

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q/A

Quarterly report pursuant to sections 13 or 15(d) [amend]

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FILER

JMB MORTGAGE PARTNERS LTD III

CIK: **763820** | IRS No.: **363346551** | State of Incorporation: **IL** | Fiscal Year End: **1231**
Type: **10-Q/A** | Act: **34** | File No.: **000-16253** | Film No.: **96620830**
SIC: **6500** Real estate

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10Q/A

AMENDMENT NO. 1

Filed pursuant to Section 12, 13, or 15(d) of the
Securities Exchange Act of 1934

JMB MORTGAGE PARTNERS, LTD. - III

(Exact name of registrant as specified in its charter)

IRS Employer Identification

Commission File No. 0-16253

No. 36-3346551

The undersigned registrant hereby amends the following sections of its Report for the quarter ended June 30, 1996 on Form 10-Q as set forth in the pages attached hereto:

ITEM 1. FINANCIAL STATEMENTS

Pages 3 to 12

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.

JMB MORTGAGE PARTNERS, LTD. - III

By: JMB Realty Corporation
(Corporate General Partner)

By: GAILEN J. HULL
Gailen J. Hull, Senior Vice President
and Principal Accounting Officer

Dated: August 26, 1996

<TABLE>

PART I. FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS

JMB MORTGAGE PARTNERS, LTD. - III
 (A LIMITED PARTNERSHIP)
 AND CONSOLIDATED VENTURES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 1996 AND DECEMBER 31, 1995

(UNAUDITED)

ASSETS

<CAPTION>

	JUNE 30, 1996	DECEMBER 31, 1995
	-----	-----
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 16,232,071	7,538,476
Interest and other receivables	318,263	340,674
Due from affiliates	227,395	251,872
Prepaid expenses	16,290	28,769
	-----	-----
Total current assets	16,794,019	8,159,791
Investment property:		
Land	3,588,126	9,561,468
Building and improvements	6,717,800	13,743,821
	-----	-----
	10,305,926	23,305,289
Less accumulated depreciation	(925,196)	(2,321,280)
	-----	-----
Total investment property, net of depreciation	9,380,730	20,984,009
Mortgage notes receivable (net of allowance for loan loss of \$175,165 in 1995)	29,221,861	29,221,861
Deferred interest receivable (net of allowances for loan loss of \$1,691,218 in 1996 and 1995)	1,182,375	1,096,251
Investment in unconsolidated venture, at equity	3,233,461	3,159,812
Deferred costs	168,344	185,368
	-----	-----
	\$ 59,980,790	62,807,092

JMB MORTGAGE PARTNERS, LTD. - III
(A LIMITED PARTNERSHIP)
AND CONSOLIDATED VENTURES

CONSOLIDATED BALANCE SHEETS - CONTINUED

LIABILITIES AND PARTNERS' CAPITAL ACCOUNTS (DEFICITS)

	JUNE 30, 1996	DECEMBER 31, 1995
	-----	-----
Current liabilities:		
Accounts payable	\$ 141,816	88,880
Accrued real estate taxes	74,069	148,139
Other current liabilities	113,609	205,309
	-----	-----
Total current liabilities	329,494	442,328
	-----	-----
Tenant security deposits	14,000	34,073
	-----	-----
Commitments and contingencies		
	-----	-----
Total liabilities	343,494	476,401
	-----	-----
Venture partner's equity in ventures	3,907,639	8,199,483
Partners' capital accounts:		
General partners:		
Capital contributions	1,000	1,000
Cumulative net earnings (losses)	3,181,937	2,948,423
Cumulative cash distributions	(3,288,906)	(3,071,447)
	-----	-----
	(105,969)	(122,024)
	-----	-----
Limited partners (65,237.69 interests):		
Capital contributions, net of offering costs	57,758,561	57,758,561
Cumulative net earnings	35,621,345	32,031,226
Cumulative cash distributions	(37,544,280)	(35,536,555)
	-----	-----
	55,835,626	54,253,232
	-----	-----
Total partners' capital accounts (deficits)	55,729,657	54,131,208
	-----	-----
	\$ 59,980,790	62,807,092
	=====	=====

<FN>

See accompanying notes to consolidated financial statements.

