KOGER EQUITY INC
Form 10-Q
November 14, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended September 30, 2002

or

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

For the transition period from ___________ to ___________

Commission File Number 1-9997

KOGER EQUITY, INC.
(Exact name of registrant as specified in its charter)

FLORIDA	59-2898045
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
433 PLAZA REAL, SUITE 335 BOCA RATON, FLORIDA	33432
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (561) 395-9666

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 _____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at October 31, 2002
Common Stock, $.01 par value	21,295,290 shares

KOGER EQUITY, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Shareholders of
Koger Equity, Inc.
Boca Raton, Florida:

We have reviewed the accompanying condensed consolidated balance sheet of Koger Equity, Inc. and subsidiaries (the "Company") as of September 30, 2002, and the related condensed consolidated statements of operations for the three-month and nine-month periods ended September 30, 2002 and 2001, the condensed consolidated statement of changes in shareholders' equity for the nine-month period ended September 30, 2002 and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 2002 and 2001. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of the Company as of December 31, 2001, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 22, 2002, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2001 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP
Certified Public Accountants

West Palm Beach, Florida
October 25, 2002

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KOGER EQUITY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited - See Independent Accountants' Report)
(In thousands, except share data)

	September 2002
ASSETS	
Real Estate Investments:	
Operating properties:	
Land	$ 98,2
Buildings	688,3
Furniture and equipment	3,1

Accumulated depreciation	(142,2
Operating properties, net	647,4
Undeveloped land held for investment	11,0
Undeveloped land held for sale, net of allowance	2,8
Cash and cash equivalents	10,9
Accounts receivable, net of allowance for uncollectible accounts of $1,271 and $1,114	10,7
Cost in excess of fair value of net assets acquired, net of accumulated amortization of $683 and $683	5
Other assets	11,9
TOTAL ASSETS	$ 695,5
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities:	
Mortgages and loans payable	$ 314,9
Accounts payable	3,2
Accrued real estate taxes payable	6,3
Other accrued liabilities	9,9
Dividends payable	7,4
Advance rents and security deposits	5,1
Total Liabilities	347,0
Minority interest	
Commitments and contingencies	
Shareholders' equity:	
Preferred stock, $.01 par value; 50,000,000 shares authorized; no shares issued	
Common stock, $.01 par value; 100,000,000 shares authorized; 29,816,632 and 29,663,362 shares issued; 21,294,032 and 21,128,905 shares outstanding	2
Capital in excess of par value	472,0
Notes receivable from stock sales	(5,0
Retained earnings	12,7
Treasury stock, at cost; 8,522,600 and 8,534,457 shares	(131,5
Total Shareholders' Equity	348,4
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 695,5

See notes to unaudited condensed consolidated financial statements.

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KOGER EQUITY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited - See Independent Accountants' Report)
(In thousands, except per share data)

Three Months

	Ended September 30,	
	2002	200
REVENUES		
Rental and other rental services	$ 31,836	$ 42,
Management fees	839	1,
Interest	98	
Other	--	
Total revenues	32,773	43,
EXPENSES		
Property operations	11,846	15,
Depreciation and amortization	6,663	9,
Mortgage and loan interest, including amortization of deferred loan costs of $303 and $227 for the three months and $891 and $680 for the nine months	6,041	6,
General and administrative	2,971	2,
Direct costs of management fees	797	
Other	43	
Total expenses	28,361	34,
INCOME BEFORE GAIN ON SALE OR DISPOSITION OF ASSETS, INCOME TAXES AND MINORITY INTEREST	4,412	8,
Gain on sale or disposition of assets	1	
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	4,413	8,
Income taxes	19	
INCOME BEFORE MINORITY INTEREST	4,394	8,
Minority interest	--	
NET INCOME	$ 4,394	$ 8,
EARNINGS PER SHARE:		
Basic	$ 0.21	$ 0
Diluted	$ 0.21	$ 0
WEIGHTED AVERAGE SHARES:		
Basic	21,293	26,
Diluted	21,410	26,

See Notes to unaudited condensed consolidated financial statements.

KOGER EQUITY, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN
SHAREHOLDERS' EQUITY
(Unaudited - See Independent Accountants' Report)
(In thousands)

	Common Stock Shares Issued	Common Stock Par Value	Capital in Excess of Par Value	Notes Receivable from Stock Sales	Retained Earnings
Balance, December 31, 2001	29,663	$297	$469,779	$(5,066)	$21,180
Common stock sold			113		
Options exercised	154	1	2,120		
Dividends declared					(22,336
Net Income					13,882
Balance, September 30, 2002	29,817	$298	$472,012	$(5,066)	$12,726

See notes to unaudited condensed consolidated financial statements.

KOGER EQUITY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited - See Independent Accountants' Report)
(In thousands)

	En 2002
OPERATING ACTIVITIES	
Net income	$ 13,88
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	19,91
Amortization of deferred loan costs	58
Income from Koger Realty Services, Inc.	-
Provision for uncollectible accounts	43
Minority interest	2
Gain on sale or disposition of assets	(
Changes in assets and liabilities:	
Decrease (increase) in receivables and other assets	30
Increase in accounts payable, accrued liabilities and other liabilities	4,36
Net cash provided by operating activities	39,49
INVESTING ACTIVITIES	
Property acquisitions	(125,47
Building construction expenditures	-

