interim condensed financial statements and notes have been prepared on the same basis as the Partnership's 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 six month period ended June 30, 2014 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2014, for any other interim period, or for any other future year.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES:

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.

The Partnership is currently engaged in the business of owning and operating its investment portfolio of commercial real estate properties (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 primarily long-term leases. The lessees are fast food, family style, and casual/theme restaurants. As of June 30, 2014, the Partnership owned twelve Properties, which are located in a total of five 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 Provo Group, Inc., the general partner of the Partnership (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 partnership 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 by a majority of the limited partners. During the second quarters of the six odd numbered years 2001 to 2011, consent solicitations were circulated to the Partnership's limited partners (each being a "Consent"). If approved, any of these Consents would have authorized the sale of all of the Properties and the dissolution of the Partnership. Limited partners owning a majority of the limited partnership interests did not vote in favor of any of the Consents. Therefore, the Partnership continued to operate as a going concern. Again, in the third quarter of 2013, consent solicitations were circulated to the Partnership's limited partners (the "2013 Consent"), which if approved would have authorized the sale of all of the Properties and the dissolution of the Partnership. Limited partners owning a majority of the limited partnership interests did not vote in favor of the 2013 Consent, and the General Partner declared the 2013 Consent solicitation process concluded on August 30, 2013. 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 June 30, 2014, and December 31, 2013, there were $31,116 and $0, respectively, recorded values for allowance for doubtful accounts. Delinquent accounts receivable are aged as follows: $15,858 is over 90 days old, $7,629 is over 60 days old and $7,629 is over 30 days old as of June 30, 2014.

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 June 30, 2014 and December 31, 2013, accumulated amortization amounted to $143,982 and $129,795, respectively.

Deferred tenant award proceeds escrow represents the portion of the award proceeds from the sale of the portion of the Mt. Pleasant, South Carolina 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 June 30, 2014, nine of the Partnership's twelve 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 these three tenants comprised approximately 53%, 14% and 7%, respectively, of the Partnership's total operating base rents reflected as of June 30, 2014.

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 or six month periods ended June 30, 2014 and 2013.

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 six month period ended June 30, 2014 and the year ended December 31, 2013. See Note 12 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, 2010.

2. <u>REGULATORY INVESTIGATION:</u>

A preliminary investigation during 1992 by the Office of Commissioner of Securities for the State of Wisconsin and the SEC (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"), which was dissolved December of 2003, (collectively, the "three original partnerships") 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 systems of the three original partnerships.

Subsequent to discovery, and in response to the regulatory inquiries, The Provo Group, Inc. ("TPG") 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 of the Partnership, by written consent of a majority of limited partnership interests, elected TPG as general partner. 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 June 30, 2014, 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 June 30, 2014, 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. <u>INVESTMENT PROPERTIES AND PROPERTIES HELD FOR SALE:</u>

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 of the Partnership.

As of June 30, 2014, the Partnership owned property leased to eleven fully constructed fast-food restaurants and owns one vacant property in Des Moines, Iowa (formerly operated as Daytona's All Sports Café ("Daytona's")). The eleven tenants are comprised of the following: nine Wendy's restaurants, an Applebee's restaurant, and a KFC restaurant. The twelve properties are located in a total of five states.

