FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

AEI REAL ESTATE FUND 86-A LTD PARTNERSHIP
CIK:**785788**| IRS No.: **416273958** | State of Incorp.:**DE** | Fiscal Year End: **1231**
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SIC: **6500** Real estate

Mailing Address
1300 MINNESOTA WORLD TRADE CENTER
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d)
of The Securities Exchange Act of 1934

For the Quarter Ended: March 31, 1995

Commission file number: 0-14090

AEI REAL ESTATE FUND 86-A LIMITED PARTNERSHIP
(Exact Name of Small Business Issuer as Specified in its Charter)

State of Delaware	41-6273958
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1300 Minnesota World Trade Center, St. Paul, Minnesota 55101
(Address of Principal Executive Offices)

(612) 227-7333
(Issuer's telephone number)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) 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

Transitional Small Business Disclosure Format:

Yes No X

AEI REAL ESTATE FUND 86-A LIMITED PARTNERSHIP

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<TABLE>
AEI REAL ESTATE FUND 86-A LIMITED PARTNERSHIP

BALANCE SHEET

MARCH 31, 1995 AND DECEMBER 31, 1994

(Unaudited)

ASSETS

<CAPTION>

<S>	1995 <C>	1994 <C>
CURRENT ASSETS:		
Cash	$ 25,493	$ 9,802
Receivables	22,851	11,604
Total Current Assets	48,344	21,406
INVESTMENTS IN REAL ESTATE:		
Land	2,458,967	2,458,967

Buildings and Equipment	3,793,449	3,793,449
Accumulated Depreciation	(1,179,948)	(1,139,101)
Net Investments in Real Estate	5,072,468	5,113,315
Total Assets	$5,120,812	$5,134,721

<CAPTION>

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:		
Payable to AEI Fund Management, Inc.	$ 48,249	$ 20,662
Distributions Payable	128,894	128,894
Security Deposit	5,000	5,000
Line of Credit	38,000	35,000
Unearned Rent	8,329	0
Total Current Liabilities	228,472	189,556
PARTNERS' CAPITAL (DEFICIT):		
General Partners	(14,229)	(13,701)
Limited Partners, $1,000 Unit value; 7,500 Units authorized and issued; 7,276 Units outstanding	4,906,569	4,958,866
Total Partners' Capital	4,892,340	4,945,165
Total Liabilities and Partners' Capital	$5,120,812	$5,134,721

<FN>

The accompanying Notes to Financial Statements are an integral part of this statement.

</TABLE>

<TABLE>

AEI REAL ESTATE FUND 86-A LIMITED PARTNERSHIP

STATEMENT OF INCOME

FOR THE PERIODS ENDED MARCH 31

(Unaudited)

<CAPTION>

<S>	1995 <C>	1994 <C>
INCOME:		
Rent	$ 183,633	$ 177,145
Investment Income	102	504
Total Income	183,735	177,649
EXPENSES:		
Partnership Administration - Affiliates	34,789	29,795
Partnership Administration and Property Management - Unrelated Parties	18,875	15,060
Depreciation	40,847	40,847

	1995	1994
Total Expenses	94,511	85,702
NET INCOME	$ 89,224	$ 91,947
NET INCOME ALLOCATED:		
General Partners	$ 892	$ 919
Limited Partners	88,332	91,028
	$ 89,224	$ 91,947
NET INCOME PER LIMITED PARTNERSHIP UNIT (7,276 and 7,285 weighted average Units outstanding in 1995 and 1994, respectively)	$ 12.14	$ 12.50

<FN>

The accompanying Notes to Financial Statements are an integral part of this statement.

