

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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BALCOR PENSION INVESTORS IV

CIK: **709329** | IRS No.: **363202727** | State of Incorporation: **IL** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-11699** | Film No.: **95536349**
SIC: **6500** Real estate

Mailing Address
4849 GOLF ROAD
SKOKIE IL 60077

Business Address
4849 GOLF ROAD
SKOKIE IL 60077
7086772900

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 March 31, 1995

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 0-11699

BALCOR PENSION INVESTORS-IV

(Exact name of registrant as specified in its charter)

Illinois

36-3202727

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

Balcor Plaza
4849 Golf Road, Skokie, Illinois

60077-9894

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (708) 677-2900

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
 ----- -----

BALCOR PENSION INVESTORS-IV
 (An Illinois Limited Partnership)

BALANCE SHEETS
 March 31, 1995 and December 31, 1994
 (Unaudited)

ASSETS

	1995	1994
	-----	-----
Cash and cash equivalents	\$ 11,176,619	\$ 11,860,415
Cash and cash equivalents - Early Investment Incentive Fund	221,708	157,547
Escrow deposits	818,230	771,879
Accounts and accrued interest receivable	190,548	119,016
Deferred expenses, net of accumulated amortization of \$41,690 in 1995 and \$36,058 in 1994	141,003	146,635
	-----	-----
	12,548,108	13,055,492
	-----	-----
Investment in loans receivable:		
Loans receivable - first mortgages	3,005,985	3,037,096
Less:		
Allowance for potential loan loss	250,000	250,000
	-----	-----
Net investment in loans receivable	2,755,985	2,787,096
Real estate held for sale (net of allowance of \$1,277,805)	41,992,254	41,518,106
Investment in joint venture with affiliates	4,188,074	4,109,895
	-----	-----
	48,936,313	48,415,097
	-----	-----
	\$ 61,484,421	\$ 61,470,589
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Accounts and accrued real estate taxes payable	\$ 700,278	\$ 747,113
Due to affiliates	178,994	124,148
Other liabilities (principally security deposits)	288,286	289,249
Mortgage notes payable	11,249,006	11,316,222
	-----	-----
Total liabilities	12,416,564	12,476,732
	-----	-----
Partners' capital (429,606 Limited Partnership Interests issued)	56,949,278	56,875,278
Less Interests held by Early Investment Incentive Fund (28,983 in 1995 and 1994)	(7,881,421)	(7,881,421)
	-----	-----
	49,067,857	48,993,857
	-----	-----
	\$ 61,484,421	\$ 61,470,589
	=====	=====

The accompanying notes are an integral part of the financial statements.

BALCOR PENSION INVESTORS-IV
(An Illinois Limited Partnership)

STATEMENTS OF INCOME AND EXPENSES
for the quarters ended March 31, 1995 and 1994
(Unaudited)

	1995	1994
	-----	-----
Income:		
Interest on loans receivable	\$ 49,142	\$ 70,377
Income from operations of real estate held for sale	661,907	514,412
Participation in income of joint venture with affiliates	78,179	101,622
Interest on short-term investments	181,250	142,104
	-----	-----
Total income	970,478	828,515
	-----	-----
Expenses:		
Administrative	241,843	361,984
	-----	-----
Total expenses	241,843	361,984
	-----	-----
Income before gain on sale of real estate	728,635	466,531
Gain on sale of real estate		1,170,546
	-----	-----

Net income	\$ 728,635	\$ 1,637,077
	=====	=====
Net income allocated to General Partner	\$ 54,648	\$ 122,781
	=====	=====
Net income allocated to Limited Partners	\$ 673,987	\$ 1,514,296
	=====	=====
Net income per average number of Limited Partnership interests outstanding (400,623 in 1995 and 403,829 in 1994)	\$ 1.68	\$ 3.75
	=====	=====
Distribution to General Partner	\$ 53,701	\$ 35,801
	=====	=====
Distribution to Limited Partners	\$ 600,934	\$ 2,019,145
	=====	=====
Distribution per Limited Partnership Interest	\$ 1.50	\$ 5.00
	=====	=====

The accompanying notes are an integral part of the financial statements.

