

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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

#### COLONIAL REALTY LIMITED PARTNERSHIP

CIK: **1013844** | IRS No.: **631098468** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
Type: **10-Q** | Act: **34** | File No.: **000-20707** | Film No.: **96665483**  
SIC: **6798** Real estate investment trusts

#### Mailing Address

2101 6TH AVENUE NORTH  
SUITE 750  
BIRMINGHAM AL 35202-1647

#### Business Address

2101 6TH AVENUE NORTH  
SUITE 750  
BIRMINGHAM AL 35202-1687  
2052508810

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

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

For the Quarterly Period Ended: September 30, 1996

Commission File Number: 0-20707

COLONIAL REALTY LIMITED PARTNERSHIP  
(Exact name of registrant as specified in its charter)

Alabama  
(State of organization)

63-1098468  
(IRS Employer  
Identification Number)

2101 Sixth Avenue North  
Suite 750  
Birmingham, Alabama  
(Address of principal executive offices)

35203  
(Zip Code)

(205) 250-8700  
(Registrant's telephone number, including area code)

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 \_\_\_

COLONIAL REALTY LIMITED PARTNERSHIP

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COLONIAL REALTY LIMITED PARTNERSHIP  
CONSOLIDATED CONDENSED BALANCE SHEETS

<CAPTION>

	September 30, 1996 (Unaudited)	December 31, 1995
ASSETS		
<S>	<C>	<C>
Land, buildings, & equipment, net	\$740,619,547	\$624,514,188
Undeveloped land and construction in progress .....	101,320,198	32,640,381
Cash and equivalents .....	2,430,329	1,584,850
Restricted cash .....	2,474,257	2,079,796
Accounts receivable, net .....	2,643,316	2,280,508
Prepaid expenses .....	5,162,386	3,561,611
Notes receivable .....	597,206	580,169
Deferred debt and lease costs, net	5,658,132	3,841,814
Investments .....	5,094,782	5,363,639
Other assets .....	5,538,936	4,849,614
	-----	-----
	\$871,539,089	\$681,296,570
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Notes and mortgages payable .....	\$431,542,723	\$354,099,770
Accounts payable .....	11,405,661	11,423,830
Accrued expenses .....	10,952,720	1,933,068
Tenant deposits .....	2,778,773	2,401,604
Unearned rent .....	764,551	843,642
	-----	-----
Total liabilities .....	457,444,428	370,701,914
	-----	-----
Redeemable units, at redemption value	221,318,948	207,596,087
	-----	-----
Partners' capital, excluding redeemable units .....	192,775,713	102,998,569
	-----	-----
	\$871,539,089	\$681,296,570
	=====	=====

<FN>

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

</FN>  
</TABLE>

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COLONIAL REALTY LIMITED PARTNERSHIP  
CONSOLIDATED CONDENSED STATEMENTS OF INCOME  
(Unaudited)

<CAPTION>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
Revenue:				
Rent .....	\$33,697,454	\$27,479,569	\$93,090,765	\$77,885,091
Other .....	1,133,632	946,214	3,171,780	2,830,777
Total revenue .....	34,831,086	28,425,783	96,262,545	80,715,868
Property operating expenses:				
General operating expenses	2,557,913	2,322,099	7,099,856	6,187,815
Salaries and benefits .....	2,321,790	1,931,743	6,449,417	5,440,861
Repairs and maintenance ...	3,629,972	3,225,600	9,777,098	8,090,656
Taxes, licenses, and insurance .....	2,840,136	2,530,882	8,374,087	7,103,734
General and administrative ..	1,032,899	1,179,182	2,598,282	3,744,225
Depreciation .....	5,789,206	4,598,941	5,791,565	13,318,259
Amortization .....	251,019	583,398	1,241,498	1,684,542
Total operating expenses ..	18,422,935	16,371,847	51,331,803	45,570,092
Income from operations ....	16,408,151	12,053,936	44,930,742	35,145,776
Other income (expense):				
Interest expense .....	(6,383,196)	(5,706,186)	(16,614,047)	(18,093,507)
Income from investments ...	137,332	106,209	455,708	357,966
Gains (losses) from sales of property .....	730	(496)	15,492	174,954
Total other expense .....	(6,245,134)	(5,600,473)	(16,142,847)	(17,560,587)

