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AMERIVEST PROPERTIES INC
Form 8-K/A
February 28, 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): December 21, 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 September 30, 2001

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(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 the Kellogg 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 the Kellogg Office Building for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Denver, Colorado
January 11, 2002

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THE KELLOGG 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	\$1,655,705	\$2,230,990
Other revenue	69,889	83,215
	-----	-----
Total revenue	1,725,594	2,314,205
	-----	-----
CERTAIN EXPENSES:		
Repairs and maintenance	102,229	106,748
Utilities	99,340	155,316
Property taxes	141,071	188,094
Property management fees	45,539	57,977
Operating services	251,169	345,754
	-----	-----
Total expenses	639,348	853,889
	-----	-----
EXCESS OF REVENUE OVER CERTAIN EXPENSES	\$1,086,246	\$1,460,316
	=====	=====

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

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THE KELLOGG 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 the Kellogg Office Building (the "Kellogg Building" or the "Property"). The Property consists of one office building located in Littleton, Colorado. The Property contains approximately 113,000 net rentable square feet and is located on approximately 5 acres of land. As of December 31, 2000, the

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Property had an occupancy percentage of approximately 94%.

The Property was acquired by AmeriVest Properties Inc. and subsidiaries ("AmeriVest") from an unrelated party on December 21, 2001 for \$13,550,000, which was paid with \$9,500,000 from the proceeds of a loan from US Bank National Association and the balance from a portion of the proceeds of the July 2001 public offering. In addition, AmeriVest incurred approximately \$250,000 related acquisition fees and costs, of which, \$203,440 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 assumptions 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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THE KELLOGG 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	\$ 1,873,826
2002	1,609,026
2003	1,165,870
2004	499,115
2005	150,767
Thereafter	--

	\$ 5,298,604
	=====

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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 the Kellogg Building, 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 the Kellogg Building 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 the Kellogg Building. 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 Securities and Exchange Commission.

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AMERIVEST PROPERTIES INC. AND SUBSIDIARIES

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

	AmeriVest (Historical)	Acquisition of the Kellogg Building	Pro Forma Combined
	-----	-----	-----
ASSETS			
Investment in Real Estate			
Land	\$ 9,960,376	\$ 2,773,093 (b)	\$ 12,733,469
Building and improvements	50,417,352	11,092,372 (b)	61,509,724
Furniture, fixtures and equipment	155,808	--	155,808
Tenant improvements	1,431,132	--	1,431,132
Tenant leasing commissions	271,632	--	271,632

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Less: accumulated depreciation and amortization	(2,717,634)	--	(2,717,634)
Net Investment in Real Estate	59,518,666	13,865,465	73,384,131
Cash and cash equivalents	9,216,887	(3,929,975) (a)	5,286,912
Accounts receivable	156,853	--	156,853
Deferred rent receivable	324,330	--	324,330
Deferred financing costs, net	463,351	81,399 (c)	544,750
Prepaid expenses, escrows and other assets	1,346,069	--	1,346,069
Total Assets	\$ 71,026,156	\$ 10,016,889	\$ 81,043,045
LIABILITIES			
Mortgage loans and notes payable	\$ 41,875,236	\$ 9,500,000 (c)	\$ 51,375,236
Accounts payable and accrued expenses	1,662,097	203,440 (d)	1,865,537
Accrued real estate taxes	810,955	141,071 (b)	952,026
Prepaid rents and security deposits	990,573	110,353 (b)	1,100,926
Dividends payable	826,605	--	826,605
Total Liabilities	46,165,466	9,954,864	56,120,330
OWNERS' EQUITY			
Common stock	6,613	--	6,613
Capital in excess of par value	30,709,501	62,025 (e)	30,771,526
Distributions in excess of accumulated earnings	(5,855,424)	--	(5,855,424)
Total Owners' Equity	24,860,690	62,025	24,922,715
Total Liabilities and Owners' Equity	\$ 71,026,156	\$ 10,016,889	\$ 81,043,045

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			
	AmeriVest	Kellogg Building	Pro Forma Adjustments	P
	-----	-----	-----	-----
REAL ESTATE OPERATING REVENUE				C

