AMERIVEST PROPERTIES INC
Form 424B2
March 22, 2004

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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-112210

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject To Completion, Dated March 18, 2004

PROSPECTUS SUPPLEMENT
(to Prospectus dated February 6, 2004)

5,500,000 Shares

Common Stock

AmeriVest Properties Inc. is offering 5,500,000 shares of common stock.

Our common stock is listed on the American Stock Exchange under the symbol "AMV." The last reported sale price of our common stock as reported on the American Stock Exchange on March 18, 2004 was $6.87 per share.

Investing in our common stock involves risks that are described in the "Risk Factors" section beginning on page 2 of the accompanying prospectus.

PRICE $ PER SHARE

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to AmeriVest	$	$

The underwriters may also purchase up to an additional 825,000 shares from AmeriVest Properties Inc. to cover overallotments, if any, at the public offering price, less the underwriting discount, following notice provided by the underwriters to AmeriVest within 30 days of the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of common stock will be ready for delivery on or about , 2004.

RBC Capital Markets

Ferris, Baker Watts
Incorporated

BB&T Capital Markets

J.J.B. Hilliard, W.L. Lyons, Inc.
A PNC Company

Stifel, Nicolaus & Company
Incorporated

, 2004

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Prospectus Supplement

Prospectus

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and other matters relating to us. The second part, the accompanying prospectus, gives more general information about our company and securities we may offer from time to time.

To the extent any inconsistency or conflict exists between the information included or incorporated by reference in this prospectus supplement and the information included or incorporated by reference in the accompanying prospectus, the information included or incorporated by reference in this prospectus supplement updates and supersedes the information in the accompanying prospectus.

You should rely only on the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since that date.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus include "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. All statements other than statements of historical facts included in this prospectus supplement or the accompanying prospectus, including statements regarding our expected financial position, business strategy, plans

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and objectives of management for future operations, expected capital expenditures, expected funding sources, planned investments and forecasted dates, are forward-looking statements. These forward-looking statements are based on our current expectations, beliefs, assumptions, estimates and projections about the industry and markets in which we operate. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are often used to identify forward-looking statements. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, these statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control, including but not limited to, general economic conditions, a downturn in the economies of our markets, real estate risks and those other risks described in the "Risk Factors" section of the accompanying prospectus. Therefore, actual outcomes and results may differ materially from what is expressed, forecasted or implied in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

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SUMMARY

The following summary highlights information about us. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein carefully, including the "Risk Factors" section, the financial statements and the notes to the financial statements, before investing in shares of our common stock. Information in this prospectus supplement assumes a public offering price of $6.87 per share, which was the closing price on the date of this prospectus supplement. Unless otherwise indicated, all information in this prospectus supplement assumes that the underwriters will not exercise their overallotment option. Unless the context otherwise requires, all references to "we," "us," "our company," "the company" or "AmeriVest" refer collectively to AmeriVest Properties Inc. and its subsidiaries, considered as a single enterprise.

The Company

We are a self-administered real estate investment trust, or REIT, that owns 27 office properties. We market and lease premium office space to small and medium size businesses, and the design, finish and amenities of our core properties are specifically tailored for this target market. We focus our efforts on the acquisition, rehabilitation and development of multi-tenant office buildings targeting tenants with office space needs between 2,000 and 4,000 square feet. Our current properties, which include an aggregate of 2,365,146 rentable square feet, are concentrated in metropolitan Denver, Dallas, Phoenix and Indianapolis.

Our executive offices are located in our Sheridan Center property at 1780 South Bellaire Street, Suite 100, Denver, Colorado 80222. Our telephone number is (303) 297-1800. Our Web site address is www.amvproperties.com. Information at our Web site is not and should not be deemed to be part of this prospectus.

Business Strategy

We believe that office space for small to medium size businesses is a large and underserved market. According to data compiled by the Office of Advocacy of the U.S. Small Business Administration in 2001, 89% of all U.S. businesses employed fewer than 20 employees. As a result, we believe that many businesses have office space requirements of no more than 4,000 square feet.

Small to medium size businesses often have specific needs and limitations that are different from larger businesses. For example, small and medium size businesses cannot usually afford large corporate staffs to manage office leasing. These businesses have needs similar to larger firms, such as access to cutting edge technology, conference facilities, high quality telecommunications equipment and other amenities, but usually do not have a comparable budget to those firms. Our strategy is to focus on providing an office product targeted to this large market and its underserved needs in a cost effective manner. The key elements of our strategy include:

Provide a Superior, Consistent Product We seek to provide a level of amenities to the small and medium size tenant in our office properties that usually only larger companies would be able to obtain, such as keyless entry card system, use of conference rooms with the latest telecommunications and presentation equipment and the ability to access high speed voice and data service from multiple telecom providers.

Simplify the Leasing Process Our leasing process is designed to meet the unique needs of a small to medium size tenant base with limited staffing through our "no hassle" leasing philosophy which reduces the per lease cost for us and the tenant.

Provide a High Level of Service With our deliberate focus on small to medium size tenants, we have developed a positive, service-oriented approach specifically tailored for our customer base.

Target Select Cities We target cities that meet specific criteria where we hope to build meaningful multi-property portfolios over the near term.

As a result of our focused strategy, we believe that our properties provide office space that is particularly attractive for small to medium size tenants. By executing on our strategy, we believe we have been able to maintain high occupancy rates while still maintaining strong rent per square foot trends in our core markets as compared to the general office market.

