PS BUSINESS PARKS INC/CA
Form 8-K/A
December 18, 2001

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) November 20, 2001

PS BUSINESS PARKS, INC.
(Exact name of registrant as specified in its charter)

CALIFORNIA	1-10709	95-4300881
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

701 Western AVenue, Glendale, California 91201-2397
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (818) 244-8080

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

ITEM 5. OTHER EVENTS

PS Business Parks, Inc., through its consolidated partnership (collectively referred to as the "Company"), acquired 12 buildings known as the "Prosperity Business Campus" and 12 buildings (including 24 acres of developable land) known as the "Cornell Oaks Corporate Center" on June 1, 2001 and November 20, 2001, respectively, at an aggregate purchase price of approximately $175.9 million. The Company is not affiliated with the sellers and the purchase price was established through arm's length negotiations. The acquisitions were funded with the Company's existing cash balances and borrowings of $60 million from its unsecured line of credit with Wells Fargo Bank.

The following table provides certain information concerning the facilities acquired:

Name and Location	Seller	Date of Acquisition	Property Type	Purchase Price
Prosperity Business Campus Fairfax, Virginia	Olympia Properties, L.L.C.	6/1/01	Industrial & Office	$ 88,400,000
Cornell Oaks Corporate Center Beaverton, Oregon	Talcott Realty I Limited Partnership	11/20/01	Industrial & Office	87,500,000
				$175,900,000

Item 7. Financial Statements and Exhibits

(a)(3) Financial Statements Specified by Rule 3.14 of Regulation S-X

Prosperity Business Campus

- Report of Independent Auditors
- Combined Statements of Certain Revenues and Certain Operating Expenses for the nine months ended September 30, 2001 (unaudited) and for the year ended December 31, 2000
- Notes to Combined Statements of Certain Revenues and Certain Operating Expenses

Cornell Oaks Corporate Center

- Report of Independent Auditors
- Combined Statements of Certain Revenues and Certain Operating Expenses for the nine months ended September 30, 2001 (unaudited) and for the year ended December 31, 2000
- Notes to Combined Statements of Certain Revenues and Certain Operating Expenses

(b) Pro Forma Consolidated Financial Statements

(c) Exhibits

23. Consent of Independent Auditors

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 hereunto duly authorized.

PS BUSINESS PARKS, INC.

Date: December 17, 2001

By: /S/ JACK CORRIGAN

Jack Corrigan
Vice President and Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
of PS Business Parks, Inc.

We have audited the accompanying combined statement of certain revenues and certain operating expenses of the Prosperity Business Campus (as defined in Note 1) ("Statement") for the year ended December 31, 2000. The Statement is the responsibility of the Prosperity Business Campus' management. Our responsibility is to express an opinion on the above mentioned Statement based on our audit.

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

The accompanying Statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission.

In our opinion, the Statement presents fairly the combined certain revenues and certain operating expenses of the Prosperity Business Campus for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Los Angeles, California
July 14, 2001

THE PROSPERITY BUSINESS CAMPUS
Combined Statements of Certain Revenues and Certain Operating Expenses

	Nine months ended September 30, 2001	Year ended December 31, 2000
	(Unaudited)	
Certain rental revenues..............	$ 9,731,000	$ 11,572,000
Certain operating expenses...........	(2,625,000)	(3,254,000)
Certain rental revenues in excess certain operating expenses.......	$ 7,106,000	$ 8,318,000

See accompanying notes
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THE PROSPERITY BUSINESS CAMPUS
Notes to Combined Statements of Certain Revenues and Certain Operating Expenses

1. Background and Basis for Presentation

The accompanying combined statements of certain revenues and certain operating expenses include the accounts of the Prosperity Business Campus located in Virginia and acquired by PS Business Parks, Inc., through its consolidated partnership (collectively referred to as the "Company") on June 1, 2001. The statements are prepared in order to comply with Rule 3.14 of Regulation S-X of the Securities and Exchange Commission.

The combined statements of certain revenues and certain operating expenses include only the accounts and activities of the Prosperity Business Campus. Items that are not comparable to the future operations of the Prosperity Business Campus have been excluded. Such items include depreciation, amortization, management fees, interest income, professional fees, miscellaneous income and straight line rent adjustments.