Vacant Property – 4875 Merle Hay Rd, Des Moines, IA

Daytona's lease expired May 31, 2014 and the tenant vacated the premises on or about the same date. On January 24, 2014, the Partnership sent Daytona's a 30-day Notice of Default for failure to pay its January rent. On February 3, 2014 the Partnership received payment for a portion of Daytona's January rent and real estate tax escrow payment. The 30-day Notice of Default expired on February 23, 2014. As of June 30, 2014 Daytona's has not made its monthly rent or real estate tax escrow payments for February, March, April or May 2014. Notice was sent to the tenant on April 22, 2014 that they remain in default of the lease for failure to pay monthly rent and real estate tax escrow payments and that the Partnership will not renew the lease upon its expiration. The notice also advised the tenant that they are expected to vacate the premises by May 31, 2014, and that they are responsible for paying all rent and real estate tax obligations owed as of January 1, 2014, through the termination of the lease on May 31, 2014, each in accordance with the Lease Agreement between the Partnership and the tenant dated March 1, 2003. On May 29, 2014, the Partnership filed an application for default judgment, which the tenant filed an answer denying all claims made against it. Along with the application for default judgment, the Partnership filed for enforcement of its landlord lien against the furniture, fixtures and equipment ("FF&E") at the property. However, the tenant sold all FF&E at an auction on May 28, 2014. The Partnership has subpoenaed the auctioneer for the sale records in an attempt to recover the FF&E. On July 10, 2014, the Partnership filed for summary judgment against the tenant for all amounts owing. The Partnership plans to sell the property and has signed a listing agreement (see Note 13 Subsequent Events, for additional information).

4. PARTNERSHIP AGREEMENT:

The Amended Agreement of Limited Partnership (as amended, supplemented or modified, the "Partnership Agreement") of the Partnership extends 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.

On May 26, 1993, pursuant to the results of a solicitation of written consents from the limited partners, the Partnership Agreement was amended to replace the former general partners and amend various sections of the Partnership Agreement. The former general partners were replaced by TPG. Under the terms of the amendment, net profits or losses from operations are allocated 99% to the limited partners and 1% to the current General Partner. Additionally, the total compensation paid to all persons for the sale of the investment properties is limited to commissions customarily charged by other brokers in arm's-length sales transactions involving comparable properties in the same geographic area, not to exceed six percent of the contract price for the sale of the property. The General Partner may receive up to one-half of the competitive real estate commission, not to exceed three percent, provided that the General Partner provides a substantial amount of services, as defined by the General Partner, in the sales effort. It is further provided that a portion of the amount of such fees payable to the General Partner is subordinated to its success in recovering the funds misappropriated by the former general partners. See Note 6 for further information.

The Partnership Agreement provides that (i) the "Distribution Quarter" is defined as the calendar quarter, and (ii) the distribution provisions are subordinate to the General Partner's share of distributions from net cash receipts and net proceeds to the extent necessary for the General Partner to pay its federal and state income taxes on Partnership income allocated to the General Partner. Because these amendments do not adversely affect the rights of the limited partners, pursuant to section 10.2 of the Partnership Agreement, the General Partner can modify these provisions without a vote of the limited partners.

5. LEASES:

Original lease terms for the majority of 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 June 30, 2014, the aggregate minimum operating lease payments (including the aggregate total of the first two quarters of 2014 collected revenues of $489,395) to be received under the current operating leases for the Properties are as follows:

Year ending December 31,	
2014	$ 952,462
2015	804,553
2016	791,935
2017	720,433
2018	690,433
Thereafter	2,268,849
	$6,228,665

At June 30, 2014 and December 31, 2013, rents and other receivables included $52,602 and $470,478, respectively, of unbilled percentage rents. As of June 30, 2014, all of the 2013 percentage rents had been billed and collected.

6. TRANSACTIONS WITH GENERAL PARTNER AND ITS AFFILIATES:

Pursuant to the terms of the Permanent Manager Agreement (the "PMA") executed in 1993 and renewed for an additional two year term as of January 1, 2013, the General Partner receives a base fee (the "Base Fee") for managing the Partnership equal to four percent of gross receipts, subject to an initial annual minimum amount of $159,000. 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, 2014, the minimum annual Base Fee and the maximum Expense reimbursement increased by 1.46% from the prior year, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2014, the minimum annual Base Fee paid by the Partnership was raised to $262,716 and the maximum annual Expense reimbursement was increased to $21,192.

