

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. **0000760386-96-000015**

([HTML Version](#) on [secdatabase.com](#))

FILER

WELLESLEY LEASE INCOME LTD PARTNERSHIP II B

CIK: **739710** | IRS No.: **042819906** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-13422** | Film No.: **96664879**
SIC: **7377** Computer rental & leasing

Business Address
*ONE FINANCIAL CENTER
21ST FL
BOSTON MA 02111
6174828000*

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

FORM 10-Q
Quarterly Report Under Section 13 or 15(d)
of the United States Securities Exchange Act of 1934

For The Quarter Ended September 30, 1996

Commission File No. 2-89177

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(Exact name of registrant as specified in its charter)

Massachusetts
(State or other jurisdiction of
incorporation or organization)

04-2819906
(I.R.S. Employer
Identification No.)

One Financial Center, 21st Floor, Boston, MA
(Address of principal executive offices)

02111
(Zip Code)

Registrant's telephone number, including area code

(617) 482-8000

Not Applicable
(Former name, former address and former 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 ___

There are no Exhibits.

Page 1 of 14

<TABLE>
<CAPTION>

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

<S>	<C>	INDEX	<C> Page No.
Part I.		FINANCIAL INFORMATION	
		Financial Statements	
		Balance Sheets as of September 30, 1996 and December 31, 1995	3
		Statements of Operations For the Quarters Ended September 30, 1996 and 1995 and For the Nine Months Ended September 30, 1996 and 1995	4
		Statements of Cash Flows For the Nine Months Ended September 30, 1996 and 1995	5

Management's Discussion and Analysis of Financial Condition
and Results of Operations

9 - 11

Computer Equipment Portfolio

12

Part II. OTHER INFORMATION

Items 1 - 6

13

Signature

14

</TABLE>

<TABLE>

<CAPTION>

PART I. FINANCIAL INFORMATION

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Balance Sheets

Assets	(Unaudited) 9/30/96	(Audited) 12/31/95
<S>	<C>	<C>
Investment property, at cost (note 3):		
Computer equipment	\$ 817,877	\$ 1,322,322
Less accumulated depreciation	812,955	1,276,970
Investment property, net	4,922	45,352
Cash and cash equivalents	134,381	290,241
Marketable securities (notes 2 and 5)	-	98,143
Rents receivable, net (note 2)	11,500	43,205
Accounts receivable - affiliates, net (notes 2,4 and 6)	-	3,450
 Total assets	 \$ 150,803	 \$ 480,391
	=====	=====
Liabilities and Partners' Equity		
Liabilities:		
Accounts payable and accrued expenses - affiliates (note 4)	\$ 6,637	\$ 10,938
Accounts payable and accrued expenses	31,666	24,758
 Total liabilities	 38,303	 35,696
	-----	-----
Partners' equity:		
General Partner:		
Capital contribution	1,000	1,000
Cumulative net income	795,827	772,640
Cumulative cash distributions	(796,827)	(773,467)
Unrealized losses on marketable securities (note 5)	-	(173)
	-----	-----
	-	-
	-----	-----
Limited Partners (25,363 units):		
Capital contribution, net of offering costs	11,298,475	11,298,475
Cumulative net income	3,953,960	3,859,448
Cumulative cash distributions	(15,139,935)	(14,696,082)
Unrealized losses on marketable securities (note 5)	-	(17,146)
	-----	-----
	112,500	444,695
	-----	-----
Total partners' equity	112,500	444,695
	-----	-----
 Total liabilities and partners' equity	 \$ 150,803	 \$ 480,391
	=====	=====

</TABLE>

See accompanying notes to financial statements.

<TABLE>
<CAPTION>

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Statements of Operations
(Unaudited)

	Quarters Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Revenue:				
Rental income	\$ 14,228	\$ 89,721	\$ 113,247	\$ 286,750
Interest income	1,880	5,511	7,811	19,650
Net gain on sale of equipment	5,663	573	99,713	45,847
Recovery of net unsecured pre-petition claim (note 6)	8,974	150,631	34,371	249,479
Total revenue	30,745	246,436	255,142	601,726
Costs and expenses:				
Depreciation	-	33,962	27,321	108,862
Provision for (reversal of) doubtful accounts	1,786	-	2,165	(48,160)
Interest	-	132	-	1,984
Related party expenses (note 4):				
Management fees	3,331	4,737	14,033	22,957
General and administrative	23,410	16,083	59,128	51,113
Net loss on sale of marketable securities	8,160	-	34,796	-
Total costs and expenses	36,687	54,914	137,443	136,756
Net (loss) income	\$ (5,942)	\$ 191,522	\$ 117,699	\$ 464,970
Net (loss) income per Limited Partnership Unit	\$ (0.50)	\$ 7.22	\$ 3.72	\$ 16.04

</TABLE>

See accompanying notes to financial statements.

