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AMERIVEST PROPERTIES INC

Form 8-K/A

January 23, 2002

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A-1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 19, 2001

AmeriVest Properties Inc.

(Exact name of registrant as specified in its charter)

----- Maryland ----- (State or other jurisdiction of incorporation)	1-14462 ----- (Commission File Number)	84-1240264 ----- (IRS Employer Identification No.)
---	---	---

1780 South Bellaire Street, Suite 515, Denver, Colorado 80222

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (303) 297-1800

Item 7. Financial Statements And Exhibits.

(a) Financial Statements of Real Estate Property Acquired:

Report of Independent Public Accountants	F-1
Statements of Revenue and Certain Expenses - for the nine months ended September 30, 2001 (Unaudited) and for the year ended December 31, 2000	F-2
Notes to Statements of Revenue and Certain Expenses	F-3

(b) Unaudited Pro Forma Financial Information:

Pro Forma Financial Information (Unaudited)	F-5
Pro Forma Consolidated Balance Sheet as of	

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September 30, 2001 (Unaudited)	F-6
Pro Forma Consolidated Statements of Operations (Unaudited):	
For the nine months ended September 30, 2001	F-7
For the year ended December 31, 2000	F-8
Notes to Pro Forma Consolidated Financial Statements (Unaudited)	F-9
(c) Statement of Estimated Taxable Operating Results and Cash to be Made Available by Operations for the Year ended December 31, 2000 (Unaudited)	F-11
Note to Statement of Estimated Taxable Operating Results and Cash to be Made Available by Operations	F-12

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Management of
AmeriVest Properties Inc.:

We have audited the accompanying statement of revenue and certain expenses of Arrowhead Fountains Office Building (see Note 1) for the year ended December 31, 2000. This financial statement is the responsibility of the Property's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

This statement of revenue and certain expenses has been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Property's revenue and expenses and/or financial position.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expenses of Arrowhead Fountains Office Building for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Arthur Andersen LLP

Denver, Colorado
October 25, 2001

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ARROWHEAD FOUNTAINS OFFICE BUILDING
STATEMENTS OF REVENUE AND CERTAIN EXPENSES

	For the Nine Months Ended September 30, 2001 ----- (Unaudited)	For the Year Ended December 31, 2000 -----
REVENUE:		
Rental revenue	\$1,527,968	\$1,526,604
Other revenue	66,837	34,868
	-----	-----
Total revenue	1,594,805	1,561,472
	-----	-----
CERTAIN EXPENSES:		
Repairs and maintenance	45,350	55,663
Utilities	132,230	167,508
Property taxes	114,669	153,674
Property management fees	43,231	38,757
Operating services	115,549	154,869
	-----	-----
Total expenses	451,029	570,471
	-----	-----
EXCESS REVENUE OVER CERTAIN EXPENSES	\$1,143,776	\$ 991,001
	=====	=====

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

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ARROWHEAD FOUNTAINS OFFICE BUILDING
NOTES TO STATEMENTS OF REVENUE AND CERTAIN EXPENSES
DECEMBER 31, 2000

NOTE 1 - BASIS OF PRESENTATION

The accompanying statement of revenue and certain expenses reflect the operations of Arrowhead Fountains Office Building ("Arrowhead Fountains" or the "Property"). The Property consists of one office building located in suburban Phoenix, Arizona. The Property contains approximately 96,000 net rentable square feet and is located on approximately 5 acres of land. As of December 31, 2000,

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the Property had an occupancy percentage of approximately 90%.

The Property was acquired by AmeriVest Properties Inc. and subsidiaries ("AmeriVest") from an unrelated party on November 19, 2001 for \$12,750,000, which was paid by the assumption of the existing loan in the amount of \$9,300,000 and the balance from a portion of the proceeds of our late July 2001 public offering. In addition, AmeriVest incurred approximately \$219,000 in related acquisition fees and costs, of which, approximately \$175,000 represents the advisory fee due to Sheridan Realty Advisors, LLC in connection with the acquisition per the Property Management and Advisory Agreement.

The accounting records of the Property are maintained on the accrual basis. The accompanying statements of revenue and certain expenses are prepared pursuant to the rules and regulations of the Securities and Exchange Commission, and exclude certain expenses such as interest, depreciation and amortization, professional fees and other costs not directly related to future operations of the Property.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumption that affect the reported amounts of revenue and expenses during the reporting period. The ultimate results could differ from those estimates.

