FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
SEC Accession No. 0000804127-95-000004

(HTML Version on secdatabase.com)

FILER

AEI REAL ESTATE FUND XVI LTD PARTNERSHIP
CIK:**804127**| IRS No.: **411571166** | State of Incorp.:**MN** | Fiscal Year End: **1231**
Type: **10QSB** | Act: **34** | File No.: **000-16555** | Film No.: **95536101**
SIC: **6500** Real estate

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-QSB

Quarterly Report Under Section 13 or 15(d)
of The Securities Exchange Act of 1934

For the Quarter Ended: March 31, 1995

Commission file number: 0-16555

AEI REAL ESTATE FUND XVI LIMITED PARTNERSHIP
(Exact Name of Small Business Issuer as Specified in its Charter)

State of Minnesota	41-1571166
(State or other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1300 Minnesota World Trade Center, St. Paul, Minnesota 55101
(Address of Principal Executive Offices)

(612) 227-7333
(Issuer's telephone number)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Check whether the issuer (1) 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

Transitional Small Business Disclosure Format:

Yes No X

AEI REAL ESTATE FUND XVI LIMITED PARTNERSHIP

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<TABLE>

AEI REAL ESTATE FUND XVI LIMITED PARTNERSHIP

BALANCE SHEET

MARCH 31, 1995 AND DECEMBER 31, 1994

(Unaudited)

ASSETS

<CAPTION>

	1995	1994
<S>	<C>	<C>
CURRENT ASSETS:		
Cash	$ 899,564	$ 882,790
Receivables	81,078	65,157
Total Current Assets	980,642	947,947
INVESTMENTS IN REAL ESTATE:		
Land	3,873,470	3,873,470
Buildings and Equipment	7,811,053	7,811,053
Accumulated Depreciation	(2,300,057)	(2,217,859)
Net Investments in Real Estate	9,384,466	9,466,664
Total Assets	$10,365,108	$10,414,611

<CAPTION>

LIABILITIES AND PARTNERS' CAPITAL

CURRENT LIABILITIES:		
Payable to AEI Fund Management, Inc.	$ 82,258	$ 111,970
Distributions Payable	232,202	129,742
Current Portion of Contract Payable	75,253	38,698
Deferred Income	36,875	21,012
Total Current Liabilities	426,588	301,422
CONTRACT PAYABLE - Net of Current Portion	165,393	197,504
DEFERRED INCOME - Net of Current Portion	260,852	267,605
PARTNERS' CAPITAL (DEFICIT):		
General Partners	(34,075)	(32,717)
Limited Partners, $1,000 Unit value; 15,000 Units authorized and issued; 14,226 Units outstanding	9,546,350	9,680,797
Total Partners' Capital	9,512,275	9,648,080
Total Liabilities and Partners' Capital	$10,365,108	$10,414,611

<FN>

The accompanying Notes to Financial Statements are an integral part of this statement.

</TABLE>

<TABLE>

AEI REAL ESTATE FUND XVI LIMITED PARTNERSHIP

STATEMENT OF INCOME

FOR THE PERIODS ENDED MARCH 31

(Unaudited)

<CAPTION>

<S>	1995 <C>	1994 <C>
INCOME:		
Rent	$ 267,587	$ 287,731
Investment Income	12,839	2,180
Total Income	280,426	289,911
EXPENSES:		
Partnership Administration - Affiliates	65,155	65,047
Partnership Administration and Property Management - Unrelated Parties	5,346	24,626
Interest	4,444	6,863
Depreciation	82,198	89,434
Total Expenses	157,143	185,970
NET INCOME	$ 123,283	$ 103,941
NET INCOME ALLOCATED:		
General Partners	$ 1,233	$ 1,039
Limited Partners	122,050	102,902
	$123,283	$103,941
NET INCOME PER LIMITED PARTNERSHIP UNIT (14,226 and 14,365 weighted average Units outstanding in 1995 and 1994, respectively)	$ 8.58	$ 7.16

<FN>

The accompanying Notes to Financial Statements are an integral part of this statement.

