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KOGER EQUITY INC  
Form 8-K  
December 20, 2001

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

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 12, 2001  
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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.)

433 PLAZA REAL, SUITE 335  
BOCA RATON, FLORIDA

33432

-----  
(Address of Principal Executive Offices)

(Zip Code)

(561) 395-9666

-----  
(Registrant's Telephone Number, Including Area Code)

NA

-----  
(Former Name or Former Address, if Changed Since Last Reports)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS.

On December 12, 2001, Koger Equity, Inc. (the "Company") closed the sale of select non-core assets to AP-Knight, LP, an affiliate of Apollo Real Estate Investment Fund ("AREIF") for an aggregate price of \$303 million, including approximately \$206.7 million cash and the exchange of AREIF's 5.73 million shares of Koger Equity, Inc. Common Stock representing 21.4% of the outstanding shares of the Company. This sale represented the disposition of approximately 30% of the Company's consolidated assets.

In addition to the above consideration the Company received a membership interest in an AREIF subsidiary. This interest will provide the Company with a 20% participation in the net cash flow from the disposed assets

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after AREIF has received a 15% internal rate of return on its equity investment.

Included in the sale are ten properties comprising 75 suburban office buildings and one retail center, which contained more than 3.9 million rentable square feet, located throughout San Antonio and Austin, Texas; Greensboro and Charlotte, North Carolina; Greenville, South Carolina and Birmingham, Alabama. Koger will continue to manage the disposed assets for which it will receive standard property management fees.

The net proceeds from the sale will be used to fund strategic investment opportunities in high growth markets, repay debt and fund a one-time capital gain distribution in the form of a special dividend to the Company's shareholders. In regard to the latter, on December 17, 2001, the Company's Board of Directors declared a \$1.74 per share dividend on its Common Stock, par value \$.01 per share, payable on January 15, 2002, to the shareholders of record on December 28, 2001.

John R. S. Jacobsson currently serves as a Director of the Company and is the partner responsible for investments at Apollo Real Estate Funds, an affiliate of AREIF. Lee S. Neibart who served as a Director of the Company until December 12, 2001, is also a partner in charge of the day-to-day operations of Apollo Real Estate Funds. Morgan Stanley acted as financial advisor to the Company in connection with this transaction and provided a fairness opinion to a committee of the Company Board of Directors whose members were not affiliated with AREIF. The committee approved the terms of the transaction and determined that such terms were similar to those that could be obtained from an unaffiliated third party.

The above sale transaction was the subject of a Company News Release, dated December 12, 2001, a copy of which is attached hereto as Exhibit 99 and by this reference made a part hereof.

For more information on Koger Equity, Inc., contact the company at 904-732-1000 or visit its Web site at [www.koger.com](http://www.koger.com).

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### 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.

#### (b) Pro Forma Financial Information

The following unaudited pro forma financial statements set forth (i) the pro forma balance sheet as of September 30, 2001, as if the sale occurred on September 30, 2001 and (ii) the pro forma statements of operations for the year ended December 31, 2000 and the nine months ended September 30, 2001, as if the sale occurred on January 1, 2000. 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 sale 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

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future financial position of the Company. Differences would result from various factors, including the ability of the Company to reinvest the proceeds from the sale at returns in excess of those earned on temporary cash investments. The pro forma financial statements should be read in conjunction with the consolidated financial statements and notes of the Company included in its annual report on Form 10-K for the year ended December 31, 2000.

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KOGER EQUITY, INC.  
UNAUDITED PRO FORMA BALANCE SHEET  
SEPTEMBER 30, 2001  
(IN THOUSANDS)