Tenant improvements to first generation space	(1,22
Tenant improvements to existing properties	(3,74
Building improvements	(2,58
Deferred tenant costs	(1,38
Additions to furniture and equipment	(3
Cash acquired in purchase of assets from KRSI	-
Purchase of limited partner interests in Koger-Vanguard Partnership, L.P.	(16,46
Proceeds from sale of assets	
Net cash used in investing activities	(150,91
FINANCING ACTIVITIES	
Collection of notes receivable from stock sales	-
Proceeds from exercise of stock options	2,12
Proceeds from sales of common stock	21
Proceeds from mortgages and loans	88,00
Dividends paid	(59,04
Distributions paid to limited partners	(39
Principal payments on mortgages and loans payable	(21,68
Financing costs	(22
Net cash provided by (used in) financing activities	8,97
Net (decrease) increase in cash and cash equivalents	(102,44
Cash and cash equivalents - beginning of period	113,37
Cash and cash equivalents - end of period	$ 10,93
SUPPLEMENTAL CASH FLOW INFORMATION	
Cash paid during the period for interest, net of amount capitalized	$ 17,66
Cash paid during the period for income taxes	$ 48

See notes to unaudited condensed consolidated financial statements.

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KOGER EQUITY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS
ENDED SEPTEMBER 30, 2002 AND 2001
(Unaudited - See Independent Accountants' Report)

1. BASIS OF PRESENTATION. The condensed consolidated financial statements include the accounts of Koger Equity, Inc. and its wholly-owned subsidiaries (the "Company"). All material intercompany transactions and accounts have been eliminated in consolidation. The financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission related to interim financial statements.

During January 2002, the Company acquired all of the remaining limited partnership units in Koger-Vanguard Partners, L.P., a Delaware limited partnership (the "Partnership"), for approximately $16.5 million. These partnership units were convertible into 999,710 shares of the Company's common stock. The Company previously consolidated the Partnership with an associated minority interest. The acquisition of this minority interest was recorded using the purchase method of accounting. As a result, the excess of the fair value of the acquired net assets over the purchase price (approximately $6.2 million) was recorded as a reduction in the bases of the acquired fixed assets.

During January 2001, Koger Equity, Inc. organized KRSI Merger, Inc., a Florida corporation, as a wholly owned taxable subsidiary. Effective February 1, 2001, Koger Realty Services, Inc. ("KRSI"), a Delaware corporation, was merged into this new subsidiary (the "Merger"). Pursuant to the Merger, the common stock of KRSI was repurchased at the formula price set forth in KRSI's Articles of Incorporation. Subsequent to the Merger, the name of the new Florida subsidiary was changed to Koger Realty Services, Inc. This merger was accounted for using the purchase method of accounting resulting in a reduction in the cost basis of assets of approximately $143,000. Prior to the Merger, the Company accounted for its investment in the preferred stock of KRSI using the equity method.

The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the year ended December 31, 2001, included in the Company's Form 10-K Annual Report for the year ended December 31, 2001. The accompanying balance sheet at December 31, 2001 has been derived from the audited financial statements at that date and is condensed.

All adjustments of a normal recurring nature which, in the opinion of management, are necessary to present a fair statement of the results for the interim periods have been made. Certain prior year amounts have been reclassified in order to conform to current year presentation. Results of operations for the three and nine months ended September 30, 2002 are not necessarily indicative of the results to be expected for the full year.

On July 20, 2001, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations", and SFAS No. 142, "Goodwill and Other Intangible Assets." These Statements make significant changes to the accounting for business combinations, goodwill, and intangible assets. SFAS No. 141 eliminates the pooling-of-interests method of accounting for business combinations with limited exceptions for combinations initiated prior to July 1, 2001. In addition, it further clarifies the criteria for recognition of intangible assets separately from goodwill. This Statement is effective for business combinations completed after June 30, 2001. The Company's adoption of SFAS No. 141 has not had a material impact on its condensed consolidated financial statements.

SFAS No. 142 discontinues the practice of amortizing goodwill and indefinite lived intangible assets and initiates an annual review for impairment. Impairment would be examined more frequently if certain indicators are encountered. Intangible assets with a determinable useful life will continue to be amortized over that period. The amortization provisions apply to goodwill and intangible assets acquired after September 30, 2001. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001. The Company adopted the Statement effective January 1, 2002. The Company's adoption of SFAS No. 142 has not had a material impact on its condensed consolidated financial statements.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and requires that the amount recorded as a liability be capitalized by increasing the carrying amount of the related long-lived asset. Subsequent to initial measurement, the liability is accreted to the ultimate amount anticipated to be paid, and is also adjusted for revision to the timing or amount of estimated cash flows. The capitalized cost is depreciated over the useful life of the related asset. Upon settlement of the liability, an entity either settles the obligation for its recorded amount or incurs a gain or loss upon settlement. SFAS No. 143 is required to be adopted for fiscal years beginning after June 15, 2002, with earlier application encouraged. The Company is currently assessing but has not yet determined the impact of SFAS No. 143 on its financial position and results of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for (a) recognition and measurement of the impairment of long-lived assets to be held and used and (b) measurement of long-lived assets to be disposed of by sale. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. The Company adopted the Statement effective January 1, 2002. The Company's adoption of SFAS No. 144 has not had a material impact on its condensed consolidated financial statements, but will require future sales of commercial real estate properties to be presented as discontinued operations.

In April 2002, the FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." This Statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt." Under SFAS No. 4, all gains and losses from extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. Under SFAS No. 145, gains and losses from extinguishment of debt should be classified as extraordinary items only if they meet the criteria in Accounting Principles Board Opinion No. 30. SFAS No. 145 is effective for fiscal years beginning after May 15, 2002. The Company is currently assessing but has not yet determined the impact of SFAS No. 145 on its financial position and results of operations.