</TABLE>

<TABLE>

AEI REAL ESTATE FUND XVI LIMITED PARTNERSHIP

STATEMENT OF CASH FLOWS

FOR THE PERIODS ENDED MARCH 31

(Unaudited)

<CAPTION>

	1995	1994
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 123,283	$ 103,941
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	82,198	89,434
(Increase) Decrease in Receivables	(15,921)	39,612
Decrease in Payable to AEI Fund Management, Inc.	(29,712)	(88,429)
Increase in Contract Payable	4,444	0
Increase in Deferred Income	9,110	12,820
Total Adjustments	50,119	53,437
Net Cash Provided by Operating Activities	173,402	157,378
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in Long-Term Receivables	0	(110,957)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in Distributions Payable	102,460	42,169
Decrease in Line of Credit	0	(263,000)
Distributions to Partners	(259,088)	(275,753)
Increase in Long-Term Debt	0	467,797
Net Cash Used for Financing Activities	(156,628)	(28,787)
NET INCREASE IN CASH	16,774	17,634
CASH, beginning of period	882,790	52,210
CASH, end of period	$ 899,564	$ 69,844

<FN>

The accompanying Notes to Financial Statements are an integral part of this statement.

</TABLE>

<TABLE>

AEI REAL ESTATE FUND XVI LIMITED PARTNERSHIP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

FOR THE PERIODS ENDED MARCH 31

(Unaudited)

<CAPTION>

<S>	General Partners <C>	Limited Partners <C>	Total <C>
BALANCE, December 31, 1993	$ (22,823)	$ 10,660,295	$ 10,637,472
Distributions	(2,757)	(272,996)	(275,753)
Net Income	1,039	102,902	103,941
BALANCE, March 31, 1994	$ (24,541)	$ 10,490,201	$ 10,465,660
BALANCE, December 31, 1994	$ (32,717)	$ 9,680,797	$ 9,648,080
Distributions	(2,591)	(256,497)	(259,088)
Net Income	1,233	122,050	123,283
BALANCE, March 31, 1995	$ (34,075)	$ 9,546,350	$ 9,512,275

<FN>

The accompanying Notes to Financial Statements are an integral part of this statement.

</TABLE>

AEI REAL ESTATE FUND XVI LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1995

(Unaudited)

(1) The condensed statements included herein have been prepared by the Partnership, without audit, and reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results of operations for the interim period, on a basis consistent with the annual audited statements. The adjustments made to these condensed statements consist only of normal recurring adjustments. Certain information, accounting policies, and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been

condensed or omitted pursuant to such rules and regulations, although the Partnership believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the summary of significant accounting policies and notes thereto included in the Partnership's latest annual report on Form 10-KSB.

(2) Organization -

AEI Real Estate Fund XVI Limited Partnership (Partnership) was formed to acquire and lease commercial properties to operating tenants. The Partnership's operations are managed by AEI Fund Management XVI, Inc. (AFM), the Managing General Partner of the Partnership. Robert P. Johnson, the President and sole shareholder of AFM, serves as the Individual General Partner of the Partnership. An affiliate of AFM, AEI Fund Management, Inc., performs the administrative and operating functions for the Partnership.

The terms of the Partnership offering call for a subscription price of $1,000 per Limited Partnership Unit, payable on acceptance of the offer. The Partnership commenced operations on February 6, 1987 when minimum subscriptions of 2,000 Limited Partnership Units ($2,000,000) were accepted. The Partnership's offering terminated on November 6, 1987 when the maximum subscription limit of 15,000 Limited Partnership Units ($15,000,000) was reached.

Under the terms of the Limited Partnership Agreement, the Limited Partners and General Partners contributed funds of $15,000,000 and $1,000, respectively. During the operation of the Partnership, any Net Cash Flow, as defined, which the General Partners determine to distribute will be distributed 90% to the Limited Partners and 10% to the General Partners; provided, however, that such distributions to the General Partners will be subordinated to the Limited Partners first receiving an annual, noncumulative distribution of Net Cash Flow equal to 10% of their Adjusted Capital Contribution, as defined, and, provided further, that in no event will the General Partners receive less than 1% of such Net Cash Flow per annum. Distributions to Limited Partners will be made pro rata by Units.

(2) Organization - (Continued)

Any Net Proceeds of Sale, as defined, from the sale or financing of the Partnership's properties which the General Partners determine to distribute will, after provisions for debts and reserves, be paid in the following manner: (i) first, 99% to the Limited Partners and 1% to the General Partners until the Limited Partners receive an amount equal to: (a) their Adjusted Capital Contribution plus (b) an amount equal to 6% of their Adjusted Capital Contribution per annum, cumulative but not compounded, to the extent not previously distributed from Net Cash Flow; (ii) next, 99% to the Limited Partners and 1% to the General Partners until the Limited Partners receive an amount equal to 14% of their Adjusted Capital Contribution per annum, cumulative but not compounded, to the extent not previously distributed; (iii) next, to the General Partners until cumulative distributions to the General Partners under Items (ii) and (iii) equal 15% of cumulative distributions to all Partners under Items (ii) and (iii). Any remaining balance will be distributed 85% to the Limited Partners and 15% to the General Partners. Distributions to the Limited Partners will be made pro rata by Units.