An audited statement is being presented for the most recent fiscal year available instead of the three most recent years based on the following factors: (i) the Prosperity Business Campus was acquired from a single unaffiliated party and (ii) based on the investigation of the Prosperity Business Campus by the Company, management is not aware of any material factors relating to the Prosperity Business Campus that would cause this financial information not to be necessarily indicative of future operating results other than the factors specifically considered by the Company as described below.

In the decision to acquire the Prosperity Business Campus, the Company considered the competition from other commercial property owners, the location, the leases, the rental rates and the occupancy levels.

The Company has reviewed the expenses of the Prosperity Business Campus, including salaries of on-site personnel, utilities, property taxes, supplies, insurance and repairs and maintenance. The Company expects that certain operating expenses in the future will be consistent with those reported for 2000 and the nine months ended September 30, 2001.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Prosperity Business Campus leases space to tenants for which they charge minimum rents and receive reimbursement for certain operating expenses. The leases are accounted for as operating leases and are non-cancelable with varying terms and expiration dates. Recoveries from tenants are recognized as income in the period the applicable costs are accrued.

Use of Estimates

The preparation of the statements of certain revenues and certain operating expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the statements of certain revenues and certain operating expenses and accompanying notes. Actual results could differ from those estimates.

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
of PS Business Parks, Inc.

We have audited the accompanying combined statement of certain revenues and certain operating expenses of the Cornell Oaks Corporate Center (as defined in Note 1) ("Statement") for the year ended December 31, 2000. The Statement is the responsibility of the Cornell Oaks Corporate Center's management. Our responsibility is to express an opinion on the above mentioned Statement based on our audit.

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

The accompanying Statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission.

In our opinion, the Statement presents fairly the combined certain revenues and certain operating expenses of the Cornell Oaks Corporate Center for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

ERNST & YOUNG LLP

Los Angeles, California
December 7, 2001

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CORNELL OAKS CORPORATE CENTER
Combined Statements of Certain Revenues and Certain Operating Expenses

	Nine months ended September 30, 2001	Year ended December 31, 2000
	(Unaudited)	
Certain rental revenues..............	$ 7,625,000	$ 9,494,000
Certain operating expenses...........	(1,758,000)	(2,341,000)
Certain rental revenues in excess certain operating expenses.......	$ 5,867,000	$ 7,153,000

See accompanying notes
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CORNELL OAKS CORPORATE CENTER
Notes to Combined Statements of Certain Revenues and Certain Operating Expenses

1. Background and Basis for Presentation

The accompanying combined statements of certain revenues and certain operating expenses include the accounts of the Cornell Oaks Corporate Center located in Oregon and acquired by PS Business Parks, Inc., through its consolidated partnership (collectively referred to as the "Company") on November 20, 2001. The statements are prepared in order to comply with Rule 3.14 of Regulation S-X of the Securities and Exchange Commission.

The combined statements of certain revenues and certain operating expenses include only the accounts and activities of the Cornell Oaks Corporate Center. Items that are not comparable to the future operations of the Cornell Oaks Corporate Center have been excluded. Such items include depreciation, amortization, management fees, interest income, professional fees, miscellaneous income and straight line rent adjustments.

An audited statement is being presented for the most recent fiscal year available instead of the three most recent years based on the following factors: (i) the Cornell Oaks Corporate Center were acquired from a single unaffiliated party and (ii) based on the investigation of the Cornell Oaks Corporate Center by the Company, management is not aware of any material factors relating to the Cornell Oaks Corporate Center would cause this financial information not to be necessarily indicative of future operating results other than the factors specifically considered by the Company as described below.

In the decision to acquire the Cornell Oaks Corporate Center, the Company considered the competition from other commercial property owners, the location, the leases, the rental rates and the occupancy levels.

The Company has reviewed the expenses of the Cornell Oaks Corporate Center, including salaries of on-site personnel, utilities, property taxes, supplies, insurance and repairs and maintenance. The Company expects that certain operating expenses in the future will be consistent with those reported for 2000 and the nine months ended September 30, 2001.

2. Summary of Significant Accounting Policies

Revenue Recognition

The Cornell Oaks Corporate Center leases space to tenants for which they charge minimum rents and receive reimbursements for certain operating expenses. The leases of the Cornell Oaks Corporate Center are accounted for as operating leases and are non-cancelable with varying terms and expiration dates. Recoveries from tenants are recognized as income in the period the applicable costs are accrued.

