

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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):

N/A

---

PARKWAY PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland

1-11533

74-2123597

(State or other jurisdiction of  
incorporation or organization)

(Commission File Number)

(IRS Employer Identification Number)

One Jackson Place Suite 1000  
188 East Capitol Street  
P. O. Box 24647

Jackson, Mississippi 39225-4647

---

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code

(601) 948-4091

---

(Former name, former address and former fiscal year, if changed since last report)

**FORM 8-K**

**PARKWAY PROPERTIES, INC.**

**Item 5. Other Events.**

On December 20, 2001, Parkway Properties, Inc. ("Parkway") purchased the Bank of America Plaza (the "Nashville Purchase"), a 418,000 square foot office building in Nashville, Tennessee. Parkway acquired the Nashville Purchase for a purchase price of \$30 million plus \$1.5 million in closing costs and anticipated first year capital expenditures and leasing commissions. The purchase was funded with bank borrowings on a line of credit with J. P. Morgan Chase & Co. at a rate equal to the 30-day Libor rate plus 137.5 basis points and was 3.3125% at December 31, 2001.

The twenty-story office building, located in the Nashville central business district, was constructed in 1977 and subsequently renovated in 1995 and 1999. The property is currently 89% leased and has a rent roll that includes five creditworthy, stable tenants which account for 77% of the building's total rentable square footage. Bank of America is the largest single tenant occupying 180,333 square feet (43% of the rentable square footage) under a lease that expires in 2012. Other national building tenants include the Boulton, Cummings law firm (24%), Ernst & Young LLP (6%), Chicago Title (2%) and New York Life (2%).

**Item 7. Financial Statements and Exhibits.**

(a) Financial Statements

The following audited financial statement of the Nashville Purchase for the year ended December 31, 2000 is attached hereto. Also included is the unaudited financial statement for the nine months ended September 30, 2001.

	<u>Page</u>
Report of Independent Auditors	3
Statements of Rental Revenues and Direct Operating Expenses	4
Notes to Statements of Rental Revenues and Direct Operating Expenses	5

(b) Pro Forma Consolidated Financial Statements

The following unaudited Pro Forma Consolidated Financial Statements of Parkway are attached hereto:

	<u>Page</u>
Pro Forma Consolidated Financial Statements (Unaudited)	7
Pro Forma Consolidated Balance Sheet (Unaudited) - As of September 30, 2001	8
Pro Forma Consolidated Statement of Income (Unaudited) - For the Year Ended December 31, 2000	9
Pro Forma Consolidated Statement of Income (Unaudited) - For the Nine Months Ended September 30, 2001	10
Notes to Pro Forma Consolidated Financial Statements (Unaudited)	11

## Report of Independent Auditors

The Board of Directors  
Parkway Properties, Inc.

We have audited the accompanying statement of rental revenues and direct operating expenses of the Nashville Purchase for the year ended December 31, 2000. This statement is the responsibility of management. Our responsibility is to express an opinion on this 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 of rental revenues and direct operating expenses 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 basis of accounting and 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 for inclusion in a Form 8-K of Parkway Properties, Inc., as described in Note 2, and is not intended to be a complete presentation of the Nashville Purchase revenues and expenses.

In our opinion, the statement of rental revenue and direct operating expenses referred to above presents fairly, in all material respects, the rental revenues and direct operating expenses described in Note 2 of the Nashville Purchase for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

We have compiled the accompanying statement of rental revenues and direct operating expenses of the Nashville Purchase for the nine months ended September 30, 2001 in accordance with the Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of a financial statement information that is the representation of management. We have not audited or reviewed the statement of rental revenues and direct operating expenses of the Nashville Purchase for the nine months ended September 30, 2001 and, accordingly, do not express an opinion or any other form of assurance on the statement.