In July 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This Statement applies to costs associated with an exit activity that does not involve an entity newly acquired in a business combination, an asset retirement obligation covered by SFAS No. 143 or with a disposal activity covered by SFAS No. 144. SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity shall be recognized and measured initially at its fair value in the period in which the liability is incurred provided that such fair value can be reasonably estimated. An exception applies for certain one-time termination benefits that are incurred over time. The Company will adopt SFAS No. 146 effective January 1, 2003. This adoption is not expected to have a significant impact on the Company's financial position or results of operations.

2. ORGANIZATION. Koger Equity, Inc. ("KE"), a Florida corporation, was incorporated in 1988 to own and manage commercial office buildings and other income-producing properties. KE is a self-administered and self-managed real estate investment trust (a "REIT") and its common stock is listed on the New York Stock Exchange under the ticker symbol "KE." As of September 30, 2002, KE owned and managed 121 office buildings located primarily in 15 suburban office projects in eight cities in the Southeastern United States of America.

In addition to managing its own properties, the Company provides property management services to AP-Knight LP, an affiliate of Apollo Real Estate

Advisors, LP, and asset management services to Crocker Realty Trust, both related parties. As of September 30, 2002, the Company managed 70 office buildings for AP-Knight LP. The Company has been informed that AP-Knight LP intends to terminate this property management agreement effective January 1, 2003.

3. CRITICAL ACCOUNTING POLICIES AND ESTIMATES. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses and the disclosure of contingent assets and liabilities. These estimates are based on historical experience and various other factors that are believed to be reasonable under the circumstances. However, actual results could differ from the Company's estimates under different assumptions or conditions. On an ongoing basis, the Company evaluates the reasonableness of its estimates.

The Company believes the following critical accounting policies affect the significant estimates and assumptions used in the preparation of its consolidated financial statements:

Investments in Real Estate. Rental property and improvements, including interest and other costs capitalized during construction, are included in real estate investments and are stated at cost. Expenditures for ordinary maintenance and repairs are expensed to operations as they are incurred. Significant renovations and improvements, which improve or extend the useful life of the assets, are capitalized. Except for amounts attributed to land, rental property and improvements are depreciated as described below.

In September 2002, the Company entered an agreement to sell approximately 14.5 acres of undeveloped land at its Atlanta Gwinnett property for approximately $3.6 million. This sale is contingent on the approval of the Company's board of directors and on certain zoning revisions and is expected to close in the fourth quarter of 2003.

Depreciation. The Company computes depreciation on its operating properties using the straight-line method based on estimated useful lives of three to 40 years. A significant portion of the acquisition cost of each operating property is allocated to the acquired buildings (usually 85% to 90%). The allocation of the acquisition cost to buildings and the determination of the useful lives are based on the Company's estimates. If the Company were to allocate acquisition costs inappropriately to buildings or to incorrectly estimate the useful lives of its operating properties, it may be required to adjust future depreciation expense.

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Impairment of Long-Lived Assets. The Company's long-lived assets include investments in real estate and goodwill. The Company assesses impairment of long-lived assets whenever changes or events indicate that the carrying value may not be recoverable. The Company assesses impairment of operating properties based on the operating cash flows of the properties. In performing its assessment, the Company must make assumptions regarding estimated future cash flows and other factors to determine the fair value of the respective assets. During the three and nine months ended September 30, 2002, no impairment charges were recorded. If these estimates or their related assumptions change in the future, the Company may be required to record impairment charges. Impairment of goodwill has historically been evaluated based on projected cash flows of underlying assets.

Rental Income. Certain leases provide for tenant occupancy during periods for which no rent is due or where minimum rent payments increase during the term of the lease. The Company records rental income for the full term of each lease on a straight-line basis. Accordingly, each month, a receivable is recorded from tenants for the average monthly amount that is expected to be collected over the remaining lease term. When a property is acquired, the term of existing leases is considered to commence as of the acquisition date for purposes of this calculation.

Allowances for Doubtful Accounts. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its tenants to make required payments for rents and other rental services. In assessing the recoverability of these receivables, the Company makes assumptions regarding the financial condition of the tenants based primarily on past payment trends and certain financial information that tenants submit to the Company. If the financial condition of the Company's tenants were to deteriorate and result in an impairment of their ability to make payments, the Company may be required to increase its allowances by recording additional bad debt expense. Likewise, should the financial condition of its tenants improve and result in payments or settlements of previously reserved amounts, the Company may be required to record a reduction in bad debt expense to reverse its allowances.

4. FEDERAL INCOME TAXES. KE is qualified and has elected tax treatment as a REIT under the Internal Revenue Code. A REIT is a taxable corporation that holds real estate, and through distributions to shareholders, is permitted to reduce or avoid the payment of federal income taxes at the corporate level. To maintain qualification as a REIT, in addition to certain other requirements, KE must distribute to shareholders at least 90 percent of REIT taxable income. To the extent that KE pays dividends equal to 100 percent of REIT taxable income, the taxable earnings of KE are taxed at the shareholder level. KE has a net operating loss carryforward of approximately $95,000, which may be used to reduce REIT taxable income. However, the use of net operating loss carryforwards is limited for alternative minimum tax purposes. During the first quarter of 2002, the Company made payments of approximately $385,000 for the Company's 2001 estimated alternative minimum tax liability.

Although KRSI is consolidated with KE for financial reporting purposes, this entity is subject to federal income tax and files separate federal and state income tax returns. KRSI has recorded provisions of $19,000 and $112,000, respectively, for federal income taxes for the three and nine months ended September 30, 2002.