	Historical 9/30/01 -----	Pro Form -----
<b>ASSETS</b>		
Real Estate Investments:		
Operating properties:		
Land	\$ 140,448	\$ (48,529) (b)
Buildings	831,406	(265,739) (b)
Furniture and equipment	3,228	
Accumulated depreciation	(180,983)	62,385 (b)
	-----	-----
Operating properties - net	794,099	(251,883)
Undeveloped land held for investment	13,899	(120) (b)
Undeveloped land held for sale	76	
Cash and cash equivalents	9,140	200,814 (a)
		(5,854) (b)
Accounts receivable, net	12,338	(1,853) (b)
Cost in excess of fair value of net assets acquired, net	1,232	
Other assets	13,997	(4,175) (b)
	-----	-----
<b>TOTAL ASSETS</b>	<b>\$ 844,781</b>	<b>\$ (63,071)</b>
	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Liabilities:		
Mortgages and loan payable	\$ 337,879	
Accounts payable	3,090	
Accrued real estate taxes payable	9,491	\$ (3,551) (a)
Accrued liabilities - other	8,969	(250) (b)
Dividends payable	9,381	
Advance rents and security deposits	6,489	(2,324) (a)
	-----	-----
<b>Total Liabilities</b>	<b>375,299</b>	<b>(6,125)</b>
	-----	-----
Minority interest	23,132	-----
	-----	-----
Shareholders' Equity:		
Common stock	296	

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Capital in excess of par value	469,010	
Notes receivable from stock sales	(5,066)	
Retained earnings	17,460	303,016 (a)
		(263,635) (b)
Treasury stock, at cost	(35,350)	(96,327) (a)
Total Shareholders' Equity	446,350	(56,946)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 844,781	\$ (63,071)

See accompanying notes to unaudited pro forma financial statements.

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KOGER EQUITY, INC.  
 UNAUDITED PRO FORMA STATEMENT OF OPERATIONS  
 FOR THE YEAR ENDED DECEMBER 31, 2000  
 (IN THOUSANDS)

	Historical 2000	Pro Forma Adjustments
	-----	-----
REVENUES		
Rental and other rental services	\$ 164,733	\$ (55,231) (a)
Management fees	1,793	
Interest	703	3,502 (e)
Income from Koger Realty Services, Inc.	645	208 (d)
Total revenues	167,874	(51,521)
EXPENSES		
Property operations	61,868	(22,456) (a)
Depreciation and amortization	35,133	(11,789) (b)
Mortgage and loan interest	27,268	(7,466) (c)
General and administrative	20,217	
Direct cost of management fees	898	
Other	217	(8) (a)
Total expenses	145,601	(41,719)
INCOME BEFORE GAIN ON SALE OR DISPOSITION OF ASSETS, INCOME TAXES AND MINORITY INTEREST		
Gain on sale or disposition of assets	22,273	(9,802)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	28,288	(9,802)
Income taxes	(21)	
INCOME BEFORE MINORITY INTEREST	28,309	(9,802)
Minority interest	1,156	

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NET INCOME	\$ 27,153 =====	\$ (9,802) =====
EARNINGS PER SHARE:		
Basic	\$ 1.02	
Diluted	\$ 1.01	
WEIGHTED AVERAGE SHARES:		
Basic	26,730	(5,734) (f)
Diluted	26,962	(5,734) (f)

See accompanying notes to unaudited pro forma financial statements.

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KOGER EQUITY, INC.  
UNAUDITED PRO FORMA STATEMENT OF OPERATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001  
(IN THOUSANDS)

	Historical 9/30/01 -----	Pro Forma Adjustments -----
REVENUES		
Rental and other rental services	\$125,462	\$ (42,361) (a)
Management fees	3,530	2,524 (d)
Interest	596	1,900 (e)
Income from Koger Realty Services, Inc.	81	
	-----	-----
Total revenues	129,669	(37,937)
	-----	-----
EXPENSES		
Property operations	46,749	(16,370) (a)
Depreciation and amortization	27,834	(9,255) (b)
Mortgage and loan interest	19,379	(4,209) (c)
General and administrative	6,148	
Direct cost of management fees	2,658	1,775 (d)
Other	171	(6) (a)
	-----	-----
Total expenses	102,939	(28,065)
	-----	-----
INCOME BEFORE GAIN ON SALE OR DISPOSITION OF ASSETS, INCOME TAXES AND MINORITY INTEREST		
Gain on sale or disposition of assets	26,730	(9,872)
	-----	-----
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	26,730	(9,872)
Income taxes	449	255 (d)
	-----	-----
INCOME BEFORE MINORITY INTEREST	26,281	(10,127)
Minority interest	937	
	-----	-----
NET INCOME	\$ 25,344	\$ (10,127)

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	=====	=====
EARNINGS PER SHARE:		
Basic	\$ 0.94	
Diluted	\$ 0.94	
WEIGHTED AVERAGE SHARES:		
Basic	26,872	(5,734) (f)
Diluted	26,888	(5,734) (f)

See accompanying notes to unaudited pro forma financial statements.

