KOGER EQUITY INC
Form 8-K/A
April 14, 2003

SECURITIES and EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A-2

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 6, 2002

KOGER EQUITY, INC.

(Exact name of registrant as specified in its charter)

FLORIDA

(State or other jurisdiction of incorporation)

1-9997	59-2898045
(Commission File Number)	(IRS Employer Identification No.)

225 NE Mizner Boulevard, Suite 200 Boca Raton, Florida	33432
(Address of principal executive offices)	(Zip Code)

(561) 395-9666

(Registrant's telephone number, including area code)

433 Plaza Real, Suite 335, Boca Raton, Florida 33432

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

Koger Equity, Inc. (the "Company") is amending its Form 8-K/A filed on February 19, 2003, to include an unaudited condensed statement of operations for the Lakes on Post Oak for the eleven months ended November 30, 2002. This information was only recently obtained from the sellers of the Lakes on Post Oak and was not a basis for determining its purchase price (see Item 2).

The Company previously amended its Form 8-K filed on December 17, 2002, to include (i) a Statement of Revenues and Certain Expenses for The Lakes on Post Oak for the year ended December 31, 2001 as required by Rule 3-14 of Regulation S-X of the Securities and Exchange Commission and (ii) unaudited pro forma financial statements including (a) the Company's pro forma balance sheet as of December 31, 2001, as if the acquisition of The Lakes on Post Oak occurred on December 31, 2001, (b) the Company's pro forma statement of operations for the year ended December 31, 2001, as if the acquisition of The Lakes on Post Oak occurred on January 1, 2001, and (c) a pro forma statement of estimated taxable operating results and estimated cash to be made available by operations of the Company for the year ended December 31, 2001, as if the acquisition of The Lakes on Post Oak occurred on January 1, 2001.

Item 2. Acquisition or Disposition of Assets.

On December 6, 2002, the Company acquired The Lakes on Post Oak (the "Property") in Houston, Texas for approximately $102 million. The Property is comprised of three office buildings adjacent to the Galleria Mall, which contain approximately 1.2 million square feet of rentable space. The funds required for this acquisition were drawn from a $77 million mortgage secured by the Property and from the Company's secured revolving credit facility. The Property was acquired from 4849 Greenville I, Ltd. and West Oak/Nissei Associates, unrelated third parties.

The Company considered various factors in determining the price to be paid for this acquisition. Factors considered included the nature of the tenants and terms of leases in place, opportunities for alternative and new tenancies, historical and expected cash flows, occupancy rates, current operating costs on the Property and anticipated changes therein under Company ownership, the physical condition and location of the Property, the need for capital improvements, the anticipated effect on the Company's financial results, and other factors. The Company took into consideration capitalization rates at which it believed other comparable properties had recently sold. However, the Company determined the price it was willing to pay primarily on the factors discussed above relating to the Property itself and its fit into the Company's existing operations. No separate independent appraisal was obtained in connection with this acquisition. The Company, after investigation, is not aware of any material factors, other than those discussed above, that would cause the financial information reported not to be necessarily indicative of future operating results. The Company intends to lease office space in the Property to tenants as it does the other office buildings contained in its portfolio. The Property will be managed and leased by a third party management company.

Item 7. Financial Statements and Exhibits

Listed below are the financial statements, pro forma financial information and exhibits, if any, filed as part of this report.

(a) Financial Statements of Real Estate Acquired.

Statement of Revenues and Certain Expenses of The Lakes on Post Oak for the year ended December 31, 2001.

Unaudited Condensed Statement of Operations of The Lakes on Post Oak for the eleven months ended November 30, 2002.

