

GOVERNMENT PROPERTIES TRUST INC

Form 8-K/A

May 03, 2005

Table of Contents

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

FORM 8-K/A

CURRENT REPORT

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

Date of Report (Date of earliest event reported) March 30, 2005

GOVERNMENT PROPERTIES TRUST, INC.

(Exact name of registrant as specified in its charter)

Maryland

1-31962

20-0611663

(State or other jurisdiction
of incorporation)

(Commission
File Number)

(IRS Employer
Identification No.)

10250 Regency Circle, Suite 100, Omaha, Nebraska

68114

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (402) 391-0010

None

(Former name or former address, if changed since last
report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

Written communications pursuant to
Rule 425 under the Securities Act (17 CFR
230.425)

Soliciting material pursuant to Rule 14a-12
under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications
pursuant to Rule 14d-2(b) under the Exchange
Act (17 CFR 240.14d-2(b))

o Pre-commencement communications
 pursuant to Rule 13e-4(c) under the Exchange
 Act (17 CFR 240.13e-4(c))

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant hereby amends the following items, financial statement, exhibits or other portions of its current Reports on Form 8-K dated March 30, 2005, as filed on March 30, 2005, to include the historical financial statements and pro forma financial information required by Item 9.01(a) and (b).

TABLE OF CONTENTS

| | | |
|---|---|----|
| <u>Item 2.01.</u> | Acquisition of Assets | 3 |
| <u>Item 9.01</u> | Financial Statements, Pro Forma Financial Information, and Exhibits | 4 |
| (A) | Financial Statements of Real Estate Operations Acquired 1201 Lloyd Boulevard Portland, Oregon | 4 |
| | Report of Independent Registered Public Accounting Firm | 4 |
| | Statement of Revenue and Certain Expenses for the year ended December 31, 2004 | 5 |
| | Notes to Statement of Revenue and Certain Expenses | 6 |
| (B) | Pro Forma Financial Information (unaudited) | 7 |
| | Pro Forma Consolidated Balance Sheet as of December 31, 2004 | 8 |
| | Pro Forma Consolidated Statement of Operations for the year ended December 31, 2004 | 11 |
| (C) | Exhibits | 13 |
| (D) | SIGNATURE | 14 |
| <u>Consent of Ernst & Young LLP</u> | | |

Table of Contents

Item 2.01. Acquisition of Assets

On March 29, 2005, Government Properties Trust, Inc. (GPT) completed its previously announced acquisition of 1201 Lloyd Boulevard, Portland, Oregon (the Portland property) for approximately \$50.0 million. The purchase price was determined through arms-length negotiations between GPT and 1201 Lloyd Associates LLC, an unrelated party with an address at 5430 LBJ Freeway, Dallas, Texas. GPT funded the purchase price with cash on hand.

The Portland property, completed in 2002, totals approximately 223,657 of rentable square feet of office space. The approximate 1.7 acre site also includes a separate parking garage with 471 car stalls and 2,453 of rentable square feet of retail space. The property was 96% occupied on March 29, 2005 by various governmental and non-governmental tenants under current leases that expire over terms ranging from one to ten years.

Table of Contents

Item 9.01. Financial Statements, Pro Forma Financial Information, and Exhibits

GOVERNMENT PROPERTIES TRUST, INC.

**1201 Lloyd Boulevard Portland, Oregon
Statements of Revenue and Certain Expenses
For the Year Ended December 31, 2004**

Report of Independent Registered Public Accounting Firm

The Board of Directors of
Government Properties Trust, Inc.

We have audited the accompanying Statement of Revenue and Certain Expenses of 1201 Lloyd Boulevard - Portland, Oregon (the Property) for the year ended December 31, 2004. This Statement of Revenue and Certain Expenses is the responsibility of the Property's management. Our responsibility is to express an opinion on the Statement of Revenue and Certain Expenses based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Property's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control over financial reporting. Accordingly we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Revenue and Certain Expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in Government Properties Trust, Inc.'s (the Company) Current Report on Form 8-K as described in Note 2, and is not intended to be a complete presentation of the Property's revenue and expenses.

