

Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

AMERIVEST PROPERTIES INC  
Form 10QSB  
August 13, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2002.

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-14462

AmeriVest Properties Inc.  
(Exact name of small business issuer as specified in its charter)

Maryland	84-1240264
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1780 South Bellaire Street	
Suite 515, Denver, Colorado	80222
(Address of principal executive offices)	(Zip Code)

(303) 297-1800  
(Registrant's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes    X            No

As of August 13, 2002 the Registrant had outstanding 10,906,753 shares of common stock, par value \$.001.

Transitional Small Business Disclosure Format (check one):

Yes                    No    X

Table of Contents

-----

Part I

-----

Page No.

-----

## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

Item 1.	Consolidated Financial Statements	
	Consolidated Balance Sheets as of	
	June 30, 2002 (unaudited) and December 31, 2001.....	3
	Consolidated Statements of Operations for	
	the Three and Six Month Periods Ended June 30, 2002	
	and 2001 (unaudited).....	4
	Consolidated Statements of Cash Flows for	
	the Six Month Periods Ended June 30, 2002 and 2001	
	(unaudited).....	5
	Notes to Consolidated Financial Statements	
	(unaudited).....	7
Item 2.	Management's Discussion and Analysis of	
	Financial Condition and Results of Operations.....	10
Part II		
-----		
Item 1.	Legal Proceedings.....	15
Item 4.	Submission Of Matters To A Vote Of Security Holders.....	15
Item 6.	Exhibits and Reports on Form 8-K.....	15

### AMERIVEST PROPERTIES INC. CONSOLIDATED BALANCE SHEETS

	June 30, 2002	December 31, 2001
	-----	-----
	(unaudited)	
<b>ASSETS</b>		
Investment in real estate-		
Land	\$ 14,137,891	\$ 14,137,891
Buildings and improvements	68,778,039	67,433,077
Furniture, fixtures and equipment	326,450	237,444
Tenant improvements	2,238,305	1,788,944
Tenant leasing commissions	374,335	302,333
Less: accumulated depreciation and amortization	(4,441,680)	(3,058,666)
	-----	-----
Net investment in real estate	81,413,340	80,841,022
Cash and cash equivalents	21,416,676	1,119,350
Escrow deposits	647,918	673,211
Investment in unconsolidated affiliate	1,212,560	1,243,290
Due from related party	2,456,831	2,403,590

Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

Accounts receivable	837,054	495,95
Deferred rents receivable	511,157	374,39
Deferred financing costs, net of accumulated amortization of \$200,397 and \$118,751, respectively	530,145	597,88
Prepaid expenses and other assets	1,237,639	272,56
	-----	-----
Total assets	\$ 110,263,320	\$ 88,021,28
	=====	=====
LIABILITIES		
Mortgage loans and notes payable	\$ 59,250,786	\$ 58,408,42
Accounts payable and accrued expenses	990,452	838,60
Due to related party	182,173	494,53
Accrued real estate taxes	762,925	1,564,34
Prepaid rents and security deposits	956,429	883,11
Dividends payable	1,360,807	835,28
	-----	-----
Total liabilities	63,503,572	63,024,29
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred stock, \$.001 par value		
Authorized - 5,000,000 shares		
Issued and outstanding - none	--	--
Common stock, \$.001 par value		
Authorized - 15,000,000 shares		
Issued and outstanding - 10,886,454 and 6,682,259 shares, respectively	10,886	6,68
Capital in excess of par value	54,325,242	31,132,65
Distributions in excess of accumulated earnings	(7,576,380)	(6,142,34)
	-----	-----
Total stockholders' equity	46,759,748	24,996,98
	-----	-----
Total liabilities and stockholders' equity	\$ 110,263,320	\$ 88,021,28
	=====	=====