BALCOR PENSION INVESTORS-IV
(An Illinois Limited Partnership)

STATEMENTS OF CASH FLOWS
for the quarters ended March 31, 1995 and 1994
(Unaudited)

	1995	1994
	-----	-----
Operating activities:		
Net income	\$ 728,635	\$ 1,637,077
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of real estate		(1,170,546)
Participation in income of joint venture with affiliates	(78,179)	(101,622)
Amortization of deferred expenses	5,632	5,632
Net change in:		
Escrow deposits	(69,411)	80,951
Escrow deposits-restricted		232,452
Accounts and accrued interest receivable	(71,532)	406,897
Other assets		78,538
Accounts and accrued real estate taxes payable	(46,835)	(30,949)
Due to affiliates	54,846	92,187
Other liabilities	(963)	(290,573)
	-----	-----
Net cash provided by operating activities	522,193	940,044

Investing activities:		
Capital contribution to joint venture with affiliates		(19,473)
Collection of principal payments on loan receivable	31,111	26,364
Additions to real estate	(99,148)	
Proceeds from sale of real estate		3,250,000
Costs incurred in connection with sale of real estate		(244,360)
Costs incurred in connection with real estate acquired through foreclosure	(375,000)	(350,174)
Net cash (used in) or provided by investing activities	(443,037)	2,662,357
Financing activities:		
Distribution to Limited Partners	(600,934)	(2,019,145)
Distribution to General Partner	(53,701)	(35,801)
Change in cash and cash equivalents - Early Investment Incentive Fund	(64,161)	(14,834)
Principal payments on mortgage notes payable	(67,216)	(61,185)
Repayment of mortgage note payable		(2,838,473)
Release of capital improvement escrow	23,060	
Net cash used in financing activities	(762,952)	(4,969,438)
Net change in cash and cash equivalents	(683,796)	(1,367,037)
Cash and cash equivalents at beginning of year	11,860,415	14,917,086
Cash and cash equivalents at end of period	\$ 11,176,619	\$ 13,550,049

The accompanying notes are an integral part of the financial statements.

BALCOR PENSION INVESTORS-IV
(An Illinois Limited Partnership)

NOTES TO FINANCIAL STATEMENTS

1. Accounting Policy:

Mortgage servicing fees have been reclassified and are included in administrative expenses during 1995. This reclassification has been made to the previously reported 1994 financial statements to conform with the classification used in 1995. This reclassification has not changed the 1994 results. In the opinion of management, all adjustments necessary for a fair

presentation have been made to the accompanying statements for the quarter ended March 31, 1995, and all such adjustments are of a normal and recurring nature.

2. Interest Expense:

During the quarters ended March 31, 1995 and 1994, the Partnership incurred interest expense on mortgage notes payable of \$250,089 and \$281,403 and paid interest expense of \$250,089 and \$253,646, respectively.

3. Transactions with Affiliates:

Fees and expenses paid and payable by the Partnership to affiliates for the quarter ended March 31, 1995 are:

	Paid -----	Payable -----
Mortgage servicing fees	\$ 1,686	\$ 843
Reimbursement of expenses to the General Partner, at cost:	None	178,151

4. Subsequent Event:

In April 1995, the Partnership made a distribution of \$644,409 to the holders of Limited Partnership Interests which represents a regular quarterly distribution of available Cash Flow of \$1.50 per Interest for the first quarter of 1995.

BALCOR PENSION INVESTORS-IV
(An Illinois Limited Partnership)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Balcor Pension Investors-IV (the "Partnership") is a limited partnership formed in 1982 to invest in wrap-around mortgage loans and, to a lesser extent, make other junior mortgage loans and first mortgage loans. The Partnership raised \$214,803,000 through the sale of Limited Partnership Interests and utilized these proceeds to fund thirty-eight loans. As of March 31, 1995, there are two loans outstanding in the Partnership's portfolio. In addition, the Partnership is operating seven properties held for sale and holds a minority joint venture interest in one property.