In our opinion, the Statement of Revenue and Certain Expenses referred to above presents fairly, in all material respects, the revenue and certain expenses described in Note 2 for the year ended December 31, 2004 in conformity with U.S. generally accepted accounting principles.

ERNST & YOUNG
LLP

Chicago, Illinois
February 25, 2005

Table of Contents

**1201 Lloyd Boulevard Portland, Oregon
Statement of Revenue and Certain Expenses
For The Year Ended December 31, 2004**

Revenue

| | |
|-----------------------|------------|
| Rental income | \$ 888,800 |
| Tenant reimbursements | 277,327 |
| Parking income | 259,488 |
| | 1,425,615 |

Certain Expenses

| | |
|-------------------|-----------|
| Salaries | 105,071 |
| Maintenance | 62,932 |
| Electricity | 135,226 |
| Utilities | 29,199 |
| Cleaning | 41,878 |
| Security | 84,737 |
| Administration | 33,442 |
| Management fees | 45,027 |
| Real Estate taxes | 392,298 |
| Insurance | 54,905 |
| Other expenses | 40,294 |
| | 1,025,009 |

| | |
|---------------------------------------|------------|
| Revenue in excess of certain expenses | \$ 400,606 |
|---------------------------------------|------------|

See accompanying notes.

Table of Contents

**1201 Lloyd Boulevard Portland, Oregon
Notes to Statement of Revenue and Certain Expenses**

1. Description of the Property

The 1201 Lloyd Boulevard Property in Portland, Oregon (the Property) is a multi-tenant office building occupied by both governmental and non-governmental tenants. The Property is located in downtown Portland, Oregon, and contains 226,110 square feet of rentable space.

2. Summary of Significant Accounting Policies

The accompanying statement of revenue and certain expenses for the year ended December 31, 2004 was prepared for purposes of complying with the rules and regulations of the Securities and Exchange Commission. The accompanying financial statement is not representative of the actual operations of the Property for the period presented nor indicative of future operations as certain expenses, primarily depreciation, amortization and interest expense, which may not be comparable to the expenses expected to be incurred in future operations of Property, have been excluded.

In the preparation of the statement of revenue and certain expenses in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Rental revenue is recorded on the straight-line method over the term of the lease agreements of the various tenants. Rental revenue for the year ended December 31, 2004, reflects a straight-line adjustment of \$32,196. Certain leases also contain provisions to recover real estate taxes and operating expenses at an amount greater than each tenant's base year amount, as defined.

3. Leases

The total future minimum rental to be received under the operating leases executed as of December 31, 2004, exclusive of tenant reimbursements, is as follows:

| Year ending December 31 | |
|--------------------------------|--------------------|
| 2005 | \$ 573,178 |
| 2006 | 931,153 |
| 2007 | 1,287,790 |
| 2008 | 1,176,494 |
| 2009 | 1,004,257 |
| Thereafter | 4,239,255 |
| | \$9,212,127 |

One tenant, whose lease expires on May 31, 2014, represents approximately 60% of the total 2004 revenue.

Table of Contents

**Pro Forma Consolidated Balance Sheet
(Unaudited)**

The accompanying unaudited Pro Forma Consolidated Balance Sheet of the Company is presented as if the Portland property had been acquired on December 31, 2004. This Pro Forma Consolidated Balance Sheet should be read in conjunction with the Company's historical consolidated financial statements and notes thereto as filed on Form 10-K for the year ended December 31, 2004. In management's opinion, all adjustments necessary to reflect the acquisitions of the Portland property have been made. The following Pro Forma Consolidated Balance Sheet is not necessarily indicative of what the actual financial position would have been assuming the above transactions had been consummated at December 31, 2004, nor does it purport to represent the future financial position of the Company.

