FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

OUTLET CENTRE PARTNERS

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SIC: **6519** Lessors of real property, nec

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

FORM 10-K

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]
For the fiscal year ended December 31, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
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.)
2355 Waukegan Road Bannockburn, Illinois	60015
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Limited Partnership Interests
(Title of class)

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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

PART I

Item 1. Business

Outlet Centre Partners (the "Registrant") is a limited partnership formed in 1987 under the laws of the State of Illinois, which raised $30,000,000 from sales of Limited Partnership Interests. The Registrant owned (through subsidiaries) the Factory Outlet Centre (the "Centre") located in Bristol, Wisconsin until its sale in January 1998. The Partnership Agreement provides that the proceeds from any sale or refinancing of the Centre will not be reinvested in new acquisitions. The Registrant's operations currently consist of interest earned on short-term investments and the payment of administrative expenses.

Pursuant to the Partnership Agreement, when all interests in real estate are sold or otherwise disposed of and the General Partner is not then aware of any remaining contingencies, the Registrant will be dissolved. In January 1998, the Registrant sold the Centre, its only real estate investment. The Registrant has recently concluded litigation with a former tenant at the property, and there are currently no contingencies outstanding. Therefore, the General Partner commenced liquidation of the Registrant, and on March 23, 1999, the Registrant's registration under the Securities Exchange Act of 1934 was terminated and the Registrant was dissolved.

During January 1998, the Registrant sold the Centre in an all cash sale for $15,000,000, less a credit of $935,000 resulting in a net sale price of $14,065,000. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" for additional information.

The Registrant no longer has an ownership interest in any real estate investment. The General Partner is not aware of any material potential liability relating to environmental issues or conditions affecting real estate formerly owned by the Registrant.

The officers and employees of Balcor Partners-XXII, the General Partner of the Registrant, and its affiliates perform services for the Registrant. The Registrant currently has no employees engaged in its operations.

Item 2. Property

As of December 31, 1998, the Registrant did not own any properties.

In the opinion of the General Partner, the Registrant has obtained adequate insurance coverage for property liability and property damage matters.

See Notes to Financial Statements for other information regarding the former real estate property investment.

Item 3. Legal Proceedings

The Registrant is not subject to any material pending legal proceedings, nor were any such proceedings terminated during the fourth quarter of 1998.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Limited Partners of the Registrant during 1998.

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

The Registrant was terminated in the State of Illinois on March 22, 1999. On March 23, 1999, the Registrant's registration under the Securities Exchange Act of 1934 was terminated.

For information regarding previous distributions, see Financial Statements, Statement of Partners Capital and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources".

As of December 31, 1998, the number of record holders of Limited Partnership Interests of the Registrant was 1,966.

Item 6. Selected Financial Data

	Year ended December 31,				
	1998	1997	1996	1995	1994
Total income	$382,647	$5,210,432	$5,186,143	$5,411,464	$5,500,853
Provision for investment property writedown	None	3,548,157	None	None	None
Income (loss) before extraordinary item	10,682	(4,583,555)	(744,997)	(203,933)	(118,837)

Net loss	(234,976)	(4,583,555)	(744,997)	(203,933)	(118,837)
Net loss per Limited Partnership Interest - Basic and Diluted	(7.83)	(185.61)	(24.58)	(6.73)	(3.92)
Total assets	1,553,418	16,935,014	22,039,698	23,620,607	24,143,296
Mortgage note payable	None	12,279,304	12,431,154	12,568,420	12,692,502
Distributions per Limited Partnership Interest (A)	63.53	22.12	22.108	5.527	None

(A) These amounts include a distribution of original capital of $58.00 for 1998.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Operations

Summary of Operations

During January 1998, Outlet Centre Partners (the "Partnership") sold the Centre and incurred debt extinguishment expense. Income from operations decreased during 1998 as a result of the sale of the property. During 1997, the Partnership recognized a provision for investment property writedown. In addition, property operations decreased at the Centre during 1997 as compared to 1996 primarily due to higher property operating expenses. The recognition of the provision for investment property writedown during 1997 resulted in a larger net loss during 1997 as compared to 1998 and 1996. Further discussion of the operations of the Centre is summarized below.

1998 Compared to 1997

As a result of the sale of the Centre in January 1998, rental and service income, interest expense on mortgage notes payable, depreciation expense, amortization expense, property operating expense, real estate tax expense and property management fees expense decreased during 1998 as compared 1997.

