

GREAT LAKES REGION
2001 ANNUAL REPORT

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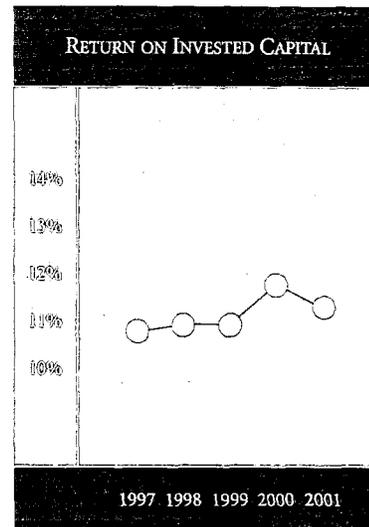
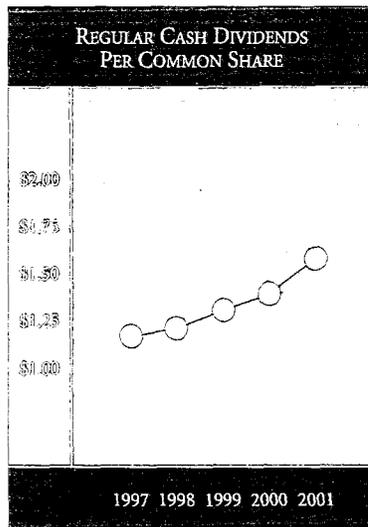
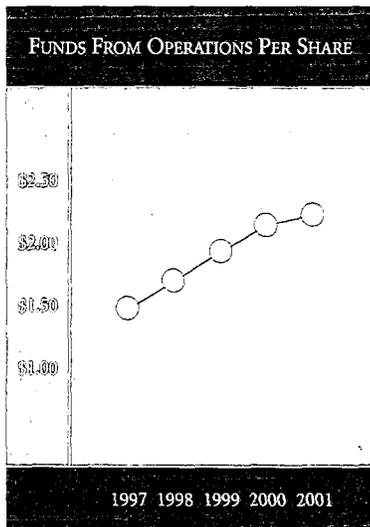
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Simple Strategy Outstanding Results



YEARS ENDED DECEMBER 31	1997	1998	1999	2000	2001
Total revenues	\$ 47,663	\$ 80,898	\$ 95,431	\$100,529	\$103,146
Income before gain on sale of properties	12,116	16,857	20,620	23,137	21,672
Net income applicable to common shares	12,105	16,833	24,942	30,533	17,964
Diluted earnings per common share	0.92	0.98	1.51	1.34	1.08
Funds from operations (unaudited) ¹	19,862	29,054	32,178	35,808	37,271
Funds from operations per share	1.49	1.71	1.94	2.15	2.24
Cash dividends per common share ²	1.20	1.24	1.34	1.91	1.60
BALANCE SHEET DATA					
Properties, net of accumulated depreciation	\$285,941	\$426,362	\$438,177	\$414,002	\$465,746
Total assets	297,137	443,689	455,202	431,610	486,492
Total long-term debt	95,098	195,823	211,663	190,911	257,078

¹ The White Paper on Funds from Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") in October 1999 (the "White Paper") defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Management considers Funds from Operations an appropriate measure of performance of an equity REIT because it is predicated on cash flow analysis. The Company computes Funds from Operations in accordance with standards established by the White Paper that may differ from the methodology for calculating Funds from Operations utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions.

² Year 2000 includes a \$.49 special dividend.

*Buy Smart +
Manage Well +
Sell Right =
High Dividend
Income for
Investors*

Great Lakes REIT is a real estate operating company that owns and manages suburban office properties ranging in size from 36,000 square feet to 370,000 square feet. As of December 31, 2001, our portfolio consisted of 37 properties aggregating approximately 5.4 million square feet in suburban Chicago, Cincinnati, Columbus, Denver, Detroit, Milwaukee and Minneapolis/St. Paul.

Our Strategy At Work

Why Invest in REITs?

This letter, as well as the rest of our annual report, is devoted to explaining the merits of our industry; high-quality, professionally managed commercial real estate; and Great Lakes REIT. We believe our strategy, performance and \$1.60 common share dividend represent compelling assets for our Company. If you do not already share our views, we hope you will after reviewing our report.

According to Ibbotson Associates, the average compounded total return for all common equity over the past 75 years is 11.9%. This can be compared with the REIT industry, whose companies currently pay an average dividend of about 7.5% and anticipate average growth of about 4% to 6% per year for the next several years. If this growth occurs, and price-to-earnings ratios remain constant, total returns to REITs should average 11.5% to 13.5%

going forward—a solid return when you consider that many investment pundits are estimating less than 10% total returns for equities over the next several years.

From a risk perspective, it is important to realize that most REITs have easily identifiable income streams from relatively long-term leases. Since most office leases have multi-year terms, typically 10% to 20% of an office company's leases will expire in any given year. In good economies, roughly 75% of expiring leases renew; in bad times, 50% renew. Thus, exposure to changes in economic conditions—good or bad—is muted, and cash flows are only moderately affected. As a result, office REITs generally provide good shelter during tough economies and reasonably good growth during strong ones.

Great Lakes' current quarterly dividend is \$0.40. With our per-share price ranging from \$16 to \$18 in 2001, our dividend yield of 9% to 10% is only 2% to 3% less than the average return to equity investors as cited by Ibbotson.



Hence, if Great Lakes generates only 2% to 3% average growth in income, the total return should match historical equity averages. Over the past three years, our Company has experienced funds from operations per share growth of 13.5%, 10.8% and 6.5%,* respectively. With the economy in recession, we believe our 2002 funds from operations per share will be slightly lower than in 2001. For that to happen, we would anticipate occupancies falling to roughly 84%—about 10% below our levels during the late '90s. When the recession dissipates, and occupancies resume more normal levels, Great Lakes' growth should accelerate quickly.

A beauty of investing in REITs is that you receive most of your total return in cash. High cash returns provide greater flexibility. You can use them for living expenses or reinvest them in Great Lakes or another opportunity. Some pundits say ordinary dividends are bad. We say they are good. They are real, tangible, visceral.

All REITs are required to pay out at least 90% of taxable income to maintain REIT status. This is important because REIT treatment under the tax code allows companies such as Great Lakes to avoid corporate income taxation if they meet this and other tests. Income is only taxed to the shareholder on his or her dividends. REIT rule compliance is the principal reason REIT dividends are so high. We have no choice but to distribute most of our income to our shareholders. An interesting side effect is that once REITs reach their minimum dividend payouts, they must increase their dividends lockstep with growth in earnings. This is the situation the Company finds itself in now. We expect that if our income increases 5%, then our dividend would increase about 5%. So not only do REITs provide comparatively large dividends, they provide a structure for growth in dividends. The shareholder gets a raise every year income grows.

Conservative Approach to Profitability

We consider Great Lakes to be one of the more conservative office companies in America. We have continuously followed the business strategy we created in 1992. Our properties are in the less volatile, conservative Midwest, which we believe is less vulnerable to the large swings in rental rates seen on either coast. Our economy is more diverse, and we have higher employment rates than on the coasts. Great Lakes is a conservative buyer, tending to purchase value-added properties at 60% to 80% of replacement costs with leases at levels generally 25% or more below net leases in new buildings. This defensive posture allows us to compete profitably in soft leasing environments. We believe there also is considerably more upside in our portfolio, as evidenced by our sales track record detailed on page 10 of this report. In addition, we have no speculative development projects in process.

The biggest disadvantage we hear about our Company is that we are small and illiquid. But we are small for a reason. We do not buy properties just to grow bigger. We buy properties to grow bigger profits. We have always been—and will continue to be—very selective acquirers. It is in our DNA.

Liquidity is a relative issue. Are we as liquid as REITs five times our size? No. Are the companies five times our size liquid? No. We have had institutions divest 500,000 or more shares (of a total 16.6 million Great Lakes shares outstanding) in less than a month. That is not good liquidity when compared with companies in the S&P 500, but it is superior when compared with direct real estate ownership.

2001 Performance

Here are a few of Great Lakes' important accomplishments during the year from a financing and operations perspective:

- We acquired two high-quality properties in the Chicago market for approximately \$57 million. The average first-year yield on these investments was approximately 10% at an average occupancy of about 87%. We intend to enhance this income by improving occupancy.
- Funds from operations per share—essentially cash flow—increased to \$2.24 from \$2.15 per share in the prior year, despite declines in occupancy in our portfolio in 2001 and the dilutive effect of a special \$8 million distribution to shareholders in December 2000.
- We strengthened our balance sheet by obtaining \$56 million of long-term mortgage financing at an average interest rate of 7.11%. We also fixed interest rates on \$50 million of our unsecured line of credit through two interest rate swaps. As a result, 78% of our long-term debt is at an average fixed interest rate of 6.31%.
- We refinanced our \$150 million unsecured line of credit with a term of three years.

Outstanding Results

The following pages illustrate how Great Lakes invests in Midwest office properties with an eye toward turning a profit with minimum risk. Although we illustrate only six examples, we would be happy to discuss the reasoning behind any of our current assets and our business strategy going forward. Please send your inquiries through our Web site: www.greatlakesreit.com. Thank you.

March 31, 2002

Richard A. May, CHAIRMAN AND CHIEF EXECUTIVE OFFICER
Patrick R. Hunt, PRESIDENT AND CHIEF OPERATING OFFICER

*4.2% growth before adjustment for income lost due to special dividend of \$8.2 million (\$0.49 per share) in December 2000.

\$8.2

million profit

Strategy

In 1998, we entered Denver, one of the fastest growing markets in the U.S., with the purchase of two Class A buildings totaling 400,000 square feet. Although the properties were in a new business park in a highly desirable location, the price represented just 73% of replacement cost, and average rents trailed the market by 25%.

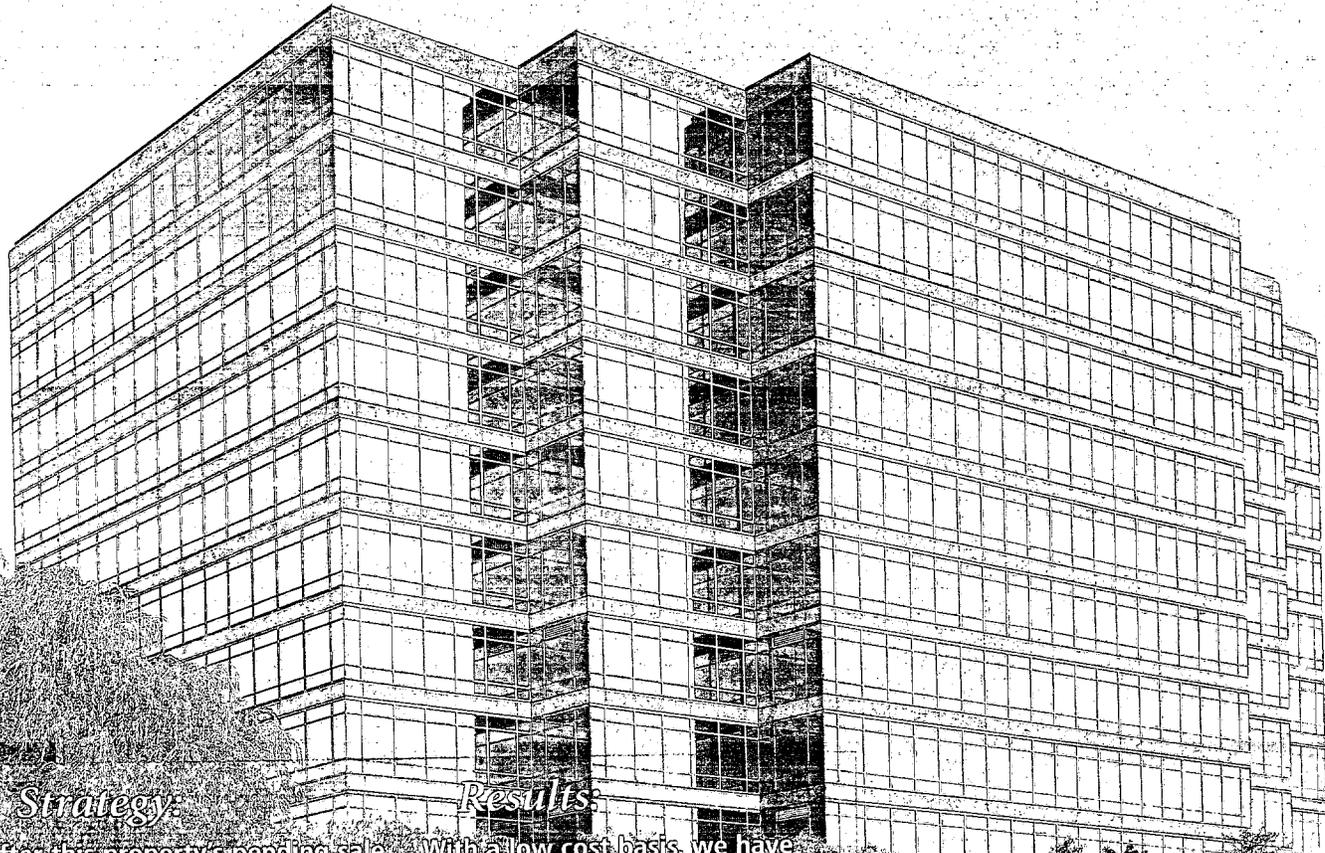
Results

We began upgrading expiring leases to current rates. In seeking a replacement for a major tenant, we found a buyer for 183 Inverness. The \$28.2 million deal, completed in 2000, produced a 40% return with purchase-to-sale occurring in only 2.5 years. Today, we retain ownership of the second building, which continues to yield a more than 13.5% all-cash return.

Inverness Drive, Englewood, Colorado

11.3%

Annual cash-on-cash return



Strategy:

After this property's pending sale collapsed, the seller offered us a discount to get the deal done. Having worked with us before, the seller knew our track record of closing. As a result, we acquired this 250,000 square-foot Class A building in 2001 for only 66% of replacement cost.

Results:

With a low cost basis, we have been enjoying robust cash flow despite 91% occupancy and 15% below-market average rents. And, we see strong upside potential as the economy improves. The property also adds depth to our portfolio, complementing several other Great Lakes properties in the northwest suburban Chicago market.

1600 Golf Road, Rolling Meadows, Illinois

14%

current return on investment



Strategy:

We purchased this 170,000 square-foot premier building in 1996 at significantly less than replacement cost—68%. Sweetening the deal were value-enhancing elements such as outstanding construction, an excellent location and superior tenant amenities, including an underground heated garage. Despite these benefits, rents were below market at acquisition.

Results:

We garnered an 11% return from the outset and since then have grown net income by 36%. This was accomplished by transitioning the property into a more suitable and diversified tenant mix at higher rental rates. We also raised the rates of tenants as they renewed and, in many cases, extended lease terms.

1301 West Long Lake Road, Troy, Michigan

36.40%

IRR

Strategy:

We purchased this 80,000 square foot building and two others in a suburban Detroit corporate campus in 1995 and 1996 at the bottom of the market for 68% of replacement cost. A large tenant lease was coming due, but with very low rents and high demand for these quality properties, conditions were ripe to increase our return.

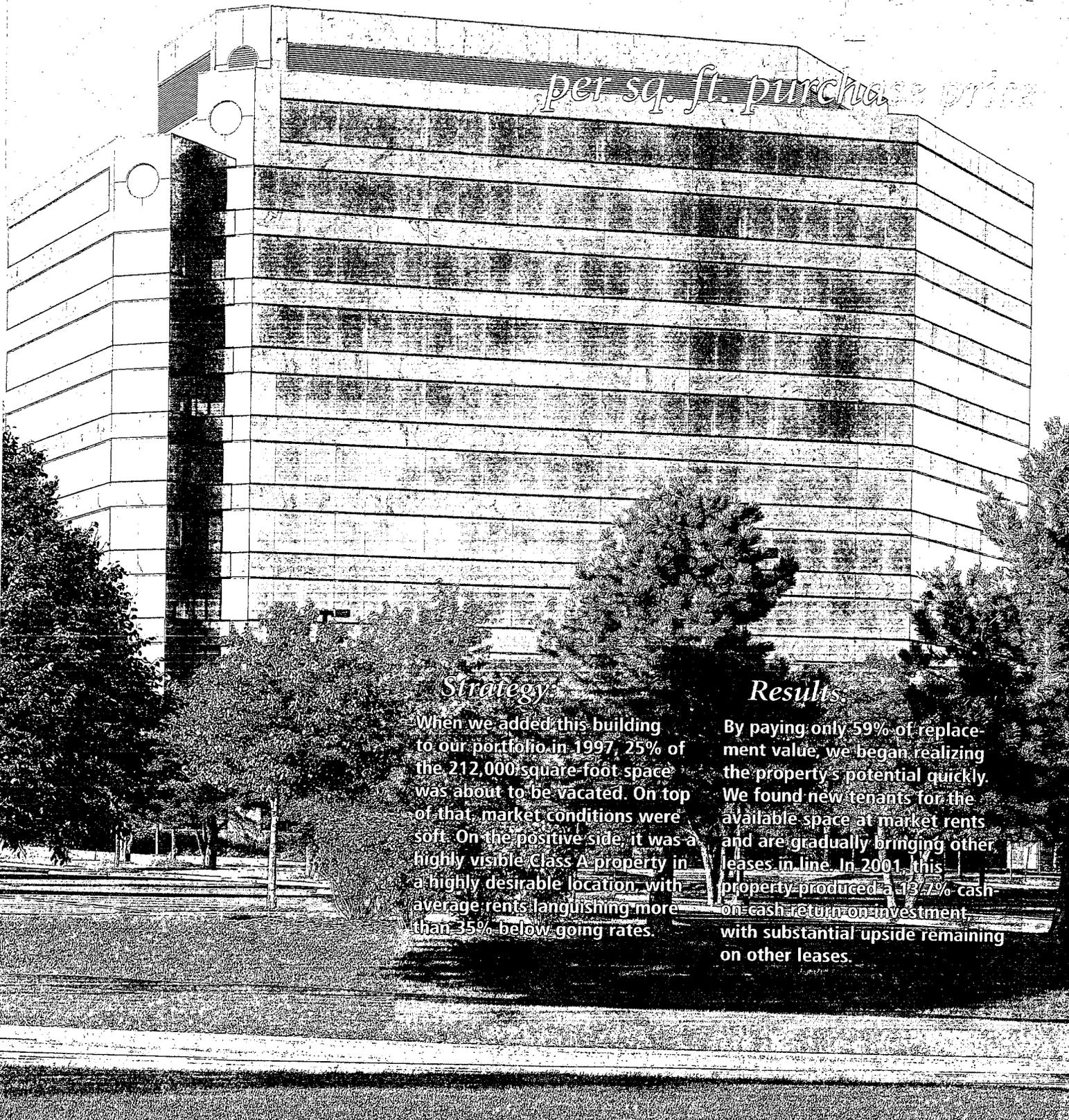
Results:

We went to market to lease the full floor soon to be available and discovered a buyer needing that space plus room to grow. We sold the building for \$9 million. Within 15 months, we had achieved a 31% gain on the sale—and an even higher unleveraged rate of return when including income during our ownership. We retain the other buildings at a 14.5% annual return.