Jackson, Mississippi  
December 19, 2001

*Ernst & Young LLP*

**The Nashville Purchase**  
**Statements of Rental Revenues**  
**and Direct Operating Expenses**

	<b>Year Ended December 31, 2000</b>	<b>Nine Months Ended September 30, 2001</b> (unaudited)
Rental revenue		
Minimum rents	\$5,429,700	\$3,707,002
Reimbursed charges	1,131,486	856,761
Other income	670,572	513,264
	<u>7,231,758</u>	<u>5,077,027</u>
Direct operating expenses		
Utilities	759,710	577,906
Real estate taxes	587,836	511,498
Maintenance services and supplies	182,217	111,886
Janitorial services and supplies	335,649	256,493
Management fees	235,000	166,591
Salaries and wages	658,957	504,877
Administrative and miscellaneous expenses	354,331	255,109
	<u>3,113,700</u>	<u>2,384,360</u>
Excess of rental revenue over direct operating expenses	<u>\$4,118,058</u>	<u>\$2,692,667</u>

See accompanying notes.

**The Nashville Purchase**  
**Notes to Statements of Rental Revenues**  
**and Direct Operating Expenses**

**December 31, 2000**

**1. Organization and Significant Accounting Policies**

**Description of Property**

On December 20, 2001, Parkway Properties, Inc. ("Parkway") purchased the fee simple interest in the Bank of America Plaza office building located at 414 Union Avenue in Nashville, Tennessee (the "Nashville Purchase") from an unrelated party. The Nashville Purchase contains approximately 418,000 (unaudited) net rentable square feet of office space.

**Rental Revenue**

Minimum rents from leases are accounted for ratably over the term of each lease. Tenant reimbursements are recognized as revenue as the applicable services are rendered or expenses incurred.

The future minimum rents on the Nashville Purchase's non-cancelable operating leases at December 31, 2000 are as follows:

<u>Year</u>	<u>Amount</u>
2001	\$ 4,831,998
2002	4,636,131
2003	4,549,330
2004	3,479,314
2005	2,357,347
Thereafter	8,812,249
	<u>\$28,666,369</u>

The above amounts do not include tenant reimbursements for utilities, taxes, insurance and common area maintenance.

**2. Basis of Accounting**

The accompanying statement of rental revenues and direct operating expenses is presented on the accrual basis. The statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain expenses not comparable to the proposed future operations of the Nashville Purchase such as depreciation and mortgage interest expense. Management is not aware of any material factors relating to the Nashville Purchase that would cause the reported financial information not to be necessarily indicative of future operating results.

### **3. Management Fees**

Management fees of approximately 3.5% of revenues received from the operations of the Nashville Purchase were paid to an unrelated management company.

## **PARKWAY PROPERTIES, INC.**

### **Pro Forma Consolidated Financial Statements** (Unaudited)

The following unaudited pro forma consolidated balance sheet as of September 30, 2001 and pro forma consolidated statements of income of Parkway Properties, Inc. ("Parkway") for the year ended December 31, 2000 and nine months ended September 30, 2001 give effect to the Nashville Purchase and the Chicago Purchase as these terms are defined in the Notes to Pro Forma Unaudited Financial Statements. The pro forma consolidated financial statements have been prepared by management of Parkway based upon the historical financial statements of Parkway and the adjustments and assumptions in the accompanying notes to the pro forma consolidated financial statements.

The pro forma consolidated balance sheet sets forth the effect of Parkway's Nashville Purchase, including the short-term bank borrowings, placement of non-recourse mortgage debt and the issuance of Series B Cumulative Convertible Preferred Stock ("Related Financings") as if they had been consummated on September 30, 2001.

The pro forma consolidated statements of income set forth the effects of the Nashville Purchase, the Chicago Purchase and Related Financings as if each had been consummated on January 1, 2000.

These pro forma consolidated financial statements may not be indicative of the results that actually would have occurred if the Nashville Purchase, the Chicago Purchase and Related Financing had occurred on the date indicated or which may be obtained in the future. The pro forma consolidated financial statements should be read in conjunction with the consolidated financial statements and notes of Parkway included in its annual report on Form 10-K for the year ended December 31, 2000.

