

GOVERNMENT PROPERTIES TRUST INC

Form 8-K/A

December 22, 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 December 22, 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.) |
| 13625 California Street, Suite 310, Omaha, Nebraska | | 68154 |
| (Address of principal executive offices) | | (Zip Code) |
| Registrant's telephone number, including area code <u>(402) 391-0010</u> | | |
| 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))
 - 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 Report on Form 8-K dated November 22, 2005 as filed on November 22, 2005 and, to include the historical financial statements and pro forma financial information required by Item 9.01(a) and (b).
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Table of Contents

TABLE OF CONTENTS

| | |
|--|----|
| <u>Item 2.01. Acquisition of Assets</u> | 3 |
| <u>Item 9.01 Financial Statements, Pro Forma Financial Information, and Exhibits</u> | 4 |
| (A) Financial Statements of Real Estate Operations Acquired | |
| <u>(1) US Army Corps of Engineers – Vicksburg, Mississippi</u> | 4 |
| <u>Report of Independent Registered Public Accounting Firm</u> | 4 |
| <u>Statements of Revenue and Certain Expenses for the six months ended June 30, 2005 (unaudited) and for the year ended December 31, 2004</u> | 5 |
| <u>Notes to Statements of Revenue and Certain Expenses</u> | 6 |
| (B) Pro Forma Financial Information (unaudited) | 7 |
| <u>(1) Pro Forma Consolidated Balance Sheets as of September 30, 2005 (unaudited)</u> | 8 |
| <u>(2) Pro Forma Consolidated Statements of Operations for the year ended December 31, 2004 and for the nine months ended September 30, 2005 (unaudited)</u> | 10 |
| (C) Exhibits | 14 |
| (D) SIGNATURE | 15 |
| Consent of Ernst & Young LLP | |

Table of Contents

Item 2.01. Acquisition of Assets

On November 21, 2005, Government Properties Trust, Inc. (GPT) completed its previously announced acquisition of the U.S. Army Corps of Engineers building at 4155 Clay Street, Vicksburg, Mississippi (the Vicksburg property) for approximately \$26.5 million. The purchase price was determined through arms-length negotiations between GPT and Gladwyne Investors Business Trust, an unrelated party with an address at 770 Township Line Road, Suite 150, Yardley, Pennsylvania. GPT funded the purchase price with cash on hand, a draw on the line of credit and a mortgage loan from a financial institution in the amount of \$14.4 million. The unpaid principal balance of the note bears interest at a rate of 5.62% per annum. Accrued interest only payments are due monthly beginning in February 2006. The principal is due in August 2016.

The Vicksburg property, completed in 1996, totals approximately 200,000 rentable square feet situated on approximately 17.17 acres. The Vicksburg property is 100% leased by the federal government under a modified gross lease and is occupied by the U.S. Army Corps of Engineers. The current lease with the federal government expires in July 2016.

Table of Contents

Item 9.01. Financial Statements, Pro Forma Financial Information, and Exhibits
GOVERNMENT PROPERTIES TRUST, INC.
US Army Corps of Engineers Vicksburg, Mississippi
Statements of Revenue and Certain Expenses
For the Six Months Ended June 30, 2005 (Unaudited) and
For the Year Ended December 31, 2004
Report of Independent Registered Public Accounting Firm

The Board of Trustees of
Government Properties Trust, Inc.

We have audited the accompanying Statement of Revenue and Certain Expenses of US Army Corps of Engineers Vicksburg, MS (the Property) for the year ended December 31, 2004. The 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 Statement of Revenue and Certain Expenses is 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 Statement of Revenue and Certain Expenses, assessing the accounting principles used and significant estimates made by management, and evaluating the overall presentation of the Statement of Revenue and Certain Expenses. 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 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.