10 Oak Hollow, Southfield, Michigan

\$94

per sq. ft. purchase price



Strategy

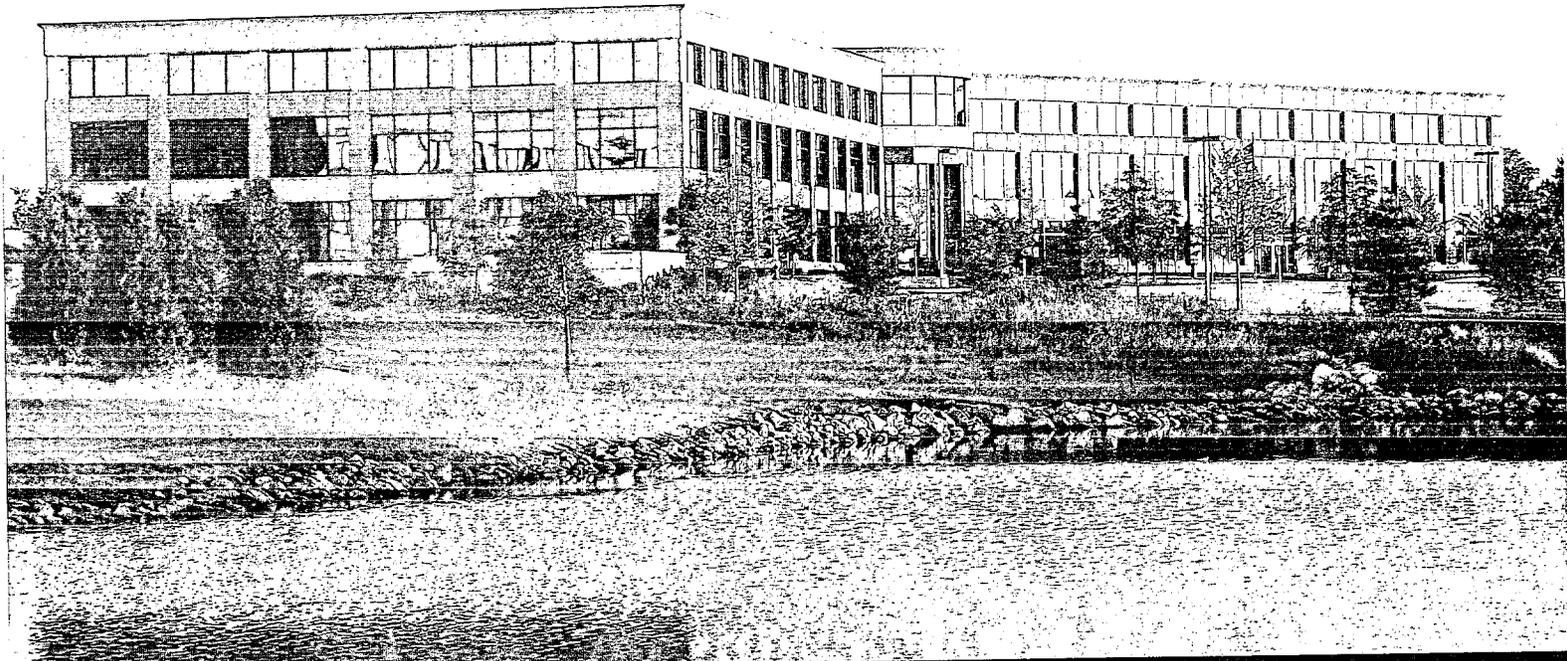
When we added this building to our portfolio in 1997, 25% of the 212,000 square-foot space was about to be vacated. On top of that, market conditions were soft. On the positive side, it was a highly visible Class A property in a highly desirable location, with average rents languishing more than 35% below going rates.

Results

By paying only 59% of replacement value, we began realizing the property's potential quickly. We found new tenants for the available space at market rents and are gradually bringing other leases in line. In 2001, this property produced a 13.7% cash-on-cash return on investment, with substantial upside remaining on other leases.

1750 East Golf Road, Schaumburg, Illinois

\$118



Strategy:

In our debut as a property developer, we were able to acquire land in an exceptional location near Milwaukee at a very favorable price. We entered into a pre-sale agreement with a co-developer, which substantially reduced our construction and development risks. We took title to the property in 1999

Results:

Today, One Riverwood is 95% leased and generates a 12.1% cash-on-cash return. The relationship we began with our co-developer led to another collaboration. We assumed title in early 2002 of Two Riverwood, the second office building constructed at the site. Leasing to date is ahead of pro forma.

One Riverwood Drive, Pewaukee, Wisconsin

21.8%

IRR

Complete Disposition Analysis, December 31, 2001

PROPERTY ADDRESS	SQUARE FOOTAGE	SALE DATE	HOLDING PERIOD IN MONTHS	GROSS BOOK VALUE AT DISPOSITION	NET DISPOSITION PRICE	UNLEVERAGED IRR
SOUTHFIELD, MICHIGAN 10 Oak Hollow	84,736	Oct. 1996	15	\$ 6,883,350	\$ 9,025,921	36.4%
WESTON HILLS, ILLINOIS 830 West End Court	26,909	Dec. 1996	38	1,968,423	2,709,331	23.1%
BLOOMINGTON, MINNESOTA Roadway Industrial	50,625	Feb. 1998	61	1,458,285	1,312,055	11.3%
ELGIN, ILLINOIS 1675 Holmes Road	101,286	Apr. 1999	27	3,888,980	4,462,063	13.3%
DES PLAINES, ILLINOIS 2800 River Road	99,732	Jun. 1999	53	5,483,449	7,525,579	22.3%
SCHEMENETZ, ILLINOIS 1251 Plum Grove Road	43,338	Jun. 1999	42	1,745,349	3,394,438	31.7%
WESTON HILLS, ILLINOIS 565 Lakeview Parkway	84,808	Aug. 1999	45	5,778,898	8,483,584	22.2%
WOODCREEK GROVE, ILLINOIS Woodcreek I & II	126,911	Apr. 2000	42	9,814,956	12,032,765	17.9%
ENGLEWOOD, COLORADO 183 Inverness Drive	183,895	Dec. 2000	31	20,376,245	26,938,213	18.9%
TOTALS/WEIGHTED AVERAGE	802,240		36*	\$57,397,935	\$75,883,949	21.8%*

*Weighted average holding period and IRRs are based on net disposition price.

Properties in Portfolio, December 31, 2001

STATE	PROPERTY ADDRESS	SQUARE FOOTAGE	YEAR BUILT/ RENOVATED	CURRENT OCCUPANCY*	TOTAL INVESTMENT IN REAL ESTATE**	CURRENT ANNUAL NET OPERATING INCOME BEFORE DEPRECIATION**†
COLORADO	ENGLEWOOD 116 Inverness Drive East	205,716	1984	100.0%	\$ 22,118	\$ 3,104
ILLINOIS	ARLINGTON HEIGHTS 601 Campus Drive	96,219	1987	79.0%	3,607	665
	3455, 3550, 3555 Salt Creek Lane	98,382	1984	62.0%	5,564	277
	BANNOCKBURN 3000 Lakeside Drive***	202,218	1999	81.5%	31,373	1,084
	DES PLAINES 1011 East Touhy Avenue	153,777	1978/1995	87.9%	8,126	1,720
	LINCOLNSHIRE Two Marriott Drive	41,500	1985	100.0%	3,071	394
	LISLE 3030 Warrenville Road	149,494	1988	83.1%	19,280	1,519
	MOUNT PROSPECT 1660 Feehanville Drive	85,487	1989	100.0%	5,708	995
	NORTHBROOK 3400 Dundee Road	75,897	1986	90.9%	4,812	834
	NORTHFIELD 191 Waukegan Road	62,081	1983	74.9%	5,347	176
	OAK BROOK 823 Commerce Drive	45,098	1969/1996	86.5%	4,065	475
	SCHAUMBURG 1900 East Golf Road	266,910	1980/1993	95.5%	26,174	3,515
	1750 East Golf Road	212,212	1985	99.1%	20,842	2,932
	1920-1930 Thoreau Drive	109,647	1986	81.6%	10,112	1,306
	ROLLING MEADOWS 1600 Golf Road***	252,476	1986	85.7%	26,338	2,189
VERNON HILLS 175 East Hawthorn Parkway	84,555	1987	84.6%	7,072	932	
WOOD DALE 160-185 Hansen Court	113,941	1986	70.7%	6,086	981	
MICHIGAN	ANN ARBOR 777 Eisenhower Parkway	280,585	1975	99.0%	23,992	3,279
	305-325 Eisenhower Parkway	179,451	1983-1989	84.6%	20,685	2,295
	FARMINGTON HILLS 32255 Northwestern Highway	230,345	1986	96.7%	25,768	3,325
	SOUTHFIELD 24800 Denso Drive	79,550	1987	92.5%	6,210	1,095
	40 Oak Hollow	81,088	1989	100.0%	7,842	1,063
	TROY 1301 West Long Lake Road	170,457	1988	90.2%	17,613	2,443
MINNESOTA	MINNEAPOLIS 2221 University Avenue SE	97,388	1979/1997	68.3%	8,879	389
	ST. PAUL 2550 University Avenue West	322,422	1916/1985	98.1%	26,251	3,879
OHIO	CINCINNATI 30 Merchant Street	95,910	1988	100.0%	6,385	1,265
	COLUMBUS 175 South Third Street	197,409	1981	94.3%	23,193	2,405
	DUBLIN 4860-5000 Blazer Memorial Parkway	124,929	1986	84.7%	9,144	962
	425 Metro Place North	101,592	1982	81.4%	8,005	999
	655 Metro Place South	215,676	1986	90.0%	20,818	2,677
WISCONSIN	BROOKFIELD 375 Bishop's Way	53,747	1987	87.9%	5,498	587
	150, 175, 250 North Patrick Boulevard	116,299	1987	69.5%	7,633	823
	MILWAUKEE 111 East Kilbourn Avenue	373,429	1988	97.3%	49,034	6,069
	11925 West Lake Park Drive	36,037	1989	79.3%	2,441	288
	11270 West Park Place	198,304	1984	51.1%	16,847	1,580
	PEWAUKEE One Riverwood Drive	96,956	1999	94.9%	10,524	1,316
	WEST ALLIS 2514 South 102nd Street and 10150 West National Avenue	120,937	1984-1987	87.8%	8,899	1,047

* Economic occupancy as of January 1, 2002.

** Dollars in thousands.

*** Acquired in 2001.

† Net operating income for the 12 months ended December 31, 2001 or for the period of ownership in 2001 if acquired in 2001.

Officers & Trustees

OFFICERS

Richard A. May

CHAIRMAN OF THE BOARD, CHIEF EXECUTIVE OFFICER AND TRUSTEE

Patrick R. Hunt

PRESIDENT, CHIEF OPERATING OFFICER AND TRUSTEE

Richard L. Rasley

EXECUTIVE VICE PRESIDENT, CO-GENERAL COUNSEL AND SECRETARY

James Hicks

CHIEF FINANCIAL OFFICER AND TREASURER

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CHIEF INVESTMENT OFFICER

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SENIOR VICE PRESIDENT AND CO-GENERAL COUNSEL

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Leasing

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Asset Management

Edith M. Scurto

SENIOR VICE PRESIDENT

Property Management

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Matthew S. Dominski

Daniel E. Josephs

Daniel P. Kearney

Donald E. Phillips

James E. Schragger

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2001

or

- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14307

GREAT LAKES REIT

(Exact Name of Registrant as Specified in Its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation or Organization)

36-4238056
(I.R.S. Employer Identification Number)

823 Commerce Drive
Suite 300
Oak Brook, Illinois 60523
(630) 368-2900

(Address and telephone number of principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:
Common Shares of Beneficial Interest, \$.01 par value

9¾% Series A Cumulative Redeemable Preferred Shares
of Beneficial Interest, \$.01 par value per share
(Liquidation Preference \$25.00 per share)

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

As of March 5, 2002, the aggregate market value of common shares of beneficial interest held by non-affiliates of the registrant was \$221,076,472.

The number of shares of the registrant's common shares of beneficial interest, \$.01 par value, outstanding as of March 5, 2002 was 16,533,379.

Documents Incorporated by Reference:

Part III incorporates by reference portions of the Registrant's Proxy Statement (to be filed) related to the Annual Meeting of Shareholders to be held May 23, 2002.

GREAT LAKES REIT
Form 10-K Annual Report—2001
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PART I

ITEM 1—BUSINESS

General

Great Lakes REIT, a Maryland real estate investment trust that is the successor to a business that began operations in 1992 (the “Company”), is a fully integrated, self-administered and self-managed real estate company. As of December 31, 2001, the Company owned and operated 37 properties (the “Properties”) in the Chicago, Milwaukee, Detroit, Columbus, Minneapolis, Denver and Cincinnati areas (the “Current Markets”). The Properties contain approximately 5.4 million rentable square feet leased to more than 500 tenants with a weighted average occupancy rate of approximately 88% as of January 1, 2002. The Company has elected to be treated for federal income tax purposes as a real estate investment trust (“REIT”). The Company conducts substantially all of its operations through Great Lakes REIT, L.P. (the “Operating Partnership”), of which the Company is the sole general partner. All references to the “Company” in this Form 10-K include the Company and the Operating Partnership unless the context otherwise requires.

Business Strategy

The Company’s primary business strategy is to acquire, own and operate well-located, under-performing suburban office properties generally located in the Current Markets at attractive yields and to increase cash flow and property value by implementing a comprehensive operating strategy. The Company’s operating strategy includes: (i) investment in value-enhancing renovation and refurbishment programs; (ii) aggressive leasing efforts; (iii) reduction and containment of operating costs; and (iv) a strong emphasis on tenant services and satisfaction. The Company seeks to establish itself as one of the suburban office property owner/operators of choice in the markets it serves and to maximize tenant retention.

The Company also intends to pursue limited new property development opportunities that are otherwise consistent with the Company’s overall business strategy. In January 2002, the Company acquired a 99,500 square foot office building in suburban Milwaukee that was completed in June 2001. The Company had contracted to acquire this property in 2000 before the start of its construction. The Company also intends to enhance its leasing flexibility by offering build-to-suit development options to current and prospective tenants who require space that is otherwise unavailable in a particular market. In addition, the Company will continue to pursue the redevelopment of older properties in attractive locations.

The Company continues to evaluate acquisition opportunities in certain urban and central business areas in the Current Markets. In the event an appropriate acquisition opportunity is identified that is consistent with the other elements of the Company’s primary business strategy, the Company may acquire properties located in select urban or central business district areas.

The Company will continue to engage in strategic dispositions of select properties. The Company typically seeks to dispose of properties when one or more of the following conditions is present: (i) market prices are at or near replacement cost; (ii) property occupancy is high and there is limited potential to increase cash flow and property value within a reasonable period; (iii) the Company believes that its capital can be re-deployed to investment properties with higher long-term returns; and (iv) ownership of the Property is no longer consistent with the Company’s business strategy. The Company did not sell any properties in 2001, but did sell two properties in 2000 aggregating 310,000 square feet and five properties in 1999 aggregating 345,000 square feet resulting in net sales proceeds of \$39.6 million and \$22.7 million in 2000 and 1999, respectively. The Company has identified several small, non-core assets that it expects will be sold during 2002. The Company has not entered into any definitive agreements with respect to any such disposition opportunities and there can be no assurances

that the Company will consummate any such dispositions. In addition, over the next several years, the Company expects to exit certain Current Markets where it does not have a significant presence.

