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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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 [X] 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 [X] No [ ]

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] (Do not check if a smaller reporting company)
Smaller Reporting Company [X] Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

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

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FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2018

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DIVALL INSURED INCOME PROPERTIES 2 LIMITED PARTNERSHIP

CONDENSED BALANCE SHEETS

June 30, 2018 and December 31, 2017

ASSETS

	June 30, 2018 (unaudited)	December 31, 2017
INVESTMENT PROPERTIES: **(Note 2)**		
Land	$ 2,794,122	$ 2,527,947
Buildings	4,017,412	4,101,067
Accumulated depreciation	(3,716,153)	(3,745,299)
Net investment properties	$ 3,095,381	$ 2,883,715
OTHER ASSETS:		
Cash	$ 185,111	$ 145,674
Cash held in Indemnification Trust **(Note 8)**	460,444	457,821
Security deposits escrow	64,593	64,513
Rents and other receivables	95,948	595,399
Deferred tenant award proceeds escrow	74,841	85,617
Prepaid insurance	3,691	5,187
Utility deposit	6,530	6,530
Properties held for sale	-	317,151
Deferred closing costs	109,098	-
Deferred charges, net	198,555	210,593
Total other assets	$ 1,198,811	$ 1,888,485
Total assets	$ 4,294,192	$ 4,772,200

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, 2018 and December 31, 2017

LIABILITIES AND PARTNERS' CAPITAL

	June 30, 2018 (unaudited)	December 31, 2017
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 41,705	$ 30,507
Property tax payable	3,090	-
Due to General Partner **(Note 5)**	300	1,238
Deferred rent	73,156	84,130
Security deposits	64,340	64,340
Unearned rental income	-	5,000
Total current liabilities	$ 182,591	$ 185,215
CONTINGENCIES AND COMMITMENTS **(Notes 7 and 8)**		
PARTNERS' CAPITAL: **(Notes 1 and 3)**		
General Partner -		
Cumulative net income (retained earnings)	$ 366,064	$ 365,316
Cumulative cash distributions	(151,749)	(151,449)
	$ 214,315	$ 213,867
Limited Partners (46,280.3 interests outstanding at June 30, 2018 and December 31, 2017)		
Capital contributions	$ 46,280,300	$ 46,280,300
Offering Costs	(6,921,832)	(6,921,832)
Cumulative net income (retained earnings)	42,606,315	42,532,147
Cumulative cash distributions	(77,227,268)	(76,677,268)
	$ 4,737,515	$ 5,213,347
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	$ 4,111,601	$ 4,586,985
Total liabilities and partners' capital	$ 4,294,192	$ 4,772,200

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, 2018 and 2017

	Three months ended		Six Months Ended	
	June 30, 2018 (unaudited)	June 30, 2017 (unaudited)	June 30, 2018 (unaudited)	June 30, 2017 (unaudited)
OPERATING REVENUES:				
Rental income **(Note 4)**	$ 316,043	$ 312,776	$ 536,137	$ 535,908
TOTAL OPERATING REVENUES	$ 316,043	$ 312,776	$ 536,137	$ 535,908
EXPENSES:				
Partnership management fees **(Note 5)**	$ 69,108	$ 67,668	$ 137,256	$ 134,774
Insurance	1,466	1,466	2,931	2,712
General and administrative	10,353	10,957	31,441	29,120
Advisory Board fees and expenses	2,625	2,625	5,250	5,250
Professional services	17,481	60,836	162,356	157,890
Other Property Expenses	605	-	517	
Depreciation	74,450	31,036	105,485	62,071
Amortization	6,019	6,255	12,039	12,510
TOTAL OPERATING EXPENSES	$ 182,107	$ 180,843	$ 457,275	$ 404,327
OTHER INCOME				
Other interest income	$ 343	$ 342	$ 3,340	$ 1,845
TOTAL OTHER INCOME	$ 343	$ 342	$ 3,340	$ 1,845
INCOME FROM CONTINUING OPERATIONS	$ 134,279	$ 132,275	$ 82,202	$ 133,426
LOSS FROM DISCONTINUED OPERATIONS **(Note 2)**	$ (3,630)	$ (4,068)	$ (7,286)	$ (7,539)
NET INCOME	$ 130,649	$ 128,207	$ 74,916	$ 125,887
NET INCOME- GENERAL PARTNER	$ 1,307	$ 1,282	$ 749	$ 1,259
NET INCOME- LIMITED PARTNERS	$ 129,342	$ 126,925	$ 74,167	$ 124,628
PER LIMITED PARTNERSHIP INTEREST, Based on 46,280.3 interests outstanding:				
INCOME FROM CONTINUING OPERATIONS	$ 2.87	$ 2.83	$ 1.76	$ 2.85
LOSS FROM DISCONTINUED OPERATIONS	$ (0.08)	$ (0.09)	$ (0.16)	$ (0.16)
NET INCOME PER LIMITED PARTNERSHIP INTEREST	$ 2.79	$ 2.74	$ 1.60	$ 2.69