Properties

We own 27 office buildings totaling 2,365,146 square feet of rentable space. These properties are located in metropolitan Denver, Dallas, Phoenix and Indianapolis, and in a number of smaller cities in Texas. The geographic distribution of our property portfolio by rentable square footage at March 16, 2004 was approximately 26% in Denver, 24% in Dallas, 35% in Phoenix, 5% in Indianapolis and 10% in Texas cities not a part of the Dallas metropolitan area. Our properties are set forth in the table below.

Building Location	Year Acquired	Occupancy(1)	Rentable Square Feet(2)
Core Properties			
Camelback Lakes Phoenix, AZ	2004	90.6%	203,294
Greenhill Park Addison, TX	2003	75.4%	251,917
Scottsdale Norte Scottsdale, AZ	2003	72.7%	79,223
Financial Plaza Mesa, AZ	2003	82.9%	310,828
Southwest Gas Building Phoenix, AZ	2003	81.6%	147,660
Chateau Plaza Dallas, TX	2002	97.4%	171,294
Centerra Denver, CO	2002	76.8%	186,100
Parkway Centre II Plano, TX	2002	95.0%	151,968
Kellogg Building Littleton, CO	2001	85.8%	111,580
Arrowhead Fountains Peoria, AZ	2001	100.0%	96,092
AmeriVest Plaza at Inverness Englewood, CO	2001	90.9%	118,720
Sheridan Center Denver, CO	2000	78.6%	140,162
Keystone Office Park Indianapolis, IN	1999/2003	84.4%	114,205
Total			2,083,043
Joint-Tenancy Property(3)			
Panorama Falls Englewood, CO	2000	74.1%	59,561
Total			59,561

Building	Location	Year Acquired	Occupancy(1)	Rentable Square Feet(2)
Non-Core Properties				
Texas State Buildings	Texas	1997/1998	76.8%	222,542
Total				222,542
Total				2,365,146

(1) Occupancy rates are as of February 29, 2004 with respect to each property other than the Camelback Lakes building, which is as of March 16, 2004.

(2) Includes office space but excludes storage, telecommunications and garage space.

(3) We own 20% of the property. The remaining 80% of the property is owned by an unaffiliated third party, as tenant in common.

Dividends

Since our initial public offering in November 1996, we have paid a cash dividend on our common stock each quarter. For the quarters ended September 30, 2002 through December 31, 2003, we paid a quarterly cash dividend of $0.13 per share. Future dividends will be at the

discretion of our board of directors and will depend on a number of factors, including our operating results and financial condition. We cannot assure you that we will pay any dividends or that we will maintain our historical level of dividends. The dividends that we paid in 2003 were approximately 36% ordinary income and approximately 64% a return of capital for income tax purposes.

We declared a dividend of $0.13 per share on March 9, 2004, payable to stockholders of record as of March 19, 2004. This dividend is payable on April 15, 2004.

Recent Developments

On February 13, 2004, we entered into a contract to purchase the Hackberry View office building in Irving, Texas for $16,800,000. The office building contains approximately 115,000 rentable square feet. Completion of the acquisition is subject to customary conditions, including consent of the lender to our assumption of the mortgage debt on the property. We cannot assure you that we will be able to complete the acquisition or that the terms we have negotiated will not change.

On March 9, 2004, our board of directors elected Alexander S. Hewitt to our board of directors and appointed him vice chairman. Mr. Hewitt formerly served as a vice president of our company. Mr. Hewitt will be a nominee for election by our stockholders at our 2004 annual meeting.

On March 16, 2004, we acquired the Camelback Lakes building for $31,980,000. Camelback Lakes is located in Phoenix, Arizona and contains 203,294 rentable square feet.

On March 16, 2004, we sold our four Texas Bank buildings for $4,100,000. The four properties are located in Clifton, Georgetown, Henderson and Mineral Wells, Texas and contain an aggregate of 60,095 square feet.

The Offering

Common Stock Offered	5,500,000 shares
Common Stock to be Outstanding after this Offering(1)	23,023,066 shares (23,848,066 shares if the underwriters exercise their overallotment option in full).
Use of Proceeds	The net proceeds of this offering will be used to repay portions of our variable rate borrowings, which may include our lines of credit, and for general corporate purposes. The repayment of borrowings will create availability under our lines of credit for re-borrowing to acquire and refurbish additional office properties.
Risk Factors	See "Risk Factors" beginning on page 2 of the accompanying prospectus for a discussion of risks you should consider before deciding whether to invest in our common stock.
AMEX Symbol	Our common stock trades on the American Stock Exchange under the symbol "AMV."

(1) The number of shares of common stock to be outstanding after this offering is based upon 17,523,066 shares of common stock outstanding as of March 16, 2004. This number does not include 324,105 shares of common stock issuable upon the exercise of vested options and warrants with a weighted average exercise price of $5.72 per share that were outstanding as of March 16, 2004.

Summary Financial Data

You should read the following information together with "Selected Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus. Our historical results are not necessarily indicative of our results for any future period.

