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AMERIVEST PROPERTIES INC
Form 8-K
December 21, 2001

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

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 6, 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 2. Acquisition or Disposition of Assets

Sale of Interest in Colorado Office Building. On December 6, 2001, we completed the sale of an undivided 80% interest in the Panorama Falls building ("Panorama Falls"). Panorama Falls consists of a three-story office building with 61,963 rentable square feet on approximately six acres located in Englewood, Colorado. The aggregate sales price for the interest in Panorama Falls was \$4,880,000 payable by the Buyer as follows:

- o \$2,180,000 to KeyBank National Association to pay down a portion of the existing mortgage loan;
- o the assumption of 80% of the remaining existing mortgage loan in the amount of \$2,395,732; and
- o the remainder of \$304,268, less closing costs, in cash to us.

The interest in Panorama Falls was purchased by Freemark Abbey Panorama, LLC

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(the "Buyer"), a related party. A partner in the Buyer is an indirect beneficial owner of approximately 9% of Sheridan Investments, LLC, which is the beneficial owner of approximately 18% of our common stock. The sales price of the interest in Panorama Falls was determined through negotiations between the Buyer and us.

Panorama Falls will continue to be managed by Sheridan Realty Advisors, LLC under the terms of the Advisory Agreement between Sheridan Realty Advisors, LLC and us dated December 22, 1999 and revised and restated as of March 12, 2001. Effective January 1, 2002, however, AmeriVest will assume the management functions pursuant to the press release referenced in Item. 5.

Item 5. Other Events

Press Release. The press release of Registrant dated December 14, 2001, which is filed as Exhibit 99.1 to this Form 8-K, is incorporated into this Item 5 by this reference.

Item 7. Financial Statements And Exhibits.

(b) Unaudited Pro Forma Financial Information:

| | |
|--|-----|
| Pro Forma Financial Information (Unaudited) | F-1 |
| Pro Forma Consolidated Balance Sheet as of September 30, 2001 (Unaudited) | F-2 |
| Pro Forma Consolidated Statements of Operations (Unaudited): Nine Months ended September 30, 2001 | F-3 |
| Year ended December 31, 2000 | F-4 |
| Notes to Pro Forma Consolidated Financial Statements (Unaudited) | F-5 |

(c) Exhibits

| Exhibit Number | Exhibit Title |
|----------------|---------------------------------------|
| ----- | ----- |
| 99.1 | Press Release dated December 14, 2001 |

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 sale of the undivided 80% interest in Panorama Falls 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 subtract the historical operations of Panorama Falls from the historical operations of AmeriVest and add pro forma adjustments, as if the transaction had occurred on January 1, 2000. After the sale, we will be accounting for our remaining investment in Panorama Falls under the equity method.

The unaudited pro forma consolidated financial statements have been prepared by AmeriVest management based upon the historical financial statements of AmeriVest

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and Panorama Falls. 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) | Sale of Panorama Falls | Pro Forma Combined |
|--|---------------------------|------------------------------|-----------------------|
| | ----- | ----- | ----- |
| ASSETS | | | |
| Investment in Real Estate | | | |
| Land | \$ 9,960,376 | \$ (1,051,372) (a) | \$ 8,909,004 |
| Building and improvements | 50,417,352 | (5,149,445) (a) | 45,267,907 |
| Furniture, fixtures and equipment | 155,808 | -- | 155,808 |
| Tenant improvements | 1,431,132 | -- | 1,431,132 |
| Tenant leasing commissions | 271,632 | -- | 271,632 |
| Less: accumulated depreciation and amortization | (2,717,634) | 183,523 (a) | (2,534,111) |
| | ----- | ----- | ----- |
| Net Investment in Real Estate | 59,518,666 | (6,017,294) | 53,501,372 |
| Cash and cash equivalents | 9,216,887 | 325,183 (b) | 9,542,070 |
| Investment in unconsolidated affiliate | -- | 1,137,294 (c) | 1,137,294 |
| Receivable from affiliate | -- | 2,374,817 (b) | 2,374,817 |
| Accounts receivable | 156,853 | -- | 156,853 |
| Deferred rent receivable | 324,330 | -- | 324,330 |
| Deferred financing costs, net | 463,351 | -- | 463,351 |
| Prepaid expenses, escrows and other assets | 1,346,069 | -- | 1,346,069 |
| | ----- | ----- | ----- |
| Total Assets | \$ 71,026,156 | \$ (2,180,000) | \$ 68,846,156 |
| | ===== | ===== | ===== |
| LIABILITIES | | | |
| Mortgage loans and notes payable | \$ 41,875,236 | \$ (2,180,000) (b) | \$ 39,695,236 |
| Accounts payable and accrued expenses | 1,662,097 | -- | 1,662,097 |
| Accrued real estate taxes | 810,955 | -- | 810,955 |
| Prepaid rents and security deposits | 990,573 | -- | 990,573 |
| Dividends payable | 826,605 | -- | 826,605 |
| | ----- | ----- | ----- |
| Total Liabilities | 46,165,466 | (2,180,000) | 43,985,466 |

