

AMERIVEST PROPERTIES INC  
Form 10-Q  
May 10, 2004

## SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### FORM 10-Q

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

For the quarterly period ended March 31, 2004.

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 registrant as specified in its charter)

**Maryland**

(State or other jurisdiction of  
incorporation or organization)

**84-1240264**

(I.R.S. Employer Identification No.)

**1780 South Bellaire Street  
Suite 100, Denver, Colorado**

(Address of principal executive offices)

**80222**

(Zip Code)

**(303) 297-1800**

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Washington, D.C. 20549

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The number of shares of the registrant's common stock outstanding as of May 10, 2004 was 23,911,649.

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**AMERIVEST PROPERTIES INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(unaudited)**

	March 31, 2004	December 31, 2003
<b>ASSETS</b>		
Investment in real estate		
Land	\$ 35,758,606	\$ 28,838,214
Buildings and improvements	212,271,792	184,519,890
Furniture, fixtures and equipment	981,909	799,730
Tenant improvements	9,155,780	6,144,440
Tenant leasing commissions	1,535,091	1,061,160
Intangible assets	15,853,841	11,468,120
Less: accumulated depreciation and amortization	(15,636,222)	(12,134,025)
Net investment in real estate	259,920,797	220,697,529
Cash and cash equivalents	2,026,534	1,477,585
Escrow deposits	8,604,459	5,778,427
Assets held for sale		3,196,877
Investment in unconsolidated affiliate		1,364,032
Due from related party		3,371,526
Due from unconsolidated affiliate		262,347
Accounts receivable	902,943	296,377
Deferred rents receivable	1,506,143	1,401,455
Deferred financing costs, net	2,289,316	2,301,043
Prepaid expenses and other assets	660,741	353,264
<b>Total assets</b>	<b>\$ 275,910,933</b>	<b>\$ 240,500,462</b>
<b>LIABILITIES</b>		
Mortgage loans and notes payable	\$ 154,739,860	\$ 158,237,661
Liabilities held for sale		1,296,049
Accounts payable and accrued expenses	3,308,924	2,736,657
Accrued real estate taxes	3,070,667	3,169,183
Prepaid rents, deferred revenue and security deposits	3,079,427	2,694,335
Dividends payable	2,278,197	2,262,170
<b>Total liabilities</b>	<b>166,477,075</b>	<b>170,396,055</b>
<b>MINORITY INTEREST</b>	<b>1,836,304</b>	
<b>STOCKHOLDERS EQUITY</b>		

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Preferred stock, \$.001 par value		
Authorized 5,000,000 shares		
Issued and outstanding none		
Common stock, \$.001 par value		
Authorized 75,000,000 shares		
Issued and outstanding 23,859,639 and 17,401,309 shares, respectively	23,860	17,401
Capital in excess of par value	131,846,267	91,706,371
Distributions in excess of accumulated earnings	(24,272,573)	(21,619,365)
<b>Total stockholders equity</b>	<b>107,597,554</b>	<b>70,104,407</b>
<b>Total liabilities and stockholders equity</b>	<b>\$ 275,910,933</b>	<b>\$ 240,500,462</b>

See accompanying notes to consolidated financial statements.

