

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

VININGS INVESTMENT PROPERTIES TRUST/GA

CIK: **759174** | IRS No.: **136850434** | State of Incorporation: **MA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-13693** | Film No.: **96664822**
SIC: **6798** Real estate investment trusts

Business Address
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STE A 200
ATLANTA GA 30339
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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended September 30, 1996

Commission file number 0-13693

VININGS INVESTMENT PROPERTIES TRUST
AND SUBSIDIARIES

(Exact name of registrant as specified in charter)

Massachusetts

13-6850434

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

3111 Paces Mill Road, Suite A-200, Atlanta, GA

30339

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

(770) 984-9500

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

--

Shares of Beneficial Interest outstanding at November 13, 1996: 1,080,531

VININGS INVESTMENT PROPERTIES TRUST
AND SUBSIDIARIES

INDEX OF FINANCIAL INFORMATION

PART I	FINANCIAL INFORMATION	PAGE
-----	-----	-----
Item 1	Financial Statements	
	Consolidated Balance Sheets at September 30, 1996 (unaudited) and December 31, 1995	3
	Consolidated Statements of Operations (unaudited) for the three and nine months ended September 30, 1996 and 1995	4
	Consolidated Statements of Shareholders' Equity for the year ended December 31, 1995 and the nine months ended September 30, 1996 (unaudited)	5
	Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 1996 and 1995	6

Item 2	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
PART II OTHER INFORMATION/SIGNATURE		

Item 6	Exhibits and Reports on Form 8-K	13
	Signature Page	14

<TABLE>
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VININGS INVESTMENT PROPERTIES TRUST
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	September 30, 1996	December 31, 1995
	(unaudited) <C>	<C>
<S>		
ASSETS		
Real estate investments:		
Mortgage loans receivable, net of valuation allowance of \$895,000 at December 31, 1995 (note 2)	\$ 0	\$ 700,000
Real estate assets:		
Real estate assets less accumulated depreciation of \$512,615 and \$374,523 at September 30, 1996 and December 31, 1995 respectively (note 3)	10,894,765	2,357,533
	-----	-----
	10,894,765	3,057,533
Cash and cash equivalents	193,514	18,470,031
Cash escrows	268,235	0
Receivables and prepaid assets	223,079	346,057
Deferred costs less accumulated amortization of \$37,258 and \$23,754 at September 30, 1996 and December 31, 1995 respectively (note 4)	221,298	4,736
	-----	-----
Total Assets	\$ 11,800,891	\$ 21,878,357
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Mortgage payable (note 6)	\$ 7,383,961	\$ 0
Line of credit (note 6)	1,568,104	0
Accounts payable and accrued liabilities	417,242	301,358
Due to affiliate	0	292,887
	-----	-----
	9,369,307	594,245
	-----	-----
Shareholder's equity:		
Shares of beneficial interest, without par value, unlimited shares authorized, 1,080,540 shares issued and outstanding (note 8)	36,972,784	36,973,249
Cumulative earnings	38,078,279	38,689,392
Cumulative distributions	(72,619,479)	(54,378,529)
	-----	-----
	2,431,584	21,284,112
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 11,800,891	\$ 21,878,357
	=====	=====

(See accompanying notes)

</TABLE>

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VININGS INVESTMENT PROPERTIES TRUST
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended September 30,		For the nine months ended September 30,	
	1996	1995	1996	1995
<S>	<C>	<C>	<C>	<C>
REVENUES				
Interest income	\$ 399	\$ 105,843	\$ 92,302	\$ 757,491
Income from partnership (note 5)	0	430,040	0	1,284,882
Rental income	612,911	157,519	942,533	454,409
Loan commitment fees	0	5,611	0	16,835
Miscellaneous income (note 2)	0	0	141,229	0
	613,310	699,013	1,176,064	2,513,617
EXPENSES				
Investment advisor's fees	0	115,729	333,461	256,582
Trustees' fees and expenses	20	16,498	44,797	51,373
Professional fees	68,380	60,777	447,070	208,936
Other operating expenses	78,505	59,198	242,680	190,315
Property operating expenses	230,857	89,058	332,403	243,078
Interest expense (note 6)	200,945	0	208,370	0
Depreciation and amortization	110,696	101,563	151,596	271,590
	689,403	442,823	1,760,377	1,221,874
Income (loss) before sale of real estate investment	(76,093)	256,190	(584,313)	1,291,743
GAIN AND LOSS ON REAL ESTATE				
Gain (loss) on sale of real estate investment (notes 2&3)	0	(150,300)	(26,800)	2,525
Allowance to reduce mortgage receivable to fair market value (note 2)	0	0	0	(1,647,000)
	0	(150,300)	(26,800)	(1,644,475)
Net income (loss)	\$ (76,093)	\$ 105,890	\$ (611,113)	\$ (352,732)
EARNINGS PER SHARE				
Income (loss) before sale of real estate investment	\$ (0.07)	\$ 0.24	\$ (0.54)	\$ 1.19
Gain (loss) on sale of real estate investment	0.00	(0.14)	(0.03)	(1.52)
Net income (loss)	\$ (0.07)	\$ 0.10	\$ (0.57)	\$ (0.33)
WEIGHTED AVERAGE NUMBER OF SHARES (Note 8)	1,080,540	1,080,625	1,080,540	1,080,625

