# FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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## FILER

**OUTLET CENTRE PARTNERS**
CIK:**812094**| IRS No.: **363498737** | State of Incorp.:**IL** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16717** | Film No.: **96663075**
SIC: **6519** Lessors of real property, nec

Mailing Address
*BALCOR PLZ*
*4849 GOLF ROAD*
*SKOKIE IL 60077*

Business Address
*BALCOR PLZ*
*4849 GOLF RD*
*SKOKIE IL 60077*
*7086772900*

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO 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 number 0-16717

OUTLET CENTRE PARTNERS

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Illinois | 36-3498737 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| c/o Balcor Partners XXII<br>2355 Waukegan Rd., Bannockburn, Illinois | 60015 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code (847) 267-1600

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 _____

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

BALANCE SHEETS
September 30, 1996 and December 31, 1995
(UNAUDITED)

ASSETS

| | 1996 | 1995 |
|---|---|---|
| Cash and cash equivalents | $ 2,220,137 | $ 2,406,064 |
| Accounts and accrued interest receivable | 183,366 | 40,445 |
| Escrow deposits | 769,650 | 961,250 |
| Prepaid expenses | 62,526 | 33,798 |
| Deferred expenses, net of accumulated amortization of $187,032 in 1996 and $124,688 in 1995 | 228,593 | 290,937 |
| | 3,464,272 | 3,732,494 |
| Investment in real estate: | | |
| Land | 2,871,183 | 2,871,183 |
| Buildings and improvements | 27,565,202 | 27,565,202 |
| | 30,436,385 | 30,436,385 |
| Less accumulated depreciation | 11,538,777 | 10,548,272 |
| Investment in real estate, net of accumulated depreciation | 18,897,608 | 19,888,113 |
| | $ 22,361,880 | $ 23,620,607 |

LIABILITIES AND PARTNERS' CAPITAL

| | 1996 | 1995 |
|---|---|---|
| Accounts payable | $ 128,168 | $ 137,181 |
| Due to affiliates | 26,242 | 13,933 |
| Accrued liabilities - principally real estate taxes | 422,962 | 618,892 |
| Security deposits | 43,969 | 48,119 |
| Mortgage note payable | 12,466,781 | 12,568,420 |
| Total liabilities | 13,088,122 | 13,386,545 |
| Limited Partners' capital (30,000 Interests issued and outstanding) | 10,433,494 | 11,389,169 |
| General Partner's deficit | (1,159,736) | (1,155,107) |
| Total partners' capital | 9,273,758 | 10,234,062 |

| | | |
|---|---|---|
| | $ 22,361,880 | $ 23,620,607 |

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

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

STATEMENTS OF INCOME AND EXPENSES
for the nine months ended September 30, 1996 and 1995
(UNAUDITED)

| | 1996 | 1995 |
|---|---|---|
| Income: | | |
| Rental | $ 2,353,674 | $ 2,249,667 |
| Service | 1,379,209 | 1,705,356 |
| Interest on short-term investments | 88,820 | 76,938 |
| Total income | 3,821,703 | 4,031,961 |
| Expenses: | | |
| Interest on mortgage note payable | 952,441 | 962,203 |
| Depreciation | 990,505 | 922,619 |
| Amortization | 62,344 | 62,344 |
| Property operating | 1,549,932 | 1,643,803 |
| Real estate taxes | 422,962 | 408,811 |
| Property management fees | 171,680 | 187,681 |
| Administrative | 134,713 | 164,338 |
| Total expenses | 4,284,577 | 4,351,799 |
| Net loss | $ (462,874) | $ (319,838) |
| Net loss allocated to General Partner | $ (4,629) | $ (3,198) |
| Net loss allocated to Limited Partners | $ (458,245) | $ (316,640) |
| Net loss per Limited Partnership Interest (30,000 issued and outstanding) | $ (15.27) | $ (10.55) |
| Distributions to Limited Partners | $ 497,430 | None |
| Distributions per Limited Partnership Interest | $ 16.581 | None |