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. To date, the General Partner has 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 and six month periods ended June 30, 2014 and 2013 are as follows:

	Three Month Period ended June 30, 2014 (Unaudited)	Three Month Period ended June 30, 2013 (Unaudited)	Six Month Period ended June 30, 2014 (Unaudited)	Six Month Period ended June 30, 2013 (Unaudited)
General Partner				
Management fees	$ 65,679	$ 64,734	$ 130,728	$ 128,592
Restoration fees	0	0	0	0
Overhead allowance	5,298	5,223	10,546	10,374
Other outsourced administrative fees	675	600	1,763	4,950
Sales Commission	0	16,296	0	16,296
Reimbursement for out-of-pocket expenses	986	1,583	2,148	3,018
Cash distribution	335	1,696	335	1,803
	$ 72,973	$ 90,132	$ 145,520	$ 165,033

At June 30, 2014 and December 31, 2013, $335 and $1,227, respectively, was payable to the General Partner.

As of June 30, 2014 and December 31, 2013, TPG Finance Corp. owned 200 limited partnership units 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 June 30, 2014, the General Partner did not own any limited partnership interests in the Partnership. The following chart identifies the security ownership of the Partnership’s principal executive officer as the sole named executive officer holding 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 June 30, 2014.

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

As of June 30, 2014, Jesse Small, an Advisory Board Member, beneficially owned greater than ten percent of the Partnership's limited partnership interests. Amounts paid to Mr. Small for his services as a member of the Advisory Board for the three and six month periods ended June 30, 2014 and 2013 are as follows:

	Three Month Period ended June 30, 2014 (Unaudited)	Three Month Period ended June 30, 2013 (Unaudited)	Six Month Period ended June 30, 2014 (Unaudited)	Six Month Period ended June 30, 2013 (Unaudited)
Advisory Board Fees paid	$ 875	$ 875	$ 1,750	$ 1,750

At June 30, 2014 and December 31, 2013 there were no outstanding Advisory Board fees accrued and payable to Jesse Small.

8. CONTINGENT LIABILITIES:

According to the Partnership Agreement, the 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 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 (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 June 30, 2014, the Partnership may owe TPG $16,296 if the $6,000,000 recovery level is achieved. TPG does not expect any future payment, 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 such capacity 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, $202,806 of earnings has been credited to the Trust as of June 30, 2014. 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. FORMER GENERAL PARTNERS' CAPITAL ACCOUNTS:

The capital account balance of the former general partners of the Partnership as of May 26, 1993, the date of their removal as general partners pursuant to the results of a solicitation of written consents from the limited partners, was a deficit of $840,229. At December 31, 1993, the former general partners' deficit capital account balance in the amount of $840,229 was reallocated to the limited partners.

11. NOTE RECEIVABLE:

A sales contract was executed on September 30, 2009 for the installment sale of the Partnership's Panda Buffet property to the tenant for $520,000 (sales amount was to be reduced to $450,000 if closing occurred on or before November 15, 2009). The closing date on the sale of the property was November 12, 2009 at a sales price of $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 reflected a term of three years, an interest rate of 7.25%, and principal and interest payments paid monthly and principal amortized over a period of ten years beginning December 1, 2009 with a balloon payment due 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 of $200,000 will be amortized over five years at an interest rate of 7.25% per annum with a full balloon payment of $133,396 due November 1, 2014. Pursuant to the Buyers Note, there is no penalty for early payment of principal. The Buyers Note also requires the buyer to escrow property taxes with the Partnership which, as of January 1, 2013, is $925 per month. The property tax escrow cash balance held by the Partnership amounted to $6,940 at June 30, 2014, and is included in the property tax payable in the condensed balance sheets.

Per the Buyer's Note amortization schedule, the monthly payments are to total approximately $3,916 per month. The amortized principal payments yet to be received under the Buyer's Note amounted to $163,491 as of December 31, 2013. During the six month period ended June 30, 2014, six note payments were received by the Partnership and totaled $17,839 in principal and $5,659 in interest.

12. 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 June 30, 2014 and 2013, there were no such transfers.