	Years Ended December 31,		
	2003	**2002**	**2001**
Statement of Operations Data:			
Real estate operating revenue	$ 29,865,670	$ 16,385,965	$ 10,944,383
Net (loss)/income	(1,980,420)(a)	(157,274)(b)	1,488,493(c)
Weighted average shares outstanding	14,686,369	9,341,608	4,801,307
(Loss)/earnings per share	(0.13)	(0.02)	0.31
Dividends declared per share	0.52	0.51	0.50
Other Data:			
Funds from Operations (FFO)(d):			
Net (loss)/income	$ (1,980,420)	$ (157,274)	$ 1,488,493
Depreciation and amortization expense	7,023,923	3,362,508	2,244,435
Share of depreciation of unconsolidated affiliate	84,860	46,087	29,634
Gain on sale of real estate			(1,156,445)

	Years Ended December 31,		
FFO	$ 5,128,363	$ 3,251,321	$ 2,606,117
FFO per share	$ 0.34	$ 0.34	$ 0.54

	Years Ended December 31,		
	2003	2002	2001
Balance Sheet Data:			
Net investment in real estate	$ 223,892,596	$ 144,985,328	$ 80,841,027
Total assets	240,500,462	157,183,587	88,002,488
Mortgage loans and notes payable	159,530,410	106,094,232	58,408,424
Stockholders' equity	70,104,407	43,895,800	24,996,985

(a) Includes a charge of $1,465,932 ($0.10 per share) representing impairments in the values of two properties located in Clint and Paris, Texas.

(b) Includes a charge of $1,367,380 ($0.14 per share) representing advisory fees and capital project fees earned by our former advisor, Sheridan Realty Advisor, LLC. Prior to 2002, these fees had been capitalized. Also includes a charge of $275,000 ($0.03 per share) representing an impairment in the value of our property in Clint, Texas.

(c) Includes a gain of $1,156,445 ($0.24 per share) recognized on the sale of office buildings in Appleton, Wisconsin and Odessa, Texas, a charge of $326,113 ($0.07 per share) representing an impairment of deferred rents receivable from a former significant tenant and a charge of $323,447 ($0.07 per share) representing the accelerated amortization of a lease commission related to that same tenant.

(d) Funds from Operations (FFO) is a non-GAAP financial measure. FFO is defined as net income or loss, computed in accordance with generally accepted accounting principles, excluding gains (or losses) from sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. We believe that FFO is helpful to investors as a measure of the performance of an equity REIT because it facilitates an understanding of the operating performance of its properties without giving effect to real estate depreciation and amortization, which assume that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, we believe that funds from operations provides a more meaningful and accurate indication of our performance. We compute FFO in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts ("NAREIT"), which may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than we do. FFO does not represent cash generated from operating activities determined by GAAP and should not be considered as an alternative to net income or loss (determined in accordance with GAAP) as an indication of our financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to make cash distributions. FFO may include funds that may not be available for our management's discretionary use due to requirements to conserve funds for capital expenditures, debt repayment and property acquisitions and other commitments and uncertainties.

USE OF PROCEEDS

The net proceeds to us from the sale of 5,500,000 shares of our common stock in this offering will be approximately $35,140,050, at an assumed offering price of $6.87 per share, after deducting the underwriting discount and our estimated offering expenses. If the underwriters exercise their overallotment option in full, we estimate that our net proceeds will be approximately $40,500,000.

The net proceeds of this offering will be used to repay portions of our variable rate borrowings under our senior secured and unsecured lines of credit, and for general corporate purposes. The repayment of borrowings will create availability under our lines of credit for re-borrowing to acquire and refurbish additional office properties. Our senior secured line of credit is with Fleet National Bank. Our senior secured line of credit bears interest at LIBOR plus 275 basis points or Prime plus 75 basis points (a weighted average effective rate of 4.3% at March 16, 2004). We currently have $42,000,000 in total borrowing capacity under our senior secured line of credit, with $41,650,000 outstanding and an available balance of $350,000 at March 16, 2004. Our unsecured line of credit, which is also provided by Fleet National Bank, bears interest at LIBOR plus 400 basis points or Prime plus 250 basis points (a weighted average effective rate of 5.59% at March 16, 2004). We currently have $30,000,000 in total borrowing capacity under our unsecured line of credit, with $27,987,207 outstanding and an available balance of $2,012,793 at March 16, 2004. Both of these credit facilities mature on November 12, 2005.

CAPITALIZATION

The following table sets forth (1) our capitalization as of December 31, 2003 and (2) our capitalization as of December 31, 2003 as adjusted to reflect the sale of 5,500,000 shares of common stock in this offering at an assumed public offering price of $6.87 per share and the application of the net proceeds as set forth under "Use of Proceeds." The following table should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the related notes incorporated by reference in this prospectus supplement and the accompanying prospectus.

	December 31, 2003	
	Actual	As Adjusted
Mortgage loans and notes payable	$ 159,530,410	$ 124,390,360
Stockholders' equity:		
Preferred stock, $.001 par value; 5,000,000 shares authorized; none issued and outstanding		
Common stock, $.001 par value; 75,000,000 shares authorized; 17,401,309 shares issued and outstanding, actual; 22,901,309 shares issued and outstanding, as adjusted(a)(b)	17,401	22,901
Capital in excess of par value	91,706,371	126,840,921
Distributions in excess of accumulated earnings	(21,619,365)	(21,619,365)
Total stockholders' equity	70,104,407	105,244,457
Total capitalization	$ 229,634,817	$ 229,634,817

(a) Does not include 594,358 shares of common stock issuable upon the exercise of vested options and warrants with a weighted average exercise price of $5.41 per share that were outstanding as of December 31, 2003.

(b) Does not include up to 825,000 shares of common stock that may be issued by us upon the exercise of the underwriters' overallotment option.

UNDERWRITING

We intend to offer the shares of common stock through the underwriters named below. RBC Capital Markets Corporation is acting as representative of the underwriters. Subject to the terms and conditions described in an underwriting agreement among us and the underwriters, we have agreed to sell to the underwriters, and the underwriters severally have agreed to purchase from us, the number of shares of common stock listed opposite their names below.