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

3

AMERIVEST PROPERTIES INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Month Periods Ended June 30,		For the Month Period June 30
	2002	2001	2002
	-----	-----	-----
	(unaudited)	(unaudited)	(unaudited)
REAL ESTATE OPERATING REVENUE			
Rental revenue	\$ 3,528,818	\$ 2,819,810	\$ 7,154,870
REAL ESTATE OPERATING EXPENSES			

Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

Property operating expenses-			
Operating expenses	887,391	681,249	1,773,486
Real estate taxes	257,799	226,222	624,822
Management fees	31,820	141,545	59,882
General and administrative expenses	379,326	195,336	731,634
Impairment of deferred rents receivable	--	326,113	--
Interest expense	920,170	894,575	1,818,526
Depreciation and amortization expense	706,149	792,011	1,391,079
	-----	-----	-----
	3,182,655	3,257,051	6,399,429
	-----	-----	-----
OTHER INCOME			
Interest income	50,816	9,444	52,897
Equity in loss of unconsolidated affiliates	(23,649)	--	(44,046)
	-----	-----	-----
	27,167	9,444	8,851
	-----	-----	-----
INCOME (LOSS) BEFORE GAIN ON SALE OF REAL ESTATE	373,330	(427,797)	764,292
	-----	-----	-----
GAIN ON SALE OF REAL ESTATE	--	1,143,698	--
	-----	-----	-----
NET INCOME	\$ 373,330	\$ 715,901	\$ 764,292
	=====	=====	=====
NET INCOME PER COMMON SHARE			
Basic	\$ 0.04	\$ 0.22	\$ 0.10
	=====	=====	=====
Diluted	\$ 0.04	\$ 0.21	\$ 0.10
	=====	=====	=====
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING			
Basic	8,688,314	3,268,056	7,698,139
	=====	=====	=====
Diluted	8,891,825	3,413,289	7,879,376
	=====	=====	=====

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

4

AMERIVEST PROPERTIES INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Month Periods Ended  
June 30,

	-----	-----
	2002	2001
	-----	-----
	(unaudited)	(unaudited)

## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 764,292	\$ 760,471
Adjustments to reconcile net income to net cash from operating activities-		
Gain on sale of real estate	--	(1,143,698)
Depreciation and amortization expense	1,391,079	1,133,066
Amortization of deferred financing costs	81,646	45,732
Amortization of warrants	9,209	29,869
Equity in loss of unconsolidated affiliates	44,046	10,843
Impairment of deferred rents receivable	--	326,113
Accrued interest added to mortgage loans	--	123,894
Increase (decrease) in cash due to changes in:		
Accounts receivable	125,961	(122,213)
Deferred rents receivable	(136,765)	(74,861)
Prepaid expenses and other assets	(100,976)	(89,968)
Accounts payable and accrued expenses	(250,281)	345,589
Other accrued liabilities	(728,103)	(605,133)
	-----	-----
Net cash from operating activities	1,200,108	739,704
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Improvements to real estate	(1,889,161)	(3,419,118)
Deposit on real estate acquisition	(200,000)	--
Net advances to unconsolidated affiliate	(377,295)	--
Net proceeds from the sale of real estate	--	458,030
Acquisition of Sheridan Plaza at Inverness, LLC, net of cash acquired	--	(344,432)
Leasing commissions paid	(74,231)	(45,838)
Decrease in escrow deposits	25,295	138,701
	-----	-----
Net cash from investing activities	(2,515,392)	(3,212,657)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Additions to mortgage loans and notes payable	2,330,201	2,390,330
Payments on mortgage loans and notes payable	(1,554,383)	(423,599)
Deposit for establishment of long-term credit facility	(664,094)	--
Deferred financing costs paid	(13,906)	(23,507)
Net proceeds from equity offering	22,868,619	--
Net proceeds from exercising of options and warrants	164,780	972,093
Dividends paid	(1,518,612)	(768,541)
	-----	-----
Net cash from financing activities	21,612,605	2,146,776
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,297,321	(326,177)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,119,355	1,046,976
	-----	-----
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 21,416,676	\$ 720,799
	=====	=====