In 1998, the Partnership received $85,382 from a settlement with a former tenant of the Centre. The settlement relates to rental income owed to the Partnership pursuant to the tenant's lease. This amount was recognized as settlement income for financial statement purposes.

The Partnership recognized other income during 1997 in connection with partial refunds of prior years' insurance premiums relating to the Centre.

Primarily as a result of lower portfolio management and legal fees, administrative expenses decreased during 1998 as compared to 1997.

Provisions were charged to income when the General Partner believed an impairment had occurred to the value of the Centre. Determinations of fair value were made based on the estimated sales price of the Centre less closing costs and market conditions. During 1997, the Partnership recognized a provision for investment property writedown of $3,548,157 to provide for a change in the estimate of the fair value of the Centre.

In January 1998, the Partnership sold the Centre. In connection with the sale, the Partnership wrote-off the remaining unamortized deferred financing fees of $122,865 and paid a prepayment penalty of $122,793. These amounts were recognized as an extraordinary item and classified as debt extinguishment expense.

1997 Compared to 1996

The Partnership billed tenants on a monthly basis for common area maintenance, real estate taxes and other expenses of the Centre based on estimates.

Adjustments were periodically made to these billings once the Partnership had determined the actual amounts due. During 1997, the Partnership recognized higher reimbursements than during 1996 related to common area maintenance. In 1996, the adjustment of billings for real estate taxes resulted in decreased reimbursements from tenants due to a prior year's reduction in the assessed value of the Centre levied by the local taxing authority. As a result, service income increased during 1997 when compared to 1996.

Higher tenant related expenditures were incurred in 1997 resulting from increased costs related to tenant improvements. Additionally, roof, parking lot and sidewalk repairs were completed in 1997. As a result, property operating expense increased during 1997 when compared to 1996.

Real estate tax expense decreased during 1997 when compared to 1996 due to a decrease in the assessed value of the Centre levied by the local taxing authority.

Primarily as a result of higher tenant-related legal fees and legal fees related to the sale of the property, administrative expenses increased during 1997 when compared to 1996.

Liquidity and Capital Resources

The cash position of the Partnership decreased approximately $704,000 as of December 31, 1998 when compared to December 31, 1997 due to the payment of accrued real estate taxes and property accounts payable related to 1997. The

Partnership used cash of approximately $743,000 to fund its operating activities. The operating activities reflect the payment of accrued real estate taxes and the payment of property accounts payable related to 1997, the operations of the Centre and the payment of administrative expenses, which were partially offset by the receipt of interest income earned on short-term investments and settlement income. The Partnership's investing activities of approximately $13,437,000 consisted of the receipt of approximately $13,688,000 of net sales proceeds from the sale of the Centre which was partially offset by approximately $251,000 of earnest money credited to the purchaser. The Partnership used net cash of approximately $13,398,000 to fund its financing activities which consisted of the repayment of the mortgage note payable of approximately $12,279,000, the payment of distributions totaling approximately $1,906,000 to Limited Partners and the receipt of the capital improvement escrow of approximately $787,000. In March 1999, a final distribution of $1,615,500 was made to Limited Partners, as discussed below.

In January 1998, the Partnership sold the Centre in an all cash sale for $15,000,000, less a credit of $935,000 related to tenant improvements and renovations for a net sale price of $14,065,000. From the proceeds of the sale, the Partnership paid $12,279,304 to the third party mortgage holder in full satisfaction of the first mortgage loan. Mortgage escrows of $815,045 were released to the Partnership in February 1998 upon the repayment of the first mortgage loan. The Partnership paid $376,955 in selling costs and a prepayment penalty of $122,793. Of the sale proceeds, $400,000 was retained by the Partnership until July 1998, at which time the funds were released in full.

This amount was reserved to provide for the maximum potential liability of the Partnership pursuant to the sale contract. The available proceeds from the sale were distributed to Limited Partners in March 1998.

In 1998, the Partnership received $85,382 in a settlement with a former tenant of the Centre. The settlement relates to rental income owed to the Partnership pursuant to the tenant's lease.

Pursuant to the Partnership Agreement, when all interests in real estate are sold or otherwise disposed of and the General Partner is not then aware of any remaining contingencies, the Partnership will be dissolved. As discussed above, the Centre was sold in January 1998. The Partnership has recently concluded litigation with a former tenant at the property, and there are currently no contingencies outstanding. Therefore, the General Partner commenced liquidation of the Partnership. After retaining approximately $116,000 to pay the final administrative expenses of the Partnership, a final distribution of $1,615,500 ($53.85 per Interest) was made to the Limited Partners in March 1999, which represents all remaining cash reserves, including a capital contribution of $177,706 from the General Partner pursuant to the Partnership Agreement. The distribution consisted of $19.64 per Interest of Net Cash Proceeds and $34.21 per Interest of Net Cash Receipts.

