

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

**PHOENIX LEASING CASH DISTRIBUTION FUND II**

CIK: **798905** | IRS No.: **680032426** | State of Incorpor.: **CA** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-15287** | Film No.: **94527946**  
SIC: **7377** Computer rental & leasing

Mailing Address  
2401 KERNER BLVD  
SAN RAFAEL CA 94901

Business Address  
2401 KERNER BLVD  
SAN RAFAEL CA 94901  
4154854500

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

X  QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended March 31, 1994

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 0-15287

PHOENIX\_LEASING\_CASH\_DISTRIBUTION\_FUND\_II  
Registrant

California   
State of Jurisdiction

68-0032426   
IRS Employer I.D. No.

2401\_Kerner\_Boulevard, San Rafael, California 94901   
Address of Principal Executive Offices      Zip Code

(415) 485-4500   
Registrant's Telephone No.

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 preceding requirements for the past 90 days.

YES  NO

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Part I. Financial Information

PHOENIX LEASING CASH DISTRIBUTION FUND II  
BALANCE SHEETS

(Amounts in Thousands except for Unit Amounts)  
(Unaudited)

	March 31, 1994 -----	December 31, 1993 -----
ASSETS		
Cash and cash equivalents	\$ 1,912	\$ 2,032
Accounts receivable (net of allowance for losses on accounts receivable of \$454 and \$453 at March 31, 1994 and December 31, 1993, respectively)	49	262
Notes receivable (net of allowance for losses on notes receivable of \$368 at March 31, 1994 and December 31, 1993)	1,954	1,960
Equipment on operating leases and held for lease (net of accumulated depreciation of \$31,169 and \$34,365 at March 31, 1994 and December 31, 1993, respectively)	536	641
Net investment in financing leases	896	998
Capitalized acquisition fees (net of accumulated amortization of \$6,691 and \$6,681 at March 31, 1994 and December 31, 1993, respectively)	181	191
Notes receivable, in-substance foreclosed	755	780
Other assets	98	58
	-----	-----

Total Assets	\$ 6,381	\$ 6,922
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Liabilities

Accounts payable and accrued expenses	\$ 1,071	\$ 1,093
Notes payable	108	174
	-----	-----
Total Liabilities	1,179	1,267
	-----	-----

Partners' Capital

General Partner	68	63
Limited Partners, 400,000 units authorized, 386,308 units issued and 379,583 units outstanding at March 31, 1994 and December 31, 1993	5,134	5,592
	-----	-----
Total Partners' Capital	5,202	5,655
	-----	-----
Total Liabilities and Partners' Capital	\$ 6,381	\$ 6,922
	=====	=====

The accompanying notes are an integral part of these statements.

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PHOENIX LEASING CASH DISTRIBUTION FUND II  
STATEMENTS OF OPERATIONS  
(Amounts in Thousands except for Per Unit Amounts)  
(Unaudited)

	Three Months Ended	
	March 31,	
	1994	1993
	-----	-----
INCOME		
Rental income	\$ 520	\$ 1,053
Gain on sale of equipment	391	630
Interest income, notes receivable	80	74
Gain on sale of marketable securities	100	-
Other income	10	61

Total Income	1,101	1,818
EXPENSES		
Depreciation	108	787
Amortization of acquisition fees	10	46
Lease related operating expenses	285	326
Management fees to General Partner	42	72
Reimbursed administrative costs to General Partner	34	36
Interest expense	1	9
Provision for losses on receivables	-	29
Legal expense	67	43
Other expenses	51	47
Total Expenses	598	1,395
NET INCOME	\$ 503	\$ 423
NET INCOME PER LIMITED PARTNERSHIP UNIT	\$ 1	\$ 1
DISTRIBUTIONS PER LIMITED PARTNERSHIP UNIT	\$ 3	\$ 3
ALLOCATION OF NET INCOME:		
General Partner	\$ 5	\$ 4
Limited Partners	498	419
	\$ 503	\$ 423

The accompanying notes are an integral part of these statements.