Underwriter	Number of Shares
RBC Capital Markets Corporation	
Ferris, Baker Watts, Incorporated	
BB&T Capital Markets, a division of Scott & Stringfellow, Inc.	
J.J.B. Hilliard, W.L. Lyons, Inc.	
Stifel, Nicolaus & Company, Incorporated	
Total	5,500,000

The underwriters have agreed to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or, under certain circumstances, the underwriting agreement may be terminated.

We have agreed to indemnify the underwriters and their controlling persons against certain liabilities, including liabilities under the Securities Act of 1933, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriters of officers' certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representative has advised us that the underwriters propose initially to offer the shares to the public at the public offering price on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the offering, the offering price, concession, discount and other selling terms may be changed.

The following table shows the public offering price, underwriting discount and proceeds before our expenses. The information assumes either no exercise or full exercise by the underwriters of their overallotment option to purchase additional shares.

	Per Share		Total	
	No Exercise	Full Exercise	No Exercise	Full Exercise
Public offering price	$	$	$	$
Underwriting discount	$	$	$	$
Proceeds, before expenses, to us	$	$	$	$

The expenses of the offering, not including the underwriting discount, are estimated at $475,000 and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to 825,000 additional shares at the public offering price less the underwriting discount. The underwriters may exercise this option solely to cover any overallotments by providing us with notice within 30 days of the date of this prospectus supplement. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the underwriting agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the table on the preceding page.

No Sales of Similar Securities

We and our executive officers and directors have agreed, except as noted below, not to sell or transfer any shares of our common stock for 45 days after the date of this prospectus supplement without first obtaining the written consent of RBC Capital Markets Corporation. We have agreed with the underwriters that we may:

- file amendments and/or supplements to our previously filed registration statement relating to our July 2000 offering of 300,000 units consisting of shares of common stock and warrants to keep current any prospectus forming a part of such registration statement;

- issue shares of our common stock upon the exercise of outstanding options and warrants, pursuant to our dividend reinvestment plan or in connection with our other preexisting contractual obligations;

- grant options to purchase shares of our common stock pursuant to our stock option plans; and

- issue shares of our common stock in connection with property acquisitions from non-affiliate sellers,

if recipients of those shares or options (other than shares issued pursuant to our dividend reinvestment plan) enter into similar lock-up agreements. This lockup provision applies to shares of common stock and to securities convertible into or exchangeable or exercisable for shares of common stock. It also applies to shares of common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

American Stock Exchange Listing

Our common stock is listed on the American Stock Exchange under the symbol "AMV."

Price Stabilization and Short Positions

Until the distribution of the shares is completed, Securities and Exchange Commission rules may limit underwriters and selling group members from bidding for and purchasing shares of our common stock. However, the representative may engage in transactions that stabilize the price of our shares of common stock, such as bids or purchases to maintain that price.

If the underwriters create a short position in our shares of common stock in connection with the offering, i.e., if they sell more shares than are listed on the cover of this prospectus, the representative may reduce that short position by purchasing shares in the open market. The

representative may also elect to reduce any short position by exercising all or part of the overallotment option described above. Purchases of our shares of common stock to stabilize its price or to reduce a short position may cause the price of our shares of common stock to be higher than it might be in the absence of such purchases.

Neither we nor any of the underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our shares of common stock. In addition, neither we nor any of the underwriters makes any representation that the representative will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Other Relationships

The underwriters may provide from time to time investment banking and other financial services to us for customary fees. In the ordinary course of business, the underwriters may actively trade our securities for their own accounts or for accounts of customers and, accordingly, may at any time hold long or short positions in those securities.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus supplement and the accompanying prospectus are part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission under the Securities Act of 1933. The registration statement on Form S-3, with any amendments, is referred to in this prospectus supplement and the registration statement as the registration statement. This prospectus supplement and the accompanying prospectus do not contain all the information included in the registration statement and exhibits to the registration statement, and statements included in this prospectus supplement or the accompanying prospectus concerning the content of any contract or other document referred to are not necessarily complete. For further information, please review the registration statement and the exhibits and schedules filed with the registration statement. In each instance where a statement contained in this prospectus supplement or the accompanying prospectus regards the contents of any contract or other document filed as an exhibit to the registration statement, you should review the copy of that contract or other document filed as an exhibit to the registration statement for complete information, and those statements are qualified in all respects by this reference.

We are subject to the periodic reporting and other informational requirements of the Securities Exchange Act of 1934. The reports and other information that we file with the Securities and Exchange Commission can be inspected and copied at the following public reference facility maintained by the Securities and Exchange Commission:

Public Reference Room
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

Copies of these materials also can be obtained at prescribed rates by writing to the Securities and Exchange Commission, Public Reference Section, 450 Fifth Street, N.W., Washington, D.C. 20549. Documents filed electronically by us with the Securities and Exchange Commission are available at the Securities and Exchange Commission's Web site at http://www.sec.gov. The Securities and Exchange Commission's Web site contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Securities and

Exchange Commission. Information about the operation of the Securities and Exchange Commission's public reference facilities may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330.

INCORPORATION BY REFERENCE

The Securities and Exchange Commission allows us to incorporate by reference certain information not contained in this prospectus supplement and the accompanying prospectus. We incorporate by reference in this prospectus supplement and the accompanying prospectus the following documents previously filed by us with the Securities and Exchange Commission:

(a) Our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003; and

(b) The description of the shares of common stock contained in AmeriVest's registration statement on Form 8-A, as amended, filed on October 21, 1996.