The Partnership was terminated in the State of Illinois on March 22, 1999. On March 23, 1999, the Partnership's registration under the Securities Exchange Act of 1934 was terminated.

The Partnership made distributions totaling $63.53, $22.12 and $22.11 per Interest in 1998, 1997 and 1996, respectively. See Statement of Partners Capital for additional information. Distributions were comprised of $5.53 per Interest of Net Cash Receipts and $58.00 per Interest of Net Cash Proceeds in 1998. Distributions were comprised entirely of Net Cash Receipts in 1997 and 1996.

Including the final distribution issued in March 1999, Limited Partners have received distributions totaling $696.53 per $1,000 Interest. Of this amount, $355.81 per Interest represents a distribution of Net Cash Receipts and $340.72 per Interest represents a distribution of Net Cash Proceeds. In addition, Limited Partners have received certain tax benefits. Limited Partners did not recover a substantial portion of their original investment. The General Partner did not receive any distribution of Net Cash Receipts or Net Cash Proceeds from the Partnership.

Item 7a. Quantitative and Qualitative Disclosures About Market Risk

The supplemental financial information specified by Item 305 of Regulation S-K is not applicable.

Item 8. Financial Statements and Supplementary Data

See Index to Financial Statements in this Form 10-K.

The supplemental financial information specified by Item 302 of Regulation S-K is not applicable.

The net effect of the differences between the financial statements and the tax returns is summarized as follows:

	December 31, 1998		December 31, 1997	
	Financial Statements	Tax Returns	Financial Statements	Tax Returns
Total assets	$1,553,418	$5,628,991	$16,935,014	$24,685,760
Partners' capital (deficit):				
General Partner	(177,706)	(177,706)	(177,706)	(15,127)
Limited Partners	1,615,500	5,744,732	3,756,376	11,339,512
Net (loss) income:				
General Partner	None	(162,579)	984,851	514,226
Limited Partners	(234,976)	(3,688,880)	(5,568,406)	(1,793,207)
Per Limited Partnership Interest	(7.83)(A)	(122.96)	(185.61)(A)	(59.77)

(A) Amount represents basic and diluted net loss per Limited Partnership

Interest.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes in or disagreements with accountants on any matter of accounting principles, practices or financial statement disclosure.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) Neither the Registrant nor Balcor Partners-XXII, its General Partner, has a Board of Directors.

(b, c & e) The names, ages and business experience of the executive officers and significant employees of the General Partner of the Registrant are as follows:

TITLE	OFFICERS
Chairman, President and Chief Executive Officer	Thomas E. Meador
Senior Vice President	Alexander J. Darragh
Senior Managing Director, Chief Financial Officer, Treasurer and Assistant Secretary	Jayne A. Kosik

Thomas E. Meador (age 51) joined Balcor in July 1979. He is Chairman, President and Chief Executive Officer and has responsibility for all ongoing day-to-day activities at Balcor. He is a member of the board of directors of The Balcor Company. He is also a Senior Vice President of American Express Company and is responsible for its real estate operations worldwide. Prior to joining Balcor, Mr. Meador was employed at the Harris Trust and Savings Bank in the commercial real estate division where he was involved in various lending activities. Mr. Meador received his M.B.A. degree from the Indiana University Graduate School of Business.

Mr. Meador is on the Board of Directors of Grubb & Ellis Company, a publicly traded commercial real estate firm. Mr. Meador was elected to the Board of Grubb & Ellis Company in May 1998. Mr. Meador is also a director of AMLI Commercial Properties Trust, a private real estate investment trust that owns office and industrial buildings in the Chicago, Illinois area. Mr. Meador was elected to the Board of AMLI Commercial Properties Trust in August 1998.

Alexander J. Darragh (age 44) joined Balcor in September 1988 and is responsible for real estate advisory services for Balcor and American Express Company. Mr. Darragh received masters' degrees in Urban Geography from Queen's

University and in Urban Planning from Northwestern University.

Jayne A. Kosik (age 41) joined Balcor in August 1982 and, as Chief Financial Officer, is responsible for Balcor's financial, human resources and treasury functions. Ms. Kosik is also a member of the board of directors of The Balcor Company. From June 1989 until October 1996, Ms. Kosik had supervisory responsibility for accounting functions relating to Balcor's public and private partnerships. She is also Treasurer and a Senior Managing Director of The Balcor Company. Ms. Kosik is a Certified Public Accountant.