Table of Contents

GOVERNMENT PROPERTIES TRUST, INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2004
(UNAUDITED)

| | Historical (A) | Portland (B) | Pro Forma |
|---|-----------------------|---------------------|------------------|
| ASSETS | | | |
| Real estate at cost: | | | |
| Land | \$ 13,713,237 | \$ 6,180,000 | \$ 19,893,237 |
| Buildings and improvements | 117,069,518 | 37,041,863 | 154,111,381 |
| Tenant origination costs | 26,628,718 | 6,793,474 | 33,422,192 |
| Real estate under development | 1,180,523 | | 1,180,523 |
| Furniture and equipment | 185,818 | | 185,818 |
| | 158,777,814 | 50,015,337 | 208,793,151 |
| Accumulated depreciation | (3,407,147) | | (3,407,147) |
| | 155,370,667 | 50,015,337 | 205,386,004 |
| Cash and cash equivalents | 93,814,813 | (50,101,162) | 43,713,651 |
| Restricted cash escrows | 2,103,338 | | 2,103,338 |
| Tenant receivables | 1,501,850 | | 1,501,850 |
| Notes receivable from tenant | 665,216 | | 665,216 |
| Deferred costs, net | 937,156 | | 937,156 |
| Real estate deposits | 685,993 | | 685,993 |
| Other assets | 1,241,554 | 106,822 | 1,348,376 |
| Total assets | \$ 256,320,587 | \$ 20,997 | \$ 256,341,584 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 3,226,655 | \$ 20,997 | \$ 3,247,652 |
| Dividends payable | 3,104,340 | | 3,104,340 |
| Mortgage notes payable | 77,584,897 | | 77,584,897 |
| Total liabilities | 83,915,892 | 20,997 | 83,936,889 |
| Stockholders' equity: | | | |
| Common stock (\$0.01 par value at December 31, 2004; 50,000,000 shares authorized, 20,695,567 and 975,552 shares issued and outstanding at December 31, 2004 and 2003, respectively) | 205,223 | | 205,223 |
| Additional paid-in capital | 188,259,230 | | 188,259,230 |
| Accumulated deficit | (16,059,758) | | (16,059,758) |
| Total stockholders' equity | 172,404,695 | | 172,404,695 |
| Total liabilities and stockholders' equity | \$ 256,320,587 | \$ 20,997 | \$ 256,341,584 |

See accompanying notes.

Table of Contents

**Notes to Pro Forma Consolidated Balance Sheet
(Unaudited)**

(A) Represents the historical consolidated balance sheet of the Company as of December 31, 2004.

(B) Reflects the acquisition and preliminary purchase price allocation of the Portland property on March 28, 2005 for a total purchase price of approximately \$50.0 million. The amounts presented include the initial purchase price of \$49.3 million and closing costs of \$0.7 million and were allocated based on the fair market value of the assets acquired. The purchase price was funded with cash on hand.

Table of Contents

**Pro Forma Consolidated Statement of Operations
(Unaudited)**

The accompanying unaudited Pro Forma Consolidated Statements of Operations for the year ended December 31, 2004 of the Company is presented as if the Portland property and other properties acquired in 2004 (the 2004 Acquired Properties), collectively the Acquired Properties, had been acquired on January 1, 2004. These Pro Forma Consolidated Statements of Operations should be read in conjunction with the Company's historical consolidated financial statements and notes thereto as filed on Form 10-K for the year ended December 31, 2004. In management's opinion, all adjustments necessary to reflect the above acquisitions have been made.

The unaudited Pro Forma Consolidated Statements of Operations are not necessarily indicative of what the actual results of operations would have been for the year ended December 31, 2004 assuming the above transactions had been consummated at January 1, 2004, nor does it purport to represent the future results of operations of the Company.