Interim Information (Unaudited)

In the opinion of management, the unaudited information as of September 30, 2001 included herein contains all the adjustments necessary, which are of a normal recurring nature, to present fairly the revenue and certain expenses for the nine months ended September 30, 2001. Results of interim periods are not necessarily indicative of results to be expected for the year. Management is not aware of any material factors that would cause the information included herein to not be indicative of future operating results.

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ARROWHEAD FOUNTAINS OFFICE BUILDING

NOTES TO STATEMENTS OF REVENUE AND CERTAIN EXPENSES DECEMBER 31, 2000

NOTE 2 - OPERATING LEASES

The Property's revenue is obtained from tenant rental payments as provided for under non-cancelable operating leases, many of which are renewable.

Future minimum rentals on these leases, excluding tenant reimbursements of operating expenses, as of December 31, 2000, are as follows:

Year Ending December 31:	
2001	\$ 1,865,048
2002	1,844,715
2003	1,760,082
2004	1,492,072
2005	1,258,276
Thereafter	2,329,642

	\$10,549,835
	=====

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The following table exhibits those tenants who accounted for greater than 10% of the revenues for the year ended December 31, 2000, and the corresponding percentage of the future minimum rentals above:

Tenant	Percentage of 2000 Revenues	Percentage of Future Minimum Rentals
A	24.4%	18.4%
B	11.5%	13.9%
C	12.5%	5.6%
D	17.0%	33.3%

Tenant A is a real estate brokerage firm, tenants B and C are financial services firms and tenant D is an insurance company.

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES

PRO FORMA FINANCIAL INFORMATION (Unaudited)

The accompanying unaudited pro forma consolidated balance sheet presents the historical financial information of AmeriVest as of September 30, 2001 as adjusted for the acquisition of Arrowhead Fountains, as if the transaction had occurred on September 30, 2001.

The accompanying unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2001 and the year ended December 31, 2000 combine the historical operations of AmeriVest with the historical operations of Arrowhead Fountains as if the transaction had occurred on January 1, 2000.

The unaudited pro forma consolidated financial statements have been prepared by AmeriVest management based upon the historical financial statements of AmeriVest and Arrowhead Fountains. These pro forma statements may not be indicative of the results that actually would have occurred if the combination had been in effect on the dates indicated or which may be obtained in the future. The pro forma financial statements should be read in conjunction with the historical financial statements included in AmeriVest's previous filings with the SEC.

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2001 (Unaudited)

	Acquisition of Arrowhead	Pro Forma
AmeriVest		

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	(Historical)	Fountains	Combined
	-----	-----	-----
ASSETS			
Investment in Real Estate			
Land	\$ 9,960,376	\$ 2,605,671 (b)	\$ 12,566,04
Building and improvements	50,417,352	10,422,683 (b)	60,840,03
Furniture, fixtures and equipment	155,808	--	155,80
Tenant improvements	1,431,132	--	1,431,13
Tenant leasing commissions	271,632	--	271,63
Less: accumulated depreciation and amortization	(2,717,634)	--	(2,717,63
	-----	-----	-----
Net Investment in Real Estate	59,518,666	13,028,354	72,547,02
Cash and cash equivalents	9,216,887	(3,494,202) (a)	5,722,68
Accounts receivable	156,853	--	156,85
Deferred rent receivable	324,330	--	324,33
Deferred financing costs, net	463,351	93,000 (c)	556,35
Prepaid expenses, escrows and other assets	1,346,069	--	1,346,06
	-----	-----	-----
Total Assets	\$ 71,026,156	\$ 9,627,152	\$ 80,653,30
	=====	=====	=====
LIABILITIES			
Mortgage loans and notes payable	\$ 41,875,236	\$ 9,300,000 (c)	\$ 51,175,23
Accounts payable and accrued expenses	1,662,097	201,996 (d)	1,864,09
Accrued real estate taxes	810,955	38,223 (b)	849,17
Prepaid rents and security deposits	990,573	33,579 (b)	1,024,15
Dividends payable	826,605	--	826,60
	-----	-----	-----
Total Liabilities	46,165,466	9,573,798	55,739,26
	-----	-----	-----
OWNERS' EQUITY			
Common stock	6,613	--	6,61
Capital in excess of par value	30,709,501	53,354 (e)	30,762,85
Distributions in excess of accumulated earnings	(5,855,424)	--	(5,855,42
	-----	-----	-----
Total Owners' Equity	24,860,690	53,354	24,914,04
	-----	-----	-----
Total Liabilities and Owners' Equity	\$ 71,026,156	\$ 9,627,152	\$ 80,653,30
	=====	=====	=====

See notes to the pro forma consolidated financial statements.

