

ESSEX PROPERTY TRUST INC
Form 8-K/A
February 19, 2003

UNITED STATES
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 17, 2002**

[Essex Property Trust, Inc.](#)

(Exact name of registrant as specified in its charter)

Commission file number 001-13106

Maryland

(State or Other Jurisdiction of Incorporation or Organization)

77-0369576

(IRS Employer Identification Number)

925 East Meadow Drive
Palo Alto, California 94303

(Address of principal executive offices including zip code)

(650) 494-3700

(Registrant's telephone number, including area code)

Not Applicable

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

This Form 8-K/A hereby amends Item 7 of the Form 8-K, dated December 23, 2002, of Essex Property Trust, Inc. ("Essex") to provide the financial information required in connection with the merger of John M. Sachs, Inc., into a subsidiary of Essex. The following financial statements required by such Item 7 are filed as part of this report:

Item 7. Financial Statements and Exhibits.

Page No.

(a) **Financial Statements Under Rule 3-14 of Regulation S-X**

The Sachs Portfolio

<u>Exhibit Number</u>	<u>Description</u>
23.1	Consent of KPMG LLP.
2.1*	Agreement and Plan of Reorganization by and among Essex, Merger Sub, Sachs, the Sachs Shareholders and John M. Sachs, dated December 17, 2002. Certain exhibits and schedules referenced in the Merger Agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted exhibit or schedule will be furnished supplementally to the Securities and Exchange Commission upon request.
10.1*	Registration Rights Agreement by and among Essex and the Sachs shareholders, dated December 17, 2002.
99.1	Press release dated December 17, 2002, announcing the Merger (incorporated by reference to exhibit 99.2 to Essex's Form 8-K, dated December 19, 2002).

*Incorporated by reference to exhibits in our Current Report on Form 8-K, filed on December 23, 2002.

SIGNATURE

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 therunto duly authorized.

Date: February 19, 2003

Essex Property Trust, Inc.

By: /s/ Mark J. Mikl

Mark J. Mikl
Vice President and Controller

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 23.1	Consent of KPMG LLP.

THE SACHS PORTFOLIO
Combined Statement of Revenue and Certain Expenses
Year ended December 31, 2001
(Dollars in thousands)

Rent revenue (note 3)	\$ 36,183

Certain expenses:	
Administrative	5,770
Utilities	3,798
Repairs and maintenance	2,792
Real estate taxes	1,857
Advertising and promotion	664
Insurance	437

	15,318

Revenue in excess of certain expenses	\$ 20,865
	=====

See accompanying notes to combined statement of revenue and certain expense.

THE SACHS PORTFOLIO
Notes to Combined Statement of Revenue and Certain Expenses
Year ended December 31, 2001

(1) Basis of Presentation

The accompanying combined statement of revenue and certain expenses relates to the operations of The Sachs Portfolio (the Properties), consisting of the following:

Property	Location
Apartment Communities:	
Alpine Country Apartments	Alpine, California
Alpine Village Apartments	Alpine, California
Bonita Cedars	Bonita, California
Cambridge Apartments	Chula Vista, California
Carlton Heights Villas	Santee, California
Casa Tierra Apartments	El Cajon, California
Coral Gardens Apartments	El Cajon, California
Country Villas	Oceanside, California
Devonshire Apartments	Hemet, California
Emerald Palms Apartments	San Diego, California
Grand Regency Apartments	Escondido, California
Mesa Village Apartments	San Diego, California
Mira Woods Villas	San Diego, California
Saint Cloud Apartments	Houston, Texas
Shadow Point Apartments	Spring Valley, California
Summit Park Village	San Diego, California
Tierra Del Sol/Norte	El Cajon, California
Villa Capri East	San Diego, California
Villa Capri North	San Diego, California
Woodlawn Colonial	Chula Vista, California