(See accompanying notes)

</TABLE>

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VININGS INVESTMENT PROPERTIES TRUST

AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the year ended December 31, 1995 and the nine months ended September 30, 1996
(unaudited)

	Shares of beneficial interest	Cummulative earnings	Cummulative distributions	Total shareholders' equity
<S>	<C>	<C>	<C>	<C>
BALANCE AT DECEMBER 31, 1994	\$ 50,200,591	\$ 38,110,846	\$ (54,378,529)	\$ 33,932,908
Net Income	0	578,546	0	578,546
Distributions to shareholders (1.53 per share return of capital on a federal income tax basis)	(13,227,342)	0	0	(13,227,342)
BALANCE AT DECEMBER 31, 1995	36,973,249	38,689,392	(54,378,529)	21,284,112
Net Loss	0	(611,113)	0	(611,113)
Retirement of Shares	(465)	0	0	(465)
Distributions to shareholders	0	0	(18,240,950)	(18,240,950)
BALANCE AT SEPTEMBER 30, 1996	\$ 36,972,784	\$ 38,078,279	\$ (72,619,479)	\$ 2,431,584

(See accompanying notes)

</TABLE>

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VININGS INVESTMENT PROPERTIES TRUST
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the nine months ended September 30,	
<S>	1996	1995
	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (611,113)	\$ (352,732)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	151,596	271,590
(Gain) loss on sale of real estate (note 3)	26,800	1,644,475
Decrease (increase) in escrows	(268,236)	0
Decrease (increase) in deferred lease commissions	(5,639)	0
Decrease (increase) in interest receivable and prepaid assets	122,978	109,646
(Decrease) increase in accounts payable, accrued liabilities and due to affiliate	(177,003)	353
Total adjustments	(149,504)	2,026,064
Net cash provided by (used in) operating activities	(760,617)	1,673,332
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of The Thicket Apartments (note 3)	(8,660,900)	0

Peachtree capital expenditures	(9,077)	(297)
The Thicket capital expenditures	(5,347)	0
Principal payment on Hall Street note (note 2)	0	2,000,000
Net proceeds from sale of Hawthorne (notes 2 & 3)	673,200	3,264,696
Net proceeds from sale of Arbutus & Pacesetter (note 2)	0	6,384,700
	-----	-----
Net cash provided by (used in) investing activities	(8,002,124)	11,649,099
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from mortgage payable (note 6)	7,392,000	0
Net proceeds from line of credit (note 6)	1,568,104	0
Deferred financing costs (note 4)	(224,426)	0
Principal repayment on mortgage payable (note 6)	(8,039)	0
Purchase of retired shares	(465)	0
Distributions to shareholders	(18,240,950)	(6,310,850)
	-----	-----
Net cash provided by (used in) financing activities	(9,513,776)	(6,310,850)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,276,517)	7,011,581
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	18,470,031	2,555,662
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 193,513	\$ 9,567,243
	=====	=====

(See accompanying notes)

<FN>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

The Trust sold Hawthorne Research and Development Facility on March 30, 1995 for \$5,095,000. The Trust took back a note for \$1,595,000 which was discounted to \$1,493,200 due to its below-market interest rate. As of September 30, 1995, the amortized discount increased the note balance to \$1,518,650 (see note 2).

