

# SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For Quarter Ended June 30, 2003

Commission file number 2-90654

AMRECORP REALTY FUND II

(Exact name of registrant as specified in its charter)

TEXAS

(State or other jurisdiction of  
incorporation or organization)

75-1956009

(IRS Employer  
Identification Number)

2800 N. Dallas Pkwy Suite 100  
Plano, Texas 75093-5994

(Address of principal executive offices)

Registrant's telephone number, including area code: (972) 836-8000.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes: Y No:           

REGISTRANT IS A LIMITED PARTNERSHIP

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## Item 1. Financial Statements

The following Unaudited financial statements are filed herewith:

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The statements, insofar as they relate to the period subsequent to  
December 31, 2002 are Unaudited.

PART 1. FINANCIAL INFORMATION

**Item 1. Financial Statements**

**AMRECORP REALTY FUND II**  
**Condensed Consolidated Balance Sheets**

	June 30, <b><u>2003</u></b> (Unaudited )	December 31, <u>2002</u>
<b>ASSETS</b>		
Real Estate assets, at cost	<b>\$580,045</b>	\$580,045
Land	<b>4,783,433</b>	4,783,433
Buildings and improvements	<b>5,363,478</b>	5,363,478
Less: Accumulated depreciation	<b>(3,587,552)</b>	(3,491,552)
Real estate, net	<b>1,775,926</b>	1,871,926
Investments in Real Estate Held for Sale		
Cash including cash investments	<b>153,550</b>	7,833
Escrow deposits	<b>125,160</b>	259,836
Deferred Costs and Fees	<b>41,771</b>	14,825
Other assets	<b>1,150</b>	14,966
Total assets	<b><u>\$2,097,557</u></b>	<u>\$2,169,386</u>
<b>LIABILITIES AND PARTNERS' EQUITY:</b>		
<b>LIABILITIES:</b>		
Mortgage and notes payable	<b>\$2,160,572</b>	\$2,191,348
Payable to Affiliates	<b>1,558</b>	24,152
Interest payable	<b>0</b>	17,028
Real estate taxes payable	<b>58,435</b>	0
Security deposits	<b>21,569</b>	20,271
Accounts payable and accrued expenses	<b>76,255</b>	167,414
Total liabilities	<b><u>2,318,389</u></b>	<u>2,420,213</u>
<b>PARTNERS CAPITAL (DEFICIT):</b>		
Limited Partners	<b>(147,530)</b>	(177,225)
General Partners	<b>(73,302)</b>	(73,602)
Total Partners Capital (Deficit)	<b><u>(220,832)</u></b>	<u>(250,827)</u>
Total Liability and Partners Equity	<b><u>\$2,097,557</u></b>	<u>\$2,169,386</u>

See notes to Condensed Consolidated Financial Statements

**AMRECORP REALTY FUND II**  
**Condensed Consolidated Statement of Operations**  
**(Unaudited)**

		Three Months Ended June 30,		Six Months Ended June 30,	
		<u>2003</u>	<u>2002</u>	2003	2002
<b>REVENUES</b>					
	Rental income	\$216,835	\$215,722	\$430,720	\$435,300
	Other property	5,477	5,567	11,190	9,910
	Total revenues	222,312	221,289	441,910	445,210
<b>EXPENSES</b>					
	Salaries & wages	19,490	18,478	39,672	39,928
	Maintenance & repairs	8,016	6,724	13,106	11,760
	Utilities	9,099	6,978	17,551	16,118
	Real estate taxes	29,250	28,749	58,500	57,498
	General administrative	10,801	19,803	16,529	26,414
	Contract services	11,761	10,429	23,523	20,484
	Insurance	9,784	8,869	19,684	15,433
	Interest	50,952	51,766	101,837	103,811
	Depreciation and amortization	48,000	48,000	96,000	96,000
	Property management fees	11,025	10,907	22,091	22,206
	Amortization of deferred costs and fees	1,711	1,710	3,422	3,421
	Total expenses	209,889	212,413	411,915	413,073
<b>NET INCOME (LOSS)</b>		\$12,423	\$8,876	\$29,995	\$32,137
<b>NET INCOME PER SHARE</b>		\$ 0.85	\$ 0.61	\$ 2.06	\$32,137

