

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, 2006 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 Partnership (as defined in Rule 12b-2 of the Exchange Act).

Yes: No: N

REGISTRANT IS A LIMITED PARTNERSHIP

TABLE OF CONTENTS

Part I

Item 1. Financial Statements

The following Unaudited financial statements are filed herewith:

Balance Sheet as of September 30, 2006 and December 31, 2005	Page 3
Statements of Operations for the Three and Nine Months Ended September 30, 2006 and 2005	Page 4
Statements of Cash Flows for the Nine Months Ended September 30, 2006 and 2005	Page 5

<u>Item 2.</u> Results of Operations and Management's Discussion and Analysis of Financial Condition	Page 6
---	--------

Item 3. Quantitative and Qualitative Disclosures about Market Risk	Page 8
--	--------

Item 4. Controls and Procedures	Page 8
---------------------------------	--------

Part II

Other Information	Page 9
-------------------	--------

Signatures	Page 10
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The statements, insofar as they relate to the period subsequent to December 31, 2005 are Unaudited.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

AMRECORP REALTY FUND II

Condensed Balance Sheets

	September 30, <u>2006</u> (Unaudited)	December 31, <u>2005</u>
ASSETS		
Real Estate assets, at cost		
Land	\$580,045	\$580,045
Buildings and improvements	5,063,345	5,040,345
	5,643,390	5,620,390
Less: Accumulated depreciation	-4,235,429	-4,078,027
Real estate, net	1,407,961	1,542,363
Cash including cash investments	409,116	191,459
Escrow deposits	132,084	261,607
Deferred Costs and Fees	81,848	93,540
Other assets	28,228	13,125
Total Assets	<u>\$2,059,237</u>	<u>\$2,102,094</u>
LIABILITIES AND PARTNERS' EQUITY:		
LIABILITIES:		
Mortgage payable	\$3,829,910	\$3,864,817
Payable to Affiliates	0	705
Interest payable	17,829	18,680
Real estate taxes payable	95,247	0
Security deposits	28,404	24,141
Accounts payable and accrued expenses	40,248	166,222
Total Liabilities	<u>4,011,638</u>	<u>4,074,565</u>
PARTNERS CAPITAL (DEFICIT):		
Limited Partners	-1,879,963	-1,899,832
General Partners	-72,438	-72,639
Total Partners Capital (Deficit)	<u>-1,952,401</u>	<u>(1,972,471)</u>
Total Liabilities and Partners Equity	<u>\$2,059,237</u>	<u>\$2,102,094</u>

See notes to Condensed Financial Statements

AMRECORP REALTY FUND II

Condensed Statement of Operations

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	<u>2006</u>	<u>2005</u>	2006	2005
REVENUES				
Rental income	\$233,770	\$229,987	\$701,322	\$688,841
Other property	<u>9,948</u>	<u>5,429</u>	<u>23,863</u>	<u>21,931</u>
Total revenues	<u>243,718</u>	<u>235,416</u>	<u>725,185</u>	<u>710,772</u>
EXPENSES				
Salaries & wages	26,798	28,499	74,778	77,118
Maintenance & repairs	5,456	8,965	22,408	36,609
Utilities	8,690	11,252	27,738	32,326
Real estate taxes	31,749	29,583	95,247	86,583
General administrative	13,593	16,330	38,390	46,325
Contract services	13,010	13,149	38,856	41,880
Insurance	8,741	8,761	27,169	26,532
Interest	61,284	48,356	176,141	130,171
Depreciation and amortization	57,402	50,000	157,402	150,000
Property management fees	11,324	11,741	35,293	35,473
Amortization of deferred costs and fees	<u>3,898</u>	<u>3,683</u>	<u>11,693</u>	<u>11,050</u>
Total expenses	<u>241,945</u>	<u>230,319</u>	<u>705,115</u>	<u>674,067</u>
NET INCOME	<u>\$1,773</u>	<u>\$5,097</u>	<u>\$20,070</u>	<u>\$36,705</u>
NET INCOME LIMITED PARTNERSHIP	<u>\$ 0.12</u>	<u>\$ 0.35</u>	<u>\$ 1.37</u>	<u>\$ 2.50</u>
UNIT - BASIC				
Limited Partnership units outstanding Basic	14,544	14,544	14,544	14,544

See Notes to Condensed Financial Statements

AMRECORP REALTY FUND II
Condensed Statement of Cash Flows
Unaudited

	Nine Months Ended September 30,	
	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITY		
Net income	\$20,070	\$36,705
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	157,402	150,000
Net Effect of changes in operating accounts		
Escrow deposits	129,523	147,187
Deferred Costs	11,692	(15,506)
Accrued real estate taxes	95,247	86,583
Security deposits	4,263	3,505
Accounts payable	(125,974)	35,209
Other assets	(15,103)	13,245
Net cash provided by operating activities	<u>277,120</u>	<u>456,928</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Real Estate	(23,000)	(107,000)
Net cash used by investing activities	<u>(23,000)</u>	<u>(107,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of mortgage notes payable	(34,907)	(46,568)
Proceeds from amounts due affiliates	(705)	441
Increase in accrued interest	(851)	0
Distributions to limited partners	0	(363,600)
Net cash used by financing activities	<u>(36,463)</u>	<u>(409,727)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	217,657	(59,799)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>191,459</u>	<u>235,305</u>
CASH AND CASH EQUIVALENT, END OF PERIOD	<u>\$409,116</u>	<u>\$175,506</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 "Partnership") 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 Partnership 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 Partnership's 2005 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, 2006.