(d) There is no family relationship between any of the foregoing officers.

(f) None of the foregoing officers or employees are currently involved in any material legal proceedings nor were any such proceedings terminated during the fourth quarter of 1998.

Item 11. Executive Compensation

The Registrant has not paid and does not propose to pay any remuneration to the executive officers and directors of the General Partner. The executive officers receive compensation from The Balcor Company (but not from the Registrant) for services performed for various affiliated entities, which may include services performed for the Registrant. However, the General Partner believes that any such compensation attributable to services performed for the Registrant is immaterial to the Registrant. See Note 7 of Notes to Financial Statements for the information relating to transactions with affiliates.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) No person owns of record or is known by the Registrant to own beneficially more than 5% of the Limited Partnership Interests of the Registrant.

(b) Neither Balcor Partners-XXII nor its partners and officers own any Limited Partnership Interests of the Registrant.

Relatives of the officers and affiliates of the partners of the General Partner do not own any interests.

(c) The Registrant is not aware of any arrangements, the operation of which may result in a change of control of the Registrant.

Item 13. Certain Relationships and Related Transactions

(a & b) See Note 7 of Notes to Financial Statements for additional information relating to transactions with affiliates.

See Note 3 of Notes to Financial Statements for information relating to the Partnership Agreement and the allocation of distributions and profits and losses.

(c) No management person is indebted to the Registrant.

(d) The Registrant has no outstanding agreements with any promoters.

PART IV

Item 14. Exhibits and Reports on Form 8-K

(a)
(1 & 2) See Index to Financial Statements in this Form 10-K.

(3) Exhibits:

(3) The Amended and Restated Agreement and Certificate of Limited Partnership previously filed as Exhibit 3 to Amendment No. 1 to Registrant's Registration Statement on Form S-11 dated April 2, 1987 (Registration No. 33-13097), is incorporated herein by reference.

(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 June 30, 1992 (Commission File No. 0-16717) are incorporated herein by reference.

(10) Material Contracts:

(a) Agreement of Sale relating to the sale of the Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (2)(i) to the Registrant's Current Report on Form 8-K dated August 29, 1997 is incorporated herein by reference.

(b) Letter Agreement dated August 25, 1997 relating to the sale of the Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (2)(ii) to the Registrant's Current Report on Form 8-K dated August 29, 1997 is incorporated herein by reference.

(c) Letter Agreement dated September 8, 1997 relating to the sale of the Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (10)(c) to the Registrant's Report on Form 10-Q dated September 30, 1997 is incorporated herein by reference.

(d) Letter Agreement dated October 7, 1997 relating to the sale of the Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (10)(d) to the Registrant's Report on Form 10-Q dated September 30, 1997 is incorporated herein by reference.

(e) Letter Agreement relating to the sale of the Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (10)(e) to the Registrant's Report on Form 10-Q dated September 30, 1997 is incorporated herein by reference.

(f) Letter Agreement dated November 4, 1997 relating to the sale of the Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (10)(f) to the Registrant's Report on Form 10-Q dated September 30, 1997 is incorporated herein by reference.

(g) Letter Agreement dated November 7, 1997 relating to the sale of the Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (10)(g) to the Registrant's Report on Form 10-Q dated September 30, 1997 is incorporated herein by reference.

(h) Letter Agreement dated November 19, 1997 relating to the sale of Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit 99 (i) to the Registrant's Current Report on Form 8-K dated January 8, 1998, is incorporated herein by reference.

(i) Letter Agreement dated December 2, 1997 relating to the sale of Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (99)(ii) to the Registrant's Current Report on Form 8-K dated January 8, 1998, is incorporated herein by reference.

(j) Letter Agreement dated December 10, 1997 relating to the sale of Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (99)(iii) to the Registrant's Current Report on Form 8-K dated January 8, 1998, is incorporated herein by reference.

(k) Letter Agreement dated December 23, 1997 relating to the sale of Factory Outlet Centre, Bristol, Wisconsin, previously filed as Exhibit (99)(iv) to the Registrant's Current Report on Form 8-K dated January 8, 1998, is incorporated herein by reference.

(27) Financial Data Schedule of the Registrant for 1998 is attached hereto.

(b) Reports on Form 8-K: No reports were filed on Form 8-K during the quarter ended December 31, 1998.

(c) Exhibits: See Item 14(a)(3) above.