</TABLE>

<TABLE>

AEI REAL ESTATE FUND 86-A LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE PERIODS ENDED MARCH 31

(Unaudited)

<CAPTION>

<S>	1995 <C>	1994 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 89,224	$ 91,947
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	40,847	40,847
(Increase) Decrease in Receivables	(11,247)	4,188
Increase in Payable to AEI Fund Management, Inc.	27,587	29,208
Increase in Unearned Rent	8,329	8,329
Total Adjustments	65,516	82,572
Net Cash Provided by Operating Activities	154,740	174,519
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in Distributions Payable	0	27,274
Distributions to Partners	(142,049)	(142,045)
Increase in Line of Credit	3,000	0
Net Cash Used for Financing Activities	(139,049)	(114,771)

NET INCREASE IN CASH	15,691	59,748
CASH, beginning of period	9,802	20,159
CASH, end of period	$ 25,493	$ 79,907

<FN>

The accompanying Notes to Financial Statements are an integral part of this statement.
</TABLE>

<TABLE>

AEI REAL ESTATE FUND 86-A LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

FOR THE PERIODS ENDED MARCH 31

(Unaudited)

<CAPTION>

<S>	General Partners <C>	Limited Partners <C>	Total <C>
BALANCE, December 31, 1993	$ (11,268)	$ 5,199,758	$ 5,188,490
Distributions	(1,420)	(140,625)	(142,045)
Net Income	919	91,028	91,947
BALANCE, March 31, 1994	$ (11,769)	$ 5,150,161	$ 5,138,392
BALANCE, December 31, 1994	$ (13,701)	$ 4,958,866	$ 4,945,165
Distributions	(1,420)	(140,629)	(142,049)
Net Income	892	88,332	89,224
BALANCE, March 31, 1995	$ (14,229)	$ 4,906,569	$ 4,892,340

<FN>

The accompanying Notes to Financial Statements are an integral part of this statement.
</TABLE>

AEI REAL ESTATE FUND 86-A LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1995

(Unaudited)

(1) The condensed statements included herein have been prepared by the Partnership, without audit, and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of operations for the interim period, on a basis consistent with the annual audited statements. The adjustments made to these condensed statements consist only of normal recurring adjustments. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Partnership 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 summary of significant accounting policies and notes thereto included in the Partnership's latest annual report on Form 10-KSB.

(2) Organization -

AEI Real Estate Fund 86-A Limited Partnership (Partnership) was formed to acquire and lease commercial properties to operating tenants. The Partnership's operations are managed by AEI Fund Management 86-A, Inc. (AFM), the Managing General Partner of the Partnership. Robert P. Johnson, the President and sole shareholder of AFM, serves as the Individual General Partner of the Partnership. An affiliate of AFM, AEI Fund Management, Inc., performs the administrative and operating functions for the Partnership.

The terms of the Partnership offering call for a subscription price of $1,000 per Limited Partnership Unit, payable on acceptance of the offer. The Partnership commenced operations on April 2, 1986 when minimum subscriptions of 1,300 Limited Partnership Units ($1,300,000) were accepted. The Partnership's offering terminated on July 9, 1986 when the maximum subscription limit of 7,500 Limited Partnership Units ($7,500,000) was reached.

Under the terms of the Limited Partnership Agreement, the Limited Partners and General Partners contributed funds of $7,500,000 and $1,000, respectively. During the operation of the Partnership, any Net Cash Flow, as defined, which the General Partners determine to distribute will be distributed 90% to the Limited Partners and 10% to the General Partners; provided, however, that such distributions to the General Partners will be subordinated to the Limited Partners first receiving an annual, noncumulative distribution of Net Cash Flow equal to 10% of their Adjusted

Capital Contribution, as defined, and, provided further, that in no event will the General Partners receive less than 1% of such Net Cash Flow per annum. Distributions to Limited Partners will be made pro rata by Units.

(2)Organization - (Continued)

Any Net Proceeds of Sale, as defined, from the sale or financing of the Partnership's properties which the General Partners determine to distribute will, after provisions for debts and reserves, be paid in the following manner: (i) first, 99% to the Limited Partners and 1% to the General Partners until the Limited Partners receive an amount equal to: (a) their Adjusted Capital Contribution plus (b) an amount equal to 6% of their Adjusted Capital Contribution per annum, cumulative but not compounded, to the extent not previously distributed from Net Cash Flow; (ii) next, 99% to the Limited Partners and 1% to the General Partners until the Limited Partners receive an amount equal to 14% of their Adjusted Capital Contribution per annum, cumulative but not compounded, to the extent not previously distributed; (iii) next, to the General Partners until cumulative distributions to the General Partners under Items (ii) and (iii) equal 15% of cumulative distributions to all Partners under Items (ii) and (iii). Any remaining balance will be distributed 85% to the Limited Partners and 15% to the General Partners. Distributions to the Limited Partners will be made pro rata by Units.