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, 2018 and 2017

	Six Months Ended	
	June 30, 2018 (unaudited)	June 30, 2017 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income from continuing operations	$ 82,202	$ 133,426
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	117,524	74,581
Changes in operating assets and liabilities		
Decrease in rents and other receivables	499,451	491,682
Increase in security deposit escrow	(80)	(77)
Increase in deferred closing costs	(109,098)	-
Increase in deferred rent award escrow	(198)	(242)
Decrease in prepaid insurance	1,496	8,490
Increase in accounts payable and accrued expenses	11,197	5,997
(Decrease) Increase in unearned rental income	(5,000)	44,575
Increase in property tax payable	3,090	3,000
Payment of leasing commission	-	(90,765)
Decrease in due to General Partner	(938)	(738)
Cash used in discontinued operations - operating activities	(7,286)	(7,539)
Net cash from operating activities	$ 592,360	$ 662,390
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest applied to Indemnification Trust account	$ (2,623)	$ (1,115)
Net cash used in investing activities	$ (2,623)	$ (1,115)
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Cash distributions to Limited Partners	$ (550,000)	$ (600,000)
Cash distributions to General Partner	(300)	(504)
Net cash used in financing activities	$ (550,300)	$ (600,504)
NET INCREASE IN CASH	39,437	60,771
CASH AT BEGINNING OF PERIOD	145,674	200,369
CASH AT END OF PERIOD	$ 185,111	$ 261,140
CASH PAID FOR INTEREST	$ -	$ -
CASH PAID FOR TAXES	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES	$ -	$ -

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") 2017 annual audited financial statements within its Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 23, 2018.

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, 2018 are not necessarily indicative of the results to be expected for the fiscal year ending December 31, 2018, for any other interim period, or for any other future year.

The condensed balance sheet as of June 30, 2018 contained herein has been derived from the audited financial statements as of December 31, 2017, but does not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP").

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. 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 primarily long-term leases. The lessees are operators of fast food, family style, and casual/theme restaurants. As of June 30, 2018, the Partnership owned ten Properties, which are located in a total of three states.

The Limited Partnership Agreement, as amended from time to time (collectively, the "Partnership Agreement"), stipulates that the Partnership is scheduled to 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 approval 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 the limited partners.

On May 18, 2018 the Partnership concluded a special consent solicitation process in which it solicited affirmative consents from the limited partners to authorize the General Partner to sell all or substantially all of the Partnership's properties, and to subsequently liquidate and dissolve the Partnership upon completion of the sale (collectively, the "Transaction"). The Transaction was approved by written consent of the holders of a majority of the outstanding limited partnership interests. The General Partner is currently taking steps to identify bids and further the sale process, and anticipates that the Transaction will close before December 31, 2018.

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, 2018, and December 31, 2017, 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 June 30, 2018 and December 31, 2017, accumulated amortization amounted to $36,782 and $24,744, respectively. Fully amortized deferred charges of $9,099 and $183,021, including related accumulated amortization, were removed from the balance sheets as of December 31, 2017 and 2016, respectively.

Deferred tenant award proceeds escrow represents the portion of the award proceeds from the County of Charleston's partial taking of a portion of the Mt. Pleasant, South Carolina Property that are being paid to the tenant ratably over 99 months starting August 1, 2013, in the form of a monthly rent reduction provided that the tenant continues to lease the Property without default.