Use of Estimates

The preparation of the combined statements of certain revenues and certain operating expenses in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the combined statements of certain revenues and certain operating expenses and accompanying notes. Actual results could differ from those estimates.

ITEM 7 (B) PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

The following unaudited pro forma consolidated financial statements were prepared to reflect the acquisition of real estate facilities by PS Business Parks, Inc., through its consolidated partnership (collectively referred to as the "Company") during the period of June 1, 2001 and November 20, 2001. During that period, the Company acquired 12 buildings known as the Prosperity Business Campus and 12 buildings known as the Cornell Oaks Corporate Center at an aggregate purchase price of approximately $175.9 million. The Company is not affiliated with the sellers and the purchase price was established through arm's length negotiations. The acquisitions were funded with the Company's existing cash balances and borrowings of $60 million from its unsecured line of credit with Wells Fargo Bank.

In addition to adjustments to reflect the recently acquired properties, pro forma adjustments were made to reflect the following transactions:

1. On May 10, 2001 and June 18, 2001, the Company issued 1,840,000 and 800,000 depositary shares, respectively, each representing 1/1,000 of a share of the Company's 9 1/2% Cumulative Preferred Stock, Series D at $25.00 per share. Net proceeds were approximately $64.3 million and were used for investment in real estate.

2. On September 21, 2001, the Company completed a private placement of 2,120,000 preferred units with a preferred distribution rate of 9 1/4%. Net proceeds were approximately $51.6 million and were used for investment in real estate.

The pro forma consolidated balance sheet at September 30, 2001 has been prepared to reflect the subsequent acquisitions of commercial properties.

The pro forma consolidated statements of income for the nine months ended September 30, 2001 and the year ended December 31, 2000 have been prepared assuming (i) the aforementioned acquisitions of commercial properties and (ii) the aforementioned public offerings of depositary shares representing fractional interest in preferred stock and the private placement of preferred units, as if all such transactions were consummated at the beginning of the periods presented. The operations of all property acquisitions are based on historical operating results.

The pro forma adjustments are based upon available information and upon certain assumptions as set forth in the notes to the pro forma consolidated financial statements that the Company believes is reasonable in the circumstances. The pro forma consolidated financial statements and accompanying notes should be read in conjunction with the historical financial statements of the Company and other documents filed with the Securities and Exchange Commission (such as Form 8-K's which reference property acquisitions) from time to time. The following pro forma consolidated financial statements do not purport to represent what the Company's results of operations would actually have been if the transactions had in fact occurred at the beginning of the dates indicated or to project the Company's results of operations for any future date or period.

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PS BUSINESS PARKS, INC.
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 2001
(Unaudited)
(Amounts in thousands, except per share data)

	Historical	Property Acquisitions (Note 1)
ASSETS		
Cash and cash equivalents................................	$ 66,291	$ (27,50
Marketable securities....................................	8,657	
Real estate, net of accumulated depreciation.............	941,998	87,50
Receivables and other assets.............................	11,559	
Total assets...	$ 1,028,505	$ 60,00
LIABILITIES AND SHAREHOLDERS' EQUITY		
Accrued and other liabilities............................	$ 35,202	$
Line of credit...	-	60,00
Mortgage notes payable...................................	30,354	

Minority interests:		
Preferred units..	197,750	
Common units...	162,338	
Shareholders' equity:		
Preferred stock, $0.01 par value, 50,000,000 shares authorized, 4,840 shares issued and outstanding at September 30, 2001................................	121,000	
Common stock, $0.01 par value, 100,000,000 shares authorized, 21,704,067 shares issued and outstanding at September 30, 2001..............................	217	
Paid-in capital..	426,546	
Cumulative net income..................................	162,134	
Other comprehensive loss...............................	(740)	
Cumulative distributions...............................	(106,296)	
Total shareholders' equity.........................	602,861	
Total liabilities and shareholders' equity............	$ 1,028,505	$ 60,00
Book value per common share (Note 2)......................	$ 22.20	
Shares outstanding..	21,704	

See Accompanying Notes to Pro Forma Consolidated Balance Sheet

PS BUSINESS PARKS, INC.
NOTES TO PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 2001
(Unaudited)

1. Property Acquisitions

On November 20 2001, the Company acquired 12 buildings known as the Cornell Oaks Corporate Center from an unaffiliated third party at an aggregate cost of approximately $87.5 million.