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PHOENIX LEASING CASH DISTRIBUTION FUND II  
STATEMENTS OF CASH FLOWS  
(Amounts in Thousands)  
(Unaudited)

Three Months Ended  
March 31,  
1994                      1993

Operating_Activities:		
Net income	\$ 503	\$ 423
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	108	787
Amortization of acquisition fees	10	46
Gain on sale of equipment	(391)	(630)
Gain on sale of marketable securities	(100)	-
Provision for losses on notes receivable	-	29
Decrease in accounts receivable	213	427
Decrease in accounts payable and accrued expenses	(22)	(179)
Decrease (increase) in other assets	(40)	152
	-----	-----
Net cash provided by operating activities	281	1,055
	-----	-----
Investing_Activities:		
Principal payments, financing leases	102	143
Principal payments, notes receivable	31	8
Proceeds from sale of equipment	398	811
Proceeds from sale of marketable securities	100	-
Purchase of equipment	(10)	(62)
Payment of acquisition fees	-	(5)
	-----	-----
Net cash provided by investing activities	621	895
	-----	-----
Financing_Activities:		
Payments of principal, notes payable	(66)	(103)
Distributions to partners	(956)	(954)
	-----	-----
Net cash used by financing activities	(1,022)	(1,057)
	-----	-----
Increase (decrease) in cash and cash equivalents	(120)	893
Cash and cash equivalents, beginning of period	2,032	1,459
	-----	-----
Cash and cash equivalents, end of period	\$ 1,912	\$ 2,352
	=====	=====
Supplemental_Cash_Flow_Information:		
Cash paid for interest expense	\$ 1	\$ 8
	-----	-----

The accompanying notes are an integral part of these statements.

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PHOENIX LEASING CASH DISTRIBUTION FUND II  
NOTES TO FINANCIAL STATEMENTS  
(Unaudited)

Note\_1. The accompanying unaudited condensed financial statements have been prepared by the Partnership in accordance with generally accepted accounting principles, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of Management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Although management believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes included in the Partnership's Financial Statement, as filed with the SEC in the latest annual report on Form 10-K.

Note\_2. \_\_Reclassification:

Reclassification - Certain 1993 amounts have been reclassified to conform to the 1994 presentation.

Note\_3. \_\_Income\_Taxes:

Federal and state income tax regulations provide that taxes on the income or loss of the Partnership are reportable by the partners in their individual income tax returns. Accordingly, no provision for such taxes has been made in the accompanying financial statements.

Note\_4. \_\_Net\_Income\_(Loss)\_and\_Distributions\_Per\_Limited\_Partnership\_Unit:

Net income and distributions per limited partnership unit were based on the limited partners' share of net income and distributions, and the weighted average number of units outstanding of 379,583 for the three months ended March 31, 1994 and 1993. For purposes of allocating income (loss) and distributions to each individual limited partner, the Partnership allocates net income (loss) and distributions based upon each respective limited partner's ending capital account balance.

Phoenix Leasing Cash Distribution Fund II

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

Results of Operations

Description	Three Months Ended	
	1994	1993
	March 31,	
	(Amounts in Thousands)	

Net income	\$ 503	\$ 423
Rental income	520	1,053
Gain on sale of equipment	391	630
Gain on sale of marketable securities	100	-
Depreciation expense	108	787

=====  
The Partnership reported net income of \$503,000 for the three months ended March 31, 1994 as compared to net income of \$423,000 for the same period in 1993. The increase in net income is attributable to a \$679,000 decrease in depreciation expense which in part is offset by a decrease in rental income of \$533,000.

Total revenues decreased by \$717,000 for the three months ended March 31, 1994 compared to the same period in 1993. The decline is a result of a reduction in rental income. Rental income, as well as depreciation expense, decreased as a result of a reduction in the size of the equipment portfolio due to equipment sales. At March 31, 1994, the Partnership owned equipment with an aggregate original cost of \$36.3 million, as compared to \$51.6 million at March 31, 1993. As the Partnership continues to sell equipment upon expiration of the lease terms, it is anticipated that the equipment portfolio and rental income will continue to decrease. In addition to sales of equipment, depreciation expense also declined due to a large portion of the equipment portfolio having been fully depreciated.