Deferred closing costs represent legal, environmental and investor relations fees that have been incurred by the Partnership in its efforts to consummate the Transaction. Such closings costs were capitalized and will be expensed in a future period, either (a) as an offset to revenue generated from the Transaction, or (b) as unrecoverable selling costs if the sealed bid offering does not result in an executed definitive agreement equal to or exceeding the stipulated minimum purchase price.

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, 2018, eight of the Partnership's ten 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 leases for the three tenants comprised approximately 52%, 17% and 9%, respectively, of the total operating base rents reflected as of June 30, 2018.

The preparation of financial statements in conformity with 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, 2018 and 2017.

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, 2018 and the year ended December 31, 2017. See Note 9 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, 2014.

2. 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 of the Partnership.

As of June 30, 2018, the Partnership owned ten Properties that contained fully constructed fast-food/casual dining restaurant restaurants. The following are operated by tenants at the Properties: eight separate Wendy's restaurants and an Applebee's restaurant. The ten Properties are located in a total of three states.

Discontinued Operations

During the three-month periods ended June 30, 2018 and 2017, the Partnership recognized a loss from discontinued operations of $(3,630) and $(4,068), respectively. The loss from discontinued operations was attributable to the Martinez, GA Property, which has been vacant since the fourth quarter of 2016. As of December 15, 2016, the Martinez, GA Property was deemed to be held for sale. However, as of June 17, 2018, the Martinez, GA Property was no longer deemed held for sale because the Partnership has been taking steps to negotiate a lease with a prospective tenant.

The components of property held for sale in the balance sheets as of June 30, 2018 and December 31, 2017 are outlined below:

	June 30, 2018	December 31, 2017
Balance Sheet:		
Land	$ -	$ 266,175
Buildings, net	-	50,976
Properties held for sale	$ -	$ 317,151

The components of discontinued operations included in the condensed statement of income for the three and six month periods ended June 30, 2018 and 2017 are outlined below:

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Revenues				
Base Rent	$ -	$ -	$ -	$ -
Total Revenues	$ -	$ -	$ -	$ -
Expenses				
Insurance	$ 638	$ 518	$ 1,440	$ 1,036
Property tax expense	1,324	1,500	2,885	3,000
Maintenance expense	1,668	2,050	2,961	3,503
Total Expenses	$ 3,630	$ 4,068	$ 7,286	$ 7,539
Net Loss from Discontinued Operations	$ (3,630)	$ (4,068)	$ (7,286)	$ (7,539)

3. PARTNERSHIP AGREEMENT:

The Partnership Agreement 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 limited partners owning a majority of the outstanding limited partnership interests. On May 18, 2018, the Partnership concluded a consent solicitation, and the requisite limited partners approved the Transaction which, if completed, would result in the sale of all or substantially all of the Partnership's Properties and the liquidation and dissolution of the Partnership.

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 November 9, 2009 amendment also provided for distributions from Net Cash Receipts, as defined, to be made 99% to limited partners and 1% to The Provo Group, Inc. ("TPG" or the "General Partner"), 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, her or its 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.

4. LEASES:

Original lease terms for the Properties were 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, 2018, the aggregate minimum operating lease payments (including the aggregate total of the first two quarters of 2018 collected revenues of $536,137) to be received under the current operating leases for the Properties are as follows:

Year ending December 31,

2018	$	828,433
2019		798,433
2020		798,433
2021		801,725
2022		820,380
Thereafter		3,271,163
	$	7,318,567

At June 30, 2018 and December 31, 2017, rents and other receivables included $95,948 and $595,399, respectively, of unbilled percentage rents. As of June 30, 2018, all of the 2017 percentage rents had been billed and collected.

5. 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, 2017, 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 Expenses reimbursement are subject to annual Consumer Price Index based adjustments. Effective March 1, 2018, the minimum annual Base Fee and the maximum Expenses reimbursement increased by 2.13% from the prior year, which represents the allowable annual Consumer Price Index adjustment per the PMA. Therefore, as of March 1, 2018, the minimum annual Base Fee paid by the Partnership was raised to $276,432 and the maximum annual Expenses reimbursement was increased to $22,308.

