

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 September 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**

	September 30, <u>2004</u> (Unaudited)	December 31, <u>2003</u>
ASSETS		
Real Estate assets, at cost		
Land	\$580,045	\$580,045
Buildings and improvements	4,794,733	4,794,733
	5,374,778	5,374,778
Less: Accumulated depreciation	(3,827,782)	(3,680,782)
Real estate, net	1,546,996	1,693,996
Investments in Real Estate Held for Sale		
Cash including cash investments	348,846	240,219
Escrow deposits	184,855	202,842
Deferred Costs and Fees	4,001	7,983
Other assets	23,390	13,320
Total assets	<u>\$2,108,088</u>	<u>\$2,158,360</u>
LIABILITIES AND PARTNERS' EQUITY:		
LIABILITIES:		
Mortgage and notes payable	\$2,088,732	\$2,137,546
Payable to Affiliates	342	320
Interest payable	0	16,611
Real estate taxes payable	87,065	0
Security deposits	23,291	23,213
Accounts payable and accrued expenses	73,933	153,286
Total liabilities	<u>2,273,363</u>	<u>2,330,976</u>
PARTNERS CAPITAL (DEFICIT):		
Limited Partners	(92,528)	(99,796)
General Partners	(72,747)	(72,820)
Total Partners Capital (Deficit)	<u>(165,275)</u>	<u>(172,616)</u>
Total Liability and Partners Equity	<u>\$2,108,088</u>	<u>\$2,158,360</u>

See notes to Condensed Consolidated Financial Statements

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
REVENUES	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Rental income	\$235,757	\$224,260	\$671,728	\$654,980
Other property	11,011	3,839	22,867	15,029
Total revenues	<u>246,768</u>	<u>228,099</u>	<u>694,595</u>	<u>670,009</u>
EXPENSES				
Salaries & wages	23,724	21,439	64,022	61,111
Maintenance & repairs	18,072	8,124	64,509	21,230
Utilities	14,057	8,365	33,650	25,916
Real estate taxes	29,000	29,250	87,500	87,750
General administrative	13,346	13,672	28,053	30,201
Contract services	12,800	12,451	43,068	35,974
Insurance	8,386	9,366	31,777	29,050
Interest	48,928	50,262	147,812	152,099
Depreciation and amortization	49,000	48,000	147,000	144,000
Property management fees	12,340	11,405	34,731	33,496
Amortization of deferred costs and fees	1,711	1,710	5,132	5,132
Total expenses	<u>231,364</u>	<u>214,044</u>	<u>687,254</u>	<u>625,959</u>
NET INCOME (LOSS)	<u>\$15,404</u>	<u>\$14,055</u>	<u>\$7,341</u>	<u>\$44,050</u>
NET INCOME PER SHARE	<u>\$ 1.06</u>	<u>\$ 0.97</u>	<u>\$ 0.50</u>	<u>\$ 3.03</u>

See Notes to Condensed Consolidated Financial Statements

AMRECORP REALTY FUND II
Condensed Consolidated Statement of Cash Flows
Unaudited

	Nine Months Ended June 30,	
	<u>2004</u>	<u>2003</u>
CASH FLOWS FROM OPERATING ACTIVITY		
Net income (loss)	\$7,341	\$44,050
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	147,000	144,000
Net Effect of changes in operating accounts		
Escrow deposits	17,987	88,594
Deferred Costs	3,982	(17,527)
Accrued real estate taxes	87,065	87,685
Security deposits	78	4,282
Accounts payable	(79,353)	(92,188)
Other assets	(10,070)	13,816
Net cash used by operating activities	<u>174,030</u>	<u>272,712</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net cash used by investing activities	<u>0</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage notes payable	(48,814)	(44,485)
Proceeds from amounts due affiliates	22	(24,152)
Increase in accrued interest	(16,611)	(17,028)
Net cash provided by financing activities	<u>(65,403)</u>	<u>(85,665)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	108,627	187,047
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>240,219</u>	<u>7,833</u>
CASH AND CASH EQUIVALENT, END OF PERIOD	<u>\$348,846</u>	<u>\$194,880</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 September 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 99.2% during the third quarter of 2004 as compared to 98.2% for the third quarter of 2003.

THIRD QUARTER 2004 COMPARED TO THIRD QUARTER 2003

Revenue from property operations increased \$18,669 or 8.18%, for the third quarter of 2004, as compared to the 2003 third quarter. Rental income increased \$11,497 or 5.13% from decreased vacancy. Other income increased \$7,172 or 186.82% primarily due to increased fees. The following table illustrates the components:

	Increase (Decrease)	Per Cent Change
Rental income	\$11,497	5.13%
Other property	7,172	186.82%
	\$18,669	8.18%

