

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, 2005 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, 2004 are Unaudited.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

AMRECORP REALTY FUND II
Condensed Consolidated Balance Sheets

	March 31, <u>2005</u> (Unaudited)	December 31, <u>2004</u>
ASSETS		
Real Estate assets, at cost		
Land	\$580,045	\$580,045
Buildings and improvements	<u>5,027,932</u>	<u>4,920,932</u>
	5,607,977	5,500,977
Less: Accumulated depreciation	<u>(3,922,511)</u>	<u>(3,872,511)</u>
Real estate, net	1,685,466	1,628,466
Investments in Real Estate Held for Sale		
Cash including cash investments	188,823	235,305
Escrow deposits	425,743	376,002
Deferred Costs and Fees	105,447	103,138
Other assets	5,195	14,395
	<u> </u>	<u> </u>
Total assets	<u><u>\$2,410,674</u></u>	<u><u>\$2,357,306</u></u>
 LIABILITIES AND PARTNERS' EQUITY:		
LIABILITIES:		
Mortgage and notes payable	\$3,902,842	\$3,920,000
Payable to Affiliates	782	192
Real estate taxes payable	28,500	0
Security deposits	23,186	22,085
Accounts payable and accrued expenses	<u>72,424</u>	<u>42,839</u>
	<u> </u>	<u> </u>
Total liabilities	<u>4,027,734</u>	<u>3,985,116</u>
PARTNERS CAPITAL (DEFICIT):		
Limited Partners	(1,544,335)	(1,554,978)
General Partners	<u>(72,725)</u>	<u>(72,832)</u>
	<u> </u>	<u> </u>
Total Partners Capital (Deficit)	<u>(1,617,060)</u>	<u>(1,627,810)</u>
	<u> </u>	<u> </u>
Total Liability and Partners Equity	<u><u>\$2,410,674</u></u>	<u><u>\$2,357,306</u></u>

See notes to Condensed Consolidated Financial Statements

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

		Three Months Ended March 31,	
REVENUES		<u>2005</u>	<u>2004</u>
	Rental income	\$225,129	\$212,854
	Other property	4,864	5,306
	Total revenues	<u>229,993</u>	<u>218,160</u>
EXPENSES			
	Salaries & wages	24,136	21,920
	Maintenance & repairs	21,580	22,039
	Utilities	10,876	9,855
	Real estate taxes	28,500	29,250
	General administrative	6,285	5,800
	Contract services	14,827	12,281
	Insurance	9,200	15,556
	Interest	38,656	49,611
	Depreciation and amortization	50,000	49,000
	Property management fees	11,500	10,908
	Amortization of deferred costs and fees	3,683	1,711
	Total expenses	<u>219,243</u>	<u>227,931</u>
NET INCOME (LOSS)		<u>\$10,750</u>	<u>(\$9,771)</u>
NET INCOME PER SHARE		<u>\$ 0.73</u>	<u>\$ (0.67)</u>
Number of shares outstanding		14,544	14,544

See Notes to Condensed Consolidated Financial Statements

AMRECORP REALTY FUND II
Condensed Consolidated Statement of Cash Flows
Unaudited

	Three Months Ended March 31,	
	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITY		
Net income (loss)	\$10,750	(\$9,771)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	50,000	49,000
Net Effect of changes in operating accounts		
Escrow deposits	(49,741)	72,987
Deferred Costs	(2,309)	1,711
Accrued real estate taxes	28,500	28,815
Security deposits	1,101	(564)
Accounts payable	29,585	(75,396)
Other assets	9,200	9,366
Net cash used by operating activities	<u>77,086</u>	<u>76,148</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Real Estate Improvements	(107,000)	0
Net cash used by investing activities	<u>(107,000)</u>	<u>0</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage notes payable	(17,158)	(19,009)
Proceeds from amounts due affiliates	590	3,788
Increase in accrued interest	0	(16,611)
Net cash provided by financing activities	<u>(16,568)</u>	<u>(31,832)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(46,482)	44,316
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	235,305	240,219
CASH AND CASH EQUIVALENT, END OF PERIOD	<u>\$188,823</u>	<u>\$284,535</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 2004 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, 2005.

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

Results of Operations

At March 31, 2005 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 98.4% during the first quarter of 2005 as compared to 99.2% for the first quarter of 2004.

FIRST QUARTER 2005 COMPARED TO FIRST QUARTER 2004

Revenue from property operations increased \$11,833 or 5.42%, for the first quarter of 2005, as compared to the 2004 first quarter. Rental income increased \$12,275 or 5.77% due to increased rental rates. Other income increased \$442 or 8.33% primarily due to decreased fees. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	\$12,275	5.77%
Other property	(442)	8.33%
	<u>\$11,833</u>	<u>5.42%</u>

Property operating expenses increased \$96,340 or 42.27%, for the first quarter of 2005, as compared to the same period in 2004. This was primarily due from decreased insurance. Insurance decreased \$6,356 or 40.86% due to negotiation of the flood insurance provisions. Utilities increased \$1,021 or 10.36% due to higher electric rates. Contract services increased \$2,546 or 20.73% increased pest control costs. Interest decreased \$10,955 or 22.08% due the refinancing in December 2004 as discussed in the liquidity and capital resources section. The following table illustrates the components by category:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Salaries & wages	\$2,216	10.11%
Maintenance & repairs	(459)	2.08%
Utilities	1,021	10.36%
Real estate taxes	(750)	2.56%
General administrative	485	8.36%
Contract services	2,546	20.73%
Insurance	(6,356)	40.86%
Interest	(10,955)	22.08%
Depreciation and amortization	1,000	2.04%
Property management fees	592	5.43%
Net Increase (Decrease)	<u>(\$10,660)</u>	<u>4.68%</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.

As of March 31, 2005, the Partnership had \$188,823 in cash and cash equivalents as compared to \$235,305 as of December 31 2004. The net decrease in cash of \$46,482 is principally due to cash used for investing and financing.

On December 31, 2004 the partnership distributed \$100.00 per limited partnership unit to units of record December 31, 2004. This distribution was made from proceeds of refinancing Chimney Square Apartments.

The property is encumbered by non-recourse mortgage as of March 31, 2005, with an interest rate of 4.254%. Required principal payments on this mortgage note for the three years ended December 31, 2007, are \$421,377, 487,996, and \$519,385 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 December 14, 2004 the Partnership refinanced the loan on Chimney Square Apartments. The original loan matured and a new \$3,920,000 loan bearing interest at 4.254% per year was secured from Newport Mortgage Company L.P. The current note is payable in monthly installments of principal and interest to be calculated on the monthly LIBOR rate plus 1.53%, through January 2012. The loan matures on January 2012. In connection with this loan, the lender required, and the Partnership provided, a single asset partnership known as Chimney Square Apartments, owned 99% by the Fund.

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

- | | |
|------|---|
| 11 | Limited Partnership Agreement
incorporated by reference to Registration
Statement No. 2-90654 effective July 6, 1984. |
| 15 | Limited Partnership Agreement
incorporated by reference to Registration
Statement No. 2-90654 effective July 6, 1984. |
| 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 5, 2005

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 5, 2005

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, 2005 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
May 5, 2005