13. SUBSEQUENT EVENTS

Vacant Property – 4875 Merle Hay Rd, Des Moines, IA

On July 8, 2014, the Partnership signed a listing agreement with a broker, Hubbell Commercial Brokers, L.C., (the "Broker") to sell or lease the property during the term of the listing, which ends December 31, 2014. The sale asking price is $576,000, and the lease asking price is $14.45 per square foot on a triple net basis. In the event of a sale, a 6.5% to 8% commission on the sale price will be due to the Broker as outlined in the listing agreement. In the event of a lease, a 6% commission on the fixed rent payable during the lease term will be due to the Broker. The net book value of this property on the balance sheet is $261,893 as of June 30, 2014.

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 DiVall Insured Income Properties 2 Limited Partnership (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 maintain relationships with our tenants;
- future capital expenditures;
- our ability to hire and retain key employees; 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 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 , our inability to realize value for limited partners upon disposition of the Partnership's assets, 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, 2013.

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 June 30, 2014, the Partnership owned property leased to eleven fully constructed fast-food restaurants and owns one vacant property in Des Moines, Iowa (formerly Daytona's All Sports Café). In addition, one property is located on a parcel of land that is subject to a ground lease. The eleven tenants are comprised of the following: nine Wendy's restaurants, an Applebee's restaurant, and a KFC restaurant. The twelve Properties are located in a total of five 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 (such as the Des Moines, Iowa property, which formerly operated as Daytona's All Sports Café). 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, KFC, 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 June 30, 2014.

Net Income

Net income for the three month periods ended June 30, 2014 and 2013 was $93,337 and $423,996, respectively. Net income per limited partnership interest for the three month periods ended June 30, 2014 and 2013 was $2.00 and $9.07, respectively. Net income for the six month periods ended June 30, 2014 and 2013 was $86,787 and $450,838, respectively. Net income per limited partnership interest for the six month periods ended June 30, 2014 and 2013 was $1.86 and $9.64, respectively.

The decrease from 2013 to 2014 is due to the sale of condemned land in South Carolina in 2013. In the second quarter of 2013, the Partnership settled eminent domain proceedings with the County of Charleston, South Carolina and recognized a gain of $307,270 on the sale of the condemned property.

Results of Operations

Income from continuing operations for the three month periods ended June 30, 2014 and 2013 was $93,337 and $423,996, respectively.

Three month period ended June 30, 2014 as compared to the three month period ended June 30, 2013:

Operating Rental Income: Rental income for the three month periods ended June 30, 2014 and 2013 was $305,699 and $289,320, respectively. The rental income was comprised primarily of monthly lease obligations and included adjustments for straight-line rent.

General and Administrative Expense: General and administrative expenses for the three month periods ended June 30, 2014 and 2013 were $46,246 and $13,737, 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 increase is due primarily to an allowance for doubtful accounts adjustment made at quarter end due to the uncertainty of collecting the $31,116 owed to the Partnership by Daytona's.

Professional services: Professional services expenses for the three month periods ended June 30, 2014 and 2013 were $53,210 and $49,143, 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 increase is due to higher audit and tax return preparation fees, as well as higher legal fees related to the Daytona's default.

Six month period ended June 30, 2014 as compared to the six month period ended June 30, 2013:

Operating Rental Income: Rental income for the six month periods ended June 30, 2014 and 2013 was $564,347 and $545,524, respectively. The rental income was comprised primarily of monthly lease obligations and included adjustments for straight-line rent.

Management expects total base operating rental income to be $952,462 for the year 2014 based on operating leases currently in place. In addition, future operating rental income may decrease with tenant defaults and/or the reclassification of properties as properties held for sale. Future operating rental income may also increase with additional rents due from tenants, if those tenants experience increased sales levels, which require the payment of additional rent to the Partnership. Operating percentage rents included in rental income from operations in 2013 was $470,478, and management expects the 2014 percentage rents to be higher than 2013 due to the increasing sales trends for the Wendy's restaurants in the Partnership's portfolio.