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.

OUTLET CENTRE PARTNERS

By: /s/ Jayne A. Kosik

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

Date: March 26, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas E. Meador Thomas E. Meador	President and Chief Executive Officer (Principal Executive Officer) of Balcor Partners-XXII, the General Partner	March 26, 1999
/s/ Jayne A. Kosik Jayne A. Kosik	Senior Managing Director and Chief Financial Officer (Principal Accounting and Financial Officer) of Balcor Partners-XXII, the General Partner	March 26, 1999

INDEX TO FINANCIAL STATEMENTS

Financial Statement Schedules:

Financial Statement Schedules are omitted for the reason that they are inapplicable or equivalent information has been included elsewhere herein.

REPORT OF INDEPENDENT ACCOUNTANTS

To The Partners of
Outlet Centre Partners:

In our opinion, the accompanying balance sheets and the related statements of partners' capital, of income and expenses and of cash flows present fairly, in all material respects, the financial position of Outlet Centre Partners An Illinois Limited Partnership (the "Partnership") at December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Partnership's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As described in Note 1 to the financial statements, the partnership agreement provides for the dissolution of the Partnership upon the disposition of all its real estate interests. As of December 31, 1998, the Partnership no longer has an ownership interest in any real estate investment, and accordingly has ceased operations and was dissolved on March 22, 1999.

PricewaterhouseCoopers LLP

Chicago, Illinois
March 24, 1999

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

BALANCE SHEETS
December 31, 1998 and 1997

ASSETS

	1998	1997
Cash and cash equivalents	$ 1,531,299	$ 2,235,787
Accounts and accrued interest receivable	22,119	43,259
Escrow deposits		815,045

Deferred expenses, net of accumulated amortization of $290,938 in 1997		124,687
	1,553,418	3,218,778
Investment in real estate:		
Land		2,303,478
Buildings and improvements		24,584,750
		26,888,228
Less accumulated depreciation		13,171,992
Investment in real estate, net of accumulated depreciation		13,716,236
	$ 1,553,418	$ 16,935,014

LIABILITIES AND PARTNERS' CAPITAL

Accounts payable	$ 63,368	$ 356,100
Due to affiliates	52,256	23,918
Accrued liabilities - principally real estate taxes		403,763
Security deposits		41,810
Escrow liability - earnest money deposit		251,449
Mortgage note payable		12,279,304
Total liabilities	115,624	13,356,344
Commitments and contingencies		
Limited Partners' capital (30,000 Interests issued and outstanding)	1,615,500	3,756,376
General Partner's deficit	(177,706)	(177,706)
Total partners' capital	1,437,794	3,578,670
	$ 1,553,418	$ 16,935,014

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

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL
for the years ended December 31, 1998, 1997, and 1996

	Partners' Capital (Deficit) Accounts		
	Total	General Partner	Limited Partners
Balance at December 31, 1995	$ 10,234,062	$(1,155,107)	$11,389,169
Cash distributions to Limited Partners (A)	(663,240)		(663,240)
Net loss for the year ended December 31, 1996	(744,997)	(7,450)	(737,547)
Balance at December 31, 1996	8,825,825	(1,162,557)	9,988,382
Cash distributions to Limited Partners (A)	(663,600)		(663,600)
Net loss for the year ended December 31, 1997	(4,583,555)	984,851	(5,568,406)
Balance at December 31, 1997	3,578,670	(177,706)	3,756,376
Cash distributions to Limited Partners (A)	(1,905,900)		(1,905,900)
Net loss for the year ended December 31, 1998	(234,976)		(234,976)
Balance at December 31, 1998	$ 1,437,794	$ (177,706)	$ 1,615,500

(A) Summary of cash distributions paid per Limited Partnership Interest

	1998	1997	1996
First Quarter	$ 63.53	$ 5.53	$ 5.527
Second Quarter	None	5.53	5.527
Third Quarter	None	5.53	5.527
Fourth Quarter	None	5.53	5.527

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 years ended December 31, 1998, 1997, and 1996

