

# 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, 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**

	June 30, <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	4,794,733	4,794,733
	<u>5,374,778</u>	<u>5,374,778</u>
Less: Accumulated depreciation	<u>(3,778,782)</u>	<u>(3,680,782)</u>
Real estate, net	1,595,996	1,693,996
Investments in Real Estate Held for Sale		
Cash including cash investments	306,549	240,219
Escrow deposits	75,388	202,842
Deferred Costs and Fees	4,562	7,983
Other assets	98,990	13,320
	<u>2,081,485</u>	<u>2,158,360</u>
Total assets	<u><u>\$2,081,485</u></u>	<u><u>\$2,158,360</u></u>
<b>LIABILITIES AND PARTNERS' EQUITY:</b>		
<b>LIABILITIES:</b>		
Mortgage and notes payable	\$2,103,775	\$2,137,546
Payable to Affiliates	1,414	320
Interest payable	0	16,611
Real estate taxes payable	58,065	0
Security deposits	22,984	23,213
Accounts payable and accrued expenses	<u>75,926</u>	<u>153,286</u>
Total liabilities	<u>2,262,164</u>	<u>2,330,976</u>
<b>PARTNERS CAPITAL (DEFICIT):</b>		
Limited Partners	(107,778)	(99,796)
General Partners	<u>(72,901)</u>	<u>(72,820)</u>
Total Partners Capital (Deficit)	<u>(180,679)</u>	<u>(172,616)</u>
Total Liability and Partners Equity	<u><u>\$2,081,485</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)**

	Three Months Ended March 31,		Six Months Ended June 30,	
	<u>2004</u>	<u>2003</u>	2004	2003
<b>REVENUES</b>				
Rental income	\$223,117	\$216,835	\$435,971	\$430,720
Other property	6,550	5,477	11,856	11,190
Total revenues	<u>229,667</u>	<u>222,312</u>	<u>447,827</u>	<u>441,910</u>
<b>EXPENSES</b>				
Salaries & wages	18,378	19,490	40,298	39,672
Maintenance & repairs	24,398	8,016	46,437	13,106
Utilities	9,738	9,099	19,593	17,551
Real estate taxes	29,250	29,250	58,500	58,500
General administrative	8,907	10,801	14,707	16,529
Contract services	17,987	11,761	30,268	23,523
Insurance	7,835	9,784	23,391	19,684
Interest	49,273	50,952	98,884	101,837
Depreciation and amortization	49,000	48,000	98,000	96,000
Property management fees	11,483	11,025	22,391	22,091
Amortization of deferred costs and fees	1,710	1,711	3,421	3,422
Total expenses	<u>227,959</u>	<u>209,889</u>	<u>455,890</u>	<u>411,915</u>
<b>NET INCOME (LOSS)</b>	<u>\$1,708</u>	<u>\$12,423</u>	<u>(\$8,063)</u>	<u>\$29,995</u>
<b>NET INCOME PER SHARE</b>	<u>\$ 0.12</u>	<u>\$ 0.85</u>	<u>\$ (0.55)</u>	<u>\$ 2.06</u>

See Notes to Condensed Consolidated Financial Statements

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

	Six Months Ended June 30,	
	<u>2004</u>	<u>2003</u>
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Net income (loss)	( <b>\$8,063</b> )	<b>\$29,995</b>
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	<b>98,000</b>	96,000
Net Effect of changes in operating accounts		
Escrow deposits	<b>127,454</b>	134,676
Deferred Costs	<b>3,421</b>	( <b>26,946</b> )
Accrued real estate taxes	<b>58,065</b>	58,435
Security deposits	( <b>229</b> )	1,298
Accounts payable	( <b>77,360</b> )	( <b>91,159</b> )
Other assets	( <b>85,670</b> )	13,816
Net cash used by operating activities	<u><b>115,618</b></u>	<u>216,115</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash used by investing activities	<u><b>0</b></u>	<u><b>0</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage notes payable	( <b>33,771</b> )	( <b>30,776</b> )
Proceeds from amounts due affiliates	<b>1,094</b>	( <b>22,594</b> )
Increase in accrued interest	( <b>16,611</b> )	( <b>17,028</b> )
Net cash provided by financing activities	<u><b>(49,288)</b></u>	<u><b>(70,398)</b></u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>66,330</b>	145,717
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u><b>240,219</b></u>	<u>7,833</u>
<b>CASH AND CASH EQUIVALENT, END OF PERIOD</b>	<u><b>\$306,549</b></u>	<u><b>\$153,550</b></u>

