

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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FILER

FORTY SIX HUNDRED LTD PARTNERSHIP

CIK: **766826** | IRS No.: **421247738** | State of Incorporation: **IA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **002-97178-C** | Film No.: **95536065**
SIC: **6512** Operators of nonresidential buildings

Mailing Address
4333 EDGEWOOD ROAD NE
CEDAR RAPIDS IA 52499

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4333 EDGEWOOD RD N E
CEDAR RAPIDS IA 52499
3193988895

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

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the quarter ended March 31, 1995 Commission file number 2-97178-C

FORTY-SIX HUNDRED LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

Iowa
(State or other jurisdiction of incorporation or
organization) 42-1247738
(I.R.S. Employer Identification No.)

4333 Edgewood Road N.E., Cedar Rapids, IA
(Address of principal executive offices) 52499
(Zip Code)

Registrant's telephone number, including area code: (319) 398-8895

N/A
Former name, address and fiscal year, if changed since last report

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

The number of units of limited partnership interests of the registrant outstanding at May 4, 1995 was 800.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FORTY-SIX HUNDRED LIMITED PARTNERSHIP
Balance Sheets
(Unaudited)

FORTY-SIX HUNDRED LIMITED PARTNERSHIP
Balance Sheets
(Unaudited)

<TABLE>

<S>	<C>	<C>	<C>
	March 31, 1995	December 31, 1994	December 31, 1994
Assets (note 5)			
Real estate -- building and improvements	6,941,102	6,941,102	6,941,102
Less accumulated depreciation	(1,184,988)	(1,046,160)	(1,150,281)
	5,756,114	5,894,942	5,790,821
Cash and cash equivalents	236,972	151,576	112,310
Interest receivable	795	633	764
Loan origination fee, net of accumulated amortization	15,330	20,250	16,560
	6,009,211	6,067,401	5,920,455
Liabilities and Partners' Equity (note 5)			
Liabilities			
Mortgage loan payable	3,093,400	3,557,635	3,212,935
Accrued expenses	20,479	18,628	18,045
	3,113,879	3,576,263	3,230,980

Commitments (note 2)

Partners' equity, net of syndication costs:

General Partner	(77,183)	(68,257)	(75,873)
Limited Partners	2,972,515	2,559,395	2,765,348
	2,895,332	2,491,138	2,689,475
	6,009,211	6,067,401	5,920,455

</TABLE>

See the accompanying notes to financial statements.

FORTY-SIX HUNDRED LIMITED PARTNERSHIP
Statements of Earnings
(Unaudited)

<TABLE>

<S>

<C>

<C>

	Three Months Ended March 31,	
	1995	1994
Revenue (note 5)		
Rents	\$403,898	339,598
Interest	2,426	1,501
Miscellaneous	75	--
	406,399	341,099
Expenses (note 5)		
Management fee	4,039	3,396
Legal, accounting and administrative	5,290	5,359
Data Processing	1,600	1,600
Land lease	6,000	6,000
Interest expense	63,465	84,043
Depreciation	34,707	34,707
Amortization	1,230	750
	116,331	135,855
Net earnings allocable to:		
General Partner	2,901	2,052
Limited Partners	287,167	203,192

Net earnings per limited partnership unit	358.96	253.99
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See the accompanying notes to financial statements.

FORTY-SIX HUNDRED LIMITED PARTNERSHIP
Statements of Cash Flows
(Unaudited)

<TABLE>

<S>	<C>	<C>
	Three Months Ended March 31,	
	1995	1994
Cash flows from operating activities:		
Rents collected	403,898	339,598
Interest received	2,395	1,304
Miscellaneous	75	--
Payments for operating expenses	(14,495)	(14,189)
Interest paid	(63,465)	(84,043)
Net cash provided by operating activities	328,408	242,670
Cash flows from financing activities:		
Principal portion of scheduled mortgage loan payments	(119,535)	(114,730)
Payment of loan modification fee	--	(12,000)
Distributions to partners	(84,211)	(80,000)
Net cash used by financing activities	(203,746)	(206,730)
Net increase in cash and cash equivalents	124,662	35,940
Cash and cash equivalents at beginning of period	112,310	115,636
Cash and cash equivalents at end of period	236,972	151,576
Reconciliation of net earnings to net cash provided by operating activities:		
Net earnings	290,068	205,244
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	34,707	34,707

Amortization	1,230	750
Decrease (increase) in interest receivable	(31)	(197)
Increase in accrued expenses	2,434	2,166
Net cash provided by operating activities	328,408	242,670

See the accompanying notes to financial statements.

FORTY-SIX HUNDRED LIMITED PARTNERSHIP
Statement of Partners' Equity
(Unaudited)

<S>	<C>	<C>	<C>
	General Partner	Limited Partners (800 units)	Total Partners Equity
Balance at December 31, 1994	\$(75,873)	2,765,348	2,689,475
Net earnings	2,901	287,167	290,068
Distributions to partners	(4,211)	(80,000)	(84,211)
Balance at March 31, 1995	(77,183)	2,972,515	2,895,332

</TABLE>

See the accompanying notes to financial statements.

FORTY-SIX HUNDRED LIMITED PARTNERSHIP
Notes to Financial Statements
March 31, 1995
(Unaudited)

1. Accounting Policies

Interim financial statements are prepared in accordance with generally accepted accounting principles and include all adjustments of a normal recurring nature necessary for a fair presentation of the financial position and quarterly results. Interim financial statements should be read in conjunction with the audited financial statements and related footnotes in the 1994 Annual Report.