**PARKWAY PROPERTIES, INC. AND SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED BALANCE SHEET**  
**September 30, 2001**  
(Unaudited)

	<b>Parkway Historical</b>	<b>Pro Forma Adjustments (1)</b> (In thousands)	<b>Parkway Pro Forma</b>
<b>Assets</b>			
Real estate related investments:			
Office and parking properties	\$832,958	\$31,500	\$864,458
Accumulated depreciation	(73,690)	-	(73,690)
	759,268	31,500	790,768
Land held for sale	3,733	-	3,733
Note receivable from Moore Building Associates LP	5,507	-	5,507
Mortgage loans	879	-	879
Real estate partnership	394	-	394
	769,781	31,500	801,281
Interest, rents receivable and other assets	29,634	-	29,634
Cash and cash equivalents	1,535	-	1,535
	\$800,950	\$31,500	\$832,450
<b>Liabilities</b>			
Notes payable to banks	\$ 67,427	\$31,500	\$ 98,927
Mortgage notes payable without recourse	322,869	-	322,869
Accounts payable and other liabilities	31,531	-	31,531
	421,827	31,500	453,327
<b>Stockholders' Equity</b>			
8.75% Series A Preferred stock, \$.001 par value, 2,750,000 shares authorized and 2,650,000 shares issued and outstanding	66,250	-	66,250
8.34% Series B Cumulative Convertible Preferred stock, \$.001 par value, 2,142,857 shares issued and outstanding	75,000	-	75,000
Common stock, \$.001 par value, 67,250,000 shares authorized, 9,272,181 shares issued and outstanding	9	-	9
Additional paid-in capital	196,743	-	196,743
Unearned compensation	(2,737)	-	(2,737)
Accumulated other comprehensive loss	(1,689)	-	(1,689)
Retained earnings	45,547	-	45,547
	379,123	-	379,123
	\$800,950	\$31,500	\$832,450

See accompanying notes



**PARKWAY PROPERTIES, INC. AND SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2000**  
(Unaudited)

	<b>Parkway Historical</b>	<b>Pro Forma Adjustments (3)</b>	<b>Parkway Pro Forma</b>
	(In thousands, except per share data)		
<b>Revenues</b>			
Income from office and parking properties	\$118,970	\$ 29,124 (a)	\$148,094
Dividend income	1,205	-	1,205
Management company income	922	-	922
Interest on note receivable from Moore Building Associates LP	805	-	805
Incentive management fee from Moore Building Associates LP	191	-	191
Interest on cash equivalents	216	-	216
Interest on mortgage loans	90	-	90
Deferred gains and other income	125	-	125
	122,524	29,124	151,648
<b>Expenses</b>			
Office and parking properties:			
Operating expense	49,397	13,412 (a)	62,809
Interest expense:			
Contractual	16,195	7,802 (c)	23,997
Amortization of loan costs	176	-	176
Depreciation and amortization	19,651	4,973 (a)	24,624
Operating expense for other real estate properties	60	-	60
Interest expense on bank notes:			
Contractual	6,389	1,509 (d)	7,898
Amortization of loan costs	538	-	538
Management company expenses	738	-	738
General and administrative	3,951	-	3,951
	97,095	27,696	124,791
<b>Income before gains and minority interest</b>	<b>25,429</b>	<b>1,428</b>	<b>26,857</b>
Gains on sales of real estate held for sale and real estate equity securities	9,471	-	9,471
Minority interest - unit holders	(4)	-	(4)
<b>Net income</b>	<b>34,896</b>	<b>1,428</b>	<b>36,324</b>
Change in unrealized gain on real estate equity securities	821	-	821
<b>Comprehensive income</b>	<b>\$ 35,717</b>	<b>\$ 1,428</b>	<b>\$ 37,145</b>
<b>Net income available to common stockholders:</b>			
Net income	\$ 34,896	\$ 1,428	\$ 36,324
Dividends on preferred stock	5,797	-	5,797
Dividends on convertible preferred stock	-	4,681	4,681
<b>Net income available to common stockholders</b>	<b>\$ 29,099</b>	<b>\$(3,253)</b>	<b>\$ 25,846</b>
<b>Net income per common share:</b>			
Basic	\$ 2.96	-	\$ 2.63
Diluted	\$ 2.93	-	\$ 2.60
<b>Dividends per common share</b>	<b>\$ 2.12</b>	<b>-</b>	<b>\$ 2.12</b>
<b>Weighted average shares outstanding:</b>			
Basic	9,825	-	9,825
Diluted	9,926	-	9,926

