

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

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**FORM 10-Q**

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**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2002

OR

**[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

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Commission File Number 0-14695

**NTS-PROPERTIES VI,  
A MARYLAND LIMITED PARTNERSHIP**

Incorporated pursuant to the Laws of the State of Maryland

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Internal Revenue Service - Employer Identification No. 61-1066060

10172 Linn Station Road, Louisville, Kentucky 40223

(502) 426-4800

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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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## PART I - FINANCIAL INFORMATION

### Item 1 - Financial Statements

#### NTS-PROPERTIES VI, A MARYLAND LIMITED PARTNERSHIP CONSOLIDATED BALANCE SHEETS

	As of June 30, 2002 (UNAUDITED)	As of December 31, 2001*
<u>ASSETS</u>		
Cash and equivalents	\$ 104,910	\$ 60,167
Cash and equivalents - restricted	331,391	217,906
Accounts receivable, net of allowance for doubtful accounts of \$589 at June 30, 2002 and \$2,390 at December 31, 2001	52,331	52,389
Land, buildings and amenities, net	43,623,509	44,986,348
Other assets	1,197,925	1,179,318
 TOTAL ASSETS	 \$ <u>45,310,066</u>	 \$ <u>46,496,128</u>
<u>LIABILITIES AND PARTNERS' EQUITY</u>		
Mortgages and notes payable	\$ 32,525,800	\$ 33,474,382
Accounts payable	891,342	932,295
Security deposits	233,143	223,533
Other liabilities	755,456	314,150
 TOTAL LIABILITIES	 34,405,741	 34,944,360
COMMITMENTS AND CONTINGENCIES (Note 10)		
 PARTNERS' EQUITY	 <u>10,904,325</u>	 <u>11,551,768</u>
 TOTAL LIABILITIES AND PARTNERS' EQUITY	 \$ <u>45,310,066</u>	 \$ <u>46,496,128</u>

#### STATEMENT OF PARTNERS' EQUITY (UNAUDITED)

	Limited Partners	General Partner	Total
<u>PARTNERS' EQUITY/(DEFICIT)</u>			
Capital contributions, net of offering costs	\$ 40,518,631	\$ 100	\$ 40,518,731
Net loss - prior years	(14,096,238)	(93,996)	(14,190,234)
Net loss - current year	(640,969)	(6,474)	(647,443)
Cash distributions declared to date	(12,006,384)	(121,277)	(12,127,661)
Repurchase of limited partnership Interests	(2,649,068)	--	(2,649,068)
 BALANCES AT JUNE 30, 2002	 \$ <u>11,125,972</u>	 \$ <u>(221,647)</u>	 \$ <u>10,904,325</u>

\* Reference is made to the audited consolidated financial statements in the Form 10-K as filed with the Securities and Exchange Commission on March 29, 2002.

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

**NTS PROPERTIES VI,  
A MARYLAND LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
<b><u>REVENUES</u></b>				
Rental income	\$ 2,587,465	\$ 2,730,716	\$ 5,197,333	\$ 5,342,086
Interest and other income	6,136	14,348	10,273	21,056
Gain on sale of assets	279	--	279	--
<b>TOTAL REVENUES</b>	<b>2,593,880</b>	<b>2,745,064</b>	<b>5,207,885</b>	<b>5,363,142</b>
<b><u>EXPENSES</u></b>				
Operating expenses	654,296	801,407	1,351,462	1,523,064
Operating expenses - affiliated	379,752	397,828	809,375	763,447
Loss on disposal of assets	532	12,324	532	68,366
Interest expense	632,619	671,990	1,263,304	1,334,653
Management fees	134,003	140,659	268,285	274,635
Real estate taxes	225,454	242,394	468,935	484,789
Professional and administrative expenses	42,317	46,821	91,345	88,213
Professional and administrative expenses - affiliated	89,465	86,235	181,835	165,780
Depreciation and amortization	703,036	651,568	1,404,270	1,301,638
<b>TOTAL EXPENSES</b>	<b>2,861,474</b>	<b>3,051,226</b>	<b>5,839,343</b>	<b>6,004,585</b>
Net loss before minority interest	(267,594)	(306,162)	(631,458)	(641,443)
Minority interest	8,836	10,110	15,985	22,792
Net loss	<u><u>\$ (276,430)</u></u>	<u><u>\$ (316,272)</u></u>	<u><u>\$ (647,443)</u></u>	<u><u>\$ (664,235)</u></u>
Net loss allocated to the limited partners	<u><u>\$ (273,666)</u></u>	<u><u>\$ (313,109)</u></u>	<u><u>\$ (640,969)</u></u>	<u><u>\$ (657,593)</u></u>
Net loss per limited partnership Interest	<u><u>\$ (7.04)</u></u>	<u><u>\$ (8.03)</u></u>	<u><u>\$ (16.48)</u></u>	<u><u>\$ (16.87)</u></u>
Weighted average number of limited partnership Interests	<u><u>38,889</u></u>	<u><u>38,989</u></u>	<u><u>38,889</u></u>	<u><u>38,989</u></u>