Chicago, Illinois

September 13, 2005

Table of Contents

Government Properties Trust, Inc.
 US Army Corps of Engineers Vicksburg, Mississippi
 Statements of Revenue and Certain Expenses
 For The Six Months Ended June 30, 2005 (Unaudited) and
 For the Year Ended December 31, 2004

| | Six Months Ended June 30, 2005 | Year Ended December 31, 2004 |
|---------------------------------------|---|---|
| | (Unaudited) | |
| Revenue | | |
| Rental income | \$ 1,660,748 | \$ 3,315,752 |
| Tenant reimbursements | 84,222 | 169,101 |
| | 1,744,970 | 3,484,853 |
| Certain Expenses | | |
| Maintenance | 458,236 | 964,631 |
| Management fees | 36,141 | 72,283 |
| Insurance | 8,298 | 23,923 |
| Real estate taxes | 158,778 | 316,254 |
| Other expenses | 1,700 | 9,981 |
| | 663,153 | 1,387,072 |
| Revenue in excess of certain expenses | \$ 1,081,817 | \$ 2,097,781 |

See accompanying notes.

Table of Contents

Government Properties Trust, Inc.
US Army Corps of Engineers Vicksburg, Mississippi
Notes to Statements of Revenue and Certain Expenses

1. Description of the Property

The US Army Corps of Engineers Vicksburg, Mississippi (the Property), located at 4155 Clay Street, Vicksburg, Mississippi, is an office building that is 100% leased to the US Army Corps of Engineers pursuant to a modified gross lease expiring in 2016.

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 periods 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 statements 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 income is recognized on the straight-line basis over the life of the related lease. The related straight-line rental adjustment increased rental income by approximately \$20,000 for the six months ended June 30, 2005 (unaudited), and approximately \$35,000 for the year ended December 31, 2004. The current supplemental lease agreement in place as of January 1, 2004 requires base monthly rental payments totaling \$264,435, through July 31, 2006, and \$268,959 from August 1, 2006, through termination, subject to annual rent increases based on the Consumer Price Index (CPI). The base monthly rent in place as of December 31, 2004 and June 30, 2005 after giving effect of CPI increases, (unaudited) was \$273,458. The lease also contains provisions to recover real estate taxes and certain operating expenses at an amount in excess of the tenant's base year amounts, as defined. Such revenue is included in tenant reimbursements in the statements of revenue and certain expenses.

Facility management fees are payable to a third-party manager and are based on usable square footage. The facility management fee in effect for the year ended December 31, 2004, was approximately \$.40 per net usable square foot.

3. Interim Period (unaudited)

The unaudited statement of revenue and certain expenses for the six months ended June 30, 2005, has been prepared for purposes of complying with the rules and regulations of the Securities and Exchange Commission. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005.

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 Vicksburg property had been acquired on September 30, 2005. 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 and on Form 10-Q for the nine months ended September 30, 2005. In management's opinion, all adjustments necessary to reflect the acquisitions of the Vicksburg 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 September 30, 2005, nor does it purport to represent the future financial position of the Company.

-7-

Table of Contents

GOVERNMENT PROPERTIES TRUST, INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2005
(UNAUDITED)