Financing Strategy

The Company seeks to maintain a well-balanced, conservative and flexible capital structure by: (i) currently targeting a ratio of long-term debt to total market capitalization in the range of 40% to 50%; (ii) extending and sequencing the maturity dates of its debt; (iii) focusing on borrowing at fixed rates; (iv) pursuing debt financings and refinancings on a secured or unsecured basis; and (v) maintaining relatively conservative debt service and fixed charge coverage ratios. In addition, as discussed under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," the Company has a \$150 million unsecured credit facility that is generally used for short-term funding of acquisition of additional properties and for working capital requirements. The Company's debt to total market capitalization ratio (total market capitalization is defined as the total market value of all outstanding Common and Preferred Shares and units of limited partnership interest in the Operating Partnership plus outstanding indebtedness) at December 31, 2001 was 45.9%.

Competition

All of the Properties are located in competitive markets. The properties with which the Company competes for tenants are generally owned by institutional investors, other REITs or local real estate operators, however, no single competitor or small group of competitors is dominant in any of the Current Markets. In addition, the Company may be competing with other owners and operators that have greater financial resources and more experience than the Company. An increase in the supply and a decrease in the demand for rental properties with characteristics similar to those of the Properties may adversely affect rental rates or the Company's ability to lease space at the Properties or any newly acquired properties. During 2001, vacancy rates in the Current Markets trended upward due to both increases in the supply and decreases in demand for office space within the Current Markets. The Company currently expects that such vacancy rate increases will affect the ability of all property owners within the Current Markets, including the Company, to increase rental revenues until such time as vacancy rates begin to trend downward.

Insurance

The Company carries comprehensive liability, casualty, pollution, extended coverage and rental loss insurance covering all of the Properties, with policy specifications and insured limits that the Company believes are adequate and appropriate under the circumstances. There is, in 2002, no exclusion in the Company's casualty insurance policy for damage caused by acts of terrorism. There are, however, certain types of losses that are not generally insured because they are either uninsurable or not economically feasible to insure. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose its capital invested in any of the Properties, as well as the anticipated future revenues from such Property and, in the case of recourse debt, the Company would remain obligated for any mortgage debt or other financial obligations related to such Property. Any such loss would adversely affect the Company. Moreover, as the general partner of the Operating Partnership, the Company will generally be liable for any of the Operating Partnership's unsatisfied obligations other than non-recourse obligations. The Company believes that the Properties are adequately insured; however, no assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

Environmental Regulations

Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or

toxic substances or petroleum product releases at such property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. Such laws typically impose clean-up responsibility and liability without regard to whether the owner knew of or caused the presence of the contaminants, and the liability under such laws has been interpreted to be joint and several unless the harm is divisible and there is a reasonable basis for allocation of responsibility. The costs of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate the contamination on such property, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal or treatment of hazardous or toxic substances at a disposal or treatment facility also may be liable for the costs of removal or remediation of a release of hazardous or toxic substances at such disposal or treatment facility, whether or not such facility is owned or operated by such person. In addition, some environmental laws create a lien on the contaminated site in favor of the government for damages and costs incurred in connection with the contamination. Finally, the owner of a site may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from such site. Some or all of these costs may not be covered by pollution insurance.

During the last six years, independent environmental consultants have conducted or updated Phase I Environmental Assessments ("Phase I Assessments") at each of the Properties. In addition, a limited-scope Phase II Assessment ("Phase II Assessment") has been conducted at the University Office Plaza property (the Phase I Assessments and the Phase II Assessment are collectively referred to as the "Environmental Assessments"). The Phase I Assessments have included, among other things, a visual inspection of the Properties and the surrounding area and a review of relevant state, federal and historical documents. Except for the Phase II Assessment and certain limited sampling in connection with underground tank and/or piping removals at the Arlington Ridge Service Center and One Park Plaza properties, no invasive techniques such as soil or groundwater sampling were performed at any of the Properties. The Company's Environmental Assessments of the Properties have not revealed any condition giving rise to an environmental liability that the Company believes would have a material adverse effect on the Company's business, assets or results of operations, taken as a whole, nor is the Company otherwise aware of any such condition. There can be no assurance, however, that the Company's Environmental Assessments would reveal all conditions giving rise to environmental liabilities. Moreover, there can be no assurance that (i) future laws, ordinances or regulations will not impose any material environmental liability or (ii) the current environmental condition of the Properties will not be affected by tenants, by the condition of land or operations in the vicinity of the Properties (such as the presence of underground storage tanks), or by third parties unrelated to the Company.

Other Matters

The Company's operations are not dependent on a single or few customers; no single customer accounts for more than 5% of the Company's total revenue. The Company's operations are not subject to significant seasonal fluctuations. As of December 31, 2001, the Company employed 99 persons, none of whom is represented by a collective bargaining unit.

For additional information about the Company's investments and operations, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and Item 8, "Financial Statements and Supplementary Data." For additional information about the Company's business segments, see Item 8, "Financial Statements and Supplementary Data."

ITEM 2—PROPERTIES

General

As of December 31, 2001, the Company owned 37 properties containing approximately 5.4 million square feet. The Properties consist primarily of Class A and Class B suburban office properties, which range in size from approximately 36,000 to 375,000 rentable square feet. The Properties consist of 31 suburban office properties, two central business district office buildings, and 4 office/service centers (generally single-story buildings with both finished office and unfinished storage area). The 37 Properties are located primarily in the suburban areas of Chicago (16), Milwaukee (7), Detroit (6), Columbus (4), Minneapolis (2), Denver (1) and Cincinnati (1). Many of the Properties offer amenities, including indoor and outdoor parking, loading dock facilities, on-site property management, in-house conference facilities and providers of food and beverage service.

Management believes that the location and quality of construction of the Properties, as well as the Company's reputation for providing superior tenant service, enable the Company to attract and retain a diverse tenant base. As of December 31, 2001, the Properties were leased to more than 500 tenants, no single tenant accounted for more than 3.2% of the aggregate annualized base rent of the Company's portfolio and only 17 tenants individually represented more than 1% of such aggregate annualized base rent.

The following sets forth information regarding the Company's leases with its largest tenants based upon annualized base rent as of January 1, 2002:

	Number of Leases	Remaining Lease Term in Months(1)	Annualized Gross Rents (000s)	Percentage of Aggregate Portfolio Annualized Gross Rent	Aggregate Rentable Square Feet	Percentage of Aggregate Leased Square Feet
BNY Clearing Services, LLC	1	20	\$ 3,163	3.19%	99,163	2.07%
ABN AMRO Mortgage Group, Inc.	1	30	2,297	2.32%	121,022	2.52%
Metropolitan Life Insurance Company	3	12	2,053	2.07%	91,794	1.91%
The Medstat Group	1	83	1,968	1.99%	116,007	2.42%
Ameritech Mobile Communications, Inc.	3	3	1,838	1.85%	90,982	1.90%
Community Insurance Company	1	23	1,618	1.63%	77,206	1.61%
Ernst & Young, LLP	1	23	1,580	1.59%	58,859	1.23%
United HealthCare Services of Minnesota, Inc.	1	50	1,544	1.56%	90,052	1.88%
Legion Insurance Company	1	50	1,462	1.48%	58,642	1.22%
CH2M Hill, Inc.	1	10	1,447	1.46%	65,428	1.36%
Merrill Lynch, Pierce, Fenner & Smith Inc.	3	58	1,231	1.24%	59,742	1.24%
General Services Administration	2	9	1,215	1.23%	55,995	1.17%
AT&T Corporation	2	12	1,190	1.20%	61,428	1.28%
PrairieComm Inc.	1	48	1,075	1.09%	39,864	0.83%
American Express	2	22	1,013	1.02%	40,590	0.85%
Jones Cyber Solutions	1	49	1,012	1.02%	43,105	0.90%
Motorola, Inc.	2	18	987	1.00%	35,525	0.74%
Total/Weighted Average	24	32	\$26,693	26.94%	1,205,404	25.13%

(1) Weighted average calculation based on aggregate leased square footage for each tenant.

The following table sets forth certain of the information as of January 1, 2002 regarding the Properties.

Property location	Property Type	Ownership Interest	Company Ownership %	Year Built	Date Acquired	Land Area in Acres	Square footage	Occupancy 1/1/02	Encumbrance (000's omitted)
SUBURBAN CHICAGO									
1900 East Golf Rd. Schaumburg, IL	Multi-story Office	Fee	100%	1980	Dec-96	12.9	266,910	97.9%	—
1600 Golf Rd. Rolling Meadows, IL	Multi-story Office	Fee	100%	1986	Mar-01	6.0	252,476	85.7%	\$16,750
1750 East Golf Rd. Schaumburg, IL	Multi-story Office	Fee	100%	1985	Sep-97	7.7	212,212	100.0%	—
3000 Lakeside Dr. Bannockburn, IL	Multi-story Office	Fee	100%	1997	Aug-01	15.1	202,218	81.5%	—
1011 East Touhy Ave. Des Plaines, IL	Multi-story Office	Fee	100%	1978	Dec-93	5.3	153,777	87.9%	(1)
3030 Warrenville Rd. Lisle, IL	Multi-story Office	Fee	100%	1988	Sep-98	15.8	149,494	87.8%	—
1920 & 1930 Thoreau Dr. Schaumburg, IL	Single-story Office	Fee	100%	1986	Aug-00	8.7	109,647	81.6%	\$ 6,250
1660 Feehanville Dr. Mount Prospect, IL	Multi-story Office	Fee	100%	1989	Aug-95	7.3	85,487	100.0%	—
175 E. Hawthorn Pkwy. Vernon Hills, IL	Multi-story Office	Fee	100%	1987	Sep-94	4.6	84,555	84.6%	(1)
3400 Dundee Rd. Northbrook, IL	Multi-story Office	Fee	100%	1986	Oct-93	2.6	75,897	90.9%	(1)
191 Waukegan Rd. Northfield, IL	Multi-story Office	Fee	100%	1983	Sep-98	3.5	62,081	68.9%	—
823 Commerce Dr. Oak Brook, IL	Multi-story Office	Fee	100%	1969	Nov-95	2.6	45,098	86.5%	—
Two Marriott Dr. Lincolnshire, IL	Single story Office	Fee	100%	1985	Jul-96	3.4	41,500	100.0%	(1)
160-185 Hansen Ct. Wood Dale, IL	Single story Office/ Office service	Fee	100%	1986	Jan-94	10.6	113,941	70.0%	—
3455, 3550, 3555 Salt Creek Ln. Arlington Heights, IL	Single story Office/ Office service	Fee	100%	1984	Oct-97	8.7	98,382	62.0%	—
601 Campus Dr. Arlington Heights, IL	Single story Office/ Office service	Fee	100%	1987	May-93	6.0	96,219	79.0%	(1)
SUBURBAN MILWAUKEE									
111 East Kilbourn Ave. Milwaukee, WI	Multi-story Office	Fee	100%	1988	Apr-98	0.6	373,429	97.3%	\$32,897
11270 W. Park Place Milwaukee, WI	Multi-story Office	Fee	100%	1984	Sep-95	7.9	198,304	51.1%	(1)
2514 S. 102nd St. & 10150 W. National Ave. West Allis, WI	Multi-story Office	Fee	100%	1987	Nov-96	6.8	120,937	85.7%	(1)
150, 175, 250 Patrick Blvd. Brookfield, WI	Single story Office/ Office service	Fee	100%	1987	Jun-94	12.0	116,299	69.5%	\$ 2,857
N17W24222 Riverwood Dr. Pewaukee, WI	Multi-story Office	Fee	100%	1999	Dec-99	8.8	96,956	94.9%	—
375 Bishop's Way Brookfield, WI	Multi-story Office	Fee	100%	1987	Apr-97	4.1	53,747	87.9%	—
11925 W. Lake Park Dr. Milwaukee, WI	Single story Office	Fee	100%	1989	Jun-93	3.4	36,037	79.3%	(1)

Property location	Property Type	Ownership Interest	Company Ownership %	Year Built	Date Acquired	Land Area in Acres	Square footage	Occupancy 1/1/02	Encumbrance (000's omitted)
SUBURBAN MINNEAPOLIS/ST. PAUL									
2550 University Ave. W St. Paul, MN	Multi-story Office	Fee	100%	1916	Dec-96/ Jul-98	4.4	322,422	95.7%	—
2221 University Ave. SE Minneapolis, MN	Multi-story Office	Fee	100%	1979	May-95	2.8	97,388	68.3%	\$ 3,960
SUBURBAN DETROIT									
777 East Eisenhower Pkwy. Ann Arbor, MI	Multi-story Office	Fee	100%	1975	Dec-97	23.6	280,585	99.0%	—
32255 Northwestern Hwy. Farmington Hills, MI	Multi-story Office	Fee	100%	1986	Dec-97	12.9	230,345	96.7%	\$11,308
305, 315 & 325 Eisenhower Pkwy. Ann Arbor, MI	Multi-story Office	Fee	100%	1983- 1989	May-99	17.9	179,451	84.6%	—
1301 W. Long Lake Rd. Troy, MI	Multi-story Office	Fee	100%	1988	Nov-96	11.5	170,457	90.2%	(1)
No. 40 Oak Hollow Southfield, MI	Multi-story Office	Fee	100%	1989	Dec-96	5.7	81,088	100.0%	(1)
24800 Denso Dr. Southfield, MI	Multi-story Office	Fee	100%	1987	Aug-95	10.5	79,550	92.5%	(1)
SUBURBAN COLUMBUS									
655 Metro Place South Dublin, OH	Multi-story Office	Fee	100%	1986	Sep-97	15.0	215,676	90.0%	—
175 South Third St. Columbus, OH	Multi-story Office	(2)	100%	1981	Jan-98	0.5(2)	197,409	94.3%	—
425 Metro Place North Dublin, OH	Multi-story Office	Fee	100%	1982	Sep-97	6.3	101,592	81.4%	—
4860-5000 Blazer Memorial Pkwy. Dublin, OH	Single story Office/ Office service	Fee	100%	1986	Sep-96	13.7	124,929	86.9%	—
SUBURBAN CINCINNATI									
30 Merchant St. Springdale, OH	Multi-story Office	Fee	100%	1988	Apr-96	5.9	95,910	100.0%	—
SUBURBAN DENVER									
116 Inverness Dr. East Englewood, CO	Multi-story Office	Fee	100%	1984	May-98	7.4	205,716	100.0%	\$11,660
Totals							<u>5,428,121</u>	<u>88.4%</u>	

Footnotes: (dollars in thousands)

- (1) These properties are pledged as collateral for a mortgage loan with an outstanding balance of \$69,146 at December 31, 2001.
- (2) The land beneath this property is subject to a land lease expiring November 30, 2044 with one 15-year extension option. Annual rental payments are \$50.

Leases

The Company's leases are structured for terms that range from one to ten years. These leases are a mixture of net leases (where tenants pay their pro rata share of real estate tax and operating expenses), and gross leases (under which tenants typically pay for all real estate tax and operating expenses above those for an established base year or agreed expense floor). Leases on a significant portion of the rentable square feet in the Company's portfolio are net leases that were in existence upon the Company's acquisition of the Properties. However, whether structured as net leases or gross leases, virtually all leases entered into by the Company require tenants to reimburse the Company for the tenant's pro-rata share of real estate tax and operating expense increases. The Company is generally responsible for structural repairs.

Leases often contain provisions permitting tenants to renew at prevailing market rates. Certain leases contain provisions, which permit the tenant to terminate its lease upon written notice to the Company, subject to the tenant's obligation to pay a termination penalty. Such termination penalties are generally negotiated with a tenant when a lease is executed and are usually calculated to compensate the Company for unamortized tenant improvements and leasing commissions at the termination date, and, in certain instances, for rent on the space for a period of months after the termination date.

Lease Distributions. The following table sets forth information relating to the distribution of the Company's leases based on rentable square feet under lease, as of January 1, 2002.

Square Feet Under Lease	Percentage Of Aggregate Portfolio Leased Square Feet	Annualized Base Rent (000's omitted)	Percentage Of Aggregate Portfolio Annualized Base Rent
2,500 or Less	6.1%	\$ 5,055	6.3%
2,501—5,000	11.4%	9,580	11.9%
5,001—7,500	9.1%	7,105	8.8%
7,501—10,000	5.6%	3,994	5.0%
10,001—20,000	19.0%	15,110	18.8%
20,001—40,000	21.9%	15,839	19.7%
40,001 +	26.9%	23,693	29.5%
Totals	100.0%	\$80,376	100.0%

Lease Expirations—Portfolio Total. The following table sets forth a summary schedule of the lease expirations for leases on the Properties in place as of January 1, 2002, assuming that none of the tenants exercises renewal options or termination rights, if any, at or prior to the scheduled expirations.

Year of Lease Expiration	Square Footage of Expiring Leases	Percentage of Total Leased Square Footage	Annualized Base Rent of Expiring Leases (000's omitted) At Expiration	Percentage of Total Annualized Base Rent
2002	936,006	19.9%	\$16,615	20.7%
2003	1,089,828	23.1%	20,397	25.4%
2004	783,910	16.6%	12,667	15.7%
2005	554,853	11.8%	8,804	10.9%
2006	542,369	11.5%	9,715	12.1%
2007	306,003	6.5%	3,794	4.7%
2008	241,225	5.1%	3,869	4.8%
2009	97,498	2.1%	1,654	2.1%
2010	140,576	3.0%	2,456	3.1%
2011	18,579	0.4%	405	0.5%
Totals	4,710,847	100.0%	\$80,376	100.0%

The following table combines certain historical information regarding tenants at the Properties who renewed an existing lease at or prior to the expiration of the existing lease:

	1997	1998	1999	2000	2001
Aggregate rentable square footage of expiring leases (1)	347,150	703,759	611,274	836,284	864,843
Aggregate rentable square footage of lease renewals	175,247	410,752	422,940	492,569	485,177
Percentage of expiring rentable square footage renewed	50%	58%	69%	59%	56%

(1) The aggregate rentable square footage of expiring leases excludes those leases for tenants that vacated subsequent to the Company's acquisition of a property where the Company believes the decision to vacate was made prior to the Company's acquisition of the property.