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Recreational Vehicle Parks:		
Circle RV Park		El Cajon, California
Diamond Valley RV Resort		San Jacinto, California
Golden Village Palms Resort		Hemet, California
Riviera Vegas RV Park		Las Vegas, Nevada
Vacationer RV Resort		El Cajon, California
Manufactured Housing Communities:		
Green Valley Mobile Home Park		Vista, California
Riviera Vegas Mobile Home Park		Las Vegas, Nevada
Office Properties:		
Moore Street		San Diego, California
Valley Financial Center		San Diego, California

All of the Properties were directly or indirectly owned by John M. Sachs, Inc. (Sachs). Essex Property Trust, Inc. (the Company) or an affiliate acquired, through a merger, the Properties listed above, and the related mortgage notes payable (note 3) on December 17, 2002.



The accompanying combined statement of revenue and certain expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and accordingly, is not representative of the actual results of operations of the Properties for the year ended December 31, 2001 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Properties:

- Depreciation and amortization
- Federal and state income taxes
- Other costs not directly related to the proposed future operations of the Properties

Property taxes have not been adjusted to reflect the estimated reassessed value of the Properties after acquisition by Essex.

(2) Summary of Significant Accounting Policies and Practices

(a) Revenue Recognition

Revenue from tenants renting or leasing apartment units are recorded when due from tenants and is recognized monthly as it is earned, which is not materially different than on a straight-line basis. The terms of tenant leases are generally for one year or less.

(b) Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenue and certain expenses during the reporting period to prepare the combined statement of revenue and certain expenses in conformity with accounting principles generally accepted in the United States of America. Actual results could differ from those estimates.

(3) Mortgage Notes Payable

Loans in the amount of \$64,640,000, secured by a first trust deed and an assignment of rents on four of the Properties owned by Sachs (Devonshire Apartments, Alpine Village Apartments, Coral Gardens Apartments, and Summit Park Village Apartments), were executed by Sachs on December 17, 2002. The loans bear interest at a fixed annual rate of 5.51% with principal and interest payments of \$367,222 due monthly through maturity on January 1, 2013. These loans were assumed by Essex in connection with the acquisition on December 17, 2002.

THE SACHS PORTFOLIO
Combined Statement of Estimated Taxable Operating Results and Estimated Cash to be Made
Available by Operations
Year ended December 31, 2001
(Unaudited)
(Dollars in thousands)

Rent revenue	\$	36,18

Operating expenses:		
Administrative		5,77
Utilities		3,79
Repairs and maintenance		2,79
Real estate taxes		1,85
Advertising and promotion		66
Insurance		43

		15,31

Estimated cash to be made available by operations		20,86
Depreciation expense		5,74

Estimated taxable operating income	\$	15,11
		=====

Note: This combined statement of estimated taxable operating results and estimated cash to be made available by operations is an estimate of operating results of The Sachs Portfolio for a period of twelve months based on information provided by management and does not purport to reflect actual results for any period. The Company does not expect to pay federal income tax because of its election to be taxed as a REIT.

ESSEX PROPERTY TRUST, INC.
Pro Forma Condensed Consolidated Financial Statements
September 30, 2002
(Unaudited)

The following unaudited pro forma condensed consolidated balance sheet as of September 30, 2002 is presented as if the acquisition of The Sachs Portfolio had occurred on September 30, 2002. As more completely discussed in the Form 8-K filed by the Company on December 19, 2002, The Sachs Portfolio was merged with and into a wholly-owned subsidiary of Essex Property Trust, Inc. ("Essex") on December 17, 2002. In connection with the merger, Essex: (i) issued 2,719,875 shares of its common stock, (ii) assumed from the seller and obtained new mortgage notes payable of \$126,680,000, and (iii) drew upon new and existing lines of credit of \$34,598,000. The following unaudited pro forma condensed consolidated statements of operations for the nine months ended September 30, 2002 and the year ended December 31, 2001 are presented as if the acquisitions of The Sachs Portfolio and Marbrisa Apartments (collectively the Acquisitions) all had occurred on January 1 of the year presented.