</TABLE>

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JMB MORTGAGE PARTNERS, LTD. - III

(A LIMITED PARTNERSHIP)
AND CONSOLIDATED VENTURES

CONSOLIDATED STATEMENTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 1996 AND 1995

(UNAUDITED)

<CAPTION>

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Income:				
Interest income	\$ 897,168	848,547	1,794,458	1,700,199
Rental income	906,235	892,634	1,789,713	1,816,387
	-----	-----	-----	-----
	1,803,403	1,741,181	3,584,171	3,516,586
	-----	-----	-----	-----
Expenses:				
Depreciation	58,086	161,173	116,466	322,346
Property operating expenses	319,516	341,089	629,982	670,186
Mortgage investment servicing fees	18,632	18,994	36,645	39,128
Professional services	22,621	24,920	43,621	56,329
Amortization of deferred expenses	8,512	8,002	17,024	26,759
General and administrative	85,215	60,871	200,639	109,958
	-----	-----	-----	-----
	512,582	615,049	1,044,377	1,224,706
	-----	-----	-----	-----
Operating earnings (loss)	1,290,821	1,126,132	2,539,794	2,291,880
Partnership's share of operations of uncon- solidated venture	29,609	50,300	73,648	111,858
Venture partner's share of ventures' operations	(195,768)	(145,656)	(395,337)	(329,173)
	-----	-----	-----	-----
Net operating earnings (loss)	1,124,662	1,030,776	2,218,105	2,074,565

JMB MORTGAGE PARTNERS, LTD. - III
(A LIMITED PARTNERSHIP)
AND CONSOLIDATED VENTURES

CONSOLIDATED STATEMENTS OF OPERATIONS - CONTINUED

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	1996	1995	1996	1995
	-----	-----	-----	-----

Gain on sale of investment properties, net of venture partner's share of gain of \$973,220	1,605,528	--	1,605,528	--
	-----	-----	-----	-----
Net earnings (loss)	\$ 2,730,190	1,030,776	3,823,633	2,074,565
	=====	=====	=====	=====
Net earnings (loss) per limited partnership interest:				
Net operating loss \$	13.91	14.14	30.67	28.47
Net gain on sale of investment property.	24.36	--	24.36	--
	-----	-----	-----	-----
	\$ 38.27	14.14	55.03	28.47
	=====	=====	=====	=====
Cash distributions per limited partnership interest \$	30.00	15.00	30.00	30.00
	=====	=====	=====	=====

<FN>
See accompanying notes to consolidated financial statements.

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JMB MORTGAGE PARTNERS, LTD. - III
(A LIMITED PARTNERSHIP)
AND CONSOLIDATED VENTURES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 1996 AND 1995

(UNAUDITED)

<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings (loss)	\$ 3,823,633	2,074,565
Items not requiring cash or cash equivalents:		
Total gain on sale of investment property	(2,578,748)	--
Depreciation	116,466	322,346

Amortization of deferred expenses	17,024	26,759
Partnership's share of operations of unconsolidated venture, net of distributions	(73,648)	18,342
Venture partners' share of ventures' operations and gain on sale of its investment property	1,368,556	329,173
Changes in:		
Interest and other receivables	21,886	(17,186)
Due from affiliates	24,477	--
Prepaid expenses	--	28,769
Deferred interest receivable	(86,124)	(85,507)
Accounts payable	52,409	6,184
Due to affiliates	--	(382,428)
Accrued real estate taxes	(74,070)	32,748
Other current liabilities	(91,700)	(18,279)
Tenant security deposits	(20,661)	(15,541)

Net cash provided by (used in) operating activities	2,499,500	2,319,945
---	-----------	-----------

Cash flows from investing activities:		
Partnership's distributions to venture partners	--	(2,093,562)
Net sales and maturities (purchases) of short-term investments	--	(3,732,378)
Cash proceeds from sale of investment property, net of selling expenses	14,178,883	--
Additions to investment properties	(99,204)	(90,408)
Partnership's contribution to unconsolidated venture	--	(3,607)
Refund of deferred costs	--	2,436
Net cash provided in (used in) investing activities	14,079,679	(5,917,519)

JMB MORTGAGE PARTNERS, LTD. - III
(A LIMITED PARTNERSHIP)
AND CONSOLIDATED VENTURES

CONSOLIDATED STATEMENTS OF CASH FLOWS - CONTINUED

	1996	1995
	-----	-----
Cash flows from financing activities:		
Distributions to venture partners	(5,660,400)	--
Distributions to limited partners	(2,007,725)	(1,957,132)
Distributions to general partners	(217,459)	(217,459)
Net cash used in financing activities	(7,885,584)	(2,174,591)
Net increase (decrease) in cash and cash equivalents	8,693,595	(5,772,165)
Cash and cash equivalents, beginning of year	7,538,476	10,278,236
Cash and cash equivalents, end of period	\$ 16,232,071	4,506,071
	=====	=====
Supplemental disclosure for cash flow information:		
Cash paid for mortgage and other interest	\$ --	--
	=====	=====
Non-cash investing and financing activities:		