ITEM 3—LEGAL PROCEEDINGS

As of December 31, 2001, the Company was not a party to any material legal proceedings.

ITEM 4—SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of shareholders during the fourth quarter of the fiscal year ended December 31, 2001.

ITEM 4A—EXECUTIVE OFFICERS OF THE REGISTRANT

The Company's executive officers are elected annually and, subject to the terms of any applicable employment agreements, serve at the pleasure of the Company's Board of Trustees. The following table sets forth certain information with respect to the executive officers of the Company:

<u>Name</u>	<u>Age</u>	<u>Present Position and Offices With the Company</u>
Richard A. May	57	Chief Executive Officer and Chairman of the Board of Trustees
Patrick R. Hunt	48	President, Chief Operating Officer and Trustee
Richard L. Rasley	45	Executive Vice President, Secretary, Co-General Counsel
James Hicks	46	Chief Financial Officer and Treasurer
Raymond M. Braun	42	Chief Investment Officer
Kim S. Mills	53	Senior Vice President—Leasing
Edith M. Scurto	36	Senior Vice President—Property Management

Richard A. May. Mr. May co-founded the Company in 1992 and has served as principal executive officer and as Chairman of the Board of Trustees of the Company since its inception. Mr. May is currently the Chairman of the Board and Chief Executive Officer of the Company. In 1986, Mr. May co-founded Equity Partners Ltd. ("the Advisor") and, from 1987 until April 1, 1996, Mr. May was an officer and shareholder of the Advisor. Mr. May is a licensed real estate broker in the States of Illinois and Indiana and holds several inactive National Association of Securities Dealers, Inc. ("NASD") licenses. He is also a member of National Association of Real Estate Investment Trusts ("NAREIT"). Mr. May received his Bachelor's Degree in mechanical engineering from the University of Illinois and his M.B.A. degree from The University of Chicago.

Patrick R. Hunt. Mr. Hunt, President, Chief Operating Officer and Trustee, joined the Company in August 1997 and has general supervisory responsibility for the Company's operating activities. From 1983 until August 1997, Mr. Hunt was employed by Jones Lang LaSalle (formerly LaSalle Partners), a Chicago-based provider of international real estate services. At Jones Lang LaSalle, Mr. Hunt most recently served as a *managing director of portfolio management and client servicing of Jones Lang LaSalle's commingled fund investments*. Prior to that, he served as Administrative Head of Jones Lang LaSalle's Los Angeles corporate office. From 1975 to 1983, Mr. Hunt was employed by Harris Trust and Savings Bank in Chicago, where he served as a Vice President in the Corporate Banking Department. Mr. Hunt is a member of the Pension Real Estate Association and NAREIT. He received his Bachelor's Degree from Northwestern University and his M.B.A. degree from The University of Chicago.

Richard L. Rasley. Mr. Rasley co-founded the Company in 1992 and has served as an officer of the Company since its inception. Mr. Rasley is currently the Executive Vice President, Co-General Counsel and Secretary of the Company and has general supervisory responsibility for administrative and legal matters. From 1987 until April 1, 1996, Mr. Rasley was an officer and shareholder of the Advisor. Mr. Rasley is a Certified Public Accountant, holds several inactive NASD licenses, and is a member of the Illinois Bar and NAREIT. Mr. Rasley received his Bachelor's Degree from the University of Iowa and his M.B.A. and J.D. degrees from the University of Illinois.

James Hicks. Mr. Hicks, Chief Financial Officer and Treasurer of the Company, joined the Advisor in 1994 and currently has general supervisory responsibility for the finance and accounting activities of the Company. From 1989 to 1993, Mr. Hicks was employed by JMB Institutional Realty Corporation, which was a real estate adviser to pension funds and other institutional investors, as a vice president of portfolio management with responsibility for overall asset management of a portfolio of international and domestic commercial real estate properties. He received his Bachelor's Degree in Accounting and Mathematics from Augustana College and his M.B.A. degree from Northwestern

University. Mr. Hicks is a Certified Public Accountant and is a member of the Illinois CPA Society and American Institute of Certified Public Accountants.

Raymond M. Braun. Mr. Braun, Chief Investment Officer, joined the Advisor in May 1990 and currently has primary responsibility for all of the Company's real estate acquisition activities. Prior to joining the Advisor, Mr. Braun was employed from 1986 to 1990 by The Balcor Company, a major real estate investment company involved in all aspects of real estate including development, management, syndication and mortgage lending. Mr. Braun received his Bachelor's Degree from the University of Illinois. Mr. Braun is a member of the National Association of Industrial and Office Park Realtors.

Kim S. Mills. Mr. Mills, Senior Vice President-Leasing, joined the Advisor in January 1996. Mr. Mills has primary responsibility for all of the Company's leasing activities. Prior to joining the Advisor, Mr. Mills was employed by Simon Property Group REIT, a commercial property REIT, from 1992 to 1995 as a regional manager with responsibility for overall portfolio management of high rise office buildings totaling over four million square feet. Mr. Mills received his Bachelor's Degree from Ohio Northern University and has a Real Property Administrator designation from the Building Owners and Managers Association.

Edith M. Scurto. Ms. Scurto, Senior Vice President-Property Management, joined the Advisor in December 1986. In August 1987, she assumed responsibility for the Advisor's property management activities. Since that date, she has managed or overseen the management of all of the Advisor's and the Company's properties, and has been involved with virtually every aspect of property management, reporting, improvement and maintenance. In December 1997, Ms. Scurto became the Company's Senior Vice President-Property Management. Ms. Scurto currently oversees the management of all of the Company's properties. Ms. Scurto is a current member of the Institute of Real Estate Management, maintains an Illinois Real Estate Sales Person License and is a Certified Property Manager.

PART II

ITEM 5—MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company’s common shares of beneficial interest (the “Common Shares”) are listed on the New York Stock Exchange (the “NYSE”) under the symbol “GL.”

As of March 5, 2002, there were approximately 346 holders of record of the Common Shares, which excludes beneficial owners of shares registered in nominee or street name.

The table below sets forth for the periods indicated, the reported high and low sale prices of the Common Shares on the NYSE Composite Tape and the quarterly dividends per share paid by the Company on such shares.

<u>2001</u>	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>	<u>2000</u>	<u>1Q</u>	<u>2Q</u>	<u>3Q</u>	<u>4Q</u>
High	\$18.31	\$18.30	\$18.58	\$17.00	High	\$16.38	\$17.50	\$19.25	\$17.94
Low	\$15.81	\$16.70	\$15.30	\$14.89	Low	\$14.25	\$14.19	\$17.00	\$16.31
Dividend	\$.40	\$.40	\$.40	\$.40	Dividend	\$.34	\$.36	\$.36	\$.85

The Company has elected to be treated as a real estate investment trust (“REIT”) under the applicable provisions of the Internal Revenue Code of 1986, as amended. In order to qualify as a REIT, the Company is required to distribute to shareholders at least 90% of its taxable income and to meet certain asset and income tests as well as certain other requirements. The Company’s distribution strategy is to distribute what it believes is a conservative percentage of its cash flow, permitting the Company to retain funds for capital improvements and other investments while funding its distributions.

For federal income tax purposes, distributions may consist of ordinary income dividends, nontaxable return of capital, capital gains or a combination thereof. Distributions in excess of the Company’s current and accumulated earnings and profits (calculated for tax purposes) will constitute a nontaxable return of capital rather than a dividend and will reduce the shareholder’s basis in his or her Common Shares for tax purposes. To the extent that a distribution exceeds both the Company’s current and accumulated earnings and profits and the shareholder’s basis in his or her shares, the amount of such excess will generally be treated as gain from the sale or exchange of that shareholder’s shares. The Company annually notifies shareholders of the taxability of distributions paid during the preceding year. The following table sets forth the taxability of distributions paid in 2001, 2000 and 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Ordinary income	100%	66.0%	81.2%
Unrecaptured Section 1250 gains	—	4.7%	2.4%
20% rate capital gains	—	29.3%	16.4%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

ITEM 6—SELECTED FINANCIAL DATA

The following sets forth selected financial and operating information for the Company for each of the periods and dates indicated. The following information should be read in conjunction with the financial statements and notes thereto of the Company included elsewhere in this report. The selected historical financial and operating information for the Company at December 31, 2001 and 2000, and for each of the three years in the period ended December 31, 2001 has been derived from the Company's financial statements audited by Ernst & Young LLP, independent auditors, whose report with respect thereto is included elsewhere in this Form 10-K. The selected financial and operating information for the Company at December 31, 1999, 1998 and 1997 and for the years ended December 31, 1998 and 1997 has been derived from the Company's audited financial statements.

	Years ended December 31,				
	2001	2000	1999	1998	1997
Operating Data:					
Total revenue	\$103,146	\$100,529	\$ 95,431	\$ 80,898	\$ 47,663
Expenses:					
Real estate taxes and other property operating	42,299	39,669	40,209	33,652	19,660
General and administrative	4,992	5,555	4,692	4,958	3,379
Interest	14,331	15,193	14,009	12,339	4,308
Depreciation and amortization	19,852	16,975	15,901	13,092	8,200
Income before gain on sale of properties	21,672	23,137	20,620	16,857	12,116
Gain on sale of properties, net	—	11,134	8,076	—	—
Income before allocation to minority interests	21,672	34,271	28,696	16,857	12,116
Minority interests	52	82	98	61	11
Net income	21,620	34,189	28,598	16,796	12,105
Income allocated to preferred shareholders	3,656	3,656	3,656	163	—
Net income applicable to common shares	\$ 17,964	\$ 30,533	\$ 24,942	\$ 16,633	\$ 12,105
Per Common Share Data:					
Net income:					
Basic	\$ 1.09	\$ 1.85	\$ 1.51	\$ 0.99	\$ 0.92
Diluted	\$ 1.08	\$ 1.84	\$ 1.51	\$ 0.98	\$ 0.91
Dividends	\$ 1.60	\$ 1.91	\$ 1.34	\$ 1.24	\$ 1.20
Weighted average shares outstanding:					
Basic	16,520	16,531	16,471	16,793	13,140
Diluted	16,655	16,631	16,554	16,974	13,305
Balance Sheet Data (at December 31):					
Properties, net of accumulated depreciation	\$465,746	\$414,002	\$438,177	\$426,606	\$285,941
Total assets	486,492	431,610	455,202	443,689	297,137
Total debt	257,078	190,911	211,663	193,623	95,098
Total liabilities	277,916	211,858	234,317	213,437	109,732
Shareholders' equity	207,894	219,073	219,934	229,087	187,092
Other data:					
Cash flows provided by operating activities	\$ 40,118	\$ 35,543	\$ 36,124	\$ 30,332	\$ 21,429
Cash flows provided by (used in) investing activities	(69,093)	20,483	(18,961)	(139,052)	(104,057)
Cash flows provided by (used in) financing activities	31,086	(56,759)	(18,111)	109,749	82,377
Funds from operations (unaudited)(1)	37,271	35,808	32,178	29,054	19,862
Number of properties owned at year end (unaudited)	37	35	36	40	34
Total square feet of properties owned at year end (unaudited)	5,428	4,971	5,165	5,232	3,988
Occupancy rate of properties owned at year end (unaudited)	88%	92%	94%	95%	93%

- (1) The White Paper on Funds From Operations approved by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT") in October 1999 (the "White Paper") defines Funds from Operations as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Management considers Funds from Operations an appropriate measure of performance of an equity REIT because it is predicated on cash flow analysis. The Company computes Funds from Operations in accordance with standards established by the White Paper which may differ from the methodology for calculating Funds from Operations utilized by other equity REITs and, accordingly, may not be comparable to such other REITs. Funds from Operations should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of the Company's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the Company's liquidity, nor is it indicative of funds available to fund the Company's cash needs, including its ability to make distributions.

ITEM 7—MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollars in thousands)

Results of Operations

Trends

In 2001, occupancy rates in the Current Markets declined due to increases in supply and decreases in demand for office space. The Company's properties were affected by this market trend and as a result, the overall portfolio occupancy of the Company's properties declined from 92% at the end of 2000 to 88% at the end of 2001. Occupancy declines in the Company's portfolio of properties adversely impact the Company's revenue growth. The Company does not expect that the overall market trends will change in 2002. As a result, the Company expects that overall portfolio occupancy will decline to approximately 84% at the end of 2002 and that revenues and net income will decrease slightly in 2002 as compared to 2001.

As of March 5, 2002, several tenants were in default under their leases for failure to make rent payments. The largest of these tenants, an affiliate of PSINet, Inc., that occupies 31,600 square feet in one of our Minneapolis area properties, is not expected to meet its rent payment obligations. In addition, several other tenants that are not currently in default are experiencing financial difficulties which may lead to lease defaults. These tenant defaults may adversely impact the Company's revenue in 2002.

Critical Accounting Policies

Allowance for doubtful accounts—methodology

We evaluate whether accounts receivable from tenants are collectible using the specific identification method. In circumstances where a specific tenant has defaulted on its financial obligations to us, we record a specific reserve for bad debts against amounts due to reduce the net recognized receivable to the amount we think will be collected. If a tenant's circumstances change (an unexpected material adverse change in a tenant's financial condition that precludes them from meeting their financial obligations), our estimates of the recoverability of amounts due us could be reduced by a material amount.

Revenue recognition—reimbursement income

Under the terms of our tenant leases, tenants pay a portion of the real estate taxes and property operating expenses of the property they occupy to us as reimbursement income. Tenants generally pay an estimate of these amounts to us monthly. As of December 31 of each year, we record as a receivable any additional amounts due in excess of the monthly estimates paid to us by the tenant even though the amount due will not be billed to the tenant until the next calendar year. Such amounts recorded do vary from the actual amounts billed to the tenants but the differences in prior years have not been material.

Accrued real estate taxes—use of estimates

For certain properties owned by us, real estate taxes for the current calendar year are not due and payable until the next calendar year. We estimate the amounts due the local taxing authorities based on historical trends for a particular property or local area. We also use information from our consultants who review the methodology used by the local taxing authorities to determine the real estate taxes we owe. If a local taxing authority were to change the methodology it uses to determine real estate taxes, the amounts estimated to be paid in future years could vary from our estimates.

Fair value of interest rate swap agreements

We value these agreements based on information provided to us by a third party. If we were to use a different party to help us value these agreements, the fair value could materially change.

Accounting for employee share options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), in accounting for its options on common shares. Under APB 25, no compensation expense is recognized because the exercise price of the Company's employee share options equals or exceeds the market price of the underlying shares at the date of grant. Net income and earnings per share would vary from amounts reported if we followed FASB Statement 123 "Accounting for Stock-Based Compensation," and accounted for our employee share options under the fair value method of that Statement.

2001 Compared to 2000

During 2001, the Company acquired two properties. The operating results of these properties were included in the Company's financial statements from the dates of acquisition. In addition, the Company sold two properties in 2000. In 2000, the Company acquired one property, and in 2001 a full year of operations of this property was included in the Company's financial statements. In analyzing the 2001 operating results of the Company, the changes in rental and reimbursement income, real estate taxes and other property operating expenses from 2000 were principally due to: (i) the addition of operating results from the properties acquired in 2001 from the dates of acquisition, (ii) the addition of a full year's operating results in 2001 of the property acquired in 2000 compared to the partial year's operating results from the date of its acquisition in 2000, (iii) the effect of property dispositions in 2000 and (iv) increases or decreases on properties owned in both 2001 and 2000. Other property operating expenses include contract services, repairs, maintenance, utilities, personnel, insurance and other costs directly associated with the leasing, management and operation of the properties. A summary of these changes as they impact rental income, reimbursement income, real estate taxes and other property operating expenses for 2001 follows:

	<u>Rental Income</u>	<u>Reimbursement Income</u>	<u>Real Estate Taxes</u>	<u>Other Property Operating Expenses</u>
Increase due to 2001 acquisitions	\$3,486	\$2,372	\$1,264	\$1,601
Increase due to inclusion of full year of properties acquired in 2000	815	688	503	298
Property dispositions in 2000	(1,971)	(1,279)	(486)	(757)
Increase (decrease) in 2001 compared to 2000	<u>925</u>	<u>(2,414)</u>	<u>962</u>	<u>(755)</u>
Total	<u>\$3,255</u>	<u>\$ (633)</u>	<u>\$2,243</u>	<u>\$ 387</u>

Telecommunications income increased by \$42, or 10%, in 2001 to \$467 as compared to \$425 in 2000. Two companies that had signed rooftop license agreements declared bankruptcy in 2001 which adversely impacted telecommunications revenue in 2001.

Tenant service income increased by \$44, or 11%, to \$437 in 2001 as compared to \$393 in 2000 commensurate with the increase in the number of properties owned by the Company.