The pro forma condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Essex, including the notes thereto, for the year ended December 31, 2001 that were filed as part of Essex's Current Report on Form 8-K filed on January 16, 2003, quarterly report on Form 10-Q for the period ended March 31, 2002 filed on May 15, 2002, quarterly report on Form 10-Q for the period ended June 30, 2002 filed on August 13, 2002, and quarterly report on Form 10-Q for the period ended September 30, 2002 filed on November 14, 2002. The pro forma condensed consolidated financial statements do not purport to represent Essex's financial position as of September 30, 2002 or the results of operations for the nine months ended September 30, 2002 or for the year ended December 31, 2001 that would actually have occurred had the Company completed the transactions described above nor do they purport to represent the results of operations as of any future date or for any future period.

ESSEX PROPERTY TRUST, INC.
Pro Forma Condensed Consolidated Balance Sheet
As of September 30, 2002
(Unaudited)
(Dollars in thousands, except per share amounts)

	Company (historical)	Acquisition of The Sachs Portfolio (1)	Compan (pro for
ASSETS			

Real estate:			
Rental properties:			
Land and land improvements	\$ 294,942	\$ 73,462	\$ 368,4
Buildings and improvements	909,567	233,246	1,142,8
	1,204,509	306,708	1,511,2
Less accumulated depreciation	(182,011)	--	(182,0
	1,022,498	306,708	1,329,2
Investments	77,621	--	77,6
Real estate under development	135,178	--	135,1
	1,235,297	306,708	1,542,0
Cash and cash equivalents--unrestricted	2,147	--	2,1
Cash and cash equivalents--restricted cash	8,489	--	8,4
Notes receivable from investees and other related parties	25,436	--	25,4
Notes and other receivables	69,423	--	69,4
Prepaid expenses and other assets	9,966	2,053	12,0
Deferred charges, net	5,907	490	6,3
	2,147,120	306,708	2,453,8
Total assets	\$ 1,356,665	\$ 309,251	\$ 1,665,9
LIABILITIES AND STOCKHOLDERS' EQUITY			

Mortgage notes payable	\$ 559,900	\$ 126,680	\$ 686,5
Lines of credit	121,959	34,598	156,5
Accounts payable and accrued liabilities	28,182	8,411	36,5
Dividends payable	17,876	--	17,8
Other liabilities	6,754	2,753	9,5
	734,671	172,442	907,1
Minority interests	251,241	--	251,2
Stockholders' equity:			
Common stock; \$0.0001 par value, 656,682,178 and 656,682,178 shares authorized; 18,261,268 and 18,428,295 shares issued and outstanding	2	--	546,9
Additional paid-in capital	410,109	136,809	546,9
Distributions in excess of accumulated earnings	(39,358)	--	(39,3
	370,753	136,809	507,5

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	-----	-----	-----
Total liabilities and stockholders' equity	\$ 1,356,665	\$ 309,251	1,665,9
	=====	=====	=====

See accompanying notes to pro forma condensed consolidated financial statements.

ESSEX PROPERTY TRUST, INC.
Pro Forma Condensed Consolidated Statement of Operations
Nine months ended September 30, 2002
(Unaudited)
(Dollars in thousands, except per share amounts)