<TABLE>
<CAPTION>

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Statements of Cash Flows
For the Nine Months Ended September 30, 1996 and 1995
(Unaudited)

	1996	1995
	----	----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 117,699	\$ 464,970
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	27,321	108,862

Provision for doubtful accounts	2,165	(48,160)
Net gain on sale of equipment	(99,713)	(45,847)
Net loss on sale of marketable securities	34,796	-
Net decrease (increase) in current assets	32,990	(14,526)
Net increase (decrease) in current liabilities	2,607	(64,777)
	-----	-----
Total adjustments	166	(64,448)
	-----	-----
Net cash provided by operating activities	117,865	400,522
	-----	-----
Cash flows from investing activities:		
Proceeds from sales of investment property	112,822	52,947
Proceeds from sale of marketable securities	80,666	-
	-----	-----
Net cash provided by investing activities	193,488	52,947
	-----	-----
Cash flows from financing activities:		
Principal payments on long-term debt	-	(58,821)
Cash distributions to partners	(467,213)	(558,986)
	-----	-----
Net cash used in financing activities	(467,213)	(617,807)
	-----	-----
Net decrease in cash and cash equivalents	(155,860)	(164,338)
Cash and cash equivalents at beginning of period	290,241	571,038
	-----	-----
Cash and cash equivalents at end of period	\$ 134,381	\$ 406,700
	=====	=====
Supplemental cash flow information:		
Interest paid during the period	\$ -	\$ 3,061
	=====	=====

</TABLE>

See accompanying notes to financial statements.

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Notes to Financial Statements

For the Nine Months Ended September 30, 1996 and September 30, 1995
(Unaudited)

(1) Organization and Partnership Matters

The foregoing financial statements of Wellesley Lease Income Limited Partnership II-B (the "Partnership") have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission for Form 10-Q and reflect all adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. Pursuant to such rules and regulations, certain note disclosures which are normally required under generally accepted accounting principles have been omitted. It is recommended that these financial statements be read in conjunction with the Partnership's Annual Report on Form 10-K for the year ended December 31, 1995.

(2) Significant Accounting Policies

Allowance for Doubtful Accounts

The financial statements include allowances for estimated losses on receivable balances. The allowances for doubtful accounts are based on past write off experience and an evaluation of potential uncollectible accounts within the current receivable balances. Receivable balances which are determined to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. At September 30, 1996 and December 31, 1995, the allowance for doubtful accounts included in rents receivable was \$18,117 and \$15,952, respectively. The allowance for doubtful accounts - affiliates was \$22,385 and \$56,756 at September 30, 1996 and December 31, 1995, respectively, both of which pertained to the unsecured pre-petition claim balance.

Marketable Securities

The marketable securities are stated at fair value at the balance sheet date and consist of common stock in Continental Information Systems Corporation ("CISC") received by the Partnership in the distributions made December 27, 1994, July 20, 1995 and October 20, 1995 by the Trustee of the Liquidating Estate of CIS Corporation, et al ("the Trustee"), with respect to the outstanding unsecured pre-petition claim. During the second quarter of 1995, the stock began trading, thereby providing an objective valuation measure for establishing the cost basis. Unrealized gains and losses are recorded directly in partners' equity except those gains and losses that are deemed to be other than temporary, which would be reflected in income or loss (see note 5).

(3) Investment Property

At September 30, 1996, the Partnership owned computer equipment with a cost basis of \$251,073, subject to existing leases and equipment with a cost basis of \$566,804 in inventory, awaiting re-lease or sale. All purchases of computer equipment are subject to a 3% acquisition fee paid to the General Partner.