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. The fee received by the General Partner from the Partnership on any amounts recovered reduce the four percent minimum 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, 2018 and 2017 are as follows:

	Incurred for the Three Months Ended June 30, 2018	Incurred for the Three Months Ended June 30, 2017	Incurred for the Six Months Ended June 30, 2018	Incurred for the Six Months Ended June 30, 2017
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
General Partner				
Management fees	$ 69,108	$ 67,668	$ 137,256	$ 134,774
Overhead allowance	5,577	5,460	11,076	10,874
Leasing commissions	-	-	-	90,765
Reimbursement for out-of-pocket expenses	-	-	2,500	2,500
Cash distribution	300	513	300	504
	$ 74,985	$ 73,641	$ 151,132	$ 239,417

At June 30, 2018 and December 31, 2017, $300 and $1,238, respectively, was payable to the General Partner.

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

As of June 30, 2018, 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 and six month periods ended June 30, 2018 and 2017 are as follows:

	Three Month Period ended June 30, 2018 (Unaudited)	Three Month Period ended June 30, 2017 (Unaudited)	Six Month Period ended June 30, 2018 (Unaudited)	Six Month Period ended June 30, 2017 (Unaudited)
Advisory Board Fees paid	$ 875	$ 875	$ 1,750	$ 1,750

At June 30, 2018 and December 31, 2017 there were no outstanding Advisory Board fees accrued and payable to Jesse Small.

7. CONTINGENT LIABILITIES:

According to the Partnership Agreement, TPG, as General Partner may receive a disposition fee not to exceed three percent of the contract price on the sale of the properties 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, which was dissolved in December 2003 ("DiVall 3"), and together with the Partnership and DiVall 1, the "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, 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. 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, 2018, 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.

8. 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 will 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, $210,444 of earnings has been credited to the Trust as of June 30, 2018. 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.

9. 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 six-month periods ended June 30, 2018 and for the year ended December 31, 2017, there were no such transfers.

10. SUBSEQUENT EVENTS

Wendy's – Peach Orchard, Augusta, GA Property

On July 4, 2018, a fire occurred at the Property located at 3013 Peach Orchard Road in Augusta, Georgia, which is leased to a Wendy's franchisee, Wendgusta, LLC (the "Tenant"), resulting in a total destruction, as defined in the lease with the Tenant. The Tenant anticipates that the restaurant will be closed until approximately the end of December 2018 while the building is reconstructed. The Tenant maintains insurance on the Property. Under the lease for this Property, the Tenant is responsible for the cost of repairing or rebuilding the structure on the Property.

On July 26, 2018, the Partnership and the Tenant entered into a lease amendment (the "Amendment"). Pursuant to the Amendment, among other things, (1) the base rent and percentage rent will continue to be due and payable from the date of the casualty through the reconstruction period, (2) the Tenant is obligated to pay the total costs of rebuilding the store as a prototype Wendy's, provided that such plans, costs and timeline for completion are approved in advance by the Partnership, and (3) the final settlement of the insurance claim requires the consent of the Partnership. If the Tenant defaults in its obligations to rebuild under the Amendment, the Partnership may take over the reconstruction work at the Tenant's expense.

Proposed sale of Properties and liquidation

On July 24, 2018, the Partnership mailed to interested parties a confidentiality agreement and a letter that included procedures, terms and conditions for a sealed bid sale for the potential sale of the Properties. The sealed bids are due to be returned to the Partnership by September 28, 2018. The proposed sale of the Properties and subsequent liquidation of the Partnership is expected to be completed by December 31, 2018.

We have reviewed all material events through the date of this report in accordance with ASC 855-10.

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 any future period;
- 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 plans and decisions with respect to the potential disposition of one or more Properties, and our ability to complete the approved proposed sale of all or substantially all of our properties, and subsequently liquidate and dissolve the Partnership upon completion of the sale (collectively, the "Transaction");
- 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 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, the inability to find a suitable purchaser for the Properties, the inability to agree on an acceptable purchase price or contract terms, a decrease in the financial performance of the Properties, the inability to realize value for limited partners upon disposition of the Partnership's assets, changes in general economic conditions, changes in real estate conditions, including without limitation, decreases in valuations of real properties, increases in property taxes, 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, the potential need to fund tenant improvements or other capital expenditures out of operating cash flows, and such other factors as discussed in our Annual Report on Form 10-K for the year end December 31, 2017, and other reports we file with the SEC.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our 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.