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

# Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

## AMERIVEST PROPERTIES INC. CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Six Month Periods Ended June 30,	
	2002	2001
	(unaudited)	(unaudited)
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest during the period	\$1,710,114	\$1,321,243
NON-CASH FINANCING ACTIVITIES:		
Stock issued to the Dividend Re-Investment Plan ("DRIP")	\$ 154,188	\$ --

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

6

## AMERIVEST PROPERTIES INC. NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2002 (unaudited)

### 1. Organization -----

AmeriVest Properties Inc. (the "Company") was incorporated under the laws of the State of Delaware on August 25, 1993 and was reincorporated in the State of Maryland in 1999. Effective January 1, 1996, the Company commenced operating as a real estate investment trust ("REIT"). The Company owns and operates, through its wholly-owned subsidiaries, the following properties:

Property	Location
Sheridan Plaza at Inverness	Englewood, CO
Sheridan Center	Denver, CO
Kellogg Building	Littleton, CO
Panorama Falls (a)	Englewood, CO
Arrowhead Fountains	Peoria, AZ
Keystone Office Park	Indianapolis, IN
Bank of America Buildings (b)	Texas
State of Texas Buildings (c)	Texas

- (a) 20% of the property is owned by the Company, 80% of the property is owned by Freemark Abbey Panorama, LLC as a tenant in common with the Company.

## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

- (b) These four buildings are leased approximately 63% to Bank of America. The buildings are located in Mineral Wells, Georgetown, Henderson and Clifton, Texas.
- (c) These thirteen buildings are leased primarily to various agencies of the State of Texas. The buildings are located in Arlington, Paris, Marshall, Amarillo, El Paso (2), Belleville, Mission, Clint, Lubbock, Temple, Hempstead and Columbus, Texas.

### 2. Interim Financial Statements -----

The unaudited consolidated financial statements included herein were prepared from the records of the Company in accordance with accounting principles generally accepted in the United States and reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results of operations and financial position for the interim periods. Such financial statements generally conform to the presentation reflected in the Company's Form 10-KSB filed with the Securities and Exchange Commission for the year ended December 31, 2001. The consolidated results of operations for the six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002. These financial statements and notes should be read together with the financial statements and notes included in the Company's Form 10-KSB for the year ended December 31, 2001.

### 3. New Accounting Pronouncements -----

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 143, "Accounting for Asset Retirement", which is effective for financial statements issued for fiscal years beginning after June 15, 2002. SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company is currently evaluating the potential impact, if any, the adoption of SFAS No. 143 will have on its financial position and results of operations.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets", which is effective for fiscal periods beginning after December 15, 2001 and interim periods within those fiscal years. SFAS No. 144 establishes an accounting model for impairment or disposal of long-lived assets to be disposed of by sale. The Company's adoption of SFAS No. 144 had no impact on its financial statements.

7

### 4. Agreement with Sheridan Realty Advisors, LLC -----

Effective January 1, 2000 through December 31, 2001, all of the Company's properties were managed under a Property Management and Advisory Agreement (as amended on March 12, 2001, the "Agreement") with Sheridan Realty Advisors, LLC ("SRA"), which also managed the day-to-day operations of the Company and assisted and advised the Board of Directors on real estate acquisitions and investment opportunities. Certain senior members of SRA are members of the Company's management team and of the Company's Board of Directors. In accordance with the Agreement, SRA received an administrative fee, a property management and accounting fee, an advisory fee and a capital project fee for these services. The property management and accounting fee was calculated as 5% of gross collected rents, the advisory fee is calculated as 5% of capital deployed for real property acquisitions and the capital project fee is calculated as 3%

## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

of the total cost of capital projects in excess of \$100,000. For accounting purposes, the advisory and capital project fees are capitalized with the related acquisition and project costs.