Interest income decreased by \$202, or 12%, to \$1,532 in 2001 as compared to \$1,734 in 2000 principally because the Company did not have any disposition proceeds from property sales in 2001 available to earn interest pending reinvestment in other properties or distribution to shareholders.

General and administrative expenses decreased by \$563, or 10%, to \$4,992 in 2001 as compared to \$5,555 in 2000 primarily due to reduced expenses associated with the restricted share plan (\$239) and decreased compensation expenses (\$324) in 2001.

Interest expense decreased by \$862, or 6%, to \$14,331 in 2001 as compared to \$15,193 in 2000 due to lower average interest rates on the Company's unsecured line of credit during 2001.

Depreciation and amortization expense increased by \$2,877, or 17%, to \$19,852 in 2001 compared to \$16,975 in 2000 as the weighted-average gross book value of properties depreciated was greater in 2001 than in 2000. The Company acquired properties for a contract price of \$56,759 in 2001 as compared to acquisitions totaling \$9,490 in 2000.

Segment Operations

The Company has two reportable segments, distinguished by property type. The property types are office and office service center. Office buildings are generally single-story or multi-story buildings used by tenants for office activities. The buildings generally have common area lobbies and other amenities including food service areas, atriums and limited underground parking facilities. Office service center buildings generally are one-story buildings with no common areas. Tenant spaces generally have less than 100% office use with the non-office space used for showroom, technical or light storage purposes.

The net income for the office segment was as follows:

	Years ended December 31,	
	2001	2000
Net operating income	\$56,349	\$53,966
Interest expense	(13,520)	(14,066)
Depreciation	(17,744)	(15,300)
Segment net income	<u>\$25,085</u>	<u>\$24,600</u>

The increase in the office segment net income for the year ended December 31, 2001 as compared to 2000 was primarily due to reduced interest expense in 2001 on the Company's unsecured line of credit.

The net income for the office service center segment was as follows:

	Years ended December 31,	
	2001	2000
Net operating income	\$3,140	\$4,412
Interest expense	(811)	(1,127)
Depreciation	(1,535)	(1,127)
Segment net income	<u>\$ 794</u>	<u>\$2,158</u>

The decrease in segment net income for the year ended December 31, 2001 as compared to 2000 was due to the sale of the Company's Woodcreek office service center property in 2000 as well as decreases caused by declining occupancies in this property segment.

2000 Compared to 1999

During 2000, the Company acquired one property. The operating results of this property were included in the Company's financial statements from the date of its acquisition. In addition, the Company sold two properties in 2000. In 1999, the Company acquired two properties, and in 2000 a full year of operations of these properties was included in the Company's financial statements. In

analyzing the 2000 operating results of the Company, the changes in rental and reimbursement income, real estate taxes and other property operating expenses from 1999 were principally due to: (i) the addition of operating results from the property acquired in 2000 from the date of its acquisition, (ii) the addition of a full year's operating results in 2000 of properties acquired in 1999 compared to the partial year's operating results from the dates of their respective acquisitions in 1999, (iii) the effect of property dispositions in 2000 and 1999 and (iv) improved operations of properties during 2000 compared to 1999. A summary of these changes as they impact rental income, reimbursement income, real estate taxes and other property operating expenses for 2000 follows:

	<u>Rental Income</u>	<u>Reimbursement Income</u>	<u>Real Estate Taxes</u>	<u>Other Property Operating Expenses</u>
Increase due to 2000 acquisitions	\$ 544	\$ 393	\$ 187	\$263
Increase due to inclusion of full year of properties acquired in 1999	1,832	419	306	694
Property dispositions in 1999	(2,074)	(278)	(393)	(614)
Property dispositions in 2000	(1,150)	(153)	(395)	(287)
Improved operations in 2000 compared to 1999	<u>3,263</u>	<u>1,118</u>	<u>(993)</u>	<u>692</u>
Total	<u>\$ 2,415</u>	<u>\$1,499</u>	<u>\$(1,288)</u>	<u>\$748</u>

Telecommunications income increased by \$334, or 367%, in 2000 to \$425 as compared to \$91 in 1999 as the Company signed additional leases for rooftop space with telecommunications providers in 2000. The Company commenced its efforts to lease rooftop space in the middle of 1999.

Tenant service income increased by \$216, or 122%, to \$393 in 2000 as compared to \$177 in 1999 as the Company's program to increase its tenant service income was in place for twelve months in 2000 as compared with only six months in 1999.

Interest income increased by \$450, or 35%, to \$1,734 in 2000 as compared to \$1,284 in 1999 principally because of increased interest earned from employee share loans as the average amount outstanding on these loans increased in 2000 as compared to 1999 and interest earned on disposition proceeds held pending reinvestment in additional properties or distribution to shareholders.

General and administrative expenses increased by \$863, or 18%, to \$5,555 in 2000 as compared to \$4,692 in 1999 primarily due to the implementation of a restricted share plan (\$523), increased legal fees associated with joint venture transactions not consummated (\$104) and increases in state income taxes (\$122).

Interest expense increased by \$1,184, or 8%, to \$15,193 in 2000 as compared to \$14,009 in 1999 due to higher weighted-average amounts of debt outstanding during 2000 as compared to 1999 and higher average short-term interest rates on the Company's variable rate debt during 2000.

Depreciation and amortization expense increased by \$1,074, or 7%, to \$16,975 in 2000 compared to \$15,901 in 1999 as the weighted-average gross book value of properties depreciated was greater in 2000 than in 1999.

Liquidity and Capital Resources

The Company expects to meet its short-term liquidity requirements principally through its working capital and net cash provided by operating activities. The Company considers its cash provided by operating activities to be adequate to meet operating requirements and to fund the payment of dividends to the extent necessary to comply with certain federal income tax requirements applicable to real estate investment trusts ("REITs").

The Company expects to meet its liquidity requirements for property acquisitions and significant capital improvements through targeted property dispositions and additional borrowings. The Company's unsecured credit facility matures March 23, 2004 and has a maximum amount available of \$150,000. The interest rate on borrowings under the unsecured credit facility is LIBOR plus 1.0% to 1.2% depending on the Company's overall leverage. The unsecured credit facility contains financial covenants, including requirements for a minimum tangible net worth, maximum liabilities to asset values, debt service coverage and net property operating income. The unsecured credit facility also contains restrictions on, among other things, indebtedness, investments, dividends, liens, mergers and development activities. At December 31, 2001, the Company had \$47,750 available for future borrowings under the unsecured credit facility.

In June 2001, the Company entered into a \$33,046 loan agreement with an institutional lender. The loan is secured by a first mortgage lien on its Milwaukee Center property, located in Milwaukee, Wisconsin, and bears interest at a fixed annual interest rate of 7.435% with a ten-year term. The net proceeds from the loan (approximately \$33,000) were used to repay a portion of the outstanding borrowings under the Company's unsecured credit facility.

In October 2001, the Company entered into two separate interest rate swap agreements with notional amounts of \$25,000 each. One agreement has a term of two years and fixes the interest rate on \$25,000 of the Company's unsecured credit facility at a maximum of 4.12%. The second swap agreement has a term of three years and fixes the interest rate on \$25,000 of the Company's unsecured credit facility at a maximum of 4.73% per annum.

In December 2001, the Company entered into two loan agreements with an institutional lender totaling \$23,000. One loan in the amount of \$6,250 is secured by a first mortgage lien on the Company's Woodfield Green property located in Schaumburg, Illinois. The other loan in an amount of \$16,750 is secured by a first mortgage lien on the Company's 1600 Corporate Center property located in Rolling Meadows, Illinois. Both loans bear interest at 6.65% per annum and have a term of five years. The net proceeds from the loans (approximately \$23,000) were used to repay a portion of the outstanding borrowings under the Company's unsecured credit facility.

The next significant maturity of the Company's long-term debt is \$11,100 in January 2003. The loan is secured by a first mortgage on Tri Atria Center located in Farmington Hills, Michigan. The carrying value of this property was approximately \$23,400 at December 31, 2001, and the Company expects to refinance the amount due in 2002.

The Company expects to meet its long-term liquidity requirements (such as scheduled mortgage debt maturities, property acquisitions, and significant capital improvements) through long-term collateralized and uncollateralized borrowings, the issuance of debt or equity securities and targeted property dispositions.

During 2001, the Company repurchased 228,400 of its common shares for an aggregate purchase price of \$3,650, which completed all authorized share repurchase activities. Funds for the share repurchases came from borrowings under the Company's unsecured credit facility and working capital.

Statements of Cash Flows

2001 Compared to 2000

Cash provided by operating activities increased by \$4,575 as compared to 2000 because the Company acquired two properties during 2001 aggregating 452,000 square feet that offset the impact of declining occupancy on cash flow from operations.

Net cash used in investing activities increased by \$89,576 as compared to 2000 as Company acquired two properties in 2001 at a cost of \$56,759 compared to one property in 2000 at a cost of

\$9,490. In addition, the Company did not sell any properties in 2001 as compared to \$39,620 of disposition proceeds generated from property sales in 2000.

Net cash provided by financing activities increased by \$87,845 as compared to 2000 as the Company increased its long-term debt outstanding to finance the acquisition of properties in 2001.

2000 Compared to 1999

Cash provided by operating activities decreased by \$581 as compared to 1999 because the Company sold two properties during 2000 aggregating 310,000 square feet and only acquired one property containing 110,000 square feet in 2000.

Net cash provided by financing activities increased by \$39,444 as compared to 1999 as the proceeds from property sales increased in 2000 and cash used to purchase properties decreased in 2000.

Net cash used in financing activities increased by \$38,648 as compared to 1999 as the Company retired outstanding indebtedness and paid increased dividends in 2000.

Forward-Looking Statements

This annual report on Form 10-K contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. The statements included in this annual report on Form 10-K regarding anticipated results for future periods, the expectations regarding future property dispositions and acquisitions, future portfolio occupancy rates, expectations regarding local real estate market developments and the economic characteristics of the markets in which the Company operates, are "forward-looking statements" made in reliance on the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Though these statements are based on risks, assumptions and other factors that management believes to be reasonable, actual results may differ from those expected or implied by the "forward-looking statements." Key factors that could lead to a variance include additional property acquisition, development or disposition activity and variances in the timing of property purchases and sales, changes in interest rates, the Company's ability to lease vacant space or renew expiring leases at acceptable rates, unexpected variances in leasing activities due to unanticipated competition from other properties or changes in tenant demand, downturns in the local or national economies and other risks inherent in the real estate business. For further information, reference should be made to the other reports and information that Great Lakes REIT has filed and may file with the Securities and Exchange Commission.

ITEM 7(a)—MARKET RISK (Dollars in thousands)

The Company's interest income is sensitive to changes in the general levels of U.S. short-term interest rates.

The Company's interest expense is sensitive to changes in the general level of U.S. short-term and long-term interest rates as the Company has outstanding indebtedness at fixed and variable rates.

The Company's variable rate debt under the credit facility bears interest at LIBOR plus 1% to 1.2% per annum depending on the Company's overall leverage. Increases in LIBOR rates would increase the Company's interest expense and reduce its cash flow. Conversely, declines in LIBOR rates would decrease the Company's interest expense and increase its cash flow. In October 2001, the Company entered into two separate interest rate swap agreements with notional amounts of \$25,000 each. One agreement has a term of two years and fixes the interest rate on \$25,000 of the Company's unsecured credit facility at a maximum of 4.12%. The second swap agreement has a term of three years and fixes the interest rate on \$25,000 of the Company's unsecured credit facility at a maximum of 4.73% per annum.

At December 31, 2001, the Company had \$200,868 of fixed rate debt outstanding at an average rate of 6.31% (including the effect of the two swap agreements). If the general level of interest rates in the United States were to fall, the Company would not likely have the opportunity to refinance this fixed rate debt at lower interest rates due to prepayment restrictions and penalties on its fixed rate debt.

In general, the Company believes long-term fixed rate debt is preferable as a financing vehicle for its operations due to the long-term fixed contractual rental income the Company receives from its tenants. As a result, the Company has 78% of its long-term debt outstanding at December 31, 2001 at fixed rates (including the debt affected by the swap agreements). The Company may, as market conditions warrant, enter into additional fixed rate long-term debt instruments on either a secured or unsecured basis.

A tabular presentation of interest rate sensitivity is as follows:

Interest Rate Sensitivity						
Principal Amount by Expected Maturity						
Average Interest Rate						
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Thereafter</u>
Liabilities:						
Fixed Rate						
Mortgage loans payable	\$3,743	\$14,717	\$ 6,465	\$4,146	\$24,162	\$97,635
Average interest rate	6.96%	7.05%	7.71%	6.88%	6.69%	7.05%
Fixed Rate						
Bank loan payable subject to interest rate swap(1)	—	—	\$25,000	—	—	—
Bank loan payable subject to interest rate swap(2)	—	—	\$25,000	—	—	—
Average interest rate(3)						
Variable Rate						
Bank loan payable	—	—	\$52,250	—	—	—
Average interest rate(4)						
Bonds payable	\$ 340	\$ 375	\$ 415	\$ 460	\$ 505	\$ 1,865
Average interest rate	(5)	(5)	(5)	(5)	(5)	(5)

- (1) The maximum interest rate is 4.12% per annum until December 2003.
- (2) The maximum interest rate is 4.73% per annum until December 2004.
- (3) The average interest rate during 2001 was 5.46% per annum as the interest rate swaps did not take effect until December 2001.
- (4) At December 31, 2001, the interest rate was LIBOR plus 1.2% per annum. The average interest rate during 2001 was 5.46% per annum.
- (5) The interest rate is reset weekly. After factoring in credit enhancement costs, the average interest rate during 2001 was 5.34% per annum.

ITEM 8—FINANCIAL STATEMENTS

The financial statements and supplementary data required by Regulation S-X are included in this Report on Form 10-K commencing on Page F-1.

ITEM 9—CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10—TRUSTEES AND EXECUTIVE OFFICERS OF THE REGISTRANT

Information regarding trustees of the Company will be set forth under the caption "Election of Trustees" in the Company's proxy statement for the Company's 2002 annual meeting of shareholders (the "Proxy Statement") and is incorporated herein by reference. Information regarding executive officers of the Company is included in Item 4A of Part I of this Form 10-K as permitted by Instruction 3 to Item 401(b) of Regulation S-K. Information required by Item 405 of Regulation S-K will be set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement and is incorporated herein by reference.

ITEM 11—EXECUTIVE COMPENSATION

Information required by this item will be set forth under the caption "Executive Compensation" in the Proxy Statement and, except for the information under the captions "Executive Compensation—Compensation Committee Report on Executive Compensation" and "Executive Compensation—Performance Graph," is incorporated herein by reference.

ITEM 12—SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information required by this item will be set forth under the caption "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement and is incorporated herein by reference.

ITEM 13—CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information regarding any disclosable relationships and related transactions of trustees and executive officers will be set forth under the caption "Compensation Committee Interlocks and Insider Participation" in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 14—EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.

- (a) 1. See Index to Financial Statements.
2. See Index to Financial Statements.

All other schedules are not submitted because the required criteria have not been met, or because the required information is included in the consolidated financial statements or notes thereto.

Exhibit Number	Description of Document
3.1	Amended and Restated Declaration of Trust of the Company (incorporated by reference to Appendix B to the Proxy Statement/Prospectus that is part of the Company's Registration Statement on Form S-4, as amended (File No. 333-56167) (the "S-4")).
3.2	Articles Supplementary regarding the Company's 9¾% Cumulative Redeemable Preferred Shares of Beneficial Interest, \$.01 par value per share (the "Series A Preferred Shares") (incorporated by reference to the Company's Form 8-A Registration Statement (File No. 1-14307) filed with the Securities and Exchange Commission (the "Commission") on December 16, 1998 (the "December 1998 8-A")).
3.3	Bylaws of the Company.

Exhibit Number	Description of Document
4.1	Specimen of certificate representing the Company's Common Shares of Beneficial Interest, par value \$.01 per share (the "Common Shares").
4.2	Specimen of certificate representing the Series A Preferred Shares.
4.3	Loan Agreement, dated December 1, 1998, between the Company and AUSA Life Insurance Company, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 9, 1998).
4.4	Unsecured Revolving Credit Agreement, dated as of March 23, 2001, among Great Lakes REIT, L.P., as Borrower and Banc One Capital Markets, Inc., as Lead Arranger and Sole Book Runner and Bank One, NA, and Certain Other Banks as Lenders and Bank One, NA, as Agent. (incorporated by reference to exhibit 4.4 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000).
4.5	Loan Agreement dated June 1, 2001 between the Company and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 20, 2001).
4.6	Form of Mortgage between the Company and Allstate Life Insurance Company dated December 14, 2001.
4.7	Form of Promissory Note between the Company and Allstate Life Insurance Company dated December 14, 2001.
10.1	Amended and Restated Agreement of Limited Partnership of Great Lakes REIT, L.P., dated December 27, 1996 (the "Partnership Agreement") (incorporated by reference to Exhibit 5 to the Company's Current Report on Form 8-K dated January 14, 1997).
10.2	First Amendment to the Partnership Agreement, dated February 6, 1997 (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-11 (File No. 333-22619) (the "S-11")).
10.3	Second Amendment to the Partnership Agreement, dated February 10, 1997 (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.4	Third Amendment to the Partnership Agreement, dated May 22, 1998 (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.5	Fourth Amendment to the Partnership Agreement, dated December 23, 1998 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 23, 1998).
*10.6	The Great Lakes REIT Equity and Performance Incentive Plan (the "Equity Plan") (incorporated by reference to the Company's Proxy Statement on Schedule 14A dated April 18, 2001).
*10.7	Form of Option Agreement for use in connection with options granted under the Equity Plan; no options were granted to Named Executive Officers in 2001 (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
*10.8	Form of Non-Qualified Option Certificate for use in connection with options granted to independent trustees under the Equity Plan (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998); Matthew S. Dominski, Daniel E. Josephs, Daniel P. Kearney, Donald E. Phillips and James E. Schragger were each issued certificates dated December 31, 2001 that evidenced an option to purchase 5,000 Common Shares.