The following pro forma adjustments have been made to the pro forma consolidated balance sheet to reflect the aforementioned transaction as if these properties had been owned by the Company as of September 30, 2001.

o Pro forma adjustments have been made to cash and cash equivalents to reflect:

o The acquisition cost of the facilities acquired..	$(87,500,000)
o Borrowings from the line of credit to fund the acquisition....................................	60,000,000
	$(27,500,000)

o A pro forma adjustment has been made to real estate facilities to reflect the acquisition cost

of the facilities acquired........................	$ 87,500,000
o A pro forma adjustment has been made to reflect borrowings from the line of credit to fund the acquisition......................................	$ 60,000,000

2. Book value per common share

Book value per common share has been determined by dividing total common shareholders' equity by the outstanding common shares. The following summarizes the common shares outstanding:

	Common shares outstanding
o Historical shares outstanding at September 30, 2001	21,704,000

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PS BUSINESS PARKS, INC.
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the Nine Months Ended September 30, 2001
(Unaudited)
(Amounts in thousands, except per share data)

	Historical	Property Acquisitions (Note 1)
Revenues:		
Rental income...........................	$ 121,964	$ 12,983
Facility management fees primarily from affiliates............................	499	-
Business services.......................	308	-
Interest and dividend income............	1,671	-
	124,442	12,983
Expenses:		
Cost of operations......................	32,852	3,302
Cost of facility management.............	111	-
Cost of business services...............	460	-
Depreciation and amortization...........	30,058	2,453
General and administrative..............	3,157	-
Interest expense........................	932	-
	67,570	5,755
Income (loss) before gain on real estate investments and minority interest in income.	56,872	7,228
Gain on investment in Pacific Gulf Properties, Inc.........................	15	-
Income (loss) before minority interest in		

income....................................	56,887	7,228	
Minority interest in income - preferred units..................................	(9,696)	-	
Minority interest in income - common units (Note 4)..........................	(10,047)	(1,764)	
Net income (loss)..........................	$ 37,144	$ 5,464	
Net income (loss) allocation:			
Allocable to preferred shareholders......	$ 6,014	$ -	
Allocable to common shareholders.........	31,130	5,464	
	$ 37,144	$ 5,464	
Net income per common share (Note 3):			
Basic................................	$ 1.38		
Diluted..............................	$ 1.37		
Weighted average common shares outstanding (Note 3):			
Basic................................	22,610		
Diluted..............................	22,685		

See Accompanying Notes to Pro Forma Consolidated Statements of Income

PS BUSINESS PARKS, INC.
PRO FORMA CONSOLIDATED STATEMENT OF INCOME
For the Year Ended December 31, 2000
(Unaudited)
(Amounts in thousands, except per share data)

	Historical	Property Acquisitions (Note 1)	
Revenues:			
Rental income...........................	$ 144,171	$ 21,066	
Facility management fees primarily from affiliates...........................	581	-	
Business services.......................	505	-	
Interest and dividend income............	5,377	-	
	150,634	21,066	
Expenses:			
Cost of operations......................	39,290	5,595	
Cost of facility management.............	111	-	
Cost of business services...............	344	-	
Depreciation and amortization...........	35,637	4,264	

General and administrative..............	3,954	-
Interest expense........................	1,481	-
	80,817	9,859
Income (loss) before gain on real estate investments and minority interest in income.	69,817	11,207
Gain on disposition of real estate.......	256	-
Gain on investment in Pacific Gulf Properties, Inc.........................	7,849	-
Income (loss) before minority interest in income....................................	77,922	11,207
Minority interest in income - preferred units..................................	(12,185)	-
Minority interest in income - common units (Note 4)..........................	(14,556)	(2,690)
Net income................................	$ 51,181	$ 8,517
Net income allocation:		
Allocable to preferred shareholders......	$ 5,088	$ -
Allocable to common shareholders.........	46,093	8,517
	$ 51,181	$ 8,517
Net income per common share (Note 3):		
Basic................................	$ 1.98	
Diluted..............................	$ 1.97	
Weighted average common shares outstanding (Note 3):		
Basic................................	23,284	
Diluted..............................	23,365	

