

GOVERNMENT PROPERTIES TRUST INC

Form 8-K/A

May 03, 2005

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**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.**

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(Exact name of registrant as specified in its charter)

Maryland

1-31962

20-0611663

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(State or other jurisdiction  
of incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

10250 Regency Circle, Suite 100, Omaha, Nebraska

68114

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(Address of principal executive offices)

(Zip Code)

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

None

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(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).

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<u>Consent of Ernst &amp; Young LLP</u>		

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**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.

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**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



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**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
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*See accompanying notes.*

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**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:

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

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



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**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.

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

	<b>Historical (A)</b>	<b>Portland (B)</b>	<b>Pro Forma</b>
<b>ASSETS</b>			
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
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
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.*

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**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.

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**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.

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

	<b>Historical</b>		<b>2004 Acquired Properties</b>	<b>Adjustments</b>	
	<b>(A)</b>	<b>Portland(B)</b>	<b>(B)</b>	<b>(C), (D)</b>	<b>Pro Forma</b>
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.

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(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:

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

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(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.

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(C) Exhibits

The following exhibit is included in this Report:

Exhibit 23.1 Consent of Ernst & Young LLP



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**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

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**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
23.1	Consent of Ernst & Young LLP

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