

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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STAMFORD TOWERS LIMITED PARTNERSHIP

CIK: **799149** | IRS No.: **133392080** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **033-08105** | Film No.: **96663991**
SIC: **6500** Real estate

Mailing Address
31 ST JAMES ST
6TH FLOOR
BOSTON MA 02117

Business Address
3 WORLD FINANCIAL CENTER
29TH FLOOR
C/O SHEARSON LEHMAN
BROTHERS INC
NEW YORK NY 10285
212526-3237

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

FORM 10-Q

(Mark One)

X

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: 33-8105

STAMFORD TOWERS LIMITED PARTNERSHIP

AND

STAMFORD TOWERS DEPOSITARY CORP.

Exact Name of Registrant as Specified in its Charter

Stamford Towers Limited Partnership
is a Delaware limited partnership

13-3392080

Stamford Towers Depository Corp.
is a Delaware corporation
State or Other Jurisdiction of
Incorporation or Organization

13-3392081

I.R.S. Employer Identification

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 X No _____

Balance Sheets	At September 30, 1996	At December 31, 1995
Assets		
Real estate, at cost:		
Land	\$14,714,483	\$14,714,483
Buildings and improvements	52,900,982	52,729,013
Tenant improvements	7,770,040	6,786,915
Furniture, fixtures and equipment	293,864	372,541
	75,679,369	74,602,952
Less accumulated depreciation	(15,652,252)	(14,405,825)
	60,027,117	60,197,127
Cash and cash equivalents	5,049,293	5,873,982
Restricted cash	337,643	91,458
Accounts receivable	48,743	71,052
Deferred rent receivable	1,795,317	1,855,670
Deferred charges, net of accumulated amortization of \$669,237 in 1996 and \$573,387 in 1995	85,846	181,696
Prepaid expenses, net of accumulated amortization of \$893,131 in 1996 and \$775,742 in 1995	1,847,894	1,399,363
Total Assets	\$69,191,853	\$69,670,348
Liabilities and Partners' Capital		
Liabilities:		
Accounts payable and accrued expenses	\$1,315,563	\$1,464,994
Interest payable	131,073	124,036
Due to affiliates	147,958	146,292
Revolving loan payable	17,798,291	16,483,152
Total Liabilities	19,392,885	18,218,474
Partners' Capital (Deficit):		
General Partner	(219,995)	(203,466)
Limited Partners (7,826,300 units outstanding)	50,018,963	51,655,340
Total Partners' Capital	49,798,968	51,451,874
Total Liabilities and Partners' Capital	\$69,191,853	\$69,670,348

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

	General Partner	Limited Partners	Total
Balance at December 31, 1995	\$ (203,466)	\$51,655,340	\$51,451,874
Net loss	(16,529)	(1,636,377)	(1,652,906)
Balance at September 30, 1996	\$ (219,995)	\$50,018,963	\$49,798,968

Statements of Operations

	Three months ended September 30,		Nine months ended September 30,	
	1996	1995	1996	1995
Income				
Rental	\$995,276	\$1,003,491	\$2,876,973	\$2,235,840
Interest	67,833	80,052	197,488	236,030
Other	53,978	189,363	168,952	256,211
Total Income	1,117,087	1,272,906	3,243,413	2,728,081
Expenses				
Property operating	657,837	564,412	1,871,648	1,634,422
Depreciation and amortization	522,972	493,629	1,544,592	1,954,611
Interest	397,915	344,803	1,144,275	917,202
Professional fees	84,346	87,810	225,141	154,386
Partnership service fees	33,690	32,448	82,957	75,392
General and administrative	8,864	11,783	27,706	27,904
Total Expenses	1,705,624	1,534,885	4,896,319	4,763,917
Net Loss	\$ (588,537)	\$ (261,979)	\$ (1,652,906)	\$ (2,035,836)
Net Loss Allocated:				
To the General Partner	\$ (5,885)	\$ (2,619)	\$ (16,529)	\$ (20,358)
To the Limited Partners	(582,652)	(259,360)	(1,636,377)	(2,015,478)
	\$ (588,537)	\$ (261,979)	\$ (1,652,906)	\$ (2,035,836)
Per limited partnership unit (7,826,300 outstanding)	\$ (.07)	\$ (.03)	\$ (.21)	\$ (.26)