See Accompanying Notes to Pro Forma Consolidated Statements of Income

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PS BUSINESS PARKS, INC.
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
For the nine months ended September 30, 2001
and the year ended December 31, 2000
(Unaudited)

1. Property Acquisitions

The following pro forma adjustments have been made to reflect the operations of the newly acquired properties as if such properties had been owned and operated by the Company throughout the entire periods presented:

		Nine months ended September 30, 2001
		(Amounts in
o Rental income has been adjusted to reflect:		
o the pro forma rental income as if the acquired properties were owned by the Company for the periods presented:		
Prosperity Business Campus..........................	$	9,731
Cornell Oaks Corporate Center.......................		7,625
o the rental income of these properties which are already included in the Company's historical amounts...........		(4,373)
	$	12,983
o Cost of operations has been adjusted to reflect:		
o the pro forma cost of operations as if the acquired properties were owned by the Company for the periods presented:		
Prosperity Business Campus..........................	$	2,625
Cornell Oaks Corporate Center.......................		1,758
o the cost of operations of these properties which are already included in the Company's historical amounts.....		(1,081)
	$	3,302
o A pro forma adjustment has been made to reflect the incremental depreciation expense of the acquired properties as if they were owned by the Company for the periods presented..	$	2,453
o Minority interest in income allocable to common unitholders has been adjusted based upon its pro rata ownership interest in the pro forma adjustments above..................	$	(1,764)

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PS BUSINESS PARKS, INC.
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
For the nine months ended September 30, 2001
and the year ended December 31, 2000
(Unaudited)

2. Other Pro Forma Adjustments

	Nine months ended September 30, 2001
	(Amounts in except per

o Interest expense has been adjusted to reflect the interest expense associated with the line of credit as if the borrowings had been completed at the beginning of the periods presented	$ 1,378
o Minority interest in income - preferred has been adjusted to reflect the incremental preferred distributions as if the preferred unit offering had been completed at the beginning of the periods presented..................................	$ (3,541)
o Net income allocable to preferred shareholders has been adjusted to reflect the incremental preferred dividends as if the preferred stock offering had been completed at the beginning of the periods presented.........................	$ 2,504
o Minority interest in income allocable to common unitholders has been adjusted based upon its pro rata ownership interest in the above pro forma adjustments.......	$ 1,811

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PS BUSINESS PARKS, INC.
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
For the nine months ended September 30, 2001
and the year ended December 31, 2000
(Unaudited)

3. Net income per common share has been computed as follows:

	Nine months ended September 30, 2001
	(Amounts in except per
Historical net income allocable to common shareholders...........	$ 31,130
Historical weighted average common shares - basic................	22,610
Dilutive effect of stock options............................	75
Historical weighted average common shares - diluted..............	22,685
Historical net income per common share - basic...................	$ 1.38
Historical net income per common share - diluted.................	$ 1.37
Pro forma net income allocable to common shareholders............	$ 30,983
Pro forma weighted average common shares - basic.................	22,610

Dilutive effect of stock options..........................	75
Pro forma weighted average common shares - diluted..............	22,685
Pro forma net income per common share - basic....................	$ 1.37
Pro forma net income per common share - diluted..................	$ 1.37

PS BUSINESS PARKS, INC.
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF INCOME
For the nine months ended September 30, 2001
and the year ended December 31, 2000
(Uuaudited)

4. Minority Interest

Minority interest represents ownership interests of common OP units in the consolidated Operating Partnership which are not owned by the Company. The common OP units, subject to certain conditions of the Operating Partnership Agreement, are convertible into common shares of the Company on a one-for-one basis. The following table summarizes the ownership interests:

	Nine months ended September 30, 2001
	(Amounts i except pe
Pro forma weighted average common shares outstanding...........	22,610
Pro forma weighted average common OP units owned by minority minority interests..	7,307
Pro forma weighted average common shares outstanding assuming conversion of common OP units................................	29,917
Percentage owned by common shareholders.......................	75.6%
Percentage owned by common unitholders.........................	24.4%
Total ownership interest................................	100.0%