

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-05** | Period of Report: **1996-09-30**
SEC Accession No. **0000892569-96-002226**

(HTML Version on secdatabase.com)

FILER

DEL TACO RESTAURANT PROPERTIES I

CIK: **711213** | IRS No.: **953852699** | State of Incorpor.: **CA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16191** | Film No.: **96654300**
SIC: **6500** Real estate

Mailing Address
1800 W KATELLA AVENUE
ORANGE CA 92667

Business Address
23041 AVENIDA DE LA
CARLOTA, SUITE 400
LAGUNA HILLS CA 92653
714 462-9300

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

(Mark one)

QUARTERLY REPORT UNDER 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 NO. 2-80930

DEL TACO RESTAURANT PROPERTIES I
a California limited partnership
(Exact name of registrant as specified in its charter)

CALIFORNIA 95-3852699
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification Number)

23041 AVENIDA DE LA CARLOTA, SUITE 400, LAGUNA HILLS, CA 92653
(Address of principal executive offices) (Zip Code)

(714) 462-7399
(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
--- ---

-1-

INDEX

DEL TACO RESTAURANT PROPERTIES I

<TABLE>
<CAPTION>
PART I. FINANCIAL INFORMATION

PAGE NUMBER

<S>	<C>
Item 1. Financial Statements and Supplementary Data	
Balance Sheets at September 30, 1996 (Unaudited) and December 31, 1995	3
Statements of Income for the three and nine months ended September 30, 1996 and 1995 (Unaudited)	4
Statements of Cash Flows for the nine months ended September 30, 1996 and 1995 (Unaudited)	5
Notes to Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
PART II. OTHER INFORMATION	

Item 6. Exhibits and Reports on Form 8-K	10
SIGNATURES	11

</TABLE>	

-2-

3

DEL TACO RESTAURANT PROPERTIES I

BALANCE SHEETS

<TABLE>
<CAPTION>

	SEPTEMBER 30 1996 ----- (UNAUDITED)	December 31 1995 -----
<S>	<C>	<C>
ASSETS -----		
CURRENT ASSETS:		
Cash	\$ 128,039	\$ 115,012
Receivable from General Partner (Note 4)	37,789	36,654
Deposits	600	600
	-----	-----
Total current assets	166,428	152,266
	-----	-----
PROPERTY AND EQUIPMENT, AT COST		
Land and improvements	1,852,482	1,852,482
Buildings and improvements	1,013,134	1,013,134
Machinery and equipment	1,136,026	1,136,026
	-----	-----
	4,001,642	4,001,642
Less--accumulated depreciation	1,617,600	1,584,768
	-----	-----
	2,384,042	2,416,874

 \$2,550,470
 =====

 \$2,569,140
 =====

LIABILITIES AND PARTNERS' EQUITY

CURRENT LIABILITIES:		
Payable to Limited Partners	\$ 11,163	\$ 8,898
Accounts payable	550	907
	-----	-----
Total current liabilities	11,713	9,805
	-----	-----
PARTNERS' EQUITY		
Limited Partners	2,273,386	2,293,755
General Partner-Del Taco, Inc.	265,371	265,580
	-----	-----
	2,538,757	2,559,335
	-----	-----
	\$2,550,470	\$2,569,140
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements

DEL TACO RESTAURANT PROPERTIES I

STATEMENTS OF INCOME

(UNAUDITED)

<TABLE>
 <CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	1996	1995	1996	1995
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
REVENUES:				
Rent (Notes 3 and 4)	\$120,783	\$113,958	\$334,752	\$ 326,854
Interest	705	583	1,823	1,707
Other	25	100	375	325
	-----	-----	-----	-----
	121,513	114,641	336,950	328,886
	-----	-----	-----	-----
EXPENSES:				
General and administrative	9,705	6,923	39,020	35,239
Depreciation	10,944	31,322	32,829	106,690
	-----	-----	-----	-----
	20,649	38,245	71,849	141,929
	-----	-----	-----	-----

Net income	\$100,864 =====	\$ 76,396 =====	\$265,101 =====	\$ 186,957 =====
Net income per Limited Partnership Unit (Note 2)	\$ 11.41 =====	\$ 8.64 =====	\$ 29.99 =====	\$ 21.15 =====