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| | | | |
|---|---------------|----------------|---------------|
| OWNERS' EQUITY | | | |
| Common stock | 6,613 | -- | 6,613 |
| Capital in excess of par value | 30,709,501 | -- | 30,709,501 |
| Distributions in excess of accumulated earnings | (5,855,424) | -- | (5,855,424) |
| Total Owners' Equity | 24,860,690 | -- | 24,860,690 |
| Total Liabilities and Owners' Equity | \$ 71,026,156 | \$ (2,180,000) | \$ 68,846,156 |

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 |
|--|--------------|----------------|-----------------------|
| | AmeriVest | Panorama Falls | |
| REAL ESTATE OPERATING REVENUE | | | |
| Rental revenue | \$ 7,496,114 | \$ 729,334 | \$ -- |
| REAL ESTATE OPERATING EXPENSES | | | |
| Property Operating Expenses | | | |
| Operating expenses | 1,955,488 | 2,299 | -- |
| Real estate taxes | 594,282 | -- | -- |
| Management fees | 380,653 | 37,472 | -- |
| General and administrative | 521,266 | 102 | -- |
| Impairment of deferred rents receivable | 326,113 | 326,113 | -- |
| Interest | 2,336,038 | 329,905 | -- |
| Depreciation and amortization | 1,667,362 | 468,673 | -- |
| | 7,781,202 | 1,164,564 | -- |
| OTHER INCOME | | | |
| Interest income | 92,366 | 314 | -- |
| Equity in loss of unconsolidated affiliates | (10,843) | -- | (86,983) (d) |
| | 81,523 | 314 | (86,983) |
| INCOME (LOSS) BEFORE GAIN ON SALE OF REAL ESTATE | (203,565) | (434,916) | (86,983) |

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| | | | |
|---|------------|--------------|-------------|
| GAIN ON SALE OF REAL ESTATE | 1,143,698 | -- | -- |
| | ----- | ----- | ----- |
| NET INCOME (LOSS) | \$ 940,133 | \$ (434,916) | \$ (86,983) |
| | ===== | ===== | ===== |
| 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)

| | Historical | | | |
|--------------------------------|--------------|----------------|-----------------------|--------------------|
| | AmeriVest | Panorama Falls | Pro Forma Adjustments | Pro Forma Combined |
| | ----- | ----- | ----- | ----- |
| REAL ESTATE OPERATING REVENUE | | | | |
| Rental revenue | \$ 7,222,437 | \$ 600,030 | \$ -- | \$ 6,622,407 |
| | ----- | ----- | ----- | ----- |
| REAL ESTATE OPERATING EXPENSES | | | | |
| Property Operating Expenses | | | | |
| Operating expenses | 1,946,633 | 46,293 | -- | 1,900,340 |
| Real estate taxes | 668,224 | 28,952 | -- | 639,272 |
| Management fees | 344,636 | 12,692 | -- | 331,944 |
| General and administrative | 517,019 | 423 | -- | 516,596 |
| Severance expense | 255,442 | -- | -- | 255,442 |
| Interest | 2,167,869 | 320,433 | -- | 1,847,436 |
| Depreciation and amortization | 1,205,795 | 105,217 | -- | 1,100,578 |
| | ----- | ----- | ----- | ----- |
| | 7,105,618 | 514,010 | -- | 6,591,608 |
| | ----- | ----- | ----- | ----- |
| OTHER INCOME | | | | |
| Interest income | 55,874 | 11,744 | -- | 44,130 |
| Equity in (loss) income of | | | | |