Table of Contents

GOVERNMENT PROPERTIES TRUST, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004
(UNAUDITED)

| | Historical | | 2004 Acquired Properties | Adjustments | |
|--|-------------------|--------------------|---|--------------------|------------------|
| | (A) | Portland(B) | (B) | (C), (D) | Pro Forma |
| Revenue | | | | | |
| Rental income | \$ 9,091,592 | \$ 888,800 | \$ 4,458,488 | \$ | \$ 14,438,880 |
| Tenant reimbursements and other | 366,727 | 536,815 | 30,217 | | 933,759 |
| Total revenue | 9,458,319 | 1,425,615 | 4,488,705 | | 15,372,639 |
| Expenses | | | | | |
| Property operations | 1,849,838 | 632,711 | 530,150 | | 3,012,699 |
| Real estate taxes | 964,934 | 392,298 | 395,265 | | 1,752,497 |
| Depreciation and amortization | 2,649,747 | | | 3,239,201 | 5,888,948 |
| General and administrative | 4,020,414 | | | | 4,020,414 |
| Total expenses | 9,484,933 | 1,025,009 | 925,415 | 3,239,201 | 14,674,558 |
| Operating (loss) income | (26,614) | 400,606 | 3,563,290 | (3,239,201) | 698,081 |
| Other income (expense) | | | | | |
| Interest income | 1,719,925 | | | | 1,719,925 |
| Interest expense | (2,481,219) | | | (1,340,359) | (3,821,578) |
| Expense from issuance and exercise of warrant | (2,097,900) | | | | (2,097,900) |
| Amortization of deferred financing fees | (271,595) | | | (71,542) | (343,137) |
| (Loss) income from continuing operations | \$ (3,157,403) | \$ 400,606 | \$ 3,563,290 | \$ (4,651,102) | \$ (3,844,609) |
| (Loss) income per share from continuing operations (basic and diluted) | \$ (0.16) | | | | \$ (0.19) |
| Weighted average shares outstanding (basic and diluted) | 19,071,652 | | | 1,623,915 | 20,695,567 |

See accompanying notes.

Table of Contents**Notes to Pro Forma Consolidated Statement of Operations
(Unaudited)**

(A) Represents the historical consolidated statements of operations of the Company.

(B) Represents the historical operations for the Portland property and the 2004 Acquired Properties prior to the Company's date of acquisition. Audited historical financial information for the Portland property is included in this report on Form 8-K/A.

(C) Represents pro forma adjustments related to the Company's ownership of the Acquired Properties prior to its date of acquisition:

| | Adjustments For Year Ended December 31, 2004 |
|--|---|
| Depreciation and amortization (1) | |
| Portland | 1,818,173 |
| 2004 Acquired Properties | 1,421,028 |
| Total depreciation and amortization expense | \$ 3,239,201 |
| Interest expense (2) | |
| 2004 Acquired Properties | \$ (1,340,359) |
| Amortization of deferred financing fees (2) | |
| 2004 Acquired Properties | \$ (71,542) |

(1) Represents estimated depreciation and amortization of the acquired properties based upon the preliminary purchase price allocations in accordance with our depreciation and amortization policy.

(2) Represents estimated interest expense for the individual 2004 Acquired Properties' mortgage debt, the stated interest rate and amortization of deferred loan fees.

(D) Represents pro forma adjustment of 1,623,915 related to weighted average shares outstanding to reflect the total number of shares outstanding as of December 31, 2004.

Table of Contents

(C) Exhibits

The following exhibit is included in this Report:

Exhibit 23.1 Consent of Ernst & Young LLP

Table of Contents

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 hereunto duly authorized.

**GOVERNMENT PROPERTIES TRUST,
INC.**

Date: May 3, 2005

By: /s/ Nancy D. Olson
Nancy D. Olson
Chief Financial Officer and Treasurer

14

Table of Contents

EXHIBIT INDEX

| Exhibit Number | Description |
|-----------------------|------------------------------|
| 23.1 | Consent of Ernst & Young LLP |

15