For tax purposes, profits from operations, other than profits attributable to the sale, exchange, financing, refinancing or other disposition of the Partnership's property, will be allocated first in the same ratio in which, and to the extent, Net Cash Flow is distributed to the Partners for such year. Any additional profits will be allocated 90% to the Limited Partners and 10% to the General Partners. In the event no Net Cash Flow is distributed to the Limited Partners, 90% of each item of Partnership income, gain or credit for each respective year shall be allocated to the Limited Partners, and 10% of each such item shall be allocated to the General Partners. Net losses from operations will be allocated 98% to the Limited Partners and 2% to the General Partners.

For tax purposes, profits arising from the sale, financing, or other disposition of the Partnership's property will be allocated in accordance with the Partnership Agreement as follows: (i) first, to those Partners with deficit balances in their capital accounts in an amount equal to the sum of such deficit balances; (ii) second, 99% to the Limited Partners and 1% to the General Partners until the aggregate balance in the Limited Partners' capital accounts equals the sum of the Limited Partners' Adjusted Capital Contributions plus an amount equal to 14% of their Adjusted Capital Contributions per annum, cumulative but not compounded, to the extent not previously allocated; (iii) third, to the General Partners until cumulative allocations to the General Partners equal 15% of cumulative allocations. Any remaining balance will be allocated 85% to the Limited Partners and 15% to the General Partners. Losses will be allocated 98% to the Limited Partners and 2% to the General Partners.

The General Partners are not required to currently fund a deficit capital balance. Upon liquidation of the Partnership or withdrawal by a General Partner, the General Partners will contribute to the Partnership an amount equal to the lesser of the deficit balances in their capital accounts or 1% of total Limited Partners' and General Partners' capital contributions.

(3) Investments in Real Estate -

In May, 1990, Flagship, Inc. (Flagship), the lessee of the J.T. McCord's properties, filed for reorganization, after occupying the properties for approximately five years. Flagship continued to operate the properties while attempting to develop a plan of reorganization which would be acceptable to the bankruptcy court and its creditors. In 1992, it became apparent that Flagship did not have the financial resources to operate the properties in compliance with the leases. In March, 1993, the Partnership, along with affiliated Partnerships which also own J.T. McCord's properties, filed its own plan of reorganization (the "Plan") with the Court. That Plan provided for an assignee of the Partnerships (a replacement tenant) to purchase the assets of Flagship and operate the restaurants with financial assistance from the Partnerships. This Plan was expected to allow the Partnerships to avoid closing these properties, allow operations to continue uninterrupted, and avoid further costly litigation with Flagship and its creditors. The Plan was confirmed by the Court and the creditors April 16, 1993 and became effective July 20, 1993. At that time, various claims between Flagship and the Partnership were dismissed. On April 21, 1993, the Partnership's assignee, WIM, Inc. (WIM), took over management of the restaurants.

To entice WIM to operate the restaurants and enter into the Lease Agreements, the Partnership provided funds to renovate the restaurants and paid for operating expenses. However, WIM was not able to operate the properties profitably and was unable to make rental payments as provided in the Lease Agreements. The Partnership's share of renovation and operating expenses during this period was $755,773 which was expensed in the third quarter of 1994. To reduce expenses and minimize the losses produced by these properties, the Waco restaurant was closed and listed for sale or lease and the Partnership amended the agreements for the Irving and Mesquite locations to provide for WIM to make annual rental payments of the greater of $60,000 or 5.5% of sales beginning October 1, 1994.

As part of the transaction to redeem these properties from the bankruptcy court action, the Partnerships, which own these properties, are responsible for an annual payment to the Creditors Trust of approximately $110,000 for the next five years. This Partnership's share of that annual payment is $69,702. The present value of this obligation was recorded as a Contract Payable on the accompanying Balance Sheet using a discount rate of 9%. In the third quarter of 1994, the Partnership expensed $302,652 to record this liability and administrative costs related to the bankruptcy.