Recent Developments

On May 18, 2018 the Partnership concluded a special consent solicitation process in which it solicited affirmative consents from the limited partners to authorize the Transaction. The Transaction was approved by written consent of the holders of a majority of the outstanding limited partnership interests. Since receiving approval of the Transaction by the requisite limited partners, the General Partner has been taking steps to identify bids and further the sale process and expects that the Transaction will close before December 31, 2018.

On July 4, 2018, a fire occurred at the Property located at 3013 Peach Orchard Road in Augusta, Georgia, which is leased to a Wendy's franchisee, Wendgusta, LLC (the "Tenant"), resulting in a total destruction, as defined in the lease with the Tenant. The Tenant anticipates that the restaurant will be closed until approximately the end of December 2018 while the building is reconstructed. The Tenant maintains insurance on the Property. Under the lease for this Property, the Tenant is responsible for the cost of repairing or rebuilding the structure on the Property.

Investment Properties

As of June 30, 2018, the Partnership owned ten Properties, each currently containing a fully constructed fast-food or casual restaurant. One Property previously owned by the Partnership was located on a parcel of land which was subject to a ground lease. The ground lease expired on June 30, 2018 and the Partnership did not renew it. Therefore, the balance of that Property was fully depreciated and the asset was removed from the balance sheet as of June 30, 2018. The current tenants are franchisees of casual restaurants and as a result the following are currently operated at the Properties: eight Wendy's restaurants and an Applebee's restaurant. As of December 15, 2016, the Property in Martinez, GA was held for sale. However, a letter of intent was signed on June 17, 2018 with a potential tenant to lease the Property in Martinez, GA, and as a result that Property was no longer deemed held for sale as of that date. The Properties are located in a total of three 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. The Partnership pays for insurance and maintenance related to any vacant Property.

Such taxes, insurance and ground rent are accrued in the period in which the liability is incurred.

There were no building improvements capitalized during the three-month period ending June 30, 2018.

Net Income

Net income for the three-month periods ended June 30, 2018 and 2017 was $130,649 and $128,207, respectively. Net income per limited partnership interest for the three-month periods ended June 30, 2018 and 2017 was $2.79 and $2.74, respectively. Net income for the six-month periods ended June 30, 2018 and 2017 was $74,916 and $125,887, respectively. Net income per limited partnership interest for the six-month periods ended June 30, 2018 and 2017 was $1.60 and $2.69, respectively.

Net income for the three and six-month periods ended June 30, 2018 and 2017 included the results from both operations and discontinued operations. 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 net 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.

Results of Operations

Income from continuing operations for the three-month periods ended June 30, 2018 and 2017 were $134,279 and $132,275, respectively. Income from continuing operations for the six-month periods ended June 30, 2018 and 2017 were $82,202 and $133,426, respectively. See the paragraphs below for further information as to the primary factors that contributed to the variances in operating income and expense items from the 2017 periods to the 2018 periods.

Three-month period ended June 30, 2018 as compared to the three-month period ended June 30, 2017:

Operating Rental Income: Rental income for the three-month periods ended June 30, 2018 and 2017 was $316,043 and $312,776, 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, 2018 and 2017 were $10,353 and $10,957, 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 in the three-month period ended June 30, 2018 versus the three-month period ended June 30, 2017 is due primarily to the increase in postage costs related to the 2018 consent solicitation but offset by a decrease in registration/filing fees incurred during the three-month period ended June 30, 2018.

Professional services: Professional services expenses for the three-month periods ended June 30, 2018 and 2017 were $17,481 and $60,836, 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 reflected in the three-month period ended June 30, 2018 versus the three-month period ended June 30, 2017 is primarily the result of, starting in the quarter ended June 30, 2018, the Partnership began capitalizing 2018 legal and environmental expenses as deferred closing costs related to the Transaction, which is expected to be completed by December 31, 2018.

Six-month period ended June 30, 2018 as compared to the six-month period ended June 30, 2017:

Operating Rental Income: Rental income for the six-month periods ended June 30, 2018 and 2017 was $536,137 and $535,908, respectively. The rental income was comprised primarily of monthly lease obligations and includes accruals for annual percentage rents earned year-to-date.