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2001
(Unaudited)

	Historical		Pro Forma Adjustments	Pro Comb
	AmeriVest	Arrowhead Fountains		
REAL ESTATE OPERATING REVENUE				
Rental revenue	\$ 7,496,114	\$ 1,594,805	\$ --	\$ 9,0
REAL ESTATE OPERATING EXPENSES				
Property Operating Expenses				
Operating expenses	1,955,488	290,749	--	2,2
Real estate taxes	594,282	114,669	--	7
Management fees	380,653	43,231	33,833 (f)	4
General and administrative	521,266	2,380	--	5
Impairment of deferred rents receivable	326,113	--	--	3
Interest	2,336,038	--	451,521 (g)	2,7
Depreciation and amortization	1,667,362	--	195,425 (h)	1,8
	7,781,202	451,029	680,779	8,9
OTHER INCOME				
Interest income	92,366	--	--	
Equity in loss of unconsolidated affiliate	(10,843)	--	--	(
	81,523	--	--	
INCOME (LOSS) BEFORE GAIN ON SALE OF REAL ESTATE				
	(203,565)	1,143,776	(680,779)	2
GAIN ON SALE OF REAL ESTATE				
	1,143,698	--	--	1,1
NET INCOME (LOSS)				
	\$ 940,133	\$ 1,143,776	\$ (680,779)	\$ 1,4
NET INCOME PER COMMON SHARE				
Basic	\$ 0.23			\$
Diluted	\$ 0.23			\$
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	4,020,898			4,0
Diluted	4,143,767			4,1

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See notes to the pro forma consolidated financial statements.

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2000
(Unaudited)

	Historical		Pro Forma Adjustments	Pro Comb
	AmeriVest	Arrowhead Fountains		
REAL ESTATE OPERATING REVENUE				
Rental revenue	\$ 7,222,437	\$ 1,561,472	\$ --	\$ 8,7
REAL ESTATE OPERATING EXPENSES				
Property Operating Expenses				
Operating expenses	1,946,633	375,660	--	2,3
Real estate taxes	668,224	153,674	--	8
Management fees	344,636	38,757	36,215 (f)	4
General and administrative	517,019	2,380	--	5
Severance expense	255,442	--	--	2
Interest	2,167,869	--	812,341 (g)	2,9
Depreciation and amortization	1,205,795	--	260,567 (h)	1,4
	7,105,618	570,471	1,109,123	8,7
OTHER INCOME				
Interest income	55,874	--	--	
Equity in loss of unconsolidated affiliate	(52,808)	--	--	(
	3,066	--	--	
INCOME (LOSS) BEFORE GAIN ON SALE OF REAL ESTATE				
	119,885	991,001	(1,109,123)	
GAIN ON SALE OF REAL ESTATE				
	2,556,839	--	--	2,5
NET INCOME (LOSS)				
	\$ 2,676,724	\$ 991,001	\$ (1,109,123)	\$ 2,5
NET INCOME PER COMMON SHARE				
Basic and diluted	\$ 1.07			\$

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WEIGHTED AVERAGE NUMBER OF
COMMON SHARES OUTSTANDING

Basic	2,492,584	2,4
	=====	=====
Diluted	2,495,919	2,4
	=====	=====

See notes to the pro forma consolidated financial statements.

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES

NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements are presented to reflect the acquisition of Arrowhead Fountains by AmeriVest.

The accompanying unaudited pro forma consolidated balance sheet presents the historical financial information of AmeriVest as of September 30, 2001 as adjusted for the acquisition of Arrowhead Fountains, as if the transaction had occurred on September 30, 2001.

The accompanying unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2001 and the year ended December 31, 2000 combine the historical operations of AmeriVest with the historical operations of Arrowhead Fountains as if the transaction had occurred on January 1, 2000.

