

AMERIVEST PROPERTIES INC
Form 8-K
October 27, 2006

**UNITED STATES
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): **October 25, 2006**

AmeriVest Properties Inc.

(Exact name of small business issuer as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

1-14462
(Commission File No.)

84-1240264
(I.R.S. Employer Identification
No.)

1780 South Bellaire Street, Suite 100, Denver, Colorado 80222

(Address of principal executive offices)

(303) 297-1800

(Registrant's telephone number)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act

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- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
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ITEM 1.01 ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

On October 25, 2006, AmeriVest Properties Inc. (the Company) completed the sale of its Camelback Lakes office building in Phoenix, Arizona to Koll/PER, LLC (Koll/PER), a limited liability company owned by The Koll Company of Newport Beach, California and the Public Employee Retirement System of Idaho. Camelback Lakes is the sixth property to close under the Company's Purchase and Sale Agreement dated July 17, 2006 with Koll/PER, a copy of which was filed as Exhibit 2.1 to the Company's Form 10-Q for the period ended June 30, 2006.

Camelback Lakes, a 203,794 square-foot office property, was sold for \$50.375 million. The cash proceeds of approximately \$28.0 million, after assignment of the first mortgage, closing costs and adjustments, will be accumulated with other proceeds and made available, subject to the expenses, liabilities and other costs of the Company, for distribution to stockholders under the plan of liquidation approved by its stockholders. The Board of Directors has not yet established any dates for the payment of liquidation distributions. There can be no assurance with respect to the timing or amount of any distribution or distributions by the Company, or that any other closings will occur under the Purchase and Sale Agreement or otherwise. This summary above is qualified in its entirety by the press release relating to the sale of Camelback Lakes, which is included under Item 9.01(d) as Exhibit 99.1 to this Current Report on Form 8-K and incorporated into this Item by reference.

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

Please see the disclosure in Item 1.01 of this Current Report on Form 8-K, which is included in this Item by reference.

Pro forma financial information relating to this transaction is contained in Item 9.01(b) below. On August 17, 2006, the Company completed the sale of its Greenhill Park office building in Dallas, Texas to Koll/PER. On September 21, 2006, the Company completed the sale of its Scottsdale Norte office building in Scottsdale, Arizona to Koll/PER. On September 28, 2006, the Company completed the sale of its Hackberry View office building in Dallas, Texas to Koll/PER. On October 11, 2006, the Company completed the sale of its Parkway Centre III building in Dallas, Texas to Koll/PER. On October 20, 2006, the Company completed the sale of its Hampton Court building in Dallas, Texas to Koll/PER. The Greenhill Park, Scottsdale Norte, Hackberry View, Parkway Centre III and Hampton Court dispositions are combined and included in the accompanying pro forma financial information as the Previously Reported Dispositions. Please see the respective Form 8-Ks filed with the Securities Exchange Commission to review the Previously Reported Dispositions pro forma adjustments.

ITEM 9.01

FINANCIAL STATEMENTS AND EXHIBITS

(b) Pro forma financial information (unaudited)

The following unaudited Pro Forma Condensed Consolidated Financial Statements are included with this report:

Pro Forma Condensed Consolidated Statement of Net Assets in Liquidation as of June 30, 2006 (unaudited)

Pro Forma Condensed Consolidated Statement of Changes in Net Assets in Liquidation for the period June 1, 2006 to June 30, 2006 (unaudited)

Pro Forma Condensed Consolidated Statements of Operations (Going Concern Basis):

Year ended December 31, 2005 (unaudited)

Five months ended May 31, 2006 (unaudited)

Notes to Pro Forma Condensed Consolidated Financial Statements (unaudited)