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

**NTS-PROPERTIES VI,  
A MARYLAND LIMITED PARTNERSHIP  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)**

	Six Months Ended June 30,	
	2002	2001
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Net loss	\$ (647,443)	\$ (664,235)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for doubtful accounts	8,722	--
Write-off of uncollectible accounts receivable	(10,523)	--
Loss on disposal of assets	532	68,366
Gain on sale of assets	(279)	--
Depreciation and amortization	1,431,037	1,338,293
Minority interest income	15,985	22,792
Changes in assets and liabilities:		
Cash and equivalents - restricted	(113,485)	(140,582)
Accounts receivable	1,859	20,625
Other assets	(1,811)	36,653
Accounts payable	(40,953)	55,469
Security deposits	9,610	(9,075)
Other liabilities	441,306	405,708
Net cash provided by operating activities	<u>1,094,557</u>	<u>1,134,014</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Additions to land, buildings and amenities	(41,963)	(29,297)
Proceeds from sale of assets	279	--
Investment in joint ventures by minority partners, net	<u>(36,048)</u>	<u>(41,390)</u>
Net cash used in investing activities	<u>(77,732)</u>	<u>(70,687)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Principal payments on mortgages and notes payable	(948,582)	(868,294)
Proceeds from notes payable	--	101,493
Additions to loan costs	<u>(23,500)</u>	<u>(4,850)</u>
Net cash used in financing activities	<u>(972,082)</u>	<u>(771,651)</u>
Net increase in cash and equivalents	44,743	291,676
CASH AND EQUIVALENTS, beginning of period	<u>60,167</u>	<u>47,683</u>
CASH AND EQUIVALENTS, end of period	<u>\$ 104,910</u>	<u>\$ 339,359</u>
Interest paid on a cash basis	<u>\$ 1,259,222</u>	<u>\$ 1,325,654</u>

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

**NTS-PROPERTIES VI,  
A MARYLAND LIMITED PARTNERSHIP  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The unaudited consolidated financial statements included herein should be read in conjunction with NTS-Properties VI's (the "Partnership") 2001 Form 10-K as filed with the Securities and Exchange Commission on March 29, 2002. In the opinion of the General Partner, all adjustments (only consisting of normal recurring accruals) necessary for a fair presentation have been made to the accompanying consolidated financial statements for the three months and six months ended June 30, 2002 and 2001.

**Note 1 - Consolidation Policy and Joint Venture Accounting**

The consolidated financial statements include the accounts of all wholly-owned properties and majority-owned joint ventures. Intercompany transactions and balances have been eliminated. As used in this Form 10-Q the terms "we," "us" or "our," as the context requires, may refer to the Partnership or its interests in these properties and joint ventures.

Other assets includes minority interest in our joint venture properties totaling approximately \$690,000 and \$670,000 as of June 30, 2002 and December 31, 2001, respectively. These amounts have been derived primarily from distributions of the joint ventures in excess of the respective minority partner's historical investment in the joint ventures used for financial reporting purposes. This amount will be realized upon the sale of the respective joint venture property or dissolution of the respective joint venture. The underlying assets of the joint ventures are assessed for asset impairment on a periodic basis.

**Note 2 - Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management 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 differ from those estimates.

**Note 3 - Concentration of Credit Risk**

We own and operate, either wholly or through a joint venture, apartment communities in Kentucky (Lexington), Indiana (Indianapolis) and Florida (Orlando). We also own and operate, through a joint venture, a commercial rental property in Kentucky (Louisville). Substantially all of the commercial property's tenants are local businesses or are businesses which have operations in the Louisville area.

Our financial instruments that are exposed to concentrations of credit risk consist of cash and equivalents. We maintain our cash accounts primarily with banks located in Kentucky. The total cash balances are insured by the FDIC up to \$100,000 per bank account. We may at times, in certain accounts, have deposits in excess of \$100,000.

#### **Note 4 - Cash and Equivalents**

Cash and equivalents include cash on hand and short-term, highly liquid investments with initial maturities of three months or less. We have a cash management program which provides for the overnight investment of excess cash balances. Per an agreement with a bank, excess cash is invested in a repurchase agreement for U.S. government or agency securities on a nightly basis. As of June 30, 2002, approximately \$84,000 of said investment was included in cash and cash equivalents.

#### **Note 5 - Cash and Equivalents - Restricted**

Cash and equivalents - restricted represents funds received for residential security deposits, funds which have been escrowed with mortgage companies for property taxes in accordance with the loan agreements, and funds reserved by us for the repurchase of limited partnership Interests under the tender offers.

#### **Note 6 - Basis of Property and Depreciation**

Land, buildings and amenities are stated at historical cost, less accumulated depreciation. Costs directly associated with the acquisition, development and construction of a project are capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are 5-30 years for land improvements, 5-30 years for buildings and improvements, 3-30 years for amenities and the applicable lease term for tenant improvements. The aggregate cost of our properties for federal tax purposes is approximately \$76,335,000.

Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," became effective January 1, 2002, and specifies circumstances in which certain long-lived assets must be reviewed for impairment. If such review indicates that the carrying amount of an asset exceeds the sum of its expected future cash flows, the asset's carrying value must be written down to fair value. Application of this standard by management during the period ended June 30, 2002, did not result in any impairment loss.

#### **Note 7 – Tender Offer**

On May 10, 2002, ORIG, LLC, ("ORIG") an affiliate of ours, filed a tender offer with the Securities and Exchange Commission, to purchase up to 2,000 of the limited partnership Interests at a price of \$380 per Interest as of the date of the tender offer. Approximately \$770,000 (\$760,000 to purchase 2,000 Interests plus approximately \$10,000 for expenses associated with the tender offer) is required to purchase all 2,000 Interests. If more than 2,000 Interests are tendered, ORIG may choose to acquire the additional Interests on a pro rata basis. Interests acquired by ORIG will be held by it. The tender offer will expire on August 2, 2002 unless extended. We are not participating in this tender offer.