The Securities and Exchange Commission has assigned file number 1-14462 to reports and other information that we file with the Securities and Exchange Commission.

All documents subsequently filed by us pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 prior to the termination of the offering of the shares of common stock shall be deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus and to be a part of this prospectus supplement and the accompanying prospectus from the date of filing of those documents. Any statement contained in this prospectus supplement, the accompanying prospectus or in a document incorporated or deemed to be incorporated by reference herein or therein shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or the accompanying prospectus, or in any subsequently filed document which is incorporated or deemed to be incorporated by reference herein or therein, modifies or supersedes that statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus supplement or the accompanying prospectus.

We will provide without charge to each person, including any beneficial owner, to whom a copy of this prospectus supplement and the accompanying prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the documents incorporated by reference in this prospectus supplement and the accompanying prospectus, other than exhibits to those documents. Requests should be addressed to:

Investor Relations
AmeriVest Properties Inc.
1780 South Bellaire Street, Suite 100
Denver, Colorado 80222
(303) 297-1800

EXPERTS

The consolidated financial statements of AmeriVest Properties Inc. as of December 31, 2003 and 2002, and for the years then ended, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent public accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

LEGAL MATTERS

Mayer, Brown, Rowe & Maw LLP, Chicago, Illinois, has passed upon the validity of the issuance of the securities offered by this prospectus supplement and the accompanying prospectus. Certain legal matters will be passed upon for the underwriters by Hunton & Williams LLP.

PROSPECTUS

AmeriVest Properties Inc.

1780 South Bellaire Street, Suite 100
Denver, Colorado 80222
(303) 297-1800

$200,000,000

Preferred Stock
Common Stock

We will provide specific terms of these securities in supplements to this prospectus. You should carefully read this prospectus and any supplement before you invest.

Our common stock is listed on the American Stock Exchange under the symbol "AMV."

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed on the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 6, 2004.

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FORWARD-LOOKING STATEMENTS

This prospectus includes "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and Section 27A of the Securities Act of 1933, as amended. All statements other than statements of historical facts included in this prospectus, including statements regarding our expected financial position, business strategy, plans and objectives of management for future operations, expected capital expenditures, expected funding sources, planned investments and forecasted dates, are forward-looking statements. These forward-looking statements are based on our current expectations, beliefs, assumptions, estimates and projections about the industry and markets in which we operate. Words such as "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and variations of such words and similar expressions are often used to identify forward-looking statements. Although we believe that the expectations and assumptions reflected in the forward-looking statements are reasonable, these statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, which are difficult to predict and many of which are beyond our control, including but not limited to, those described in the "Risk Factors" section of this prospectus. Therefore, actual outcomes and results may differ materially from what is expressed, forecasted or implied in such forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

BUSINESS

AmeriVest Properties Inc. is incorporated under the laws of the State of Maryland and operates as a self-administered and self-managed real estate investment trust ("REIT"). We were incorporated in the State of Delaware in 1993 and re-incorporated in Maryland in 1999. We are a fully-integrated self-managed REIT and primarily invest in and operate commercial office buildings in select markets and lease the commercial office buildings to small and medium size tenants. As of December 31, 2003, we owned 30 properties, which include an aggregate of 2,222,079 rentable square feet, located in Colorado, Texas, Arizona and Indiana.

Business Strategy

We focus our efforts on the acquisition, rehabilitation and development of multi-tenant office buildings with a targeted average tenant size of between 2,000 and 4,000 square feet in select cities.

We believe that office space for small to medium size businesses is a large and underserved market. According to data compiled by the Office of Advocacy of the U.S. Small Business Administration in 2002, 89% of all U.S. businesses employed fewer than 20 employees. As a result, we believe that many businesses have office space requirements of no more than 4,000 square feet.

Small to medium size businesses often have specific needs and limitations that are different from larger businesses. For example, small and medium size businesses cannot usually afford large corporate staffs to manage office leasing. These businesses have needs similar to larger firms, such as access to cutting edge technology, conference facilities, high quality telecommunications equipment and other amenities, but usually do not have a comparable budget to those firms. Our strategy is to focus on providing an office product targeted to this large market and its unmet needs in a cost effective manner. The key elements of our strategy include:

Provide a Superior, Consistent Product

We seek to provide a level of amenities to the small and medium size businesses in our office properties that usually only larger companies would be able to obtain. We accomplish this through new development, such as AmeriVest Plaza, redevelopment of existing properties and improved management with a focus on customer service. Upon acquiring a building, the AmeriVest design team evaluates the building's architectural design, common areas, technology and amenities relative to our targeted small business tenant. Based on the results of the design team's evaluation, a design intent package and capital improvement budget is established for each acquisition which will dictate the improvements to be made to the property over the next few years. Although the specific improvements and amenities may differ among buildings, all are designed to enhance the experience for the small and medium size business tenant.

Some of the design and technology features incorporated into our buildings include a keyless entry card system to allow secure access 24 hours a day to their individual suites, as well as common area conference rooms with the latest telecommunications and presentation equipment available to all tenants without additional charge. Most entry lobbies feature touchpad electronic directories and, where possible, our buildings are engineered to provide control of heating and air conditioning in individual tenant suites. Many properties include a unique art program in common areas and corridors. Signage for each tenant suite allows for the tenant's individual logo to be incorporated on a common background. Each property is wired to offer high speed voice and data service from multiple telcom providers, and in some buildings tenants can elect to use the building's centralized server and local area network as their own computer system, with 24 hour, seven days a week support from third party providers. Over time we plan to add some or all of these small tenant amenities to all of our core buildings as market demand and capital constraints dictate.

