SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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BALCOR PENSION INVESTORS VI
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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 0-14332

BALCOR PENSION INVESTORS-VI
(Exact name of registrant as specified in its charter)

Illinois	36-3319330
(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 [ ]

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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

Balcor Pension Investors-VI (the "Registrant") is a limited partnership formed in 1984 under the laws of the State of Illinois. The Registrant raised $345,640,500 from sales of Limited Partnership Interests. The Registrant has retained cash reserves from the sale of its real estate investments for contingencies which exist or may arise. The Registrant's operations currently consist of interest income earned on short-term investments and the payment of administrative expenses.

The Registrant originally funded thirty-one loans, and subsequently acquired thirteen properties and three investments in joint ventures - affiliates through foreclosure. The Registrant also purchased one additional investment in joint venture-affiliate related to an existing investment. The Registrant has since disposed of all of these investments, including the investments in joint ventures-affiliates.

The Partnership Agreement provides for the dissolution of the Registrant upon the occurrence of certain events, including the disposition of all interests in real estate. The Registrant sold its final real estate investment in August 1997. The Registrant has retained a portion of the cash from the property sales to satisfy obligations of the Registrant as well as to establish a reserve for contingencies. The timing of the termination of the Registrant and final distribution of cash will depend upon the nature and extent of liabilities and contingencies which exist or may arise. Such contingencies may include legal and other fees and costs stemming from litigation involving the Registrant including, but not limited to, the lawsuit discussed in "Item 3. Legal Proceedings". Due to this litigation, the Registrant will not be dissolved and reserves will be held by the Registrant until the conclusion of all contingencies. There can be no assurances as to the time frame for conclusion of these contingencies.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources" for information regarding the Registrant's Year 2000 readiness.

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.

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The officers and employees of Balcor Mortgage Advisors-VI, 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. Properties

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 former real property investments.

Item 3. Legal Proceedings

Dee vs. Walton Street Capital Acquisition II, LLC

On June 14, 1996, a proposed class and derivative action complaint was filed, Dee vs. Walton Street Capital Acquisition II, LLC (Circuit Court of Cook County, Illinois, County Department, Chancery Division ("Chancery Court"), Case No. 96 CH 06283) (the "Dee Case"), naming the General Partner and the general partners (the "Balcor Defendants") of nine other limited partnerships sponsored by The Balcor Company (together with the Registrant, the "Affiliated Partnerships"), as well as the Affiliated Partnerships, as defendants. Additional defendants were Insignia Management Group ("Insignia") and Walton Street Capital Acquisition II, LLC ("Walton") and certain of their affiliates and principals (collectively, the "Walton and Insignia Defendants"). The complaint alleged, among other things, that the tender offers for the purchase of limited partnership interests in the Affiliated Partnerships made by a joint venture consisting of affiliates of Insignia and Walton were coercive and unfair.

On July 1, 1996, another proposed class action complaint was filed in the Chancery Court, Anderson vs. Balcor Mortgage Advisors (Case No. 96 CH 06884) (the "Anderson Case"). An amended complaint consolidating the Dee and Anderson Cases (the "Dee/Anderson Case") was filed on July 25, 1996.

The complaint seeks to assert class and derivative claims against the Walton and Insignia Defendants and alleges that, in connection with the tender offers, the Walton and Insignia Defendants misused the Balcor Defendants' and Insignia's fiduciary positions and knowledge in breach of the Walton and Insignia Defendants' fiduciary duty and in violation of the Illinois Securities and Consumer Fraud Acts. The plaintiffs amended their complaint on October 8, 1996, adding additional claims. The plaintiffs requested certification as a class and derivative action, unspecified compensatory damages and rescission of the tender offers. Each of the defendants filed motions to dismiss the complaint for failure to state a cause of action. On January 7, 1997, the

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Chancery Court denied the plaintiffs' motion for leave to amend the complaint and dismissed the matter for failure to state a cause of action, with prejudice.

On February 3, 1997, the plaintiffs filed a Notice of Appeal of the Chancery Court's order to the Appellate Court of Illinois. Oral arguments before the Appellate Court were held on March 18, 1998. On November 12, 1998, the Appellate Court issued an opinion affirming the Chancery Court's dismissal of the case. On December 3, 1998, the plaintiffs filed a notice of intent to appeal the Appellate Court's ruling to the Illinois Supreme Court.

The Balcor Defendants intend to vigorously contest this action. No class has been certified as of this date. The Registrant believes it has meritorious defenses to contest the claims. It is not determinable at this time how the outcome of this action will impact the remaining cash reserves of the Registrant.

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 Registrant's Common Equity and Related Stockholder Matters

There has not been an established public market for Limited Partnership Interests and it is not anticipated that one will develop. For information regarding previous distributions, see "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 58,594.

Item 6. Selected Financial Data

	Year ended December 31,				
	1998	1997	1996	1995	1994
Total income	$253,281	$2,716,977	$14,782,470	$16,011,025	$16,696,829
Recovery of losses on loans, real estate and					

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accrued interest receivable	None	None	3,351,785	2,465,000	None
Provision for losses on loans, real estate and accrued interest receivable	None	256,000	2,605,562	1,800,000	3,900,000
(Loss) income before extraordinary item	(441,549)	5,888,495	27,120,917	11,582,447	11,040,627
Net (loss) income	(441,549)	5,888,495	26,593,221	11,582,447	11,040,627
Net (loss) income per Limited Partnership Interest-Basic and Diluted	(0.32)	4.20	12.89	7.54	7.18
Total assets	3,638,186	5,984,286	115,792,938	176,899,144	190,674,572
Mortgage notes payable	None	None	None	15,657,066	15,700,000
Distributions per Limited Partnership Interest (A)	1.40	79.00(B)	39.04	17.40	39.20

(A) These amounts include distributions of Original Capital of $1.40, $74.65, $27.70, $8.80, and $29.20 per Limited Partnership Interest for the years 1998, 1997, 1996, 1995 and 1994, respectively.

(B) In addition to the above distributions, a special distribution of $.15 per Interest was paid to class members including certain current investors in the Partnership pursuant to the settlement of a class action lawsuit.

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

Operations

Summary of Operations

Balcor Pension Investors-VI (the "Partnership") sold six properties during 1996 and its remaining five properties in 1997 and recognized net gains in connection with the sales in both years. During 1998, administrative and other expenses were higher than interest income earned on short-term investments. As a result, the Partnership recognized a net loss for 1998 as compared to net income in 1997. The Partnership recognized significantly higher net gains related to its 1996 property sales as compared to the net gains recognized in connection with the 1997 property sales. This was the primary reason net income decreased during 1997 as compared to 1996. Income from operations of real estate held for sale decreased significantly and participation in income of

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joint venture-affiliates ceased due to the 1997 and 1996 sales of the Partnership's properties and its joint venture interests in properties, which contributed to the decrease in net income during 1997 as compared to 1996. Further discussion of Partnership's operations is summarized below.