Balance due on mortgage note receivable (net of allowance for loan loss of \$99,000)	\$	--	3,121,072
Partnership contribution to unconsolidated venture.		--	3,607
		-----	-----
Net carrying value of investment property (reflected as investment in unconsolidated venture)	\$	--	3,124,679
		=====	=====

<FN>
 See accompanying notes to consolidated financial statements.
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JMB MORTGAGE PARTNERS, LTD. - III
 (A LIMITED PARTNERSHIP)
 AND CONSOLIDATED VENTURES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1996 AND 1995

(UNAUDITED)

GENERAL

Readers of this quarterly report should refer to the Partnership's audited financial statements for the fiscal year ended December 31, 1995, which are included in the Partnership's 1995 Annual Report, as certain footnote disclosures which would substantially duplicate those contained in such audited financial statements have been omitted from this report.

The preparation of financial statements in accordance with GAAP requires the Partnership to make estimates and assumptions that affect the reported or disclosed amount of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Statement of Financial Accounting Standards No. 121 was adopted by the Partnership on January 1, 1996.

TRANSACTIONS WITH AFFILIATES

The Partnership, pursuant to the Partnership Agreement, is permitted to engage in various transactions involving the Corporate General Partner

and its affiliates including the reimbursement for salaries and salary-related expenses of its employees, certain of its officers, and other direct expenses relating to the administration of the Partnership and the operation of the Partnership's investments. Fees, commissions and other expenses required to be paid by the Partnership to the General Partners and their affiliates as of June 30, 1996 and for the three months ended June 30, 1996 and 1995 were as follows:

	1996	1995	Unpaid at June 30, 1996
	-----	-----	-----
Mortgage investment servicing fees	\$ 36,646	39,128	18,827
Property management fees	51,311	52,757	--
Reimbursement (at cost) for out-of-pocket expenses and salaries and salary-related expenses	44,127	37,690	35,659
	-----	-----	-----
	\$132,084	129,575	54,486
	=====	=====	=====

The General Partners have deferred payment of \$679,727 (approximately \$10 per Interest) of their distributions of prior net cash flow from the Partnership at June 30, 1996, in accordance with the subordination requirements of the Partnership Agreement. All amounts deferred or currently payable do not bear interest.

SPRING HILL FASHION CENTER

A major tenant, which occupied approximately 24% of the leasable space at the property and which was operating under Chapter 11 bankruptcy protection, did not exercise its renewal option when its lease expired in October 1995 and vacated its space. The Spring Hill joint venture (the "venture"), however, executed a ten-year lease (in February 1996) with a replacement tenant for this space at rental rates lower than those of the former tenant. The replacement tenant's occupancy in late June 1996 has resulted in the property being 93% leased occupied at June 30, 1996, up from 67% at March 31, 1996. The venture is conserving its working capital in order to fund certain costs associated with the replacement tenant's move-in. Although, the venture is actively pursuing the sale of this property, there can be no assurance that any satisfactory sale transaction will be completed by the end of 1996.

RIVERPOINT CENTER

The Silo Electronic store (12,100 sq. ft.) at Riverpoint Center vacated its space in the third quarter 1995 and subsequently filed for bankruptcy. The borrower is pursuing its legal remedies regarding the remaining amounts due. The borrowers leased the space to the Old Navy Clothing Co., for five years with rent commencing July 1996. The borrower had notified the Lenders that it was experiencing financial difficulties and had approached the Lenders regarding a loan modification. During July

1996, the Lenders and borrowers reached an agreement in principle to defer payment of a portion of the scheduled debt service payments from September 15, 1995 to July 15, 1996. In conjunction with the modification agreement in principle, the scheduled maturity date of the loan would be accelerated to December 31, 1997. Finally, the lenders have agreed to accept at certain dates through June 30, 1997 repayment of the loan at specified amounts. Repayment of the loan per such agreement would yield the Lenders, when paid, an amount less than what would otherwise be due per the original terms of the mortgage loan. However, there can be no assurance that such agreement will be finalized under these terms or any others. As of the date of this report, certain escrow and real estate tax payments are delinquent; however, the borrower is current in its full monthly debt service payments. The Partnership is recognizing interest income only as collected.

Subsequent to the end of the quarter, the borrower notified the Lenders that a tenant which operates a dry cleaning plant at the site has leaked a chemical associated with the dry cleaning process that can cause environmental problems if not handled properly. The borrower is currently performing tests to assess the extent of the contamination. At this time, it is not possible to reasonably estimate what the cost of any required remediation. The Lenders do not currently expect that the value of the borrower's property has been materially impaired; however, there can be no assurance that the contamination will not have a material impact on the value of the Lender's security until more information becomes available.