As a result of the approval of the plan of liquidation (the Plan) by our stockholders, we adopted the liquidation basis of accounting as of June 1, 2006, and for all subsequent periods. Accordingly, all assets have been adjusted to their estimated net realizable value. Liabilities, including estimated costs associated with implementing the Plan, have been adjusted to their estimated settlement amounts. The estimates of the Company's assets and liabilities will be periodically reviewed and adjusted as appropriate. The estimates for the valuation of real estate held-for-sale is based on the Purchase and Sale Agreement with Koll/PER, net of estimated selling costs and other potential costs relating to the liquidation. Actual values realized for assets and settlement of liabilities may differ materially from the amounts estimated. Estimated future cash flows from property operations were made based on the anticipated sales dates of the assets. However, due to the uncertainty in the timing of the anticipated sales dates and the cash flows therefrom, revenues and expenses generated by operations may differ materially from amounts estimated. These amounts are presented in the accompanying historic Statement of Net Assets in Liquidation at June 30, 2006. The net assets represent the estimated liquidation value of our assets available to our stockholders upon liquidation. The actual settlement amounts realized for assets and settlement of liabilities may differ materially, perhaps in adverse ways, from the amounts estimated. As such, it is not possible to predict the aggregate amount or timing of future distributions to stockholders and no assurance can be given that the eventual amount of distributions to be paid will equal or exceed the estimated net assets in liquidation included in the financial statements.

The unaudited Pro Forma Condensed Consolidated Statement of Net Assets in Liquidation as of June 30, 2006, reflects the financial position of the Company after giving effect to the Previously Reported Dispositions and Camelback Lakes, as discussed in Item 2.01, as if such dispositions took place on June 30, 2006. The unaudited Pro Forma Condensed Consolidated Statements of Operations for the fiscal year ended December 31, 2005 and the five months ended May 31, 2006 give effect to the disposition of the Previously Reported Dispositions and Camelback Lakes as if such dispositions occurred on January 1, 2005.

The unaudited Pro Forma Condensed Consolidated Financial Statements have been prepared by the Company based upon historical financial statements of the Company, the operations of the properties sold, and assumptions deemed proper by management and have been prepared for the

purpose of complying with the rules and regulations of the Securities and Exchange Commission and for the inclusion in the Form 8-K to be filed by AmeriVest Properties Inc. The unaudited Pro Forma Condensed Consolidated Financial Statements presented herein are shown for illustrative purposes only and are not necessarily indicative of the future financial position or future results of operations of the Company, or of the financial position or results of operations of the Company that would have actually occurred had the sales been consummated on the date indicated. The unaudited Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with the historical financial statements and related notes of the Company previously filed with the Securities and Exchange Commission.

(d) Exhibits.

Exhibit 99.1 Press Release dated October 25, 2006.

4

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.

Dated: October 27, 2006

By: /s/ Sheri D. Henry
 Sheri D. Henry
 Chief Financial Officer

5

AMERIVEST PROPERTIES INC.

Condensed Consolidated Statement of Net Assets in Liquidation
June 30, 2006
(unaudited)

| | Historical | Previously Reported Dispositions | Camelback Lakes Pro Forma Adjustments | Pro Forma |
|---------------------------------------------------------------------------|----------------|----------------------------------------|------------------------------------------------|----------------|
| <u>ASSETS</u> | | | | |
| Real estate assets | \$ 255,936,884 | \$ (106,027,777) | \$ (49,062,220)(a) | \$ 100,846,887 |
| Cash and cash equivalents | 2,110,527 | (300) | (200) | (a) |
| | | 63,720,791 | 28,283,452 | (b) 94,114,271 |
| Escrow deposits | 3,530,952 | (1,232,785) | (199,165) | 2,099,002 |
| Accounts receivable | 255,887 | (127,977) | (24,700) | (a) 103,210 |
| Prepaid expenses and other assets | 538,767 | (208,027) | (59,563) | (a) 271,176 |
| Total assets | \$ 262,373,017 | \$ (43,876,075) | \$ (21,062,396) | \$ 197,434,546 |
| <u>LIABILITIES</u> | | | | |
| Secured mortgage loans and notes payable | \$ 126,440,168 | \$ (41,146,385) | \$ (20,313,081)(a) | \$ 64,980,702 |
| Accounts payable and accrued expenses | 2,544,637 | (622,796) | (157,405) | (a) 1,764,436 |
| Accrued real estate taxes | 2,395,972 | (1,001,078) | (424,854) | (a) 970,040 |
| Prepaid rents and security deposits | 2,609,261 | (1,105,816) | (167,056) | (a) 1,336,389 |
| Estimated net liability for costs during the liquidation period | 6,227,674 | 292,707 | 71,845 | (c) 6,592,226 |
| Total liabilities | 140,217,712 | (43,583,368) | (20,990,551) | 75,643,793 |
| Net assets in liquidation (available to common stockholders)stockholders) | \$ 122,155,305 | \$ (292,707) | \$ (71,845) | \$ 121,790,753 |