Another factor contributing to the reduction in total revenues is the decrease in gain on sale of equipment for the quarter ended March 31, 1994 compared to 1993. The Partnership realized a gain on sale of equipment of \$391,000 and received proceeds from the sale of equipment of \$398,000 for the three months ended March 31, 1994 compared to a \$630,000 gain on sale of equipment and \$811,000 in proceeds from the sale of equipment during the same period in 1993. The decline in gain and proceeds from sale of equipment is attributable to a decrease in sales activity. For the three months ended March 31, 1994, the Partnership sold equipment with an aggregate original cost of \$3.7 million compared to \$6.7 million during the same period in 1993.

The decreases in rental income and gain on sale of equipment for the three months ended March 31, 1994 is partially offset by a gain on sale of marketable securities of \$100,000. The Partnership had been granted stock warrants from several emerging growth companies as part of a lease/finance agreement. During the first quarter of 1994, the Partnership sold the stock of these emerging growth companies and received proceeds of \$100,000.



Description	Three Months Ended	
	1994	1993
	March 31,	
	(Amounts in Thousands)	

MAJOR CASH SOURCES:

Net cash provided by leasing and financing activities (1)	\$ 414	\$1,206
Proceeds from sale of equipment	398	811
Proceeds from sale of marketable securities	100	-

MAJOR CASH USES:

Payments of principal, notes payable	66	103
Cash distributions to partners	956	954

(1) Includes a per copy charge from the Partnership's reproduction equipment of \$102,000 and \$195,000 during 1994 and 1993, respectively.

The Partnership's primary source of liquidity comes from leasing and financing operations. The Partnership has contractual obligations with a well diversified group of lessees for fixed lease terms at fixed rental amounts and will also receive payments on its outstanding notes receivable. As the lease terms expire, the Partnership will continue to renew, remarket or sell the equipment. The future liquidity in excess of the remaining contractual obligations will depend upon the General Partner's success in re-leasing and selling the Partnership's equipment as it comes off lease.

The net cash from leasing and financing activities decreased by \$792,000 during the three months ended March 31, 1994 as compared to the same period in 1993. This decrease is attributable to the decrease in the amount of equipment owned by the Partnership.

The Partnership's debt continues to decrease as the Partnership pays its monthly installments of principal and interest. The Partnership made payments of principal on its outstanding debt of \$66,000 and \$103,000 during the three months ended March 31, 1994 and 1993, respectively.

During the three months ended March 31, 1994, the Partnership purchased \$10,000 in equipment compared to \$62,000 during the same period in 1993. The aggregate original cost of equipment owned by the Partnership at March 31, 1994 approximates \$36.3 million as compared to \$51.6 million at March 31, 1993. The \$36.3 million of equipment owned at March 31, 1994 is classified as follows: 38% reproduction equipment, 28% computer peripheral equipment, 25% computer mainframes, 4% capital equipment leased to emerging growth companies, 4% telecommunications equipment and 1% small computer systems. The \$51.6 million of equipment owned at March 31, 1993 was classified as follows: 57% computer peripheral equipment, 32% reproduction equipment, 6% capital equipment leased

to emerging growth companies, 3% telecommunications equipment, 1% small computer systems and 1% computer mainframes.

Phoenix Leasing Cash Distribution Fund II

Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

Liquidity and Capital Resources (Continued)

In addition to acquiring equipment for lease to third parties, the Partnership has provided financing to cable television system operators, emerging growth companies, security monitoring companies and other businesses. The Partnership maintains a security interest in the equipment financed, the receivables due under any lease or rental agreement related to such equipment and in the cable television systems assets. Such security interest will give the Partnership the right, upon default to obtain possession of the assets. The aggregate original amount of outstanding financing provided by the Partnership approximates \$4.2 million at March 31, 1994 and 1993. The \$4.2 million of financing is classified as follows: 99% financing to cable television systems and 1% financing to security monitoring companies.