5. STATEMENTS OF CASH FLOWS. Cash in excess of daily requirements is invested in short-term monetary securities. Such temporary cash investments have an original maturity date of less than three months and are deemed to be cash equivalents for purposes of the statements of cash flows.

During January 2002, the Company acquired all of the remaining limited partnership units in Koger-Vanguard Partners, L.P., a Delaware limited partnership, for approximately $16.5 million. These partnership units were convertible into 999,710 shares of the Company's common stock.

On January 31, 2002, the Company acquired a 31-story office building containing approximately 803,000 rentable square feet for $125.0 million and other transaction costs. This property is located in Atlanta, Georgia. The purchase of the property was funded with cash and by an $80 million draw from the Company's secured revolving credit facility. As of September 30, 2002, approximately 63%

of the property's rentable space was leased. The Company expects to lease the property's vacant space over the next three years.

During the nine months ended September 30, 2001, the Company received 86,779 shares of its common stock as settlement of $1,364,000 of notes receivable from former employees. Pursuant to the Merger (Note 1), the Company acquired the net assets of KRSI in exchange for its preferred stock in KRSI. The net assets of KRSI acquired consisted of (i) cash in the amount of $2,535,000, (ii) other assets with a fair value of $1,016,000 and (iii) liabilities assumed with a fair value of $937,000.

6. EARNINGS PER COMMON SHARE. Basic earnings per common share has been computed based on the weighted average number of shares of common stock outstanding for each period. Diluted earnings per common share is similar to basic earnings per share except that the weighted average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the dilutive common shares (options) had been issued. The treasury stock method is used to calculate dilutive shares which reduces the gross number of dilutive shares by the number of shares purchasable from the proceeds of the options assumed to be exercised. See Exhibit 11 for weighted average number of shares of common stock outstanding, dilutive shares, and computations of basic and diluted earnings per share.

7. MORTGAGES AND LOANS PAYABLE. At September 30, 2002, the Company had $314,994,000 of loans outstanding, which are collateralized by mortgages on the Company's operating properties. Annual maturities for mortgages and loans payable are summarized as follows (in thousands):

Year Ending December 31,	
2002	$ 9,013
2003	5,200
2004	75,629
2005	6,110
2006	23,704
Subsequent Years	195,338
Total	$ 314,994

8. DIVIDENDS. On January 15, 2002, the Company paid a special dividend of $1.74 per share to shareholders of record on December 28, 2001 totaling $36,764,000. The Company paid quarterly dividends of $0.35 per share on February 7, 2002 totaling $7,395,000, May 2, 2002 totaling $7,433,000, and August 1, 2002 totaling $7,452,000 to shareholders of record on December 31, 2001, March 31, 2002, and June 30, 2002, respectively. During the quarter ended September 30, 2002, the Company's Board of Directors declared a quarterly dividend of $0.35 per share payable on November 7, 2002 to shareholders of record on September 30, 2002. The Company currently expects that all dividends paid for 2002 will be treated as ordinary income to the recipient for income tax purposes.

9. SEGMENT REPORTING. The Company operates in one business segment, real estate. The Company's primary business is the ownership, development, and operation of income-producing office properties. Management operates each property as an individual operating segment and has aggregated these operating segments into a single segment for financial reporting purposes due to the fact that all of the individual operating segments have similar economic characteristics. All of the Company's operations are located in the Southeastern United States.

10. NOTES RECEIVABLE FROM STOCK SALES. On February 17, 2000, and in conjunction with the Company's plan to repurchase up to 2.65 million shares of common stock (the "Shares"), the Board of Directors granted to Thomas J. Crocker, the Company's Chief Executive Officer, the right to purchase up to 500,000 Shares and to Robert E. Onisko, the Company's Chief Financial Officer, the right to purchase up to 150,000 Shares. These officers are entitled to make purchases of one Share of every three Shares purchased by the Company as part of this plan. The Shares may be purchased from the Company at the same time and for the same price as the Company purchases Shares. In addition, the Company will loan up to 75% of the purchase price for these Shares to Mr. Crocker and to Mr. Onisko. These loans will be collateralized by the Shares purchased. These loans will bear interest at 150 basis points over the applicable LIBOR rate. Approximately $836,000 of these loans are subject to recourse and the remaining loans will be without recourse. Accrued interest on these loans is a recourse obligation and any paid interest is not refundable if the stock is returned in settlement of the loans. Through September 30, 2002, Mr. Crocker acquired 302,495 Shares and Mr. Onisko acquired 100,831 Shares under this plan. All of these Shares were acquired during 2000.

11. SUBSEQUENT EVENTS. In addition to the prospective sale described in Note 3, the Company has entered an agreement to sell approximately 7.0 acres of undeveloped land at its Charlotte Carmel property for approximately $1.6 million. This sale is contingent on the approval of the Company's board of directors and is expected to close in the first quarter of 2003.

In October 2002, the Company entered into purchase agreements to acquire The Lakes on Post Oak in Houston, Texas for approximately $102 million. The Lakes are three office buildings adjacent to the Galleria Mall which contain approximately 1.2 million square feet of rentable space. The Company is currently performing due diligence procedures and the transactions are expected to close in December 2002.

In October 2002, the Company purchased 19,900 shares of its common stock on the open market. Under the plan described in Note 10, the Company's Chief Executive Officer and Chief Financial Officer acquired 4,975 and 1,659 shares, respectively, of the Company's common stock.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the condensed consolidated financial statements and related notes appearing elsewhere in this Form 10-Q, and the Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the period ended December 31, 2001.

