

# 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, 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:       

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes:             No: N

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes:             No: N

REGISTRANT IS A LIMITED PARTNERSHIP

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## Part I

### 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 Balance Sheets**

	<b>June 30, <u>2005</u> (Unaudited)</b>	<b>December 31, <u>2004</u></b>
<b>ASSETS</b>		
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>(3,972,511)</u>	<u>(3,872,511)</u>
Real estate, net	1,635,466	1,628,466
Investments in Real Estate Held for Sale		
Cash including cash investments	504,674	235,305
Escrow deposits	180,540	376,002
Deferred Costs and Fees	101,763	103,138
Other assets	29,233	14,395
	<u>                    </u>	<u>                    </u>
Total assets	<u><u>\$2,451,676</u></u>	<u><u>\$2,357,306</u></u>
 <b>LIABILITIES AND PARTNERS' EQUITY:</b>		
<b>LIABILITIES:</b>		
Mortgage and notes payable	\$3,887,263	\$3,920,000
Payable to Affiliates	1,301	192
Real estate taxes payable	57,000	0
Security deposits	23,891	22,085
Accounts payable and accrued expenses	<u>78,423</u>	<u>42,839</u>
	<u>                    </u>	<u>                    </u>
Total liabilities	4,047,878	3,985,116
<b>PARTNERS CAPITAL (DEFICIT):</b>		
Limited Partners	(1,523,686)	(1,554,978)
General Partners	<u>(72,516)</u>	<u>(72,832)</u>
	<u>                    </u>	<u>                    </u>
Total Partners Capital (Deficit)	<u>(1,596,202)</u>	<u>(1,627,810)</u>
	<u>                    </u>	<u>                    </u>
Total Liability and Partners Equity	<u><u>\$2,451,676</u></u>	<u><u>\$2,357,306</u></u>

See notes to Condensed Financial Statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2005</u>	<u>2004</u>	2005	2004
<b>REVENUES</b>				
Rental income	\$233,725	\$223,117	\$458,854	\$435,971
Other property	<u>11,638</u>	<u>6,550</u>	<u>16,502</u>	<u>11,856</u>
Total revenues	<u>245,363</u>	<u>229,667</u>	<u>475,356</u>	<u>447,827</u>
<b>EXPENSES</b>				
Salaries & wages	24,483	18,378	48,619	40,298
Maintenance & repairs	6,064	24,398	27,644	46,437
Utilities	10,198	9,738	21,074	19,593
Real estate taxes	28,500	29,250	57,000	58,500
General administrative	23,710	8,907	29,995	14,707
Contract services	13,904	17,987	28,731	30,268
Insurance	8,571	7,835	17,771	23,391
Interest	43,159	49,273	81,815	98,884
Depreciation and amortization	50,000	49,000	100,000	98,000
Property management fees	12,232	11,483	23,732	22,391
Amortization of deferred costs and fees	<u>3,684</u>	<u>1,710</u>	<u>7,367</u>	<u>3,421</u>
Total expenses	<u>224,505</u>	<u>227,959</u>	<u>443,748</u>	<u>455,890</u>
<b>NET INCOME (LOSS)</b>	<u>\$20,858</u>	<u>\$1,708</u>	<u>\$31,608</u>	<u>(\$8,063)</u>
<b>NET INCOME PER SHARE</b>	<u>\$ 1.42</u>	<u>\$ 0.12</u>	<u>\$ 2.15</u>	<u>\$ (0.55)</u>

See Notes to Condensed Financial Statements

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

	Six Months Ended June 30,	
	<u>2005</u>	<u>2004</u>
<b>CASH FLOWS FROM OPERATING ACTIVITY</b>		
Net income (loss)	\$31,608	(\$8,063)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	100,000	98,000
Net Effect of changes in operating accounts		
Escrow deposits	195,462	127,454
Deferred Costs	1,375	3,421
Accrued real estate taxes	57,000	58,065
Security deposits	1,806	(229)
Accounts payable	35,584	(77,360)
Other assets	(14,838)	(85,670)
Net cash used by operating activities	<u>407,997</u>	<u>115,618</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Real Estate	(107,000)	0
Net cash used by investing activities	<u>(107,000)</u>	<u>0</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of mortgage notes payable	(32,737)	(33,771)
Proceeds from amounts due affiliates	1,109	1,094
Increase in accrued interest	0	(16,611)
Net cash provided by financing activities	<u>(31,628)</u>	<u>(49,288)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>269,369</b>	<b>66,330</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<u><b>235,305</b></u>	<u><b>240,219</b></u>
<b>CASH AND CASH EQUIVALENT, END OF PERIOD</b>	<u><b>\$504,674</b></u>	<u><b>\$306,549</b></u>

See Notes to Condensed Financial Statements

## **Basis of Presentation:**

The accompanying unaudited condensed 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 June 30, 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 second quarter of 2005 as compared to 97.4% for the second quarter of 2004.