2. Commitments

The Partnership owns an office building and convention center

(the Project) which is master leased to Life Investors Insurance Company of America (LIICA), an affiliate of AEGON USA Realty Advisors, Inc., the General Partner. The master lease requires LIICA to pay rent, property taxes, utilities and other expenses incurred in operating the Project. The land on which the Project is constructed is leased from LIICA. On March 1, 1995, under the terms of the master lease, LIICA notified the Partnership of its election to exercise its option to purchase the Project. See Note 5 below for information concerning LIICA's purchase of the Project.

3. Transactions with the General Partner

The Partnership has incurred expenses of \$5,245 to reimburse the General Partner for certain administrative services necessary to the prudent operation of the Partnership. The reimbursement represents the General Partner's estimated costs of the following services for the quarter ended March 31, 1995:

Type of Service Amount

Preparation and filing of quarterly reports	1,200
Financial accounting	2,445
Data processing and ledger recordkeeping	800
Partner recordkeeping & communications	800
	5,245

The Partnership also paid \$4,039 in management fees for the quarter ended March 31, 1995 to AEGON USA Realty Management, Inc., an affiliate of the General Partner. A distribution of \$4,211 was paid to the General Partner in accordance with the Partnership Agreement.

4. Overage rent

The Partnership received overage rent from LIICA of \$140,378 in March 1995 (\$76,078 in March 1994). The overage rent is based on a percentage of gross premium income for the previous year, as set forth in the master lease.

FORTY-SIX HUNDRED LIMITED PARTNERSHIP
Notes to Financial Statements (continued)
March 31, 1995
(Unaudited)

5. Subsequent Events

On April 18, 1995, the Partnership sold the Project to LIICA. The sale price was \$12,757,044 cash, as determined by the option formula contained in the master lease with LIICA, from which the Partnership retired the mortgage indebtedness of \$3,093,400. A gain on sale of approximately \$7,000,000 was recognized for financial accounting purposes. A cash distribution of \$7,740,000 (\$9,675 per limited partnership unit) was declared payable May 15, 1995 to all limited partners of record March 31, 1995. A final distribution will be made after a full accounting of the Partnership is completed at which time the Partnership will terminate.

6. Reconciliation of Tax and Financial Results

The net earnings of the Partnership as determined for financial accounting purposes differs from the net earnings as determined for income tax purposes, as reflected in the following reconciliation:

	Three Months Ended March 31, 1995
Net earnings (financial accounting basis)	290,068
Adjustments:	
Amortization of construction period interest	(7,704)
Depreciation (financial accounting basis)	34,707
Cost Recovery (tax basis)	(99,025)
Taxable income	218,046
Less allocation to the General Partner	(2,180)
Taxable income allocated to the Limited Partners	215,866
Taxable income per Limited Partnership unit	269.83

Net earnings (financial accounting basis) has been adjusted by the amortization of construction period interest and the difference in depreciation between financial basis and tax basis to arrive at taxable income. Depreciation (financial accounting basis) is computed on the cost of the Project over an estimated useful life of fifty years. For tax purposes, construction period interest is separately amortized over ten years and the remaining tax basis of the Project is cost recovered over eighteen and thirty-one and one-half years, as allowed by federal income tax regulations. The General Partner is allocated 1% of the taxable income in accordance

with the Partnership Agreement. The Limited Partners are allocated the remaining 99%.

PART I - FINANCIAL INFORMATION (continued)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Partnership's net earnings for the three months ended March 31, 1995 were \$290,068 compared with \$205,244 for the same period in 1994. Net cash provided by operating activities, as shown in the Statements of Cash Flows, totaled \$328,408 for the first three months of 1995, compared to \$242,670 in 1994. The increase in earnings and cash flow is due to an increase in overage rents of \$64,300 received from Life Investors Insurance Company of America and a decrease in interest expense of \$20,578. Overage rents are based on a percentage of gross premium income for the previous year, which income increased from 1993 to 1994, resulting in higher overage rents collected in 1995. Interest expense continues to decline as the mortgage principal balance is reduced by scheduled monthly payments.

The Partnership's capital resources are primarily invested in an office building and convention center (the Project), which is subject to a mortgage loan representing 45% of its recorded cost at March 31, 1995. The Partnership's cash and cash equivalents, together with cash provided by operating activities, represent the Company's liquidity. At March 31, 1995 the Partnership had approximately \$237,000 in cash and cash equivalents. During the first quarter of 1995, the Partnership paid a cash distribution of \$84,211 (\$100 per limited partnership unit plus \$4,211 to the General Partner).

On March 1, 1995, the Partnership was notified by LIICA of its election to purchase the Project. See Part II Item 5 on the following page for information concerning the sale of the Project.

PART II - OTHER INFORMATION

Item 5. Other Information

On April 18, 1995, the Partnership sold the Project to LIICA, an affiliate of AEGON USA Realty Advisors, Inc., the General Partner. The sale price was \$12,757,044 cash, as determined by the option formula contained in the master lease with LIICA, from which the Partnership retired the mortgage indebtedness of \$3,093,400. A cash distribution of \$7,740,000

(\$9,675 per limited partnership unit) was declared payable May 15, 1995 to all limited partners of record March 31, 1995. A final distribution will be made after a full accounting of the Partnership is completed at which time the Partnership will terminate.

SIGNATURE

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.

FORTY-SIX HUNDRED LIMITED PARTNERSHIP

By AEGON USA Realty Advisors, Inc.
General Partner

/s/ Alan F. Fletcher
Alan F. Fletcher
Senior Vice President
(principal financial officer)

/s/ Edward J. Kittleson
Edward J. Kittleson
Treasurer
(principal accounting officer)
Date: May 4, 1995