FRANKLIN FARM VILLAGE CENTER

A tenant, which has a ground lease with the borrower, informed the borrower and the appropriate state agencies that gasoline was discharged into the ground. The Lenders were then informed by the borrower. The Lenders have been informed that the tenant, which operates a gasoline station at the site, is cooperating fully with all government agencies in order to rectify this problem in an expeditious manner and that no nearby underground water supplies were affected nor does it appear likely that any will be affected in the future. The tenant (an affiliate of a national gasoline marketer) appears to have the financial resources to fully pay for the clean up at the property. At this time it is indeterminable what the cost of the clean up will be. The Lenders do not currently expect that the

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value of the borrower's property has been materially affected. However, there can be no assurances that the gasoline leak, as reported, will not have a material impact on the value of the Lenders' security in the future.

During July 1996, the Lenders executed an agreement with the borrower regarding an early repayment of the mortgage loan. Such agreement allows the borrower to repay the loan at a predetermined amount prior to October 8, 1996. If the loan is repaid pursuant to such agreement, the Lenders will receive an amount less than what would otherwise be due under the terms of the original mortgage loan. There can be no assurance that such loan will be prepaid. However, effective July 1996, the Partnership is recognizing income only as collected. As of the date of the report, no amounts currently due from the borrower of this loan are in arrears.

CALIBRE POINT APARTMENTS

Calibre Pointe Associates entered into a purchase agreement in April 1996 with an independent third party to sell the property. The sale price of the apartments was \$14,450,000, paid in cash at closing on May 30, 1996.

Calibre Pointe Associates will recognize a gain of approximately \$2,578,000 for financial reporting purposes in 1996, of which approximately \$1,605,000 will be allocable to the Partnership. Calibre Pointe Associates expects to recognize a gain of approximately \$2,200,000 for Federal income tax purposes in 1996 of which approximately \$1,370,000 will be allocable to the Partnership.

The property was classified as held for sale or disposition as of January 1, 1996 and therefore has not been subject to continued depreciation. The accompanying consolidated financial statements include \$983,667 and \$904,947 of revenues and \$379,002 and \$594,373 of operating expenses for the six months ended June 30, 1996 and 1995 (reflected as a component of the Partnership's share of operations of unconsolidated ventures). The property had a net carrying value of approximately \$11,580,000 at December 31, 1995.

NORTH RIVERS MARKET SHOPPING CENTER

Occupancy of North Rivers Market Shopping Center in North Charleston, South Carolina was 83% at June 30, 1996. Phar Mor, a major tenant at the center filed for protection under Chapter 11 of the bankruptcy code. The Phar Mor store at the center has continued to operate since its bankruptcy filing and has been current on all rent payments due subsequent to filing. The manager is aggressively attempting to lease the vacant space in the center. However, the competitiveness of the market given the Naval facility closings in the nearby area is expected to make it difficult to lease space in the center, thereby extending the period of time it will take to complete the lease-up of the center and result in a decrease in cash flow from operations over the near term.

SHOPPES AT RIVERGATE

In May 1995, a tornado touched down in Goodlettsville, Tennessee and severely damaged a significant percentage (17% or 29,000 square feet) of the Shoppes at Rivergate. The portion of the shopping center undamaged by the tornado continued to operate while the damaged portion was being repaired. Substantially all of the loss, including any loss caused by business interruption, is expected to be covered by the borrower's insurance. The borrower has substantially rebuilt the damaged portions of the center with funds provided by the insurance company and the property is currently 97% occupied. Subsequent to the end of the quarter, a tenant which occupied approximately 15,400 square feet vacated its space prior to its lease expiration, decreasing the occupancy to 89%. Total costs to repair the center are estimated to be approximately \$1,200,000, of which approximately \$1,080,000 has been spent as of June 30, 1996. As of the date of this report, the borrower is current with all payments due to the Partnership.

SELECTED FINANCIAL INFORMATION

Pursuant to the requirements of the Securities and Exchange Commission, the following is a summary of historical income statement information for Shoppes at Rivergate, Riverpoint Center and Franklin Farm Village Center shopping centers for the six months ended June 30, 1996 and 1995. Such properties secure the participating first mortgage investments made by the Partnership.

	1996	1995
	-----	-----
Total revenues	\$4,147,591	4,053,636
	=====	=====
Net income (loss)	\$ 302,426	164,544
	=====	=====

ADJUSTMENTS

In the opinion of the Corporate General Partner, all adjustments (consisting solely of normal recurring adjustments) necessary for a fair presentation have been made to the accompanying figures as of June 30, 1996 and for the three and six months ended June 30, 1996 and 1995.