### **SECOND QUARTER 2005 COMPARED TO SECOND QUARTER 2004**

**Revenue from property operations** increased \$15,696 or 6.83%, for the second quarter of 2005, as compared to the 2004 second quarter. Rental income increased \$10,608 or 4.75% due to increased rental rates. Other income increased \$5,088 or 77.68% 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	\$10,608	4.75%
Other property	5,088	77.68%
	<b><u>\$15,696</u></b>	<b><u>6.83%</u></b>

**Property operating expenses** decreased \$5,428 or 2.38%, for the second quarter of 2005, as compared to the same period in 2004. This was primarily due from decreased maintenance expenses. Maintenance decreased \$18,334 or 75.15% due to prior year carpentry expenses. General & administrative increased \$14,803 or 166.2% due to auditing and partnership mailing costs. Salaries increased \$6,105 or 33.22% due to increased staffing. Contract services decreased \$4,083 or 22.7% decreased pest control costs. Interest decreased \$6,114 or 12.41% due the refinancing in December 2004 as discussed in the liquidity and capital resources section. The following table illustrates the components by category:

	<b><u>Increase (Decrease)</u></b>	<b><u>Per Cent Change</u></b>
Salaries & wages	\$6,105	33.22%
Maintenance & repairs	(18,334)	75.15%
Utilities	460	4.72%
Real estate taxes	(750)	2.56%
General administrative	14,803	166.20%
Contract services	(4,083)	22.70%
Insurance	736	9.39%
Interest	(6,114)	12.41%
Depreciation and amortization	1,000	2.04%
Property management fees	749	6.52%
<b>Net Increase (Decrease)</b>	<b><u>(\$5,428)</u></b>	<b><u>2.38%</u></b>

## **FIRST SIX MONTHS 2005 COMPARED TO FIRST SIX MONTHS 2004**

**Revenue from property operations** increased \$27,529 or 6.15%, for the first six months of 2005, as compared to the 2004 first six months. Rental income increased \$22,883 or 5.25% due to increased rental rates. Other income increased \$4,646 or 39.19% primarily due to increased fees. The following table illustrates the components:

	<b>Three Month Comparison</b>	
	<b>Increase (Decrease)</b>	<b>Per Cent Change</b>
Rental income	\$22,883	5.25%
Other property	4,646	39.19%
	<u>\$27,529</u>	<u>6.15%</u>

**Property operating expenses** decreased \$16,088 or 3.53%, for the first six months of 2005, as compared to the same period in 2004. This was primarily due from decreased maintenance expenses. Maintenance decreased \$18,793 or 40.47% due to prior year carpentry expenses. Insurance decreased \$5,620 or 24.03% due to negotiation of the flood insurance provisions. Interest decreased \$17,069 or 17.26% due the refinancing in December 2004 as discussed in the liquidity and capital resources section. The following table illustrates the components by category:

	<b>Increase (Decrease)</b>	<b>Per Cent Change</b>
Salaries & wages	\$8,321	20.65%
Maintenance & repairs	(18,793)	40.47%
Utilities	1,481	7.56%
Real estate taxes	(1,500)	2.56%
General administrative	15,288	103.95%
Contract services	(1,537)	5.08%
Insurance	(5,620)	24.03%
Interest	(17,069)	17.26%
Depreciation and amortization	2,000	2.04%
Property management fees	1,341	5.99%
Net Increase (Decrease)	<u>(\$16,088)</u>	<u>3.53%</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 June 30, 2005, the Partnership had \$504,674 in cash and cash equivalents as compared to \$235,305 as of December 31 2004. The net increase in cash of \$269,369 is principally due to cash used for operating activities.

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 June 30, 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 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 None
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



(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 26, 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 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 26, 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 June 30, 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  
July 26, 2005