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of revenues and certain expenses of the property known as The Lakes on Post Oak (the "Property") for the year ended December 31, 2001. On December 6, 2002, the Property was acquired by Koger Post Oak Limited Partnership, a wholly owned subsidiary of Koger Equity, Inc. This financial statement is the responsibility of the Property's former management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion in the filing of a Form 8-K/A of Koger Equity, Inc. dated December 6, 2002 as a result of the acquisition of the Property). Material amounts, described in Note 1 to the statement of revenues and certain expenses, that would not be comparable to those resulting from future operations of the Property are excluded and the statement is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues and certain expenses of the Property for the year ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP
Certified Public Accountants

West Palm Beach, Florida
February 7, 2003

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THE LAKES ON POST OAK- HOUSTON, TEXAS
STATEMENT OF REVENUES AND CERTAIN EXPENSES
YEAR ENDED DECEMBER 31, 2001

REVENUES:	
Base rental income	$ 17,189,224
Operating expense recovery	1,906,021
Parking, antennae, and other income	781,955
Total revenues	19,877,200

CERTAIN EXPENSES:	
Property operating	6,007,319
Real estate and other taxes	3,088,900
Management costs and fees	1,028,193
Total certain expenses	10,124,412
REVENUES IN EXCESS OF CERTAIN EXPENSES	$ 9,752,788

See notes to statement of revenues and certain expenses.

THE LAKES ON POST OAK- HOUSTON, TEXAS
NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
YEAR ENDED DECEMBER 31, 2001

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lakes on Post Oak (the "Property"), three office buildings containing approximately 1.2 million square feet and located in Houston, Texas, was acquired by Koger Post Oak Limited Partnership, a wholly owned subsidiary of Koger Equity, Inc. (the "Company") on December 6, 2002. The statement of revenues and certain expenses includes information related to the operations of the Property for the year ended December 31, 2001 as recorded by the Property's previous owners, 4849 Greenville I, Ltd. and West Oak/Nissei Associates, subject to the adjustments described below.

The accompanying historical financial statement information is presented in conformity with Rule 3-14 of Regulation S-X of the Securities and Exchange Commission. Accordingly, the financial statement is not representative of the actual operations for the year ended December 31, 2001 as certain expenses, which may not be comparable to the expenses expected to be incurred in the future operations of the Property, have been excluded. Expenses excluded consist of interest, depreciation and amortization, and other costs not directly related to the future operations of the acquired property.

Management's Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Income - Rental income is recognized on a straight-line basis over the terms of the related leases.

Property Operating Expenses - Property operating expenses consist primarily of utilities, insurance, repairs and maintenance, security and safety, cleaning, bad debts and other administrative expenses.

Management Costs and Fees - The Property was managed by a third party manager for a property management fee of four percent of rental and other revenues plus reimbursement of personnel and other costs related to management of the properties.

THE LAKES ON POST OAK- HOUSTON, TEXAS
NOTES TO STATEMENT OF REVENUES AND CERTAIN EXPENSES
YEAR ENDED DECEMBER 31, 2001

2. OPERATING LEASES

Operating revenue is principally obtained from business tenant rentals under operating leases. Future minimum rentals under all tenant operating leases as of December 31, 2001 are as follows:

Year ending December 31,	Amou
2002	$ 17,044,7
2003	15,303,7
2004	12,103,9
2005	10,090,3
2006	9,065,3
Thereafter	21,367,6
Total	$ 84,975,8

For the year ended December 31, 2001, Bechtel Corporation contributed approximately 39% of the Property's base rental revenues.

THE LAKES ON POST OAK- HOUSTON, TEXAS
UNAUDITED CONDENSED STATEMENT OF OPERATIONS
ELEVEN MONTHS ENDED NOVEMBER 30, 2002

REVENUES:	
Base rental income	$ 14,682,101
Operating expense recovery	944,318
Parking, antennae, and other income	749,962
Total operating revenues	16,376,381

EXPENSES:	
Property operating	4,754,227
Real estate and other taxes	2,763,648
Management costs and fees	449,032
Depreciation	3,274,644
General and administrative	896,312
Total operating expenses	12,137,863
NET OPERATING INCOME	4,238,518
OTHER INCOME AND EXPENSE:	
Interest income	69,529
Mortgage and loan interest	(2,681,483)
Total other income and expense	(2,611,954)
NET INCOME	$ 1,626,564

See notes to unaudited condensed statement of operations.

