

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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BEVERLY HILLS MEDICAL OFFICE PARTNERS L P

CIK: **811800** | IRS No.: **954098476** | State of Incorpor.: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16689** | Film No.: **96663936**
SIC: **6500** Real estate

Mailing Address

3 WORLD FINANCIAL CENTER
NEW YORK NY 10285

Business Address

388 GREENWICH ST
28TH FL
NEW YORK NY 10013
2124642465

United States Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended September 30, 1996

or

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Transition period from _____ to _____

Commission File Number: 33-12791

BEVERLY HILLS MEDICAL OFFICE PARTNERS, L.P.
Exact Name of Registrant as Specified in its Charter

Delaware
State or Other Jurisdiction of
Incorporation or Organization

95-4098476

I.R.S. Employer Identification No.

3 World Financial Center, 29th Floor,
New York, NY Attn.: Andre Anderson
Address of Principal Executive Offices

10285
Zip Code

(212) 526-3237

Registrant's Telephone Number, Including Area Code

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 No

Balance Sheets

At September 30,

At December 31,

	1996	1995
Assets		
Real Estate:		
Land	\$ 8,379,434	\$ 8,379,434
Building, building improvements and equipment	41,903,303	41,623,252
	50,282,737	50,002,686
Less accumulated depreciation	(13,628,588)	(12,281,843)
	-----	-----
	36,654,149	37,720,843
	-----	-----
Cash and cash equivalents	1,574,455	1,026,560
Restricted cash	513,176	468,992
Accounts and other receivables	88,910	363,192
Leasing commissions and prepaid expense, net of accumulated amortization of \$258,161 in 1996 and \$206,634 in 1995	341,644	265,438
Other assets, net of accumulated amortization of \$245,616 in 1996 and \$223,060 in 1995	55,139	77,695
Deferred rent receivable	417,293	479,913
	-----	-----
Total Assets	\$39,644,766	\$40,402,633
	=====	=====
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable and accrued expenses	\$ 235,926	\$ 204,852
Due to affiliates	416,549	369,326
Security deposits payable	181,316	168,836
Secured note payable	13,963,674	14,140,861
	-----	-----
Total Liabilities	14,797,465	14,883,875
	-----	-----
Partners' Capital (Deficit):		
General Partner	(206,331)	(206,331)
Limited Partners (5,540,000 units outstanding)	25,053,632	25,725,089
	-----	-----
Total Partners' Capital	24,847,301	25,518,758
	-----	-----
Total Liabilities and Partners' Capital	\$39,644,766	\$40,402,633
	=====	=====

Statement of Partners' Capital (Deficit)
For the nine months ended September 30, 1996

	General Partner	Limited Partners	Total
Balance at December 31, 1995	\$ (206,331)	\$25,725,089	\$25,518,758
Net loss	-	(671,457)	(671,457)

Balance at September 30, 1996	\$ (206,331)	\$25,053,632	\$24,847,301
	=====	=====	=====

Statements of Operations

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
Income				
Rental	\$1,000,954	\$ 996,200	\$2,978,665	\$2,960,441
Interest	25,026	24,771	72,208	72,709
Other	6,674	9,847	16,758	82,981
	-----	-----	-----	-----
Total Income	1,032,654	1,030,818	3,067,631	3,116,131
	-----	-----	-----	-----
Expenses				
Depreciation and amortization	475,824	454,965	1,420,828	1,363,595
Property operating	436,494	555,183	1,319,389	1,474,724
Interest	271,326	277,191	817,409	831,971
General and administrative	48,182	45,752	143,962	112,099
Asset management fee	12,500	12,500	37,500	37,500
	-----	-----	-----	-----
Total Expenses	1,244,326	1,345,591	3,739,088	3,819,889
	-----	-----	-----	-----
Net Loss	\$ (211,672)	\$ (314,773)	\$ (671,457)	\$ (703,758)
	=====	=====	=====	=====
Net Loss Allocated:				
To the General Partner	\$ -	\$ -	\$ -	\$ -
To the Limited Partners	(211,672)	(314,773)	(671,457)	(703,758)
	-----	-----	-----	-----
	\$ (211,672)	\$ (314,773)	\$ (671,457)	\$ (703,758)
	=====	=====	=====	=====
Per limited partnership unit (5,540,000 outstanding)	\$ (.04)	\$ (.06)	\$ (.12)	\$ (.13)