1998 Compared to 1997

During 1997, the Partnership sold its five remaining properties, the Park Central, Brookhollow/Stemmons Center and 420 North Wabash office buildings and Flamingo Pines and Hammond Aire Plaza shopping centers, and recognized net gains in connection with these sales of $5,820,593. Income from operations of real estate held for sale represented the net operations of the properties acquired by the Partnership through foreclosure. All of the properties sold in 1997 were generating income from operations prior to their sales. During 1998, the Partnership received a refund related to one of the properties sold in 1996 which was partially offset by the payment of additional expenditures related to one of the properties sold in 1997. As a result, income from operations of real estate held for sale decreased during 1998 as compared to 1997.

Higher average cash balances were available for investment during 1997 primarily due to the proceeds received by the Partnership in connection with the 1997 and 1996 property sales prior to distribution to Partners in 1997 and April 1998. As a result, interest income on short-term investments decreased in 1998 as compared to 1997.

The Partnership recognized other income during 1998 in connection with a partial refund of real estate taxes, which had been under appeal, related to the Perimeter 400 Center Office Building. The Partnership held a joint venture interest in this property, which was sold in 1996. The Partnership recognized other income during 1997 in connection with partial refunds of prior years' insurance premiums relating to the Partnership's properties.

Provisions were charged to income when the General Partner believed an impairment had occurred to the value of its properties or in a borrower's ability to repay a loan or in the value of the collateral property. Determinations of fair value were made periodically on the basis of performance under the terms of the loan agreement and assessments of property operations. Determinations of fair value represented estimations based on many variables which affected the value of real estate, including economic and demographic conditions. During 1997, the Partnership recognized a provision of $256,000 to provide for a decline in the estimate of the fair value of the Hammond Aire Plaza Shopping Center. In addition, the Partnership wrote off previously established allowances of $388,809, $2,120,000 and $2,562,000 related to the Flamingo Pines and Hammond Aire Plaza shopping centers and 420 North Wabash Office Building, respectively.

In connection with the sales of the Park Central, Brookhollow/Stemmons Center and 420 North Wabash office buildings in 1997, the Partnership wrote-off the remaining unamortized leasing commissions related to the properties. As a result, amortization expense ceased during 1997.

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During 1998, the Partnership paid $78,437 in settlement of claims presented by the purchaser of the Hammond Aire Plaza Shopping Center for certain tenant improvements, leasing, survey and escrow costs pursuant to the sale agreement. The property was sold in 1997. In addition, the General Partner determined that a receivable related to Woodscape Apartments, which was sold in 1996, was uncollectible and the Partnership wrote-off the receivable in the amount of $39,074. These amounts were recognized as other expenses for financial statement purposes during 1998.

During February 1997, the General Partner made a payment, relating to the settlement of certain litigation, to original investors who previously sold their Interests in the Partnership. This payment was recorded as an administrative expense. In addition, the Partnership incurred legal fees related to this settlement. The Partnership also incurred legal, printing and postage costs in connection with its responses to tender offers during the first quarter of 1997. Accounting fees and bank charges also decreased during 1998 as compared to 1997. As a result, administrative expenses decreased during 1998 as compared to 1997.

The Brookhollow/Stemmons Center Office Building was owned by a joint venture with an affiliate. As a result of the sale of this property during 1997, affiliate's participation in income of joint venture ceased during 1997.

1997 Compared to 1996

As a result of the sale of the Noland Fashion Square acquisition loan in August 1996, interest income and equity in loss from investment in acquisition loan ceased during 1996.

During 1997, the Partnership sold its five remaining properties, as described above. During 1996, the Partnership sold the Hawthorne Heights, Shoal Run, Sun Lake and Woodscape apartment complexes and the Symphony Woods and Perimeter 400 Center office buildings and recognized net gains in connection with these sales totaling $19,443,993. The 1997 and 1996 sales of the Partnership's properties, which were generating income from operations prior to their sales, resulted in a decrease in income from operations of real estate held for sale during 1997 as compared to 1996.

During 1996, the Partnership recognized provisions of $2,252,809, recoveries of $3,351,785 and a write off of a previously established loss allowance of $1,386,215 related to its real estate held for sale. The provisions were recognized to provide for changes in the estimate of the fair value of the Flamingo Pines and Hammond Aire Plaza shopping centers. In addition, in 1996, the Partnership recognized a provision of $352,753 and a write off of an allowance of $627,347 related to the Noland Fashion Square acquisition loan.

The Partnership wrote off the remaining unamortized leasing commissions of approximately $747,000 in connection with the sales of the Park Central, Brookhollow/Stemmons Center and 420 North Wabash office buildings during 1997,

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which resulted in an increase in amortization expense during 1997 as compared to 1996. During 1996, the Partnership wrote off the remaining unamortized leasing commissions of approximately $712,000 in connection with the sale of the Perimeter 400 Center office building, which partially offset the increase.

During 1996, the Partnership incurred higher legal, professional, printing and postage costs in connection with its response to a tender offer. In addition, portfolio management and legal fees decreased in 1997 due to the property sales in 1996. As a result, administrative expenses decreased during 1997 as compared to 1996.

Participation in income of joint ventures with affiliates represented the Partnership's share of the operations of the Sand Pebble Village - Phases I and II and Jonathan's Landing apartment complexes and the 45 West 45th Street Office Building. Due to the 1996 sales of these properties, participation in income of joint ventures with affiliates ceased during 1996. In addition, the Partnership incurred its share of a prepayment penalty of $65,074 paid in 1996 in connection with the sale of Sand Pebble Village - Phase II Apartments. This amount was recognized as participation in debt extinguishment expense of joint venture-affiliate and classified as an extraordinary item during 1996.

The Sun Lake Apartments and Perimeter 400 Center and Brookhollow/Stemmons Center office buildings were owned by joint ventures with affiliates. As a result of the gain recognized in connection with the sale of Perimeter 400 Center Office Building and the recovery of a previously established loss allowance related to Sun Lake Apartments in 1996, affiliates' participation in income of joint ventures decreased during 1997 as compared to 1996.

In connection with the 1996 sale of Sun Lake Apartments, the Partnership wrote off the remaining unamortized deferred expenses related to the property of $746,767, of which $284,145 was the minority joint venture partner's share. This amount was recognized as debt extinguishment expense and classified as an extraordinary item during 1996.

Liquidity and Capital Resources

The cash position of the Partnership decreased by approximately $1,898,000 as of December 31, 1998 when compared to December 31, 1997 primarily due to the April 1998 distribution to Limited Partners representing Mortgage Reductions from the release of holdbacks and escrows on certain of the Partnership's properties. The Partnership used cash of approximately $37,000 in its operating activities to pay administrative expenses and expenses pursuant to the settlement of claims presented by the purchaser of the Hammond Aire Plaza Shopping Center, which were partially offset by interest earned on short-term investments and the collection of a receivable related to a property sold in 1997. Cash received from investing activities consisted of the release of restricted escrows of $75,000 related to the sale of the Hammond Aire Plaza Shopping Center. The Partnership used cash to fund its financing activities which consisted of a distribution to Limited Partners of approximately $1,936,000.