## Note 8 - Mortgages and Notes Payable

Mortgages and notes payable consist of the following:

	June 30, 2002	December 31, 2001
Mortgage payable with an insurance company, bearing interest at 7.74%, due October 15, 2012, secured by certain land, buildings and amenities.	\$ 11,535,042	\$ 11,700,216
Mortgage payable with an insurance company, bearing interest at 7.57%, due May 15, 2009, secured by certain land, buildings and amenities.	7,302,104	7,691,673
Mortgage payable with an insurance company, bearing interest at 7.32%, due October 15, 2012, secured by certain land, buildings and amenities.	6,764,954	6,980,987
Mortgage payable with an insurance company, bearing interest at 8.375%, due December 1, 2010, secured by certain land, buildings and amenities.	3,100,934	3,135,343
Mortgage payable with an insurance company, bearing interest at 7.38%, due December 5, 2012, secured by certain land, buildings and amenities.	2,270,738	2,341,123
Mortgage payable with an insurance company, bearing interest at 7.38%, due December 5, 2012, secured by certain land, buildings and amenities.	1,513,825	1,560,749
Note payable to a bank, bearing interest at the Prime Rate, but not less than 6.0%, due March 27, 2003. At June 30, 2002, the interest rate was 6.00%.	19,587	32,958
Note payable to a bank, bearing interest at the Prime Rate, but not less than 6.0%, due March 31, 2003. At June 30, 2002, the interest rate was 6.00%.	18,616	31,333
	<u>\$ 32,525,800</u>	<u>\$ 33,474,382</u>

As of June 30, 2002, the fair value of long-term debt is approximately \$33,872,000, based on the borrowing rates currently available to us for mortgages with similar terms and average maturities.

## Note 9 - Related Party Transactions

Pursuant to an agreement with us, NTS Development Company, an affiliate of our General Partner, receives property management fees on a monthly basis. The fee is equal to 5% of the gross revenues from residential properties and 6% of the gross revenues from the commercial property. Also pursuant to an agreement, NTS Development Company receives a repair and maintenance fee equal to 5.9% of costs incurred which relate to capital improvements and major repair and renovation projects. These repair and maintenance fees are capitalized as part of land, buildings and amenities.



We were charged the following amounts from NTS Development Company for the six months ended June 30, 2002 and 2001. These charges include items which have been expensed as operating expenses - affiliated or professional and administrative expenses - affiliated and items which have been capitalized as other assets or as land, buildings and amenities.

	Six Months Ended June 30,	
	2002	2001
Property management fees	\$ 268,285	\$ 274,635
Property management	522,400	523,088
Leasing	91,517	96,917
Administrative - operating	162,351	139,463
Other	33,107	3,979
Total operating expenses - affiliated	809,375	763,447
Professional and administrative expenses - affiliated	181,835	165,780
Repairs and maintenance fee	106	18,285
Leasing commissions	3,197	--
Construction management	--	2,174
Total related party transactions capitalized	3,303	20,459
Total related party transactions	\$ 1,262,798	\$ 1,224,321

During the six months ended June 31, 2002 and 2001, we were charged \$14,793 and \$10,760, respectively, for property maintenance fees from an affiliate of NTS Development Company.

#### **Note 10 - Commitments and Contingencies**

We, as an owner of real estate, are subject to various environmental laws of federal, state and local governments. Compliance by us with existing laws has not had a material adverse effect on our financial condition or results of operations. However, we cannot predict the impact of new or changed laws or regulations on our current properties or on properties that we may acquire in the future.

On December 12, 2001, three individuals filed an action in the Superior Court of the State of California for the County of Contra Costa against our General Partner, the general partners of four public partnerships affiliated with us and several individuals and entities affiliated with us. The action purports to bring claims on behalf of a class of limited partners based on, among other things, tender offers made by the public partnership and an affiliate of our General Partner. The plaintiffs allege, among other things, that the prices at which Interests were purchased in these tender offers were too low. The plaintiffs are seeking monetary damages and equitable relief, including an order directing the disposition of the properties owned by the public partnerships and the proceeds

distributed. Our General Partner believes that this action is without merit, and is vigorously defending it. No amounts have been accrued as a liability for this action in our financial statements at June 30, 2002. Under an indemnification agreement with our General Partner, we are responsible for the costs of the defense of this action. During the six months ended June 30, 2002, our share of these legal costs was approximately \$25,000, which was expensed.

We have been sued by Elder Construction & Associates, Inc. in Jefferson Circuit Court, Louisville, Kentucky, in a lawsuit styled Elder Construction & Associates, Inc. v. NTS Development Company, Frontier Insurance Company, NTS-Properties VI, a Maryland Limited Partnership, NTS-Properties Associates VI and NTS Capital Corporation.

Elder Construction was hired to be the framing subcontractor with respect to certain improvements at Phase III of Park Place Apartments in Lexington, Kentucky. After being removed from the job for its failure to provide its services in a professional, diligent and workmanlike manner, a Complaint was filed on behalf of Elder Construction in November 1999, alleging, inter alia, breach of contract. The Complaint requested judgment against all Defendants in the amount of \$233,122 plus interest and other relief against the Defendants.