Statements of Cash Flows

For the nine months ended September 30,	1996	1995
Cash Flows From Operating Activities:		
Net loss	\$ (671,457)	\$ (703,758)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,420,828	1,363,595
Increase (decrease) in cash arising from changes in operating assets and liabilities:		
Restricted cash	(44,184)	(164,136)
Accounts and other receivables	274,282	(8,795)
Prepaid expenses	(127,733)	(45,577)

Deferred rent receivable	62,620	6,185
Accounts payable and accrued expenses	31,074	175,707
Due to affiliates	47,223	44,880
Security deposits payable	12,480	(10,145)
	-----	-----
Net cash provided by operating activities	1,005,133	657,956
	-----	-----
Cash Flows From Investing Activities:		
Additions to real estate	(259,343)	(530,910)
Accounts payable - real estate	(20,708)	(52,949)
	-----	-----
Net cash used for investing activities	(280,051)	(583,859)
	-----	-----
Cash Flows From Financing Activities:		
Payments of principal on note payable	(177,187)	(162,624)
	-----	-----
Net cash used for financing activities	(177,187)	(162,624)
	-----	-----
Net increase (decrease) in cash and cash equivalents	547,895	(88,527)
Cash and cash equivalents, beginning of period	1,026,560	1,250,842
	-----	-----
Cash and cashequivalents, end of period	\$1,574,455	\$1,162,315
	=====	=====
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$817,409	\$831,971

Notes to the Financial Statements

The unaudited financial statements should be read in conjunction with the Partnership's annual 1995 audited financial statements within Form 10-K.

The unaudited financial statements include all adjustments which are, in the opinion of management, necessary to present a fair statement of financial position as of September 30, 1996 and the results of operations for the three and nine-month periods ended September 30, 1996 and 1995 and cash flows for the nine-month period ended September 30, 1996 and 1995 and the statement of partners' capital (deficit) for the nine-month period ended September 30, 1996. Results of operations for the period are not necessarily indicative of the results to be expected for the full year.

No significant events have occurred subsequent to fiscal year 1995, and no material contingencies exist which would require disclosure in this interim report per Regulation S-X, Rule 10-01, Paragraph (a)(5).

Part I, Item 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Liquidity and Capital Resources

At September 30, 1996, the Partnership had cash and cash equivalents of \$1,574,455, as compared with \$1,026,560 at December 31, 1995. The increase is attributable to net cash provided by operating activities exceeding cash used for real estate additions and mortgage principal payments.

The Partnership had restricted cash of \$513,176 at September 30, 1996, as compared with \$468,992 at December 31, 1995. The increase is primarily due to escrow contributions in excess of payments for insurance premiums and real estate taxes.

Accounts and other receivables were \$88,910 at September 30, 1996, as compared to \$363,192 at December 31, 1995. The decrease was primarily caused by the receipt of real estate tax abatement refunds relating to the 1993-94 and 1994-95 tax years.

Leasing commissions and prepaid expenses, net of accumulated amortization, increased from \$265,438 at December 31, 1995 to \$341,644 at September 30, 1996, primarily due to the payment of insurance premiums, which was partially offset by the amortization of prepaid insurance.

Accounts payable and accrued expenses increased from \$204,852 at December 31, 1995 to \$235,926 at September 30, 1996. The increase is primarily the result of the timing of payments and required accruals for real estate taxes and audit fees.