See accompanying notes.

**PARKWAY PROPERTIES, INC. AND SUBSIDIARIES**  
**PRO FORMA CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001**

(Unaudited)

	<b>Parkway Historical</b>	<b>Pro Forma Adjustments (3)</b>	<b>Parkway Pro Forma</b>
	(In thousands, except per share data)		
<b>Revenues</b>			
Income from office and parking properties	\$97,674	\$18,333 (b)	\$116,007
Dividend income	495	-	495
Management company income	624	-	624
Interest on note receivable from Moore Building Associates LP	642	-	642
Incentive management fee from Moore Building Associates LP	181	-	181
Interest on cash equivalents	92	-	92
Interest on mortgage loans	67	-	67
Deferred gains and other income	79	-	79
	99,854	18,333	118,187
<b>Expenses</b>			
Office and parking properties:			
Operating expense	40,998	8,886 (b)	49,884
Interest expense:			
Contractual	14,500	3,772 (c)	18,272
Amortization of loan costs	170	-	170
Depreciation and amortization	16,916	2,670 (d)	19,586
Operating expense for other real estate properties	27	-	27
Interest expense on bank notes:			
Contractual	3,555	1,004 (d)	4,559
Amortization of loan costs	499	-	499
Management company expenses	212	-	212
General and administrative	3,511	-	3,511
	80,388	16,332	96,720
<b>Income before gains and minority interest</b>	19,466	2,001	21,467
Net gains on real estate held for sale, office properties and real estate equity securities	1,611	-	1,611
Minority interest - unit holders	(2)	-	(2)
<b>Net income</b>	21,075	2,001	23,076
Change in unrealized gain on real estate equity securities	(821)	-	(821)
Change in market value of interest rate swap	(1,689)	-	(1,689)
<b>Comprehensive income</b>	\$18,565	\$ 2,001	\$20,566
<b>Net income available to common stockholders:</b>			
Net income	\$21,075	2,001	\$23,076
Dividends on preferred stock	4,348	-	4,348
Dividends on convertible preferred stock	1,684	1,826	3,510
<b>Net income available to common stockholders</b>	\$15,043	\$ 175	\$15,218
<b>Net income per common share:</b>			
Basic	\$ 1.61	-	\$ 1.62
Diluted	\$ 1.59	-	\$ 1.61
<b>Dividends per common share</b>	\$ 1.82	-	\$ 1.82
<b>Weighted average shares outstanding:</b>			
Basic	9,369	-	9,369
Diluted	9,472	-	9,472

See accompanying notes.

**PARKWAY PROPERTIES, INC.**  
**Notes to Pro Forma Consolidated Financial Statements**  
(Unaudited)

1. On December 20, 2001, the Company purchased the fee simple interest in the Bank of America office building located at 414 Union Avenue (the "Nashville Purchase") in Nashville, Tennessee for \$30,000,000. The total purchase price, including closing costs, anticipated first year capital expenditures and leasing commissions, is expected to be approximately \$31,500,000.

2. On June 22, 2001, the Company purchased the fee simple interest in an office building located at 233 North Michigan Avenue and an adjacent four-level structured parking garage (the "Chicago Purchase") in Chicago, Illinois for \$173,500,000. The total purchase price, including closing costs, anticipated first year capital expenditures and leasing commissions are expected to be approximately \$175,050,000.