Statements of Cash Flows

For the nine months ended September 30,

	1996	1995
Cash Flows From Operating Activities:		
Net loss	\$ (1,652,906)	\$ (2,035,836)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation	1,331,353	1,752,217
Amortization	213,239	202,394
Increase (decrease) in cash arising from changes in operating assets and liabilities:		
Restricted cash	(246,185)	(2,088)
Accounts receivable	22,309	(116,307)
Deferred rent receivable	60,353	469,295
Prepaid expenses	(565,920)	(1,292,220)
Accounts payable and accrued expenses	(149,431)	459,088
Interest payable	7,037	28,636
Due to affiliates	1,666	4,883
Net cash used for operating activities	(978,485)	(529,938)
Cash Flows From Investing Activities:		
Additions to real estate	(1,161,343)	(176,460)
Net cash used for investing activities	(1,161,343)	(176,460)
Cash Flows From Financing Activities:		
Borrowings under the revolving loan payable	1,315,139	1,075,380
Net cash provided by financing activities	1,315,139	1,075,380
Net increase (decrease) in cash and cash equivalents	(824,689)	368,982
Cash and cash equivalents, beginning of period	5,873,982	5,768,902
Cash and cash equivalents, end of period	\$5,049,293	\$6,137,884
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period for interest	\$1,137,238	\$888,566
Supplemental Disclosure of Non-Cash Investing Activities:		
Write-off of fully depreciated furniture, fixtures and equipment	\$ 84,926	\$ —

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 months ended September 30, 1996 and 1995, cash flows for the nine months ended September 30, 1996 and 1995, and the statement of partners' capital (deficit) for the nine months 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

The Partnership is currently preserving its funds to lease and operate two parcels of land located in Stamford, Connecticut with two commercial office buildings constructed thereon containing a total of 325,416 RSF (the "Property"). Through September 30, 1996, the Partnership's sources of liquidity have been net proceeds from the public offering of limited partnership units, rental receipts, proceeds from the mortgage loan discussed below and interest earned on the Partnership's cash balance.

In order to meet the Partnership's liquidity requirements during the Property's leasing phase, the Partnership obtained a revolving first mortgage loan from People's Bank ("People's") in July 1990. On February 17, 1994, the Partnership entered into a modification of the loan's terms with People's which, among other things, reduced the principal balance of the loan from \$25 million to \$24,449,795, and eliminated the interest reserve line item. Payments of interest are due monthly in arrears and are required to be paid from the Partnership's own funds. Loan proceeds may continue to be used on an "as needed" basis to fund

all other approved line items. The \$1,315,139 increase in principal outstanding from December 31, 1995 to September 30, 1996 was attributable to funds advanced to pay for costs associated with recent leasing activity.

During the third quarter of 1996, the Partnership signed a lease agreement with Tradition Financial Services, Inc. for 11,605 square feet in the South Tower. The new tenant is scheduled to take occupancy late in the fourth quarter of 1996. The cost of the tenant improvements necessitated by this lease will be funded from drawdowns on the Partnership's revolving loan payable. As a result of this leasing activity, the Property's overall occupancy increased to 70% as of September 30, 1996. In addition to the leasing activity at the Property, the construction of a new management office was completed in August 1996.

The General Partner is currently reviewing the Partnership's options regarding refinancing the Property's outstanding mortgage loan which matures in August 1997.

Cash and cash equivalents totaled \$5,049,293 at September 30, 1996, as compared to \$5,873,982 at December 31, 1995. The decrease was primarily due to net cash used for operating activities and additions to real estate exceeding cash provided by borrowings under the revolving loan payable.