Income before extraordinary item .....	10,163,017	6,453,463	28,787,895	17,585,189
Extraordinary loss from early extinguishment of debt ....	(9,263)	-0-	(487,503)	-0-
Net income .....	\$10,153,754	\$6,453,463	\$28,300,392	\$17,585,189
Net income per unit .....	\$0.39	\$0.31	\$1.11	\$0.92
Weighted average units outstanding .....	26,080,222	21,106,108	25,575,676	19,193,907

<FN>

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

</FN>

</TABLE>

<TABLE>

COLONIAL REALTY LIMITED PARTNERSHIP  
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS  
(Unaudited)

<CAPTION>

	Nine Months Ended September 30,	
	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net income .....	\$ 28,300,392	\$ 17,585,189
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	17,033,063	15,002,801
Provision for doubtful accounts .....	19,464	116,396
Gains from sales of property .....	(15,492)	(174,954)
Income from investments .....	(455,708)	(779,159)
Decrease (increase) in:		
Restricted cash .....	(394,461)	(1,019,341)
Accounts receivable .....	(331,629)	500,116
Notes receivable .....	(17,037)	(18,656)

Prepaid expenses .....	(1,420,361)	(401,635)
Other assets .....	(1,257,028)	(1,677,314)
Increase (decrease) in:		
Accounts payable .....	72,684	1,663,795
Accrued expenses .....	8,542,236	6,291,734
Other liabilities .....	84,306	414,210
	-----	-----
Net Cash Provided by Operating activities: ..	50,160,429	37,503,182
	-----	-----
Cash flows from investing activities:		
Property acquisition costs paid .....	(90,054,192)	(50,897,503)
Development expenditures .....	(68,015,254)	(14,058,919)
Tenant improvements .....	(556,569)	(838,085)
Capital expenditures .....	(4,489,591)	(1,564,133)
Proceeds from sales of property .....	6,400	328,237
Distributions from investments .....	738,359	739,292
Capital contributions to investments ...	(13,794)	(146,600)
	-----	-----
Net cash used in investing activities .....	(162,384,641)	(66,437,711)
	-----	-----
Cash flows from financing activities:		
Principal reductions of debt .....	(37,561,430)	(18,147,194)
Proceeds from additional borrowings ....	130,040,450	61,520,000
Change in revolving credit balances ....	(44,994,368)	(64,468,744)
Capital contributions .....	106,976,322	73,731,007
Capital distributions .....	(38,803,730)	(25,196,440)
Payment of mortgage financing cost ....	(2,587,553)	(705,985)
	-----	-----
Net cash provided by financing activities ...	113,069,691	26,732,644
	-----	-----
Increase (decrease) in cash and equivalents	845,479	(2,201,885)
Cash and equivalents, beginning of period ..	1,584,850	2,797,767
	-----	-----
Cash and equivalents, end of period .....	\$ 2,430,329	\$ 595,882
	=====	=====

<FN>

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

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</TABLE>

COLONIAL REALTY LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED  
CONDENSED FINANCIAL STATEMENTS  
September 30, 1996  
(Unaudited)

Note 1 -- Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared by management in accordance with generally accepted accounting principles for interim financial reporting and in conjunction with the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. These financial statements should be read in conjunction with the information included in the Company's General Form for Registration of Securities as filed with the Securities and Exchange Commission on Form 10 on July 6, 1996. The December 31, 1995 balance sheet data presented herein was derived from audited financial statements but does not include all disclosures required by generally accepted accounting principles.