We, and the other Defendants, answered the Complaint and asserted counterclaims against the Plaintiff for, inter alia, breach of contract. The principals of the NTS Defendants have indicated that the suit brought by Elder Construction is without merit and will be vigorously defended, including the prosecution by the Defendants of counterclaims against Elder Construction. The case had been set for trial in June 2002, but was removed from the trial docket by the parties, who have agreed to binding arbitration to settle this lawsuit. The binding arbitration should begin in early fall 2002 and conclude shortly thereafter. We believe that the resolution of these legal proceedings, through binding arbitration, will not have a material effect on our consolidated position or results of operations.

We do not believe there is any other litigation threatened against us other than routine litigation arising out of the ordinary course of business, some of which is expected to be covered by insurance, none of which is expected to have a material effect on our consolidated financial position or results of operations except as discussed herein. However, due to the event on September 11, 2001 affecting the insurance industry, we are unable to determine at what price we will be able to renew our insurance coverage when the current policies expire in September 2002, or if the coverage available will be adequate.

We plan to replace the roofs at both Willow Lake Apartments (26 buildings) and Park Place Apartments Phase I (23 buildings), all of which were installed using shingles produced by a single manufacturer. The shingles appear to contain defects which may cause the roofs to fail. As the shingle manufacturer has declared bankruptcy, we do not expect to be able to recover any of the costs of the roof replacements in the event of any such failures. Based upon these facts, management changed the estimated useful life of the roof assets. The change resulted in an approximate \$99,000 increase in depreciation expense for the six months ended June 30, 2002. We do not have sufficient working capital to make all of the roof replacements at one time. As of June 30, 2002, four buildings

at Willow Lake Apartments have had roofs replaced. The total cost of replacing all the remaining roofs is estimated to be \$900,000 (\$20,000 per building).

## Note 11 - Segment Reporting

Our reportable operating segments include Residential and Commercial Real Estate Operations. The residential operations represent our ownership and operating results relative to apartment communities known as Willow Lake, Park Place Phase I, Park Place Phase III, Sabal Park and Golf Brook. The commercial operations represent our ownership and operating results relative to suburban commercial office space known as Plainview Point III Office Center.

The financial information of the operating segments has been prepared using a management approach, which is consistent with the basis and manner in which our management internally disaggregates financial information for the purposes of assisting in making internal operating decisions. We evaluate performance based on stand-alone operating segment net income.

	Three Months Ended June, 2002		
	Residential	Commercial	Total
Rental income	\$ 2,451,174	\$ 136,291	\$ 2,587,465
Interest and other income	5,254	103	5,357
Gain on sale of assets	279	--	279
Total net revenues	<u>\$ 2,456,707</u>	<u>\$ 136,394</u>	<u>\$ 2,593,101</u>
Operating expenses and operating expenses - affiliated	\$ 954,075	\$ 79,973	\$ 1,034,048
Loss on disposal of assets	532	--	532
Management fees	125,808	8,195	134,003
Real estate taxes	216,658	8,796	225,454
Interest expense	196,126	--	196,126
Depreciation and amortization	633,971	46,699	680,670
Total expenses	<u>\$ 2,127,170</u>	<u>\$ 143,663</u>	<u>\$ 2,270,833</u>
Net income (loss)	<u>\$ 329,537</u>	<u>\$ (7,269)</u>	<u>\$ 322,268</u>

Three Months Ended June 30, 2001			
	Residential	Commercial	Total
Rental income	\$ 2,498,348	\$ 232,368	\$ 2,730,716
Interest and other income	9,865	314	10,179
Total net revenues	<u>\$ 2,508,213</u>	<u>\$ 232,682</u>	<u>\$ 2,740,895</u>
Operating expenses and operating expenses - affiliated	\$ 1,088,030	\$ 111,205	\$ 1,199,235
Loss on disposal of assets	12,324	--	12,324
Management fees	126,273	14,386	140,659
Real estate taxes	233,871	8,523	242,394
Interest expense	209,043	--	209,043
Depreciation and amortization	580,228	48,973	629,201
Total expenses	<u>\$ 2,249,769</u>	<u>\$ 183,087</u>	<u>\$ 2,432,856</u>
Net income	<u>\$ 258,444</u>	<u>\$ 49,595</u>	<u>\$ 308,039</u>

Six Months Ended June, 2002			
	Residential	Commercial	Total
Rental income	\$ 4,917,711	\$ 279,622	\$ 5,197,333
Interest and other income	6,323	2,620	8,943
Gain on sale of assets	279	--	279
Total net revenues	<u>\$ 4,924,313</u>	<u>\$ 282,242</u>	<u>\$ 5,206,555</u>
Operating expenses and operating expenses - affiliated	\$ 2,000,532	\$ 160,305	\$ 2,160,837
Loss on disposal of assets	532	--	532
Management fees	251,786	16,499	268,285
Real estate taxes	451,343	17,592	468,935
Interest expense	392,728	--	392,728
Depreciation and amortization	1,266,017	93,520	1,359,537
Total expenses	<u>\$ 4,362,938</u>	<u>\$ 287,916</u>	<u>\$ 4,650,854</u>
Net income (loss)	<u>\$ 561,375</u>	<u>\$ (5,674)</u>	<u>\$ 555,701</u>

	Six Months Ended June 30, 2001		
	Residential	Commercial	Total
Rental income	\$ 4,874,351	\$ 467,735	\$ 5,342,086
Interest and other income	13,186	1,176	14,362
Total net revenues	<u>\$ 4,887,537</u>	<u>\$ 468,911</u>	<u>\$ 5,356,448</u>
Operating expenses and operating expenses - affiliated	\$ 2,088,540	\$ 197,971	\$ 2,286,511
Loss on disposal of assets	68,366	--	68,366
Management fees	245,699	28,936	274,635
Real estate taxes	467,743	17,046	484,789
Interest expense	416,283	--	416,283
Depreciation and amortization	1,158,958	97,947	1,256,905
Total expenses	<u>\$ 4,445,589</u>	<u>\$ 341,900</u>	<u>\$ 4,787,489</u>
Net income	<u>\$ 441,948</u>	<u>\$ 127,011</u>	<u>\$ 568,959</u>

A reconciliation of the totals reported for the operating segments to the applicable line items in the consolidated financial statements for the three months and six months ended June 30, 2002 and 2001, is necessary given amounts recorded at the Partnership level and not allocated to the operating properties for internal reporting purposes.