The Agreement was further amended and restated as of December 31, 2001 to provide for the Company's acquisition of SRA's administrative and property management and accounting services business, along with the elimination of those related fees, effective January 1, 2002. As a result, most of SRA's employees, including three of the Company's senior executives, became employees of the Company and manage the day-to-day operations. The three senior executives also remain employees of SRA. SRA continues to advise the Company with respect to capital markets activity, real estate acquisitions and dispositions and major capital projects. For these services, SRA continues to earn the advisory and capital project fees under the amended and restated Agreement.

During 2000, SRA received incentive compensation in the form of five-year warrants to purchase up to 750,000 shares of common stock at \$5.00 per share. Issuance of the warrants was approved by the shareholders at the annual meeting on June 6, 2000. According to the Agreement, 225,000 of these warrants were granted and vested on the approval date. These vested warrants have an estimated fair value of \$73,668, which is being amortized over the life of the Agreement through December 31, 2003. The remaining 525,000 warrants vest in an amount equal to 2.1% of capital deployed for real property acquisitions. As of June 30, 2002, 436,457 of the remaining 525,000 warrants vested and have an estimated fair value of \$261,691, which has been capitalized with the related acquisition costs.

### 5. Stock Offering

On May 9, 2002, our Registration Statement became effective with the Securities and Exchange Commission for an offering of 3,600,000 shares of common stock, with a 30-day option to the underwriters to purchase up to an additional 540,000 shares to cover over-allotments, at a price of \$6.05 per share. On May 15, 2002, the Company received \$20,209,850, net of the underwriting commissions and expenses, from the sale of the 3,600,000 shares. On June 11, 2002, the Company received \$3,046,478, net of the underwriting commissions, from the sale of the 540,000 over-allotment shares. After payment of approximately \$400,000 in additional offering expenses, the proceeds will be used to acquire properties, to repay debt, for capital improvements and/or to increase working capital.

### 6. Mortgage Loans and Notes Payable

On April 4, 2002, the Company drew down the remaining available amount of \$1,030,201 on its loan from US Bank for a total outstanding balance of \$10,500,000. The loan is secured by a mortgage on Sheridan Center.

During the second quarter of 2002, the Company was approved for a \$29,700,000 long-term credit facility with a major life insurance company. This facility will replace the existing short-term, variable rate mortgage loans on Arrowhead Fountains, the Kellogg Building and Sheridan Center and will bear interest at a fixed rate of 7.4%. This refinancing is expected to close in December 2002, however, the loan is subject to a number of contingencies and there is no assurance that this refinancing will actually occur.

The Company has a short-term revolving credit line from US Bank in the amount of \$300,000 and a \$1,500,000 short-term unsecured credit line from



## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

Sheridan Investments, LLC, a related party. At June 30, 2002, the Company did not have an outstanding balance on either of these lines of credit.

### 7. Subsequent Event

-----

The Company has entered into a contract to acquire an office property within the next 60 days. The contract is subject to a number of contingencies and there is no assurance that this acquisition will occur.

9

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

-----

The following discussion and analysis of the consolidated financial condition and results of operations should be read in conjunction with the consolidated financial statements and notes thereto included in this Form 10-QSB and elsewhere.

#### Results Of Operations

-----

Comparison of the three month period ended June 30, 2002 to the three month period ended June 30, 2001

-----

	Three Month Periods Ended June 30,		Change
	2002	2001	
Rental revenue	\$ 3,528,818	\$ 2,819,810	\$ 709,008
Property operating expenses-			
Operating expenses	887,391	681,249	206,142
Real estate taxes	257,799	226,222	31,577
Management fees	31,820	141,545	(109,725)
General and administrative expenses	379,326	195,336	183,990
Impairment of deferred rents receivable	--	326,113	(326,113)
Interest expense	920,170	894,575	25,595
Depreciation and amortization expense	706,149	792,011	(85,862)
	3,182,655	3,257,051	(74,396)
Other Income-			
Interest income	50,816	9,444	41,372
Equity in loss of unconsolidated affiliate	(23,649)	--	(23,649)

Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

	27,167	9,444	17,723
Income (loss) before gain on sale of real estate	373,330	(427,797)	801,127
Gain on sale of real estate	--	1,143,698	(1,143,698)
Net Income	\$ 373,330	\$ 715,901	\$ (342,571)

Rental revenue

The increase in rental revenue is due primarily to the inclusion of the operations of Arrowhead Fountains (acquired in November 2001) and the Kellogg Building (acquired in December 2001), offset by the exclusion of the operations of the Giltedge building (sold in June 2001) and the Panorama Falls building (80% of which was sold in December 2001).

Property operating expenses

Operating expenses and real estate taxes increased as a result of the above-mentioned transactions.

The decrease in management fees is due to the Company's acquisition of Sheridan Realty Advisors, LLC ("SRA") administrative and property management and accounting services business, along with the elimination of those related fees, effective January 1, 2002. As a result, most of SRA's employees became employees of the Company and manage the day-to-day operations. At that time, the Company became a self-administered REIT. Subsequent to January 1, 2002, management fees will decrease and general and administrative expenses will increase due to the Company being internally managed versus externally managed in 2000 and 2001.

General and administrative expenses

The increase in general and administrative expenses is due to the above-mentioned acquisition of SRA's administrative and property management and accounting services business.

10

Impairment of deferred rents receivable

The charge recorded in 2001 represents an impairment of a deferred rent receivable from a significant tenant, Rhythms NetConnections, Inc., which filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code in August 2001. Rhythms no longer occupies any space in any of the Company's buildings.

Interest expense

The increase in interest expense is due to an increase in the average outstanding debt balance for the three-month period ended June 30, 2002 by approximately 37% from the prior year period. The increase in debt is primarily due to the above-mentioned transactions. The effect of the increase in debt level is partially offset by a decrease in interest rates, which resulted in lower interest costs on the Company's variable rate debt.

Depreciation and amortization expense

The net decrease in depreciation and amortization expense is due to the accelerated amortization of the Rhythms lease commission recorded during the second quarter of 2001 offset by the overall increase in depreciable assets resulting from the above-mentioned transactions.

## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

### Interest income

Interest income increased due to higher average outstanding cash balances in interest bearing accounts in 2002 resulting from the Company's public offering of 4,140,000 shares of common stock.

### Equity in loss of unconsolidated affiliate

The equity in loss of unconsolidated affiliate recognized in 2002 represents the Company's share of the net loss of Panorama Falls. The Company sold 80% of its interest in Panorama Falls in December 2001, retaining its current 20% interest.

### Gain on sale of real estate

The gain recognized in 2001 resulted from the sale of the Giltedge building.

11

Comparison of the six month period ended June 30, 2002 to the six month period ended June 30, 2001

	Six Month Periods Ended June 30,		Change
	2002	2001	
Rental revenue	\$ 7,154,870	\$ 4,798,891	\$ 2,355,979
Property operating expenses-			
Operating expenses	1,773,486	1,267,898	505,588
Real estate taxes	624,822	374,202	250,620
Management fees	59,882	242,846	(182,964)
General and administrative expenses	731,634	358,281	373,353
Impairment of deferred rents receivable	--	326,113	(326,113)
Interest expense	1,818,526	1,490,051	328,475
Depreciation and amortization expense	1,391,079	1,133,066	258,013
	6,399,429	5,192,457	1,206,972
Other Income-			
Interest income	52,897	21,182	31,715
Equity in loss of unconsolidated affiliates	(44,046)	(10,843)	(33,203)
	8,851	10,339	(1,488)
Income (loss) before gain on sale of real estate	764,292	(383,227)	1,147,519
Gain on sale of real estate	--	1,143,698	(1,143,698)

## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

Net Income	\$ 764,292	\$ 760,471	\$ 3,821
	=====	=====	=====

### Rental revenue

The increase in rental revenue is due primarily to the inclusion of the operations of Sheridan Plaza at Inverness, LLC (acquired in April 2001) for the full six months in 2002, Arrowhead Fountains (acquired in November 2001) and the Kellogg Building (acquired in December 2001), offset by the exclusion of the operations of the Giltedge building (sold in June 2001) and the Panorama Falls building (80% of which was sold in December 2001).