NOTE 2 - PRO FORMA ADJUSTMENTS

The unaudited pro forma consolidated financial statements reflect the following pro forma adjustments:

(a) The net cash paid for Arrowhead Fountains consists of the following:

Purchase price	\$ 12,750,000
Estimated acquisition costs	50,000
Advisory fee per Sheridan Realty Advisors, LLC agreement	175,000
Loan origination fee	93,000
Less: loan balance assumed	(9,300,000)
Less: accrued advisory fee	(175,000)
Less: credit for accrued real estate taxes	(38,223)
Less: credit for security deposits	(33,579)
Less: credit for accrued interest	(26,996)

Cash paid	\$ 3,494,202

(b) The purchase price of Arrowhead Fountains was allocated to the assets and liabilities based on estimated fair values.

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(c) The loan in the amount of \$9.3 million, which was assumed from the previous owner, bears interest at 1-month LIBOR plus 190 basis points and matures on December 5, 2003. AmeriVest paid a 1% loan origination fee, which has been capitalized and is being amortized over the remaining life of the loan.

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(d) Consists of the advisory fee of \$175,000 due to Sheridan Realty Advisors, LLC in connection with the acquisition of Arrowhead Fountains per the Property Management and Advisory Agreement and \$26,996 in accrued interest on the assumed loan.

(e) Fair value of 73,500 incentive warrants granted to Sheridan Realty Advisors, LLC in connection with the acquisition of Arrowhead Fountains per the Property Management and Advisory Agreement.

(f) Adjustment to management fees pursuant to the Property Management and Advisory Agreement:

	Nine Months Ended September 30, 2001	Year Ended December 31, 2000
	-----	-----
Elimination of historical management fees	\$ (43,231)	\$ (38,757)
Management fees per Sheridan Realty Advisors, LLC agreement	77,064	74,972
	-----	-----
Pro forma adjustment	\$ 33,833	\$ 36,215
	=====	=====

(g) Interest expense to be recognized related to the mortgage loan assumed upon the acquisition of Arrowhead Fountains. Includes loan interest calculated at 1-month LIBOR (used 4.32% and 6.58% for the nine months ended September 30, 2001 and the year ended December 31, 2000, respectively, based on an average of 1-month LIBOR during the respective periods) plus 190 basis points and the amortization of the loan origination fee.

(h) Depreciation expense calculated assuming a 40-year useful life.

NOTE 3 - INCOME PER SHARE

Pro forma income per common share for the nine months ended September 30, 2001 and the year ended December 31, 2000 is computed based on the weighted average number of common shares outstanding during the periods presented.

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES

STATEMENT OF ESTIMATED TAXABLE OPERATING RESULTS
AND CASH TO BE MADE AVAILABLE BY OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2000
(Unaudited)

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The following represents an estimate of the taxable operating results and cash to be made available by operations expected to be generated by AmeriVest (including the operations of Arrowhead Fountains) based upon the pro forma consolidated statement of operations for the year ended December 31, 2000. These estimated results do not purport to represent results of operations for these properties in the future and were prepared on the basis described in the accompanying notes, which should be read in conjunction herewith.

Revenue	\$8,777,744

Expenses:	
Operating expenses	2,322,293
Real estate taxes	821,898
Management fees	419,608
General and administrative	519,399
Severance expense	255,442
Interest	2,980,210
Depreciation and amortization	1,003,864

Total expenses	8,322,714

Estimated Taxable Operating Income	455,030
Add back depreciation and amortization	1,003,864

Estimated Cash to be Made Available by Operations	\$1,458,894
	=====

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES

NOTE TO STATEMENT OF ESTIMATED TAXABLE OPERATING RESULTS AND CASH TO BE MADE AVAILABLE BY OPERATIONS (Unaudited)

NOTE 1 - BASIS OF PRESENTATION

Depreciation has been estimated based upon an allocation of the purchase price of Arrowhead Fountains to land (20%) and building (80%) and assuming (for tax purposes) a 39-year useful life applied on a straight-line method.

No income taxes have been provided because the Company is organized and operates in such a manner so as to qualify as a Real Estate Investment Trust ("REIT") under the provisions of the Internal Revenue Code (the "Code"). Accordingly, the Company generally will not pay Federal income taxes provided that distributions to its stockholders equal at least the amount of its REIT taxable income as defined under the Code.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMERIVEST PROPERTIES INC.

January 23, 2002

By: /s/ D. Scott Ikenberry

D. Scott Ikenberry
Chief Financial Officer

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