Simplify the Leasing Process

We provide our clients with a leasing policy that is designed to meet the unique needs of a small to medium size tenant base with limited staffing. We operate our multi-tenant buildings under a "no-hassle" leasing philosophy, using a standard simplified lease that has been designed for fairness to both tenant and landlord. For every property, our lease rates are dictated by our rate matrix, a standardized menu of set rental rates based on lease terms that are tied to the market rates for our submarkets. This rate matrix reduces negotiating time and provides for fairness and consistency to our tenants. We also incorporate a turnkey tenant finish package, greatly reducing the time to design and build out finished space. Our streamlined system greatly reduces negotiation and space planning time and allows the tenant to move into its space earlier and with less aggravation than is usual in the leasing process, reducing the lease transaction time and cost for us and the tenant.

Provide a High Level of Service

We have developed and employ a positive, service-oriented mentality to our tenants. Our core buildings feature a regional "Tenant Relations Advocate" whose job description is to interface regularly with all tenants and maximize tenant retention. The Tenant Relations Advocate, unlike a conventional property manager, does not have responsibility for the physical operation of a building, but rather is dedicated to tenant issues with a singular focus on tenant retention. The Tenant Relations Advocate personifies our service-oriented mentality and is available to resolve minor tenant service complaints before they develop into major issues.

Our Tenant Relations Advocates work with team leaders for each region, who in turn report to a senior manager in our Denver headquarters, providing direct and regular feedback on tenant concerns. We believe that our customer-focused management will improve our tenant retention rates.

Target Select Cities

We have focused on employing our strategy in buildings or projects containing at least 100,000 square feet, within select cities where we hope to build meaningful multi-property portfolios. We target cities that possess enough total office square footage to offer the possibility of multiple acquisitions and liquidity in the event of a desired sale, a healthy number of small businesses and positive growth dynamics. Historically, in order to maximize management efficiencies, we have focused on markets in relatively close proximity to our headquarters in Denver. As we grow, we plan to expand our radius to include cities within the United States and Canada that possess our desired characteristics.

As a result of our focused strategy, we believe that our properties provide office space that is particularly attractive for small to medium size tenants. By executing on our strategy we believe we have been able to maintain high occupancy rates while still maintaining strong rent per square foot trends in our core markets compared to the general office market.

RISK FACTORS

Before you invest in shares of our securities, you should be aware that the occurrence of any of the events described in this risk factors section and elsewhere in this prospectus could have a material adverse effect on our business, financial condition and results of operations. You should carefully consider these risk factors, together with all other information included in this prospectus, before you decide to purchase our securities.

Our variable rate debt subjects us to interest rate risk.

At September 30, 2003, approximately $14.2 million, or 11%, of our total mortgage debt was at variable rates ranging from 275 to 450 basis points over LIBOR. The weighted-average interest rate on

this variable rate debt was approximately 5% at September 30, 2003. All of this variable rate debt is due in 2005. Increases in interest rates could increase our interest expense, which would adversely affect net earnings and cash available for payment of our debt obligations and distributions to our stockholders.

We face a competitive market, which could limit our ability to lease our properties or secure attractive investment opportunities.

Our business strategy contemplates expansion through acquisition. The commercial real estate industry is highly competitive, and we compete with substantially larger companies, including substantially larger REITs, for the acquisition, development and operation of properties. Some of these companies are national or regional operators with far greater resources than we have. As a result, we may not be able or have the opportunity to make suitable investments on favorable terms in the future. Competition in a particular area also could adversely affect our ability to lease our properties or to increase or maintain rental rates. Thus, the presence of these competitors may impede the continuation and development of our business.

Our debt level may have a negative impact on our income and our ability to pay dividends.

We have incurred indebtedness in connection with the acquisition of our properties, and we may incur new indebtedness in the future in connection with our acquisition, development and operating activities. As of September 30, 2003, we had approximately $133.9 million of long-term indebtedness, of which approximately $33.2 million in the aggregate is due in 2005 and 2006. As a result of our use of debt, we are subject to the risks normally associated with debt financing, including:

- that our cash flow will be insufficient to make required payments of principal and interest;
- that we will be unable to refinance some or all of our indebtedness or that any refinancing will not be on terms as favorable as those of the existing indebtedness;
- that required payments on mortgages and on our other indebtedness are not reduced if the economic performance of any property declines;
- that debt service obligations will reduce funds available for distribution to our stockholders; and
- that any default on our indebtedness could result in acceleration of those obligations.

If the economic performance of any of our properties declines, our ability to make debt service payments would be adversely affected. If a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, we may lose that property to lender foreclosure with a consequent loss of income and asset value.

We do not have a policy limiting the amount of debt that we may incur; however, our Senior Secured Line of Credit with Fleet National Bank limits our total liabilities to 70% of gross assets, as calculated in accordance with the loan agreement. This threshold will decrease to 65% at June 30, 2004. Our total liabilities to total market capitalization ratio was approximately 55% at September 30, 2003. Our leverage levels may make it difficult to obtain any additional financing based on our current portfolio or to refinance existing debt on favorable terms or at all. Our leverage levels also may adversely affect the market value of our stock if we are perceived as more risky than our peers.

Some of our buildings are subject to special income tax considerations, which could result in substantial tax liability upon their sale.

