

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

PS BUSINESS PARKS INC/CA
Form 8-K/A
January 16, 2002

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K/A

Current Report Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) December 27, 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 91201-2379

(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 a business park consisting of 17 buildings known as "Metro Park North" on December 27, 2001 at an aggregate purchase price of approximately \$127.3 million (including closing costs and deferred maintenance). The park was acquired through the acquisition of five limited liability companies controlled by one seller. The Company is not affiliated with the seller and the purchase price was established through arm's length negotiations. The acquisition was funded with the Company's existing cash balances, borrowings of \$40 million from its unsecured line of credit with Wells Fargo Bank and borrowings from an affiliate of \$35 million.

The following table provides certain information concerning the facilities acquired:

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

| Name and Location | Seller | Date of Acquisition | Property Type | Allocation of Purchase Price |
|---------------------------------------|--------------------------------|---------------------|---------------|---------------------------------|
| Metro Park I Rockville, Maryland | MP Investments I, LLC | 12/27/01 | Flex/Office | \$ 41,939,000 |
| Metro Park II Rockville, Maryland | MP Investments II, LLC | 12/27/01 | Flex/Office | 13,532,000 |
| Metro Park III Rockville, Maryland | MP Investments III, LLC LLC | 12/27/01 | Office | 17,594,000 |
| Metro Park IV Rockville, Maryland | MP Investments IV, LLC | 12/27/01 | Office | 16,223,000 |
| Metro Park V Rockville, Maryland | MP Investments V, LLC | 12/27/01 | Office | 38,027,000 |
| | | | | ----- \$127,315,000 ===== |

1

Item 7. Financial Statements and Exhibits

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

Metro Park North

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

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) Metro Park North was acquired from a single unaffiliated party and (ii) based on the investigation of Metro Park North by the Company, management is not aware of any material factors relating to Metro Park North 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 Metro Park North, 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 Metro Park North, 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

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

the six months ended September 30, 2001 and for the year ended March 31, 2001.

(b) Pro Forma Consolidated Financial Statements

(c) Exhibits

23. Consent of Independent Auditors

2

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: January 16, 2002

By: /S/ JACK CORRIGAN

Jack Corrigan
Vice President and Chief Financial Officer

3

REPORT OF INDEPENDENT ACCOUNTANTS

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 operating properties that comprise Metro Park North, described in Note 1 (the "Statement"), for the year ended March 31, 2001. The Statement is the responsibility of Metro Park North's management. Our responsibility is to express an opinion on the 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 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 presentation of the Statement. 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, as described in Note 1, and is not intended to be a complete presentation of Metro Park North's revenues and expenses.

In our opinion, the Statement referred to above presents fairly, in all material

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

respects, the combined certain revenues and certain operating expenses described in Note 1 of Metro Park North for the year ended March 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP
 San Francisco, California
 January 4, 2002

4

METRO PARK NORTH
 Combined Statements of Certain Revenues and Certain Operating Expenses

| | Six months ended September 30, 2001 | Year ended March 31, 2001 |
|---|--|------------------------------|
| | ----- (Unaudited) ----- | |
| Certain rental revenues..... | \$ 8,121,000 | \$ 15,646,000 |
| Certain operating expenses..... | (2,868,000) | (5,690,000) |
| | ----- | |
| Certain rental revenues in excess of certain operating expenses..... | \$ 5,253,000 | \$ 9,956,000 |
| | ===== | |

See accompanying notes

5

METRO PARK NORTH
 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 operating properties that comprise Metro Park North, located in Maryland and acquired by PS Business Parks, Inc., through its consolidated partnership (collectively referred to as the "Company") on December 27, 2001 for approximately \$127 million. The statements have been prepared in order to comply with Rule 3-14 of Regulation S-X, "Special instructions for real estate operations to be acquired" and are prepared on the accrual basis of accounting.