| | Historical (A) | Vicksburg (B) | Pro Forma |
|---|----------------|------------------|----------------|
| ASSETS | | | |
| Real estate at cost: | | | |
| Land | \$ 32,873,237 | \$ 1,926,800 | \$ 34,800,037 |
| Buildings and improvements | 259,575,597 | 19,125,789 | 278,701,386 |
| Tenant origination costs | 53,527,970 | 5,602,191 | 59,130,161 |
| Real estate under development | 12,225,197 | | 12,225,197 |
| Furniture and equipment | 422,956 | | 422,956 |
| | 358,624,957 | 26,654,780 | 385,279,737 |
| Accumulated depreciation | (10,018,185) | | (10,018,185) |
| | 348,606,772 | 26,654,780 | 375,261,552 |
| Cash and cash equivalents | 6,813,679 | (6,813,679) | |
| Restricted cash escrows | 20,429,447 | 745,235 | 21,174,682 |
| Tenant receivables | 5,633,123 | | 5,633,123 |
| Notes receivable from tenant | 618,702 | | 618,702 |
| Deferred costs, net | 2,283,290 | 72,518 | 2,355,808 |
| Real estate deposits | 300,000 | (250,000) | 50,000 |
| Other assets | 1,681,207 | (16,420) | 1,664,787 |
| Total assets | \$ 386,366,220 | \$ 20,392,434 | \$ 406,758,654 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | |
| Liabilities: | | | |
| Accounts payable and accrued expenses | \$ 9,679,018 | \$ 96,124 | \$ 9,775,142 |
| Line of credit | | 5,896,310 | 5,896,310 |
| Dividends payable | 3,108,242 | | 3,108,242 |
| Mortgage notes payable | 211,192,223 | 14,400,000 | 225,592,223 |
| Total liabilities | 223,979,483 | 20,392,434 | 244,371,917 |
| Stockholders equity: | | | |
| Common stock (\$0.01 par value; 50,000,000 shares authorized, 20,721,612 shares issued and outstanding at September 30, 2005) | 205,820 | | 205,820 |
| Additional paid-in capital | 188,941,858 | | 188,941,858 |
| Accumulated deficit | (26,955,345) | | (26,955,345) |
| Accumulated other comprehensive income | 194,404 | | 194,404 |
| Total stockholders equity | 162,386,737 | | 162,386,737 |
| Total liabilities and stockholders equity | \$ 386,366,220 | \$ 20,392,434 | \$ 406,758,654 |

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 September 30, 2005.

(B) Reflects the acquisition and preliminary purchase price allocation of the Vicksburg property on November 21, 2005 for a total purchase price of approximately \$26.7 million. The amounts presented include the initial purchase price of \$26.5 million and closing costs of \$0.2 million and were allocated based on the fair market value of the assets acquired and liabilities assumed. The purchase price was funded with cash on hand, a draw on the line of credit and a mortgage loan from a financial institution in the amount of \$14.4 million.

-9-

Table of Contents

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

The accompanying unaudited Pro Forma Consolidated Statements of Operations for the nine month period ended September 30, 2005 and for the year ended December 31, 2004 of the Company is presented as if the Vicksburg property and other properties acquired in 2005 and 2004 (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 and on Form 10-Q for the nine months ended September 30, 2005. 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 nine months ended September 30, 2005 and 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.

-10-

Table of Contents

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

| | Historical | Vicksburg | Acquired | Adjustments | |
|--|-------------------|------------------|-------------------|--------------------|------------------|
| | (A) | (B) | Properties | (C), (D) | Pro Forma |
| | | | (B) | | |
| Revenue | | | | | |
| Rental income | \$ 9,091,592 | \$ 3,315,752 | \$ 10,777,982 | \$ | \$ 23,185,326 |
| Tenant reimbursements and other | 366,727 | 169,101 | 673,982 | | 1,209,810 |
| Total revenue | 9,458,319 | 3,484,853 | 11,451,964 | | 24,395,136 |
| Expenses | | | | | |
| Property operations | 1,849,838 | 1,070,818 | 1,717,494 | | 4,638,150 |
| Real estate taxes | 964,934 | 316,254 | 1,145,938 | | 2,427,126 |
| Depreciation and amortization | 2,649,747 | | | 6,181,420 | 8,831,167 |
| General and administrative | 4,020,414 | | | | 4,020,414 |
| Total expenses | 9,484,933 | 1,387,072 | 2,863,432 | 6,181,420 | 19,916,857 |
| Operating (loss) income | (26,614) | 2,097,781 | 8,588,532 | (6,181,420) | 4,478,279 |
| Other income (expense) | | | | | |
| Interest income | 1,719,925 | | | | 1,719,925 |
| Interest expense | (2,481,219) | | | (7,942,655) | (10,423,874) |
| Expense from issuance and exercise of warrant | (2,097,900) | | | | (2,097,900) |
| Amortization of deferred financing fees | (271,595) | | | (129,898) | (401,493) |
| (Loss) income from continuing operations | \$ (3,157,403) | \$ 2,097,781 | \$ 8,588,532 | \$ (14,253,973) | \$ (6,725,063) |
| (Loss) income per share from continuing operations (basic and diluted) | \$ (0.16) | | | | \$ (0.32) |
| Weighted average shares outstanding (basic and diluted) | 19,071,652 | | | 1,623,915 | 20,695,567 |

See accompanying notes.