In December 2001, the Company sold 75 suburban office buildings, one retail center and 3.4 acres of unimproved land to AP-Knight LP, a related party, for approximately $199,587,000, net of selling costs, and 5,733,772 shares of the Company's common stock (which were valued at approximately $96,327,000). These properties contained more than 3.9 million of rentable square feet and contributed rental revenues of approximately $42.4 million during the nine months ended September 30, 2001. Rental revenues for the sold properties comprised approximately 34% of the Company's total rental revenues for the nine months ended September 30, 2001. The results of these properties are included in the operating results of the Company for the periods ending September 30, 2001. As a result, certain of the Company's current operating results, as compared to the prior year, have been affected by the sale of these assets. On January 15, 2002, the Company distributed a portion of the proceeds above in the form of a special dividend of $1.74 per share to shareholders of record on December 28, 2001.

During January 2002, the Company acquired all of the remaining limited partnership units in Koger-Vanguard Partners, L.P., a Delaware limited partnership, for approximately $16.5 million. These partnership units were convertible into 999,710 shares of the Company's common stock.

On January 31, 2002, the Company acquired Three Ravinia Drive, an 803,160 square foot office building located in Atlanta, Georgia, for approximately $125.0 million and other transaction costs. As of September 30, 2002, approximately 63% of the property's rentable space was leased. The Company expects to lease the property's vacant space over the next three years. The results of the Koger-Vanguard Partners, L.P. and Three Ravinia Drive acquisitions have been included in the Company's operating results for the periods ending September 30, 2002 from their respective acquisition dates.

RESULTS OF OPERATIONS

Rental and other rental services revenues totaled $31,836,000 for the quarter ended September 30, 2002, compared to $42,243,000 for the quarter ended September 30, 2001. Rental and other rental services revenues totaled $94,286,000 for the nine months ended September 30, 2002, compared to $125,462,000 for the nine months ended September 30, 2001. These decreases resulted primarily from the sale of assets described above. The effect of these decreases was partially offset by an increase in rental revenues ($2.4 million) from two buildings constructed by the Company in 2001 and eight months of revenues ($9.1 million) from the Three Ravinia Drive property. At September 30, 2002, the Company's buildings were on average 86 percent leased with an average rental rate of $16.91 per rentable square foot. Excluding Three Ravinia Drive, which was in its lease-up period at September 30, 2002, the remainder of the Company's buildings were on average 89 percent leased. At September 30, 2001, the Company's buildings were on average 88 percent leased with an average rental rate of $16.58 per rentable square foot.

Management fee revenues totaled $839,000 for the quarter ended September 30, 2002, compared to $1,074,000 for the quarter ended September 30, 2001. Management fee revenues totaled $2,590,000 for the nine months ended September 30, 2002, compared to $3,530,000 for the nine months ended September 30, 2001. These decreases were due primarily to the loss of fees from one management agreement that was terminated in 2001. This loss of fees was partially offset by fees received from AP-Knight LP under a property management agreement that began in December 2001. The Company has been informed that AP-Knight LP intends to terminate this property management agreement effective January 1, 2003. For the nine months ended September 30, 2002, management fees and leasing commissions from AP-Knight LP totaled approximately $2.1 million. The loss of such revenues would be partially offset by a corresponding reduction in the direct cost of management fees. In conjunction with the termination of the management agreement, John R.S. Jacobsson resigned as a director of the Company in August 2002. Mr. Jacobsson is also a director of Apollo Real Estate Advisors, LP.

Interest revenues decreased $56,000 and $267,000 for the three and nine months ended September 30, 2002, respectively, compared to the same periods last year. These decreases were due primarily to reductions in interest earned from loans to certain current and former employees and lower effective interest rates on the Company's average invested cash balances.

Property operations expense includes such charges as utilities, real estate taxes, janitorial, maintenance, property insurance, provision for uncollectible rents and management costs. The amount of property operations expense and its percentage of total rental revenues for the applicable periods are as follows:

Period	Amount	Percent of Rental and Other Rental Services
September 30, 2002 - Quarter	$ 11,846,000	37.2%
September 30, 2001 - Quarter	$ 15,591,000	36.9%
September 30, 2002 - Nine Months	$ 34,233,000	36.3%
September 30, 2001 - Nine Months	$ 46,749,000	37.3%

Depreciation expense has been calculated on the straight-line method based upon the useful lives of the Company's depreciable assets, generally 3 to 40 years. Depreciation expense decreased $2,693,000 and $6,533,000, respectively, for the three and nine months ended September 30, 2002, compared to the same periods last year. These decreases were due to the Company's disposition of 75 office buildings and one retail property in December 2001. Amortization expense decreased $261,000 and $706,000, respectively, for the three and nine months ended September 30, 2002, compared to the same period last year. These decreases were due primarily to a decline in the Company's expenditures for deferred tenant costs and the Company's adoption of SFAS No. 142 effective January 1, 2002. SFAS No. 142 discontinues the practice of amortizing goodwill.

For the three months ended September 30, 2002, interest expense decreased to $6,041,000 from $6,543,000 for the three months ended September 30, 2001. For the nine months ended September 30, 2002, interest expense decreased to $17,864,000 from $20,059,000 for the nine months ended September 30, 2001. At September 30, 2002 and 2001, the weighted average interest rate on the Company's outstanding debt was approximately 7.13 percent and 7.19 percent, respectively. From January 1, 2002 until January 31, 2002, the Company had no outstanding balances on its secured revolving credit facility. On January 31, 2002, the Company borrowed $80 million on its credit facility to purchase Three Ravinia Drive as described above. As of September 30, 2002, the outstanding balance on the Company's credit facility was $70 million.