</TABLE>

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

-4-

5

DEL TACO RESTAURANT PROPERTIES I

STATEMENTS OF CASH FLOWS

(UNAUDITED)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30	
	1996	1995
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$265,101	\$186,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	32,829	106,690
Increase (decrease) in payable to Limited Partners	2,265	(3,459)
(Increase) decrease in receivable from General Partner	(1,135)	4,251
Increase (decrease) in accounts payable	(355)	4,188
	-----	-----
Net cash provided by operating activities	298,705	298,627
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash distributions to partners	285,678	292,290
	-----	-----
Net increase in cash	13,027	6,337
Beginning cash balance	115,012	120,720
	-----	-----
Ending cash balance	\$128,039 =====	\$127,057 =====

</TABLE>

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

-5-

6

DEL TACO RESTAURANT PROPERTIES I

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial statements, some of which are unaudited, have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements and should therefore be read in conjunction with the financial statements and notes thereto contained in the Registrant's annual report on Form 10-K for the year ended December 31, 1995. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the partnership's financial position at September 30, 1996, the results of operations and cash flows for the nine month periods ended September 30, 1996 and 1995 have been included. Operating results for the three and nine months ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

NOTE 2 - NET INCOME PER LIMITED PARTNERSHIP UNIT

Net income per Limited Partnership Unit is based upon the weighted average number of Units outstanding during the periods presented, which amounted to 8,751 in 1996 and 1995.

Pursuant to the Partnership Agreement, annual partnership net income is allocated one percent to the General Partner and 99 percent to the Limited Partners. A Partnership net loss in any year will be allocated 24 percent to the General Partner and 76 percent to the Limited Partners until the losses so allocated equal income previously allocated. Any additional losses will be allocated one percent to the General Partner and 99 percent to the Limited Partners. Partnership gains from any sale or refinancing will be allocated one percent to the General Partner and 99 percent to the Limited Partners until allocated gains and profits equal losses. Additional gains will be allocated 24 percent to the General Partner and 76 percent to the Limited Partners.

-6-

7

SEPTEMBER 30, 1996

NOTE 3 - LEASING ACTIVITIES

The Registrant leases (the "Leases") certain properties (the "Properties") for operation of restaurants to Del Taco, Inc. ("General Partner") on a triple net basis. The Leases are for terms of 35 years commencing with the completion of the restaurant facility located on each Property and require monthly rentals equal to 12 percent of the gross sales of the restaurants. There is no minimum rental under any of the Leases. The Registrant had a total of six Properties leased as of September 30, 1996 and 1995, two of which have been subleased to Del Taco franchisees (one of which is affiliated with Del Taco, Inc.)

The Registrant's property at Baseline and Archibald in Rancho Cucamonga, California is subleased by Del Taco, Inc. to a franchisee. In November 1995, the franchise agreement and the sublease expired. In a letter dated November 20, 1995, the franchise agreement and the sublease were extended to May 26, 1996. Del Taco, Inc. and the franchisee have not reached an agreement regarding the franchise and sublease terms after May 26, 1996. Management of the General Partner (Del Taco, Inc.) anticipates that on or before December 31, 1996 one of the following dispositions will be initiated: 1) the franchise agreement and sublease will be renewed for a 15 year term; 2) Del Taco, Inc. will operate the restaurant; 3) Del Taco will sublease the property to a new third party; or 4) the property will be offered for sale.

NOTE 4 - TRANSACTIONS WITH DEL TACO

The receivable from General Partner consists primarily of rent accrued for the month of September. The September rent receivable was collected on October 11, 1996.

Del Taco, Inc. serves in the capacity of general partner in other partnerships which are engaged in the business of operating restaurants, and four partnerships which were formed for the purpose of acquiring real property in California for construction of Mexican-American restaurants for lease under long-term agreements to Del Taco, Inc. for operation under the Del Taco trade name.

In addition, see Note 5 with respect to certain distributions to the General Partner.

-7-

8

NOTE 5 - DISTRIBUTIONS

On October 14, 1996, a distribution to the Limited Partners of \$109,123 or approximately \$12.47 per Limited Partnership Unit, was approved. Such distribution was paid on October 15, 1996. The General Partner also received a distribution of \$1,102 with respect to its 1% partnership interest.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Registrant commenced offering of Limited Partnership Units on March 21, 1983. By March 20, 1984, the sale of such Units provided a total capitalization for the Registrant of \$4,375,500. Fifteen percent of the cash received from the sale of Limited Partnership Units was used to pay commissions to brokers and to reimburse the General Partner for offering costs incurred. The remaining funds were expended for the acquisition of sites and construction of six restaurants. In 1985, the first four restaurants opened for business and two additional restaurants were opened in 1986. Approximately \$4,002,000 was expended for such purposes.