Management expects total base operating rental income to be approximately $828,433 for the year ending December 31, 2018 based on operating leases currently in place. However, 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 the year ended December 31, 2017 was $595,399, and management expects the year ending December 31, 2018 percentage rents to be lower than the prior fiscal year primarily due to the fire and temporary closure of the restaurant at one of the Partnership's August Georgia Properties operated as a Wendy's which will likely offset the increasing sales trends in the first six months of 2018 for the other Wendy's restaurants in the Partnership's portfolio.

Insurance Expense: Insurance expense for the six-month periods ended June 30, 2018 and 2017 was $2,931 and $2,712, respectively. The insurance expense was related to the Partnership's general liability policy. This amount could increase if the general liability insurance premium for the 2018/2019 insurance year that is expected to be paid in the fourth quarter of 2018 also increases.

General and Administrative Expense: General and administrative expenses for the six-month periods ended June 30, 2018 and 2017 were $31,441 and $29,120, 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 year ending December 31, 2018 operating general and administrative expenses to be higher than the prior fiscal year's expenses, primarily due to the increase in management fees and expenses as well as increased postage costs.

Professional services: Professional services expenses for the six-month periods ended June 30, 2018 and 2017 were $162,356 and $157,890, 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. Management anticipates that the total year ending December 31, 2018 operating professional services expenses will be higher than those incurred in the prior fiscal year due to various factors, including higher professional services expenses and investor relations fees.

Cash Flow Analysis

Net cash flows provided by operating activities for the six-month periods ended June 30, 2018 and 2017 were $592,360 and $662,390, respectively.

Cash flows used in investing activities for the six-month periods ended June 30, 2018 and 2017 were $2,623 and $1,115, respectively. These amounts represent interest earned on the indemnification trust account, with earnings in the 2018 period being higher than the same period in 2017.

For the six-month period ended June 30, 2018, cash flows used in financing activities was $550,300 and consisted of aggregate limited partner distributions of $550,000, and general partner distributions of $300.

For the six-month period ended June 30, 2017, cash flows used in financing activities was $600,504 and consisted of aggregate limited partner distributions of $600,000, and general partner distributions of $504.

Liquidity and Capital Resources

The Partnership's cash balance was $185,111 at June 30, 2018. Cash of $45,095 is anticipated to be used for the payment of quarter-end accrued liabilities, which are included in the balance sheets. However, as a result of non-routine expenses and events, such as the increased costs incurred in the sealed bid process related to the potential sale of the Properties including Phase II environmental reports; legal fees for SEC compliance; [costs associated with an unanticipated bankruptcy at our Property operated as an Applebee's, and the fire at one of the Partnership's Augusta, Georgia Properties; as well as the need to retain liquidity for available working capital, the Partnership will not make any second quarter distribution in 2018 (historically payable on or about August 15 of each year). The remainder of the cash balance represents amounts deemed necessary to allow the Partnership to operate normally.

The Partnership's principal on-going 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 from potential 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 with respect to the on-going operations of the Properties in the absence of mortgage debt are the Partnership's inability to collect rent receivables and near-term 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, 2018, the current ten Properties were 90% leased. In addition, the Partnership collected 100% of its base rent from current operating tenants for the period ended June 30, 2018 and the fiscal year ended December 31, 2017, which we believe is a good indication of overall tenant quality and stability.

There are no additional leases due to expire during 2018. The Partnership's ground lease for the Palo Alto, NM Property expired on June 30, 2018 and the Partnership did not renew it. In January 2017, the Partnership received lease extension notices relating to seven of the eight Properties that are leased to Wendy's franchisees. Pursuant to such notices, each of Wendgusta, LLC, Wendcharles I, LLC and Wendcharles II, LLC exercised the option in their respective property leases to renew such lease for five years beyond the prior expiration date of November 6, 2021. As a result, all eight of the Properties that are leased to Wendy's franchisees now feature a lease expiration date of November 6, 2026.