	Three Months Ended June 30,	
	2002	2001
<u>NET REVENUES</u>		
Total revenues for reportable segments	\$ 2,593,101	\$ 2,740,895
Other income for Partnership	779	4,169
Total consolidated net revenues	<u>\$ 2,593,880</u>	<u>\$ 2,745,064</u>
<u>INTEREST EXPENSE</u>		
Interest expense for reportable segments	\$ 196,126	\$ 209,043
Interest expense for Partnership	436,493	462,947
Total interest expense	<u>\$ 632,619</u>	<u>\$ 671,990</u>
<u>DEPRECIATION AND AMORTIZATION</u>		
Total depreciation and amortization for reportable segments	\$ 680,670	\$ 629,201
Depreciation and amortization for Partnership	22,366	22,367
Total depreciation and amortization	<u>\$ 703,036</u>	<u>\$ 651,568</u>
<u>NET INCOME (LOSS)</u>		
Total net income for reportable segments	\$ 322,268	\$ 308,039
Less minority interest for Partnership	8,836	10,110
Plus net loss for Partnership	(589,862)	(614,201)
Total net loss	<u>\$ (276,430)</u>	<u>\$ (316,272)</u>

	Six Months Ended June 30,	
	2002	2001
<b>NET REVENUES</b>		
Total revenues for reportable segments	\$ 5,206,555	\$ 5,356,448
Other income for Partnership	1,330	6,694
Total consolidated net revenues	<u>\$ 5,207,885</u>	<u>\$ 5,363,142</u>
<b>INTEREST EXPENSE</b>		
Interest expense for reportable segments	\$ 392,728	\$ 416,283
Interest expense for Partnership	870,576	918,370
Total interest expense	<u>\$ 1,263,304</u>	<u>\$ 1,334,653</u>
<b>DEPRECIATION AND AMORTIZATION</b>		
Total depreciation and amortization for reportable segments	\$ 1,359,537	\$ 1,256,905
Depreciation and amortization for Partnership	44,733	44,733
Total depreciation and amortization	<u>\$ 1,404,270</u>	<u>\$ 1,301,638</u>
<b>NET INCOME (LOSS)</b>		
Total net income for reportable segments	\$ 555,701	\$ 568,959
Less minority interest for Partnership	15,985	22,792
Plus net loss for Partnership	(1,187,159)	(1,210,402)
Total net loss	<u>\$ (647,443)</u>	<u>\$ (664,235)</u>

## **Note 12 - Subsequent Events**

On August 2, 2002, we obtained additional financing in the amount of \$2,000,000 secured by certain land, building, and amenities of Sabal Park Apartments. The interest rate is 6.93% and the maturity date is December 5, 2012. The proceeds of this loan will be used for capital additions and repairs.

On July 24, 2002, ORIG, LLC, ("ORIG") an affiliate of ours, filed an amendment to the May 10, 2002 tender offer filing. The amendment extended the tender offer expiration date from August 2, 2002 to September 3, 2002.

## **Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations**

This Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements in Item 1 and the Cautionary Statements below.

### **Critical Accounting Policies**

A critical accounting policy, for our business, is the assumption that our properties' occupancy will remain at a level which provides for debt payments and adequate working capital, currently and in the future. If occupancy were to fall below that level and remain at or below that level for a significant period of time, then our ability to make payments due under our debt agreements and to continue paying daily operational costs would be greatly affected. This would result in the impairment of the respective properties' assets in accordance with Statement of Financial Accounting Standards ("SFAS") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets."

### **Cautionary Statements**

Some of the statements included in this Item 2 may be considered to be "forward-looking statements" since such statements relate to matters which have not yet occurred. For example, phrases such as "we anticipate," "believe" or "expect," indicate that it is possible that the event anticipated, believed or expected may not occur. Should such event not occur, then the result which we expected also may not occur or occur in a different manner, which may be more or less favorable to us. We do not undertake any obligations to publicly release the result of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances.

Any forward-looking statements included in MD&A, or elsewhere in this report, which reflect management's best judgment, based on factors known, involve risks and uncertainties. Actual results could differ materially from those anticipated in any forward-looking statements as a result of a number of factors including but not limited to those discussed below. Any forward-looking information provided by us pursuant to the safe harbor established by recent securities legislation should be evaluated in the context of these factors.