Note 2 -- Acquisitions

On September 13, 1996, the Company acquired a multifamily community located in Macon, Georgia at a purchase price of \$9.45 million. The purchase of this property was completed through an advance on the Company's line of credit.

On October 2, 1996, the Company acquired a 209,000 square foot shopping center located in Orlando, Florida, for a purchase price of \$18.1 million. The purchase of the shopping center was financed through an advance on the Company's line of credit.

On October 18, 1996, the Company acquired a 158,000 square foot shopping center located in St. Petersburg, Florida for a purchase price of \$11.8 million, which was funded through an advance on the Company's line of credit.

On October 18, 1996, the Company acquired a 222,000 square foot shopping center located in Orlando, Florida for a purchase price of \$17.2 million. In the acquisition of this property, the Company assumed an existing mortgage of \$10.4 million that matures in October 2001 and bears an interest rate of 8.8%. The remainder of the purchase price was financed through an advance on the Company's line of credit.

Note 3 -- Distribution

On October 24, 1996, a cash distribution was declared to partners of the Company in the amount of \$0.50 per partnership unit, totaling \$13,016,000. The distribution was made to partners of record as of November 4, 1996 and was paid on November 12, 1996.



REPORT OF INDEPENDENT ACCOUNTANTS

To the Partners  
Colonial Realty Limited Partnership

We have reviewed the accompanying consolidated balance sheet of Colonial Realty Limited Partnership as of September 30, 1996, the related consolidated condensed statements of income for the three-month and nine-month periods ended September 30, 1996 and 1995, and the related consolidated condensed statements of cash flows for the nine-month periods ended September 30, 1996 and 1995. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1995, and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated January 25, 1996, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated condensed balance sheet as of December 31, 1995, is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

COOPERS & LYBRAND L.L.P.

Birmingham, Alabama  
October 21, 1996

COLONIAL REALTY LIMITED PARTNERSHIP

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

General

The following discussion should be read in conjunction with management's discussion and analysis of financial condition and results of operations and all of the other information appearing in the Company's General Form for Registration of Securities as filed with the Securities and Exchange Commission on Form 10 on July 6, 1996 and with the financial statements included therein and the notes thereto.

Results of Operations -- Three Months Ended September 30, 1996 and 1995 Revenue -- Total revenue increased by \$6,405,000, or 22.5%, for the third quarter of 1996 when compared to the third quarter of 1995. Of this increase, \$5,390,000 represents revenues generated by properties acquired or developed during 1995 and 1996. The \$1,015,000 remainder of the increase in revenues when comparing the third quarter of 1996 to the third quarter of 1995 represents an increase in rents charged to tenants.

Operating Expenses -- Operating expenses increased by \$2,051,000, or 12.5%, for the third quarter of 1996 when compared to the third quarter of 1995. Expenses incurred by properties acquired during 1995 and 1996 increased operating expenses by \$2,464,000. Operating expenses also decreased by \$250,000 due to the resolution of prior reserves for certain state tax contingencies.

Other Income (Expense) -- Interest expense increased by \$677,000, or 11.9%, for the third quarter of 1996 when compared to the third quarter of 1995. Interest expense increased \$1,591,000 due to the increase in indebtedness which was incurred to finance acquisition and development activity, net of indebtedness which was repaid through a portion of the Company's equity offering proceeds in January 1996. Interest expense also decreased by \$914,000 due to the capitalization of \$1,171,000 in interest on construction expenditures during the third quarter of 1996 compared to \$257,000 capitalized during the third quarter of 1995.

Results of Operations -- Nine Months Ended September 30, 1996 and 1995 Revenue -- Total revenue increased by \$15,547,000, or 19.3%, for the nine months ended September 30, 1996, when compared to the nine months ended September 30, 1995. Of this increase, \$13,204,000 represents revenues generated by properties acquired or developed in 1995 and 1996. Revenues also decreased \$508,000 during the first nine months of 1996 when compared to the first nine months of 1995 due to one-time revenues received from lease cancellations during the second quarter of 1995. The \$2,851,000 remainder of the increase in revenues

when comparing the first nine months of 1996 to the first nine months of 1995 represents an increase in rents charged to tenants.

