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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 25, 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 Dallas Office Building. On November 25, 2002, we completed the acquisition of the Chateau Plaza office building (the "Property"). The Property is located in Dallas, Texas, contains approximately 171,000 rentable square feet and is located on approximately one acre of land. The aggregate purchase price for the Property was \$22,000,000, which was paid with \$15,400,000 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 WXI/CHA 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 second draw on a \$30,000,000 revolving credit facility from Fleet National Bank. The original draw was used to purchase the Centerra office building located in Denver, Colorado and the facility is cross collateralized by mortgages on both properties. 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.

For a more complete description of this transaction, please see the Agreement of Purchase and Sale between us and the Seller dated September 24, 2002 (the

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"Purchase Agreement"), a copy of which is attached hereto as Exhibit 2.1, and our press release dated November 26, 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 WXI/CHA Real Estate L.P. dated September 24, 2002 (Chateau Plaza)*
99.1	Press Release dated November 26, 2002*

* Previously filed.

SIGNATURES

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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 Chateau Plaza Office Building in Dallas, Texas (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 Chateau Plaza 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

KPMG LLP

Denver, Colorado
December 13, 2002

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CHATEAU PLAZA OFFICE BUILDING
STATEMENTS OF REVENUE AND CERTAIN EXPENSES

	For the Nine Months Ended September 30, 2002 ----- (unaudited)	For the Year Ended December 31, 2001 -----
REVENUE:		
Rental revenue	\$2,558,078	\$3,430,192
Other revenue	244,792	272,789
	-----	-----
Total revenue	2,802,870	3,702,981
	-----	-----
CERTAIN EXPENSES:		
Operating expenses	429,798	630,642
Repairs and maintenance	137,727	147,748
Utilities	199,879	336,279
Real estate taxes	452,056	597,849
Management fees	54,519	70,421
	-----	-----
Total expenses	1,273,979	1,782,939
	-----	-----
EXCESS OF REVENUE OVER CERTAIN EXPENSES	\$1,528,891	\$1,920,042
	=====	=====

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

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CHATEAU PLAZA 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 Chateau Plaza Office Building ("Chateau Plaza" or the "Property"). The Property consists of one office building located in Dallas, Texas. The Property contains approximately 171,000 rentable square feet and is located on approximately one acre of land. As of September 30, 2002 and December 31, 2001, the Property had an occupancy percentage of 98% and 89%, respectively.

The Property was acquired by AmeriVest Properties Inc. and subsidiaries ("AmeriVest") from an unrelated party on November 25, 2002 for \$22,000,000, which was paid with \$15,400,000 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

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public offering. In addition, AmeriVest incurred approximately \$414,000 in related acquisition fees and costs, of which \$334,000 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	\$ 3,123,224
2003	2,675,945
2004	2,485,810
2005	2,448,854
2006	206,660
Thereafter	160,940

	\$11,101,433
	=====

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

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:

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Tenant -----	Percentage of 2001 Revenues -----	Percentage of Future Minimum Revenues -----
A	41.4%	61.9%

Tenant A is the corporate headquarters for a specialty foods processor and distributor. Tenant A's lease is scheduled to expire on December 31, 2005, however has the option to terminate the lease early on December 31, 2003.

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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 Chateau Plaza, 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 Chateau Plaza 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 Chateau Plaza. 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)

	AmeriVest (Historical) -----	Acquisition of Chateau Plaza -----	Pro Forma Combined -----
ASSETS			
Investment in Real Estate			
Land	\$ 18,434,269	\$ 1,520,330 (b)	\$ 19,954,599
Building and improvements	87,806,952	20,559,670 (b)	108,366,622

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Furniture, fixtures and equipment	328,747	--	328,747
Tenant improvements	2,561,879	--	2,561,879
Tenant leasing commissions	421,677	--	421,677
Less: accumulated depreciation and amortization	(5,203,317)	--	(5,203,317)
	-----	-----	-----
Net Investment in Real Estate	104,350,207	22,080,000	126,430,207
Cash and cash equivalents	14,383,104	(6,580,973) (a)	7,802,131
Escrow deposits	1,755,049	--	1,755,049
Investment in unconsolidated affiliate	1,263,275	--	1,263,275
Due from related party	2,724,293	--	2,724,293
Due from unconsolidated affiliate	782,397	--	782,397
Accounts receivable	191,111	--	191,111
Deferred rent receivable	571,390	--	571,390
Deferred financing costs, net	541,695	415,000 (c)	956,695
Prepaid expenses, escrows and other assets	1,442,034	--	1,442,034
	-----	-----	-----
Total Assets	\$ 128,004,555	\$ 15,914,027	\$ 143,918,582
	=====	=====	=====
LIABILITIES			
Mortgage loans and notes payable	\$ 76,452,290	\$ 15,400,000 (c)	\$ 91,852,290
Accounts payable and accrued expenses	1,253,611	--	1,253,611
Due to related party	105,926	334,000 (d)	439,926
Accrued real estate taxes	1,453,284	452,056 (b)	1,905,340
Prepaid rents and security deposits	1,308,617	61,971 (b)	1,370,588
Dividends payable	1,426,964	--	1,426,964
	-----	-----	-----
Total Liabilities	82,000,692	16,248,027	98,248,719
	-----	-----	-----
STOCKHOLDERS' EQUITY			
Common stock	10,977	--	10,977
Capital in excess of par value	54,833,805	--	54,833,805
Distributions in excess of accumulated earnings	(8,840,919)	(334,000) (d)	(9,174,919)
	-----	-----	-----
Total Stockholders' Equity	46,003,863	(334,000)	45,669,863
	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$ 128,004,555	\$ 15,914,027	\$ 143,918,582
	=====	=====	=====