Inasmuch as the management's discussion and analysis below relates primarily to the time period since the end of the last fiscal year, investors are encouraged to review the financial statements and the management's discussion and analysis contained in the annual report for 1994 for a more complete understanding of the Partnership's financial position.

Operations

- - - - -

Summary of Operations

- - -----

The Partnership recognized a gain on the sale of the Republic Park Office Building during the first quarter of 1994, which was the primary reason for the decrease in net income during the quarter ended March 31, 1995 as compared to the same period in 1994. Further discussion of the Partnership's operations is summarized below.

1995 Compared to 1994

- - -----

Interest income received during 1994 on the residual note related to the Independence Green prepayment was the primary reason for the decrease in interest income on loans receivable during the quarter ended March 31, 1995 as compared to the same period in 1994.

The Partnership has one non-accrual loan at March 31, 1995 which is collateralized by the Stonehaven South Apartments. The funds advanced by the Partnership for this non-accrual loan are approximately \$2,800,000. For non-accrual loans, income is recorded only as cash payments are received from the borrowers. During the quarter ended March 31, 1995, the Partnership received cash payments of interest income of approximately \$27,000 on this loan. Under the terms of the original loan agreement, the Partnership would have received approximately \$94,000 of interest income.

Allowances are charged to income when the General Partner believes an impairment has occurred, either in a borrower's ability to repay the loan or in the value of the collateral property. Determinations of fair value are made periodically on the basis of performance under the terms of the loan agreement and assessments of property operations. Determinations of fair value represent estimations based on many variables which affect the value of real estate, including economic and demographic conditions. The Partnership did not recognize a provision for potential losses on its loans and real estate held for sale during the quarters ended March 31, 1995 and 1994.

Operations of real estate held for sale represent the net operations of those properties acquired by the Partnership through foreclosure. At March 31, 1995, the Partnership was operating seven properties. Original funds advanced by the Partnership total approximately \$30,200,000 for these seven real estate investments. The Republic Park Office Building, which was generating a loss prior to its sale, was sold in February 1994. Rental income increased at the Colony Apartments due to increased rental rates while property operating expense decreased slightly. The combined effect of these events resulted in an increase in income during the quarter ended March 31, 1995 as compared to the same period in 1994. Also, during 1995, North Kent Mall incurred expenditures for leasing costs which partially offset the increase in income.

Participation in income of joint venture with affiliates represents the Partnership's 15.37% share of the operations of the Perimeter 400 Center Office

Building. Decreased average occupancy levels at this property during 1995 was the primary reason for the decrease in income during the quarter ended March 31, 1995 as compared to the same period in 1994.

As a result of higher interest rates earned on short-term investments, interest income on short-term investments increased during the quarter ended March 31, 1995 as compared to the same period in 1994.

Decreased legal and professional fees incurred in connection with the 1994 foreclosures was the primary reason administrative expenses decreased during the quarter ended March 31, 1995 as compared to the same period in 1994.

During the quarter ended March 31, 1994, the Partnership recognized a gain of \$1,170,546 on the sale of the Republic Park Office Building.

Liquidity and Capital Resources

The cash position of the Partnership decreased as of March 31, 1995 when compared to December 31, 1994. The Partnership received cash flow from its operating activities, which consisted of interest income earned on its investment in loans receivable and short-term interest bearing instruments and cash flow generated by the Partnership's properties held for sale, partially offset by the payment of administrative expenses. The Partnership used cash to fund its investing activities relating primarily to additional costs incurred in connection with the foreclosure of Glendale Fashion Center. The Partnership also used cash to fund its financing activities which consisted primarily of the payment of distributions to the Limited Partners and General Partner and the payment of principal on the mortgage notes payable.