The following table summarizes the properties acquired:

| Name and Location | Seller | Property Type |
|--------------------------------------|---------------------------|---------------|
| ----- | | |
| Metro Park I Rockville, Maryland | MP Investments I, LLC | Flex/Office |
| Metro Park II Rockville, Maryland | MP Investments II, LLC | Flex/Office |

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

| | | |
|---------------------------------------|----------------------------|--------|
| Metro Park III Rockville, Maryland | MP Investments III, LLC | Office |
| Metro Park IV Rockville, Maryland | MP Investments IV, LLC | Office |
| Metro Park V Rockville, Maryland | MP Investments V, LLC | Office |

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

2. Summary of Significant Accounting Policies

Revenue Recognition

Metro Park North 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.

Certain Operating Expenses

Certain operating expenses include costs paid or incurred by the owners for maintaining, operating and repairing the operating properties. This includes utilities, repairs and maintenance and real estate taxes.

6

METRO PARK NORTH

Notes to Combined Statements of Certain Revenues and Certain Operating Expenses

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 of America 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.

Interim Statements

The interim financial data for the six months ended September 30, 2001 is unaudited; however, in the opinion of the management of the Company, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair statement of the results for the interim period. The results for the period presented are not necessarily indicative of the results for the full year.

7

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

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").

The Company acquired a business park consisting of 17 buildings known as "Metro Park North" on December 27, 2001 at an aggregate purchase price of approximately \$127.3 million (including closing costs and deferred maintenance). The Company is not affiliated with the sellers and the purchase price was established through arm's length negotiations. The acquisition was funded with the Company's existing cash balances, borrowings of \$40 million from its unsecured line of credit with Wells Fargo Bank and borrowings from an affiliate of \$35 million.

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, proceeds from preferred offerings (see below) 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 depository 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.

8

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 depository 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.

As a result of the different existing fiscal year-ends of December 31 for the Company and March 31 for Metro Park North, the unaudited pro forma condensed combined statement of income for the year ended December 31, 2000 includes the actual operations of the Company for the year ended December 31, 2000 and the actual operations of Metro Park North for the year ended March 31, 2001. As

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

such, the operating results of Metro Park North for the three months ended March 31, 2001 are included in the unaudited pro forma condensed combined income statements for the year ended December 31, 2000 and also for the nine months ended September 30, 2001.

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.

9

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

| ASSETS ----- | Historical ----- | Property Acquisitions (Note 1) ----- |
|---|---------------------|---|
| Cash and cash equivalents..... | \$ 66,291 | \$ (66,291) |
| Marketable securities..... | 8,657 | |
| Real estate, net of accumulated depreciation..... | 941,998 | 214,811 |
| Receivables and other assets..... | 11,559 | |
| | ----- | ----- |
| Total assets..... | \$ 1,028,505 | \$ 148,522 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY ----- | | |
| Accrued and other liabilities..... | \$ 35,202 | \$ |
| Line of credit..... | - | 100,000 |
| Mortgage notes payable..... | 30,354 | |
| Notes payable to affiliate..... | - | 48,522 |
| 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 | | |

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

| | | | |
|---|----|-----------|-----------|
| 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 | \$ 148,52 |
| | | ===== | ===== |
| Book value per common share (Note 2)..... | \$ | 22.20 | |
| | | ===== | |
| Shares outstanding..... | | 21,704 | |
| | | ===== | ===== |

See Accompanying Notes to Pro Forma Consolidated Balance Sheet.

10

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. On December 27, 2001, the Company acquired 17 buildings known as Metro Park North from an unaffiliated third party at an aggregate cost of approximately \$127.3 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 Cornell Oaks Corporate Center.....
- o The acquisition cost of Metro Park North.....
- o Borrowings from the line of credit to fund the acquisition.....
- o Borrowings from an affiliate to fund the acquisition.....

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

- o A pro forma adjustment has been made to reflect borrowings from the line of credit to fund the acquisition.....

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

- o A pro forma adjustment has been made to reflect borrowings from an affiliate to fund the acquisition.....

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:

- o Historical shares outstanding at September 30, 2001.....

See Accompanying Notes to Pro Forma Consolidated Statements of Income.