Insurance Expense: Insurance expense for the six month periods ended June 30, 2014 and 2013 was $3,230 and $2,940, respectively. The 2013 insurance expense was related to a general liability policy. For 2014, management expects insurance expense to increase to $9,500 because of the property insurance that was purchased for the vacant Des Moines, Iowa property for $5,634 in addition to the annual general liability policy. This amount could increase if the general liability insurance premium for the 2014/2015 insurance year that is expected to be paid in the fourth quarter of 2014 also increases.

General and Administrative Expense: General and administrative expenses for the six month periods ended June 30, 2014 and 2013 were $95,736 and $36,399, respectively. General and administrative expenses were comprised of management expense, state/city registration and annual report filing fees, office supplies, printing costs, outside storage expenses, copy/fax costs, postage and shipping expenses, long-distance telephone expenses, website fees, bank fees,state income tax expenses and bad debt allowance. Management expects the total 2014 operating general and administrative expenses to be higher than 2013 expenses, primarily due to an increase state and local income tax expenses as a result of the condemnation sale and the bad debt expense related to the tenant, Daytona's.

Professional services: Professional services expenses for the six month periods ended June 30, 2014 and 2013 were $158,951 and $147,785, 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 variance in professional services expenses is primarily the result of the higher cost of XBRL detailed footnote tagging which began in late 2012. Management anticipates that the total 2014 operating professional services expenses will be approximately ten percent higher than 2013 due primarily to the cost of the additional SEC mandated XBRL financial statement footnotes conversion and filing requirements for the Partnership which began in the second quarter of 2012, as well as higher accounting, audit and legal fees.

Cash Flow Analysis

Net cash flows provided by operating activities for the six month periods ended June 30, 2014 and 2013 were $624,861 and $623,586, respectively.

Cash flows provided from (used in) investing activities for the six month periods ended June 30, 2014 and 2013 were $6,865 and ($4,267), respectively. The 2014 amount was comprised of the receipt of note receivable principal payments from the promissory 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 2013 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 also includes the amount due from the County of Charleston, SC relating to the sale of the condemned land in the second quarter.

For the six month period ended June 30, 2014, cash flows used in financing activities was $625,335 and consisted of aggregate limited partner distributions of $625,000, which included $470,478 in percentage rent billings from 2013 and, $17,839 in promissory note principal payments received in relation to the 2009 sale of the Panda Buffet property, and general partner distributions of $335. For the six month period ended June 30, 2013, cash flows used in financing activities was $1,126,803 and consisted of aggregate limited partner distributions of $1,125,000, which included $292,827 in net sale proceeds from the October 2012 sale of the vacant Phoenix, Arizona property, $465,407 in 2012 percentage rents, $45,810 in promissory note principal payments received in relation to the 2009 sale of the Panda Buffet property, and general partner distributions of $1,803. Distributions have been and will continue to be made in accordance with the Amended Agreement of Limited Partnership of the Partnership.

Liquidity and Capital Resources

The Partnership's cash balance was $250,710 at June 30, 2014. Cash of $116,000, including $11,749 in promissory note principal and interest payments, is anticipated to be used to fund the anticipated 2014 second quarter aggregate distribution to limited partners on August 15, 2014, and cash of $72,007 is anticipated to be used for the payment of quarter-end accrued liabilities, net of property tax cash escrow, 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 funds 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 June 30, 2014, the current twelve operating Properties were 92 percent leased. In addition, the Partnership collected 95% and 100% of its base rent from current operating tenants for the period ended June 30, 2014 and the fiscal year ended December 31, 2013, respectively, which we believe is a good indication of overall tenant quality and stability. There are two leases expiring in 2014. Daytona's lease expired May 31, 2014 and management did not renew their lease (See Note 3 to our unaudited interim condensed financial statements for more detailed information). Applebee's lease expires October 31, 2014, and management expects them to exercise their next two year option.