Restricted cash at September 30, 1996 totaled \$337,643, as compared to \$91,458 at December 31, 1995. The increase is the result of security deposits received by the Partnership in early 1996 from two tenants in the South Tower.

As of September 30, 1996, the Partnership had deferred rent receivable of \$1,795,317, compared with \$1,855,670 at December 31, 1995. Deferred rent receivable is rental income that is recognized on a straight-line basis over the non-cancelable term of the tenants' leases which will not be received until later periods. The decrease is primarily due to rental concessions related to the lease with Citicorp North America, Inc. ("Citicorp"), which was partially offset by new leasing activity.

Deferred charges decreased from \$181,696 as of December 31, 1995 to \$85,846 as of September 30, 1996. The decrease is due to the amortization of capitalized fees related to the modification of the revolving loan agreement with People's. Prepaid expenses increased from \$1,399,363 at December 31, 1995 to \$1,847,894 at September 30, 1996. The increase is primarily attributable to the payment of leasing commissions relating to the Tradition Financial Services, Inc. and Cardmember Publishing leases, and the costs associated with the extension of Citicorp's lease in June 1995 (the "Citicorp Lease Extension"). The increase is also due to the prepayment of the 1996-97 insurance premium and real

estate taxes.

Accounts payable and accrued expenses decreased from \$1,464,994 at December 31, 1995 to \$1,315,563 at September 30, 1996. The decrease is primarily attributable to the recognition of prepaid rental payments made by Citicorp and the payment of legal fees relating to the Gilbane litigation. The decrease is also due to the payment of invoices relating to Consolidated Hydro Inc.'s tenant improvements which was partially offset by security deposits received from Cardmember Publishing and Consolidated Hydro, Inc.

Results of Operations

For the three-month and nine-month periods ended September 30, 1996, the Partnership incurred net losses of \$588,537 and \$1,652,906, respectively, as compared to \$261,979 and \$2,035,836, respectively, for the corresponding periods in 1995. The larger net loss for the three-month period is primarily attributable to a decrease in other income and higher property operating expenses. The reduction in the net loss for the nine-month period is primarily the result of higher rental income due to the increased occupancy at the Property.

For the nine-month period ended September 30, 1996, the Partnership generated rental income of \$2,876,973, as compared to \$2,235,840 for the corresponding period in 1995. The increase is primarily due to a reduction in the amortization of deferred rent relating to the Citicorp Lease Extension and the addition of new tenants in the South Tower.

Other income decreased from \$189,363 and \$256,211, for the three-month and nine-month periods ended September 30, 1995, respectively, to \$53,978 and \$168,952, respectively, for the corresponding periods in 1996, primarily as a result of Citicorp's reimbursement in the 1995 period for improvements to its leased space.

Property operating expenses increased to \$657,837 and \$1,871,648, respectively, for the three-month and nine-month periods ended September 30, 1996 from \$564,412 and \$1,634,422, respectively, for the corresponding periods in 1995. The increase is primarily due to Cardmember Publishing and Consolidated Hydro Inc. taking occupancy in the South Tower and resulting increases in utilities, cleaning and security costs, and repairs and maintenance expenses. Depreciation and amortization for the three-month and nine-month periods ended September 30, 1996 was \$522,972 and \$1,544,592, respectively, as compared to \$493,629 and \$1,954,611, respectively, for the corresponding periods in 1995. The decline in depreciation and amortization for the nine-month period is attributable to the Citicorp Lease Extension that extended the length of Citicorp's lease and the corresponding

asset life of the tenant improvements. For the three-month and nine-month periods ended September 30, 1996, interest expense relating to the revolving loan payable increased to \$397,915 and \$1,144,275, respectively, from \$344,803 and \$917,202, respectively, for the corresponding periods in 1995. Interest expense increased due to additional borrowings relating to leasing activity and an increase in average interest rates during the 1996 periods as compared to the 1995 periods. For the nine-month period ended September 30, 1996, professional fees totaled \$225,141, as compared with \$154,386 for the same period in 1995. The increase is primarily attributable to legal costs associated with the significant increase in leasing activity.