11

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 | \$ 25,270 |
| Facility management fees primarily from affiliates..... | 499 | - |
| Business services..... | 308 | - |
| Interest income | 1,659 | - |
| Dividend income..... | 12 | - |
| | 124,442 | 25,270 |
| EXPENSES: | | |
| Cost of operations..... | 32,852 | 7,805 |
| Cost of facility management..... | 111 | - |
| Cost of business services..... | 460 | - |
| Depreciation and amortization..... | 30,058 | 4,765 |
| General and administrative..... | 3,157 | - |
| Interest expense..... | 932 | - |
| | 67,570 | 12,570 |
| Income (loss) before gain on real estate investments and minority interest in income. | 56,872 | 12,700 |

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

| | | |
|--|-----------|----------|
| Gain on investment in Pacific Gulf Properties, Inc..... | 15 | - |
| Income (loss) before minority interest in income..... | 56,887 | 12,700 |
| Minority interest in income - preferred units..... | (9,696) | - |
| Minority interest in income - common units (Note 4)..... | (10,047) | (3,099) |
| Net income (loss)..... | \$ 37,144 | \$ 9,601 |
| Net income (loss) allocation: | | |
| Allocable to preferred shareholders..... | \$ 6,014 | \$ - |
| Allocable to common shareholders..... | 31,130 | 9,601 |
| | \$ 37,144 | \$ 9,601 |
| 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.

12

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..... | \$ 144,171 | \$ 36,712 |
| Facility management fees primarily from affiliates..... | 581 | - |
| Business services..... | 505 | - |
| Interest income..... | 4,076 | - |
| Dividend income..... | 1,301 | - |
| | 150,634 | 36,712 |

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

| | | |
|--|-----------|-----------|
| EXPENSES: | | |
| Cost of operations..... | 39,290 | 11,285 |
| Cost of facility management..... | 111 | - |
| Cost of business services..... | 344 | - |
| Depreciation and amortization..... | 35,637 | 7,358 |
| General and administrative..... | 3,954 | - |
| Interest expense..... | 1,481 | - |
| | 80,817 | 18,643 |
| Income (loss) before gain on real estate investments and minority interest in income. | 69,817 | 18,069 |
| 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 | 18,069 |
| Minority interest in income - preferred units..... | (12,185) | - |
| Minority interest in income - common units (Note 4)..... | (14,556) | (4,337) |
| Net income (loss)..... | \$ 51,181 | \$ 13,732 |
| Net income allocation: | | |
| Allocable to preferred shareholders..... | \$ 5,088 | \$ - |
| Allocable to common shareholders..... | 46,093 | 13,732 |
| | \$ 51,181 | \$ 13,732 |
| 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.

13

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

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

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 |
| Metro Park North..... | 12,287 |
| o the rental income of these properties which are already included in the Company's historical amounts..... | (4,373) |
| | ----- \$ 25,270 ===== |
| 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 |
| Metro Park North..... | 4,503 |
| o the cost of operations of these properties which are already included in the Company's historical amounts..... | (1,081) |
| | ----- \$ 7,805 ===== |
| 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..... | \$ 4,765 ===== |
| 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..... | \$ (3,099) ===== |

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

2. Other Pro Forma Adjustments

| | Nine months ended September 30, 2001 |
|--|---|
| | (Amounts in except per |
| o Interest income has been adjusted to reduce the interest earned on average cash balances that would not have existed had the acquisitions been consummated at the beginning of the periods presented..... | \$ 1,280 |
| o Interest expense has been adjusted to reflect the interest expense associated with the line of credit and note payable to affiliate as if the borrowings had been completed at the beginning of the periods presented..... | \$ 3,461 |
| 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..... | \$ 2,632 |

15

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:

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

| | 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..... | \$ | 32,577 |
| 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..... | \$ | 1.44 |
| Pro forma net income per common share - diluted..... | \$ | 1.44 |

16

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)

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

Edgar Filing: PS BUSINESS PARKS INC/CA - Form 8-K/A

| | (Amounts in except per |
|---|---------------------------|
| Pro forma weighted average common shares outstanding..... | 22,610 |
| Pro forma weighted average common OP units owned by 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% |
| | ===== |