Eight of the ten Properties are operated as Wendy's fast food restaurants and are franchises of the international Wendy's Company. An additional Property was operated as a Wendy's restaurant until its lease expired on November 6, 2016, and as of December 15, 2016, this Property was held for sale. However, on June 17, 2018 a letter of intent was signed with a potential tenant to lease this Property, and as a result it is no longer deemed held for sale. Operating base rents from these eight leases comprised approximately 77% of the total 2017 operating base rents included in operating rental income of the Partnership. During the year ended December 31, 2017, additional percentage rents totaled $595,399, all of which were unbilled and were accrued in relation to the Properties operated as Wendy's restaurants. Therefore, during 2017, the Partnership generated approximately 86% of its total operating revenues from those eight Properties. As of June 30, 2018, the eight Properties operated as Wendy's restaurants exceeded 72% of the Partnership's total Properties, both by asset value and number.

Since more than 72% 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 31, 2017 and December 25, 2016. 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, 2017 Annual Report on Form 10-K, filed with the SEC on March 23, 2018. 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 Wencharles II.

Disposition Policies

The General Partner has historically planned to hold the Properties until such time as a sale or other disposition appeared to be advantageous to achieve the Partnership's investment objectives or until it appeared that such objectives would not be met. In deciding whether to sell Properties, the General Partner has considered factors including, but not limited to, potential capital appreciation or depreciation, market and economic conditions and the general strength of the real estate market, cash flow and federal income tax considerations.

As described above, during the quarter ended June 30, 2018, the Partnership received approval of the Transaction. The General Partner expects to complete the Transaction by December 31, 2018.

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, 2018 the Partnership's management, including the persons serving as the Partnership's principal executive officer and principal financial officer, 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, 2018 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	Sarbanes-Oxley Section 302 Certification
31.2	Sarbanes-Oxley Section 302 Certification
32.1	Certification of Periodic Financial Report Pursuant to 18 U.S.C. Section 1350.
99.1	Correspondence to the Limited Partners, anticipated to be mailed on August 15, 2018, regarding the proposed sale of the Properties and liquidation of the Partnership.
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 June 30, 2018 and December 31, 2017, (ii) Unaudited Condensed Statements of Income for the three and six month periods ended June 30, 2018 and 2017, (iii) Unaudited Condensed Statement of Cash Flows for the six month periods ended June 30, 2018 and 2017, 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: August 14, 2018

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 14, 2018

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 14, 2018

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 this Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2018 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: August 14, 2018

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

STATUS OF SALE PROCESS

The deadline to submit sale consent cards (votes) was May 18, 2018. As previously reported, we received affirmative consents from the holders of a majority of the outstanding units approving a proposed sale of all or substantially all of our assets and liquidation and dissolution of the partnership.

STATUS OF BID PROCESS

Since the affirmative vote, the following major benchmarks have been accomplished:

- Creation of virtual "Due Diligence Room" ("DDR") (to be accessed only by approved potential purchasers or representatives).
- Completion of Bid Package (to be mailed to approximately 20 interested parties on or about July 24, 2018).
- Purchase Agreement Finalized (uniform contract for all bidders).
- Obtained updated Title Work for all properties (DDR).
- Obtained new Surveys for all properties (DDR).
- Obtained Phase I Environmentals for all properties (DDR).
- Confidentiality Agreements Finalized (potential purchasers and representatives).

OTHER CRITICAL DATES

- Commence Due Diligence Access (expected 8/14/18 or before)
- Close Due Diligence (expected 9/27/18)
- Bids Due to Title Company (expected 9/28/18)
- Select Bid (expected 10/2/18)
- Close Sale (expected 11/6/18)

INSIDE THIS ISSUE

RECENT ISSUES

- After Phase I Environmentals were completed; three (3) properties indicated the need for Phase II's, which are more extensive and costly, to mitigate exposures from prior property usage (e.g. gas stations). The Phase II's will add approximately $40,000 of unplanned bid preparation costs.
- Applebee's Franchisee declared Chapter 11 bankruptcy on 5/16/18. They are still operating our location and continue to pay rent.
- A Wendy's in Augusta, Georgia had a fire on July 4, 2018 while closed for the holiday. A complete property loss is expected (it is fully insured).
- Our legal expenses are $70,000 higher than 2017 and $40,000 higher than our 2018 plan due to unexpectedly numerous SEC 8-K filings required to address purported mini-tender offers that we believed to be unlawful and other reportable events (as listed above); as well as title, survey and environmental issues.