In December, 1994, the lessee of the Applebee's restaurant in Charleston, South Carolina, exercised an option in the Lease Agreement to purchase the property. On December 15, 1994, the sale closed with the Partnership receiving net sale proceeds of $1,613,288 which resulted in a net gain of $691,525. At the time of sale, the cost and related accumulated depreciation of the property was $1,126,780 and $205,017, respectively. A portion of the net sale proceeds was used to pay off the bank note and satisfy the mortgage on the property discussed in Note 7.

(3) Investments in Real Estate - (Continued)

In the first quarter of 1995 and the fourth quarter of 1994, the Partnership distributed $186,841 and $299,667 of the net sale proceeds to the Partners as part of their regular quarterly distributions and to pay for the redemption of Partnership Units. The distributions represented a return of capital of $13.00 and $20.85 per Limited Partnership Unit, respectively. The majority of the remaining net proceeds will be reinvested in additional properties.

In March, 1995, the lessee of the Applebee's restaurant in Columbia, South Carolina, exercised an option in the Lease Agreement to purchase the property. The purchase price for the Partnership's interest in the property will be approximately $1,000,000, which will result in a net gain of approximately $440,000.

The Partnership owns a 30.8078% interest in the Sizzler restaurant in Cincinnati, Ohio. In November, 1992, after reviewing the operating results of the lessee, the Partnership agreed to amend the Lease Agreement of the Sizzler restaurant. As of November, 1993, the lessee was in default under the amended Lease Agreement. After reviewing the lessee's operating results, the Partnership determined that the lessee would be unable to operate the restaurant in a manner capable of maximizing the restaurant's sales. Consequently, at the direction of the Partnership, a multi-unit restaurant operator has assumed operation of this restaurant while the Partnership reviewed the available options. In January, 1994, the Partnership closed the restaurant and listed it for sale or lease. While the property is being re-leased or sold, the Partnership is responsible for the real estate taxes and other costs required to maintain the properties. No rent was received in 1995 or 1994. For the first quarter of 1995 and 1994, the difference between the rent received under the amended lease terms and the rent due under the original lease terms was $16,089 and $15,621, respectively.

(4) Contract Payable -

Scheduled maturities of the contract payable, discussed in Note 3 are as follows:

1995	$ 75,253
1996	59,944
1997	54,995
1998	50,455
	$ 240,647

AEI REAL ESTATE FUND XVI LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS
(Continued)

(5) Payable to AEI Fund Management -

AEI Fund Management, Inc. performs the administrative and operating functions for the Partnership. The payable to AEI Fund Management represents the balance due for those services. This balance is non-interest bearing and unsecured and is to be paid in the normal course of business.

(6) Deferred Income -

In June, 1994, Fuddruckers, Inc., the restaurant concept's franchisor, acquired the operations of the Fuddruckers restaurants in St. Louis, Missouri and Omaha, Nebraska, and assumed the lease obligations from the original lessee. As part of the agreement, the Partnership amended the Leases to reduce the base rent from $109,033 to $92,164 for the St. Louis property and $167,699 to $145,081 for the Omaha property. The Partnership could receive additional rent in the future if 10% of gross receipts from the properties exceed the base rent. In consideration for the lease assumption and amendment, the Partnership received a lump sum payment from the original lessee of $299,723. The lump sum payment will be recognized as income over the remainder of the Lease terms which expire January 31, 2008 and November 30, 2007, using the straight line method. As of March 31, 1995 and December 31, 1994, the Partnership had recognized $16,659 and $11,106 of this payment as income. At March 31, 1995, the remaining deferred income of $14,663 was prepaid rent related to certain other Partnership properties.

(7) Long-Term Debt -

On January 31, 1994, the Partnership entered into a five-year bank term Note for $570,287 with interest at the prime rate plus one half percent. Proceeds from the Note were advanced to WIM for renovation and other restaurant costs related to the J.T. McCord's properties. The Partnership provided a mortgage and a Lease Assignment Agreement on the Applebee's restaurant located in Charleston, South Carolina as collateral for the loan. In the first quarter of 1994, interest expense on the Note was $4,687.