THE LAKES ON POST OAK- HOUSTON, TEXAS
UNAUDITED CONDENSED STATEMENT OF OPERATIONS
ELEVEN MONTHS ENDED NOVEMBER 30, 2002

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lakes on Post Oak (the "Property"), three office buildings containing approximately 1.2 million square feet and located in Houston, Texas, was acquired by Koger Post Oak Limited Partnership, a wholly owned subsidiary of Koger Equity, Inc. (the "Company") on December 6, 2002. The unaudited condensed statement of operations includes information related to the operations of the Property for the eleven months ended November 30, 2002 as recorded by the Property's previous owners, 4849 Greenville I, Ltd. and West Oak/Nissei Associates, subject to the adjustments described below.

Management's Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Rental Income - Rental income is recognized on a straight-line basis over the terms of the related leases.

Depreciation - In the Property's historical financial statements, depreciation expense was not recognized for one of the buildings as of November 30, 2002. Therefore, the Company has increased the Property's historical depreciation expense by approximately $1.1 million.

Property Operating Expenses - Property operating expenses consist primarily of utilities, insurance, repairs and maintenance, security and safety, cleaning, bad debts and other administrative expenses.

Management Costs and Fees - The Property was managed by a third party manager for a property management fee of four percent of rental and other revenues plus reimbursement of personnel and other costs related to management of the properties.

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(b) Pro Forma Financial Statements

The following unaudited pro forma financial statements set forth (i) the pro forma balance sheet as of December 31, 2001, as if the acquisition occurred on December 31, 2001, and (ii) the pro forma statement of operations for the year ended December 31, 2001, as if the acquisition occurred on January 1, 2001. The pro forma financial statements are based upon assumptions contained in the notes thereto and should be read in conjunction with such notes.

The following unaudited pro forma financial statements may not necessarily reflect the results of operations or financial position of the Company which would have actually resulted had the acquisition occurred as of the date and for the periods indicated, nor should they be taken as indicative of the future results of operations or the future financial position of the Company. Differences would result from various factors, including but not limited to changes in the Property's occupancy, rental rates and rental expenses, and changes in the interest rates assumed on the Company's secured revolving credit facility and the mortgage on the Property.

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KOGER EQUITY, INC.
UNAUDITED PRO FORMA BALANCE SHEET
December 31, 2001
(In Thousands)

	Historical 12/31/2001	Pro Forma Adjustments
ASSETS		
Operating properties:		
Real estate	$ 660,204	$ 103,065
Furniture and equipment	3,082	
Accumulated depreciation	(123,999)	
Operating properties - net	539,287	103,065

Undeveloped land held for investment	13,779		
Undeveloped land held for sale, net	76		
Cash and cash equivalents	113,370	(3,000)	
Restricted cash		13,340	
Accounts receivable, net	11,574		
Cost in excess of fair value of net assets acquired - net	595		
Other assets	11,904	1,232	
TOTAL ASSETS	$ 690,585	$ 114,637	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities:			
Mortgages and loans payable	$ 248,683	$ 110,873	(
Accounts payable	4,962		
Accrued real estate taxes payable	1,007		
Accrued liabilities - other	9,206	2,752	(
Dividends payable	44,159		
Advance rents and security deposits	5,103	1,012	(
Total Liabilities	313,120	114,637	
Minority interest	22,923		
Shareholders' Equity:			
Common stock	297		
Capital in excess of par value	469,779		
Notes receivable from stock sales	(5,066)		
Retained earnings	21,180		
Treasury stock, at cost	(131,648)		
Total Shareholders' Equity	354,542		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 690,585	$ 114,637	

See accompanying notes to unaudited pro forma financial statements.