Our liquidity, capital resources and results of operations are subject to a number of risks and uncertainties including, but not limited to the following:

- our ability to achieve planned revenues;
- our ability to make payments due under our debt agreements;
- our ability to negotiate and maintain terms with vendors and service providers for operating expenses;
- competitive pressures from other real estate companies, including large commercial and residential real estate companies, which may affect the nature and viability of our business strategy;

- trends in the economy as a whole which may affect consumer confidence and demand for the types of rental property held by us;
- our ability to predict the demand for specific rental properties;
- our ability to attract and retain tenants;
- availability and costs of management and labor employed;
- real estate occupancy and development costs, including the substantial fixed investment costs associated with renovations necessary to obtain new tenants and retain existing tenants;
- the risk of a major commercial tenant defaulting on its lease due to risks generally associated with real estate, many of which are beyond our control, including general or local economic conditions, competition, interest rates, real estate tax rates, other operating expenses and acts of God; and
- the risk of revised zoning laws, taxes and utilities regulations as well as municipal mergers of local governmental entities.

## Occupancy Levels

The occupancy levels at our properties and joint ventures as of June 30, 2002 and 2001 were as follows:

	Six Months Ended June 30,	
	2002 (1)	2001
<u>Wholly-Owned Properties</u>		
Sabal Park Apartments (2)	88%	93%
Park Place Apartments Phase I (3)	74%	85%
Willow Lake Apartments (2)	93%	96%
Park Place Apartments Phase III (3)	76%	74%
<u>Properties Owned in Joint Ventures with NTS-</u>		
<u>Properties IV (Ownership % at June 30, 2002)</u>		
Golf Brook Apartments (96.03%)	95%	86%
Plainview Point III Office Center (95.04%) (4)	56%	98%

- (1) With the exception of Plainview Point III Office Center, current occupancy levels are considered adequate to continue operation of all our properties. See Note 4 below.
- (2) In our opinion, the decrease in occupancy is only a temporary fluctuation and does not represent a permanent downward occupancy trend.
- (3) Park Place Apartments has experienced low occupancy for the last two years. We are actively working on improving occupancy for 2002. Lowering rental rates on some apartments, implementing new promotions and offering additional services are some of the steps we are taking to increase occupancy.
- (4) A tenant occupying 16,895 square feet, or 27%, of the building vacated its space on November 30, 2001. There will likely be a protracted period for the property to become fully leased again and substantial funds, currently estimated to be approximately \$313,000 will likely be needed for tenant finish expenses. To fund the costs for tenant finish expenses, we would have to obtain additional financing.



The average occupancy levels at our properties and joint ventures during the three months and six months ended June 30, 2002 and 2001 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
<u>Wholly-Owned Properties</u>				
Sabal Park Apartments (1)	89%	94%	90%	96%
Park Place Apartments Phase I (2)	74%	80%	73%	77%
Willow Lake Apartments (1)	91%	97%	89%	94%
Park Place Apartments Phase III (2)	75%	66%	74%	60%
<u>Properties Owned in Joint Ventures with NTS- Properties IV (Ownership % at June 30, 2002)</u>				
Golf Brook Apartments (96.03%)	90%	87%	88%	88%
Plainview Point III Office Center (95.04%) (3)	55%	98%	54%	98%

- (1) In our opinion, the decrease in average occupancy is only a temporary fluctuation and does not represent a permanent downward occupancy trend.
- (2) Park Place Apartments has experienced low occupancy for the last two years. We are actively working on improving occupancy for 2002. Lowering rental rates on some apartments, implementing new promotions and offering additional services are some of the steps we are taking to increase occupancy.
- (3) A tenant occupying 16,895 square feet, or 27%, of the building vacated its space on November 30, 2001. There will likely be a protracted period for the property to become fully leased again and substantial funds, currently estimated to be approximately \$313,000, will likely be needed for tenant finish expenses. To fund the costs for the tenant finish, we would have to obtain additional financing.

## Rental and Other Income

Rental and other income generated by our properties and joint ventures for the three months and six months ended June 30, 2002 and 2001 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
<u>Wholly-Owned Properties</u>				
Sabal Park Apartments	\$ 467,035	\$ 482,234	\$ 939,369	\$ 986,415
Park Place Apartments Phase I	\$ 348,672	\$ 380,743	\$ 701,151	\$ 728,478
Willow Lake Apartments	\$ 616,765	\$ 663,202	\$ 1,225,216	\$ 1,249,060
Park Place Apartments Phase III	\$ 300,239	\$ 277,756	\$ 602,949	\$ 499,919
<u>Properties Owned in Joint Ventures with NTS- Properties IV (Ownership % at June 30, 2002)</u>				
Golf Brook Apartments (96.03%)	\$ 723,996	\$ 704,277	\$ 1,455,629	\$ 1,423,665
Plainview Point III Office Center (95.04%)	\$ 136,394	\$ 232,682	\$ 282,241	\$ 468,911

## **Results of Operations**

**If there has not been a material change in an item from June 30, 2001 to June 30, 2002, we have omitted any discussion concerning that item.**

### ***Rental Income***

Rental income decreased approximately \$143,000, or 5%, for the three months ended June 30, 2002, as compared to the same period in 2001. The decrease is primarily a result of decreased average occupancy at Plainview Point III Office Center, Willow Lake Apartments, Park Place Apartments Phase I and Sabal Park Apartments. The decrease is partially offset by increased average occupancy at Park Place Apartments Phase III and Golf Brook Apartments.

Period-ending occupancy percentages represent occupancy only on a specific date; therefore, the above analysis considers average occupancy percentages, which are more representative of the entire period's results.