	Pro Forma Adjustments			Company (pro forma)
	Company (historical)	Acquisition properties (Schedule I)	Other (2)	
Revenues:				
Rental	\$ 126,223	\$ 31,296	\$ --	\$ 157,519
Other property	4,004	16	--	4,020
	-----	-----	-----	-----
Total property	130,227	31,312	--	161,539
Interest and other	18,961	--	--	18,961
	-----	-----	-----	-----
Total revenues	149,188	31,312	--	180,500
	-----	-----	-----	-----
Expenses:				
Property operating expenses:				
Administrative	10,075	4,902	--	14,977
Utilities	6,333	2,868	--	9,201
Repairs and maintenance	8,131	2,412	--	10,543
Real estate taxes	9,426	1,230	1,601 (A)	12,257
Advertising and promotion	2,011	542	--	2,553
Insurance	1,436	798	--	2,234
Depreciation and amortization	27,229	--	6,304 (A)	33,533
	-----	-----	-----	-----
	64,641	12,752	7,905	85,298
Interest	26,062	--	5,944 (B)	32,006
Amortization of deferred financing costs	442	--	37 (B)	479
General and administrative	4,747	--	--	4,747
	-----	-----	-----	-----
Total expenses	95,892	12,752	13,886	122,530
	-----	-----	-----	-----
Income from continuing operations before minority interests	53,296	18,560	(13,886)	57,970
Minority interests	(18,313)	--	37 (C), (D)	(18,276)
	-----	-----	-----	-----
Income from continuing operations	\$ 34,983	\$ 18,560	\$ (13,849)	\$ 39,694
	=====	=====	=====	=====
Per share data:				
Basic:				
Income from continuing operations	\$ 1.89			\$ 1.89
	=====			=====
Weighted average number of shares outstanding during the period	18,481,300		(E)	21,201,100
	=====			=====

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Diluted:

Income from continuing operations	\$ 1.88		\$ 1.
	=====		=====
Weighted average number of shares outstanding during the period	18,640,602	(E)	21,360,4
	=====		=====

See accompanying notes to pro forma condensed consolidated financial statements.

ESSEX PROPERTY TRUST, INC.
Pro Forma Condensed Consolidated Statement of Operations
Year ended December 31, 2001
(Unaudited)
(Dollars in thousands, except per share amounts)

	Pro Forma Adjustments			
	Company (historical)	Acquisition properties (Schedule II)	Other (2)	
Revenues:				
Rental	\$ 175,894	\$ 38,639	\$ --	\$ 214,533
Other property	5,493	21	--	5,514
	-----	-----	-----	-----
Total property	181,387	38,660	--	220,047
Interest and other	22,152	--	--	22,152
	-----	-----	-----	-----
Total revenues	203,539	38,660	--	242,199
	-----	-----	-----	-----
Expenses:				
Property operating expenses:				
Administrative	15,087	5,925	--	21,012
Utilities	8,620	3,934	--	12,554
Repairs and maintenance	12,442	2,965	--	15,407
Real estate taxes	12,151	1,986	1,788 (A)	15,925
Advertising and promotion	2,841	694	--	3,535
Insurance	1,136	443	--	1,579
Depreciation and amortization	35,915	--	8,406 (A)	44,321
	-----	-----	-----	-----
	88,192	15,947	10,194	114,333
Interest	38,746	--	7,914 (B)	46,660
Amortization of deferred financing costs	657	--	49 (B)	706
General and administrative	7,498	--	--	7,498
	-----	-----	-----	-----
Total expenses	135,093	15,947	18,157	169,197
	-----	-----	-----	-----
Income from continuing operations before gain on sale of real estate and minority interests	68,446	22,713	(18,157)	73,002
Gain on sale of real estate	3,788	--	--	3,788
Minority interests	(24,322)	--	251 (C), (D)	(24,071)
	-----	-----	-----	-----
Income from continuing operations	\$ 47,912	\$ 22,713	\$ (17,906)	\$ 52,719
	=====	=====	=====	=====
Per share data:				
Basic:				
Income from continuing operations	\$ 2.60		(E)	\$ 2.60
	=====			=====
Weighted average number of shares				

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outstanding during the period	18,451,935 =====		21,171,8 =====
Diluted:			
Income from continuing operations	\$ 2.56 =====	(E)	\$ 2. =====
Weighted average number of shares outstanding during the period	18,768,216 =====		21,488,0 =====

See accompanying notes to pro forma condensed consolidated financial statements.