KOGER EQUITY, INC.
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS
For the year ended December 31, 2001
(In Thousands except per Share Data)

	Historical 2001	Pro Forma Adjustments	
REVENUES			
Rental and other rental services	$ 165,623	$ 19,877	(
Management fees	4,080		(
Interest	776	(30)	
Income from Koger Realty Services, Inc.	81		

Total revenues	170,560	19,847	
EXPENSES			
Property operations	61,608	10,124	(a
Depreciation and amortization	36,007	2,446	(c
Mortgage and loan interest	25,204	7,099	(d
General and administrative	8,412		
Direct cost of management fees	3,378		
Other	189		
Total expenses	134,798	19,669	
INCOME BEFORE GAIN ON SALE OF ASSETS, INCOME TAXES AND MINORITY INTEREST	35,762	178	
Gain on sale of assets	39,189		
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	74,951	178	
Income tax provision	684	55	(e
INCOME BEFORE MINORITY INTEREST	74,267	123	
Minority interest	1,044		
NET INCOME	$ 73,223	123	
EARNINGS PER COMMON SHARE:			
Basic	$ 2.76		
Diluted	$ 2.75		
WEIGHTED AVERAGE COMMON SHARES:			
Basic	26,517		
Diluted	26,610		

See accompanying notes to unaudited pro forma financial statements.

KOGER EQUITY, INC.
NOTES TO UNAUDITED PRO FORMA FINANCIAL STATEMENTS

1. Basis of Presentation

On December 6, 2002, Koger Post Oak Limited Partnership, a wholly-owned subsidiary of Koger Equity, Inc. (the "Company"), acquired The Lakes on Post Oak (the "Property"), three office buildings containing approximately 1.2 million square feet and located in Houston, Texas. This acquisition was funded with the Company's existing cash reserves, a $77.0 million mortgage secured by the Property (a portion of which was set aside by the lender as restricted cash to fund future capital improvements and leasing costs), and $33.9 million from the Company's secured revolving credit facility. The Company intends to lease office space in the Property to tenants as it does the other office buildings contained in its portfolio. The Property will be managed and leased by a third party management company.

2. Unaudited Pro Forma Balance Sheet

The unaudited pro forma balance sheet as of December 31, 2001 is based on the historical balance sheet for the Company presented in the Annual Report on Form 10-K for the year ended December 31, 2001. The unaudited pro forma balance sheet includes adjustments assuming this acquisition occurred as of December 31, 2001. Significant pro forma adjustments in the unaudited pro forma balance sheet include the following:

(a) The Company purchased the Property, located in Houston, Texas, for $102 million plus acquisition costs. This acquisition was funded with the Company's existing cash reserves, a $77.0 million mortgage secured by the Property (a portion of which was set aside by the lender as restricted cash to fund future capital improvements and leasing costs), and $33.9 million from the Company's secured revolving credit facility.

The Company intends to make capital improvements of approximately $6.9 million and $5.8 million to the Property during the year ended December 31, 2003 and thereafter, respectively. These expenditures will be funded from the Company's restricted cash balances as necessary based upon leasing activity at the Property.

3. Unaudited Pro Forma Statement of Operations

The unaudited pro forma statement of operations for the year ended December 31, 2001 is based on the historical statement of operations for the Company presented in the Annual Report on Form 10-K for the year ended December 31, 2001. The unaudited pro forma statement of operations includes adjustments assuming that the acquisition of the Property occurred as of January 1, 2001. Significant pro forma adjustments in the unaudited pro forma statement of operations include the following:

(a) Adjustment required for the historical rental revenues and operating expenses for the Property. Operating expenses include management costs and fees calculated using the historical management costs of the Property. The Property was managed by a third party manager for a property management fee of four percent of rental and other revenues plus reimbursement of personnel and other costs related to management of the properties. The Company has engaged a third-party manager to operate the Property at a management fee rate of 1.35 percent of total rental and other revenues of the Property.

Approximately 30% of the Property's rentable office space was vacant at the time of the Company's acquisition of the Property.

The Company expects to lease substantially all of this vacant space over the next three years.

(b) Adjustment required to reflect forfeited interest income on cash paid for the Property of approximately $3.0 million. The estimated average interest rate used to calculate this adjustment was 1.0 percent.

(c) Adjustment required to reflect depreciation on the Property, based on the total cost of the acquisition. The Company uses the straight-line method for depreciation and amortization using an estimated life of 39 years for the Property.