General and administrative expenses for the three months ended September 30, 2002 and 2001, totaled $2,971,000 and $2,276,000, respectively. General and administrative expenses for the nine months ended September 30, 2002 and 2001, totaled $8,428,000 and $6,148,000, respectively. During the first nine months of 2002, the Company expensed $1,479,000 of compensation expense related to special distributions that are probable of being paid under the terms of certain stock option agreements. The Company has also experienced increases in professional fees for internal audit, legal, and personnel recruiting services. General and administrative expenses as a percentage of rental revenues increased during the three and nine months ended September 30, 2002 as compared to the same periods in 2001. The Company expects these ratios to decline as capital from the sale of assets is redeployed.

Direct costs of management fees decreased $1,000 and $28,000, respectively, for the three and nine months ended September 30, 2002, compared to the same period last year.

Net income totaled $4,394,000 for the quarter ended September 30, 2002, compared to net income of $8,006,000 for the corresponding period in 2001. Net income totaled $13,882,000 for the nine months ended September 30, 2002, compared to net income of $25,344,000 for the corresponding period in 2001. This decrease resulted primarily from the sale of assets described above.

LIQUIDITY AND CAPITAL RESOURCES

Operating Activities-- During the nine months ended September 30, 2002, the Company generated approximately $39.5 million in net cash from operating activities. The Company's primary internal sources of cash are

(i) the collection of rents from buildings owned by the Company and (ii) the receipt of fees paid to the Company in respect of properties managed on behalf of AP-Knight LP and Crocker Realty Trust. As a REIT for Federal income tax purposes, the Company is required to pay out annually, as dividends, at least 90 percent of its REIT taxable income (which, due to non-cash charges, including depreciation and net operating loss carryforwards, may be substantially less than cash flow). In the past, the Company has paid out dividends in amounts at least equal to its REIT taxable income. The Company believes that its cash provided by operating activities will be sufficient to cover debt service payments and to pay the dividends required to maintain REIT status through 2002.

The level of cash flow generated by rents depends primarily on the occupancy rates of the Company's buildings and changes in rental rates on new and renewed leases and under escalation provisions in existing leases. At September 30, 2002, leases representing approximately 9.3 percent of the gross annualized rent from the Company's properties, without regard to the exercise of options to renew, were due to expire during the remainder of 2002. These scheduled expirations represent 87 leases for space in buildings located in 14 of the 15 centers or locations in which the Company owns buildings. Certain of these tenants may not renew their leases or may reduce their demand for space. During the nine months ended September 30, 2002, leases were renewed on approximately 68 percent of the Company's rentable square feet that were scheduled to expire during the nine-month period. For those leases which renewed during the nine months ended September 30, 2002, the average rental rate per rentable square foot increased from $16.95 to $17.68. However, current market conditions in certain markets may require that rental rates at which leases are renewed or at which vacated space is leased be lower than rental rates under existing leases. Based upon the amount of leases that will expire during 2002 and the competition for tenants in the markets in which the Company operates, the Company has and expects to continue to offer incentives to certain new and renewal tenants. These incentives may include the payment of tenant improvement costs and, in certain markets, reduced rents during initial lease periods.

Governmental tenants (including the State of Florida and the United States Government) which account for approximately 25.0 percent of the Company's leased space at September 30, 2002 may be subject to budget reductions in times of recession and governmental austerity measures. Consequently, there can be no assurance that governmental appropriations for rents may not be reduced. Additionally, certain of the private sector tenants that have contributed to the Company's rent stream may reduce their current demands, or curtail their future need, for additional office space. During 2002, the State of Florida announced its intention to eliminate its Department of Labor, which will have a direct impact on the Company's property in Tallahassee. The Company is currently evaluating the long-term impact of this reorganization and is in negotiations with other state departments to reassign the vacated space.

The Company has benefited from historic economic conditions and stable vacancy levels for office buildings in many of the metropolitan areas in which the Company owns buildings. The Company believes that the Southeastern and Southwestern United States provides significant economic growth potential due to its diverse regional economies, expanding metropolitan areas, skilled work force and moderate labor costs. However, the Company is currently experiencing slower growth in the markets in which it owns buildings. Cash flow from operations could be reduced if a weakened economy resulted in lower occupancy rates and lower rental income for the Company's buildings, which may in turn affect the amount of dividends paid by the Company.

Investing Activities-- During January 2002, the Company acquired all of the remaining limited partnership units in Koger-Vanguard Partners, L.P., a Delaware limited partnership, for approximately $16.5 million. These partnership units were convertible into 999,710 shares of the Company's common stock.

On January 31, 2002, the Company acquired Three Ravinia Drive, an 803,160 square foot office building located in Atlanta, Georgia, for approximately $125.0 million and other transaction costs. The Company allocated approximately $7.0 million and $118.3 million of the net purchase price to value of the acquired land and building, respectively. As of September 30, 2002, approximately 63% of the property's rentable space was leased. The Company expects to lease

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the property's vacant space over the next three years.

At September 30, 2002, substantially all of the Company's invested assets were in real properties. Improvements to the Company's existing properties have been financed through internal operations. During the nine months ended September 30, 2002, the Company's expenditures for improvements to existing properties decreased $4,447,000 from the corresponding period of the prior year. This decrease was due to the reduction in expenditures for tenant improvements primarily caused by the sale of 75 office buildings and one retail property in 2001.