ESSEX PROPERTY TRUST, INC.
Notes to Pro Forma Condensed Consolidated Financial Statements
September 30, 2002
(Unaudited)
(Dollars in thousands)

(1) Adjustments to the Pro Forma Condensed Consolidated Balance Sheet

Acquisition of The Sachs Portfolio (acquired from unrelated third party, recorded at cost):

Land and land improvements	\$ 73,462
Buildings and improvements	233,246
Prepaid expenses and other assets	2,053
Deferred charges	490
Mortgage notes payable	(126,680)
Increase in line of credit payable	(34,598)
Accounts payable and accrued liabilities	(8,411)
Other liabilities	(2,753)
Common stock (2,719,875 shares)	-
Additional paid-in capital	(136,809)

(2) Adjustments to the Pro Forma Condensed Consolidated Statements of Operations

The pro forma adjustments to the Pro Forma Condensed Consolidated Statement of Operations for the nine months ended September 30, 2002 and for the year ended December 31, 2001 are as follows:

	Nine months ended September 30, 2002	Year ended December 31, 2001
(A) Increase in real estate taxes and depreciation expense as a result of acquisition of The Sachs Portfolio and Marbrisa Apartments		
Real estate taxes	\$ 1,601	1,788
Depreciation expense	6,304	8,406

	Nine months ended September 30, 2002	Year ended December 31, 2001
(B) Increase in interest expense and amortization of deferred financing costs associated with mortgage notes payable assumed and issued, totaling \$126,680, and an increase to the borrowings under the line of credit of \$34,598 all related to The Sachs Portfolio		
Interest expense	\$ 5,944	7,914
Amortization of deferred financing	37	49

	Nine months ended September 30, 2002	Year ended December 31, 2001
(C) Increase in minority interest as a result of the minority interests' share of income from continuing operations for pro forma adjustments based on pro forma minority interest of 9.72% and 9.55% for the nine months ended September 30, 2002 and the year ended December 31, 2001, respectively.	\$ (454)	(435)

	Nine months ended September 30, 2002	Year ended December 31, 2001
(D) Decrease in historical income from continuing operations allocated to minority interest as a result of the common stock issued in conjunction with the acquisition of The Sachs Portfolio.	\$ 491	\$ 686

(E) Increase in weighted average number of shares outstanding during the period as a result of 2,719,875 shares of common stock assumed to be outstanding for the entire period presented.

Schedule I

ESSEX PROPERTY TRUST, INC.
Combining Schedule of Revenue and Certain Expenses of the Acquisition Properties
Nine months ended September 30, 2002
(Unaudited)
(Dollars in thousands)

	The Sachs Portfolio	Marbrisa Apartments	Acquisition Properties
	-----	-----	-----
Revenues:			
Rental	\$ 29,454	\$ 1,842	\$ 31,296
Other property	--	16	16
	-----	-----	-----
Total revenues	29,454	1,858	31,312
	-----	-----	-----
Expenses:			
Property operating expenses:			
Administrative	4,786	116	4,902
Utilities	2,766	102	2,868
Repairs and maintenance	2,283	129	2,412
Real estate taxes	1,131	99	1,230
Advertising and promotion	520	22	542
Insurance	793	5	798
	-----	-----	-----
Total expenses	12,279	473	12,752
	-----	-----	-----
Revenue in excess of certain expenses	\$ 17,175	\$ 1,385	\$ 18,560
	=====	=====	=====

Schedule II

ESSEX PROPERTY TRUST, INC.
Combining Schedule of Revenue and Certain Expenses of the Acquisition Properties
Year ended December 31, 2001
(Unaudited)
(Dollars in thousands)

	The Sachs Portfolio	Marbrisa Apartments	Acquisition Properties
	-----	-----	-----
Revenues:			
Rental	\$ 36,183	\$ 2,456	\$ 38,639
Other property	--	21	21
	-----	-----	-----
Total revenues	36,183	2,477	38,660
	-----	-----	-----
Expenses:			
Property operating expenses:			
Administrative	5,770	155	5,925
Utilities	3,798	136	3,934
Repairs and maintenance	2,792	173	2,965
Real estate taxes	1,857	129	1,986
Advertising and promotion	664	30	694
Insurance	437	6	443
	-----	-----	-----
Total expenses	15,318	629	15,947
	-----	-----	-----
Revenue in excess of certain expenses	\$ 20,865	\$ 1,848	\$ 22,713
	=====	=====	=====