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AMERIVEST PROPERTIES INC
Form 8-K/A
November 13, 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): September 5, 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 Metropolitan Dallas Office Building. On September 5, 2002, we completed the acquisition of the Parkway Centre II office building (the "Property"). The Property is located in Plano, Texas and contains approximately 152,000 rentable square feet and is located on 6.4 acres of land. The aggregate purchase price for the Property was \$22,000,000, which was paid through the assumption of the existing \$17,000,000 loan from J.P. Morgan Chase Commercial Mortgage Securities Corp. (the "J.P. Morgan Chase Loan") and the balance paid in cash from a portion of the proceeds of our May 2002 public offering.

The Property was purchased from Tennessee Walker Ltd. (the "Seller"), an unrelated party. The purchase price of the Property was determined through negotiations between the Seller and us.

The J.P. Morgan Chase Loan bears interest at LIBOR plus 195 basis points, due in monthly installments of interest only, with the principal balance and accrued interest due on August 10, 2004. This loan may be prepaid at any time without penalty.

For a more complete description of this transaction, please see the Agreement for Purchase and Sale between us and the Seller dated June 17, 2002 (the "Purchase Agreement"), a copy of which is attached hereto as Exhibit 2.1, and our press release dated September 5, 2002, a copy of which is attached hereto as Exhibit 99.1.

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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 six months ended June 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 June 30, 2002 (unaudited)	F-6
Pro Forma Consolidated Statements of Operations (unaudited):	
For the six months ended June 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 for 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 for Purchase and Sale between AmeriVest Properties Inc. and Tennessee Walker Ltd. dated June 17, 2002 (Parkway Centre II)
99.1	Press Release dated September 5, 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.

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November 12, 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 Parkway Centre II Office Building in Plano, 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 Parkway Centre II 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

Denver, Colorado
October 4, 2002

F-1

PARKWAY CENTRE II OFFICE BUILDING
STATEMENTS OF REVENUE AND CERTAIN EXPENSES

For the Six Months Ended June 30,	For the Year Ended December 31,
---	---------------------------------------

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	2002 ----- (unaudited)	2001 -----
REVENUE:		
Rental revenue	\$1,567,925	\$3,076,561
Other revenue	270,926	555,492
	-----	-----
Total revenue	1,838,851	3,632,053
	-----	-----
CERTAIN EXPENSES:		
Operating expenses	186,196	393,840
Repairs and maintenance	19,169	33,380
Utilities	107,816	182,954
Real estate taxes	238,421	472,844
Management fees	38,994	81,539
	-----	-----
Total expenses	590,596	1,164,557
	-----	-----
EXCESS OF REVENUE OVER CERTAIN EXPENSES	\$1,248,255 =====	\$2,467,496 =====

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

F-2

PARKWAY CENTRE II 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 Parkway Centre II Office Building ("Parkway Centre II" or the "Property"). The Property consists of one office building located in Plano, Texas. The Property contains approximately 152,000 rentable square feet and is located on 6.4 acres of land. As of December 31, 2001, the Property had an occupancy percentage of 100%.

The Property was acquired by AmeriVest Properties Inc. and subsidiaries ("AmeriVest") from an unrelated party on September 5, 2002 for \$22,000,000, which was paid through the assumption of the existing \$17,000,000 loan from J.P. Morgan Chase Commercial Mortgage Securities Corporation and the balance paid in cash from a portion of the proceeds of the May 2002 public offering. In addition, AmeriVest incurred approximately \$305,000 in related acquisition fees and costs, of which \$251,910 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 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,

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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 management, the unaudited interim information as of June 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 six months ended June 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.

F-3

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	\$ 3,096,123
2003	2,850,131
2004	2,605,654
2005	1,114,978
2006	478,900
Thereafter	120,556

	\$10,266,342
	=====

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:

Tenant	Percentage of 2001 Revenues	Percentage of Future Minimum Revenues
-----	-----	-----
A	14.2%	15.1%
B	15.6%	17.5%

Tenant A is an insurance company and tenant B is an information technology company.

NOTE 3 - MANAGEMENT AGREEMENT

The Property is currently being managed by a third-party property manager for a

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fee equal to 2% of the gross rental receipts.