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Notes to Financial Statements

For the Nine Months Ended September 30, 1996 and September 30, 1995
(Unaudited)

(4) Related Party Transactions

Fees, commissions and other expenses paid or accrued by the Partnership to the General Partner or affiliates of the General Partner for the nine months ended September 30, 1996 and 1995 are as follows:

<TABLE>

<CAPTION>

	1996 -----	1995 -----
<S>	<C>	<C>
Management fees	\$ 14,033	\$ 22,957
Reimbursable expenses paid	57,002	48,146
	-----	-----
	\$ 71,035	\$ 71,103
	=====	=====

</TABLE>

Under the terms of the Partnership Agreement, the General Partner is entitled to an equipment acquisition fee of 3% of the purchase price paid by the Partnership for the equipment. The General Partner is also entitled to a management fee equal to 7% of the monthly rental billings collected. The Partnership reimburses the General Partner and its affiliates for certain expenses incurred by them in connection with the operation of the Partnership.

(5) Fair Values of Financial Instruments

Pursuant to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires investments in debt and equity securities other than those accounted for under the equity method to be carried at fair value or amortized cost for debt securities expected to be held to maturity, the Partnership has classified its investments in equity securities as available for sale. Accordingly, the net unrealized gains and losses computed in marking these securities to market are reported as a component of partners' equity.

The fair value is based on currently quoted market prices. The cost basis and estimated fair value of the Partnership's marketable securities at September 30, 1996 and December 31, 1995, respectively, are as follows:

<TABLE>

<CAPTION>

September 30, 1996 -----		December 31, 1995 -----	
Cost Basis	Fair Value	Cost Basis	Fair Value

<S>	<C>	<C>	<C>	<C>
Investment in Continental Information Systems Corporation Stock	\$	-	\$	-
	=====		=====	=====
			\$115,462	\$ 98,143

</TABLE>

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Notes to Financial Statements

For the Nine Months Ended September 30, 1996 and September 30, 1995
(Unaudited)

As was discussed in note 2, Marketable Securities, the Partnership received stock in CISC as part of the December 27, 1994, July 20, 1995 and October 20, 1995 distributions from the Trustee, with respect to the outstanding unsecured pre-petition claim, which had been fully reserved during prior years; thus, during the second quarter of 1995 when the stock began actively trading, the carrying amount for the stock was established to be \$2.50 per share which approximated fair value at June 30, 1995.

(6) Bankruptcy of Continental Information Systems Corporation

On January 19, 1996, April 19, 1996 and July 19, 1996, respectively, the Partnership received the fourth, fifth and sixth distributions from the Trustee of the Liquidating Estate, et al ("the Trustee"), with respect to the unsecured pre-petition claim. The fourth, fifth and sixth distributions consisted of cash proceeds of \$8,795, \$16,602 and \$8,544, respectively. The sixth distribution also included 172 shares of common stock in CISC. Following the Trustee's sixth distribution, the Partnership has a remaining unsecured pre-petition claim balance of \$22,385 as of September 30, 1996 (see note 7).

(7) Subsequent Events

On October 21, 1996, the Partnership received the seventh distribution from the Trustee with respect to the unsecured pre-petition claim. The distribution consisted of cash proceeds of \$11,971. Following the Trustee's seventh distribution, the Partnership has a remaining unsecured pre-petition claim balance of \$10,414 as of October 21, 1996. The General Partner anticipates that the Trustee will make future distributions on the remaining outstanding claim balance, although it is not possible at this time to determine when these distributions will be made.

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Unaudited)

Results of Operations

The following discussion relates to the Partnership's operations for the quarter and nine month periods ended September 30, 1996 compared to the same periods in 1995.

The Partnership realized a net loss of \$5,942 and net income of \$191,522 for the quarters ended September 30, 1996 and 1995, respectively. Rental income decreased \$75,493 or 84% primarily due to lower rental rates obtained on equipment lease extensions and remarketings resulting after the initial lease term expires and due to a decrease in the overall size of the equipment portfolio. Interest income decreased as a result of lower average short-term investment balances held during the current quarter. The increase in net gain on sale of equipment between 1995 and 1996 can be attributed to an increase in equipment sales. The recovery of the unsecured pre-petition claim of \$8,974 for the quarter ended September 30, 1996 was the result of the receipt of the Trustee's sixth distribution on the fully reserved unsecured pre-petition receivable (for further discussion refer to note 6 to the financial statements).