### ***Operating Expenses***

Operating expenses decreased approximately \$147,000, or 18%, for the three months ended June 30, 2002, as compared to the same period in 2001. The decrease is primarily the result of 1) decreased repairs and maintenance expenses at all the underlying properties, 2) decreased landscaping expenses at Willow Lake Apartments, 3) decreased utility expenses at Plainview Point III Office Center and Park Place Apartments Phase III, and 4) decreased advertising at Park Place Apartments Phase I and Phase III. Operating expenses decreased approximately \$172,000, or 11%, for the six months ended June 30, 2002, as compared to the same period in 2001. The decrease is primarily the result of 1) decreased repairs and maintenance expenses at Sabal Park Apartments, Willow Lake Apartments, and Plainview Point III Office Center, 2) decreased utility expenses at Park Place Apartments Phase III, Plainview Point III Office Center, Willow Lake Apartments, and Park Place Apartments Phase I, 3) decreased legal and professional fees at Park Place Apartments Phase III, 4) decreased advertising at Willow Lake Apartments, Park Place Apartments Phase I, and Park Place Apartments Phase III, and 5) decreased cleaning expense and lease commission amortization at Plainview Point III Office Center. The decrease is partially offset by an increase in 1) insurance expense at Willow Lake Apartments and Golf Brook Apartments, 2) increased landscaping at Golf Brook Apartments, and 3) increased advertising at Golf Brook Apartments and Sabal Park Apartments.

### ***Operating Expenses – Affiliated***

Operating expenses – affiliated increased approximately \$46,000, or 6%, for the six months ended June 30, 2002, as compared to the same period in 2001. The increase is primarily the result of increased personnel costs for property management, leasing and administration. Operating expenses – affiliated are for services performed by employees of NTS Development Company, an affiliate of our General Partner. These employee services may include property management, leasing, maintenance, security and other services necessary to manage and operate our properties.

### ***Loss on Disposal of Assets***

The loss on disposal of assets for the three months ended June 30, 2001, can be attributed to Willow Lake Apartments due to partial retirements made as a result of exterior repair projects and landscaping improvements. The loss on disposal of assets for the six months ended June 30, 2001, can be attributed to Park Place Apartments Phase I and Willow Lake Apartments due to partial retirements made as a result of exterior repair projects.

### ***Interest Expense***

Interest expense decreased approximately \$39,000, or 6%, and \$71,000, or 5%, for the three months and six months ended June 30, 2002, respectively, as compared to the same period in 2001. The decrease is primarily the result of decreased interest payments on all loans for the underlying properties due to decreased debt balances as the result of principal payments made.

### ***Depreciation Expense***

Depreciation expense increased approximately \$51,000, or 8%, and \$103,000, or 8%, for the three months and six months ended June 30, 2002, respectively, as compared to the same periods in 2001, primarily as a result of management's change in the estimated useful life of all the roof assets at Park Place Apartments Phase I and Willow Lake Apartments in July 2001. The estimated useful life was reduced in anticipation of replacing the roofs (resulting in increased depreciation of approximately \$49,000 and \$99,000, for the three months and six months ended June 30, 2002, respectively). The increase is also due to building improvements, golf cart purchases, and water-sub-metering installation (net of retirements), at Park Place Apartments Phase I and Willow Lake Apartments.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets which are 5-30 years for land improvements, 5-30 years for buildings and improvements, 3-30 years for amenities and the applicable lease term for tenant improvements. The aggregate cost of our properties for federal tax purposes is approximately \$76,335,000.

### **Consolidated Cash Flows and Financial Condition**

Cash flows provided by (used in):

	Six Months Ended June 30,	
	2002	2001
Operating activities	\$ 1,094,557	\$ 1,134,014
Investing activities	(77,732)	(70,687)
Financing activities	(972,082)	(771,651)
Net increase in cash and equivalents	\$ 44,743	\$ 291,676

Net cash provided by operating activities decreased approximately \$39,000, or 3%, for the six months ended June 30, 2002, as compared to the same period in 2001. The decrease was primarily driven by the change in payables and other assets in 2002. These increases were partially offset by the change in other liabilities in 2002 and by decreased net loss.

The increase of approximately \$7,000, or 10%, in net cash used in investing activities during the six months ended June 30, 2002, as compared to the same period in 2001, was primarily due to increased capital expenditures.

The increase of approximately \$200,000, or 26%, in net cash used in financing activities, during the six months ended June 30, 2002, as compared to the same period in 2001, was primarily due to a decrease in proceeds from mortgage loans, an increase in principal payments made on mortgages and notes payable and loan fees incurred in 2002 for applying for additional financing on the Sabal Park mortgage.

Due to the fact that no distributions were made during the six months ended June 30, 2002 or 2001, the table which presents that portion of the distributions that represents a return of capital on a GAAP basis has been omitted.

The demand on future liquidity is anticipated to increase as a result of the replacement of roofs at both Willow Lake Apartments (26 buildings) and Park Place Apartments Phase I (23 buildings) all of which were installed using shingles produced by a single manufacturer. The shingles appear to contain defects which may cause the roofs to fail. As the shingle manufacturer has declared bankruptcy, we do not expect to be able to recover any of the costs of the roof replacements in the event of any such failures. Based upon these facts, management changed the estimated useful life of the roof assets. The change resulted in an approximate \$99,000 increase in depreciation expense for the six months ended June 30, 2002. We do not have sufficient working capital to make all of the roof replacements at one time. As of June 30, 2002, four buildings at Willow Lake Apartments have had roofs replaced. The total cost of replacing the remaining roofs is estimated to be \$900,000 (\$20,000 per building). It is anticipated that it will require at least 12 months to generate sufficient reserves to continue the roof replacements. Roof replacements will be made as each roof fails and as working capital permits.