Exhibit Number	Description of Document
*10.9	Form of Employment Agreement dated July 17, 1998 between the Company and each of Richard A. May and Patrick R. Hunt (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
*10.10	Form of Employment Agreement dated July 17, 1998 between the Company and each of Raymond M. Braun, James Hicks and Richard L. Rasley (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
*10.11	Form of Employment Agreement dated July 17, 1998 between the Company and each of Kim S. Mills and Edith M. Scurto (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
*10.12	Limited Purpose Employee Loan Program of the Company (incorporated by reference to Exhibit 10.61 to the Company's Form 10/A Registration Statement filed with the Commission on January 9, 1997).
*10.13	Form of Limited Purpose Employee Loan Program Loan Security Agreement for use in connection with limited purpose employee loans; (incorporated by reference to exhibit 10.14 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000) during 2001 Richard A. May, Patrick R. Hunt, Richard L. Rasley and Raymond M. Braun borrowed \$25,790, \$29,293, \$13,093 and \$14,930, respectively.
*10.14	Restricted Stock Agreement dated May 1, 1996 between the Company and Raymond Braun (incorporated by reference to Exhibit 10.8.6 to the S-11).
*10.15	Form of Restricted Shares Agreement; no restricted shares were granted to Named Executive Officers in 2001. During 2000 Richard A. May, Patrick R. Hunt, Richard L. Rasley, Raymond M. Braun, and James Hicks entered into agreements covering 28,552, 23,891, 14,497, 16,530 and 16,530 restricted shares, respectively (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the period ended June 30, 2000).
*10.16	Form of Change in Control Agreement dated June 1, 2000 between the Company and each of Adam E. Berman, Brett A. Brown and Eric Niederman (incorporated by reference to exhibit 10.17 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000).
21.1	Subsidiaries of the Company.
23.1	Consent of Independent Auditors.
24.1	Power of Attorney (set forth on the signature page hereof).

* Management contract or compensation plan or arrangement.

(b) Reports on Form 8-K:

During the fourth quarter ended December 31, 2001, the Company filed the following report on Form 8-K/A:

Items 2 and 7 Form 8-K/A dated October 23, 2001 Acquisition of Bannockburn Corporate Center and 1600 Corporate Center and Required Financial Statements.

Name

Title

/s/ DONALD E. PHILLIPS
Donald E. Phillips Trustee

/s/ JAMES E. SCHRAGER
James E. Schrager Trustee

Great Lakes REIT Index to Financial Statements (Item 14(a))

Financial Statements

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Schedules, other than as listed above, are omitted because they are not applicable or the equivalent information has been included elsewhere herein.

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Shareholders
Great Lakes REIT

We have audited the accompanying consolidated balance sheets of Great Lakes REIT as of December 31, 2001 and 2000 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2001. Our audit also included the financial statement schedule listed in the index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Great Lakes REIT at December 31, 2001 and 2000, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

Ernst & Young LLP

Chicago, Illinois
January 30, 2002

Great Lakes REIT
Consolidated Balance Sheets
(In thousands, except per share data)

	December 31	
	2001	2000
Assets		
Properties:		
Land	\$ 64,736	\$ 57,636
Buildings and improvements	457,849	400,058
	522,585	457,694
Less accumulated depreciation	56,839	43,692
	465,746	414,002
Cash and cash equivalents	2,896	785
Real estate tax escrows	225	231
Rents receivable	6,661	7,728
Deferred financing and leasing costs, net of accumulated amortization	6,674	5,893
Goodwill, net of accumulated amortization	1,061	1,135
Other assets	3,229	1,836
Total assets	\$486,492	\$431,610
Liabilities and shareholders' equity		
Bank loan payable	\$102,250	\$ 89,000
Mortgage loans payable	150,868	97,641
Bonds payable	3,960	4,270
Accounts payable and accrued liabilities	2,960	5,950
Accrued real estate taxes	12,710	10,884
Prepaid rent	3,539	2,599
Security deposits	1,629	1,514
Total liabilities	277,916	211,858
Minority interests	682	679
Commitments and contingencies		
Preferred shares of beneficial interest (\$0.01 par value, 10,000 shares authorized; 1,500 9¾% Series A Cumulative Redeemable shares, with a \$25.00 per share Liquidation Preference, issued and outstanding)	37,500	37,500
Common shares of beneficial interest (\$0.01 par value, 60,000 shares authorized; 18,305 and 18,275 shares issued in 2001 and 2000, respectively)	183	183
Paid-in-capital	235,371	234,959
Retained earnings (deficit)	(15,927)	(7,176)
Employee share purchase loans	(20,083)	(20,096)
Deferred compensation	(2,325)	(2,623)
Accumulated other comprehensive income	499	—
Treasury shares, at cost (1,772 and 1,543 shares in 2001 and 2000, respectively) . .	(27,324)	(23,674)
Total shareholders' equity	207,894	219,073
Total liabilities and shareholders' equity	\$486,492	\$431,610

The accompanying notes are an integral part of these financial statements.

Great Lakes REIT
Consolidated Statements of Income
(In thousands, except per share data)

	Years Ended December 31		
	2001	2000	1999
Revenues:			
Rental	\$78,655	\$75,400	\$72,985
Reimbursements	20,991	21,624	20,125
Parking	436	378	378
Telecommunications	467	425	91
Tenant service	437	393	177
Interest	1,532	1,734	1,284
Other	628	575	391
Total revenues	<u>103,146</u>	<u>100,529</u>	<u>95,431</u>
Expenses:			
Real estate taxes	16,209	13,966	15,254
Other property operating	26,090	25,703	24,955
General and administrative	4,992	5,555	4,692
Interest	14,331	15,193	14,009
Depreciation and amortization	19,852	16,975	15,901
Total expenses	<u>81,474</u>	<u>77,392</u>	<u>74,811</u>
Income before gain on sale of properties	21,672	23,137	20,620
Gain on sale of properties, net	—	11,134	8,076
Income before allocation to minority interests	21,672	34,271	28,696
Minority interests	52	82	98
Net income	21,620	34,189	28,598
Income allocated to preferred shareholders	3,656	3,656	3,656
Net income applicable to common shares	<u>\$17,964</u>	<u>\$30,533</u>	<u>\$24,942</u>
Earnings per common share—basic	<u>\$ 1.09</u>	<u>\$ 1.85</u>	<u>\$ 1.51</u>
Weighted average common shares outstanding—basic	<u>16,520</u>	<u>16,531</u>	<u>16,471</u>
Diluted earnings per common share	<u>\$ 1.08</u>	<u>\$ 1.84</u>	<u>\$ 1.51</u>
Weighted average common shares outstanding—diluted	<u>16,655</u>	<u>16,631</u>	<u>16,554</u>
Comprehensive income:			
Net income	\$21,620	\$34,189	\$24,942
Change in fair value of interest rate swaps	499	—	—
Total comprehensive income	<u>\$22,119</u>	<u>\$34,189</u>	<u>\$24,942</u>

The accompanying notes are an integral part of these financial statements.

Great Lakes REIT
Consolidated Statements of Changes in Shareholders' Equity
(Dollars in thousands)

	Years Ended December 31		
	2001	2000	1999
<i>Preferred Shares</i>			
Balance at beginning of period	\$ 37,500	\$ 37,500	\$ 37,500
Balance at end of period	<u>37,500</u>	<u>37,500</u>	<u>37,500</u>
<i>Common Shares</i>			
Balance at beginning of period	183	178	175
Exercise of share options	—	3	3
Restricted share awards	—	2	—
Balance at end of period	<u>183</u>	<u>183</u>	<u>178</u>
<i>Paid-in capital</i>			
Balance at beginning of period	234,959	227,907	223,414
Exercise of share options	412	3,916	4,493
Restricted share awards	—	3,136	—
Balance at end of period	<u>235,371</u>	<u>234,959</u>	<u>227,907</u>
<i>Retained earnings (deficit)</i>			
Balance at beginning of period	(7,176)	(5,936)	(8,790)
Net income	21,620	34,189	28,598
Distributions/dividends	<u>(30,371)</u>	<u>(35,429)</u>	<u>(25,744)</u>
Balance at end of period	<u>(15,927)</u>	<u>(7,176)</u>	<u>(5,936)</u>
<i>Employee share purchase loans</i>			
Balance at beginning of period	(20,096)	(16,335)	(11,967)
Repayment of loans	277	—	—
Exercise of share options	<u>(264)</u>	<u>(3,761)</u>	<u>(4,368)</u>
Balance at end of period	<u>(20,083)</u>	<u>(20,096)</u>	<u>(16,335)</u>
<i>Deferred compensation</i>			
Balance at beginning of period	(2,623)	(22)	(44)
Restricted share awards	—	(3,138)	—
Amortization of deferred compensation	298	537	22
Balance at end of period	<u>(2,325)</u>	<u>(2,623)</u>	<u>(22)</u>
<i>Accumulated other comprehensive income</i>			
Balance at beginning of period	—	—	—
Change in fair value of interest rate swap agreements	499	—	—
Balance at end of period	<u>499</u>	<u>—</u>	<u>—</u>
<i>Treasury shares</i>			
Balance at beginning of period	(23,674)	(23,358)	(11,201)
Purchase of treasury shares	<u>(3,650)</u>	<u>(316)</u>	<u>(12,157)</u>
Balance at end of period	<u>(27,324)</u>	<u>(23,674)</u>	<u>(23,358)</u>
<i>Total shareholders' equity</i>	<u>\$207,894</u>	<u>\$219,073</u>	<u>\$219,934</u>

The accompanying notes are an integral part of these financial statements.

Great Lakes REIT
Consolidated Statements of Cash Flows
(Dollars in thousands)

	Years Ended December 31		
	2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 21,620	\$ 34,189	\$ 28,598
Adjustments to reconcile net income to cash flows from operating activities			
Depreciation and amortization	19,852	16,975	15,901
Gain on sale of properties, net	—	(11,134)	(8,076)
Other non-cash items	350	618	120
Net changes in assets and liabilities:			
Rents receivable	1,067	(1,454)	(1,253)
Real estate tax escrows and other assets	(903)	(66)	245
Accounts payable, accrued expenses and other liabilities	(1,935)	(904)	2,160
Accrued real estate taxes	1,826	(803)	538
Payment of deferred leasing costs	(1,759)	(1,878)	(2,109)
Net cash provided by operating activities	<u>40,118</u>	<u>35,543</u>	<u>36,124</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of properties	(56,759)	(9,490)	(28,600)
Additions to buildings and improvements	(12,241)	(9,525)	(11,978)
Proceeds from property sales, net	—	39,620	22,669
Other investing activities, net	(93)	(122)	(1,052)
Net cash provided by (used in) investing activities	<u>(69,093)</u>	<u>20,483</u>	<u>(18,961)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	148	158	128
Proceeds from repayment of employee share loans	277	—	—
Proceeds from bank and mortgage loans payable	255,715	24,500	38,774
Distributions / dividends paid	(30,371)	(35,429)	(25,602)
Distributions to minority interests	(49)	(96)	(56)
Purchase of minority interests	—	(258)	(256)
Purchase of treasury shares	(3,650)	(316)	(12,157)
Payment of bank and mortgage loans and bonds	(189,548)	(45,252)	(18,655)
Payment of deferred financing costs	(1,436)	(66)	(287)
Net cash provided by (used in) financing activities	<u>31,086</u>	<u>(56,759)</u>	<u>(18,111)</u>
Net increase (decrease) in cash and cash equivalents	2,111	(733)	(948)
Cash and cash equivalents, beginning of year	785	1,518	2,466
Cash and cash equivalents, end of year	<u>\$ 2,896</u>	<u>\$ 785</u>	<u>\$ 1,518</u>
Supplemental disclosure of cash flow:			
Interest paid	<u>\$ 14,552</u>	<u>\$ 15,239</u>	<u>\$ 13,937</u>
Non-cash financing transactions:			
Employee share purchase loans	<u>\$ 264</u>	<u>\$ 3,761</u>	<u>\$ 4,368</u>
Mortgage assumed by purchaser of property	<u>—</u>	<u>—</u>	<u>\$ 2,079</u>
Increase in preferred dividends payable	<u>—</u>	<u>—</u>	<u>\$ 142</u>

The accompanying notes are an integral part of these financial statements.

Great Lakes REIT
Notes to Consolidated Financial Statements
(Dollars in thousands, except per share data)

1. Summary of Significant Accounting Policies

Nature of Activities

Great Lakes REIT, a Maryland real estate investment trust, (the "Company"), was formed in 1992 to invest in income-producing real property. The principal business of the Company is the ownership, management, leasing, renovation and acquisition of suburban office properties primarily located in the Midwest. At December 31, 2001, the Company owned and operated 37 properties primarily located in suburban areas of Chicago, Milwaukee, Detroit, Columbus, Minneapolis, Denver and Cincinnati. The Company leases office space to over 500 tenants in a variety of businesses.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries and controlled partnership. Inter-company accounts and transactions have been eliminated in consolidation.

Properties

Costs incurred for the acquisition, development, construction and improvement of properties are capitalized. Certain costs of yet-to-be acquired properties, including deposits and professional fees, are capitalized as other assets. These costs are subsequently capitalized as property acquisition costs or charged to expense when it becomes apparent that acquisition of a particular property is not probable. Maintenance and repairs are charged to expense when incurred.

Depreciation of buildings is computed using the straight-line method over the estimated useful lives of the assets, generally 40 years. Depreciation of tenant improvements is computed using the straight-line method over the shorter of the lease term or useful life. For the years ended December 31, 2001, 2000 and 1999, depreciation expense amounted to \$17,256, \$14,841, and \$13,877, respectively. Fully depreciated assets of \$4,109 and \$2,079 were written off in 2001 and 2000, respectively.

Deferred Costs

Deferred costs consist principally of financing fees and leasing commissions that are amortized over the terms of the respective agreements.

Revenue Recognition

Minimum rentals are recognized on a straight-line basis over the term of the related leases. Deferred rents receivable at December 31, 2001 and 2000 were \$5,427 and \$5,601, respectively. Additional rents from expense reimbursements for common area maintenance expenses and real estate taxes are recognized in the period in which the related expenses are incurred.

Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. At December 31, 2001 and 2000, the Company had \$2,693 and \$574, respectively, in a money market fund.

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

The Company has elected to be treated as a real estate investment trust ("REIT") under the applicable provisions of the Internal Revenue Code of 1986, as amended. In order to qualify as a REIT, the Company is required to distribute to shareholders at least 90% of its taxable income and to meet certain asset and income tests as well as certain other requirements. Accordingly, no provision for income taxes has been reflected in the consolidated financial statements.

As of December 31, 2001, properties net of accumulated depreciation, rents receivable, goodwill and prepaid rent have a federal income tax basis of approximately \$477,244, \$1,234, \$-0- and \$-0-, respectively.

Reconciliation of Net Income to Estimated Taxable Income (Unaudited)

Earnings and profits, which determine the taxability of distributions to shareholders, differ from net income reported for financial reporting purposes due to differences for U.S. Federal tax purposes in the estimated useful lives and methods used to compute depreciation and the carrying value (basis) of the investments in properties, among other things. The following table reconciles the Company's net income to estimated taxable income for the years ended December 31, 2001, 2000 and 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Net income	\$21,620	\$34,189	\$28,598
Book/tax differences in depreciation and amortization	7,145	4,786	2,824
Book/tax differences in gain on sale of properties	—	(336)	(4,089)
Increase (decrease) in advanced rent payments	942	(1,339)	715
Restricted share and option compensation	(312)	320	(17)
Straight-line rent adjustments	174	(684)	(480)
Amortization of goodwill	74	74	74
Other, net	(100)	56	(47)
Estimated taxable income	<u>\$29,543</u>	<u>\$37,066</u>	<u>\$27,578</u>

Share Options

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), in accounting for its options on common shares. Under APB 25, no compensation expense is recognized because the exercise price of the Company's employee share options equals or exceeds the market price of the underlying shares at the date of grant.

Derivatives and Hedging Activities

The Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivatives and Hedging Activities, and its amendments, Statements 137 and 138, in June 1998, June 1999 and June 2000, respectively. The Statement requires the Company to recognize all derivatives on its balance sheet at fair value effective January 1, 2001. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

1. Summary of Significant Accounting Policies (Continued)

the fair value of the derivatives are either offset against the change in fair value of the assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

In October 2001, the Company entered into two separate interest rate swap agreements with notional amounts of \$25,000 each. One agreement has a term of two years and fixes the interest rate on \$25,000 of the Company's unsecured credit facility at a maximum of 4.12%. The second swap agreement has a term of three years and fixes the interest rate on \$25,000 of the Company's unsecured credit facility at a maximum of 4.73% per annum. The Company is exposed to credit loss in the event of non-performance by counterparties under the agreement, but the Company does not expect non-performance by any of these counterparties. The amount of such exposure is generally limited to the amount of any payments due but not yet received from the counterparty.