See accompanying notes to the pro forma condensed consolidated financial statements.

AMERIVEST PROPERTIES INC.

Condensed Consolidated Statement of Changes in Net Assets in Liquidation
 June 30, 2006
 (unaudited)

| | Historical | Previously Reported Dispositions | Camelback Lakes Pro Forma Adjustments | Pro Forma |
|-----------------------------------------------|----------------|----------------------------------------|------------------------------------------------|----------------|
| Net assets in liquidation on June 1, 2006 | \$ 122,579,044 | \$ | \$ | \$ 122,579,044 |
| Change in estimated net assets in liquidation | (423,739) | (292,707) | (71,845) | (788,291) |
| Net assets in liquidation at June 30, 2006 | \$ 122,155,305 | \$ (292,707) | \$ (71,845) | \$ 121,790,753 |

See accompanying notes to the pro forma condensed consolidated financial statements.

F-2

AMERIVEST PROPERTIES INC.

Condensed Consolidated Statement of Operations
Year Ended December 31, 2005
(Going Concern Basis)
(unaudited)

| | Historical | Previously Reported Dispositions | Camelback Lakes Pro Forma Adjustments | Pro Forma |
|----------------------------------------------|------------------|----------------------------------------|------------------------------------------------|-----------------|
| Real Estate Operating Revenue: | | | | |
| Rental revenues | \$ 34,869,604 | \$ (14,495,362) | \$ (4,891,256)(d) | \$ 15,482,986 |
| Real Estate Operating Expenses: | | | | |
| Property operating expenses | | | | |
| Operating expenses | 9,417,061 | (4,554,186) | (1,173,704)(d) | 3,689,171 |
| Real estate taxes | 4,728,154 | (1,937,561) | (773,929)(d) | 2,016,664 |
| General and administrative expenses | 4,720,958 | | | 4,720,958 |
| Interest expense | 11,996,147 | (3,486,266) | (1,228,303)(d) | 7,281,578 |
| Depreciation and amortization expenses | 12,763,733 | (5,403,794) | (1,711,015)(d) | 5,648,924 |
| Strategic alternative expenses | 708,491 | | | 708,491 |
| Impairment of investment in real estate | 4,889,082 | | | 4,889,082 |
| Total operating expenses | 49,223,626 | (15,381,807) | (4,886,951) | 28,954,868 |
| Income (loss) from continuing operations | (14,354,022) | 886,445 | (4,305) | (13,471,882) |
| Other income (loss): | | | | |
| Interest income | 114,095 | (5,410) | | 108,685 |
| Total other income (loss) | 114,095 | (5,410) | | 108,685 |
| Income (loss) before discontinued operations | (14,239,927) | 881,035 | (4,305) | (13,363,197) |
| Discontinued operations | 3,541,614 | | | 3,541,614 |
| Net earnings (loss) | \$ (10,698,313) | \$ 881,035 | \$ (4,305) | \$ (9,821,583) |
| Loss per Share Basic and Diluted: | | | | |
| Net loss before discontinued operations | \$ (0.59) | \$ 0.03 | \$ | \$ (0.56) |
| Discontinued operations, net | 0.15 | | | 0.15 |
| Net loss | \$ (0.44) | \$ 0.03 | \$ | \$ (0.41) |
| Weighted Average Common Shares Outstanding: | | | | |
| Basic | 24,062,330 | | | 24,062,330 |
| Diluted | 24,062,330 | | | 24,062,330 |

See accompanying notes to the pro forma condensed consolidated financial statements.