The Partnership owned equipment held for lease with an original cost of \$14,008,000 and a net book value of \$60,000 at March 31, 1994, as compared to \$16,126,000 and \$229,000 at March 31, 1993. The General Partner is actively engaged, on behalf of the Partnership, in remarketing and selling the Partnership's off-lease equipment portfolio.

The cash distributed to partners for the three months ended March 31, 1994 and 1993 is \$956,000 and \$954,000, respectively. In accordance with the Limited Partnership Agreement, the limited partners are entitled to 95% of the cash available for distribution and the General Partner is entitled to 5%. As a result, the limited partners received distributions of \$956,000 and \$954,000 for the three months ended March 31, 1994 and 1993, respectively. The cumulative cash distributions to limited partners are \$76,176,000 and \$72,380,000 at March 31, 1994 and 1993, respectively. The General Partner did not receive distributions for the three months ended March 31, 1994 and 1993. While the General Partner is entitled to receive 5% of the cash distributions, it has voluntarily elected not to receive payment for its share of the cash available for distribution.

The Partnership's asset portfolio continues to decline as a result of the ongoing liquidation of assets, and therefore it is expected that the cash generated from operations will also continue to decline. If the cash generated by Partnership operations continue to decline, the rate of cash distributions made to limited partners will also decline. It is anticipated that the Partnership will make distributions to partners during 1994 at approximately the same as those made during 1993.

The Partnership has been adversely impacted by several factors that have

caused them to achieve returns and recovery of investment in lower than anticipated amounts. The factors impacting the Partnership have been, the economic recession in the United States, the rate of obsolescence of computer equipment, the market demand and remarketability for equipment owned by the Partnership, aggressive manufacturer sales practices and a general unavailability of debt to companies. All of these factors have resulted in the decline in revenues and the reduced distributions to partners.

Cash generated from leasing and financing operations has been and is anticipated to continue to be sufficient to meet the Partnership's on-going operational expenses.

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PHOENIX LEASING CASH DISTRIBUTION FUND II

March 31, 1994

Part II. Other Information

Item 1. Legal\_Proceedings

Please see Item 3 of the Partnership's annual report for the year ended December 31, 1993 filed on Form 10-K.

Item 2. Changes\_in\_Securities Inapplicable.

Item 3. Defaults\_Upon\_Senior\_Securities Inapplicable.

Item 4. Submission\_of\_Matters\_to\_a\_Vote\_of\_Securities\_Holders Inapplicable.

Item 5. Other\_Information Inapplicable.

Item 6. Exhibits\_and\_Reports\_on\_8-K

a) Exhibits: None

b) Reports on 8-K: None.

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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.

PHOENIX\_LEASING\_CASH\_DISTRIBUTION\_FUND\_II  
(Registrant)

May 12, 1994

BY: /S/Paritosh\_K.\_Choksi\_\_\_\_\_  
Paritosh K. Choksi  
Senior Vice President  
Chief Financial Officer  
Treasurer  
Phoenix Leasing Incorporated  
Corporate General Partner

May 12, 1994

BY: /S/Bryant\_J.\_Tong\_\_\_\_\_  
Bryant J. Tong  
Senior Vice President,  
Financial Operations  
(Principal Accounting Officer)  
Phoenix Leasing Incorporated  
Corporate General Partner

May 12, 1994

BY: /S/Gary\_W.\_Martinez\_\_\_\_\_  
Gary W. Martinez  
Senior Vice President  
Phoenix Leasing Incorporated  
Corporate General Partner

May 12, 1994

BY: /S/Michael\_K.\_Ulyatt\_\_\_\_\_  
Michael K. Ulyatt

Michael K. Ulyatt  
Partnership Controller  
Phoenix Leasing Incorporated  
Corporate General Partner