If we sell any of our Sheridan Center buildings before 2006 (ten years after the original acquisition date of the property or the property exchanged for that property), we will be required to pay tax at the highest applicable corporate rate on the excess of the buildings' fair market value at the effective time

of our REIT election over its adjusted basis at such time (or, if lesser, the excess of the fair market value of the building at the time of the sale over its adjusted basis at the time of the sale).

Because we used proceeds from the sale of a small office building in Wisconsin to purchase AmeriVest Plaza in an exchange qualifying under Section 1031 of the Internal Revenue Code, we may also be required to hold AmeriVest Plaza until 2006 in order to avoid corporate tax on the appreciation of the exchanged property as of the effective date of our REIT election. If we are subject to tax on any such gain at the highest corporate rate, the amount of this corporate tax could be substantial. We may not have sufficient cash available to pay the corporate taxes resulting from the sale of these properties.

New developments and acquisitions may fail to perform as we expect.

Over the last few years, we have focused our efforts on the acquisition and redevelopment of multi-tenant office buildings. We intend to continue to selectively develop and acquire office properties. In deciding whether to acquire or develop a particular property, we make assumptions regarding the expected future performance of that property. In particular, we estimate the return on our investment based on expected occupancy and rental rates. If the property is unable to achieve the expected occupancy and rental rates, it may fail to perform as we expected in analyzing our investment. When we acquire a property, we often reposition or redevelop that property with the goal of increasing profitability. Our estimate of the costs of repositioning or redeveloping an acquired property may prove inaccurate, which may result in our failure to meet our profitability goals. Additionally, we may acquire new properties not fully leased and the cash flow from existing operations may be insufficient to pay the operating expenses and debt service associated with that property until the property is fully leased. If one or more of these new properties do not perform as expected or we are unable to successfully integrate new properties into our existing operations, our financial performance may be adversely affected.

Development and construction risks could adversely affect our profitability.

We are currently improving several of our properties and may develop new properties in the future. Our renovation, redevelopment, development and related construction activities may subject us to the following risks:

- We may be unable to obtain, or suffer delays in obtaining, necessary zoning, land-use, building, occupancy and other required governmental permits and authorizations, which could result in increased costs or our abandonment of these projects.

- We may incur construction costs for a property which exceed our original estimates due to increased costs for materials or labor or other costs, such as asbestos or mold abatement, that we did not anticipate.

- We may not be able to obtain financing on favorable terms, which may make us unable to proceed with our development activities.

- We may be unable to complete construction and lease-up of a property on schedule, which could result in increased debt service expense or construction costs.

Additionally, the time frame required for development, construction and lease-up of these properties means that we may have to wait years for a significant cash return. Because we are required to make cash distributions to our stockholders to maintain our REIT tax status, if the cash flow from operations or refinancing is not sufficient, we may be forced to borrow additional money to fund such distributions.

Failure to succeed in new markets may limit our growth.

We may make selected acquisitions outside our current market areas from time to time as appropriate opportunities arise. Our historical experience is in metropolitan Denver, Dallas, Phoenix and Indianapolis, and we may not be able to operate successfully in other market areas new to us. We may be exposed to a variety of risks if we choose to enter into new markets. These risks include:

- a lack of market knowledge and understanding of the local economies;
- an inability to identify acquisition or development opportunities;
- an inability to attract tenants to our properties in these new markets;
- an inability to obtain construction trades people; and
- an unfamiliarity with local government and permitting procedures.

Any of these factors could adversely affect the profitability of projects outside our current markets and limit the success of our acquisition, development and leasing strategy.

Real estate investments are inherently risky, which could adversely affect our profitability and our ability to make distributions to our stockholders.

Real estate investments are subject to varying degrees of risk. If we acquire or develop properties and they do not generate sufficient operating cash flow to meet operating expenses, including debt service, capital expenditures and tenant improvements, our income and ability to pay dividends to our stockholders will be adversely affected. Income from properties may be adversely affected by:

- decreases in rent and/or occupancy rates due to competition, economic or other factors;
- increases in operating costs such as real estate taxes, insurance premiums, site maintenance and utilities;
- changes in interest rates and the availability of financing; and
- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes.

Future terrorist attacks in the United States and international hostilities may result in declining economic activity, which could reduce the demand for and the value of our properties.

Future terrorist attacks in the United States, such as the attacks that occurred in New York and Washington, D.C. on September 11, 2001, and other acts of terrorism or war, whether in the United States or abroad, may result in declining economic activity and reduced demand for our properties. A decrease in demand would make it difficult for us to renew or re-lease our properties at lease rates equal to or above historical rates. Terrorist activities also could directly impact the value of our properties through damage, destruction or loss. To the extent that our tenants are impacted by future attacks, their businesses similarly could be adversely affected, including their ability to continue to honor obligations under their existing leases.

These types of events also may adversely affect the markets in which our securities trade. These acts may cause further erosion of business and consumer confidence and spending and may result in increased volatility in national and international financial markets and economies. Any one of these events may cause a decline in the demand for real estate, delay the time in which our new or renovated properties reach stable occupancy, increase our operating expenses due to increased physical security and insurance costs for our properties and limit our access to capital or increase our cost of raising capital.

General economic conditions may adversely affect our financial condition and results of operations.

Periods of economic slowdown or recession in the United States and in other countries, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults by our tenants under existing leases, which would adversely affect our financial position, results of operations and cash flow, as well as the trading price of our securities and our ability to satisfy our debt service obligations and to make distributions to our stockholders.

