

# 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 March 31, 2004      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, 2003 are Unaudited.

PART 1. FINANCIAL INFORMATION

**Item 1. Financial Statements**

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

	March 31, <u>2004</u> (Unaudited)	December 31, <u>2003</u>
<b>ASSETS</b>		
Real Estate assets, at cost		
Land	\$580,045	\$580,045
Buildings and improvements	<u>4,794,733</u>	<u>4,794,733</u>
	5,374,778	5,374,778
Less: Accumulated depreciation	<u>(3,729,782)</u>	<u>(3,680,782)</u>
Real estate, net	1,644,996	1,693,996
Investments in Real Estate Held for Sale		
Cash including cash investments	284,535	240,219
Escrow deposits	129,855	202,842
Deferred Costs and Fees	6,272	7,983
Other assets	3,954	13,320
Total assets	<u><u>\$2,069,612</u></u>	<u><u>\$2,158,360</u></u>
<b>LIABILITIES AND PARTNERS' EQUITY:</b>		
<b>LIABILITIES:</b>		
Mortgage and notes payable	\$2,118,537	\$2,137,546
Payable to Affiliates	4,108	320
Interest payable	0	16,611
Real estate taxes payable	28,815	0
Security deposits	22,649	23,213
Accounts payable and accrued expenses	<u>77,890</u>	<u>153,286</u>
Total liabilities	<u>2,251,999</u>	2,330,976
<b>PARTNERS CAPITAL (DEFICIT):</b>		
Limited Partners	(109,469)	(99,796)
General Partners	<u>(72,918)</u>	<u>(72,820)</u>
Total Partners Capital (Deficit)	<u>(182,387)</u>	<u>(172,616)</u>
Total Liability and Partners Equity	<u><u>\$2,069,612</u></u>	<u><u>\$2,158,360</u></u>

See notes to Condensed Consolidated Financial Statements

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

		<b>Three Months Ended</b>	
		<b>March 31,</b>	
		<b><u>2004</u></b>	<b><u>2003</u></b>
<b>REVENUES</b>			
	Rental income	\$212,854	\$213,885
	Other property	5,306	5,713
	Total revenues	218,160	219,598
<b>EXPENSES</b>			
	Salaries & wages	21,920	20,182
	Maintenance & repairs	22,039	5,090
	Utilities	9,855	8,452
	Real estate taxes	29,250	29,250
	General administrative	5,800	5,728
	Contract services	12,281	11,762
	Insurance	15,556	9,900
	Interest	49,611	50,885
	Depreciation and amortization	49,000	48,000
	Property management fees	10,908	11,066
	Amortization of deferred costs and fees	1,711	1,711
	Total expenses	227,931	202,026
<b>NET INCOME (LOSS)</b>		<u>(\$9,771)</u>	<u>\$17,572</u>
<b>NET INCOME PER SHARE</b>		<u><b>\$ (0.67)</b></u>	<u><b>\$ 1.21</b></u>

See Notes to Condensed Consolidated Financial Statements

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

	Three Months Ended March 31,	
	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Net income (loss)	(\$9,771)	\$17,572
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	49,000	48,000
Net Effect of changes in operating accounts		
Escrow deposits	72,987	39,347
Deferred Costs	1,711	(2,207)
Accrued real estate taxes	28,815	29,185
Security deposits	(564)	1,309
Accounts payable	(75,396)	(93,558)
Other assets	9,366	13,816
Net cash used by operating activities	<u>76,148</u>	<u>53,464</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	<u>0</u>	<u>0</u>
Net cash used by investing activities	<u>0</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage notes payable	(19,009)	(17,382)
Proceeds from amounts due affiliates	3,788	1,008
Increase in accrued interest	(16,611)	(17,028)
Net cash provided by financing activities	<u>(31,832)</u>	<u>(33,402)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>44,316</u>	<u>20,062</u>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u>240,219</u>	<u>7,833</u>
<b>CASH AND CASH EQUIVALENT, END OF PERIOD</b>	<u><u>\$284,535</u></u>	<u><u>\$27,895</u></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 March 31, 2004 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 91.7 during the first quarter of 2004 as compared to 95.0% for the first quarter of 2003.

### **FIRST QUARTER 2004 COMPARED TO FIRST QUARTER 2003**

**Revenue from property operations** decreased \$1,438 or 0.65%, for the first quarter of 2004, as compared to the 2003 first quarter. Rental income decreased \$1,031 or 0.48% from vacancy. Other income decreased \$407 or 7.12% 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	(\$1,031)	0.48%
Other property	(407)	7.12%
	<u>(\$1,438)</u>	<u>0.65%</u>

**Property operating expenses** increased \$25,905 or 12.82%, for the first quarter of 2004, as compared to the same period in 2003. This was primarily due from increased maintenance & repairs. Maintenance and repairs increased \$16,949 or 332.99% due to higher turnover cost and exterior building maintenance on the property. Insurance increased \$5,656 or 57.13% due to higher property insurance rates. Utilities increased \$1,403 or 16.60% due to increased electric rates. Payroll increased \$1,738 or 8.61% due to increased salaries. The following table illustrates the components by category:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Salaries & wages	\$1,738	8.61%
Maintenance & repairs	16,949	332.99%
Utilities	1,403	16.60%
Real estate taxes	0	0.00%
General administrative	72	1.26%
Contract services	519	4.41%
Insurance	5,656	57.13%
Interest	(1,274)	2.50%
Depreciation and amortization	1,000	2.08%
Property management fees	(158)	1.43%
Net Increase (Decrease)	<u>\$25,905</u>	<u>12.82%</u>

## **FIRST QUARTER 2003 COMPARED TO FIRST QUARTER 2002**

**Revenue from property operations** decreased \$4,323 or 1.93%, for the first quarter of 2003, as compared to the 2002 first quarter. Rental income decreased \$5,693 or 2.59% from higher vacancy rates. Other income increased \$1,370 or 31.55% primarily due to increased fees. The following table illustrates the components:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Rental income	(\$5,693)	2.59%
Other property	1,370	31.55%
	<b><u>(\$4,323)</u></b>	<b><u>1.93%</u></b>

**Property operating expenses** increased \$1,366 or 0.68%, for the first quarter of 2003, as compared to the same period in 2002. This was primarily due from increased insurance. Insurance costs increased \$3,336 or 50.82% as a result of policy renewal. General & administrative costs decreased \$883 or 13.36% primarily due to decreased legal expenditures. Contract services increased \$1,707 or 16.98% due to higher pest control and cable television costs. The following table illustrates the components by category:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>	<b><u>Material Changes</u></b>
Salaries & wages	(\$1,268)	5.91%	0
Maintenance & repairs	54	1.07%	0
Utilities	(688)	7.53%	0
Real estate taxes	501	1.74%	0
General administrative	(883)	13.36%	(883)
Contract services	1,707	16.98%	1,707
Insurance	3,336	50.82%	3,336
Interest	(1,160)	2.23%	0
Depreciation and amortization	0	0.00%	0
Property management fees	(233)	2.06%	0
<b>Net Increase (Decrease)</b>	<b><u>\$1,366</u></b>	<b><u>0.68%</u></b>	<b><u>4,160</u></b>

## **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 March 31, 2004, the Partnership had \$284,535 in cash and cash equivalents as compared to \$240,219 as of December 31 2003. The net increase in cash of \$44,316 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 March 31, 2004, with an interest rate of 9.325%. Required principal payments on this mortgage note for the two years ended December 31, 2005, are \$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: May 6, 2004

## **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  
May 6, 2004

## **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 March 31, 2004 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  
October 31, 2003