	1998	1997	1996
Income:			
Rental	$ 78,237	$ 3,025,675	$ 3,158,015

Service	84,896	2,049,424	1,883,814
Settlement income	85,382		
Interest on short-term investments	134,132	133,612	144,314
Other income		1,721	
Total income	382,647	5,210,432	5,186,143
Expenses:			
Interest on mortgage note payable	103,760	1,253,590	1,268,175
Depreciation	28,191	1,303,047	1,320,673
Amortization	1,822	83,125	83,125
Property operating	7,929	2,670,750	2,251,600
Real estate taxes	13,301	404,667	567,357
Property management fees	4,245	222,020	231,329
Administrative	212,717	308,631	208,881
Provision for investment property writedown		3,548,157	
Total expenses	371,965	9,793,987	5,931,140
Income (loss) before extraordinary item	10,682	(4,583,555)	(744,997)
Extraordinary item:			
Debt extinguishment expense	(245,658)		
Net loss	$ (234,976)	$(4,583,555)	$ (744,997)
Income (loss) before extraordinary item allocated to General Partner	None	$ 984,851	$ (7,450)
Income (loss) before extraordinary item allocated to Limited Partners	$ 10,682	$(5,568,406)	$ (737,547)

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 years ended December 31, 1998, 1997, and 1996
(Continued)

	1998	1997	1996

Income (loss) before extraordinary item per Limited Partnership Interest (30,000 issued and outstanding) - Basic and Diluted	$ 0.36	$ (185.61)	$ (24.58)
Extraordinary item allocated to General Partner	None	None	None
Extraordinary item allocated to Limited Partners	$ (245,658)	None	None
Extraordinary item per Limited Partnership Interest (30,000 issued and outstanding) - Basic and Diluted	$ (8.19)	None	None
Net income (loss) allocated to General Partner	None	$ 984,851	$ (7,450)
Net loss allocated to Limited Partners	$ (234,976)	$(5,568,406)	$ (737,547)
Net loss per Limited Partnership Interest (30,000 issued and outstanding) - Basic and Diluted	$ (7.83)	$ (185.61)	$ (24.58)

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

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

STATEMENTS OF CASH FLOWS
for the years ended December 31, 1998, 1997, and 1996

	1998	1997	1996
Operating activities:			
Net loss	$ (234,976)	$(4,583,555)	$ (744,997)
Adjustments to reconcile net loss to net cash (used in) or provided by operating activities:			
Extraordinary item:			
Debt extinguishment expense	122,865		
Depreciation of property	28,191	1,303,047	1,320,673
Amortization of deferred expenses	1,822	83,125	83,125

Provision for investment property writedown		3,548,157	
Net change in:			
Accounts and accrued interest receivable	21,140	286,087	(288,901)
Escrow deposits	28,070	(28,304)	(17,091)
Prepaid expenses		37,666	(3,868)
Accounts payable	(292,732)	222,676	(3,757)
Due to affiliates	28,338	(10,697)	20,682
Accrued liabilities	(403,763)	(163,594)	(51,535)
Security deposits	(41,810)	(5,513)	(796)
Net cash (used in) or provided by operating activities	(742,855)	689,095	313,535
Investing activities:			
Proceeds from sale of property	14,065,000		
Payment of selling costs	(376,955)		
Earnest money deposit	(251,449)	251,449	
Net cash provided by investing activities	13,436,596	251,449	
Financing activities:			
Distributions to Limited Partners	(1,905,900)	(663,600)	(663,240)
Repayment of mortgage note payable	(12,279,304)		
Principal payments on mortgage note payable		(151,850)	(137,266)
Release of capital improvement escrow	786,975		191,600

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

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

STATEMENTS OF CASH FLOWS
for the years ended December 31, 1998, 1997, and 1996
(Continued)

	1998	1997	1996
Net cash used in finanacing activities	$(13,398,229)	$ (815,450)	$ (608,906)
Net change in cash and cash equivalents	(704,488)	125,094	(295,371)

Cash and cash equivalents at beginning of year	2,235,787	2,110,693	2,406,064
Cash and cash equivalents at end of year	$ 1,531,299	$ 2,235,787	$ 2,110,693

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

OUTLET CENTRE PARTNERS
(An Illinois Limited Partnership)

NOTES TO FINANCIAL STATEMENTS

1. Termination of Partnership Affairs:

Pursuant to the Partnership Agreement, when all interests in real estate are sold or otherwise disposed of and the General Partner is not aware of any remaining contingencies, Outlet Centre Partners (the "Partnership") will be dissolved. The Factory Outlet Centre was sold in January 1998. The Partnership has recently concluded litigation with a former tenant at the property, and there are currently no contingencies outstanding. Therefore, the General Partner commenced liquidation of the Partnership. After retaining approximately $116,000 to pay the final administrative expenses of the Partnership, a final distribution of $1,615,500 ($53.85 per Interest) was made to the Limited Partners in March 1999, which represents all remaining cash reserves, including a capital contribution of $177,706 from the General Partner pursuant to the Partnership Agreement. The distribution consisted of $19.64 per Interest of Net Cash Proceeds and $34.21 per Interest of Net Cash Receipts. Including this final distribution, Limited Partners have received cumulative distributions of $696.53 per $1,000 Interest, of which $355.81 represents Net Cash Receipts and $340.72 represents Net Cash Proceeds.