For tax purposes, profits from operations, other than profits attributable to the sale, exchange, financing, refinancing or other disposition of the Partnership's property, will be allocated first in the same ratio in which, and to the extent, Net Cash Flow is distributed to the Partners for such year. Any additional profits will be allocated 90% to the Limited Partners and 10% to the General Partners. In the event no Net Cash Flow is distributed to the Limited Partners, 90% of each item of Partnership income, gain or credit for each respective year shall be allocated to the Limited Partners, and 10% of each such item shall be allocated to the General Partners. Net losses from operations will be allocated 98% to the Limited Partners and 2% to the General Partners.

For tax purposes, profits arising from the sale, financing, or other disposition of the Partnership's property will be allocated in accordance with the Partnership Agreement as follows: (i) first, to those Partners with deficit balances in their capital accounts in an amount equal to the sum of such deficit balances; (ii) second, 99% to the Limited Partners and

1% to the General Partners until the aggregate balance in the Limited Partners' capital accounts equals the sum of the Limited Partners' Adjusted Capital Contributions plus an amount equal to 14% of their Adjusted Capital Contributions per annum, cumulative but not compounded, to the extent not previously allocated; (iii) third, to the General Partners until cumulative allocations to the General Partners equal 15% of cumulative allocations. Any remaining balance will be allocated 85% to the Limited Partners and 15% to the General Partners. Losses will be allocated 98% to the Limited Partners and 2% to the General Partners.

The General Partners are not required to currently fund a deficit capital balance. Upon liquidation of the Partnership or withdrawal by a General Partner, the General Partners will contribute to the Partnership an amount equal to the lesser of the deficit balances in their capital accounts or 1% of total Limited Partners' and General Partners' capital contributions.

(3) Investments in Real Estate -

Effective May 1, 1992, the Partnership replaced the original tenant in the office building in Kearney, Nebraska, with a new tenant who, in March, 1993, filed for reorganization. The Partnership obtained possession of the property and listed the property for sale or lease. The Partnership received rent of $975 per month through March, 1994, from a tenant who was sub-leasing part of the building. The total amount of rent not collected in the first quarter of 1995 and 1994 was $15,502 and $12,577, respectively. These amounts were not accrued for financial reporting purposes.

In March, 1995, the lessee of the Applebee's restaurant in Fort Myers, Florida, exercised an option in the Lease Agreement to purchase the property. The purchase price will be approximately $1,660,000, which will result in a net gain of approximately $690,000.

In April, 1995, the Partnership reached a tentative agreement to sell the Cheddar's restaurant in Columbus, Ohio, to the lessee. The sale price for the Partnership's interest in the property will be approximately $315,000, which will result in a net gain of approximately $40,000.

(4) Payable to AEI Fund Management -

AEI Fund Management, Inc. performs the administrative and operating functions for the Partnership. The payable to AEI Fund Management represents the balance due for those services. This balance is non-interest bearing and unsecured and is to be paid in the normal course of business.

(5) Line of Credit -

In January, 1994, the Partnership established a $100,000 unsecured line of credit at Fidelity Bank of Edina, Minnesota. On January 5, 1995 the line of credit was increased to $150,000. The line of credit bears interest at the prime rate (9% on March 31, 1995) plus one percent on the outstanding balance, which is due on demand, but in any event no later than January 5, 1996. The line of credit was established to provide short-term financing to cover any temporary cash deficits. As of March 31, 1995 and December 31, 1994, the amount due on the line of credit was $38,000 and $35,000, respectively. In the first quarter of 1995 and 1994, total interest expense was $1,776 and $65, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS

The Partnership's rental income is derived from long-term Lease Agreements on the Partnership's properties. In March, 1995, the Partnership recognized $11,247 of additional rent from the lessee of the Applebee's restaurant as a result of an increase in sales for the lease year ended January 31, 1995.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Effective May 1, 1992, the Partnership replaced the original tenant in the office building in Kearney, Nebraska, with a new tenant who, in March, 1993, filed for reorganization. The Partnership obtained possession of the property and listed the property for sale or lease. The Partnership received rent of $975 per month through March, 1994, from a tenant who was sub-leasing part of the building from the new tenant. The total amount of rent not collected in the first quarter of 1995 and 1994 was $15,502 and $12,577, respectively. These amounts were not accrued for financial reporting purposes.