Table of Contents

GOVERNMENT PROPERTIES TRUST, INC.
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005
(UNAUDITED)

| | Historical | Vicksburg | Acquired | Adjustments | |
|--|-------------------|------------------|-------------------|--------------------|------------------|
| | (A) | (B) | Properties | (C), (D) | Pro Forma |
| | | | (B) | | |
| Revenue | | | | | |
| Rental income | \$ 18,286,917 | \$ 2,491,122 | \$ 4,267,391 | \$ | \$ 25,045,430 |
| Tenant reimbursements and other | 754,048 | 126,333 | 203,830 | | 1,084,211 |
| Total revenue | 19,040,965 | 2,617,455 | 4,471,221 | | 26,129,641 |
| Expenses | | | | | |
| Property operations | 3,321,627 | 756,563 | 988,948 | | 5,067,138 |
| Real estate taxes | 1,921,859 | 238,167 | 272,772 | | 2,432,798 |
| Depreciation and amortization | 6,611,038 | | | 3,111,782 | 9,722,820 |
| General and administrative | 3,644,599 | | | | 3,644,599 |
| Total expenses | 15,499,123 | 994,730 | 1,261,720 | 3,111,782 | 20,867,355 |
| Operating (loss) income | 3,541,842 | 1,622,725 | 3,209,501 | (3,111,782) | 5,262,286 |
| Other income (expense) | | | | | |
| Interest income | 1,348,237 | | | | 1,348,237 |
| Interest expense | (6,225,992) | | | (2,797,579) | (9,023,571) |
| Amortization of deferred financing fees | (234,922) | | | (29,401) | (264,323) |
| (Loss) income from continuing operations | \$ (1,570,835) | \$ 1,622,725 | \$ 3,209,501 | \$ (5,938,762) | \$ (2,677,371) |
| (Loss) income per share from continuing operations (basic and diluted) | \$ (0.08) | | | | \$ (0.13) |
| Weighted average shares outstanding (basic and diluted) | 20,564,662 | | | 156,950 | 20,721,612 |

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 Vicksburg property and Acquired Properties prior to the Company's date of acquisition. Audited historical financial information for the Vicksburg property are included in this report on Form 8-K/A.

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

| | Adjustments For Nine Months Ended September 30, 2005 | Adjustments For Year Ended December 31, 2004 |
|--|---|---|
| Depreciation and amortization (1) | | |
| Vicksburg | \$ 761,706 | \$ 1,015,608 |
| Acquired Properties | 2,350,076 | 5,165,812 |
| Total depreciation and amortization expense | \$ 3,111,782 | \$ 6,181,420 |
| Interest expense (2) | | |
| Vicksburg | \$ (606,960) | \$ (809,280) |
| Acquired Properties | (2,190,619) | (7,133,375) |
| Total interest expense | \$ (2,797,579) | \$ (7,942,655) |
| Amortization of deferred financing fees (2) | | |
| Vicksburg | \$ (5,103) | \$ (6,804) |
| Acquired Properties | (24,298) | (123,094) |
| Total amortization of deferred financing fees | \$ (29,401) | \$ (129,898) |

(1) Represents estimated depreciation and amortization of the Vicksburg and 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
Vicksburg and
Acquired
Properties
mortgage debt,
and
amortization of
deferred loan
fees.

(D) Represents pro forma adjustment of 1,623,915 and 156,950 related to weighted average shares outstanding to reflect the total number of shares outstanding as of December 31, 2004 and September 30, 2005, respectively.

-13-

Table of Contents

(C) Exhibits

The following exhibit is included in this Report:

Exhibit 23.1 Consent of Ernst & Young LLP

-14-

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: December 22, 2005

By: /s/ Nancy D. Olson

Nancy D. Olson
Chief Financial Officer and
Treasurer
-15-

Table of Contents

EXHIBIT INDEX

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