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The Partnership Agreement provides for the dissolution of the Partnership upon the occurrence of certain events, including the disposition of all interests in real estate. The Partnership sold its final real estate investment in August 1997. The Partnership has retained a portion of the cash from the property sales to satisfy obligations of the Partnership as well as to establish a reserve for contingencies. The timing of the termination of the Partnership and final distribution of cash will depend upon the nature and extent of liabilities and contingencies which exist or may arise. Such contingencies may include legal and other fees and costs stemming from litigation involving the Partnership including, but not limited to, the lawsuit discussed in "Item 3. Legal Proceedings". Due to this litigation, the Partnership will not be dissolved and reserves will be held by the Partnership until the conclusion of all contingencies. There can be no assurances as to the time frame for conclusion of these contingencies.

Pursuant to the sale agreement for the Hammond Aire Plaza Shopping Center, $712,500 of the sales proceeds was to be retained until the later of November 1997 or the settlement of any claims presented by the purchaser. The funds were released in March 1998 after the Partnership paid $53,437 for certain tenant improvement costs and leasing commissions. Pursuant to the terms of the sale, an additional $310,000 of the sale proceeds was placed in escrow at closing. In March 1998, $50,000 of the escrow was disbursed to the Partnership and $25,000 was disbursed to the purchaser to cover certain survey and easement costs. The remaining sale proceeds of $235,000 remain in escrow pending resolution of certain tenant issues. The Partnership expects to receive the sales proceeds remaining in the escrow.

In February 1997, the Partnership discontinued the repurchase of Interests from Limited Partners. As of December 31, 1998, there were 70,711 Interests and cash of $5,461,510 in the Early Investment Incentive Fund.

The Partnership made distributions totaling $1.40, $79.00 and $39.04 per Interest in 1998, 1997 and 1996, respectively. See Statements of Partners' Capital for additional information. Distributions were comprised of $1.40 of Mortgage Reductions in 1998, $4.35 of Cash Flow and $74.65 of Mortgage Reductions in 1997 and $11.34 of Cash Flow and $27.70 of Mortgage Reductions in 1996.

Limited Partners have received cash distributions totaling $320.76 per $250 Interest. Of this amount, $142.21 represents Cash Flow from operations and $178.55 represents a return of Original Capital. No additional distributions are anticipated to be made prior to the termination of the Partnership. However, after paying final partnership expenses, any remaining cash reserves will be distributed. Amounts allocated to the Early Investment Incentive Fund will also be distributed at that time.

The Partnership sold all of its remaining real property investments and distributed a majority of the proceeds from these sales to Limited Partners in 1996 and 1997. Since the Partnership no longer has any operating assets, the number of computer systems and programs necessary to operate the Partnership has been significantly reduced. The Partnership relies on third party vendors

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to perform most of its functions and has implemented a plan to determine the Year 2000 compliance status of these key vendors. The Partnership is within its timeline for having these plans completed prior to the year 2000.

The Partnership's plan to determine the Year 2000 compliance status of its key vendors involves the solicitation of information from these vendors through the use of surveys, follow-up discussions and review of data where needed. The Partnership has sent out surveys to these vendors and received back a majority of these surveys. While the Partnership cannot guarantee Year 2000 compliance by its key vendors, and in many cases will be relying on statements from these vendors without independent verification, preliminary surveys indicate that the key vendors performing services for the Partnership are aware of the issues and are working on a solution to achieve compliance before the year 2000. The Partnership is in the process of developing a contingency plan in the event any of its key vendors are not Year 2000 compliant prior to the year 2000. As part of its contingency plan, the Partnership will identify replacement vendors in the event that current vendors are not substantially Year 2000 compliant by June 30, 1999. The Partnership does not believe that failure by any of its key vendors to be Year 2000 compliant by the year 2000 would have a material effect on the business, financial position or results of operations of the Partnership.

Certain statements in this report constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements may include statements regarding income or losses as well as assumptions relating to the foregoing.

The forward-looking statements made by the Partnership are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Partnership to differ from any future results, performance or achievements expressed or implied by the forward-looking statements.

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.

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

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There have been no changes in or disagreements with accountants in 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 Mortgage Advisors-VI, 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.

Mr. 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

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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 11 of Notes to Financial Statements for the information relating to transactions with affiliates.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) The following entities are the sole Limited Partners which own beneficially more than 5% of the outstanding Limited Partnership Interests of the Registrant.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Limited Partnership Interests	Walton Street Capital Acquisition Co. II, L.L.C. Chicago Illinois	63,849.53 Limited Partnership Interests	4.62%
Limited Partnership Interests	Beattie Place Greenville, South Carolina	34,380.51 Limited Partnership Interests	2.49%

While Walton Street Capital Acquisition Co. II, L.C.C. and Beattie Place individually own less than 5% of the Interests, for purposes of this Item 12, Walton Street Capital Acquisition Co. II, L.L.C. is an affiliate of Beattie Place and, collectively, they own 7.11% of the Interests.

(b) Balcor Mortgage Advisors-VI (principally through the Early Investment

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Incentive Fund) and its officers and partners own as a group the following Limited Partnership Interests of the Registrant:

Title of Class	Amount Beneficially Owned	Percent of Class
Limited Partnership Interests	70,714 Interests	5.1%

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

In addition, Balcor LP Corp., an affiliate of the General Partner, holds title to 865 Limited Partnership Interests in the Partnership due exclusively to instances in which Limited Partners abandoned title to their Limited Partnership Interests. Balcor LP Corp. is a nominee holder only of such Interests and has disclaimed any economic or beneficial ownership in said Interests. All distributions of cash payable with respect to such Interests held by Balcor LP Corp. are returned to the Partnership for distribution to other Limited Partners in accordance with the Partnership Agreement.

(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 4 of Notes to Financial Statements for information relating to the Partnership Agreement and the allocation of distributions and profits and losses.

See Note 11 of Notes to Financial Statements for additional information relating to transactions with affiliates.

(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

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previously filed as Exhibit 3 to Amendment No. 1 to the Registrant's Registration Statement on Form S-11 dated January 14, 1985 (Registration No. 2-93840), is incorporated herein by reference.

(4) Form of Subscription Agreement previously filed as Exhibit 4.1 to Amendment No. 1 to the Registrant's Registration Statement on Form S-11 dated January 14, 1985 (Registration No. 2-93840) and Form of Confirmation regarding Interests in the Registrant set forth as Exhibit 4.2 to the Registrant's Report on Form 10-Q for the quarter ended June 30, 1992 are incorporated herein by reference.

(10) Material Contracts:

(a)(i) Agreement of Sale relating to the contract to sell Brookhollow/Stemmons Office Building, Dallas, Texas, previously filed as Exhibit (2) to the Registrant's Current Report on Form 8-K dated March 27, 1997, is incorporated herein by reference.

