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AMERIVEST PROPERTIES INC

Form 8-K/A

December 30, 2002

UNITED STATES
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 12, 2002

AmeriVest Properties Inc.

(Exact name of small business issuer as specified in its charter)

Maryland	1-14462	84-1240264
-----	-----	-----
(State or other jurisdiction of incorporation or organization)	(Commission File No.)	(I.R.S. Employer Identification No.)

1780 South Bellaire Street Suite 515, Denver, Colorado 80222

(Address of principal executive offices)

(303) 297-1800

(Registrant's telephone number)

Item 2. Acquisition or Disposition of Assets

Purchase of Denver Office Building. On November 12, 2002, we completed the acquisition of the Centerra office building (the "Property"). The Property is located in Denver, Colorado and contains approximately 186,000 rentable square feet and is located on 1.15 acres of land. The aggregate purchase price for the Property was \$18,658,300, which was paid with \$13,057,660 from the proceeds of a loan from Fleet National Bank (the "Fleet Loan") and the balance paid in cash from a portion of the proceeds of our May 2002 public offering.

The Property was purchased from WHMAB Real Estate L.P. (the "Seller"), an unrelated party. The purchase price of the Property was determined through negotiations between the Seller and us.

The Fleet Loan represents the initial draw on a \$30,000,000 revolving credit facility from Fleet National Bank. An additional draw on the Fleet Loan was used to purchase the Chateau Plaza office building in Dallas, Texas. The Fleet Loan bears interest at LIBOR plus 275 basis points, due in monthly installments of interest only, with the principal balance and accrued interest due on November 12, 2005. This loan may be prepaid at any time without penalty and is secured by a mortgage on the property.

For a more complete description of this transaction, please see the Agreement of Purchase and Sale between us and the Seller dated August 12, 2002 (the "Purchase Agreement"), a copy of which is attached hereto as Exhibit 2.1, and our press

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release dated November 12, 2002, a copy of which is attached to this Form 8-K as Exhibit 99.1.

The schedules and exhibits to the Purchase Agreement, a listing of which are included therein, have not been filed herewith. The schedules and exhibits will be furnished supplementally to the Securities and Exchange Commission upon request.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Real Estate Property Acquired:

Independent Auditors' Report	F-1
Statements of Revenue and Certain Expenses for the nine months ended September 30, 2002 (unaudited) and for the year ended December 31, 2001	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 September 30, 2002 (unaudited)	F-6
Pro Forma Consolidated Statements of Operations (unaudited):	
For the nine months ended September 30, 2002	F-7
For the year ended December 31, 2001	F-8
Notes to Pro Forma Consolidated Financial Statements (unaudited)	F-9
Statement of Estimated Taxable Operating Results and Cash to be Made Available by Operations based upon the Year ended December 31, 2001 (unaudited)	F-11
Note to Statement of Estimated Taxable Operating Results and Cash to be Made Available by Operations (unaudited)	F-12

(c) Exhibits:

Exhibit Number	Exhibit Title
-----	-----
2.1	Agreement of Purchase and Sale between AmeriVest Properties Inc. and WHMAB Real Estate L.P. dated August 12, 2002 (Centerra)*
10.1	Revolving Credit Agreement among AmeriVest Properties Inc. and Fleet National Bank, as administrative agent, and the lenders party thereto, dated November 12, 2002.
10.2	Revolving Credit Note, dated November 12, 2002, by AmeriVest Properties Inc. to Fleet National Bank, as agent.

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99.1

Press Release dated November 12, 2002*

* Previously filed.

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.

December 30, 2002

By: /s/ D. Scott Ikenberry

D. Scott Ikenberry
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

The Board of Directors of
AmeriVest Properties Inc.:

We have audited the accompanying statement of revenue and certain expenses of the Centerra Office Building in Denver, Colorado (the "Property") for the year ended December 31, 2001. This financial statement is the responsibility of the Property's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 presentation of the financial statement. We believe that our audit provides a reasonable basis for our opinion.

The statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and for inclusion in the Form 8-K of AmeriVest Properties Inc., as described in Note 1. The presentation is not intended to be a complete presentation of the Property's revenues and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expenses of the Centerra Office Building for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

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Denver, Colorado
December 13, 2002

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CENTERRA OFFICE BUILDING STATEMENTS OF REVENUE AND CERTAIN EXPENSES

	For the Nine Months Ended September 30, 2002	For the Year Ended December 31, 2001
	----- (unaudited)	-----
REVENUE:		
Rental revenue	\$2,212,431	\$2,385,593
Other revenue	279,754	310,153
	-----	-----
Total revenue	2,492,185	2,695,746
	-----	-----
CERTAIN EXPENSES:		
Operating expenses	403,226	563,829
Repairs and maintenance	111,483	111,703
Utilities	174,161	241,075
Real estate taxes	250,731	334,308
Management fees	61,544	67,425
	-----	-----
Total expenses	1,001,145	1,318,340
	-----	-----
EXCESS OF REVENUE OVER CERTAIN EXPENSES	\$1,491,040	\$1,377,406
	=====	=====

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

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CENTERRA OFFICE BUILDING NOTES TO STATEMENTS OF REVENUE AND CERTAIN EXPENSES DECEMBER 31, 2001

NOTE 1 - BASIS OF PRESENTATION

The accompanying statement of revenue and certain expenses reflects the operations of the Centerra Office Building ("Centerra" or the "Property"). The Property consists of one office building located in Denver, Colorado. The Property contains approximately 186,000 rentable square feet and is located on 1.15 acres of land. As of September 30, 2002 and December 31, 2001, the Property had an occupancy percentage of 79% and 82%, respectively.

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The Property was acquired by AmeriVest Properties Inc. and subsidiaries ("AmeriVest") from an unrelated party on November 12, 2002 for \$18,658,300, which was paid with \$13,057,660 from the proceeds of a loan from Fleet National Bank and the balance paid in cash from a portion of the proceeds of the May 2002 public offering. In addition, AmeriVest incurred approximately \$331,000 in related acquisition fees and costs, of which \$281,470 represents the advisory fee earned by Sheridan Realty Advisors, LLC, a related party, in connection with the acquisition in accordance with the Property Management and Advisory Agreement. The advisory fee is expensed immediately upon the closing of the acquisition while the remaining acquisition costs, which are paid to unrelated third parties, are capitalized as a cost of acquiring the property.

The accounting records of the Property are maintained on the accrual basis. The accompanying statement of revenue and certain expenses was prepared pursuant to the rules and regulations of the Securities and Exchange Commission, and exclude certain expenses such as mortgage 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 of America requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Interim Information (unaudited)

In the opinion of the management of AmeriVest, the unaudited interim information as of September 30, 2002 included herein contains all adjustments necessary, which are of a normal recurring nature, to present fairly the revenue and certain expenses for the nine months ended September 30, 2002. 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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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 lease payments due under these leases, excluding tenant reimbursements of operating expenses, as of December 31, 2001, are as follows:

Year Ending December 31:	
2002	\$ 2,637,798
2003	2,212,570
2004	1,661,994
2005	1,157,969
2006	903,045
Thereafter	1,064,952

	\$ 9,638,328
	=====

Tenant reimbursements of operating expenses are included in other revenue on the accompanying statements of revenue and certain expenses.

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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, 2001, and the corresponding percentage of the future minimum revenues above:

Tenant -----	Percentage of 2001 Revenues -----	Percentage of Future Minimum Revenues -----
A	11.7%	10.4%
B	10.2%	8.3%

Tenant A is a real estate brokerage company and tenant B is an insurance company.

On December 9, 2002, United Air Lines, Inc., a tenant in Centerra, filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code. United Air Lines, Inc. occupies 19,229 square feet under a lease, which is scheduled to expire on November 30, 2008. The future minimum revenues provided by this lease account for 31.5% of the total disclosed above.

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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, 2002 as adjusted for the acquisition of Centerra, as if the transaction had occurred on September 30, 2002.

The accompanying unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2002 and the year ended December 31, 2001 combine the historical operations of AmeriVest with the historical operations of Centerra as if the transaction had occurred on January 1, 2001.

The unaudited pro forma consolidated financial statements have been prepared by AmeriVest management based upon the historical financial statements of AmeriVest and Centerra. 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 and notes thereto should be read in conjunction with the historical financial statements included in AmeriVest's previous filings with the Securities and Exchange Commission.