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

Results of Operations

At September 30, 2006 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 99.8% during the third quarter of 2006 as compared to 97.9% for the third quarter of 2005.

FIRST NINE MONTHS 2006 COMPARED TO FIRST NINE MONTHS 2005

Revenue from property operations increased \$14,413 or 2.03%, for the first nine months of 2006, as compared to the 2005 first nine months. Rental income increased \$12,481 or 1.81% due to increased occupancy and rental rates. Other income increased \$1,932 or 8.81% primarily due to increased fees. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	\$12,481	1.81%
Other property	1,932	8.81%
	<u>\$14,413</u>	<u>2.03%</u>

Property operating expenses increased \$31,048 or 4.61%, for the first nine months of 2006, as compared to the same period in 2005. This was primarily due from increased interest expense. Maintenance decreased \$14,201 or 38.79% due to prior year carpentry expenses. General & administrative decreased \$7,935 or 17.13% due to decreased legal and professional fees. Utilities decreased \$4,588 or 14.19% due to lower gas rates. Real estate taxes increased \$8,664 or 10.01% due to property tax rates. Contract services decreased \$3,024 or 7.22% due to decreased pest control costs. Interest increased \$45,970 or 35.32% 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	(\$2,340)	3.03%
Maintenance & repairs	(14,201)	38.79%
Utilities	(4,588)	14.19%
Real estate taxes	8,664	10.01%
General administrative	(7,935)	17.13%
Contract services	(3,024)	7.22%
Insurance	637	2.40%
Interest	45,970	35.32%
Depreciation and amortization	7,402	4.93%
Property management fees	(180)	0.51%
Amortization of deferred costs and fees	643	5.82%
Net Increase (Decrease)	<u>\$31,048</u>	<u>4.61%</u>

THIRD QUARTER 2006 COMPARED TO THIRD QUARTER 2005

Revenue from property operations increased \$8,302 or 3.53%, for the third quarter of 2006, as compared to the 2005 third quarter. Rental income increased \$3,783 or 1.64% due to increased occupancy and rental rates. Other income decreased \$4,519 or 83.24% primarily due to increased fees. The following table illustrates the components:

	<u>Increase (Decrease)</u>	<u>Per Cent Change</u>
Rental income	\$3,783	1.64%
Other property	4,519	83.24%
	<u>\$8,302</u>	<u>3.53%</u>

Property operating expenses increased \$11,626 or 5.05%, for the third quarter of 2006, as compared to the same period in 2005. This was primarily due from increased interest expense. Maintenance decreased \$3,509 or 39.14% due to prior year carpentry. Utilities decreased \$2,562 or 22.77% due to lower gas rates. General & administrative decreased \$2,737 or 16.76% due to decreased partnership mailing costs. Salaries decreased \$1,701 or 5.97% due to decreased staffing. Contract services decreased \$139 or 1.06% due to decreased pest control costs. Interest increased \$12,928 or 26.74% 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	(\$1,701)	5.97%
Maintenance & repairs	(3,509)	39.14%
Utilities	(2,562)	22.77%
Real estate taxes	2,166	7.32%
General administrative	(2,737)	16.76%
Contract services	(139)	1.06%
Insurance	(20)	0.23%
Interest	12,928	26.74%
Depreciation and amortization	7,402	14.80%
Property management fees	(417)	3.55%
Amortization of deferred costs and fees	215	5.84%
Net Increase (Decrease)	<u>\$11,626</u>	<u>5.05%</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 September 30, 2006, the Partnership had \$409,116 in cash and cash equivalents as compared to \$191,459 as of December 31 2005. The net increase in cash of \$217,657 is principally due to cash flow from operations.

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 September 30, 2006, with an interest rate based on monthly LIBOR rate plus 1.53% which is 4.254% as of September 30, 2006. Required principal payments on this mortgage note for the three years ended December 31, 2008, are \$45,427, 48,030, and \$50,776 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 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 from GEMSA Loan Services was obtained. 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: October 20, 2006

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 Partnership;
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 Partnership 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 Partnership 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 Partnership’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 Partnership's internal control over financial reporting that occurred during the Partnership's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Partnership'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 Partnership'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 Partnership'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 Partnership's internal control over financial reporting.

/s/ Robert J. Werra

Robert J. Werra
Acting Principal Executive Officer and Chief Financial Officer
October 20, 2006

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 Partnership”) on Form 10-Q for the period ending September 30, 2006 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 Partnership.

/s/ Robert J. Werra

Robert J. Werra
Acting Principal Executive Officer and Chief Financial Officer
October 20, 2006