AMERIVEST PROPERTIES INC.

Condensed Consolidated Statement of Operations
Five Months Ended May 31, 2006
(Going Concern Basis)
(unaudited)

| | Historical | Previously Reported Dispositions | Camelback Lakes Pro Forma Adjustments | Pro Forma |
|----------------------------------------------------|---------------|----------------------------------------|------------------------------------------------|---------------|
| Real Estate Operating Revenue: | | | | |
| Rental revenues | \$ 14,548,386 | \$ (6,147,302) | \$ (2,008,290)(d) | \$ 6,392,794 |
| Real Estate Operating Expenses: | | | | |
| Property operating expenses | | | | |
| Operating expenses | 4,254,952 | (2,043,011) | (412,064)(d) | 1,799,877 |
| Real estate taxes | 1,812,772 | (628,116) | (354,095)(d) | 830,561 |
| General and administrative expenses | 2,084,652 | | | 2,084,652 |
| Interest expense | 3,533,086 | (1,119,765) | (502,324)(d) | 1,910,997 |
| Depreciation and amortization expenses | 5,265,388 | (2,158,165) | (737,955)(d) | 2,369,268 |
| Strategic alternative and liquidation expenses | 249,435 | | | 249,435 |
| Total operating expenses | 17,200,285 | (5,949,057) | (2,006,438) | 9,244,790 |
| Income (loss) from continuing operations | (2,651,899) | (198,245) | (1,852) | (2,851,996) |
| Other income: | | | | |
| Interest income | 129,747 | | | 129,747 |
| Total other income | 129,747 | | | 129,747 |
| Income (loss) before discontinued operations | (2,522,152) | (198,245) | (1,852) | (2,722,249) |
| Discontinued operations | 15,046,598 | | | 15,046,598 |
| Net earnings (loss) | \$ 12,524,446 | \$ (198,245) | \$ (1,852) | \$ 12,324,349 |
| Earnings per Share Basic and Diluted: | | | | |
| Net loss before discontinued operations | \$ (0.10) | \$ (0.01) | \$ | \$ (0.11) |
| Discontinued operations, net | 0.62 | | | 0.62 |
| Net earnings | \$ 0.52 | \$ (0.01) | \$ | \$ 0.51 |
| Weighted Average Common Shares Outstanding: | | | | |
| Basic | 24,124,735 | | | 24,124,735 |
| Diluted | 24,128,907 | | | 24,128,907 |

See accompanying notes to the pro forma condensed consolidated financial statements.

AMERIVEST PROPERTIES INC.
Notes to Pro Forma Condensed Consolidated Financial Statements
(unaudited)

(a) To eliminate the assets and liabilities included in the statement of net assets in liquidation of Camelback Lakes as of June 30, 2006.

(b) Represents the proceeds from the disposition:

| | |
|-----------------------------|---------------|
| Sales proceeds | \$ 50,375,000 |
| Closing costs | (1,969,273) |
| Release of mortgage escrows | 51,865 |
| Repayment of mortgage | (20,174,140) |
| Cash received at closing | \$ 28,283,452 |

(c) To eliminate the change in estimated net assets in liquidation of Camelback Lakes as of June 30, 2006.

(d) To eliminate the results of operations of Camelback Lakes for the twelve months ended December 31, 2005 and the five months ended May 31, 2006. The pro forma results exclude the impact of the gain on the sale of the property.

F-5

EXHIBIT INDEX

Exhibit

| No. | Description |
|------|---------------------------------------|
| 99.1 | Press Release dated October 25, 2006. |