Operating Expenses -- Operating expenses increased by \$5,762,000, or 12.6%, for the nine months ended September 30, 1996 when compared to the nine months ended September 30, 1995. Expenses incurred by properties acquired during 1995 and 1996 increased operating expenses by \$6,053,000. Operating expenses also decreased by \$1,325,000 due to the resolution of prior reserves for certain state tax contingencies. The \$1,034,000 remainder of the increase in operating expenses when comparing the first nine months of 1996 to the first nine months of 1995 represents an increase in expenses incurred by existing properties.

Other Income and Expenses -- Interest expense decreased \$1,479,000, or 8.2%, for the nine months ended September 30, 1996, when compared to the nine months ended September 30, 1995. Interest expense increased \$639,000 due to the increase in indebtedness which was incurred to finance acquisition and development activity, net of indebtedness which was repaid through a portion of the Company's equity offering proceeds in January 1996. Interest expense also decreased by \$2,118,000 due to the capitalization of \$2,589,000 in interest on construction expenditures during the first nine months of 1996 compared to \$471,000 capitalized during the first nine months of 1995.

#### Liquidity and Capital Resources

As of September 30, 1996, the Company had one bank line of credit providing for total borrowings of \$110 million. The line, which is used by the Company primarily to finance property acquisitions and development, bears interest at a rate ranging between LIBOR plus 125 to LIBOR plus 175 basis points and expires in December 1998. The balance outstanding on this line at September 30, 1996 was \$33,888,000.

Management intends to replace significant borrowings that may accumulate under the bank line of credit with funds generated from the sale of additional equity securities and/or permanent financing, as market conditions permit. Management believes that these potential sources of funds, along with the possibility of issuing limited partnership units of Colonial Realty Limited Partnership in exchange for properties, will provide the Company with the means to finance additional acquisitions. Management anticipates that its net cash provided by operations and its existing cash balances will provide the necessary funds on a short- and long-term basis to cover its operating expenses, interest expense on outstanding indebtedness, recurring capital expenditures, and dividends to shareholders in accordance with Internal Revenue Code requirements applicable to real estate investment trusts.

COLONIAL REALTY LIMITED PARTNERSHIP  
PART II -- OTHER INFORMATION

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

(a) Exhibits

15. Letter re: Unaudited Interim Financial Information

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this amendment to be signed on its behalf by the undersigned hereunto duly authorized.

COLONIAL REALTY LIMITED PARTNERSHIP

Date: November 14, 1996

/s/ Douglas B. Nunnelley  
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Douglas B. Nunnelley  
Senior Vice President  
and Chief Financial Officer

Date: November 14, 1996

/s/ Douglas B. Nunnelley  
-----

Douglas B. Nunnelley  
Senior Vice President  
and Chief Financial Officer  
(Duly Authorized Officer  
and Principal Financial Officer)

Date: November 14, 1996

/s/ Kenneth E Howell  
-----

Kenneth E. Howell  
Vice President, Controller,  
and Secretary

(Principal Accounting Officer)

Securities and Exchange Commission  
450 Fifth Street, N. W.  
Washington, D. C. 20549

Re: Colonial Realty Limited Partnership  
(File No. 0-20707)  
Registration on Form S-3

We are aware that our report dated October 21, 1996 on our review of interim financial information of Colonial Realty Limited Partnership for the quarters ended September 30, 1996 and 1995 and included in the Company's quarterly report on Form 10-Q for the quarters then ended is incorporated by reference in the registration statements on Forms S-3 related to the Shelf Registrations filed on July 5, 1996 and October 18, 1996. Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

COOPERS & LYBRAND L.L.P.

Birmingham, Alabama  
October 21, 1996

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