Property operating expenses increased \$17,319 or 8.09%, for the third quarter of 2004, as compared to the same period in 2003. This was primarily due from increased maintenance & repairs. Maintenance and repairs increased \$9,948 or 122.45% due to higher turnover cost. Utilities increased \$5,692 or 68.05% due to higher electric rates. Salaries increased \$2,285 or 10.66% due to increased maintenance for make readies. Insurance decreased \$980 or 10.46% due to lower property insurance rates. The following table illustrates the components by category:

	Increase (Decrease)	Per Cent Change
Salaries & wages	\$2,285	10.66%
Maintenance & repairs	9,948	122.45%
Utilities	5,692	68.05%
Real estate taxes	(250)	0.85%
General administrative	(326)	2.38%
Contract services	349	2.80%
Insurance	(980)	10.46%
Interest	(1,334)	2.65%
Depreciation and amortization	1,000	2.08%
Property management fees	935	8.20%
Net Increase (Decrease)	\$17,319	8.09%

FIRST NINE MONTHS 2004 COMPARED TO FIRST NINE MONTHS 2003

Revenue from property operations increased \$24,586 or 3.67%, for the first nine months of 2004, as compared to the 2003 same period. Rental income increased \$16,748 or 2.56% from decreased vacancy. Other income increased \$7,838 or 52.15% primarily due to increased fees. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	\$16,748	2.56%
Other property	7,838	52.15%
	<u>\$24,586</u>	<u>3.67%</u>

Property operating expenses increased \$61,295 or 9.79%, for the first nine months of 2004, as compared to the same period in 2003. This was primarily due from increased maintenance & repairs. Maintenance and repairs increased \$43,279 or 203.86% due to higher turnover cost. Utilities increased \$7,734 or 29.84% due to higher electric rates. Contract services increased \$7,094 or 19.72% due to increased cable costs. The following table illustrates the components by category:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	\$2,911	4.76%
Maintenance & repairs	43,279	203.86%
Utilities	7,734	29.84%
Real estate taxes	(250)	0.28%
General administrative	(2,148)	7.11%
Contract services	7,094	19.72%
Insurance	2,727	9.39%
Interest	(4,287)	2.82%
Depreciation and amortization	3,000	2.08%
Property management fees	1,235	3.69%
Net Increase (Decrease)	<u>\$61,295</u>	<u>9.79%</u>

THIRD QUARTER 2003 COMPARED TO THIRD QUARTER 2002

Revenue from property operations increased \$2,596 or 1.15%, for the third quarter of 2003, as compared to the 2002 third quarter. Rental income increased \$4,699 or 2.14% from higher rental rates. Other income decreased \$2,103 or 35.39% primarily due to decreased fees. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	\$4,699	2.14%
Other property	(2,103)	35.39%
	<u>\$2,596</u>	<u>1.15%</u>

Property operating expenses increased \$5,310 or 2.54%, for the third quarter of 2003, as compared to the same period in 2002. This was primarily due from increased general & administrative costs. General & administrative costs increased \$5,289 or 63.09% primarily due to increased mailing costs, and professional fees. Maintenance & repairs decreased \$1,294 or 13.74% due to less demand for maintenance supplies. Payroll increased \$2,088 or 10.79% due to increased salaries. The following table illustrates the components by category:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	\$2,088	10.79%
Maintenance & repairs	(1,294)	13.74%
Utilities	(48)	0.57%
Real estate taxes	334	1.16%
General administrative	5,289	63.09%
Contract services	480	4.01%
Insurance	(534)	5.39%
Interest	(1,216)	2.36%
Property management fees	211	1.88%
Net Increase (Decrease)	<u>\$5,310</u>	<u>2.54%</u>

FIRST NINE MONTHS 2003 COMPARED TO FIRST NINE MONTHS 2002

Revenue from property operations decreased \$704 or 0.10%, for the first nine months of 2003, as compared to the 2002 first nine months. Other income decreased \$823 or 5.19% primarily due to decreased fees. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	\$119	0.02%
Other property	(823)	5.19%
	<u>(704)</u>	<u>0.10%</u>

Property operating expenses increased \$4,151 or 0.67%, for the first nine months of 2003, as compared to the same period in 2002. This was primarily due from decreased general & administrative costs. General & administrative costs decreased \$4,596 or 13.21% primarily due to decreased mailing costs, and professional fees. Insurance increased \$3,717 or 14.67% due to increased rates at renewal. Contract services increased \$3,519 or 10.84% due to higher cable rates. The following table illustrates the components by category:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	\$1,832	3.09%
Maintenance & repairs	52	0.25%
Utilities	1,385	5.65%
Real estate taxes	1,336	1.55%
General administrative	(4,596)	13.21%
Contract services	3,519	10.84%
Insurance	3,717	14.67%
Interest	(3,190)	2.05%
Property management fees	96	0.29%
Net Increase (Decrease)	<u>\$4,151</u>	<u>0.67%</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 September 30, 2004, the Partnership had \$348,846 in cash and cash equivalents as compared to \$240,219 as of December 31 2003. The net increase in cash of \$108,627 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 September 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 its 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: October 30, 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
October 30, 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 September 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
October 30, 2004