Part II Other Information

Items 1 Legal proceedings.

On February 1, 1991, Gilbane filed a mechanic's lien against the Property in the sum of \$4,583,481. This amount was subsequently reduced to \$2,650,018 at the request of the Partnership. On August 9, 1991, Gilbane commenced an action entitled Gilbane Building Co. v. Stamford Towers Limited Partnership, et. al., in the Connecticut Superior Court for the Judicial District of Stamford/Norwalk at Stamford (the "Gilbane Action"). The defendants include the Partnership. Gilbane alleges breach of various contracts and unfair trade practices and seeks foreclosure of its mechanic's lien, approximately \$2.65 million in monetary damages, interest, costs, attorneys' fees, punitive damages, possession of the Project, and the appointment of a receiver.

On October 21, 1993, the Partnership filed its Answer, Special Defenses and Counterclaims to Gilbane's Action, which alleged breach of various contracts, unfair trade practices and slander of title. On September 13, 1995, the Partnership filed a Substituted Answer, Special Defenses, Counterclaims, Set-offs and Recoupment which, in addition to the allegations of its original counterclaim, brought additional claims of negligence, breach of warranty, breach of contract, products liability and unfair trade

practices. The Partnership, by way of its counterclaims, seeks approximately \$1.7 million in damages in addition to interest, costs, punitive damages and attorneys' fees.

On December 31, 1990, a subcontractor of the Property, Moliterno Stone Sales, Inc. ("Moliterno") filed a mechanic's lien against the Property in the sum of \$155,936. On December 11, 1991, Moliterno filed a cross-claim against the Partnership in the Gilbane Action. Moliterno seeks foreclosure on its mechanic's lien, monetary damages, and possession of the Project. An application to discharge Moliterno's mechanic's lien was filed by the Partnership on April 30, 1993. On September 1, 1995, the Partnership filed its answer, special defenses and counterclaims to Moliterno's cross-claim, alleging that Moliterno was negligent, breached its contract and an implied warranty, and engaged in unfair trade practices in performing its work on the Property.

The Partnership, Gilbane and Moliterno (collectively, the "Parties") participated in the trial of the Gilbane Action over the course of approximately 20 trial days in late 1995. A final trial day was held and the evidentiary portion of the trial was completed on April 30, 1996. At that time, the court ordered the parties to file initial post-trial briefs within three weeks. Subsequently, Gilbane requested two extensions of this deadline. The parties exchanged post trial briefs on June 14, 1996, followed by reply briefs on July 26, 1996. Under the court's current order, all submissions to the court are now complete. A decision from the trial court, therefore, is currently not expected until, at the earliest, late in the fourth quarter of 1996. While the Partnership believes it has meritorious defenses and counterclaims against each claim, pursuant to the provisions of Statement of Position 94-6, which became effective with financial statements issued for fiscal years ending on or after December 15, 1995, the Partnership is required to disclose that the ultimate resolution of the matter, which is expected to occur within one year, could result in a loss of approximately \$2.8 million. The Partnership has made no accrual for potential losses related to this litigation as of September 30, 1996.

Items 2-5

Not applicable.

Item 6

Exhibits and reports on Form 8-K.

(a) Exhibits -

(27) Financial Data Schedule

(b) 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.

STAMFORD TOWERS LIMITED PARTNERSHIP

BY: STAMFORD TOWERS, INC.
General Partner

Date: November 13, 1996

BY: /s/ Regina M. Hertl
Name: Regina M. Hertl
Title: President

Date: November 13, 1996

BY: /s/ Rocco F. Andriola
Name: Rocco F. Andriola
Title: Director, Vice President
and Chief Financial Officer

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