On December 15, 1994, a portion of the net proceeds from the sale of the Applebee's property was used to pay off the outstanding principal balance of the bank note and satisfy the mortgage.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS

The Partnership's rental income is derived from long-term lease agreements on the Partnership's properties. The Partnership acquired lease guarantee insurance from United Guaranty Commercial Insurance Company of Iowa for the three J.T. McCord's, the Columbia Applebee's, the Houston, Texas child care center, and one of the Arlington, Texas child care centers. The policies insure approximately 80% of the annual payments for periods of ten years for the child care centers and a twelve month period (over seven years) for the other properties. The rent guarantee begins thirty days after the occurrence of all the following: (1) the lessee is at least thirty days in default in the payment of rent; (2) the lessee has been removed from the property; (3) the property has been listed for rent with a real estate broker and "For Rent" signs have been posted on the property; and (4) certain other minor conditions. Once these conditions have been satisfied, the Partnership will receive lease insurance payments until either the property is re-leased or the policy expires. On December 15, 1994, the policies on the J.T. McCord's expired. On May 5, 1995, the Applebee's policy expired.

In May, 1990, Flagship, Inc. (Flagship), the lessee of the J.T. McCord's properties, filed for reorganization, after occupying the properties for approximately five years. Flagship continued to operate the properties while attempting to develop a plan of reorganization which would be acceptable to the bankruptcy court and its creditors. In 1992, it became apparent that Flagship did not have the financial resources to operate the properties in compliance with the leases. In March, 1993, the Partnership, along with affiliated Partnerships which also own J.T. McCord's properties, filed its own plan of reorganization (the "Plan") with the Court. That Plan provided for an assignee of the Partnerships (a replacement tenant) to purchase the assets of Flagship and operate the restaurants with financial assistance from the Partnerships. This Plan was expected to allow the Partnerships to avoid closing these properties, allow operations to continue uninterrupted, and avoid further costly litigation with Flagship and its creditors. The Plan was confirmed by the Court and the creditors April 16, 1993 and became effective July 20, 1993. At that time, various claims between Flagship and the Partnership were dismissed. On April 21, 1993, the Partnership's assignee, WIM, Inc. (WIM), took over management of the restaurants.

To entice WIM to operate the restaurants and enter into the Lease Agreements, the Partnership provided funds to renovate the restaurants and paid for operating expenses. However, WIM was not able to operate the properties profitably and was unable to make rental payments as provided in the Lease Agreements. The Partnership's share of renovation and operating expenses during this period was $755,773 which was expensed in the third quarter of 1994. To reduce expenses and minimize the losses produced by these properties, the Waco restaurant was closed and listed for sale or lease and the Partnership amended the agreements for the Irving and Mesquite locations to provide for WIM to make annual rental payments of the greater of $60,000 or 5.5% of sales beginning October 1, 1994.

As part of the transaction to redeem these properties from the bankruptcy court action, the Partnerships, which own these properties, are responsible for an annual payment to the Creditors Trust of approximately $110,000 for the next five years. This Partnership's share of that annual payment is $69,702. In the third quarter of 1994, the Partnership expensed $302,652 to record this liability and administrative costs related to the bankruptcy.

On January 31, 1994, the Partnership entered into a five-year bank term Note for $570,287 with interest at the prime rate plus one half percent. Proceeds from the Note were advanced to WIM for renovation and other restaurant costs. The Partnership provided a mortgage and a Lease Assignment Agreement on its Applebee's restaurant in Charleston, South Carolina as collateral for the loan. In the first quarter of 1994, interest expense on the Note was $4,687.

In December, 1994, the lessee of the Applebee's restaurant in Charleston, South Carolina, exercised an option in the Lease Agreement to purchase the property. On December 15, 1994, the sale closed with the Partnership receiving net sale proceeds of $1,613,288 which resulted in a net gain of $691,525. At the time of sale, the cost and related accumulated depreciation of the property was $1,126,780 and $205,017, respectively. A portion of the net sale proceeds was used to pay off the bank note and satisfy the mortgage on the property discussed above.

In the first quarter of 1995 and the fourth quarter of 1994, the Partnership distributed $186,841 and $299,667 of the net sale proceeds to the Partners as part of their regular quarterly distributions and to pay for the redemption of Partnership Units. The distributions represented a return of capital of $13.00 and $20.85 per Limited Partnership Unit, respectively. The majority of the remaining net proceeds will be reinvested in additional properties.

In March, 1995, the lessee of the Applebee's restaurant in Columbia, South Carolina, exercised an option in the Lease Agreement to purchase the property. The purchase price for the Partnership's interest in the property will be approximately $1,000,000, which will result in a net gain of approximately $440,000.