See Notes to Condensed Consolidated Financial Statements

**AMRECORP REALTY FUND II**  
**Condensed Consolidated Statement of Cash Flows**  
**Unaudited**

	Six Months Ended June 30,	
	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Net income (loss)	<b>\$29,995</b>	<b>\$32,137</b>
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	<b>96,000</b>	96,000
Net Effect of changes in operating accounts		
Escrow deposits	<b>134,676</b>	9,547
Deferred Costs	<b>(26,946)</b>	(28,406)
Accrued real estate taxes	<b>58,435</b>	57,498
Security deposits	<b>1,298</b>	1,355
Accounts payable	<b>(91,159)</b>	(71,211)
Other assets	<b>13,816</b>	9,294
Net cash used by operating activities	<u><b>216,115</b></u>	<u>106,214</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage notes payable	<b>(30,776)</b>	(28,046)
Proceeds from amounts due affiliates	<b>(22,594)</b>	(116)
Increase in accrued interest	<b>(17,028)</b>	(17,410)
Net cash provided by financing activities	<u><b>(70,398)</b></u>	<u><b>(45,572)</b></u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>145,717</b>	60,642
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u><b>7,833</b></u>	<u>142,797</u>
<b>CASH AND CASH EQUIVALENT, END OF PERIOD</b>	<u><b>\$153,550</b></u>	<u><b>\$203,439</b></u>

See Notes to Condensed Consolidated Financial Statements

### **Basis of Presentation:**

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Partnership believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Partnership's latest annual report on Form 10-K.

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

#### **Results of Operations**

At June 30, 2003 the Partnership owned one property, Chimney Square Apartments located in Abilene Texas with approximately 126,554 net rentable square feet.

The occupancy of Chimney Square averaged 94.3% during the second quarter of 2003 as compared to 96.9% for the second quarter of 2002.

#### **SECOND QUARTER 2003 COMPARED TO SECOND QUARTER 2002**

**Revenue from property operations** increased \$1,023 or 0.46%, for the second quarter of 2003, as compared to the 2002 second quarter. Rental income increased \$1,113 or 0.52% from higher rental rates. Other income decreased \$90 or 1.62% primarily due to decreased fees. The following table illustrates the components:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Rental income	\$1,113	0.52%
Other property	(90)	1.62%
	<b><u>\$1,023</u></b>	<b><u>0.46%</u></b>

**Property operating expenses** decreased \$2,525 or 1.19%, for the second quarter of 2003, as compared to the same period in 2002. This was primarily due from decreased general & administrative costs. General & administrative costs decreased \$9,002 or 45.46% primarily due to decreased mailing costs. Utility costs increased \$2,121 or 30.4% as a result of increased gas costs. Contract services increased \$1,332 or 12.77% due to higher cable television costs. The following table illustrates the components by category:

	<b><u>Increase (Decrease) )</u></b>	<b><u>Per Cent Change</u></b>
Salaries & wages	\$1,012	5.48%
Maintenance & repairs	1,292	19.21%
Utilities	2,121	30.40%
Real estate taxes	501	1.74%
General administrative	(9,002)	45.46%
Contract services	1,332	12.77%
Insurance	915	10.32%
Interest	(814)	1.57%
Depreciation and amortization	0	0.00%
Property management fees	118	1.08%
<b>Net Increase (Decrease)</b>	<b><u>(\$2,525)</u></b>	<b><u>1.19%</u></b>

## **SECOND QUARTER 2002 COMPARED TO SECOND QUARTER 2001**

**Revenue from property operations** increased \$8,937 or 2.05%, for the second quarter of 2002, as compared to the 2001 second quarter. The increase in rental income of \$14,642 or 3.48% is primarily due to higher rental rates. Other income decreased \$5,705 or 36.54% primarily due to decreased late charges and other fees. The following table illustrates the components:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Rental income	\$14,642	3.48%
Other property	<u>(5,705)</u>	<u>36.54%</u>
	<u><b>\$8,937</b></u>	<u><b>2.05%</b></u>

**Property operating expenses** increased \$8,866 or 2.19%, for the second quarter of 2002, as compared to the same period in 2001. This was primarily due from increased general and administrative expense. General and administrative expense increased \$11,368 or 75.55% primarily due to increased mailing costs of the partnership. . Insurance costs increased \$5,534 or 55.90% from increased premiums. Maintenance & repairs decreased primarily due to reduced preventive maintenance repairs needed on the property. Real estate taxes increased due to higher assessments on the property. The following table illustrates the components by category:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Salaries & wages	\$3,737	10.33%
Maintenance & repairs	(16,253)	58.02%
Utilities	(152)	0.93%
Real estate taxes	6,498	12.74%
General administrative	11,368	75.55%
Contract services	(465)	2.22%
Insurance	5,534	55.90%
Interest	(2,140)	2.02%
Depreciation and amortization	0	0.00%
Property management fees	<u>739</u>	<u>3.44%</u>
Net Increase (Decrease)	<u><b>\$8,866</b></u>	<u><b>2.19%</b></u>

## **LIQUIDITY AND CAPITAL RESOURCES**

While it is the General Partners primary intention to operate and manage the existing real estate investments, the General Partner also continually evaluates this investment in light of current economic conditions and trends to determine if these assets should be considered for disposal. Accordingly, in 1996 the Partnership sold its investment in the shopping center located in Lancaster, Texas, recognizing a loss of \$10,177. Shorewood Apartments, an apartment complex located in Charlotte, North Carolina was sold in January 1997. Net proceeds from the sale were 1.3 million dollars resulting in cash distribution of \$100.00 per unit.