Financing Activities-- The Company has a $125 million secured revolving credit facility ($70 million of which had been borrowed on September 30, 2002) provided by Fleet National Bank and other lenders. At September 30, 2002, the Company had no unencumbered properties. Loan maturities and normal amortization of mortgages and loans payable are expected to total approximately $9.0 million during the remainder of calendar year 2002.

The foregoing discussion contains forward-looking statements concerning 2002. The actual results of operations for 2002 could differ materially from those projected because of factors affecting the financial markets, reactions of the Company's existing and prospective investors, the ability of the Company to identify and execute development projects and acquisition opportunities, the ability of the Company to renew and enter into new leases on favorable terms with creditworthy tenants, and other risk factors. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - - Cautionary Statement Relevant to Forward-Looking Information for Purpose of the `Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" in the Company's Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2001.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. The Company currently has a $125 million secured revolving credit facility with a variable interest rate. The Company may incur additional variable rate debt in the future to meet its financing needs.

Increases in interest rates on such debt could increase the Company's interest expense, which would adversely affect the Company's cash flow and its ability to pay dividends to its shareholders. The Company has not entered into any interest rate hedge contracts in order to mitigate the interest rate risk with respect to the secured revolving credit facility. As of September 30, 2002, the Company had borrowed $70 million under the secured revolving credit facility. If the weighted average interest rate on this variable rate debt were 100 basis points higher or lower, annual interest expense would be increased or decreased by approximately $700,000.

Item 4. Controls and Procedures

(a) The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Company's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this quarterly report on Form 10-Q, the Company has carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's principal executive officer and the Company's principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on such evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective.

(b) There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this quarterly report on Form 10-Q.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 5. Other Information

(a) The following table sets forth, with respect to each Koger Center or location at September 30, 2002, gross square feet, rentable square feet, percentage leased, and the average annual rent per rentable square foot leased.

Koger Center/Location	Gross Square Feet	Rentable Square Feet	Perce Leased

Atlanta Chamblee	1,199,800	1,117,565	89
Atlanta Gwinnett	274,400	262,789	91
Atlanta Perimeter	184,000	176,503	99
Atlanta Three Ravinia (3)	845,000(4)	803,160(4)	63
Charlotte University	190,600	182,852	99
Charlotte Vanguard	548,200	525,679	75
Jacksonville Baymeadows	793,400	749,848	99
Jacksonville JTB	436,000	416,773	100
Memphis Germantown	562,600	531,346	82
Orlando Central	699,700	616,154	97
Orlando Lake Mary	318,000	303,481	96
Orlando University	405,200	384,193	86
Richmond Paragon	154,300	153,374	98
St. Petersburg	715,500	668,360	87
Tallahassee	960,300	833,916	72
Total	8,287,000	7,725,993	
Weighted Average - Total Company			86
Weighted Average - Operational Buildings			89
Weighted Average - Building in Lease-up			63

(1) The percent leased rates have been calculated by dividing total rentable square feet leased in an office building by rentable square feet in such building.

(2) Rental rates are computed by dividing (a) total annualized base rents (which excludes expense pass-through and reimbursements) for a Koger Center or location as of September 30, 2002 by (b) the rentable square feet applicable to such total annualized rents.

(3) Currently in a lease-up period. The Company considers an acquired building to be in a lease-up period until the earlier of 85% occupancy or 18 months.

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(4) An engineering survey of the newly acquired property is ongoing. Square footage amounts represent the Company's best current estimates.

(5) Includes the effect of "triple net" leases where tenants pay substantially all operating costs in addition to base rent.

(b) The following schedule sets forth for all of the Company's buildings (i) the number of leases which will expire during the remainder of calendar year 2002, calendar years 2003 through 2010, and years subsequent to 2010, (ii) the total rentable area in square feet covered by such leases, (iii) the percentage of total rentable square feet represented by such leases, (iv) the average annual rent per square foot for such leases, (v) the current annualized base rents represented by such leases, and (vi) the percentage of gross annualized base rents contributed by such leases. This information is based on the buildings owned by the Company on September 30, 2002 and on the terms of leases in effect as of September 30, 2002, on the basis of then existing base rentals, and without regard to the exercise of options to renew. Furthermore, the information below does not reflect that some leases have provisions for early termination for various reasons, including, in the case of government entities, lack of budget appropriations. Leases were renewed on approximately 68 percent of the Company's rentable square feet which were scheduled to expire during the nine months ended September 30, 2002.

Period	Number of Leases Expiring	Number of Square Feet Expiring	Percentage of Total Square Feet Leased Represented by Expiring Leases	Average Annual Rent per Square Foot Under Expiring Leases	Ex
2002	87	584,475	8.8%	$17.73	$
2003	250	1,143,513	17.3%	17.14	
2004	198	822,090	12.4%	16.97	
2005	149	879,992	13.3%	16.55	
2006	75	677,509	10.2%	16.81	
2007	54	785,978	11.9%	16.91	
2008	18	427,328	6.5%	18.48	
2009	17	682,738	10.3%	17.13	
2010	3	116,495	1.8%	17.21	
Other	11	495,266	7.5%	14.41	
Total	862	6,615,384	100.0%	$16.91	$

(c) The Company believes that Funds from Operations is one measure of the performance of an equity real estate investment trust. Funds from Operations should not be considered as an alternative to net income as an indication of the Company's financial performance or to cash flow from operating activities (determined in accordance with accounting principles generally accepted in the United States of America) as a measure of the Company's liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of the Company's needs. Funds from Operations is calculated as follows (in thousands):

	Three Months Ended September 30, 2002	2001
Net Income	$ 4,394	$ 8,006
Depreciation - real estate	6,174	8,849
Amortization - deferred tenant costs	378	597
Amortization - goodwill	--	43
Minority interest	--	323
Gain on sale of furniture and equipment	(1)	--
Funds from Operations	$10,945	$17,818

	Nine Months Ended September 30, 2002	2001
Net Income	$ 13,882	$ 25,344
Depreciation - real estate	18,493	24,991
Amortization - deferred tenant costs	1,080	1,658
Amortization - goodwill	--	128
Minority interest	20	937
Gain on sale of furniture and equipment	(2)	--
Funds from Operations	$33,473	$53,058

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Number	Description
11	Earnings Per Share Computations.
15	Letter re: Unaudited interim financial information.