### Property operating expenses

Operating expenses and real estate taxes increased as a result of the above-mentioned transactions.

The decrease in management fees is due to the afore-mentioned acquisition of SRA's administrative and property management and accounting services business.

### General and administrative expenses

The increase in general and administrative expenses is due to the afore-mentioned acquisition of SRA's administrative and property management and accounting services business.

### Impairment of deferred rents receivable

The charge recorded in 2001 represents an impairment of a deferred rent receivable from Rhythms.

### Interest expense

The increase in interest expense is due to an increase in the average outstanding debt balance for the six-month period ended June 30, 2002 by approximately 55% from the prior year period. The increase in debt is primarily due to the above-mentioned transactions. The effect of the increase in debt level is partially offset by a decrease in interest rates, which resulted in lower interest costs on the Company's variable rate debt.

12

### Depreciation and amortization expense

The net increase in depreciation and amortization expense is due to the overall increase in depreciable assets resulting from the above-mentioned transactions offset by the accelerated amortization of the Rhythms lease commission recorded during the second quarter of 2001.

### Interest income

Interest income increased due to higher average outstanding cash balances in interest bearing accounts in 2002 resulting from the Company's public offering of 4,140,000 shares of common stock.

### Equity in loss of unconsolidated affiliates

The equity in loss of unconsolidated affiliate recognized in 2002 represents the Company's share of the net loss of Panorama Falls. The Company sold 80% of its interest in Panorama Falls in December 2001, retaining its current 20% interest.

The amount recognized in 2001 represents the Company's share of the net loss of Sheridan Investments, LLC (which owned Sheridan Plaza at Inverness, LLC). The original 9.639% interest in Sheridan Investments, LLC was acquired in September 2000. This interest was then used as partial consideration for the acquisition of 100% of Sheridan Plaza at Inverness, LLC in April 2001.

## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

### Gain on sale of real estate

The gain recognized in 2001 resulted from the sale of the Giltedge building.

### Liquidity And Capital Resources

#### Liquidity

Net cash from operations for the six month period ended June 30, 2002 was approximately \$1.2 million and is the primary source of liquidity to fund distributions, debt service and capital expenditures. The Company also has lines of credit available to assist with such cash needs. In May 2002, the Company completed a public offering of common stock, which raised approximately \$22.9 million, net of commissions and expenses. The proceeds will be used to acquire properties, to repay debt, for capital improvements and/or to increase working capital.

The Company has entered into a contract to acquire an office property within the next 60 days. The contract is subject to a number of contingencies and there is no assurance that this acquisition will occur.

Management believes that the cash flow from its existing properties and future acquisitions, together with its existing lines of credit, will be sufficient to meet the Company's working capital needs and distribution requirements for the next year and beyond.

The Company desires to acquire additional properties. In order to do so, it will need to raise additional debt or equity capital. The Company also intends to obtain credit facilities for short and long-term borrowing with commercial banks or other financial institutions. The issuance of such securities or increase in debt for additional properties, of which there is no assurance, could adversely affect the amount of cash available to pay dividends to stockholders.