Nine of the Partnership's twelve 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 75% of the total 2014 operating base rents to-date. At December 31, 2013, additional 2013 percentage rents totaled $470,478, all of which were unbilled and accrued in relation to the Wendy's Properties. Therefore, during the fiscal year 2013, the Partnership generated approximately 83% of its total operating revenues from these nine Properties. Additionally, as of June 30, 2014, 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 of these Properties may be considered relevant to investors. At the request of the Partnership, Wendgusta, LLC, Wendcharles I, LLC and Wendcharles II, LLC provided the Partnership with a copy of their reviewed financial statements for the fiscal years ended December 29, 2013 and December 30, 2012. Those reviewed financial statements prepared by such entitites' accountants are attached as Exhibits 99.0, 99.1 and 99.2, respectively, to the Partnership's December 31, 2013 Annual Report on Form 10-K, filed with the SEC on March 28, 2014. The Partnership has no rights to audit or review financial statements and the Partnership's independent registered public accounting firm has not audited or reviewed such financial statements.

Disposition Policies

Management 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, management 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 limited partnership units 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

As of June 30, 2014 the Partnership's management, and 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 June 30, 2014 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

There are no material pending legal proceedings, other than ordinary routine litigation incidental to the Partnership's business, 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 Form10-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	302 Certification
31.2	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 August 15, 2014, regarding the second quarter of 2014 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) Condensed Balance Sheets at June 30, 2014 and December 31, 2013, (ii) Condensed Statements of Income for the three and six month periods ended June 30, 2014 and 2013, (iii) Condensed Statement of Cash Flows for the six month periods ended June 30, 2014 and 2013, and (iv) Notes to the 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: August 11, 2014

Exhibit 31.1

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: August 11, 2014

By: /s/ Lynette L. DeRose

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

Exhibit 31.2

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: August 11, 2014

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)

Exhibit 32.1

**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 the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2014 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 periodic report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 11, 2014

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. **August 15, 2014**

Q2 2014 Distribution will be $2.50 per unit

The second quarter of 2014 distribution was budgeted to be about $3.00 per unit, or $140,000. The baseline distribution will be reduced by $24,000 ($.50 per unit) to $116,000 ($2.50 per unit) because one tenant, Daytona's, did not pay their April or May rents nor property tax escrows for the same months.

Daytona's lease expired on May 31, 2014 and management did not renew their lease due to performance issues although a renewal had been budgeted. Default notices were sent in April and May, and court proceedings have begun. The tenant owes DiVall $31,116 plus court costs and legal fees.

The Provo Group signed a listing agreement on July 8, 2014, to sell the property, located in Des Moines, Iowa. We have had immediate interest in the property from prospective purchasers, and hope to sell the property by the end of the calendar year.

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Distribution Highlights…

- **$116,000 ($2.50 per unit)** will be distributed for the second quarter of 2014 on August 15, 2014.
- Between $1,655.47 and $1,506.29 is the range of cumulative total distributions per unit from the *first* unit sold to the *last* unit sold before the offering closed (3/90), respectively. (Distributions are from both adjusted cash flow from operations and "net" cash activity from financing and investing activities).

Additional financial information can be accessed…

For further Quarterly 2014 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 2013 Annual Report on Form 10-K was filed with the SEC on March 28, 2014; the report can also be accessed via the websites listed.

FORWARD LOOKING STATEMENTS

Forward-looking statements that were true at the time made may ultimately prove to be incorrect or false. Investors are cautioned not to place undue reliance on forward-looking statements, which reflect the Partnership's management's view only as of August 1, 2014, 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.

QUESTIONS & ANSWERS

- ***When can I expect to receive my next distribution mailing?***

  Your distribution correspondence for the Third Quarter of 2014 is scheduled to be mailed on November 15, 2014.

- ***When can I expect to receive my Partnership K-1?***

  According to IRS regulations, Management is not required to mail K-1's until April 15, 2014. However, 2013 K-1's were mailed in the first week March of 2014.

- ***What was the estimated December 31, 2013 Net Unit Value ("NUV")?***

  Management has estimated the December 31, 2013 Net Unit Value of each interest of the Partnership to approximate $340, as noted in the letter mailed to investors on February 14, 2014. 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 lderose@tpgsystems.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