Total costs and expenses decreased \$18,227 or 33% during the current quarter. Depreciation expense decreased due to a large portion of the equipment becoming fully depreciated. Included in depreciation expense for the quarter ended September 30, 1996 is a reversal of a provision for estimated losses on the ultimate disposition of equipment. During the third quarter of 1996, the Partnership recognized a provision for doubtful accounts of \$1,786 for delinquent rents receivable. Management fees decreased as a result of the decline in rental income. However, because management fees paid are a function of rental receipts received, the large reversal of rental income of \$39,975, as discussed above, had no impact on management fee expense. General and administrative expenses increased \$7,327 or 46% due to an increase in the allocable salaries of the partnership accounting and reporting personnel of the General Partner during the current quarter. The net loss on sale of marketable securities reflects the current quarter sale of stock that had been received from the Trustee.

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Unaudited)

The Partnership realized net income of \$117,699 and \$464,970 for the nine months ended September 30, 1996 and 1995, respectively. The Partnership realized rental income of \$113,247 and \$286,750 for the nine months ended September 30, 1996 and 1995, respectively. As discussed above in the quarter analysis, the decrease in rental income can be attributed to the re-lease of equipment at lower rates and the overall decrease in the equipment portfolio. Another reason for the significant decrease in rental income can be attributed to equipment being returned to inventory that was previously on lease to Time Warner, Incorporated. The equipment was returned to inventory on January 31, 1996, causing a \$39,975 adjustment to rental income for the nine months ended September 30, 1996. Interest income decreased between 1995 and 1996 due to the lower average short-term investment balances held during the first nine months of 1996. The increase in net gain on sale of equipment between 1995 and 1996 can be attributed to an increase in equipment sales, as stated above. The recovery of the unsecured pre-petition claim of \$34,371 and \$249,479 for the nine months ended September 30, 1996 and 1995, respectively, was the result of the receipt of the Trustee's distributions on the fully reserved unsecured pre-petition receivable (for further discussion refer to note 6 to the financial statements).

Total costs and expenses increased slightly between the nine month periods. As discussed in the quarter analysis above, depreciation expense decreased \$81,541 or 75% between 1996 and 1995 due to a large portion of the equipment portfolio becoming fully depreciated and due to the overall reduction of the Partnership's equipment portfolio. Another reason for the decrease in depreciation expense can be attributed to the reversal of a provision for estimated losses on the ultimate disposition of equipment. The provision for doubtful accounts increased in the current year due to an increase in delinquent rents receivable. Management fees decreased due to the decline in rental income. General and administrative expenses increased \$8,015 or 16% due to an increase in the allocable salaries of the partnership accounting and reporting personnel of the General Partner during the current period. The net loss on sale of marketable securities reflects the second and third quarter sale of stock that had been received from the Trustee.

The Partnership had a net loss and net income per Limited Partnership Unit of \$0.50 and \$7.22 for the quarters ended September 30, 1996 and 1995, respectively, and net income of \$3.72 and \$16.04 for the nine months ended September 30, 1996 and 1995, respectively. The allocation for the nine months ended September 30, 1996 includes a cost recovery allocation of profit and loss among the General and Limited Partners which results in an allocation of net loss to the Limited Partners in the first, second and third quarters of 1996. This cost recovery allocation is required to maintain capital accounts consistent with the distribution provisions of the Partnership Agreement. In certain periods, the cost recovery of profit and loss may result in an allocation of net loss to the Limited Partners in instances when the Partnership's operations were profitable for the period.

Liquidity and Capital Resources

For the nine months ended September 30, 1996, rental revenue generated from operating leases and sales proceeds generated from equipment sales were the primary sources of funds for the Partnership. As equipment leases terminate, the General Partner determines if the equipment will be extended to the same lessee,

remarketed to another lessee, or if it is less marketable, sold. This decision is made upon analyzing which option would generate the most favorable results.

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Management's Discussion and Analysis of
Financial Condition and Results of Operations
(Unaudited)

Rental income will continue to decrease due to two factors. The first factor is the lower rate obtained due to the remarketing of existing equipment upon the expiration of the original lease. Typically the remarketed rates are lower due to the decrease in useful life of the equipment. Second, the increasing change of technology in the computer industry usually decreases the demand for older equipment, thus increasing the possibility of obsolescence. Both of these factors together will cause remarketed rates to be lower than original rates and will cause certain leases to terminate upon expiration. Future rental revenues amount to \$18,552 and are to be received during the current year.