(d) Adjustment required to reflect interest expense related to the amounts drawn on the Property's mortgage ($77.0 million) and the Company's secured revolving credit facility ($33.9 million) to fund the acquisition of the Property. The estimated average interest rate on the Property's mortgage and the Company's secured revolving credit facility were 6.8 percent and 5.5 percent, respectively.

(e) Adjustment required to reflect applicable federal income and state franchise taxes on the Property's taxable income. The Property's taxable income has been reduced by ninety percent for dividends paid to the Company's shareholders.

KOGER EQUITY, INC.
UNAUDITED STATEMENT OF ESTIMATED TAXABLE OPERATING RESULTS
AND ESTIMATED CASH TO BE MADE AVAILABLE BY OPERATIONS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2001
(In Thousands)

Revenues

Rental and other rental services
Management fees
Interest

Total revenues

Expenses
Property operations
Depreciation and amortization
Mortgage and loan interest
General and administrative
Direct cost of management fees
Other
Compensation - exercise of stock options

Total expenses

Estimated Taxable Operating Income
Add Back: Depreciation and Amortization

Estimated Cash To Be Made Available By Operations

Note 1: This statement of estimated taxable operating results and estimated cash to be made available by operations is an estimate of operating results of the Company for the twelve month period ended December 31, 2001 assuming that the acquisition of the Lakes on Post Oak occurred on the first day of the twelve month period. However, this statement does not purport to reflect actual taxable results for any period.

Note 2: Tax depreciation was determined based upon the actual tax depreciation for the Company's existing portfolio and based upon the assumption that the acquisition of the Lakes on Post Oak occurred on the first day of the twelve month period.

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(c) Exhibits

EXHIBIT INDEX

The following designated exhibits are filed herewith:

Number	Exhibit Description of Exhibit
10(a)	Koger Post Oak Partnership Limited Partnership Agreement, dated December 2, Post Oak, Inc. and Koger Equity, Inc. (the "Company").
10(b)	Loan Agreement dated as of December 6, 2002 Between Koger Post Oak Limited Partnership, as Borrower, (the "Partnership") and Column Financial, Inc., as Lender (the "Lender").
10(c)	Deed of Trust and Security Agreement, dated as of December 6, 2002, given by David Parnell, as Trustee for the benefit of the Lender.
10(d)	Promissory Note, dated December 6, 2002, issued by the Partnership payable to principal amount of $77,000,000.
10(e)	Assignment of Leases and Rents dated as of December 6, 2002, given by the Lender.
10(f)	Guaranty Agreement, dated December 6, 2002, executed by the Company for the ben
10(g)	Assignment of Management Agreement and Subordination of Management Fees, dated as of December 6, 2002, given by the Partnership to Lender and consented and agreed to by Cottonwood Partners Management Ltd. (the "Manager").
10(h)	Assignment of Management Agreement and Subordination of Management Fees, dat 2002, given by the Partnership to Lender and consented and agreed to by Hines Partnership (the "Manager").

10(i)	Collateral Assignment of Interest Rate Protection Agreement, dated as of Dece Partnership in favor of the Lender.
10(j)	Deposit Account Agreement, dated as of December 6, 2002, by and among the Lender.

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10(k)	Environmental Indemnity Agreement, dated as of December 6, 2002, by the Par the Lender.
23	Consent of Deloitte and Touche LLP.
99	Koger Equity, Inc. News Release dated December 10, 2002 which is Exhibit 99 to current report on Form 8-K dated December 10, 2002 which Exhibit is incorporate reference.

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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.

Dated: April 14, 2003

By: /s/ STEVEN A. ABNEY

Steven A. Abney
Title: Vice President, Finance

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Exhibit 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation 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 of our report dated February 7, 2003, on the statement of revenues and certain expenses of The Lakes on Post Oak for the year ended December 31, 2001 appearing in this Current Report on Form 8-K/A-2 of Koger Equity, Inc., dated December 6, 2002.

DELOITTE & TOUCHE LLP

West Palm Beach, Florida
April 14, 2003