(ii) Amendment No. 1 to Agreement of Sale relating to the sale of Brookhollow/Stemmons Center Office Building, Dallas, Texas, previously filed as Exhibit (10)(d)(ii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 is incorporated herein by reference.

(b)(i) Agreement of Sale and attachment thereto relating to the sale of the 420 North Wabash Office Building, Chicago, Illinois, as previously filed as Exhibit (2)(ii) to the Registrant's Current Report on Form 8-K dated June 16, 1997, is incorporated herein by reference.

(ii) First Amendment to Agreement of Sale relating to the sale of the 420 North Wabash Office Building, Chicago, Illinois, previously filed as Exhibit (2)(e)(ii) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997 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.

BALCOR PENSION INVESTORS-VI

By: /s/ Jayne A. Kosik

Jayne A. Kosik

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Senior Managing Director and Chief Accounting and Financial Officer (Principal Accounting and Financial Officer) of Balcor Mortgage Advisors-VI, 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 Mortgage Advisors-VI, the General Partner	March 26, 1999
/s/ Jayne A. Kosik Jayne A. Kosik	Senior Managing Director and Chief Accounting and Financial Officer (Principal Accounting and Financial Officer) of Balcor Mortgage Advisors-VI, the General Partner	March 26, 1999

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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
Balcor Pension Investors-VI:

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 Balcor Pension Investors-VI 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 2 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. Upon resolution of the litigation described in Note 17 to the financial statements, the Partnership intends to cease operations and dissolve.

PricewaterhouseCoopers LLP

Chicago, Illinois
March 17, 1999

BALCOR PENSION INVESTORS-VI
(An Illinois Limited Partnership)

BALANCE SHEETS
December 31, 1998 and 1997

ASSETS

	1998	1997
Cash and cash equivalents	$ 3,392,806	$ 5,290,460
Escrow deposits - restricted	235,000	310,000
Accounts and accrued interest receivable	10,380	383,826

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	$ 3,638,186	$ 5,984,286

LIABILITIES AND PARTNERS' CAPITAL

Accounts payable	$ 50,187	$ 41,259
Due to affiliates	88,560	66,452
Total liabilities	138,747	107,711
Commitments and contingencies		
Limited Partners' capital (1,382,562 Interests issued and outstanding)	4,011,199	6,388,335
General Partner's (deficit)	(511,760)	(511,760)
Total partners' capital	3,499,439	5,876,575
	$ 3,638,186	$ 5,984,286

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

BALCOR PENSION INVESTORS-VI
(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	$ 139,091,553	$ (7,183,243)	$ 146,274,796
Cash distributions to:			
Limited Partners (A)	(53,975,220)		(53,975,220)
General Partner	(1,742,028)	(1,742,028)	
Deemed distribution (B)	(151,261)		(151,261)
Net income for the year ended December 31, 1996	26,593,221	8,773,679	17,819,542
Balance at December 31, 1996	109,816,265	(151,592)	109,967,857

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Cash distributions to:			
Limited Partners (A)	(109,346,473)		(109,346,473)
General Partner	(668,239)	(668,239)	
Deemed distribution (C)	(43,900)		(43,900)
Cash contribution	230,427	230,427	
Net income for the year ended December 31, 1997	5,888,495	77,644	5,810,851
Balance at December 31, 1997	5,876,575	(511,760)	6,388,335
Cash distribution to:			
Limited Partners (A)	(1,935,587)		(1,935,587)
Net loss for the year ended December 31, 1998	(441,549)		(441,549)
Balance at December 31, 1998	$ 3,499,439	$ (511,760)	$ 4,011,199

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

BALCOR PENSION INVESTORS-VI
(An Illinois Limited Partnership)

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

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

	1998	1997	1996
First Quarter	None	$ 28.00 (D)	$ 2.00
Second Quarter	$ 1.40	31.35	2.86
Third Quarter	None	15.45	7.68
Fourth Quarter	None	4.20	26.50

(B) This amount represents a state withholding tax paid on behalf of the Limited Partners relating to the gain on the sale of the Perimeter 400 Center Office Building.

(C) This amount represents a state withholding tax paid on behalf of the Limited Partners relating to the gain on the sale of the Park Central Office Building.

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(D) In addition to the above distribution, a special distribution of $0.15 per Interest was paid to class members including certain current investors in the Partnership pursuant to the settlement of a class action lawsuit.

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

BALCOR PENSION INVESTORS-VI
(An Illinois Limited Partnership)

STATEMENTS OF INCOME AND EXPENSES
for the years ended December 31, 1998, 1997 and 1996

	1998	1997	1996
Income:			
Interest on loans receivable and from investment in acquisition loan			$ 313,255
Income from operations of real estate held for sale	$ 3,047	$ 1,569,360	9,923,126
Interest on short-term investments	221,859	1,124,011	1,194,304
Recovery of losses on real estate held for sale			3,351,785
Other income	28,375	23,606	
Total income	253,281	2,716,977	14,782,470
Expenses:			
Provision for potential losses on loans, real estate and accrued interest receivable		256,000	2,605,562
Amortization of deferred expenses		853,874	851,951
Other expenses	117,511		
Administrative	577,319	1,030,548	1,556,744
Total expenses	694,830	2,140,422	5,014,257

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

BALCOR PENSION INVESTORS-VI
(An Illinois Limited Partnership)

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STATEMENTS OF INCOME AND EXPENSES
for the years ended December 31, 1998, 1997 and 1996
(Continued)

	1998	1997	1996
(Loss) income before joint venture participations, equity in loss from investment in acquisition loan, net gains on dispositions of real estate and extraordinary items	$ (441,549)	$ 576,555	$ 9,768,213
Participation in income of joint ventures - affiliates before extraordinary items			5,573,531
Equity in loss from investment in acquisition loan			(56,481)
Affiliates' participation in income of joint ventures		(508,653)	(7,608,339)
Net gains on dispositions of real estate		5,820,593	19,443,993
(Loss) income before extraordinary items	(441,549)	5,888,495	27,120,917
Extraordinary items:			
Debt extinguishment expenses			(746,767)
Affiliate's participation in debt extinguishment expenses			284,145
Participation in debt extinguishment expense of joint venture - affiliate			(65,074)
Total extraordinary items			(527,696)
Net (loss) income	$ (441,549)	$ 5,888,495	$ 26,593,221

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

BALCOR PENSION INVESTORS-VI
(An Illinois Limited Partnership)

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STATEMENTS OF INCOME AND EXPENSES
for the years ended December 31, 1998, 1997 and 1996
(Continued)