Since the six restaurants owned by the Registrant opened, cash flow from Lease payments received from Del Taco, the Registrant's General Partner, which leases all six restaurants, has provided adequate liquidity for operation of the Registrant. However, the Registrant's overwhelmingly predominant source of income to meet its expenses and fund distributions to its Limited Partners is payments from Del Taco under the Leases, comprising primarily rent calculated on the basis of the gross sales of the restaurants operated on the Properties, as to which there are no contractually specified minimum or guaranteed amounts. Thus, the adequacy of the Registrant's liquidity and capital resources in the future will depend primarily upon the gross revenues of such restaurants as well as upon Del Taco's financial condition and results of operations generally.

Results of Operations

The Registrant owns six Mexican-American restaurants that are under long-term lease to its General Partner for operation under the Del Taco trade name. The Registrant receives rental revenues equal to 12 percent of restaurant sales. For the three months ended September 30, rental revenues increased from \$113,958 in 1995 to \$120,783 in 1996. For the nine months ended September 30, rental revenues increased from \$326,854 in 1995 to \$334,752 in 1996. Such changes in rental revenue are directly attributable to changes in sales at the restaurants.

The following table sets forth the percentage relationship to total general and administrative expenses of items included in the Registrant's Statements of Income:

<TABLE>
<CAPTION>

Percentage of Total
General & Administrative Expense

	Nine Months Ended September 30	
	1996	1995
<S>	<C>	<C>
Accounting fees	39.85%	42.55%
Distribution of information to Limited Partners	57.15	55.38

Other	3.00	2.07
	-----	-----
	100.00%	100.00%
	=====	=====

</TABLE>

Operating expenses include general and administrative expenses which consist primarily of accounting fees and costs of distribution of information to the Limited Partners. For the three months ended September 30, general and administrative expenses increased from \$6,923 in 1995 to \$9,705 in 1996. The increase in general and administrative expense was caused primarily by printing costs for new checks and envelopes and stationary and nonrecurring costs associated with a special mailing to Limited Partners. For the nine months ended September 30, general and administrative expenses increased from \$35,239 in 1995 to \$39,020 in 1996. For the three months ended September 30, the Registrant incurred depreciation expense in the amount of \$10,944 in 1996 and \$31,322 in 1995. The Registrant incurred depreciation expense of \$32,829 and \$106,690 for nine months ended

-9-

10

September 30, 1996 and 1995, respectively. Depreciation expense decreased because signs and food processing equipment (included as part of machinery and equipment) became fully depreciated during 1995.

For the three months ended September 30, revenues increased by \$6,872 while expenses decreased by \$17,596 resulting in an increase in net income from \$76,396 in 1995 to \$100,864 in 1996. For the nine months ended September 30, revenues increased by \$8,064 while expenses decreased by \$70,080 resulting in an increase in the Registrant's net income from \$186,957 for the nine months ended September 30, 1995 to \$265,101 for the corresponding period in 1996.

For the reasons stated under "Liquidity and Capital Resources" above, the Registrant's results of operations in the future will depend primarily upon the gross revenues of the restaurants located on the Properties leased to Del Taco as well as upon Del Taco's financial condition and results of operations generally.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (b) No reports on Form 8-K were filed during the nine months ended September 30, 1996.
- (c) Exhibit 27 - Financial Data Schedule.

-10-

11

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.

DEL TACO RESTAURANT PROPERTIES I
(a California limited partnership)
Registrant

Del Taco, Inc.
General Partner

Date: October 30, 1996

/s/ Robert J. Terrano

Robert J. Terrano
Executive Vice President,
Chief Financial Officer

Date: October 30, 1996

/s/ C. Douglas Mitchell

C. Douglas Mitchell
Vice President and Corporate
Controller

<TABLE> <S> <C>

<ARTICLE> 5

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-START>	JUL-01-1996
<PERIOD-END>	SEP-30-1996
<CASH>	128,039
<SECURITIES>	600
<RECEIVABLES>	37,789
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	166,428
<PP&E>	4,001,642
<DEPRECIATION>	1,617,600
<TOTAL-ASSETS>	2,550,470
<CURRENT-LIABILITIES>	11,713
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	0
<OTHER-SE>	2,538,757
<TOTAL-LIABILITY-AND-EQUITY>	2,550,470
<SALES>	0
<TOTAL-REVENUES>	121,513
<CGS>	0
<TOTAL-COSTS>	20,649
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	100,864
<INCOME-TAX>	0
<INCOME-CONTINUING>	100,864
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	100,864
<EPS-PRIMARY>	11.41
<EPS-DILUTED>	11.41

</TABLE>