F-4

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 June 30, 2002 as adjusted for the acquisition of Parkway Centre II, as if the transaction had occurred on June 30, 2002.

The accompanying unaudited pro forma consolidated statements of operations for the six months ended June 30, 2002 and the year ended December 31, 2001 combine the historical operations of AmeriVest with the historical operations of Parkway Centre II 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 Parkway Centre II. 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.

F-5

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

	AmeriVest (Historical)	Acquisition of Parkway Centre II	Pro Forma Combined
	-----	-----	-----
ASSETS			
Investment in Real Estate			
Land	\$ 14,137,891	\$ 3,980,537 (b)	\$ 18,118,428
Building and improvements	68,778,039	18,133,558 (b)	86,911,597
Furniture, fixtures and equipment	326,450	--	326,450
Tenant improvements	2,238,305	--	2,238,305
Tenant leasing commissions	374,335	--	374,335
Less: accumulated depreciation and amortization	(4,441,680)	--	(4,441,680)
	-----	-----	-----
Net Investment in Real Estate	81,413,340	22,114,095	103,527,435

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Cash and cash equivalents	21,416,676	(5,241,600) (a)	16,175,0
Escrow deposits	647,918	556,178 (b)	1,204,0
Investment in unconsolidated affiliate	1,212,560	--	1,212,5
Due from related party	2,456,831	--	2,456,8
Accounts receivable	837,054	--	837,0
Deferred rent receivable	511,157	--	511,1
Deferred financing costs, net	530,145	54,535 (c)	584,6
Prepaid expenses, escrows and other assets	1,237,639	--	1,237,6
	-----	-----	-----
Total Assets	\$ 110,263,320	\$ 17,483,208	\$ 127,746,5
	=====	=====	=====
LIABILITIES			
Mortgage loans and notes payable	\$ 59,250,786	\$ 17,000,000 (c)	\$ 76,250,7
Accounts payable and accrued expenses	990,452	--	990,4
Due to related party	182,173	251,910 (d)	434,0
Accrued real estate taxes	762,925	238,421 (b)	1,001,3
Prepaid rents and security deposits	956,429	183,692 (b)	1,140,1
Dividends payable	1,360,807	--	1,360,8
	-----	-----	-----
Total Liabilities	63,503,572	17,674,023	81,177,5
	-----	-----	-----
STOCKHOLDERS' EQUITY			
Common stock	10,886	--	10,8
Capital in excess of par value	54,325,242	61,095 (e)	54,386,3
Distributions in excess of accumulated earnings	(7,576,380)	(251,910) (d)	(7,828,2
	-----	-----	-----
Total Stockholders' Equity	46,759,748	(190,815)	46,568,9
	-----	-----	-----
Total Liabilities and Stockholders' Equity	\$ 110,263,320	\$ 17,483,208	\$ 127,746,5
	=====	=====	=====

See notes to the pro forma consolidated financial statements.

F-6

AMERIVEST PROPERTIES INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2002
(unaudited)

	Historical			
	AmeriVest	Parkway Centre II	Pro Forma Adjustments	P C
	-----	-----	-----	-----
REAL ESTATE OPERATING REVENUE				
Rental revenue	\$ 7,154,870	\$ 1,838,851	\$ --	\$
	-----	-----	-----	-----

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REAL ESTATE OPERATING EXPENSES			
Property Operating Expenses			
Operating expenses	1,773,486	303,948	--
Real estate taxes	624,822	238,421	--
Management fees	59,882	38,994	(3,625) (f)
General and administrative expenses	731,634	9,233	--
Interest expense	1,818,526	--	329,601 (g)
Depreciation and amortization expense	1,391,079	--	226,669 (h)
	<u>6,399,429</u>	<u>590,596</u>	<u>552,645</u>
OTHER INCOME/LOSS			
Interest income	52,897	--	--
Equity in loss of unconsolidated affiliate	(44,046)	--	--
	<u>8,851</u>	<u>--</u>	<u>--</u>
NET INCOME	<u>\$ 764,292</u>	<u>\$ 1,248,255</u>	<u>\$ (552,645)</u>
NET INCOME PER COMMON SHARE			
Basic	<u>\$ 0.10</u>		
Diluted	<u>\$ 0.10</u>		
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING			
Basic	<u>7,698,139</u>		
Diluted	<u>7,879,376</u>		

See notes to the pro forma consolidated financial statements.