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Rental revenue	\$ 7,496,114	\$ 1,725,594	\$ --	\$
	-----	-----	-----	-----
REAL ESTATE OPERATING EXPENSES				
Property Operating Expenses				
Operating expenses	1,955,488	448,172	--	
Real estate taxes	594,282	141,071	--	
Management fees	380,653	45,539	40,242	(f)
General and administrative	521,266	4,566	--	
Impairment of deferred rents receivable	326,113	--	--	
Interest	2,336,038	--	447,850	(g)
Depreciation and amortization	1,667,362	--	207,982	(h)
	-----	-----	-----	-----
	7,781,202	639,348	696,074	
	-----	-----	-----	-----
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)	1,086,246	(696,074)	
GAIN ON SALE OF REAL ESTATE	1,143,698	--	--	
	-----	-----	-----	-----
NET INCOME (LOSS)	\$ 940,133	\$ 1,086,246	\$ (696,074)	\$
	=====	=====	=====	=====
NET INCOME PER COMMON SHARE				
Basic	\$ 0.23			\$
	=====			=====
Diluted	\$ 0.23			\$
	=====			=====
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	4,020,898			
	=====			=====
Diluted	4,143,767			
	=====			=====

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)

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	Historical			P C
	AmeriVest	Kellogg Building	Pro Forma Adjustments	
REAL ESTATE OPERATING REVENUE				
Rental revenue	\$ 7,222,437	\$ 2,314,205	\$ --	\$
REAL ESTATE OPERATING EXPENSES				
Property Operating Expenses				
Operating expenses	1,946,633	600,950	--	
Real estate taxes	668,224	188,094	--	
Management fees	344,636	57,977	55,737 (f)	
General and administrative	517,019	6,868	--	
Severance expense	255,442	--	--	
Interest	2,167,869	--	787,133 (g)	
Depreciation and amortization	1,205,795	--	277,309 (h)	
	7,105,618	853,889	1,120,179	
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	1,460,316	(1,120,179)	
GAIN ON SALE OF REAL ESTATE	2,556,839	--	--	
NET INCOME (LOSS)	\$ 2,676,724	\$ 1,460,316	\$ (1,120,179)	\$
NET INCOME PER COMMON SHARE				
Basic and diluted	\$ 1.07			\$
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING				
Basic	2,492,584			
Diluted	2,495,919			

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 the Kellogg Building 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 the Kellogg Building, 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 the Kellogg Building 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 the Kellogg Building consists of the following:

Purchase price	\$ 13,550,000
Estimated acquisition costs	50,000
Advisory fee per Sheridan Realty Advisors, LLC agreement	203,440
Loan origination fees	81,399
Less: mortgage loan	(9,500,000)
Less: accrued advisory fee	(203,440)
Less: credit for accrued real estate taxes	(141,071)
Less: credit for security deposits	(110,353)

Cash paid	\$ 3,929,975
	=====

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

(c) The loan in the amount of \$9.5 million from US Bank bears interest at 4.77% for the initial 12 months and matures on December 21, 2004. After the initial 12 months, the rate floats on one of three indices elected by AmeriVest, provided by US Bank, plus 250 basis points. AmeriVest paid a 0.75% loan origination fee 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 \$203,440 due to Sheridan Realty Advisors, LLC in connection with the acquisition of the Kellogg Building per the Property Management and Advisory Agreement.

(e) Fair value of 85,445 incentive warrants granted to Sheridan Realty Advisors,

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LLC in connection with the acquisition of the Kellogg Building 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 -----
Management fees per Sheridan Realty Advisors, LLC agreement	\$ 85,781	\$ 113,714
Less: historical management fees	(45,539)	(57,977)
	-----	-----
Pro forma adjustment	\$ 40,242 =====	\$ 55,737 =====

(g) Interest expense to be recognized related to the mortgage loan. Includes loan interest (assumed interest rates of 6% and 8% for the nine months ended September 30, 2001 and the year ended December 31, 2000, respectively) 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)

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 the Kellogg Building) 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	\$9,552,600 -----
Expenses:	
Operating expenses	2,547,583

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Real estate taxes	856,318
Management fees	458,350
General and administrative	523,887
Severance expense	255,442
Interest	2,955,002
Depreciation and amortization	1,021,036

Total expenses	8,617,618

Estimated Taxable Operating Income	934,982
Add back depreciation and amortization	1,021,036

Estimated Cash to be Made Available by Operations	\$1,956,018
	=====

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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 the Kellogg Building 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.

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February 28, 2002

By: /s/ D. Scott Ikenberry

D. Scott Ikenberry
Chief Financial Officer

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