The demand on future liquidity is also anticipated to increase as we continue our efforts in the leasing of Plainview Point III Office Center. One tenant which occupied 16,895 square feet, or 27%, of the building vacated its space at the end of its lease term, which was November 30, 2001. This left Plainview Point III Office Center with only 54% occupancy. As a result of this vacancy, there will likely be a protracted period for the property to become fully leased again and substantial funds, currently estimated to be approximately \$313,000, will likely be needed for tenant finish costs. It is expected that we will obtain additional financing to fund these costs.

Future liquidity will also be affected by increased insurance expense. We have budgeted for an increase of approximately 25% upon renewal of our policies in September 2002, as compared to 2001.

In an effort to continue to improve occupancy at our apartment communities, we have an on-site leasing staff, who are employees of NTS Development Company, at each of the apartment communities. The staff handles all on-site visits from potential tenants, coordinates local advertising with NTS Development Company's marketing staff, makes visits to local companies to promote fully furnished apartments, and negotiates lease renewals with current residents.

The leasing and renewal negotiations for our commercial property are handled by leasing agents, who are employees of NTS Development Company, located in Louisville, Kentucky. The leasing agents are located in the same city as the commercial property. All advertising for the commercial property is coordinated by NTS Development Company's marketing staff located in Louisville, Kentucky.

Leases at Plainview Point III Office Center provide for tenants to contribute toward the payment of increases in common area maintenance expenses, insurance, utilities and real estate taxes. These lease provisions, along with the fact that residential leases are generally for a period of one year, should protect our operations from the impact of inflation and changing prices.

### **Potential Consolidation**

Our General Partner, along with the general partners of four other public limited partnerships affiliated with us, is investigating a consolidation of us with other entities affiliated with us. In addition to these entities, the consolidation would likely involve several private partnerships and other entities affiliated with us and our General Partner. The new combined entity would own all of the properties currently owned by the public limited partnerships, and the limited partners or other owners of these entities would receive an ownership interest in the combined entity. The number of ownership interests to be received by limited partners and the other owners of the entities participating in the consolidation would likely be determined based on the relative value of the assets contributed to the combined entity by each public limited partnership, reduced by any indebtedness assumed by the entity. The majority of the contributed assets would consist of real estate properties, whose relative values would be based on appraisals obtained at or near the consolidation date. The potential benefits of consolidating the entities include: reducing the administrative costs as a percentage of assets and revenues by reducing the number of public entities; diversifying limited partners' investments in real estate to include additional markets and types of properties; and creating an asset base and capital structure that may enable greater access to the capital markets. There are, however, also a number of potential adverse consequences such as, the expenses associated with a consolidation and the fact that the duration of the new entity would likely exceed our anticipated duration, and that the interests of our limited partners in the combined entity would be smaller on a percentage basis than their interests in us. Further, the new entity may adopt investment and management policies that are different from those presently used by our General Partner for us. A consolidation also requires approval of our limited partners and owners of the other proposed participants. Accordingly, there is no assurance that the consolidation will occur.

### **Item 3 - Quantitative and Qualitative Disclosures About Market Risk**

Our primary market risk exposure with regard to financial instruments is changes in interest rates. All of our debt bears interest at a fixed rate with the exception of two notes payable of \$19,587 and \$18,616, that bear interest at the Prime Rate. A hypothetical 100 basis point increase in interest rates would not significantly increase annual interest expense on the variable rate notes. A hypothetical 100 basis point increase in interest rates would result in an approximate \$1,601,000 decrease in the fair value of debt.

## **PART II - OTHER INFORMATION**

### **Item 1 - Legal Proceedings**

None.

### **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:**

- 99.1 Certification of Chief Executive Officer of the General Partner
- 99.2 Certification of Chief Financial Officer of the General Partner

#### **b) Reports on Form 8-K:**

Form 8-K was filed on May 29, 2002 to report in Item 4 that we have elected to change our independent public accountant. This Form 8-K was amended on June 12, 2002.

## SIGNATURES

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.

NTS-PROPERTIES VI,  
A MARYLAND LIMITED PARTNERSHIP

By: NTS-Properties Associates VI,  
General Partner

By: NTS Capital Corporation  
General Partner

/s/ Gregory A. Wells \_\_\_\_\_  
Gregory A. Wells  
Senior Vice President and  
Chief Financial Officer of  
NTS Capital Corporation

Date: August 14, 2002



**CERTIFICATION OF CHIEF EXECUTIVE OFFICER REGARDING  
PERIODIC REPORT FILED PURSUANT TO SECTION 13(A) OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, J.D. Nichols, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

To the best of my knowledge and belief, the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2002 by NTS-Properties VI, a Maryland Limited Partnership and to which this certification is appended (the “Periodic Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of NTS-Properties VI, a Maryland Limited Partnership.

/s/ J.D. Nichols

J. D. Nichols

General Partner of NTS-Properties Associates VI  
and Chairman of the Board and Sole Director  
of NTS Capital Corporation

**CERTIFICATION OF CHIEF FINANCIAL OFFICER REGARDING  
PERIODIC REPORT FILED PURSUANT TO SECTION 13(A) OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Gregory A. Wells, certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

To the best of my knowledge and belief, the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2002 by NTS-Properties VI, a Maryland Limited Partnership and to which this certification is appended (the “Periodic Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of NTS-Properties VI, a Maryland Limited Partnership.

/s/ Gregory A. Wells

Gregory A. Wells

Senior Vice President and Chief Financial Officer  
of NTS Capital Corporation