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

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

STATEMENTS OF INCOME AND EXPENSES
for the quarters ended September 30, 1996 and 1995
(UNAUDITED)

| | 1996 | 1995 |
|---|---|---|
| Income: | | |
| Rental | $ 762,888 | $ 759,742 |
| Service | 468,310 | 550,726 |
| Interest on short-term investments | 30,828 | 21,831 |
| Total income | 1,262,026 | 1,332,299 |
| Expenses: | | |
| Interest on mortgage note payable | 316,622 | 319,958 |
| Depreciation | 330,168 | 307,539 |
| Amortization | 20,782 | 20,782 |
| Property operating | 510,035 | 534,831 |
| Real estate taxes | 140,987 | 129,639 |
| Property management fees | 56,125 | 56,153 |
| Administrative | 45,810 | 49,657 |
| Total expenses | 1,420,529 | 1,418,559 |
| Net loss | $ (158,503) | $ (86,260) |
| Net loss allocated to General Partner | $ (1,585) | $ (862) |
| Net loss allocated to Limited Partners | $ (156,918) | $ (85,398) |
| Net loss per Limited Partnership Interest (30,000 issued and outstanding) | $ (5.23) | $ (2.84) |
| Distribution to Limited Partners | $ 165,810 | None |
| Distribution per Limited Partnership Interest | $ 5.527 | None |

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

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

STATEMENTS OF CASH FLOWS
for the nine months ended September 30, 1996 and 1995
(UNAUDITED)

| | 1996 | 1995 |
|---|---|---|

| | | |
|---|---|---|
| Operating activities: | | |
| Net loss | $ (462,874) | $ (319,838) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation of property | 990,505 | 922,619 |
| Amortization of deferred expenses | 62,344 | 62,344 |
| Net change in: | | |
| Accounts and accrued interest receivable | (142,921) | (135,213) |
| Escrow deposits | | (31,576) |
| Prepaid expenses | (28,728) | (56,760) |
| Accounts payable | (9,013) | (35,979) |
| Due to affiliates | 12,309 | (32,430) |
| Accrued liabilities | (195,930) | (137,029) |
| Security deposits | (4,150) | (800) |
| Net cash provided by operating activities | 221,542 | 235,338 |
| Financing activities: | | |
| Distributions to Limited Partners | (497,430) | |
| Principal payments on mortgage note payable | (101,639) | (91,877) |
| Release of capital improvement escrow | 191,600 | |
| Net cash used in financing activities | (407,469) | (91,877) |
| Net change in cash and cash equivalents | (185,927) | 143,461 |
| Cash and cash equivalents at beginning of year | 2,406,064 | 1,819,294 |
| Cash and cash equivalents at end of period | $ 2,220,137 | $ 1,962,755 |

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

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

NOTES TO FINANCIAL STATEMENTS

1. Accounting Policy:

In the opinion of management, all adjustments necessary for a fair presentation have been made to the accompanying statements for the nine months and quarter ended September 30, 1996, and all such adjustments are of a normal and recurring nature.

2. Interest Expense:

During the nine months ended September 30, 1996 and 1995, the Partnership incurred and paid interest expense on the mortgage note payable of $952,441 and $962,203, respectively.

3. Transactions with Affiliates:

Fees and expenses paid and payable by the Partnership to affiliates during the nine months and quarter ended September 30, 1996 are:

| | Paid | | |
| --- | --- | --- | --- |
| | Nine Months | Quarter | Payable |
| Reimbursement of expenses to the General Partner, at cost | $31,514 | $ 4,948 | $ 26,242 |

4. Subsequent Event:

In October 1996, the Partnership paid $165,810 ($5.527 per Interest) to the holders of Limited Partnership Interests representing a regular quarterly distribution of available Net Cash Receipts for the third quarter of 1996.

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Outlet Centre Partners (the "Partnership") was formed in 1987 and owns and operates the Factory Outlet Centre (the "Centre") in Bristol, Wisconsin. The Partnership raised $30,000,000 through the sale of Limited Partnership Interests and utilized these proceeds to acquire the Centre.

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 1995 for a more complete understanding of the Partnership's financial position.

Operations
----------

Summary of Operations
---------------------

Decreased real estate tax reimbursements from tenants at the Centre was the primary reason the Partnership's net loss increased during the nine months and quarter ended September 30, 1996 when compared to the same periods in 1995. Further discussion of the Partnership's operations is summarized below.

1996 Compared to 1995
---------------------

Unless otherwise noted, discussions of fluctuations between 1996 and 1995 refer to both the nine months and quarters ended September 30, 1996 and 1995.

The Partnership bills tenants on a monthly basis for common area maintenance, real estate taxes and other operating expenses of the Centre based on estimates. Adjustments are periodically made to these billings once the Partnership has determined the actual amounts due. The periodic adjustment of billings for real estate taxes resulted in decreased reimbursements from tenants due to a prior year reduction in the assessed value of the Centre levied by the local taxing authority and was the primary reason service income and, consequently, property management fees decreased during 1996 when compared to 1995.

As a result of higher average cash balances, interest income on short-term investments increased during 1996 when compared to 1995.