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</TABLE>

VININGS INVESTMENT PROPERTIES TRUST
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 1996
(unaudited)

NOTE 1 - ORGANIZATION AND BASIS OF PRESENTATION

The financial statements of the Trust are consolidated and include all the accounts of the Trust, its wholly-owned operating partnership, Vinings Investment Properties, L.P., a Delaware limited partnership (the "Operating Partnership"), and subsidiaries. Through its ownership of Vinings Holdings, Inc., a Delaware corporation and wholly-owned subsidiary which is a limited partner of the Operating Partnership, and its limited and general partnership interests in the Operating Partnership, the Trust was a 100% economic owner of the Operating Partnership at September 30, 1996 (this structure is commonly referred to as an umbrella partnership real estate investment trust or "UPREIT"). The term "Trust" as used herein means the Trust and its subsidiaries on a consolidated basis (including the Operating Partnership and its subsidiaries), or, where the context so requires, Vinings Investment Properties Trust only. Certain prior period amounts have been reclassified to conform with the current financial statement presentation.

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation have been included. Operating results for the nine month period (consisting only of normal recurring adjustments) ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ending December 31, 1996.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Vinings Investment Properties Trust and Subsidiaries (formerly known as Mellon Participating Mortgage Trust Commercial

NOTE 2 - MORTGAGE LOANS RECEIVABLE

Hall Street Investment

On February 22, 1995, the borrower prepaid the outstanding note receivable balance of \$2 million with accrued interest. On February 26, 1996, the Trust received \$141,229 from the termination of the Receivership for the Hall Street Property. The Trust had completed the foreclosure sale of the Hall Street Industrial Complex on October 4, 1994.

Hawthorne Research and Development Facility

On March 30, 1995, the Trust closed the sale of this investment (see note 3) to Greens Realty Partnership, L.P., a California limited partnership, for \$5,095,000 of which \$3,500,000 was paid at closing. The balance of \$1,595,000 (the "Hawthorne Note"), was payable pursuant to a non-recourse purchase money note with an interest rate of 5% per annum and was secured by a purchase money deed of trust.

On January 3, 1996, the Trust sold the Hawthorne Note for \$700,000. At December 31, 1995, the Trust had established a valuation allowance of \$895,000. Commissions and fees related to the Hawthorne Note were paid in January 1996, resulting in an additional loss on sale of \$26,800.

Arbutus and Pacesetter Investment

The Trust's investment in the Arbutus Shopping Center and Pacesetter Shopping Center had been at respective book values of \$4,350,000 and \$3,812,000. On August 12, 1995, the Trust closed the sale of the two mortgages at \$3,615,000 for Arbutus and \$2,900,000 for Pacesetter. These sales resulted in a total loss of \$1,797,300, comprised of a \$1,647,000 write-down to reflect the realizable value plus selling and legal expenses of \$150,300.

NOTE 3 - REAL ESTATE ASSETS

The Thicket Apartments

On June 28, 1996, Thicket Apartments, L.P. ("Thicket LP"), a Delaware limited partnership and an indirect wholly-owned subsidiary of the Trust, acquired The Thicket Apartments, a 254-unit apartment complex located in Atlanta, Georgia. Thicket LP purchased The Thicket Apartments for a cash purchase price of \$8,650,000, financed by a mortgage loan on the acquired property of \$7,392,000. The Trust also obtained a secured line of credit, a portion of which was used to finance the transaction. Occupancy was 99% at September 30, 1996.

Peachtree Business Center

PBC Acquisition Inc., a wholly owned subsidiary of the Trust, owns Peachtree Business Center ("Peachtree"), a single-story business park with approximately 75,000 square feet of gross leasable space, located in metropolitan Atlanta, Georgia. Occupancy was 100% at September 30, 1996.

Hawthorne Research and Development Facility

This investment was a \$14.25 million first mortgage loan secured by a research and development facility located in Hawthorne, California. The borrower was an independent entity that leased the entire facility to the Northrop Corporation through January 31, 1994. The scheduled maturity for the loan was May 31, 1995.

In January 1992, the borrower defaulted on the loan. On February 26, 1992, the Trust obtained a court-appointed receiver that ultimately resulted in the Trust receiving title to the land and buildings ("Hawthorne") through a foreclosure sale on June 19, 1992. In January 1994, the Northrop Corporation vacated the building.