In March, 1995, the lessee of the Applebee's restaurant in Fort Myers, Florida, exercised an option in the Lease Agreement to purchase the property. The purchase price will be approximately $1,660,000, which will result in a net gain of approximately $690,000.

In April, 1995, the Partnership reached a tentative agreement to sell the Cheddar's restaurant in Columbus, Ohio, to the lessee. The sale price for the Partnership's interest in the property will be approximately $315,000, which will result in a net gain of approximately $40,000.

During the first three months of 1995 and 1994, the Partnership incurred Partnership administration and property management expenses of $18,875 and $15,060, respectively. These expenses represent direct payments to third parties for legal and filing fees, direct administrative costs, outside audit and accounting costs, interest, taxes, insurance and other property costs. The Partnership administration expenses incurred from affiliates include costs associated with the management of the properties, processing distributions, reporting requirements and correspondence to the Limited Partners.

In January, 1994, the Partnership established a $100,000 unsecured line of credit at Fidelity Bank of Edina, Minnesota. On January 5, 1995 the line of credit was increased to $150,000. The line of credit bears interest at the prime rate (9% on March 31, 1995) plus one percent on the outstanding balance, which is due on demand, but in any event no later than January 5, 1996. The line of credit was established to provide short-term financing to cover any temporary cash deficits. As of March 31, 1995 and December 31, 1994, the amount due on the line of credit was $38,000 and $35,000, respectively. In the first quarter of 1995 and 1994, total interest expense was $1,776 and $65, respectively.

As of March 31, 1995, the Partnership's annualized cash distribution rate was 7.66%, based on the Adjusted Capital Contribution. Distributions of Net Cash Flow to the General Partners were subordinated to the Limited Partners as required in the Partnership Agreement. As a result, 99% of distributions and income were allocated to Limited Partners and 1% to the General Partners.

The Partnership may purchase Units from Limited Partners who have tendered their Units to the Partnership. Such Units may be acquired at a discount. The Partnership is not obligated to purchase in any year more than 5% of the total number of Units outstanding at the beginning of the year and in no event, obligated to purchase Units if such purchase would impair the capital or operations of the Partnership.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

During 1994, three Limited Partners redeemed a total of 9 Partnership Units for $6,282 in accordance with the Partnership Agreement. The Partnership acquired these Units using Net Cash Flow from operations. In prior years, a total of twenty-six Limited Partners redeemed 215 Partnership Units for $170,765. The redemptions increase the remaining Limited Partners' ownership interest in the Partnership.

Inflation has had a minimal effect on income from operations. It is expected that increases in sales volumes of the tenants, due to inflation and real sales growth, will result in an increase in rental income over the terms of the leases. Inflation also may cause the Partnership's real estate to appreciate in value. However, inflation and changing prices may also have an adverse impact on the operating margins of the properties' tenants which could impair their ability to pay rent and subsequently reduce the Partnership's Net Cash Flow available for distributions.

PART II - OTHER INFORMATION

ITEM 1.LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Partnership is a party or of which the Partnership's property is subject.

ITEM 2.CHANGES IN SECURITIES

None.

ITEM 3.DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5.OTHER INFORMATION

None.

ITEM 6.EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits - None.
b. Reports filed on Form 8-K - None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 9, 1995

AEI Real Estate Fund 86-A
Limited Partnership
By: AEI Fund Management 86-A,Inc.
Its: Managing General Partner

By: /s/ Robert P. Johnson
Robert P. Johnson
President

By:/s/ Mark E. Larson
Mark E. Larson
Chief Financial Officer