F-7

AMERIVEST PROPERTIES INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2001
(unaudited)

	Historical		
	AmeriVest	Parkway Centre II	Pro Forma Adjustments
	<u>-----</u>	<u>-----</u>	<u>-----</u>
REAL ESTATE OPERATING REVENUE			
Rental revenue	<u>\$ 10,944,383</u>	<u>\$ 3,632,053</u>	<u>\$ --</u>
REAL ESTATE OPERATING EXPENSES			

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Property Operating Expenses			
Operating expenses	2,643,448	551,028	--
Real estate taxes	1,132,819	472,844	--
Management fees	523,687	81,539	99,521 (f)
General and administrative expenses	677,845	59,146	--
Advisory fee	--	--	251,910 (d)
Impairment of deferred rents receivable	326,113	--	--
Interest expense	3,181,697	--	980,608 (g)
Depreciation and amortization expense	2,244,435	--	453,339 (h)
	-----	-----	-----
	10,730,044	1,164,557	1,785,378
	-----	-----	-----
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	2,467,496	(1,785,378)
GAIN ON SALE OF REAL ESTATE	1,156,445	--	--
	-----	-----	-----
NET INCOME	\$ 1,488,493	\$ 2,467,496	\$ (1,785,378)
	=====	=====	=====
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.

F-8

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 Parkway Centre II by AmeriVest.

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

The accompanying unaudited pro forma consolidated statements of operations for the six months ended June 30, 2002 and the year ended December 31, 2001 combine the historical operations of AmeriVest with the historical operations of Parkway Centre II 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 Parkway Centre II consists of the following:

Purchase price	\$ 22,000,000
Escrow deposits	556,178
Estimated acquisition costs	53,000
Loan origination fees	54,535
Less: mortgage loan	(17,000,000)
Less: credit for accrued real estate taxes	(238,421)
Less: credit for security deposits	(183,692)

Cash paid	\$ 5,241,600
	=====

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

(c) The loan in the amount of \$17,000,000 from J.P. Morgan Chase Commercial Mortgage Securities Corporation bears interest at LIBOR plus 195 basis points, due in monthly installments of interest only, with the principal and accrued interest due on August 10, 2004. This loan may be prepaid at any time without penalty. AmeriVest paid a 0.25% loan assumption fee plus additional loan costs, which have been capitalized and are being amortized over the life of the loan.

F-9

(d) Advisory fee of \$251,910 earned by Sheridan Realty Advisors, LLC in connection with the acquisition of Parkway Centre II 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, the advisory fee is being expensed beginning in 2002.

(e) Fair value of 88,543 incentive warrants earned by Sheridan Realty Advisors, LLC in connection with the acquisition of Parkway Centre II in accordance with the Property Management and Advisory Agreement.

(f) Pursuant to the Property Management and Advisory Agreement, Sheridan Realty Advisors, LLC would have earned a 5% management fee through December 31, 2001 and a third-party property manager would have earned a 2% management fee effective January 1, 2002. Adjustment to management fees as follows:

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	Six Months Ended June 30, 2002	Year Ended December 31, 2001
	-----	-----
Management fees in accordance with the property management agreements	\$ 35,369	\$ 181,060
Less: historical management fees	(38,994)	(81,539)
	-----	-----
Pro forma adjustment	\$ (3,625)	\$ 99,521
	=====	=====

(g) Interest expense to be recognized related to the mortgage loan. Includes loan interest (assumed interest rates of 3.77% and 5.66% for the six months ended June 30, 2002 and the year ended December 31, 2001, 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 six months ended June 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.

F-10

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, 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 Parkway Centre II) 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	\$14,471,752

Expenses	
Operating expenses	3,194,476
Real estate taxes	1,605,663
Management fees	704,747
General and administrative expenses	736,991
Advisory fee	251,910
Interest expense	4,162,305
Depreciation and amortization expense	1,611,346

Total expenses	12,267,438

Estimated Taxable Operating Income	2,204,314

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Add back depreciation and amortization expense	1,611,346

Estimated Cash to be Made Available by Operations	\$ 3,815,660
	=====

F-11

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 Parkway Centre II to land (18%) and building (82%) 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.

F-12