The value of this investment was unfavorably impacted by declining rental rates for research and development facilities in the Hawthorne area. From 1992 through 1994, the Trust reduced its carrying value to reflect this decline. At December 31, 1994, the Trust reduced this investment to its estimated net realizable value of \$4,605,072.

This investment was sold on March 30, 1995 (see note 2) for \$5,095,000. The recapture of depreciation taken on Hawthorne and additional expenses paid after the closing resulted in a realized gain of \$152,825.

NOTE 4 - DEFERRED COSTS

Deferred costs include financing costs totaling \$224,426 related to the acquisition of The Thicket Apartments which are being amortized over the life of the mortgage loan, and leasing commissions totaling \$34,129 paid to an unaffiliated management company that manages Peachtree Business Center which are being amortized over the lives of the individual leases. Accumulated amortization as of September 30, 1996 totals \$9,750 and \$27,508 respectively.

NOTE 5 - INVESTMENT IN PARTNERSHIP

The Trust invested \$14.7 million as a limited partner in a partnership with a total capitalization of \$41.5 million that owns 33 stores leased to Pier 1 under net leases with initial terms of fifteen years. On December 31, 1995, the Trust and MP GP, Inc. along with certain other partners of the Partnership sold their limited partner and general partner interests, respectively, to Pier 1. Total sales proceeds to the Trust and MP GP, Inc. were \$15,788,680 which, after legal and advisor fees of \$189,648, resulted in a gain of \$1,700,323.

NOTE 6 - NOTES PAYABLE

In connection with the acquisition of The Thicket Apartments, the Trust obtained a note in the amount of \$7,392,000 secured by a first mortgage on the property. The note bears interest at an annual rate of 9.04% and has a maturity date of July 1, 2003. Monthly payments are due on the first day of each calendar month in the amount of \$59,690. In addition, the Security Deed calls for an escrow to be held by the lender for the payment of annual real estate taxes and insurance premiums.

In addition, the Trust obtained a \$2,000,000 line of credit secured by Peachtree. Payments of interest only at the prime rate are due monthly. A total of \$1,568,104 was drawn from the line as of September 30, 1996, all in connection with the acquisition of The Thicket Apartments.

NOTE 7 - DISTRIBUTIONS

On February 2, 1996, the Trust paid a cash dividend of \$16,856,750 or \$1.95 per share. On February 27, 1996, the Trust paid another cash dividend of \$1,383,200 or \$0.16 per share.

NOTE 8 - REVERSE SHARE SPLIT

On July 1, 1996, the Trust effected a 1-for-8 reverse share split of its outstanding shares of beneficial interest, without par value. Shareholders tendered their shares and received one share for every eight shares owned. The Trust purchased any fractional shares at a cost of \$5.50 per share. As of September 30, 1996, a total of 85 shares worth of fractional shares had been purchased and retired leaving an outstanding share balance of 1,080,540. The weighted average number of shares for prior periods has been restated to reflect the reverse share split.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

The Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Trust's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference include the following: the inability of the Trust to identify properties within its affiliates' existing multifamily property portfolios that will have a strategic fit with the Trust; real estate investment considerations, such as the cyclical nature of the real estate market generally and locally in Georgia and the surrounding southeastern states, the national economic climate,

the local economic climate in Georgia and the surrounding southeastern states, and the local real estate conditions and competition in Georgia and the surrounding southeastern states; the possibility that the Trust will be unable to procure financing to meet the needs of its current growth and expansion strategy; and the ability of a property to generate revenues sufficient to meet debt service payments and other operating expenses; and risks associated with borrowing, such as the possibility that the Trust will not have sufficient funds to make principal payments on outstanding debt and the possibility that outstanding debt may be refinanced at higher interest rates or on terms otherwise less favorable to the Trust.

The Trust is a finite-life real estate investment trust that was organized on December 7, 1984. The Trust currently qualifies as, and intends to continue to qualify as, a real estate investment trust under the Internal Revenue Code of 1986. The initial term of the Trust is twenty years, subject to earlier termination by action of the Trustees and to extension by vote of a majority of the shareholders.