#### Financing

Mortgage loans are collateralized by all properties. The following table details the scheduled maturities of mortgages as of June 30, 2002:

2002	\$ 266,127
2003	23,427,804
2004	9,654,927
2005	488,010
2006	14,579,886
Thereafter	10,834,032
	-----
Total	\$59,250,786
	=====

13

Included in the 2003 maturities is the outstanding balance on the mortgage loan on Panorama Falls in the amount of \$3,071,038. Although the Company sold 80% of its interest in the property, the Company has retained 100% of the loan balance on its balance sheet due to its continued obligation. As an offset, the Company has recorded a receivable for 80% of this amount as due from related party, with the remaining 20% included in the investment in unconsolidated affiliate balance.

As of June 30, 2002, total mortgage loans (including the Panorama Falls

## Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

mortgage loan) consisted of approximately \$27.0 million of fixed rate debt with a weighted-average interest rate of approximately 7.9% and approximately \$32.3 million of variable rate debt with a weighted-average interest rate of approximately 4.5%.

On April 4, 2002, the Company drew down the remaining available amount of \$1,030,201 on its loan from US Bank for a total outstanding balance of \$10,500,000. The loan is secured by a mortgage on Sheridan Center.

During the second quarter of 2002, the Company was approved for a \$29,700,000 long-term credit facility with a major life insurance company. This facility will replace the existing short-term, variable rate mortgage loans on Arrowhead Fountains, the Kellogg Building and Sheridan Center and will bear interest at a fixed rate of 7.4%. This refinancing is expected to close in December 2002, however, the loan is subject to a number of contingencies and there is no assurance that this refinancing will actually occur.

The Company has a short-term revolving credit line from US Bank in the amount of \$300,000 and a \$1,500,000 short-term unsecured credit line from Sheridan Investments, LLC, a related party. At June 30, 2002, the Company did not have an outstanding balance on either of these lines of credit.

### Inflation

-----

Management believes that inflation should not have a material adverse effect on the Company. The Company's office leases require the tenants to pay increases in operating expenses should any inflationary pressures materialize.

### Forward-Looking Statements

-----

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, and Section 21E of the Exchange Act of 1934. Although the Company believes that the expectations reflected in the forward-looking statements and the assumptions upon which the forward-looking statements are based are reasonable, it can give no assurance that such expectations and assumptions will prove to have been correct. See the Company's Annual Report on Form 10-KSB for additional statements concerning important factors, including occupancy and rental rates and operating costs that could cause actual results to differ materially from the Company's expectations.

14

## Part II. Other Information

### Item 1. Legal Proceedings

-----

No changes.

### Item 4. Submission Of Matters To A Vote Of Security Holders

-----

At the annual meeting of shareholders held May 23, 2002, shareholders elected the following individuals to serve on the Board, each as a Class 3 Director:

Name	Shares Voted in Favor	Shares Voted Against	Absentions and Non-votes
----	-----	-----	-----

Edgar Filing: AMERIVEST PROPERTIES INC - Form 10QSB

William T. Atkins	6,298,695	-0-	17,925
Robert W. Holman	6,298,695	-0-	17,925

Item 6. Exhibits And Reports On Form 8-K  
-----

- (a) On August 9, 2002, the Registrant filed a Current Report on Form 8-K regarding a change of independent auditors.

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.

August 13, 2002

By: /s/ D. Scott Ikenberry  
-----

D. Scott Ikenberry  
Chief Financial Officer

1. The undersigned are the Chief Executive Officer and the Chief Financial Officer of AmeriVest Properties Inc. This Certification is made pursuant to 18 U.S.C.ss.1350 (Section 906 of the Sarbanes-Oxley Act of 2002). This Certification accompanies the 10-QSB Report of AmeriVest Properties Inc. for the quarter ended June 30, 2002.
2. We certify that such 10-QSB Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such 10-QSB Report fairly presents, in all material respects, the financial condition and results of operations of AmeriVest Properties Inc.

This Certification is executed as of August 13, 2002.

By: /s/ William T. Atkins  
-----

William T. Atkins  
Chief Executive Officer

By: /s/ D. Scott Ikenberry  
-----

D. Scott Ikenberry  
Chief Financial Officer