As of June 30, 2003, the Partnership had \$153,550 in cash and cash equivalents as compared to \$7,833 as of December 31 2002. The net increase in cash of \$145,717 is principally due to cash flow from operations.

On September 30, 2002 the partnership distributed \$15.00 per limited partnership unit to units of record September 30, 2002. This distribution was made from excess cash on hand from cash flow from operations.

The property is encumbered by non-recourse mortgage as of June 30, 2003, with an interest rate of 9.325%. Required principal payments on this mortgage note for the three years ended December 31, 2005, are \$53,082, \$59,039 and \$2,079,227 respectively.

For the foreseeable future, the Partnership anticipates that mortgage principal payments (excluding balloon mortgage payments), improvements and capital expenditures will be funded by net cash from operations. The primary source of capital to fund future Partnership acquisitions and balloon mortgage payments will be proceeds from the sale, financing or refinancing of the properties.

On February 7, 1995 the Partnership refinanced the loan on Chimney Square Apartments. The original loan matured and a new \$2,475,000 loan bearing interest at 9.325% per year was secured from Newport Mortgage Company L.P. The loan matures on March 1, 2005. In connection with this loan, the lender required, and the Partnership provided, a new single asset partnership known as Chimney Square Apartments, owned 99% by the Fund.

In February 1991, Amrecorp Realty Inc., resigned as the Managing General Partner of the Partnership. As was communicated to all limited partners, this step was taken in order to minimize any effect that Amrecorp's financial difficulties might have on the partnership. Management of the Partnership's assets is performed by Univesco, Inc., a Texas corporation, Robert J. Werra, CEO.

Management intends to continue operating the Partnership in its present form while investigating options to improve operations of the Partnership.



## Part II

### Other Information

- Item 1. Legal Proceedings  
See Part I Item 2. Management's Discussion and Analysis of Financial Conditions and Results of Operations.
- Item 2. Changes in Securities.  
None
- Item 3. Defaults upon Senior Securities  
None
- Item 4. Submission of Matter to a Vote of Security Holders.  
None
- Item 5. Other Information.  
None
- Item 6. Exhibits and Reports on Form 8-K.  
None.
- (A) The following documents are filed herewith or incorporated herein by reference as indicated as Exhibits:

### Exhibit Designation

### Document Description

	Limited Partnership Agreement incorporated by reference to Registration Statement No. 2-90654 effective July 6, 1984.
	Limited Partnership Agreement incorporated by reference to Registration Statement No. 2-90654 effective July 6, 1984.
11	Not Applicable
15	Not Applicable
18	Not Applicable
19	Not Applicable
20	Not Applicable
23	Not Applicable
31.1	Certification Pursuant to Rules 13a-14 and 15d-14 Under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMRECORP REALTY FUND II  
a Texas limited partnership

By: /s/ Robert J. Werra  
Robert J. Werra,  
General Partner

Date: August 1, 2003

## **Exhibit 31.1**

### **CERTIFICATION PURSUANT TO RULES 13a-14 AND 15d-14 UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I Robert J. Werra, Acting Principal Executive Officer and Chief Financial Amrecorp Realty Fund II (“the Company”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Company;
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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:
  - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the company and its consolidated subsidiaries is made known to me by others within those entities, particularly for the periods presented in this quarterly report;
  - b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my 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 Company’s disclosure controls and procedures and presented in this report my 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

**CERTIFICATION PURSUANT TO RULES 13a-14 AND 15d-14 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002 - continued**

- d. disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
- 5. I have disclosed based on my most recent evaluation of internal control over financial reporting, to the Company's auditors and Audit Committee of the Board of Directors (or persons fulfilling the equivalent function):
  - 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 Company's ability to record, process, summarize, and report financial data; and
  - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

/s/ Robert J. Werra

Robert J. Werra  
Acting Principal Executive Officer and Chief Financial Officer  
August 1, 2003

## **Exhibit 32.1**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Amrecorp Realty Fund II (“the Company”) on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (“the Report”), I, Robert J. Werra, Acting Principal Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Robert J. Werra

Robert J. Werra  
Acting Principal Executive Officer and Chief Financial Officer  
August 1, 2003