On December 21, 1995, the Trust entered into a Tender Offer Agreement with an unaffiliated third party (the "Purchaser"). Pursuant to the Tender Offer Agreement, on January 31, 1996, the Purchaser commenced a cash tender offer (the "Tender Offer") for a minimum of a majority and a maximum of 85% of the outstanding shares. The Tender Offer expired in accordance with its terms on February 28, 1996. The Purchaser accepted approximately 73.3% of the outstanding shares. Upon the consummation of the Tender Offer, management and the Board of Trustees of the Trust were replaced with individuals designated by the Purchaser.

The Trust's original primary objective was to create a portfolio of commercial real estate investments that produced stable current returns coupled with the potential for realizing long-term appreciation. With the consummation of the Tender Offer, new management contemplates converting the Trust into an indefinite life real estate investment trust and has caused the Trust to expand into the multifamily property markets. The Trust currently anticipates that these properties will include certain properties within its affiliates' existing multifamily property portfolios that meet certain criteria, as well as properties acquired from unaffiliated third parties. In this regard, an UPREIT structure was established with the creation of Vinings Investment Properties, L.P., (the "Operating Partnership") on June 11, 1996. In addition, on June 28, 1996, Thicket Apartments, L.P. ("Thicket LP"), a Delaware limited partnership and an indirect wholly-owned subsidiary of the Trust, acquired The Thicket Apartments, a 254-unit apartment complex located in Atlanta, Georgia. Thicket LP purchased The Thicket Apartments for a cash purchase price of \$8,650,000, financed by a mortgage loan on the acquired property of \$7,392,000. The Trust also obtained a secured line of credit, a portion of which was used to finance the transaction. Management's plans for the Trust are more fully discussed in the Annual Report on Form 10-K as filed with the Securities and Exchange Commission.

As of September 30, 1996, approximately 92% of the Trust's total assets were represented by two real estate assets. These investments were Peachtree Business Center, a 75,000 square foot office building and The Thicket Apartments, a 254 unit apartment complex.

Results of Operations

Interest income of \$399 was earned for the three months ended September 30, 1996 compared to \$105,843 for the same period in 1995. For the nine month period ended September 30, 1996 and 1995, interest income earned was \$92,302 and \$757,491 respectively. The decrease in interest income from 1995 to 1996 is due primarily to the absence of interest on mortgage loans receivable resulting from the sale of the Arbutus and Pacesetter loans, the Hawthorne Note, and the payoff of the Hall Street Note. All 1996 interest was generated primarily by cash proceeds from the sale of Pier 1 and the Hawthorne Note.

There is no partnership income in 1996 as the Pier 1 interest was sold on December 31, 1995. Partnership income for the three months and the nine months ended September 30, 1995 was \$430,040 and \$1,284,882, respectively.

Rental income for the three months ended September 30, 1996 was \$455,392 higher than the rental income for the same period for 1995. This increase is due to the income generated from The Thicket Apartments. For the nine months ended September 30, 1996, rental income was \$488,124 higher than the previous year. Of this increase, \$20,676 was generated from Peachtree Business Center, with the

balance being generated from The Thicket Apartments.

There is no loan commitment fee revenue in 1996 because it was fully amortized in 1995. There is also no miscellaneous income for the three months ended September 30, 1996. However, miscellaneous income of \$141,229 for the nine months ended September 30, 1996 is due to proceeds from the termination of the Receivership for the Hall Street Property in February 1996.

There are no investment advisor's fees for the three months ended September 30, 1996 as compared to \$115,729 for the same period in 1995. However, investment advisor's fee expense for the nine months ended September 30, 1996 has increased by \$76,879 when compared to the same period in 1995. Through the third quarter of 1995, this expense was directly related to the nature and value of the assets under management and the income they produced. Beginning with the fourth quarter of 1995 through the consummation of the Tender Offer in February 1996, the prior Advisor was paid various fixed fees for asset management, asset liquidation and the successful completion of the Tender Offer. Since the consummation of the Tender Offer, the Trust has not paid advisor's fees.

Trustee's fees and expenses for the three months ended September 30, 1996 decreased by \$16,478 over the same period in 1995. This decrease is a result of the change in Trustees after the consummation of the Tender Offer. The current Trustees are not receiving an annual retainer fee. The Trustee's fees and expenses for the nine months ended September 30, 1996 decreased \$6,576 over the same period in 1995.

Professional fees for the three months ended September 30, 1996 are \$7,603 higher than those for the same period in 1995. For the nine months ended September 30, 1996, professional fees have increased by \$238,134 when compared to the same period in 1995. In the first quarter of 1996, the Trust incurred significant legal expenses relating to the Tender Offer.