As a result of lower accounting and legal fees incurred by the Partnership, administrative expenses decreased during 1996 when compared to 1995.

## Liquidity and Capital Resources

The cash position of the Partnership decreased by approximately $186,000 as of September 30, 1996 when compared to December 31, 1995. The Partnership generated cash flow of approximately $222,000 from its operating activities. The operating activities reflect the operations of the Centre, interest income earned on short-term investments, and the payment of administrative expenses of the Partnership. The Partnership used cash to fund its financing activities of approximately $407,000 which consisted of the payment of distributions totaling approximately $497,000 to Limited Partners and the payment of principal on the mortgage note payable of approximately $102,000, net of the release of approximately $192,000 from the Partnership's capital improvement escrow.

As of September 30, 1996, the occupancy rate at the Centre was 85%, and during each of 1996 and 1995, the Centre generated positive cash flow, which is defined as an amount equal to the property's revenue receipts less property related expenses, which include debt service payments. Although the General Partner has no current plans to sell the property, the receipt of an attractive unsolicited offer or changing market conditions could change this strategy.

In October 1996, the Partnership paid $165,810 ($5.527 per Interest) to the holders of Limited Partnership Interests representing a regular quarterly distribution of available Net Cash Receipts for the third quarter of 1996. The level of the regular quarterly distribution is consistent with the amount distributed for the second quarter of 1996. Including the October 1996 distribution, Limited Partners have received distributions of Net Cash Receipts of $293.95 and Net Cash Proceeds of $263.08, totaling $557.03 per $1,000 Interest.

The Partnership expects that cash flow from property operations will allow the

Partnership to continue making quarterly distributions. However, the level of future distributions will be dependent on the cash flow generated by the Centre. The General Partner believes it has retained, on behalf of the Partnership, an appropriate amount of working capital to meet 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.

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

PART II - OTHER INFORMATION

## Item 1. Legal Proceedings

### Proposed class action

On August 30, 1996, a proposed class action complaint was filed, Lenore Klein vs. Lehman Brothers, Inc., et al. (Superior Court of New Jersey, Law Division, Union County, Docket No. Unn-L-5162-96). The Partnership, additional limited partnerships which were sponsored by The Balcor Company (together with the Partnership, the "Affiliated Partnerships"), American Express Company, Lehman Brothers, Inc., additional limited partnerships sponsored by the predecessor of Lehman Brothers, Inc. (together with the Partnership and the Affiliated Partnerships, the "Defendant Partnerships") and Smith Barney Holdings, Inc. are the named defendants in the action. The complaint was amended on October 18, 1996 to add additional plaintiffs. The amended complaint alleges, among other things, common law fraud and deceit, negligent misrepresentation, breach of contract, breach of fiduciary duty and violation of certain New Jersey statutes relating to the disclosure of information in the offering of limited partnership interests in the Defendant Partnerships. The amended complaint seeks judgment for compensatory damages equal to the amount invested in the Defendant Partnerships by the proposed class plus interest accrued thereon; general damages for injuries arising from the defendants' actions; equitable relief, including rescission, on certain counts; punitive damages; treble damages on certain counts; recovery from the defendants of all profits received by them as a result of their actions relating to the Defendant Partnerships; attorneys' fees and other costs.

The defendants intend to vigorously contest this action. No class has been certified as of this date. Management of each of the defendants believes they have meritorious defenses to contest the claims. It is not determinable at this time whether or not an unfavorable decision in this action would have a material adverse impact on the Partnership.

## Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

(4) Form of Subscription Agreement previously filed as Exhibit No. 4.1 to Amendment No. 1 to the Registrant's Registration Statement on Form S-11 dated April 2, 1987 (Registration No. 33-13097) and Form of Confirmation regarding Interests in the Partnership set forth as Exhibit 4.2 to the Registrant's Report on Form 10-Q for the quarter ended September 30, 1992 (Commission File No. 0-16717) are incorporated herein by reference.

(27) Financial Data Schedule of the Registrant for the nine month period ending September 30, 1996 is attached hereto.

(b) Reports on Form 8-K: No reports on Form 8-K were filed during the quarter ended September 30, 1996.

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.

OUTLET CENTRE PARTNERS

By: /s/Thomas E. Meador

Thomas E. Meador
President and Chief Executive Officer
(Principal Executive Officer) of Balcor
Partners-XXII, the General Partner

By: /s/Jayne A. Kosik

Jayne A. Kosik
Vice President, and Chief Financial Officer
(Principal Accounting Officer) of Balcor
Partners-XXII, the General Partner

Date: November 14, 1996

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