	1998	1997	1996
Income before extraordinary items allocated to General Partner	None	$ 77,644	$ 8,826,449
(Loss) income before extraordinary items allocated to Limited Partners	$ (441,549)	$ 5,810,851	$ 18,294,468
(Loss) income before extraordinary items per Limited Partnership Interest (1,382,562 issued and outstanding)- Basic and Diluted	$ (0.32)	$ 4.20	$ 13.23
Extraordinary items allocated to General Partner	None	None	$ (52,770)
Extraordinary items allocated to Limited Partners	None	None	$ (474,926)
Extraordinary items per Limited Partnership Interest (1,382,562 issued and outstanding) - Basic and Diluted	None	None	$ (0.34)
Net income allocated to General Partner	None	$ 77,644	$ 8,773,679
Net (loss) income allocated to Limited Partners	$ (441,549)	$ 5,810,851	$ 17,819,542
Net (loss) income per Limited Partnership Interest (1,382,562 issued and outstanding) - Basic and Diluted	$ (0.32)	$ 4.20	$ 12.89

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

BALCOR PENSION INVESTORS-VI
(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) income	$ (441,549)	$ 5,888,495	$ 26,593,221
Adjustments to reconcile net (loss) income to net cash (used in) or provided by operating activities:			
Recovery of losses on real estate held for sale			(3,351,785)
Provision for potential losses on loans, real estate and accrued interest receivable		256,000	2,605,562
Payment of deferred expenses		(219,847)	(297,704)
Amortization of deferred expenses		853,874	851,951
Participation in income of joint ventures - affiliates			(5,573,531)
Equity in loss from investment in acquisition loan			56,481
Affiliates' participation in income of joint ventures		508,653	7,608,339
Net gains on dispositions of real estate		(5,820,593)	(19,443,993)
Debt extinguishment expenses			746,767
Affiliate's participation in debt extinguishment expense			(284,145)
Participation in debt extinguishment			

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expense of joint venture - affiliate			65,074

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

BALCOR PENSION INVESTORS-VI
(An Illinois Limited Partnership)

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

	1998	1997	1996
Net change in:			
Escrow deposits			356,330
Accounts and accrued interest receivable	373,446	1,008,678	(116,082)
Prepaid expenses		95,079	194,503
Accounts payable	8,928	(884,798)	162,315
Due to affiliates	22,108	(107,974)	122,726
Accrued liabilities		(715,520)	(92,742)
Security deposits		(256,363)	(408,642)
Net cash (used in) or provided by operating activities	(37,067)	605,684	9,794,645
Investing activities:			
Proceeds from sale of investment in acquisition loan			$ 3,803,640
Costs incurred in connection with sale of investment in in acquisition loan			(53,058)
Distributions from joint ventures - affiliates		$ 206,499	26,576,814
Contribution to joint ventures - affiliates			(60,700)
Improvements to properties		(428,213)	(1,478,867)
Proceeds from dispositions of real estate		63,195,000	85,116,168
Costs incurred with dispositions of real estate		(1,679,908)	(2,735,562)
Release (funding) of escrow deposits - restricted	$ 75,000	(310,000)	

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Net cash provided by investing activities	75,000	60,983,378	111,168,435

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

BALCOR PENSION INVESTORS-VI
(An Illinois Limited Partnership)

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

	1998	1997	1996
Financing activities:			
Distributions to Limited Partners	(1,935,587)	(109,346,473)	(53,975,220)
Deemed distribution to Limited Partners		(43,900)	(151,261)
Distributions to General Partner		(668,239)	(1,742,028)
Contribution by General Partner		230,427	
Distributions to joint venture partners - affiliates		(4,412,960)	(23,769,020)
Capital contributions by joint venture partners - affiliates			487,317
Principal payments on mortgage note payable			(148,234)
Release of repair escrows			201,075
Net cash used in financing activities	(1,935,587)	(114,241,145)	(79,097,371)
Net change in cash and cash equivalents	(1,897,654)	(52,652,083)	41,865,709
Cash and cash equivalents at beginning of year	5,290,460	57,942,543	16,076,834
Cash and cash equivalents at end of year	$ 3,392,806	$ 5,290,460	$ 57,942,543

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

BALCOR PENSION INVESTORS-VI
(An Illinois Limited Partnership)

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NOTES TO FINANCIAL STATEMENTS

1. Nature of the Partnership's Business:

Balcor Pension Investors-VI (the "Partnership") has retained cash reserves from the sale of its real estate investments for contingencies which exist or may arise. The Partnership's operations currently consist of interest income earned on short-term investments and the payment of administrative expenses.

2. Partnership Termination:

The Partnership Agreement provides for the dissolution of the Partnership upon the occurrence of certain events, including the disposition of all interests in real estate. The Partnership sold its final real estate investment in August 1997. The Partnership has retained a portion of the cash from the property sales to satisfy obligations of the Partnership as well as to establish a reserve for contingencies. The timing of the termination of the Partnership and final distribution of cash will depend upon the nature and extent of liabilities and contingencies which exist or may arise. Such contingencies may include legal and other fees and costs stemming from litigation involving the Partnership including, but not limited to, the lawsuit discussed in Note 17 of Notes to Financial Statements. Due to this litigation, the Partnership will not be dissolved and reserves will be held by the Partnership until the conclusion of all contingencies. There can be no assurances as to the time frame for conclusion of these contingencies.

3. Accounting Policies:

(a) The preparation of the financial statements in conformity with generally accepted accounting principles requires the General Partner to make estimates and assumptions that affect 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) Income on loans was recorded as earned in accordance with the terms of the related loan agreements. The accrual of interest was discontinued when a loan became ninety days contractually delinquent or sooner when, in the opinion of the General Partner, an impairment had occurred in the value of the collateral property securing the loan. Income on nonaccrual loans or loans which were otherwise not performing in accordance with their terms was recorded on a cash basis.

Income from operations of real estate held for sale was reflected in the accompanying Statements of Income and Expenses net of related direct operating expenses.

(c) Losses on loans receivable were charged to income and an allowance account was established when the General Partner believed the loan balance would not be recovered. The General Partner assessed the collectibility of each loan on a

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periodic basis through a review of the collateral property's operations, the property's value and the borrower's ability to repay the loan. Upon foreclosure, the loan net of the allowance was transferred to real estate held for sale after the fair value of the property, less costs of disposal, was assessed. Upon the transfer to real estate held for sale, a new basis in the property was established.

(d) The Partnership recorded its investments in real estate at the lower of cost or fair value, and periodically assessed, but not less than on an annual basis, the fair value of its real estate properties held for sale. The General Partner estimated the fair value of its properties based on the current sales price less estimated closing costs. Changes in the property's fair value were recorded by an adjustment to the property allowance account and was recognized in the income statement as an increase or decrease through recovery income or a provision for loss in the period the change in fair value was determined. The General Partner considered the methods referred to above to result in a reasonable measurement of a property's fair value, unless other factors affecting the property's value indicated otherwise.

(d) Investment in acquisition loan represented a first mortgage loan which, because the loan agreement included certain specified terms, was accounted for as an investment in a real estate venture. The investment was therefore reflected in the accompanying financial statements using the equity method of accounting. Under this method, the Partnership recorded its investment at cost (representing total loan fundings) and subsequently adjusted its investment for its share of property income or loss.