At December 31, 2001, the fair value of the swap agreements was \$499 and is reflected as accumulated other comprehensive income in the consolidated balance sheet as of December 31, 2001.

Goodwill

Goodwill is amortized to expense on a straight-line basis over its estimated life of twenty years. Accumulated amortization was \$428 and \$354 at December 31, 2001 and 2000, respectively.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations, and No. 142, Goodwill and Other Intangible Assets, effective for fiscal years beginning after December 15, 2001. Under the new rules, goodwill will no longer be amortized but will be subject to annual impairment tests in accordance with these Statements.

The Company will apply the new rules on accounting for goodwill and other intangible assets beginning in the first quarter of 2002. Application of the non-amortization provisions of these Statements is expected to result in an increase in net income of \$74 per year. The Company has performed the first of the required impairment tests of goodwill as of January 1, 2002, and has determined that goodwill is not impaired as of that date.

Impairment of Assets

The Company recognizes impairment losses for its properties when indicators of impairment are present and a property's expected undiscounted cash flows are not sufficient to recover the property's carrying amount.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, Accounting for Impairment or Disposal of Long-lived Assets, which is effective for fiscal years beginning after December 15, 2001. Application of the provisions of this statement is not expected to affect the earnings and financial position of the Company.

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements 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 financial statements and accompanying notes. Actual results could differ from those estimates.

2. Deferred Costs

Deferred costs consisted of the following at December 31, 2001 and 2000:

	2001	2000
Deferred financing costs	\$2,437	\$2,998
Deferred leasing costs	9,090	8,775
	11,527	11,773
Less accumulated amortization	4,853	5,880
	\$6,674	\$5,893

During the years ended December 31, 2001, 2000 and 1999, amortization of financing costs was \$497, \$482 and \$526, respectively, and amortization of leasing costs was \$1,917, \$1,577 and \$1,424, respectively. Deferred leasing costs related to property dispositions of \$61 were written off in 2000. Fully amortized deferred costs of \$3,441 were written off in 2001.

3. Long-Term Debt

Mortgage loans payable aggregated \$150,868 and \$97,641 at December 31, 2001 and 2000, respectively. The mortgage loans payable require monthly payments of principal and interest. Interest rates at December 31, 2001, ranged from 6.65% to 8.95%.

The Company has obtained a bank letter of credit to secure repayment of outstanding bonds payable in a face amount of approximately \$4,338. The Company has guaranteed repayment of the letter of credit to the issuing bank as well as granted the issuing bank a first mortgage on one of the Company's properties. The interest rate on the bonds (1.8% per annum at December 31, 2001) is reset weekly by the bond placement agent.

At December 31, 2001, the Company had a \$150,000 unsecured bank credit facility with a maturity date of March 23, 2004. Interest on amounts outstanding (\$102,250 at December 31, 2001) is payable at LIBOR plus 1.0% to 1.2% (3.10% at December 31, 2001) depending on the Company's overall leverage.

In October 2001, the Company entered into two separate interest rate swap agreements with notional amounts of \$25,000 each. One agreement has a term of two years and fixes the interest rate on \$25,000 of the Company's unsecured credit facility at a maximum of 4.12%. The second swap agreement has a term of three years and fixes the interest rate on \$25,000 of the Company's unsecured credit facility at a maximum of 4.73% per annum. At December 31, 2001, the fair value of the swap

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

3. Long-Term Debt (Continued)

agreements was \$499 and was reflected in other assets as well as accumulated other comprehensive income in the consolidated balance sheet as of December 31, 2001.

The following is a summary of principal maturities of mortgage loans, bank loan and bonds payable:

<u>Year Ending December 31,</u>	<u>Amount</u>
2002	\$ 4,083
2003	\$ 15,092
2004	\$109,130
2005	\$ 4,606
2006	\$ 24,667
Thereafter	\$ 99,500

At December 31, 2001, properties with a carrying amount of approximately \$211,724 were pledged as collateral under the various debt agreements.

4. Share Options

In 2001, the Company adopted the Amended and Restated Equity and Performance Incentive Plan (the "Amended Plan") which allows the granting of options on shares to employees and members of the Board of Trustees. The Amended Plan, which superceded all previous plans, provides that 1,088,090 common shares were reserved for issuance after May 31, 2001. As of December 31, 2001, 1,031,090 common shares were available for future grant.

For options granted in 2001, 2000 and 1999, the exercise prices at the dates of grant were equal to or greater than the fair value of the Company's shares.

A summary of the Company's share option activity and related information for the years ended December 31, 2001, 2000 and 1999 is as follows:

	<u>2001</u>	<u>Price per</u>	<u>2000</u>	<u>Price per</u>	<u>1999</u>	<u>Price per</u>
	<u>Shares</u>	<u>Shares (a)</u>	<u>Shares</u>	<u>share (a)</u>	<u>Shares</u>	<u>share (a)</u>
Outstanding at beginning of year	1,177,400	\$16.23	1,375,040	\$16.04	1,388,445	\$16.03
Granted	57,000	\$15.90	89,200	\$16.71	301,400	\$14.89
Exercised	37,668	\$14.47	282,015	\$15.37	303,305	\$14.84
Cancelled	16,433	\$16.05	4,825	\$14.61	11,500	\$16.31
Outstanding at end of year	<u>1,180,299</u>	<u>\$16.27</u>	<u>1,177,400</u>	<u>\$16.23</u>	<u>1,375,040</u>	<u>\$16.04</u>
					<u>Shares</u>	<u>Price per</u>
					<u>exercisable</u>	<u>share (a)</u>
December 31, 2001					1,023,026	\$16.40
December 31, 2000					845,400	\$16.49
December 31, 1999					929,795	\$16.33

(a) Weighted-average exercise price per share

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

4. Share Options (Continued)

The weighted-average fair value of options granted is as follows:

2001	\$1.77
2000	\$2.53
1999	\$1.17

The weighted-average life of options outstanding at December 31, 2001 was 6.7 years.

Pro forma information regarding net income and earnings per share is required by FASB Statement 123 "Accounting for Stock-Based Compensation," and has been determined as if the Company had accounted for its employee share options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	<u>Risk-free Interest Rate</u>	<u>Dividend Yields</u>	<u>Volatility Factors</u>	<u>Weighted Average Expected Life</u>
2001	5.13%	9.8%-10.2%	0.324%	5 years
2000	5.10%	8.7%	0.354%	5 years
1999	6.50%	9.1%-9.4%	0.212%	5 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee share options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee share options.

The effects on 2001 and 2000 pro forma net income and pro forma earnings per common share, both basic and diluted, of amortizing to expense the estimated fair value of share options are not necessarily representative of the effects on net income to be reported in future years due to such things as the vesting period of the share options, and the potential for issuance of additional share options in future years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's unaudited pro forma information follows for the years ended December 31, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Pro forma net income applicable to common shares	\$17,511	\$29,903
Pro forma basic earnings per common share	\$ 1.06	\$ 1.81
Pro forma diluted earnings per common share	\$ 1.05	\$ 1.80

The Company had a limited purpose employee loan program whereby employees may borrow all or a portion of the cost of exercising options on common shares held by the employee. Such loans bear interest at 6.83% which is payable quarterly, are recourse to the employees, have a term of five years provided the employee remains employed by the Company and are secured by a pledge of the common

Great Lakes REIT

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

4. Share Options (Continued)

shares acquired by the employee through this program. The Company suspended the program in 2001 and does not anticipate advancing additional loan amounts to employees for the purchase of common shares. As of December 31, 2001, employees had acquired approximately 1,433,000 common shares through this program with loan amounts outstanding of \$20,083 due the Company. Such amount is reflected as a reduction of shareholders' equity until the loans are repaid.

5. Restricted Share Grants

On June 1, 2000, the Company issued 200,000 restricted common shares to certain officers and employees under the 1997 Equity and Performance Incentive Plan. The shares vest ten years from the date of issuance provided the recipient is still employed by the Company, but may vest earlier in increments during the period ending December 31, 2002 subject to the Company achieving certain performance objectives. Upon a change in control of the Company, up to 100,000 of the restricted shares issued to certain officers of the Company vest immediately. The total fair value of the restricted shares at the date of issuance (\$3,138) is being amortized into expense over ten years on a straight-line basis, subject to adjustment when the Company determines that it is probable to achieve certain performance objectives which accelerate the full or partial vesting of the shares. Based on year 2000 performance, 33,336 shares vested to the participants. No shares vested in 2001 based on year 2001 performance. The Company recorded compensation expense of \$298 in 2001 and \$523 in 2000 related to the restricted share plan.

6. Leases

The Company leases office and industrial properties to tenants under noncancellable operating leases that expire at various dates through 2011. The lease agreements typically provide for a specific monthly payment plus reimbursement of certain operating expenses. The following is a summary of minimum future rental revenue under noncancellable operating leases:

<u>Year ending December 31,</u>	<u>Amount</u>
2002	\$ 72,291
2003	54,772
2004	38,648
2005	28,867
2006	19,232
Thereafter	27,788
	<u>\$241,598</u>

Minimum future rentals do not include amounts that are received from tenants as a reimbursement of property operating expenses.

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

7. Dividends

The Company declared dividends of \$26,715, \$31,773 and \$22,088 to common shareholders of record during the calendar years 2001, 2000 and 1999, respectively. The Company has determined the common shareholders' treatment for Federal income tax purposes to be as follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Ordinary income	\$26,715	\$20,973	\$17,947
Unrecaptured Section 1250 gain	—	1,485	529
20% rate capital gains	—	9,315	3,612
Total	<u>\$26,715</u>	<u>\$31,773</u>	<u>\$22,088</u>

The Company paid dividends to preferred shareholders of record in 2001 and 2000 of \$3,656 and \$3,514 in 1999, all of which represented ordinary income for Federal income tax purposes to the preferred shareholders.

8. Property Acquisitions

The following properties were acquired in 2001 and 2000 and the results of their operations are included in the consolidated statements of income from their respective dates of acquisition.

<u>Location</u>	<u>Date Acquired</u>	<u>Total Acquisition Price</u>	
		<u>2001</u>	<u>2000</u>
1600 Golf Road			
Rolling Meadows, IL	3/1/2001	\$25,616	
3000 Lakeside Drive			
Bannockburn, IL	8/10/2001	\$31,143	
1920 and 1930 N. Thoreau Drive			
Schaumburg, IL	8/1/2000		\$9,490

Great Lakes REIT

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

9. Property Dispositions

The Company sold two properties in 2000 and five properties in 1999 as follows:

<u>Property</u>	<u>Date of Sale</u>	<u>Contract Price</u>	<u>Gain (Loss) On Sale</u>	<u>Mortgage Assumed by Purchaser</u>
3010 and 3020 Woodcreek Drive Downers Grove, IL	4/12/2000	\$12,700	\$ 2,958	—
183 Inverness Drive Englewood, CO	12/1/2000	28,250	8,176	—
Total 2000		<u>\$40,950</u>	<u>\$11,134</u>	<u>—</u>
1675 Holmes Rd. Elgin, IL	4/21/99	\$ 4,700	\$ 658	\$2,079
2800 River Rd. Des Plaines, IL	6/30/99	8,050	2,982	—
1251 Plum Grove Rd. Schaumburg, IL	6/30/99	3,550	1,875	—
565 Lakeview Pkwy. Vernon Hills, IL	8/25/99	8,800	3,190	—
16601 S. Kedzie Ave. Markham, IL	12/10/99	513	(629)	—
Total 1999		<u>\$25,613</u>	<u>\$ 8,076</u>	<u>\$2,079</u>

The sales proceeds of the 3010 and 3020 Woodcreek Drive property were partially reinvested in 1920 and 1930 Thoreau Drive, Schaumburg, Illinois.

10. Segment Information

The Company has two reportable segments at December 31, 2001, distinguished by property type. The property types are office and office/service center. The Company sold its last industrial property in 1999. Office buildings are generally single-story or multi-story buildings used by tenants for office activities. The buildings generally have common area lobbies and other amenities including food service areas, atriums and limited underground parking facilities. Office/service center buildings generally are one-story buildings with no common areas. Tenant spaces generally have less than 100% office use with the non-office space used for showroom, technical or light storage purposes.

The Company evaluates performance and allocates resources based net operating income, which the Company defines as property revenues (rental and reimbursement income) less property operating expenses and real estate taxes.

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

10. Segment Information (Continued)

Following is a summary report of segment information for the years ended December 31, 2001, 2000 and 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues			
Office	\$ 96,394	\$ 91,442	\$86,223
Office/service center	5,394	6,605	6,908
Industrial	—	—	172
Deferred rental revenues	(174)	737	757
Interest	1,532	1,745	1,371
Total	<u>\$103,146</u>	<u>\$100,529</u>	<u>\$95,431</u>
Net operating income			
Office	\$ 56,349	\$ 53,966	\$48,443
Office/service center	3,140	4,412	4,511
Industrial	—	—	140
Total	<u>\$ 59,489</u>	<u>\$ 58,378</u>	<u>\$53,094</u>
Depreciation and amortization			
Office	\$ 17,744	\$ 15,300	\$14,008
Office/service center	1,535	1,127	1,329
Industrial	—	—	33
Other	573	548	531
Total	<u>\$ 19,852</u>	<u>\$ 16,975</u>	<u>\$15,901</u>
Interest expense			
Office	\$ 13,520	\$ 14,066	\$12,454
Office/service center	811	1,127	1,485
Industrial	—	—	70
Total	<u>\$ 14,331</u>	<u>\$ 15,193</u>	<u>\$14,009</u>
Income before gain on sale of properties:			
Office net operating income	\$ 56,349	\$ 53,966	\$48,443
Office service center net operating income	3,140	4,412	4,511
Office interest expense	(13,520)	(14,066)	(12,454)
Office service center interest expense	(811)	(1,127)	(1,485)
Office depreciation	(17,744)	(15,300)	(14,008)
Office service center depreciation	(1,535)	(1,127)	(1,329)
Deferred rental revenue	(174)	737	757
Interest income	1,532	1,745	1,371
General and administrative	(4,992)	(5,555)	(4,692)
Other depreciation	(573)	(548)	(531)
Industrial net income	—	—	37
Income before gain on sale of properties	<u>\$ 21,672</u>	<u>\$ 23,137</u>	<u>\$20,620</u>

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

10. Segment Information (Continued)

	<u>As of December 31,</u>	
	<u>2001</u>	<u>2000</u>
Assets		
Office	\$449,501	\$394,972
Office/service center	23,832	24,782
Other	13,159	11,856
Total	<u>\$486,492</u>	<u>\$431,610</u>

	<u>Years ended December 31</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Additions to properties			
Office	\$67,607	\$18,722	\$39,657
Office/service center	\$ 1,393	293	885
Industrial	—	—	36
Total	<u>\$69,000</u>	<u>\$19,015</u>	<u>\$40,578</u>

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

11. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per common share for the years ended December 31, 2001, 2000 and 1999:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Numerator:			
Net income applicable to common shares	\$17,964	\$30,533	\$24,942
Numerator for basic earnings per common share	<u>\$17,964</u>	<u>\$30,533</u>	<u>24,942</u>
Minority interests	52	82	98
Numerator for diluted earnings per common share	<u>\$18,016</u>	<u>\$30,615</u>	<u>\$25,040</u>
Denominator:			
Denominator for basic earnings per common share			
Weighted average shares	16,520	16,531	16,471
Effect of dilutive securities:			
Convertible operating partnership units	40	40	56
Employee share options and restricted shares	<u>95</u>	<u>60</u>	<u>27</u>
Denominator for diluted earnings per common share	<u>16,655</u>	<u>16,631</u>	<u>16,554</u>
Basic earnings per common share	<u>\$ 1.09</u>	<u>\$ 1.85</u>	<u>\$ 1.51</u>
Diluted earnings per common share	<u>\$ 1.08</u>	<u>\$ 1.84</u>	<u>\$ 1.51</u>

The unvested restricted common share grants (166,664 shares at December 31, 2001) are excluded from the common shares used to compute basic earnings per share. The unvested restricted common shares are included in the shares used to compute fully diluted earnings per share using the treasury stock method whereby the unamortized deferred compensation related to these shares is assumed to be the exercise value of these shares.

The Company has 40,199 operating partnership units held by non-affiliates of the Company outstanding at December 31, 2001, which are convertible to common shares on a one for one basis at the option of the holder.

12. Fair Value of Financial Instruments

The Company discloses information concerning the fair value of financial instruments for which it is practical to estimate such fair values. The carrying amount reported for cash equivalents in the accompanying consolidated balance sheets approximated its fair value. The fair market value of mortgages payable at December 31, 2001 was \$150,569 assuming market interest rates of 6.65% to 7.25%. The fair market value of mortgages payable at December 31, 2000 was \$96,427 assuming a market interest rate of 7.25%. The carrying amounts of bonds payable and bank loan payable approximated fair value at December 31, 2001 and 2000.

13. Subsequent Event

On January 30, 2002, the Company acquired Two Riverwood Place, a 99,500 square foot three story office building, located in suburban Milwaukee for a contract price of \$8.4 million.