The Partnership was terminated in the State of Illinois on March 22, 1999. On March 23, 1999, the Partnership's registration under the Securities Exchange Act of 1934 was terminated.

2. Accounting Policies:

(a) The preparation of the financial statements in conformity with generally accepted accounting principles required the General Partner to make estimates and assumptions that affected the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

(b) Depreciation expense was computed using the straight-line method. Rates used in the determination of depreciation were based upon the following estimated useful lives:

	Years

Buildings and improvements	18 - 25
Furniture and fixtures	5

Depreciation expense for capitalized tenant improvements was computed using a straight-line method over the term of the lease.

Maintenance and repairs were charged to expense when incurred. Expenditures for improvements were charged to the related asset account.

(c) The Partnership recorded its investment in real estate at the lower of cost or fair value, and periodically assessed, but not less than on an annual basis, possible impairment to the value of its property. The General Partner estimated the fair value of its property based on the current sales price less estimated closing costs. In the event the General Partner determined an impairment in value had occurred, and the carrying amount of the real estate asset would not have been recovered, a provision was recorded to reduce the carrying basis of the property to its estimated fair value. The General Partner considered the method referred to above to result in a reasonable measurement of the property's fair value, unless other factors affecting the property's value indicated otherwise.

(d) Deferred expenses consisted of financing fees which were amortized over the term of the loan agreement. Upon sale, any remaining balance was recognized as debt extinguishment expense and classified as an extraordinary item.

(e) Revenue was recognized on an accrual basis in accordance with generally accepted accounting principles. Income from operating leases with significant abatements and/or scheduled rent increases was recognized on a straight line basis over the respective lease term. Service income included reimbursements for operating costs such as real estate taxes, maintenance and insurance and was recognized as revenue in the period the applicable costs were incurred.

(f) The Partnership calculated the fair value of its financial instruments based on estimates using present value techniques. The Partnership included this additional information in the notes to the financial statements when the fair value was different than the carrying value of those financial instruments. When the fair value reasonably approximated the carrying value, no additional disclosure was made.

(g) For financial statement purposes, prior to 1997, the partners were allocated income and losses in accordance with the provisions in the Partnership Agreement. In order for the capital account balances to appropriately reflect the partners' remaining economic interests in the Partnership, the income (loss) allocations have been adjusted.

(h) Cash and cash equivalents included all unrestricted, highly liquid investments with an original maturity of three months or less. Cash and cash equivalents were held or invested primarily in one financial institution.

(i) The Partnership was not liable for Federal income taxes as each partner recognized his proportionate share of the Partnership income or loss in his tax return; therefore, no provision for income taxes was made in the financial statements of the Partnership.

(j) Statement of Financial Accounting Standards, No. 128, "Earnings per Share" was adopted by the Partnership effective for the year-ended December 31, 1997 and had been applied to the prior earnings period presented in the financial statements. Since the Partnership had no dilutive securities, there was no difference between basic and diluted net income per Limited Partnership Interest.

3. Partnership Agreement:

The Partnership was organized on March 13, 1987. The Partnership Agreement provided for the admission of Limited Partners through the sale of up to 30,000 Limited Partnership Interests at $1,000 per Interest, 30,000 of which were sold on or prior to March 9, 1988, the termination date of the offering.

The Partnership through its subsidiaries owned the Factory Outlet Centre (the "Centre") located in Bristol, Wisconsin. The Partnership Agreement provided that the General Partner would be allocated 1% of the profits and losses and the Limited Partners would be allocated 99% of the profits and losses. For financial statement purposes, prior to 1997, the partners were allocated income and losses in accordance with the provisions in the Partnership Agreement. In order for the capital account balances to appropriately reflect the partners' remaining economic interests in the Partnership, the income (loss) allocations have been adjusted.

Pursuant to the Partnership Agreement, Net Cash Receipts available for distribution would be distributed 90% to Limited Partners and 10% to the General Partner. The General Partner's share of Net Cash Receipts was subordinated to the receipt by Limited Partners of certain levels of return. Since the required subordination levels were not met, the General Partner did not receive any distributions of Net Cash Receipts during the lifetime of the Partnership. All available Net Cash Proceeds were distributed to the Limited Partners. Under certain circumstances, the General Partner would have participated in the Net Cash Proceeds of the sale of the Centre, subject to certain subordination levels. Since the required subordination levels were not met, the General Partner did not receive any distributions of Net Cash Proceeds during the lifetime of the Partnership.