Amounts representing contractually required debt service were recorded in the accompanying Statements of Income and Expenses as interest income and participation income. Equity from investment in acquisition loan represented the Partnership's share of the collateral property's operations, including depreciation and interest expense. The Partnership's share of operations had no effect on cash flow of the Partnership.

(e) Investment in joint ventures - affiliates represented the Partnership's 44.63%, 41.3%, and 46.5% interest, under the equity method of accounting, in joint ventures with affiliates. Under the equity method of accounting, the Partnership recorded its initial investment at cost and adjusted its investment account for additional capital contributions, distributions and its share of joint venture income or loss.

(f) Deferred expenses, which consisted of refinancing fees, were amortized over the term of the respective agreement and upon sale, any remaining unamortized balance was recognized as debt extinguishment expense and classified as an extraordinary item. Leasing commissions were amortized over the life of each respective lease and upon sale, any remaining unamortized balance was recognized as amortization expense.

(g) The Partnership calculates the fair value of its financial instruments based on estimates using present value techniques. The Partnership includes this additional information in the notes to the financial statements when the

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fair value is different than the carrying value of those financial instruments. When the fair value reasonably approximates the carrying value, no additional disclosure is made.

(h) Revenue is 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 from operating costs such as real estate taxes, maintenance and insurance and was recognized as revenue in the period the applicable costs were incurred.

(i) Cash and cash equivalents include all unrestricted highly liquid investments with an original maturity of three months or less. Cash is held or invested in one financial institution.

(j) The Partnership is not liable for Federal income taxes and each partner recognizes his proportionate share of the Partnership's income or loss in his tax return; therefore, no provision for income taxes is made in the financial statements of the Partnership.

(k) For financial statement purposes, prior to 1996, the partners were allocated income and loss in accordance with the provisions in the Partnership Agreement. In order for the capital account balances to more accurately reflect the partners' remaining economic interests in the Partnership, the income (loss) allocations have been adjusted.

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

(m) Certain reclassifications of prior years information were made to conform to the 1998 presentation.

4. Partnership Agreement:

The Partnership was organized in October 1984. The Partnership Agreement provided for the admission of Limited Partners through the sale of up to 1,450,000 Limited Partnership Interests at $250 per Interest, 1,382,562 of which were sold on or prior to October 31, 1985, the termination date of the offering.

The Partnership Agreement provides that the profits and losses will be allocated 90% to Limited Partners and 10% to the General Partner, of which 2.5% of the General Partner's share relates to the Early Investment Incentive Fund (the "Fund"). For financial statement purposes, prior to 1996, the partners were allocated income and loss in accordance with the provisions in the Partnership Agreement. In order for the capital account balances to more accurately reflect the partners' remaining economic interests in the

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Partnership, the income (loss) allocations have been adjusted.

To the extent that Cash Flow was distributed, distributions were made as follows: (i) 90% of such Cash Flow was distributed to the Limited Partners, (ii) 7.5% of such Cash Flow was distributed to the General Partner, and (iii)

an additional 2.5% of such Cash Flow was distributed to the General Partner and constitutes the Fund. Amounts placed in the Fund were used to repurchase Interests from existing Limited Partners, at the sole discretion of the General Partner and subject to certain limitations. Distributions of Cash Flow and Mortgage Reductions pertaining to such repurchased Interests were paid to the Fund and were available to repurchase additional Interests. In February 1997, the Partnership discontinued the repurchase of Interests from Limited Partners. Upon liquidation of the Partnership, the General Partner will return to the Partnership for distribution to the Early Investors an amount not to exceed the 2.5% share originally allocated to the Fund. As of December 31, 1998, there were 70,711 Interests and cash of $5,461,510 in the Early Investment Incentive Fund. All Limited Partners are Early Investors.

In accordance with the Partnership Agreement, 100% of Mortgage Reductions generated from the disposition of the Partnership's investments were distributed to the Limited Partners.

5. Interest Expense:

During the year ended December 31, 1996, the Partnership incurred and paid interest expense on the mortgage notes payable of $941,895.

6. Investment in Acquisition Loan:

In January 1989, the joint venture consisting of the Partnership and two affiliates entered into a participation agreement to fund a $23,300,000 first mortgage loan on the Noland Fashion Square. The Partnership participated ratably in 21.46% of the loan amount, related interest income and participation income. In August 1996, the Partnership sold its interest in the loan for a sales price of $3,803,640. From the proceeds of the sale, the Partnership paid $53,058 as its share of the selling costs. The carrying value of the loan was $4,377,929. The Partnership did not recognize a gain or loss in connection with the sale of this loan. During 1996, the Partnership recognized a provision for loan losses of $352,753 and wrote off $627,347 against the previously established loss allowance related to this loan.

7. Allowances for Losses on Loans and Real Estate Held for Sale:

Activity recorded in the allowances for losses on loans and real estate held for sale during the three years ended December 31, 1998 is described in the table below:

	1998	1997	1996
Loans:			

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Balance at beginning of year	None	None	$274,594
Provision charged to income	None	None	352,753
Direct write-off of loans against allowance	None	None	(627,347)
Balance at the end of the year	None	None	None
Real Estate Held for Sale:			
Balance at beginning of year	None	$4,814,809	$7,300,000
Provision charged to income	None	256,000	2,252,809
Recovery of provision previously charged to income	None	None	(3,351,785)
Direct write-off of real estate held for sale against allowance	None	(5,070,809)	(1,386,215)
Balance at the end of the year	None	None	$4,814,809

8. Management Agreements:

The Partnership's properties were managed by a third-party management company prior to the sale of the properties. These management agreements provided for annual fees of 3% to 6% of gross operating receipts.

9. Affiliates' Participation in Joint Ventures:

(a) The Brookhollow/Stemmons Center Office Complex was owned by the Partnership and an affiliate prior to its sale in April 1997. In previous years, profits and losses were allocated 72.5% to the Partnership and 27.5% to the affiliate. In order for the capital accounts of the joint venture partners to appropriately reflect their respective remaining economic interests, the minority joint venture partner received an adjusted income allocation during 1997. Pursuant to the sale agreement, $250,000 of the sale proceeds were placed in an escrow and were not to be disbursed to the joint venture until the earlier of the settlement of any claims presented by the purchaser or October 1997. The funds were released in full in October 1997 and the affiliate's share of the proceeds was $68,750. See Note 12 of Notes to Financial Statements for additional information.

(b) The Perimeter 400 Center Office Building was owned by a joint venture consisting of the Partnership and three affiliates prior to its sale in December 1996. Profits and losses were allocated 50% to the Partnership and 50%

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among the affiliates. Pursuant to the sale agreement, $1,750,000 of the sale proceeds was retained by the joint venture and was unavailable for distribution until September 1997, at which time the funds were released in full. The affiliate's share of the proceeds was $875,000. See Note 12 of Notes to Financial Statements for additional information.

(c) The Sun Lake Apartments was owned by a joint venture consisting of the Partnership and an affiliate prior to its sale in November 1996. Profits and losses were allocated 61.95% to the Partnership and 38.05% to the affiliate. See Note 12 of Notes to Financial Statements for additional information.