The Property was 72% leased at September 30, 1996, representing an increase from 69.6% at December 31, 1995. During the third quarter of 1996, the Partnership renewed three leases totaling 2,131 square feet. Two leases which total 3,552 square feet, representing 2.2% of the Property's net leasable area, are scheduled to expire during the fourth quarter of 1996. Although the General Partner will attempt to renew these leases, there can be no assurance of success in view of the competitive market conditions and uncertainty surrounding changes in the health care industry.

In order to remain competitive, the Partnership must pay leasing commissions and tenant improvement costs associated with new and renewal leases. The amount of such costs is uncertain at this time and depends upon market conditions, the amount of space leased and the extent of required tenant improvements. The General Partner intends to fund such costs from net cash flow from operations and Partnership cash reserves, to the extent possible.

In January 1989, the City of West Hollywood adopted Ordinance No. 214 which required the installation of sprinklers and other fire/life-safety hardware in all existing high-rise buildings by January 1992. In April 1992, the City of West Hollywood extended the deadline for completing the sprinkler retrofit of tenant areas to February 3, 1997. In response, the General Partner retained a building code consultant to analyze the fire/life-safety requirements applicable to the Property and to develop a plan to complete the sprinkler retrofit. The General Partner's initial plan, which was approved by the City of West Hollywood, involves performing the remaining retrofit

during the course of remodeling tenant suites in connection with new leasing and renewals. Under this plan, approximately 36% of the tenant areas and 100% of all common areas have been brought into compliance. As previously reported, the General Partner approached the City of West Hollywood to request an extension of the deadline for completion of the required sprinkler retrofit project. On November 1, 1996, the City of West Hollywood granted such an extension and has advised that the Partnership has until December 8, 1998 to complete the retrofit of the Property.

Results of Operations

For the three- and nine-month periods ended September 30, 1996, Partnership operations resulted in net losses of \$211,672, and \$671,457, respectively, as compared with net losses of \$314,773 and \$703,758, for the corresponding periods in 1995. The decrease in net loss for the three- and nine-month periods ended September 30, 1996 is primarily due to lower property operating expenses which was partially offset by higher depreciation and amortization and general and administrative expenses, and a decrease in other income.

Rental income was largely unchanged and totaled \$1,000,954 and \$2,978,665, respectively, for the three- and nine-month periods ended September 30, 1996, as compared with \$996,200 and \$2,960,441 for the corresponding periods in 1995. Other income totaled \$6,674 and \$16,758, respectively, for the three- and nine-month periods ended September 30, 1996, as compared with \$9,847 and \$82,981, respectively, for the corresponding periods in 1995. The decrease in other income for the nine-month period in 1996 is primarily attributable to real estate tax abatement refunds related to prior years recognized in 1995.

For the three- and nine-month periods ended September 30, 1996, property operating expenses were \$436,494 and \$1,319,389, respectively, as compared to \$555,183 and \$1,474,724 for the corresponding periods in 1995. The decrease for both periods is mainly due to a reduction in real estate taxes, insurance expense and utilities.

General and administrative expenses totaled \$48,182 and \$143,962, respectively, for the three- and nine-month periods ended September 30, 1996, as compared with \$45,752 and \$112,099 for the corresponding periods in 1995. The increase in general and administrative expenses for the first nine months of 1996 is primarily due to increases in fees for accounting and investor communications services and a timing difference for the accounting of such fees.

Part II Other Information

Items 1-5 Not applicable.

Item 6 Exhibits and reports on Form 8-K.

(a) Exhibits -

(27) Financial Data Schedule

- (a) Reports on Form 8-K - No reports on Form 8-K were filed during the quarter ended September 30, 1996.

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.

BEVERLY HILLS MEDICAL OFFICE PARTNERS, L.P.

BY: Medical Office Properties Inc.
General Partner

Date: November 13, 1996 BY: /s/ Rocco F. Andriola
President

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