4. Mortgage Note Payable:

The mortgage loan balance at December 31, 1997 was $12,279,304. The Centre was sold in January 1998 and the mortgage loan was repaid in full. A mortgage escrow of $815,045 was released to the Partnership upon the repayment of the mortgage loan in February 1998. See Note 9 of Notes to Financial Statements for additional information.

During the years ended December 31, 1998, 1997 and 1996, the Partnership incurred and paid interest expense on the mortgage note payable of $103,760,

$1,253,590 and $1,268,175, respectively.

5. Management Agreement:

The Centre was managed by a third-party management company prior to its sale. This management agreement provided for fees of 3% of all rental and certain service receipts collected plus leasing commissions on new leases of up to 3% of lease revenues.

6. Tax Accounting:

The Partnership maintained its books in accordance with the Internal Revenue Code, rules and regulations promulgated thereunder and existing interpretations

thereof. The accompanying financial statements, which are prepared in accordance with generally accepted accounting principles, differ from the tax returns due to the different treatment of various items as specified in the Internal Revenue Code. The net effect of these accounting differences is that the net loss for 1998 in the financial statements is $3,616,483 less than the tax loss for the same period due principally to the provision for investment property writedown recognized in the 1997 financial statements.

7. Transactions with Affiliates:

Fees and expenses paid and payable by the Partnership to affiliates are:

	Year Ended 12/31/98		Year Ended 12/31/97		Year Ended 12/31/96	
	Paid	Payable	Paid	Payable	Paid	Payable
Reimbursement of expenses to the General Partner, at cost:						
Accounting	$4,458	$5,923	$12,996	$3,416	$8,122	$6,869
Data processing	2,328	1,020	2,771	None	1,059	None
Legal	14,923	20,403	21,066	5,536	2,000	1,634
Portfolio management	18,382	24,910	47,283	13,155	31,163	25,972
Other	1,811	None	6,890	1,811	47	138

Since the Limited Partners did not receive Net Cash Proceeds distributions in an amount equal to their original capital contribution, the General Partner is required to make a capital contribution of $177,706 to the Partnership upon dissolution in accordance with the Partnership Agreement. This amount was included in the Net Cash Proceeds distribution made to the Limited Partners in March 1999.

Prior to May 1995, the Partnership participated in an insurance deductible program with other affiliated partnerships in which the program paid claims up to the amount of the deductible under the master insurance policy for its properties. The program was administered by an affiliate of the General Partner which received no fee for administering the program. However, the General Partner was reimbursed for program expenses. The Partnership paid premiums to the deductible insurance program relating to claims for periods prior to May 1, 1995 of $6,087 for 1996.

8. Investment Property Writedown:

During 1997, the General Partner determined that an impairment had occurred to the asset value of the Centre due to continued competition in the market which had resulted in a decline in the value of the property. As a result, the property was written down to the sales price less closing costs and the Partnership recognized a $3,548,157 provision for investment property writedown during 1997. In January 1998, the Partnership sold the Centre. See Note 9 of Notes to Financial Statements for additional information.

9. Property Sale:

In January 1998, the Partnership sold the Centre in an all cash sale for $15,000,000, less a credit of $935,000 related to tenant improvements and renovations for a net sale price of $14,065,000. From the proceeds of the sale, the Partnership paid $12,279,304 to the third party mortgage holder in full satisfaction of the first mortgage loan, $376,955 in selling costs and a prepayment penalty of $122,793. The basis of the property at the date of sale was $13,688,045, net of accumulated depreciation of $13,200,183. For financial statement purposes, the Partnership recorded a $3,548,157 provision for investment property writedown during 1997 and accordingly no gain or loss was recognized from the sale of the Centre during 1998.

10. Extraordinary Item:

In connection with the sale of the Centre, the Partnership wrote off the remaining unamortized deferred financing fees of $122,865 and paid a prepayment penalty of $122,793. These amounts were recognized as an extraordinary item and classified as debt extinguishment expense.

11. Settlement Income:

In 1998, the Partnership received $85,382 from a settlement with a former tenant of the Centre. The settlement relates to rental income owed to the Partnership pursuant to the tenant's lease. This amount was recognized as settlement income for financial statement purposes.

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