Other operating expenses include directors' and officers' insurance, shareholder expenses, annual reporting costs and miscellaneous general and administrative expenses. These expenses for the three months ended September 30, 1996 are \$78,505 compared to \$59,198 for the same period in 1995. For the nine months ended September 30, 1996 these expenses are \$242,680 as compared to \$190,315 for the same period in 1995. The increases of \$19,307 and \$52,365, respectively, are due primarily to higher costs for directors' and officers' insurance, reporting costs, and professional fees incurred in connection with the tender offer.

Property operating expenses for the three months and the nine months ended September 30, 1996 have increased by \$141,799 and \$89,325 respectively, as compared to the same periods in 1995. These increases are due primarily to property operating expenses related to the operation of The Thicket Apartments.

Interest expense for the three months and the nine months ended September 30, 1996 is interest on the mortgage payable as well as the line of credit, both of which were incurred in connection with the acquisition of The Thicket Apartments.

Depreciation and amortization for the three months ended September 30, 1996 increased by \$9,133 as compared to the same period in 1995. However, depreciation and amortization for the nine months ended September 30, 1996 decreased by \$119,994 as compared to the same period in 1995. These expenses relate directly to the assets held during the respective periods of time. During 1995 depreciation was generated from the Pier I partnership interest. This interest was sold on December 31, 1995 and, therefore, no depreciation from Pier I is reflected in 1996. The Thicket Apartments was purchased on June 28, 1996. Therefore, the third quarter of 1996 reflects depreciation generated from this investment. Peachtree Business Center generated depreciation for both 1995 and 1996. In addition, loan costs related to the acquisition of The Thicket Apartments are being amortized in the third quarter of 1996.

Liquidity and Capital Resources

Operating activities of the Trust provided net cash of \$1,673,332 for the nine months ended September 30, 1995. However, for the nine months ended September 30, 1996, net cash of \$760,617 was used in operating activities. This is due to the fact that the Trust's previous management was in the process of liquidating all assets during 1995. Therefore, with the exception of Peachtree Business Center, all of the investments which generated cash flow in 1995 were not held by the Trust in 1996.

New management plans to expand the Trust's investments through acquisitions of multi-family real estate, the first of which was The Thicket Apartments, as

shown in the net cash used in investing activities for the nine months ended September 30, 1996. For the nine months ended September 30, 1995 net cash of \$11,649,099 was provided by investing activities was generated from the sale of the Hall Street, Hawthorne, Arbutus and Pacesetter investments.

Net cash provided by financing activities in 1996 was generated from the mortgage note payable and the line of credit obtained in connection with the acquisition of The Thicket Apartments. Distributions to shareholders increased from \$6,310,850 for the nine months ended September 30, 1995 to \$18,240,950 for the nine months ended September 30, 1996, all as a result of the liquidation of the Trust's investments.

The cash held by the Trust plus the cash flow from Peachtree Business Center and The Thicket Apartments are expected to provide sources of liquidity as management continues to implement its growth and expansion strategy for the Trust. The Trust obtained a \$2,000,000 line of credit secured by Peachtree Business Center. At September 30, 1996, a total of \$1,568,104 has been drawn on the line of credit, leaving a balance of \$431,896 to fund future capital improvements and/or working capital needs. Management is currently exploring additional financing alternatives including public or private offerings of the Trust's securities.

PART II

OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

27 - Financial Data Schedule

(b) Reports on Form 8-K

A Form 8-K dated June 28, 1996 was filed with the Securities and Exchange Commission. The filing reported the acquisition of The Thicket Apartments and was amended on Form 8-K/A on September 11, 1996. The Thicket Apartments is a 254-unit apartment complex located in Atlanta, Georgia.

SIGNATURE

Pursuant to the requirements 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.

Vinings Investment Properties Trust

By: /s/ Stephanie A. Reed

Stephanie A. Reed
Vice President

Dated: November 14, 1996

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

This Schedule contains summary financial information extracted from the consolidated balance sheet and statement of operations for Vinings Investment Properties Trust for the period ended September 30, 1996 and is qualified in its entirety by reference to such financial statements as contained in the quarterly report on Form 10-Q for the quarter ended September 30, 1996.

</LEGEND>

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