The Partnership owns a 30.8078% interest in the Sizzler restaurant in Cincinnati, Ohio. In November, 1992, after reviewing the operating results of the lessee, the Partnership agreed to amend the Lease Agreement of the Sizzler restaurant. As of November, 1993, the lessee was in default under the amended Lease Agreement. After reviewing the lessee's operating results, the Partnership determined that the lessee would be unable to operate the restaurant in a manner capable of maximizing the restaurant's sales. Consequently, at the direction of the Partnership, a multi-unit restaurant operator assumed operation of this restaurant while the Partnership reviewed the available options. In January, 1994, the Partnership closed the restaurant and listed it for sale or lease. While the property is being re-leased or sold, the Partnership is responsible for the real estate taxes and other costs required to maintain the properties. No rent was received in 1995 or 1994. For the first quarter of 1995 and 1994, the difference between the rent received under the amended lease terms and the rent due under the original lease terms was $16,089 and $15,621, respectively.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

In June, 1994, Fuddruckers, Inc., the restaurant concept's franchisor, acquired the operations of the Fuddruckers restaurants in St. Louis, Missouri and Omaha, Nebraska, and assumed the lease obligations from the original lessee. As part of the agreement, the Partnership amended the Leases to reduce the base rent from $109,033 to $92,164 for the St. Louis property and $167,699 to $145,081 for the Omaha property. The Partnership could receive additional rent in the future if 10% of gross receipts from the properties exceed the base rent. In consideration for the lease assumption and amendment, the Partnership received a lump sum payment from the original lessee of $299,723. The lump sum payment will be recognized as income over the remainder of the Lease terms which expire January 31, 2008 and November 30, 2007, using the straight line method. Fuddruckers, Inc. is owned by DAKA International, which has a net worth in excess of $31 million, making it a much higher credit lessee than the original lessee.

During the first three months of 1995 and 1994, the Partnership incurred Partnership administration and property management expenses from unrelated parties of $5,346 and $24,626, respectively. The decrease in these expenses in 1995, when compared to the same period in 1994, is due to $17,319 of insurance proceeds received as a result of vandalism to the Sizzler restaurant. Damage to the property was minor and the Partnership has elected not to make repairs at this time. The property management expenses represent direct payments to third parties for legal and filing fees, direct administrative costs, outside audit and accounting costs, interest, taxes, insurance and other property costs. The Partnership administration expenses incurred from affiliates include costs associated with the management of the properties, processing distributions, reporting requirements and correspondence to the Limited

Partners.

As of March 31, 1995, the Partnership's annualized cash distribution rate was 7.14%, based on the Adjusted Capital Contribution. Distributions of Net Cash Flow to the General Partners were subordinated to the Limited Partners as required in the Partnership Agreement. As a result, 99% of distributions were allocated to Limited Partners and 1% to the General Partners.

The Partnership may acquire Units from Limited Partners who have tendered their Units to the Partnership. Such Units may be acquired at a discount. The Partnership is not obligated to purchase in any year more than 5% of the total number of Units outstanding at the beginning of the year and in no event, obligated to purchase Units if such purchase would impair the capital or operation of the Partnership.

ITEM 2.MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

During 1994, seven Limited Partners redeemed a total of 139 Partnership Units for $103,416 in accordance with the Partnership Agreement. The Partnership acquired these Units using proceeds from the Applebee's sale, which reduced the Limited Partners' Adjusted Capital Contribution. In prior years, a total of fifty-eight Limited Partners redeemed 635 Partnership Units for $532,464. The redemptions increase the remaining Limited Partners' ownership interest in the Partnership.

Inflation has had a minimal effect on income from operations. It is expected that increases in sales volumes of the tenants, due to inflation and real sales growth, will result in an increase in rental income over the term of the leases. Inflation also may cause the Partnership's real estate to appreciate in value. However, inflation and changing prices may also have an adverse impact on the operating margins of the properties' tenants which could impair their ability to pay rent and subsequently reduce the Partnership's Net Cash Flow available for distributions.

PART II - OTHER INFORMATION

ITEM 1.LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Partnership is a party or of which the Partnership's property is subject.

ITEM 2.CHANGES IN SECURITIES

None.

ITEM 3.DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5.OTHER INFORMATION

None.

ITEM 6.EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits - None.
b. Reports filed on Form 8-K - None.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: May 9, 1995

AEI Real Estate Fund XVI
Limited Partnership
By: AEI Fund Management XVI,Inc.
Its: Managing General Partner

By: /s/ Robert P. Johnson
Robert P. Johnson
President

By:/s/ Mark E. Larson
Mark E. Larson
Chief Financial Officer