(b) Reports on Form 8-K

On August 15, 2002, the Company filed a Form 8-K (dated August 13, 2002) reporting under Item 9, Regulation FD Disclosure, the announcement of its quarterly results for the period ended June 30, 2002, and related supplemental information, dated June 30, 2002, and including under Item 7, Financial Statements and Exhibits, the Koger Equity, Inc. News Release, dated August 13, 2002, and related supplemental information.

On August 16, 2002, the Company filed a Form 8-K (dated August 15, 2002) reporting under Item 9, Regulation FD Disclosure, the announcement of a quarterly dividend, and including under Item 7, Financial Statements and Exhibits, the Koger Equity, Inc. News Release, dated August 15, 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.

KOGER EQUITY, INC.
Registrant

Dated: November 14, 2002

/s/ Robert E. Onisko

Robert E. Onisko
Chief Financial Officer

CERTIFICATE OF
CHIEF EXECUTIVE OFFICER
AND CHIEF FINANCIAL OFFICER

Each of the undersigned hereby certifies in his capacity as an officer of Koger Equity, Inc. (the "Company") that he has reviewed this quarterly report and, to the best of his knowledge and belief, the quarterly report of the Company on Form 10-Q for the quarterly period ended September 30, 2002 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, that the quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the report not misleading, and that the information contained in such report fairly presents, in all material respects, the financial condition of the Company at the end of such period and the results of operations of the Company for such period.

Additionally, each of the undersigned are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the Company and has:

a) designed such disclosure controls and procedures to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to each of the undersigned by others within those entities; and

b) evaluated the effectiveness of the Company's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) disclosed, based on his most recent evaluation, to the Company's auditors and the audit committee of the Company's board of directors:

1) all significant deficiencies in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize and report financial data and have identified for the Company's auditors any material weaknesses in internal controls;

2) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls; and

3) any significant changes in internal controls or in other factors that could significantly affect internal controls, subsequent to the date of his most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Dated: November 14, 2002

/s/ Thomas J. Crocker

Thomas J. Crocker
Chief Executive Officer
Koger Equity, Inc.

Dated: November 14, 2002 /s/ Robert E. Onisko

Robert E. Onisko
Chief Financial Officer
Koger Equity, Inc.

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EXHIBIT 11

EARNINGS PER SHARE COMPUTATIONS
(In Thousands Except Per Share Data)

	Ende 2002
EARNINGS PER COMMON AND DILUTIVE POTENTIAL COMMON SHARE:	
Net Income	$ 4,3
Shares:	
Weighted average number of common shares outstanding - Basic	21,2
EARNINGS PER SHARE - BASIC	$ 0
Shares:	
Weighted average number of common shares outstanding - Basic	21,2
Effect of dilutive securities (a):	
Stock options	1
Adjusted weighted average common shares - Diluted	21,4
EARNINGS PER SHARE - DILUTED	$ 0.

	End 2002
EARNINGS PER COMMON AND DILUTIVE POTENTIAL COMMON SHARE:	
Net Income	$ 13,8
Shares:	
Weighted average number of common shares outstanding - Basic	21,2
EARNINGS PER SHARE - BASIC	$ 0.
Shares:	

Weighted average number of common shares outstanding - Basic	21,2
Effect of dilutive securities (a):	
Stock options	1
Adjusted weighted average common shares - Diluted	21,4
EARNINGS PER SHARE - DILUTED	$ 0.

(a) Shares issuable were derived using the "Treasury Stock Method" for all dilutive potential shares.

EXHIBIT 15

November 13, 2002

Koger Equity, Inc.
433 Plaza Real, Suite 335
Boca Raton, Florida 33432

We have made a review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited interim financial information of Koger Equity, Inc. and subsidiaries for the nine month periods ended September 30, 2002 and 2001, as indicated in our report dated October 25, 2002; because we did not perform an audit, we expressed no opinion on such financial information.

We are aware that our report referred to above, which is included in your Quarterly Report on Form 10-Q for the quarter ended September 30, 2002, is incorporated by reference in Registration Statement No. 33-55179 of Koger Equity, Inc. on Form S-3, Registration Statement No. 33-54617 of Koger Equity, Inc. on Form S-8, Registration Statement No. 333-20975 of Koger Equity, Inc. on Form S-3, Registration Statement No. 333-23429 of Koger Equity, Inc. on Form S-8, Registration Statement No. 333-37919 of Koger Equity, Inc. on Form S-3, Registration Statement No. 333-33388 of Koger Equity, Inc. on Form S-8 and Registration Statement No. 333-38712 of Koger Equity, Inc. on Form S-8.

We also are aware that the aforementioned report, pursuant to Rule 436(c) under the Securities Act of 1933, is not considered a part of the Registration Statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of Sections 7 and 11 of that Act.

DELOITTE & TOUCHE LLP
West Palm Beach, Florida