**AMERIVEST PROPERTIES INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(unaudited)**

	Three months ended March 31,	
	2004	2003
<b>REAL ESTATE OPERATING REVENUE</b>		
Rental revenue	\$ 9,593,895	\$ 6,548,627
<b>REAL ESTATE OPERATING EXPENSES</b>		
Property operating expenses		
Operating expenses	2,805,894	1,548,705
Real estate taxes	1,237,864	751,838
Management fees	17,322	33,877
General and administrative expenses	932,549	837,080
Ground rent expense	161,141	
Interest expense	2,722,067	1,725,435
Depreciation and amortization expense	2,777,091	1,327,966
Total operating expenses	10,653,928	6,224,901
<b>OTHER INCOME/(LOSS)</b>		
Interest income	15,363	5,817
Equity in loss of affiliate	(18,076)	(10,602)
Total other income/(loss)	(2,713)	(4,785)
<b>(LOSS)/INCOME FROM CONTINUING OPERATIONS</b>	<b>(1,062,746)</b>	<b>318,941</b>
<b>DISCONTINUED OPERATIONS</b>	<b>687,735</b>	<b>86,023</b>
<b>NET (LOSS)/INCOME</b>	<b>\$ (375,011)</b>	<b>\$ 404,964</b>
<b>(LOSS)/EARNINGS PER SHARE</b>		
Basic	\$ (0.02)	\$ 0.04
Diluted	\$ (0.02)	\$ 0.04
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING</b>		
Basic	17,567,414	11,100,292
Diluted	17,567,414	11,203,104

See accompanying notes to consolidated financial statements.



## AMERIVEST PROPERTIES INC.

## CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY

For the three months ended March 31, 2004

(unaudited)

	Common Stock		Capital in Excess of Par Value	Distributions in Excess of Accumulated Earnings	Total
	Shares	Amount			
Balance at December 31, 2003	17,401,309	\$ 17,401	\$ 91,706,371	(21,619,365)	\$ 70,104,407
Issuance of common stock					
Public offering, net of offering costs	6,325,000	6,325	39,934,050		39,940,375
Warrants exercised	87,752	88	37,412		37,500
Stock options exercised	6,753	7	41,592		41,599
Dividend Re-Investment Plan (DRIP)	5,570	6	38,549		38,555
Equity-based compensation	33,255	33	88,293		88,326
Dividends declared				(2,278,197)	(2,278,197)
Net loss				(375,011)	(375,011)
Balance at March 31, 2004	23,859,639	\$ 23,860	\$ 131,846,267	(24,272,573)	\$ 107,597,554

See accompanying notes to consolidated financial statements.



**AMERIVEST PROPERTIES INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

	For the three months ended March 31,	
	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net (loss)/income	\$ (375,011)	\$ 404,964
Adjustments to reconcile net (loss)/income to net cash provided by operating activities:		
Depreciation and amortization expense	2,804,661	1,360,713
Gain on sale	(574,276)	
Amortization of deferred financing costs	166,114	112,119
Equity in loss of affiliate	18,076	10,602
Equity-based compensation	88,326	9,187
Changes in assets and liabilities		
Accounts receivable	(588,747)	(177,822)
Deferred rents receivable	(230,790)	(174,161)
Prepaid expenses and other assets	(139,477)	127,745
Accounts payable and accrued expenses	402,065	9,571
Other accrued liabilities	148,523	301,033
Net cash flows provided by operating activities	1,719,464	1,983,951
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisitions of real estate	(31,884,486)	(17,039,577)
Capital expenditures	(948,667)	(922,198)
Tenant improvements	(2,075,136)	(358,626)
Leasing commissions paid	(249,386)	(149,734)
Deposit on pending real estate acquisition	(168,000)	
Proceeds from sale, net of closing costs	4,049,229	
Ending cash balance of newly consolidated affiliate	92,732	
Amounts (paid to)/received from affiliate	(47,464)	2,311
Net cash flows used in investing activities	(31,231,178)	(18,467,824)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Additions to mortgage loans and notes payable	36,017,462	17,000,000
Payments on mortgage loans and notes payable	(40,808,012)	(174,363)
Payment of deferred financing costs	(118,613)	(338,090)
Net proceeds from common stock offering	39,940,375	
Net proceeds from exercising of options and warrants	79,099	2,305,600
Net change in escrow deposits	(2,826,032)	(552,722)
Dividends paid	(2,223,616)	(1,315,654)
Net cash flows provided by financing activities	30,060,663	16,924,771

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NET CHANGE IN CASH AND CASH EQUIVALENTS	548,949	440,898
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,477,585	2,318,566
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 2,026,534	\$ 2,759,464
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		&n