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES PRO FORMA CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2002 (unaudited)

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	AmeriVest (Historical)	Acquisition of Centerra	Pro Forma Combined
	-----	-----	-----
ASSETS			
Investment in Real Estate			
Land	\$ 18,434,269	\$ 776,400 (b)	\$ 19,210,6
Building and improvements	87,806,952	17,931,900 (b)	105,738,8
Furniture, fixtures and equipment	328,747	--	328,7
Tenant improvements	2,561,879	--	2,561,8
Tenant leasing commissions	421,677	--	421,6
Less: accumulated depreciation and amortization	(5,203,317)	--	(5,203,3
	-----	-----	-----
Net Investment in Real Estate	104,350,207	18,708,300	123,058,5
Cash and cash equivalents	14,383,104	(5,729,007) (a)	8,654,0
Escrow deposits	1,755,049	--	1,755,0
Investment in unconsolidated affiliate	1,263,275	--	1,263,2
Due from related party	2,724,293	--	2,724,2
Due from unconsolidated affiliate	782,397	--	782,3
Accounts receivable	191,111	--	191,1
Deferred rent receivable	571,390	--	571,3
Deferred financing costs, net	541,695	415,000 (c)	956,6
Prepaid expenses, escrows and other assets	1,442,034	--	1,442,0
	-----	-----	-----
Total Assets	\$ 128,004,555	\$ 13,394,293	\$ 141,398,8
	=====	=====	=====
LIABILITIES			
Mortgage loans and notes payable	\$ 76,452,290	\$ 13,057,660 (c)	\$ 89,509,9
Accounts payable and accrued expenses	1,253,611	--	1,253,6
Due to related party	105,926	281,470 (d)	387,3
Accrued real estate taxes	1,453,284	250,731 (b)	1,704,0
Prepaid rents and security deposits	1,308,617	85,902 (b)	1,394,5
Dividends payable	1,426,964	--	1,426,9
	-----	-----	-----
Total Liabilities	82,000,692	13,675,763	95,676,4
	-----	-----	-----
STOCKHOLDERS' EQUITY			
Common stock	10,977	--	10,9
Capital in excess of par value	54,833,805	--	54,833,8
Distributions in excess of accumulated earnings	(8,840,919)	(281,470) (d)	(9,122,3
	-----	-----	-----
Total Stockholders' Equity	46,003,863	(281,470)	45,722,3
	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$ 128,004,555	\$ 13,394,293	\$ 141,398,8
	=====	=====	=====

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, 2002
(unaudited)

	Historical		Pro Forma Adjustments
	AmeriVest	Centerra	
REAL ESTATE OPERATING REVENUE			
Rental revenue	\$ 10,937,842	\$ 2,492,185	\$ --
REAL ESTATE OPERATING EXPENSES			
Property Operating Expenses			
Operating expenses	2,725,931	677,294	--
Real estate taxes	1,006,350	250,731	--
Management fees	96,944	61,544	(61,544) (e)
General and administrative expenses	1,070,091	11,576	--
Advisory fee	251,910	--	--
Interest expense	2,774,083	--	555,992 (f)
Depreciation and amortization expense	2,161,580	--	336,223 (g)
	10,086,889	1,001,145	830,671
OTHER INCOME/LOSS			
Interest income	135,961	--	--
Equity in loss of unconsolidated affiliate	(60,197)	--	--
	75,764	--	--
NET INCOME	\$ 926,717	\$ 1,491,040	\$ (830,671)
NET INCOME PER COMMON SHARE			
Basic	\$ 0.11		
Diluted	\$ 0.10		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	8,785,796		
Diluted	8,960,471		

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, 2001
(unaudited)

