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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<br>incorporation or organization) | (Commission File No.) | (I.R.S. Employer<br>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<br>Months Ended<br>June 30, | For the Year<br>Ended<br>December 31, |
|---|---------------------------------------|
|---|---------------------------------------|

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|  | 2002<br>-----<br>(unaudited) | 2001<br>-----        |
|--|------------------------------|----------------------|
| 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<br>EXPENSES | \$1,248,255<br>=====         | \$2,467,496<br>===== |

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<br>2001 Revenues | Percentage of Future<br>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<br>(Historical) | Acquisition<br>of Parkway<br>Centre II |  | Pro Forma<br>Combined |
|--|---------------------------|--|--|-----------------------|
|  | -----                     | -----                                  |  | -----                 |
| <b>ASSETS</b>                                      |                           |  |  |                       |
| 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<br>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<br>Centre II | Pro Forma<br>Adjustments | P<br>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<br>Centre II | Pro Forma<br>Adjustments |
| 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<br>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<br>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<br>June 30, 2002 | Year Ended<br>December 31, 2001 |
|--|-----------------------------------|---------------------------------|
|  | -----                             | -----                           |
| Management fees in accordance with the<br>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