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

1. Basis of Presentation

On December 12, 2001, the Company completed the sale of ten properties comprising 75 suburban office buildings and one retail center (the "2001 Property Sale"). The Company expects to record a gain for financial purposes of approximately \$39.4 million on the sale.

2. Unaudited Pro Forma Balance Sheet

The unaudited pro forma balance sheet as of September 30, 2001 is based on the historical balance sheet for the Company presented in the Quarterly Report on Form 10-Q for the period ended September 30, 2001. The unaudited pro forma balance sheet includes adjustments assuming this sale occurred as of September 30, 2001. Significant pro forma adjustments in the unaudited pro forma balance sheet include the following:

- (a) Adjustment for revenue and proceeds from the 2001 Property Sale. The sale proceeds include receipt of 5,733,772 shares of the Company's common stock at \$16.80 per share, the closing price on August 23, 2001, the date the agreement was signed and announced.
- (b) Adjustment for cost of sale for the 2001 Property Sale. This includes \$7,112,000 of selling costs.
- (c) Adjustment for repayment of outstanding balance on the Company's secured revolving credit facility.
- (d) Adjustment for payment of tax basis capital gain dividend.

3. Unaudited Pro Forma Statement of Operations for the Year Ended December 31, 2000

The unaudited pro forma statement of operations for the year ended December 31, 2000 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, 2000. The unaudited pro forma statement of operations includes adjustments assuming that the 2001 Property Sale occurred as of January 1, 2000. Significant

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pro forma adjustments in the unaudited pro forma statement of operations include the following:

- (a) Adjustment required for the historical rental revenues and property operations expenses for the properties sold.
- (b) Adjustment required for the historical depreciation and amortization expense for the properties sold.
- (c) Adjustment required for the historical interest expense for the secured revolving credit facility.
- (d) Adjustment required for impact on Income from Koger Realty Services, Inc. due to management contract for the properties sold.
- (e) Adjustment required for interest earned on investment of unused proceeds from the 2001 Property Sale.
- (f) Adjustment required for shares of the Company's common stock received as consideration for the 2001 Property Sale.

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#### 4. Unaudited Pro Forma Statement of Operations for the Nine Months Ended September 30, 2001

The unaudited pro forma statement of operations for the nine months ended September 30, 2001 is based on the historical statement of operations for the Company presented in the Quarterly Report on Form 10-Q for the period ended September 30, 2001. The unaudited pro forma statement of operations includes adjustments assuming that the 2001 Property Sale occurred as of January 1, 2000. Significant pro forma adjustments in the unaudited pro forma statement of operations for the nine months ended September 30, 2001 include the following:

- (a) Adjustment required for the historical rental revenues and property operations expenses for the properties sold.
- (b) Adjustment required for the historical depreciation and amortization expense for the properties sold.
- (c) Adjustment required for the historical interest expense for the secured revolving credit facility.
- (d) Adjustment required for management fee revenues (\$1,694,000) and leasing commissions (\$830,000) earned by Koger Realty Services, Inc. from the properties sold. Also includes adjustment for costs incurred due to management contract for properties sold.
- (e) Adjustment required for interest earned on investment of unused proceeds from the 2001 Property Sale.
- (f) Adjustment required for shares of the Company's common stock received as consideration for the 2001 Property Sale.

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(C) EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
99	Koger Equity, Inc. News Release, dated December 12, 2001, which is also on the Company's web site.

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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: December 19, 2001

By: s/ James L. Stephens

-----  
James L. Stephens  
Title: Vice President and  
Chief Accounting Officer

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EXHIBIT INDEX

The following designated exhibit is filed herewith:

EXHIBIT NUMBER -----	DESCRIPTION OF EXHIBIT -----
99	Koger Equity, Inc. News Release, dated December 12, 2001, which is also on the Company's web site.