	Historical		
	AmeriVest	Centerra	Pro Forma Adjustments
REAL ESTATE OPERATING REVENUE			
Rental revenue	\$ 10,944,383	\$ 2,695,746	\$ --
REAL ESTATE OPERATING EXPENSES			
Property Operating Expenses			
Operating expenses	2,643,448	904,207	--
Real estate taxes	1,132,819	334,308	--
Management fees	523,687	67,425	65,436 (e)
General and administrative expenses	677,845	12,400	--
Advisory fee	--	--	281,470 (d)
Impairment of deferred rents receivable	326,113	--	--
Interest expense	3,181,697	--	970,409 (f)
Depreciation and amortization expense	2,244,435	--	448,298 (g)
	10,730,044	1,318,340	1,765,613
OTHER INCOME/LOSS			
Interest income	135,075	--	--
Equity in loss of unconsolidated affiliates	(17,366)	--	--
	117,709	--	--
INCOME BEFORE GAIN ON SALE OF REAL ESTATE	332,048	1,377,406	(1,765,613)
GAIN ON SALE OF REAL ESTATE	1,156,445	--	--
NET INCOME	\$ 1,488,493	\$ 1,377,406	\$ (1,765,613)
NET INCOME PER COMMON SHARE			
Basic	\$ 0.32		
Diluted	\$ 0.31		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	4,680,719		

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Diluted

4,801,307
=====

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 Centerra by AmeriVest.

The accompanying unaudited pro forma consolidated balance sheet presents the historical financial information of AmeriVest as of September 30, 2002 as adjusted for the acquisition of Centerra as if the transaction had occurred on September 30, 2002.

The accompanying unaudited pro forma consolidated statements of operations for the nine months ended September 30, 2002 and the year ended December 31, 2001 combine the historical operations of AmeriVest with the historical operations of Centerra as if the transaction had occurred on January 1, 2001.

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.

NOTE 2 - PRO FORMA ADJUSTMENTS

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

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

Purchase price	\$ 18,658,300
Estimated acquisition costs	50,000
Loan origination fees	415,000
Less: mortgage loan	(13,057,660)
Less: credit for accrued real estate taxes	(250,731)
Less: credit for security deposits	(85,902)

Cash paid	\$ 5,729,007
	=====

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

(c) The loan in the amount of \$13,057,660 represents the initial draw on a \$30,000,000 revolving credit facility from Fleet National Bank. The loan bears interest at LIBOR plus 275 basis points, due in monthly installments of interest only, with the principal and accrued interest due on November 12, 2005. This loan may be prepaid at any time without penalty. AmeriVest paid a 1.25% loan origination fee for the aggregate credit facility, plus additional loan costs,

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which have been capitalized and are being amortized over the life of the loan.

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(d) Advisory fee of \$281,470 earned by Sheridan Realty Advisors, LLC in connection with the acquisition of Centerra in accordance with the Property Management and Advisory Agreement. This fee was capitalized on acquisitions completed prior to January 1, 2002. However, due to the amendment of the Property Management and Advisory Agreement effective January 1, 2002, the advisory fee is being expensed beginning in 2002.

(e) Pursuant to the Property Management and Advisory Agreement, Sheridan Realty Advisors, LLC would have earned a 5% management fee through December 31, 2001 and there would be no management fee expense, with respect to Centerra, beginning January 1, 2002 due to the Company being internally managed. Adjustments to management fees are as follows:

	Nine Months Ended September 30, 2002 -----	Year Ended December 31, 2001 -----
Management fees in accordance with the property management agreement	\$ --	\$ 132,861
Less: historical management fees	(61,544)	(67,425)
	-----	-----
Pro forma adjustment	\$ (61,544)	\$ 65,436
	=====	=====

(f) Interest expense to be recognized related to the mortgage loan. Includes loan interest (assumed interest rates of 4.62% and 6.37% for the nine months ended September 30, 2002 and the year ended December 31, 2001, respectively) and the amortization of the loan origination fee.

(g) 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, 2002 and the year ended December 31, 2001 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 BASED UPON THE YEAR ENDED DECEMBER 31, 2001 (unaudited)

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 Centerra) based upon the pro forma consolidated statement of operations for the year ended December 31, 2001. These estimated results do not purport to represent results of operations for these properties

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in the future and were prepared on the basis described in the accompanying notes, which should be read in conjunction herewith.

Revenue	\$ 13,507,776

Expenses	
Operating expenses	3,547,655
Real estate taxes	1,467,127
Management fees	656,548
General and administrative expenses	690,245
Interest expense	4,152,106
Depreciation and amortization expense	1,606,175

Total expenses	12,119,856

Estimated Taxable Operating Income	1,387,920
Add: Depreciation and amortization expense	1,606,175
Less: Advisory fee	(281,470)

Estimated Cash to be Made Available by Operations	\$ 2,712,625
	=====

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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 Centerra to land (4%) and building (96%) 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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