SHOULD PORTFOLIO SALE BE DEFERRED UNTIL UNCERTAINTIES ARE COMPLETELY RESOLVED?

The time required to satisfy every unplanned event eats into the remaining lease terms of our properties; and accordingly impacts the value to a purchaser.

The title exceptions, survey updates and Phase II environmentals can be expected, when our partnership has held these properties for almost 30 years. Environmental laws and government regulations have only grown exponentially in 30 years' time.

The bankruptcy (Applebee's) and fire (Wendy's) were definitely unexpected, but we believe an astute purchaser will see the value of the events when they are resolved. Our Applebee's franchisee is the second largest franchisee in the system. They have 159 locations and plan on closing only 20 locations using "bankruptcy reorganization" to cancel those leases. Our Applebee's store sales are strong (also up 10% for the first 6 months of 2018); they negotiated a new 10 year lease with us effective 9/1/17. We are deemed a mid to high performing store by the franchisee. The Wendy's fire was at our 2nd highest performing Wendy's. The tenant wants the insurance to re-build immediately with a brand new Wendy's store design. They expect to be able to re-open by the end of November 2018. So we believe this high performing store should be resurrected with a new building in less than five months. We believe that will be attractive to an astute purchaser (this will make 50% of our 8 Wendy's remodeled with the new prototype (3 stores) or remodeled to Wendy's IA standards (1 store)).

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Q2 DISTRIBUTION UPDATE

We had initially budgeted to distribute $100,000, or approximately $2.16 per unit, for the second quarter ended June 30, 2018. However, based on the unanticipated costs of the sealed bid process including Phase II environmentals; legal fees for SEC compliance; costs associated with an unanticipated bankruptcy, and the fire; as well as important liquidity of available working capital, we will not be making any second quarter distribution in 2018 (usually payable August 15th).

Based on recent events, the Advisory Board supports maintaining working capital adequate to provide all the pre-bid resources necessary to accomplish an $18,000,000 portfolio sale.

Additional financial information can be accessed

For further quarterly 2018 unaudited financial information, see the Partnership's interim financial reports filed as part of the Partnership's Form 10-Q. A copy of this filing 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 2017 Annual Report on Form 10-K was filed with the SEC on March 23, 2018, which also can be accessed via the websites listed.

Distribution Highlights

Since the Partnership's initial capital raise of $46 million which concluded in 1990, the Partnership has distributed approximately $77 million to Limited Partner investors, from both operations and strategic sales. Let's explore some facts surrounding the initial capital raise and the former general partners' early distributions to better evaluate the actual return on "invested" capital. Of the $46 million capital raise, approximately $7 million was paid for "syndication" costs (broker commissions, etc.). Therefore, less than $39 million was actually available to invest in properties. The capital "raise" closed on March 31, 1990 and the original general partners were removed in February, 1993. The original general partners (Gary DiVall and Paul Magnuson) received distributions of over $1.5 million before being removed. For context, we (The Provo Group, Inc.) have received total distributions of $150,000 in the last 25 years of our general partner duties.

FORWARD LOOKING STATEMENTS

Forward-looking statements may differ materially from actual results. Investors are cautioned not to place undue reliance on forward-looking statements, such as "intends," "plan," "anticipates," "believes," "could," "estimate," "expect," "projects," "aim," or other variations on these terms, which reflect the Partnership's management's view only as of August 15, 2018, 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 2018 is scheduled to be mailed on or about November 15, 2018.

❖ ***When will the Partnership mail the 2017 K-1's?***
The 2018 K-1's were mailed during the second week of March, 2018.

❖ ***What was the estimated December 31, 2017 Net Unit Value ("NUV")?***
Management has estimated the December 31, 2017 Net Unit Value of each interest of the Partnership to approximate $380. 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 independent third-party appraisal valuation methodology was 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;
- the Units would trade at the estimated NUV in a secondary market; or
- the methodology used to estimate the Partnership's NUV would be acceptable under ERISA for compliance with its 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@theprovogroup.com
mailto:dconley@theprovogroup.comor 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

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