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| | | | | |
|---|--------------|-----------|------------|--------------|
| unconsolidated affiliates | (52,808) | -- | 19,553 (d) | (33,255) |
| | ----- | ----- | ----- | ----- |
| | 3,066 | 11,744 | 19,553 | 10,875 |
| | ----- | ----- | ----- | ----- |
| INCOME (LOSS) BEFORE GAIN ON SALE OF REAL ESTATE | 119,885 | 97,764 | 19,553 | 41,674 |
| GAIN ON SALE OF REAL ESTATE | 2,556,839 | -- | -- | 2,556,839 |
| | ----- | ----- | ----- | ----- |
| NET INCOME | \$ 2,676,724 | \$ 97,764 | \$ 19,553 | \$ 2,598,513 |
| | ===== | ===== | ===== | ===== |
| NET INCOME PER COMMON SHARE Basic and diluted | \$ 1.07 | | | \$ 1.04 |
| | ===== | | | ===== |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING | | | | |
| Basic | 2,492,584 | | | 2,492,584 |
| | ===== | | | ===== |
| Diluted | 2,495,919 | | | 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 sale of the 80% interest in Panorama Falls 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 sale of the undivided 80% interest in Panorama Falls 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 subtract the historical operations of Panorama Falls from the historical operations of AmeriVest and add pro forma adjustments, 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:

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(a) 100% of the book value (as of September 30, 2001) of the assets sold to the Buyer.

(b) The sales price of the 80% interest in Panorama Falls is summarized as follows:

| | |
|---|-------------|
| Cash received | \$ 325,183 |
| Cash to KeyBank for partial loan repayment | 2,180,000 |
| Assumed mortgage loan | 2,374,817 |
| | ----- |
| Total Sales Price | \$4,880,000 |
| | ===== |

In accordance with accounting principles, the mortgage loan secured by Panorama Falls remains on AmeriVest's balance sheet with an offset to a receivable from the Buyer for 80% of the assumed loan with the remaining 20% to the investment in unconsolidated affiliate account.

(c) AmeriVest's remaining 20% interest in the net assets of Panorama Falls as of September 30, 2001.

(d) AmeriVest's equity in income (losses) of Panorama Falls for the respective periods.

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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.

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 21, 2001

By: /s/ D. Scott Ikenberry

D. Scott Ikenberry
Chief Financial Officer

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Exhibit 99.1

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AMERIVEST PROPERTIES ELECTS TO BECOME SELF-MANAGED AND INTERNALLY ADVISED; COMPLETES SALE OF PANORAMA FALLS

DENVER, CO, Dec. 14 -- The board of directors of AmeriVest Properties Inc. (AMEX: AMV), a real estate investment trust which owns 22 office properties serving small to mid-sized tenants, has elected to acquire the property management and administration operations from its outside advisor, Sheridan Realty Advisors, LLC, effective January 1, 2002. Under the terms of its existing agreement with Sheridan, AmeriVest will exercise its right to purchase the management and advisory business from Sheridan for the sum of \$100 plus the book value of the furniture, fixtures and equipment at December 31, 2001 (approximately \$50,000). Sheridan will continue as an outside advisor to the company in connection with capital markets and real estate acquisitions. Sheridan Realty Advisors, LLC has managed AmeriVest since January 1, 2000.

Effective January 1, 2002, most of Sheridan's 24 employees will become employees of AmeriVest and will manage day-to-day operations of the company. AmeriVest will no longer pay administrative, property management and accounting fees to Sheridan as of December 31, 2001. Sheridan will continue to advise AmeriVest with respect to capital market activities, real estate acquisitions and dispositions and major capital projects and will continue to receive a capital project fee and advisory fee based on the value of all real property acquired or developed by AmeriVest during the term of the agreement.

"We are pleased that AmeriVest has grown to a size that enables it to bring property management, accounting and administrative functions in house," said William Atkins, Chief Executive Officer of AmeriVest. "We recognize that most analysts and institutional investors prefer self-managed REITs. We are now large enough to absorb operating overhead within the company and expect that this change will be perceived positively by our shareholders and the investment community," said Atkins.

AmeriVest also announced the closing of the previously announced sale of 80% of its Panorama Falls building in Denver to an outside investor, for \$4,880,000. AmeriVest will retain a 20% interest in the property, will continue to operate and manage the property, and will receive management fees and an incentive fee based on the total return of the investment.

About AmeriVest Properties Inc.

AmeriVest Properties Inc., with its principal office in Denver, Colorado, is an REIT that owns 22 office properties, and is focused on office buildings with average tenant size of approximately 2,500 - 3,000 square feet. To receive AmeriVest's latest news and corporate developments, visit the company's web site at <http://www.AMVproperties.com>.

Certain matters discussed in this release are forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those projected, including the risks and uncertainties of acquiring, owning, operating and disposing of real estate. Such risks and uncertainties are disclosed in the Company's past and current filings with the U.S. Securities and Exchange Commission.