See Notes to Condensed Consolidated Financial Statements

## **Basis of Presentation:**

The accompanying unaudited condensed consolidated financial statements have been prepared by Amrecorp Realty Fund II (the "Company") pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements reflect all adjustments that are, in the opinion of management, necessary to fairly present such information. All such adjustments are of a normal recurring nature. Although the Company believes that the disclosures are adequate to make the information presented not misleading, certain information and footnote disclosures, including a description of significant accounting policies normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been condensed or omitted pursuant to such rules and regulations.

These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's 2003 Annual Report on Form 10-K filed with the Securities and Exchange Commission. The results of operations for interim periods are not necessarily indicative of the results for any subsequent quarter or the entire fiscal year ending December 31, 2004.

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

### **Results of Operations**

At June 30, 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 97.4% during the second quarter of 2004 as compared to 94.3% for the second quarter of 2003.

### **SECOND QUARTER 2004 COMPARED TO SECOND QUARTER 2003**

**Revenue from property operations** increased \$7,355 or 3.31%, for the second quarter of 2004, as compared to the 2003 second quarter. Rental income increased \$6,282 or 2.90% from decreased vacancy. Other income increased \$1,073 or 19.59% 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	\$6,282	2.90%
Other property	1,073	19.59%
	<b><u>\$7,355</u></b>	<b><u>3.31%</u></b>

**Property operating expenses** increased \$18,071 or 8.61%, for the second quarter of 2004, as compared to the same period in 2003. This was primarily due from increased maintenance & repairs. Maintenance and repairs increased \$16,382 or 204.37% due to higher turnover cost and exterior building maintenance on the property. Contract Service increased \$6,226 or 52.94% due to pest control and cable television rates. Insurance decreased \$1,949 or 19.92% due to slightly lower property insurance rates. The following table illustrates the components by category:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Salaries & wages	(\$1,112)	5.71%
Maintenance & repairs	16,382	204.37%
Utilities	639	7.02%
General administrative	(1,894)	17.54%
Contract services	6,226	52.94%
Insurance	(1,949)	19.92%

Interest	(1,679)	3.30%
Depreciation and amortization	1,000	2.08%
Property management fees	458	4.15%
<b>Net Increase (Decrease)</b>	<b>\$18,071</b>	<b>8.61%</b>

## **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>

## **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, 2004, the Partnership had \$306,549 in cash and cash equivalents as compared to \$240,219 as of December 31 2003. The net increase in cash of \$66,630 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, 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.

### **Item 3 – Quantitative and Qualitative Disclosure about Market Risk**

The Partnership is exposed to interest rate changes primarily as a result of its real estate mortgages. The Partnerships interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower it's overall borrowing costs. To achieve its objectives, the Partnership borrows primarily at fixed rates. The Partnership does not enter into derivative or interest rate transactions for any purpose.

The Partnerships' activities do not contain material risk due to changes in general market conditions. The partnership invests only in fully insured bank certificates of deposits, and mutual funds investing in United States treasury obligations.

### **Item 4 - Controls and Procedures**

Based on their most recent evaluation, which was completed within 90 days of the filing of this Form 10-Q, our Acting Principal Executive Officer and Chief Financial Officer, believe our disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) are effective. There were not any significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, and there has not been any corrective action with regard to significant deficiencies and material weaknesses.

## 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: July 29, 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  
July 29, 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 June 30, 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  
July 29, 2004