Great Lakes REIT
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

14. Quarterly Financial Data (Unaudited)

	<u>3/31/2001</u>	<u>6/30/2001</u>	<u>9/30/2001</u>	<u>12/31/2001</u>
Revenues	\$24,981	\$25,956	\$26,122	\$26,087
Net income applicable to common shares	\$ 4,967	\$ 4,900	\$ 4,475	\$ 3,622
Basic earnings per common share	\$ 0.30	\$ 0.30	\$ 0.27	\$ 0.22
Diluted earnings per common share	\$ 0.30	\$ 0.29	\$ 0.27	\$ 0.22
	<u>3/31/2000</u>	<u>6/30/2000</u>	<u>9/30/2000</u>	<u>12/31/2000</u>
Revenues	\$24,479	\$24,886	\$25,404	\$25,760
Net income applicable to common shares	\$ 4,616	\$ 7,910	\$ 4,921	\$13,086
Basic earnings per common share	\$ 0.28	\$ 0.48	\$ 0.30	\$ 0.78
Diluted earnings per common share	\$ 0.28	\$ 0.48	\$ 0.30	\$ 0.78

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Schedule III Real Estate and Accumulated Depreciation

	Encumbrance	Initial Cost to the Company (000's omitted)		Costs Capitalized Subsequent to Acquisition (000's omitted)		Gross Amount at which Carried at December 31, 2001 (000's omitted)		Total	Accumulated Depreciation	Date Acquired	Method of Depreciation
		Land	Buildings & Improvements	Land	Buildings & Improvements	Land	Buildings & Improvements				
1900 East Golf Road Schaumburg, IL	—	\$ 3,800	\$ 20,212	—	\$ 2,720	\$ 3,800	\$ 22,932	\$ 26,732	\$ 3,711	Dec-96	(A)
1600 Golf Road Rolling Meadows, IL	\$ 16,750	\$ 1,800	\$ 23,816	—	\$ 727	\$ 1,800	\$ 24,543	\$ 26,343	\$ 531	Mar-01	(A)
1750 East Golf Road Schaumburg, IL	—	\$ 2,300	\$ 17,607	—	\$ 1,167	\$ 2,300	\$ 18,774	\$ 21,074	\$ 2,363	Sep-97	(A)
3000 Lakeside Drive Bannockburn, IL	—	\$ 5,300	\$ 25,843	—	\$ 232	\$ 5,300	\$ 26,075	\$ 31,375	\$ 273	Aug-01	(A)
1011 Touhy Avenue Des Plaines, IL	(B)	\$ 720	\$ 3,932	—	\$ 3,860	\$ 720	\$ 7,792	\$ 8,512	\$ 1,797	Dec-93	(A)
3030 Warrenville Road Lisle, IL	—	\$ 4,300	\$ 13,787	—	\$ 1,208	\$ 4,300	\$ 14,995	\$ 19,295	\$ 1,458	Sep-98	(A)
1920 & 1930 N. Thoreau Drive Schaumburg, IL	\$ 6,250	\$ 2,600	\$ 6,890	—	\$ 618	\$ 2,600	7,508	\$ 10,108	\$ 311	Aug-00	(A)
1660 Feehanville Drive Mount Prospect, IL	—	\$ 1,100	\$ 4,304	—	\$ 647	\$ 1,100	\$ 4,951	\$ 6,051	\$ 1,156	Aug-95	(A)
175 Hawthorn Parkway Vernon Hills, IL	(B)	\$ 1,600	\$ 4,721	—	\$ 918	\$ 1,600	\$ 5,639	\$ 7,239	\$ 1,303	Sep-94	(A)
3400 Dundee Road Northbrook, IL	(B)	\$ 607	\$ 3,476	—	\$ 862	\$ 607	\$ 4,338	\$ 4,945	\$ 1,099	Oct-93	(A)
191 Waukegan Road Northfield, IL	—	\$ 1,220	\$ 3,288	—	\$ 849	\$ 1,220	\$ 4,137	\$ 5,357	\$ 425	Sep-98	(A)
823 Commerce Drive Oak Brook, IL	—	\$ 500	\$ 1,262	—	\$ 3,095	\$ 500	\$ 4,357	\$ 4,857	\$ 1,303	Nov-95	(A)
Two Marriott Drive Lincolnshire, IL	(B)	\$ 610	\$ 2,230	—	\$ 149	\$ 610	\$ 2,379	\$ 2,989	\$ 314	Jul-96	(A)
160-185 Hansen Court Wood Dale, IL	—	\$ 2,100	\$ 3,210	—	\$ 1,427	\$ 2,100	\$ 4,637	\$ 6,737	\$ 1,421	Jan-94	(A)
3455, 3550, 3555 Salt Creek Lane Arlington Heights, IL	—	\$ 850	\$ 4,333	—	\$ 420	\$ 850	\$ 4,753	\$ 5,603	\$ 628	Oct-97	(A)
601 Campus Drive Arlington Heights, IL	(B)	\$ 900	\$ 2,264	—	\$ 956	\$ 900	\$ 3,220	\$ 4,120	\$ 1,124	May-93	(A)
111 East Kilbourn Avenue Milwaukee, WI	\$ 32,897	\$ 2,176	\$ 44,618	—	\$ 2,710	\$ 2,176	\$ 47,328	\$ 49,504	\$ 4,969	Apr-98	(A)
11270 W. Park Place Milwaukee, WI	(B)	\$ 940	\$ 14,734	—	\$ 1,299	\$ 940	\$ 16,033	\$ 16,973	\$ 2,574	Sep-95	(A)
2514 S. 102nd Street & 10150 W. National Avenue West Allis, WI	(B)	\$ 975	\$ 7,020	—	\$ 995	\$ 975	\$ 8,015	\$ 8,990	\$ 1,299	Nov-96	(A)

Schedule III Real Estate and Accumulated Depreciation

	Encumbrance	Initial Cost to the Company (000's omitted)		Costs Capitalized Subsequent to Acquisition (000's omitted)		Gross Amount at which Carried at December 31, 2001 (000's omitted)		Total	Accumulated Depreciation	Date Acquired	Method of Depreciation
		Land	Buildings & Improvements	Land	Buildings & Improvements	Land	Buildings & Improvements				
N17 W24222											
Riverwood Drive											
Waukesha, WI	—	\$ 771	\$ 8,197	\$ 438	\$ 1,665	\$ 1,209	\$ 9,862	\$ 11,071	\$ 759	Dec-99	(A)
150, 175, 250 Patrick Blvd.											
Brookfield, WI	\$ 2,857	\$ 2,600	\$ 3,967	—	\$ 1,088	\$ 2,600	\$ 5,055	\$ 7,655	\$ 979	Jun-94	(A)
375 Bishop's Way											
Brookfield, WI	—	\$ 600	\$ 4,361	—	\$ 638	\$ 600	\$ 4,999	\$ 5,599	\$ 700	Apr-97	(A)
11925 W. Lake Park Drive											
Milwaukee, WI	(B)	\$ 319	\$ 1,819	—	\$ 307	\$ 319	\$ 2,126	\$ 2,445	\$ 448	Jun-93	(A)
2550 University Avenue											
West St. Paul, MN	—	\$ 1,280	\$ 22,820	—	\$ 2,307	\$ 1,280	\$ 25,127	\$ 26,407	\$ 3,064	Dec-96/ Jul-98	(A)
2221 University Avenue SE											
Minneapolis, MN	\$ 3,960	\$ 1,100	\$ 7,090	—	\$ 716	\$ 1,100	\$ 7,806	\$ 8,906	\$ 1,298	May-95	(A)
777 East Eisenhower Parkway											
Ann Arbor, MI	—	\$ 4,000	\$ 12,664	—	\$ 7,680	\$ 4,000	\$ 20,344	\$ 24,344	\$ 1,983	Dec-97	(A)
32255 Northwestern Highway											
Farmington Hills, MI	\$ 11,308	\$ 3,700	\$ 20,802	—	\$ 1,750	\$ 3,700	\$ 22,552	\$ 26,252	\$ 2,830	Dec-97	(A)
305, 315, 325 E. Eisenhower Pkwy											
Ann Arbor, MI	—	\$ 3,200	\$ 16,432	—	\$ 1,032	\$ 3,200	\$ 17,464	\$ 20,664	\$ 1,421	May-99	(A)
1301 W. Long Lake Road											
Troy, MI	(B)	\$ 2,500	\$ 13,600	—	\$ 1,892	\$ 2,500	\$ 15,492	\$ 17,992	\$ 2,646	Nov-96	(A)
No. 40 Oak Hollow											
Southfield, MI	(B)	\$ 1,250	\$ 6,063	—	\$ 803	\$ 1,250	\$ 6,866	\$ 8,116	\$ 1,181	Dec-96	(A)
24800 Denso Drive											
Southfield, MI	(B)	\$ 1,400	\$ 4,547	—	\$ 341	\$ 1,400	\$ 4,888	\$ 6,288	\$ 972	Aug-95	(A)
655 Metro Place South											
Dublin, OH	—	\$ 1,470	\$ 18,188	—	\$ 1,420	\$ 1,470	\$ 19,608	\$ 21,078	\$ 2,631	Sep-97	(A)
175 South Third Street											
Columbus, OH	—	Lease	\$ 21,949	—	\$ 1,187	Lease	\$ 23,136	\$ 23,136	\$ 2,648	Jan-98	(A)
425 Metro Place North											
Dublin, OH	—	\$ 620	\$ 6,666	—	\$ 826	\$ 620	\$ 7,492	\$ 8,112	\$ 1,106	Sep-97	(A)
4860-5000 Blazer											
Memorial Pkwy											
Dublin, OH	—	\$ 1,340	\$ 7,042	—	\$ 891	\$ 1,340	\$ 7,933	\$ 9,273	\$ 1,186	Sep-96	(A)
30 Merchant Street											
Springdale, OH	—	\$ 650	\$ 5,496	—	\$ 177	\$ 650	\$ 5,673	\$ 6,323	\$ 834	Apr-96	(A)
116 Inverness Drive East											
Englewood, CO	\$ 11,660	\$ 3,100	\$ 17,867	—	\$ 1,153	\$ 3,100	\$ 19,020	\$ 22,120	\$ 2,094	May-98	(A)
Totals	\$ 85,682	\$ 64,298	\$ 407,117	\$ 438	\$ 50,732	\$ 64,736	\$ 457,849	\$ 522,585	\$ 56,839		

(A) Depreciation of buildings is computed over approximately a 40 year life on a straight-line basis. Tenant improvements are depreciated over the shorter of the estimated useful life of the improvements or the term of the lease.

(B) These properties are pledged as collateral for a mortgage loan with an outstanding principal amount of \$69,146 at December 31, 2001.

(C) At December 31, 2001, the aggregate cost of land, buildings and improvements for Federal income tax purposes was approximately \$520,088.

Real Estate Owned:

	2001	2000	1999
Balance beginning of year	\$457,694	\$470,949	\$448,557
Property acquisitions	56,759	9,490	28,600
Additions	12,241	9,525	11,978
Disposals	—	(30,191)	(18,186)
Retirements	(4,109)	(2,079)	—
Balance end of year	<u>\$522,585</u>	<u>\$457,694</u>	<u>\$470,949</u>

Accumulated Depreciation:

	2001	2000	1999
Balance beginning of year	\$ 43,692	\$ 32,772	\$ 21,951
Depreciation expense	17,256	14,766	13,799
Disposals	—	(1,767)	(2,978)
Retirements	(4,109)	(2,079)	—
Balance end of year	<u>\$ 56,839</u>	<u>\$ 43,692</u>	<u>\$ 32,772</u>

Exhibits
To
ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED
DECEMBER 31, 2001
GREAT LAKES REIT

Exhibit Number	Description of Document
3.1	Amended and Restated Declaration of Trust of the Company (incorporated by reference to Appendix B to the Proxy Statement/Prospectus that is part of the Company's Registration Statement on Form S-4, as amended (File No. 333-56167) (the "S-4")).
3.2	Articles Supplementary regarding the Company's 9¾% Cumulative Redeemable Preferred Shares of Beneficial Interest, \$.01 par value per share (the "Series A Preferred Shares") (incorporated by reference to the Company's Form 8-A Registration Statement (File No. 1-14307) filed with the Securities and Exchange Commission (the "Commission") on December 16, 1998 (the "December 1998 8-A")).
3.3	Bylaws of the Company.
4.1	Specimen of certificate representing the Company's Common Shares of Beneficial Interest, par value \$.01 per share (the "Common Shares").
4.2	Specimen of certificate representing the Series A Preferred Shares.
4.3	Loan Agreement, dated December 1, 1998, between the Company and AUSA Life Insurance Company, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on December 9, 1998).
4.4	Unsecured Revolving Credit Agreement, dated as of March 23, 2001, among Great Lakes REIT, L.P., as Borrower and Banc One Capital Markets, Inc., as Lead Arranger and Sole Book Runner and Bank One, NA, and Certain Other Banks as Lenders and Bank One, NA, as Agent. (incorporated by reference to exhibit 4.4 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000).
4.5	Loan Agreement dated June 1, 2001 between the Company and Bank of America, N.A. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on June 20, 2001).
4.6	Form of Mortgage between the Company and Allstate Life Insurance Company dated December 14, 2001.
4.7	Form of Promissory Note between the Company and Allstate Life Insurance Company dated December 14, 2001.
10.1	Amended and Restated Agreement of Limited Partnership of Great Lakes REIT, L.P., dated December 27, 1996 (the "Partnership Agreement") (incorporated by reference to Exhibit 5 to the Company's Current Report on Form 8-K dated January 14, 1997).
10.2	First Amendment to the Partnership Agreement, dated February 6, 1997 (incorporated by reference to Exhibit 10.3 to the Company's Registration Statement on Form S-11 (File No. 333-22619) (the "S-11")).
10.3	Second Amendment to the Partnership Agreement, dated February 10, 1997 (incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.4	Third Amendment to the Partnership Agreement, dated May 22, 1998 (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
10.5	Fourth Amendment to the Partnership Agreement, dated December 23, 1998 (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 23, 1998).

Exhibit Number	Description of Document
*10.6	The Great Lakes REIT Equity and Performance Incentive Plan (the "Equity Plan") (incorporated by reference to the Company's Proxy Statement on Schedule 14A dated April 18, 2001).
*10.7	Form of Option Agreement for use in connection with options granted under the Equity Plan; no options were granted to Named Executive Officers in 2001 (incorporated by reference to Exhibit 10.7 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998).
*10.8	Form of Non-Qualified Option Certificate for use in connection with options granted to independent trustees under the Equity Plan (incorporated by reference to Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 1998); Matthew S. Dominski, Daniel E. Josephs, Daniel P. Kearney, Donald E. Phillips and James E. Schrager were each issued certificates dated December 31, 2001 that evidenced an option to purchase 5,000 Common Shares.
*10.9	Form of Employment Agreement dated July 17, 1998 between the Company and each of Richard A. May and Patrick R. Hunt (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
*10.10	Form of Employment Agreement dated July 17, 1998 between the Company and each of Raymond M. Braun, James Hicks and Richard L. Rasley (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
*10.11	Form of Employment Agreement dated July 17, 1998 between the Company and each of Kim S. Mills and Edith M. Scurto (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
*10.12	Limited Purpose Employee Loan Program of the Company (incorporated by reference to Exhibit 10.61 to the Company's Form 10/A Registration Statement filed with the Commission on January 9, 1997).
*10.13	Form of Limited Purpose Employee Loan Program Loan Security Agreement for use in connection with limited purpose employee loans; (incorporated by reference to exhibit 10.14 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000) during 2001 Richard A. May, Patrick R. Hunt, Richard L. Rasley and Raymond M. Braun borrowed \$25,790, \$29,293, \$13,093 and \$14,930, respectively.
*10.14	Restricted Stock Agreement dated May 1, 1996 between the Company and Raymond Braun (incorporated by reference to Exhibit 10.8.6 to the S-11).
*10.15	Form of Restricted Shares Agreement; no restricted shares were granted to Named Executive Officers in 2001. During 2000 Richard A. May, Patrick R. Hunt, Richard L. Rasley, Raymond M. Braun, and James Hicks entered into agreements covering 28,552, 23,891, 14,497, 16,530 and 16,530 restricted shares, respectively (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q for the period ended June 30, 2000).
*10.16	Form of Change in Control Agreement dated June 1, 2000 between the Company and each of Adam E. Berman, Brett A. Brown and Eric Niederman (incorporated by reference to exhibit 10.17 of the Company's Annual Report on Form 10-K for the year ended December 31, 2000).
21.1	Subsidiaries of the Company.
23.1	Consent of Independent Auditors.
24.1	Power of Attorney (set forth on the signature page hereof).

* Management contract or compensation plan or arrangement.

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INVESTOR INFORMATION

HEADQUARTERS

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TRANSFER AGENT

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New York, New York 10038
800 937 5449 *Phone*
www.amstock.com *Web site*

For information on the new Great Lakes REIT
Dividend Reinvestment & Direct Share Purchase
and Sale Plan, contact the transfer agent:
877 322 4949 *Phone*
www.investpower.com *Web site*

TRADING SYMBOLS

Common Shares of Beneficial Interest
NYSE: GL
9-3/4% Series A Cumulative Redeemable
Preferred Shares of Beneficial Interest
NYSE: GL PrA

ANNUAL MEETING OF SHAREHOLDERS

10:00 a.m. Thursday, May 23, 2002
The Wyndham Drake Hotel
22nd Street and York Road
Oak Brook, Illinois 60523

**Great
Lakes** REIT

Great people. Great properties. Great Lakes.