During the fourth quarter of 1995, the General Partner announced its intentions of winding down the operations of the Partnership. It is anticipated that substantially all of the assets will be liquidated and the proceeds will be used to settle all outstanding liabilities and make a final distribution during early in 1997. The Partnership will not be terminated until the unsecured pre-petition claim against CIS Corporation has been settled and any stock received, sold.

The Partnership's investing activities for the current nine months resulted in sales of fully depreciated equipment, generating \$112,822 in sales proceeds. The Partnership has no material capital expenditure commitments and will not purchase equipment in the future as the Partnership has reached the end of its reinvestment period and has announced its intentions of winding down the operations of the Partnership. The Partnership also sold 46,185 shares of CISC stock having a cost basis of \$115,462, generating net sale proceeds in the amount of \$80,666.

Cash distributions are currently at an annual level of 2% per Limited Partnership Unit, or \$2.50 per Limited Partnership Unit on a quarterly basis. For the quarter ended September 30, 1996, the Partnership declared a cash distribution of \$66,745, of which \$3,337 is allocated to the General Partner and \$63,408 is allocated to the Limited Partners. The distribution will be made on November 27, 1996. The Partnership expects distributions to be more volatile as its operations are winding down. The effects of inflation have not been significant to the Partnership and are not expected to have any material impact in future periods.

On January 9, 1996, TLP Holding LLC purchased all the common stock of TLP Leasing Programs, Inc. from CMI Holding Co. Under the new ownership, it is expected that TLP Leasing Programs, Inc. will continue to operate in the same manner of business as it has in the past.

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

Computer Equipment Portfolio (Unaudited)
September 30, 1996

Lessee

Allied Signal Corporation
FAX International, Incorporated
Lamson & Sessions, Incorporated

<TABLE>
<CAPTION>

Equipment Description	Acquisition Price
<S>	<C>
Computer Peripherals	\$ 523,441
Processors & Upgrades	4,089
Telecommunications	36,805
Other	253,542

\$ 817,877
=====

</TABLE>

<TABLE>
<CAPTION>

PART II. OTHER INFORMATION

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(A Massachusetts Limited Partnership)

<S>	<C>
Item 1.	Legal Proceedings Response: None
Item 2.	Changes in the Rights of the Partnership's Security Holders Response: None
Item 3.	Defaults by the Partnership on its Senior Securities Response: None
Item 4.	Results of Votes of Security Holders Response: None
Item 5.	Other Information Response: None
Item 6.	Exhibits and Reports on Form 8-K Response: A. None B. None

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

WELLESLEY LEASE INCOME LIMITED PARTNERSHIP II-B
(Registrant)

By: Wellesley Leasing Partnership,
its General Partner

By: TLP Leasing Programs, Inc.,
one of its Corporate General Partners

Date: November 14, 1996

By: Arthur P. Beecher,
President

<TABLE> <S> <C>

<ARTICLE> 5

<CIK> 0000739710

<NAME> WELLESLEY II-B FDS 9/30/96

<S>	<C>
<PERIOD-TYPE>	9-MOS
<FISCAL-YEAR-END>	DEC-31-1996
<PERIOD-END>	SEP-30-1996
<CASH>	134,381
<SECURITIES>	0
<RECEIVABLES>	52,002
<ALLOWANCES>	40,502
<INVENTORY>	0
<CURRENT-ASSETS>	145,881
<PP&E>	817,877
<DEPRECIATION>	812,955
<TOTAL-ASSETS>	150,803
<CURRENT-LIABILITIES>	38,303
<BONDS>	0
<COMMON>	11,299,475
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	(11,186,975)
<TOTAL-LIABILITY-AND-EQUITY>	150,803
<SALES>	113,247
<TOTAL-REVENUES>	255,142
<CGS>	0
<TOTAL-COSTS>	14,033
<OTHER-EXPENSES>	121,245
<LOSS-PROVISION>	2,165
<INTEREST-EXPENSE>	0
<INCOME-PRETAX>	117,699
<INCOME-TAX>	0
<INCOME-CONTINUING>	117,699
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	117,699
<EPS-PRIMARY>	3.72
<EPS-DILUTED>	0

</TABLE>