All assets, liabilities, income and expenses of the joint ventures were included in the financial statements of the Partnership with the appropriate adjustment of profit or loss for each affiliate's participation.

Net distributions of $4,412,960 and $23,281,703 were made to joint venture partners during 1997 and 1996, respectively. In addition, the joint venture partners were allocated their pro-rata share of the recovery of losses in the amount of $977,945 during 1996.

10. Investment in Joint Ventures with Affiliates:

(a) Title to Sand Pebble Village - Phase I Apartments was acquired through a foreclosure sale by a joint venture consisting of the Partnership and an affiliate in 1992. The joint venture purchased the adjacent property, Sand Pebble Village - Phase II Apartments in October 1993. Profits and losses, all capital contributions and distributions for both properties were allocated in accordance with each participant's original funding percentage in the Phase I loan. The Partnership's ownership percentage was 44.63%.

In August 1996, the joint venture sold Sand Pebble Village Apartments - Phase I in an all cash sale for $19,411,765. From the proceeds of the sale, the joint venture paid $431,822 in selling costs. The basis of the property was $21,436,000. The joint venture recognized no gain or loss on the sale of this property. The joint venture recognized a recovery of loss on real estate of $2,080,943 from the sale of this property, of which $928,725 represented the Partnership's share.

In August 1996, the joint venture also sold Sand Pebble Village Apartments - Phase II in an all cash sale for $12,088,235. From the proceeds of the sale, the joint venture paid $4,859,155 to the third party mortgage holder in full satisfaction of the first mortgage loan, paid a prepayment penalty of $145,775 and selling costs of $272,701. The basis of the property was $9,357,449. The joint venture recognized a gain of $2,458,085 from the sale of this property, of which $1,097,043 represented the Partnership's share.

The Partnership's share of the recovery of the loss allowance in 1996 was included in the Partnership's participation in income (loss) of joint venture with affiliates. In addition, during 1996, the Partnership received net distributions from these joint ventures totaling $12,229,052.

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(b) In 1995, a joint venture consisting of the Partnership and three affiliates acquired title to the 45 West 45th Street Office Building. Profits and losses, all capital contributions and distributions were allocated in accordance with each participant's original funding percentage in the loan. The Partnership's ownership percentage was 41.3%.

In November 1996, the joint venture sold the 45 West 45th Street Office Building in an all cash sale for $10,300,000. From the proceeds of the sale the joint venture paid $579,075 in selling costs. The basis of the property was $6,786,740. The joint venture recognized a gain of $2,934,185 and a recovery of a previously established loss allowance of $2,475,000 from the sale of this property, of which the Partnership's share is $1,211,818 and $1,021,000,

respectively. Pursuant to the sale agreement, $500,000 of the sale proceeds was retained by the joint venture and was unavailable for distribution until April 1997, at which time the funds were released in full. The Partnership's share was $206,499.

During 1996 the Partnership received net distributions from the joint venture of $4,121,167.

(c) In 1995, a joint venture consisting of the Partnership and an affiliate acquired title to the Jonathan's Landing Apartments. Profits and losses, all capital contributions and distributions were allocated in accordance with each participant's original funding percentage in the loan. The Partnership's ownership percentage was 46.5%.

In November 1996, the joint venture sold the Jonathan's Landing Apartments in an all cash sale for $21,300,000. From the proceeds of the sale, the joint venture paid $796,475 in selling costs. The basis of the property was $18,354,120. The joint venture recognized a gain of $2,149,405 from the sale of this property, of which $999,473 is the Partnership's share.

During 1996, the Partnership received net distributions from the joint venture of $10,165,895.

The following combined information has been summarized from the December 31, 1996 financial statements of the above joint ventures:

Net investment in real estate as of December 31	None
Total liabilities as of December 31	$108,700
Total income	17,522,704
Income before loss provisions, gains on sales and extraordinary items	2,380,073
Recovery of loss	4,553,943
Gain on sales	9,622,619
Extraordinary items:	
Debt extinguishment expense	145,775

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Net income 16,410,860

11. 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
Mortgage servicing fees	None	None	None	None	$8,338	None
Reimbursement of expenses to the General Partner, at cost:						
Accounting	$46,168	$27,173	$72,527	$17,704	38,973	$26,534
Data processing	2,640	872	6,045	1,768	5,882	None
Legal	21,042	13,119	27,757	6,335	18,825	12,816
Portfolio management	79,128	47,396	170,830	40,645	198,406	135,076

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 $41,553 in 1996.

The General Partner made a contribution of $230,427 to the Partnership in connection with the settlement of certain litigation as further described in Note 14 of Notes to the Financial Statements.

12. Property Dispositions:

(a) In August 1997, the Partnership sold the 420 North Wabash Office Building in an all cash sale for $5,000,000. From the proceeds of the sale, the Partnership paid $146,323 in selling costs. In connection with the sale, the Partnership wrote off $336,626 of accounts receivable related to rental abatements and scheduled rent increases, which has been recorded as a cost of sale of this property. The basis of the property was $4,800,000, which is net of an allowance of $2,562,000. The Partnership had previously established an allowance for potential losses related to this property against which $2,562,000 of its remaining net investment was written off. For financial statement purposes, the Partnership recognized a loss of $282,949 in connection with the sale of this property.

(b) In May 1997, the Partnership sold the Hammond Aire Plaza Shopping Center in an all cash sale for $13,800,000. From the proceeds of the sale, the Partnership paid $376,001 in selling costs. Pursuant to the terms of the sale,

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$310,000 of the sale proceeds was placed in escrow at closing. In March 1998, $50,000 of the escrow was disbursed to the Partnership and $25,000 was disbursed to the purchaser to cover certain survey and easement costs. The remaining sale proceeds of $235,000 remain in escrow pending resolution of certain tenant issues. The Partnership expects to receive the sales proceeds remaining in the escrow. The basis of the property was $13,423,999, which is net of an allowance of $2,120,000. For financial statement purposes, the Partnership recognized no gain or loss from the sale of this property. However, the Partnership had previously established an allowance for potential losses related to this property against which its remaining net investment of $2,120,000 was written off.

(c) The Brookhollow/Stemmons Center Office Building was owned by a joint venture consisting of the Partnership and an affiliate. The Partnership and the affiliate held participation percentages in the joint venture of 72.5% and 27.5%, respectively. In April 1997, the joint venture sold the property in an all cash sale for $12,724,000. From the proceeds of the sale, the joint venture paid $340,293 in selling costs. In connection with the sale, the joint venture wrote off $903,384 of accounts receivable related to rental abatements and scheduled rent increases, which has been recorded as a cost of sale of this property. The basis of the property was $11,074,128. For financial statement purposes, the joint venture recognized a gain of $406,195 from the sale of this property, all of which was allocated to the minority joint venture partner. See Note 10 of Notes to Financial Statements for additional information regarding the allocation of the gain.