The Partnership classifies the cash flow performance of its properties as either positive, a marginal deficit or a significant deficit, each after consideration of debt service payments unless otherwise indicated. A deficit is considered to be significant if it exceeds \$250,000 annually or 20% of the property's rental and service income. The Partnership defines cash flow generated from its properties as an amount equal to the property's revenue receipts less property related expenditures, which include debt service payments. The Del Lago, Pelican Pointe and Regency Club apartment complexes do not have underlying debt. During the quarters ended March 31, 1995 and 1994, six of the Partnership's properties generated positive cash flow. The Glendale Fashion Center operated at a significant cash flow deficit during 1995 and a marginal cash flow deficit during 1994. The Partnership acquired the Center through foreclosure in March 1994. The current occupancy is 12% as management has terminated certain tenants' leases to prepare the property for redevelopment. The Partnership is currently in the process of signing letters of intent for new tenants at the Center. The Partnership continues to evaluate its options with respect to the redevelopment process for the Center which includes the potential of marketing the property for sale. The Partnership acquired North Kent Mall through foreclosure in January 1994 and is evaluating alternative strategies to upgrade and reposition the property in its market. The current occupancy of the Mall is 64%. As of March 31, 1995, the occupancy

rates of the Partnership's residential properties ranged from 95% to 98% except for the Del Lago Apartments which had an occupancy rate of 91%.

The General Partner is continuing its efforts to maintain high occupancy levels while increasing rents where possible, and to monitor and control operating expenses and capital improvement requirements at the properties. The General Partner will also examine the terms of any mortgage loans collateralized by its properties, and may refinance or, in certain instances, use Partnership reserves to repay such loans.

In April 1995, the Partnership made a distribution of \$644,409 to the holders of Limited Partnership Interests which represents a regular quarterly distribution of available Cash Flow of \$1.50 per Interest for the first quarter of 1995. The quarterly distribution level is consistent with the amount distributed for the fourth quarter of 1994. The Partnership also paid \$53,701 to the General Partner as its distributive share of the Cash Flow distributed for the first quarter of 1995 and \$17,900 as its contribution to the Early Investment Incentive Fund. To date, the Partnership has distributed \$554.10 per \$500 Interest, of which \$319.10 represents Cash Flow from operations and \$235.00 represents a return of Original Capital.

The Partnership expects to continue making quarterly cash distributions; however, the level of such future distributions will be dependent upon the cash flow generated by the receipt of mortgage payments and improved operations of the Partnership's properties held for sale, less administrative expenses. The General Partner believes the Partnership has retained an appropriate amount of working capital to meet current cash or liquidity requirements which may occur.

Inflation has several types of potentially conflicting impacts on real estate investments. Short-term inflation can increase real estate operating costs which may or may not be recovered through increased rents and/or sales prices depending on general or local economic conditions. In the long-term, inflation can be expected to increase operating costs and replacement costs and may lead to increased rental revenues and real estate values.

BALCOR PENSION INVESTORS-IV
(An Illinois Limited Partnership)

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) (3) Exhibits:

(4) Form of Confirmation regarding Interests in the Registrant set forth as Exhibit 4 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 1992 (Commission File No. 0-11699) is incorporated herein by reference.

(10) (a) Agreement of Sale relating to the sale of Republic Park One Office Building, Aurora, Colorado, previously filed as Exhibit 2 to the Registrant's Current Report on Form 8-K dated February 2, 1994 is incorporated herein by reference.

(b) Agreement of Sale and Escrow Agreement relating to the sale of 240 E. Ontario Street Office Building, Chicago, Illinois, previously filed as Exhibit 2 to the Registrant's Current Report on Form 8-K dated April 15, 1993, is incorporated herein by reference.

(27) Financial Data Schedule of the Registrant for the quarter ended March 31, 1995 is attached hereto.

(b) Reports on Form 8-K: There were no reports filed on Form 8-K during the quarter ended March 31, 1995.

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.

BALCOR PENSION INVESTORS-IV

By: /s/Thomas E. Meador

Thomas E. Meador
President and Chief Executive Officer
(Principal Executive Officer) of Balcor
Mortgage Advisors-III, the General Partner

By: /s/Brian Parker

Brian Parker
Senior Vice President, and Chief Financial
Officer (Principal Accounting and Financial
Officer) of Balcor Mortgage Advisors-III,
the General Partner

Date: May 10, 1995

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