3. The pro forma adjustments to the Consolidated Statement of Income for the year ended December 31, 2000 and nine months ended September 30, 2001 set forth the effects of the Nashville Purchase and the Chicago Purchase as if each had been consummated on January 1, 2000.

These pro forma adjustments are detailed below for the year ended December 31, 2000 and nine months ended September 30, 2001.

The effect on income and expenses from real estate properties due to the above purchases is as follows:

(a) For the year ended December 31, 2000:

	<b>Revenue</b>	<b>Expenses</b>	
	<b>Income From Real Estate Properties</b>	<b>Real Estate Owned</b>	
		<b>Operating Expense</b>	<b>Depreciation Expense</b>
Nashville Purchase	\$ 7,232,000	\$ 3,114,000	\$ 709,000
Chicago Purchase	21,892,000	10,298,000	4,264,000
	\$29,124,000	\$13,412,000	\$4,973,000

Depreciation is provided by the straight-line method over the estimated useful life (40 years for buildings and 5 - 15 years for building improvements).

(b) For the nine months ended September 30, 2001:

	<b>Revenue</b>	<b>Expenses</b>	
	<b>Income From Real Estate Properties</b>	<b>Real Estate Owned</b>	
		<b>Operating Expense</b>	<b>Depreciation Expense</b>
Nashville Purchase	\$ 5,077,000	\$2,384,000	\$ 531,000
Chicago Purchase	13,256,000	6,502,000	2,139,000
	\$18,333,000	\$8,886,000	\$2,670,000

Depreciation is provided by the straight-line method over the estimated useful life (40 years for buildings and 5 - 15 years for building improvements).

(c) Pro forma interest expense on real estate owned reflects interest on the non-recourse debt placed upon purchase at the actual amount and rate as if placed January 1, 2000 and is detailed below.

<b>Property/Placement Date/Rate</b>	<b>Debt</b>	<b>Year Ended 12/31/00</b>	<b>Nine Months Ended 09/30/01</b>
Chicago Purchase 6/01 7.36%	\$106,000,000	\$7,802,000	\$3,772,000

(d) The pro forma effect of the Nashville Purchase and the Chicago Purchase on interest expense on notes payable to banks was \$1,509,000 for the year ended December 31, 2000 and \$1,004,000 for the nine months ended September 30, 2001.

(e) The pro forma effect of the issuance of 1,603,499 shares of 8.34% Series B Cumulative Convertible Preferred stock on dividends on preferred stock was \$4,681,000 for the year ended December 31, 2000 and \$1,826,000 for the nine months ended September 30, 2001.

4. The pro forma net income per share for the year ended December 31, 2000 and the nine months ended September 30, 2001 reflect the issuance of 1,603,499 shares of 8.34% Series B Cumulative Convertible Preferred stock in connection with the Chicago Purchase.

5. No additional income tax expenses were provided because of the Company's net operating loss carryover and status as a REIT.

6. Diluted net income per share for the year ended December 31, 2000 and nine months ended September 30, 2001 were \$2.93 and \$1.59, respectively, based on diluted weighted average shares outstanding of 9,926,000 and 9,472,000, respectively.

Pro Forma diluted net income per share for the year ended December 31, 2000 and the nine months ended September 30, 2001 were \$2.60 and \$1.61, respectively, based on pro forma diluted weighted average shares outstanding of 9,926,000 and 9,472,000, respectively.

**FORM 8-K**

**PARKWAY PROPERTIES, INC.**

**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.

DATE: January 28, 2002

PARKWAY PROPERTIES, INC.

BY: /s/ Mandy M. Montgomery  
Mandy M. Montgomery, CPA  
Controller

/s/ Regina P. Shows  
Regina P. Shows, CPA  
Chief Accounting Officer