(d) In February 1997, the Partnership sold the Flamingo Pines Shopping Center in an all cash sale for $10,200,000. From the proceeds of the sale, the Partnership paid $346,400 in selling costs. The basis of the property was $9,853,600, which is net of an allowance of $388,809. For financial statement purposes, the Partnership recognized no gain or loss on the sale of this property. However, the Partnership had previously established an allowance for potential losses related to this property against which its remaining net investment of $388,809 was written off.

(e) In February 1997, the Partnership sold the Park Central Office Building in an all cash sale for $21,471,000. From the proceeds of the sale, the Partnership paid $470,891 in selling costs. In addition, the Partnership paid a state withholding tax of $43,900 on behalf of the Limited Partners relating to the gain on the sale of the property which has been recorded as a deemed distribution for financial statement purposes. The basis of the property was $15,302,762. For financial statement purposes, the Partnership recognized a gain of $5,697,347 in connection with the sale of this property.

(f) In December 1996, the Partnership sold Symphony Woods Office Building in an all cash sale for $7,275,000. From the proceeds of the sale, the Partnership paid $251,836 in selling costs. The basis of the property was $5,153,837. For financial statement purposes, the Partnership recognized a gain of $1,869,327 from the sale of this property.

(g) The Perimeter 400 Center Office Building was owned by a joint venture

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consisting of the Partnership and three affiliates. The Partnership and the affiliates held participating percentages in the joint venture of 50%, 22%, 15%, and 13%, respectively. In December 1996, the joint venture sold the property in an all cash sale for $40,700,000. From the proceeds of the sale, the joint venture paid $882,765 in selling costs. In addition, the Partnership paid a state withholding tax of $151,261 relating to the gain on the sale of this property. The basis of the property was $27,396,252. For financial statement purposes, the Partnership recognized a gain of $12,420,983 from the sale of this property, of which $6,210,492 was the minority joint venture partners' share.

(h) Sun Lake Apartments was owned by a joint venture consisting of the Partnership and an affiliate. The Partnership and the affiliate held percentages in the joint venture of 61.95% and 38.05%, respectively. In

November 1996, the joint venture sold the property in an all cash sale for $24,000,000. The purchaser of the property took title to the property subject to the existing first mortgage loan of $15,508,832, which represents a noncash transaction to the Partnership. Accordingly, the noncash aspect of this transaction is not presented in the Partnership's Statements of Cash Flows. From the proceeds of the sale, the joint venture paid $701,215 in selling costs. The basis of the property was $24,685,000. For financial statement purposes, the joint venture recognized no gain or loss from the sale of this property. The joint venture recognized a recovery of loss on real estate of $1,413,785 from the sale of this property, of which $537,945 was the minority joint venture partner's share, and wrote off $1,386,215 against the previously established loss allowance related to this property.

(i) In September 1996, the Partnership sold Shoal Run Apartments in an all cash sale for $10,800,000. From the proceeds of the sale, the Partnership paid $290,800 in selling costs. The basis of the property was $9,450,000. For financial statement purposes, the Partnership recognized a gain of $1,059,000 from the sale of this property.

(j) In August 1996, the Partnership sold the Woodscape Apartments in an all cash sale for $9,550,000. From the proceeds of the sale, the Partnership paid $299,421 in selling costs. The basis of the property was $6,629,000. For financial statement purposes, the Partnership recognized a gain of $2,621,579 from the sale of this property.

(k) In June 1996, the Partnership sold the Hawthorne Heights Apartments in an all cash sale for $8,300,000. From the proceeds of the sale, the Partnership paid $309,525 in selling costs. The basis of the property was $6,517,570. For financial statement purposes, the Partnership recognized a gain of $1,472,905 from the sale of this property.

13. Extraordinary Items:

(a) In connection with the 1996 sale of the Sun Lake Apartments, the Partnership wrote off the remaining unamortized deferred financing fees in the amount of $746,767, of which $284,145 was the minority joint venture partner's

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share. This amount was recognized as debt extinguishment expense and classified as an extraordinary item.

(b) In connection with the 1996 sale of the Sand Pebble Village - Phase II Apartments, the joint venture paid a prepayment penalty in the amount of $145,775, of which $65,074 was the Partnership's share. This amount was recognized as debt extinguishment expense and classified as an extraordinary item.

14. Settlement of Litigation:

A settlement received final approval by the court in November 1996 in the class action, Paul Williams and Beverly Kennedy, et al. vs. Balcor Pension Investors, et al. upon the terms described in the notice to class members in September 1996. The General Partner made a contribution of $230,427 to the Partnership, from which the plaintiffs' counsel was paid $23,043 pursuant to the settlement

agreement. In February 1997, the General Partner made a settlement payment of $207,384 ($0.15 per Interest) to members of the class pursuant to the settlement. Of the total settlement amount, $124,075 was paid to original investors who held their Limited Partnership Interests at the date of the settlement and was recorded as a distribution to Limited Partners in the Financial Statements. The remaining portion of the settlement of $83,309 was paid to original investors who previously sold their Interests in the Partnership. This amount was recorded as an administrative expense in the Financial Statements. Similar contributions and payments were made on the seven other partnerships included in the lawsuit in addition to those payments described above. The Balcor Company paid an additional $635,000 to the plaintiffs' class counsel and The Balcor Company received approximately $946,000 from the eight partnerships as a reimbursement of its legal expenses, of which $272,571 was the Partnership's share. The settlement had no material impact on the Partnership.

15. Other Income:

(a) The Perimeter 400 Center Office Building, which was owned by a joint venture consisting of the Partnership and three affiliates, was sold in December 1996. During October 1998, the Partnership received $28,375 representing its share of a partial refund of 1996 real estate taxes which had been under appeal.

(b) The Partnership recognized other income during 1997 in connection with partial refunds of prior years' insurance premiums relating to the Partnership's properties.

16. Other Expenses:

During 1998, the Partnership paid $78,437 in settlement of claims presented by the purchaser of the Hammond Aire Plaza Shopping Center for certain tenant improvements, leasing, survey and escrow costs pursuant to the sale agreement. The property was sold in 1997. In addition, the General Partner determined that

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a receivable related to Woodscape Apartments, which was sold in 1996, was uncollectible and the Partnership wrote-off the receivable in the amount of $39,074. These amounts were recognized as other expenses for financial statement purposes during 1998.

17. Contingency:

The Partnership is currently involved in a lawsuit, Dee vs. Walton Street Capital Acquisition II, LLC, whereby the Partnership, the General Partner and certain third parties have been named as defendants seeking damages relating to tender offers to purchase interests in the Partnership and nine affiliated partnerships initiated by the third party defendants in 1996. The defendants continue to vigorously contest this action. The action has been dismissed with prejudice, which dismissal was affirmed by the Illinois Appellate Court. Plaintiffs have filed a further appeal to the Illinois Supreme Court. It is not determinable at this time how the outcome of this action will impact the remaining cash reserves of the Partnership. The Partnership believes that it has meritorious defenses to contest the claims.

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