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)

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	Historical			P
	AmeriVest	Chateau Plaza	Pro Forma Adjustments	
REAL ESTATE OPERATING REVENUE				
Rental revenue	\$ 10,937,842	\$ 2,802,870	\$ --	\$
REAL ESTATE OPERATING EXPENSES				
Property Operating Expenses				
Operating expenses	2,725,931	766,583	--	
Real estate taxes	1,006,350	452,056	--	
Management fees	96,944	54,519	(54,519) (e)	
General and administrative expenses	1,070,091	821	--	
Advisory fee	251,910	--	--	
Interest expense	2,774,083	--	637,117 (f)	
Depreciation and amortization expense	2,161,580	--	385,494 (g)	
	10,086,889	1,273,979	968,092	
OTHER INCOME/LOSS				
Interest income	135,961	--	--	
Equity in loss of unconsolidated affiliate	(60,197)	--	--	
	75,764	--	--	
NET INCOME	\$ 926,717	\$ 1,528,891	\$ (968,092)	\$
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

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	AmeriVest -----	Chateau Plaza -----	Pro Forma Adjustments -----
REAL ESTATE OPERATING REVENUE			
Rental revenue	\$ 10,944,383	\$ 3,702,981	\$ --
REAL ESTATE OPERATING EXPENSES			
Property Operating Expenses			
Operating expenses	2,643,448	1,108,492	--
Real estate taxes	1,132,819	597,849	--
Management fees	523,687	70,421	107,435 (e)
General and administrative expenses	677,845	6,177	--
Advisory fee	--	--	334,000 (d)
Impairment of deferred rents receivable	326,113	--	--
Interest expense	3,181,697	--	1,119,671 (f)
Depreciation and amortization expense	2,244,435	--	513,992 (g)
	-----	-----	-----
	10,730,044	1,782,939	2,075,098
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	1,920,042	(2,075,098)
GAIN ON SALE OF REAL ESTATE			
	1,156,445	--	--
NET INCOME			
	\$ 1,488,493	\$ 1,920,042	\$ (2,075,098)
NET INCOME PER COMMON SHARE			
Basic	\$ 0.32		
	=====		
Diluted	\$ 0.31		
	=====		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	4,680,719		
	=====		
Diluted	4,801,307		
	=====		

See notes to the pro forma consolidated financial statements.

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(unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated financial statements are presented to reflect the acquisition of Chateau Plaza 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 Chateau Plaza 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 Chateau Plaza 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 Chateau Plaza consists of the following:

Purchase price	\$ 22,000,000
Estimated acquisition costs	80,000
Loan origination fees	415,000
Less: mortgage loan	(15,400,000)
Less: credit for accrued real estate taxes	(452,056)
Less: credit for security deposits	(61,971)

Cash paid	\$ 6,580,973
	=====

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

(c) The loan in the amount of \$15,400,000 represents the second draw on a \$30,000,000 revolving credit facility from Fleet National Bank. The original draw was used to purchase the Centerra office building located in Denver, Colorado. 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, which have been capitalized and are being amortized over the life of the loan.

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(d) Advisory fee of \$334,000 earned by Sheridan Realty Advisors, LLC in connection with the acquisition of Chateau Plaza 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.

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(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 Chateau Plaza, 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	\$ --	\$ 177,856
Less: historical management fees	(54,519)	(70,421)
	-----	-----
Pro forma adjustment	\$ (54,519)	\$ 107,435
	=====	=====

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

Revenue	\$ 14,407,669 -----
Expenses	
Operating expenses	3,751,940

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Real estate taxes	1,730,668
Management fees	701,543
General and administrative expenses	684,022
Interest expense	4,301,368
Depreciation and amortization expense	1,673,554

Total expenses	12,843,095

Estimated Taxable Operating Income	1,564,574
Add: Depreciation and amortization expense	1,673,554
Less: Advisory fee	(334,000)

Estimated Cash to be Made Available by Operations	\$ 2,904,128
	=====

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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 Chateau Plaza to land (7%) and building (93%) 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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