Unfavorable changes in local market and economic conditions could hurt occupancy or rental rates.

Currently, our properties are located in metropolitan Denver, Dallas, Phoenix and Indianapolis. Economic conditions in our local markets may significantly affect occupancy and rental rates. Occupancy and rental rates, in turn, may significantly affect our profitability and our ability to satisfy our financial obligations. The economic condition of our local markets may depend on one or more industries and, therefore, an economic downturn in one of these industry sectors may adversely affect our performance in that market. Local real estate market conditions may include a large supply of competing space, and we compete for tenants based on rental rates, attractiveness and location of a property, and quality of maintenance and management services.

We are subject to the credit risk of our tenants, which could result in lease payments not being made and a significant decrease in our revenues.

We are subject to the credit risk of our tenants. Many of our tenants are small companies with nominal net worth. We cannot assure you that our tenants will not default on their leases and fail to make rental payments to us. In particular, local economic conditions and factors affecting the industries in which our tenants operate may affect our tenants' ability to make lease payments to us. Moreover, we may be unable to locate a replacement tenant in a timely manner or on comparable or better terms if a tenant defaults on its lease. The loss of rental revenues from a number of our tenants may adversely affect our profitability and our ability to meet our financial obligations.

We may be unable to renew leases or re-lease space on a timely basis or on comparable or better terms, which could significantly decrease our revenues.

A significant number of our leases on our 100%-owned properties, representing approximately 52% of our annualized lease revenue for the quarter ended September 30, 2003, expire on or before December 31, 2005. Current tenants may elect not to renew their leases upon the expiration of their terms. Alternatively, current tenants may attempt to terminate their leases prior to the expiration of their current terms. Many of our leases are for relatively short terms of a few years. If non-renewals or terminations occur, we may not be able to locate a qualified replacement tenant and, as a result, we would lose a source of revenue while remaining responsible for the payment of our obligations. Moreover, the terms of a renewal or new lease may be less favorable than current lease terms. This may cause affected properties to be impaired.

Loss of a significant tenant could lead to a substantial decrease in our cash flow and an impairment of the value of our real estate.

Although we target tenants seeking 2,000 to 4,000 square feet of office space, we may have several significant tenants from time to time, the loss of any of which could adversely affect our cash flow and may cause affected properties to be impaired.

Chateau Plaza in Dallas, Texas is approximately 70% (120,607 square feet) leased to a single tenant, Dean Foods Company, under a direct lease through December 2005. However, the tenant has the option to terminate the lease upon eight months written notice. Should the tenant elect to terminate the lease early, it is obligated to pay a termination penalty equal to three months of the current base rent plus any unamortized tenant improvement and leasing costs. The loss of this tenant could adversely affect our cash flow until we are able to re-lease the vacated space. Our lease with Dean Foods Company accounts for approximately $2,760,000 of our annual revenue.

Currently, eleven of our thirteen Texas State Buildings are leased to various agencies of the State of Texas. Although each of these leases includes a specific termination date, the State of Texas may terminate a lease at any time state appropriated funds necessary to pay the required rents are unavailable or federally funded programs are curtailed. If the State of Texas were to terminate or fail to renew a lease, it may be difficult for us to locate another tenant on a timely basis or on comparable or better terms, especially for those buildings located in smaller cities and more remote locations. The State of Texas also may elect not to renew leases with us upon expiration. For the years ended December 31, 2003 and 2002, leases with the State of Texas accounted for approximately $1,577,000 and $1,775,000 in revenue, respectively. In November 2001, the State of Texas vacated our Clint, Texas building, which accounted for $125,676 in annual revenue. In 2002 and 2003, we recognized impairments in the value of this building of $275,000 and $334,592, respectively due to difficulties in finding a replacement tenant. The impairment charges reduced the net book value of this property to its estimated fair value of $100,000. In December 2002, the State of Texas v (3) (2)

Total comprehensive income, net of taxes
$733 $617 $1,542 $1,228

NOTE 5 AGGREGATE DEFERRED REVENUE AND WARRANTY LIABILITY

Dell records warranty liabilities at the time of sale for the estimated costs that may be incurred under its basic limited warranty. Revenue from extended warranty and service contracts, for which Dell is obligated to perform, is recorded as deferred revenue and subsequently recognized over the term of the contract or when the service is completed. Changes in Dell s aggregate deferred revenue and warranty liability are presented in the following table:

	Six Months Ended	
	July 30, 2004	**August 1, 2003**
	(in millions)	
Aggregate deferred revenue and warranty liability, at beginning of period	$2,694	$2,042
Revenue deferred and costs accrued for new warranties	1,480	1,221
Service obligations honored	(557)	(464)
Amortization of deferred revenue	(585)	(419)
Aggregate deferred revenue and warranty liability, at end of period	$3,032	$2,380

NOTE 6 DELL FINANCIAL SERVICES

Dell is currently a partner in Dell Financial Services L.P. (DFS), a joint venture with CIT Group Inc. (CIT). The joint venture allows Dell to provide its customers with various financing alternatives while CIT provides the financing for the transaction between DFS and the customer for certain transactions. The term of the joint venture continues until October 31, 2005. Dell is currently in discussions with CIT to extend the term of this joint venture.

Dell began consolidating DFS s financial results at the beginning of the third quarter of fiscal 2004 due to the adoption of Financial Accounting Standards Board (FASB) Interpretation No. 46 (FIN 46). The consolidation of DFS had no impact on Dell s net income or earnings per share because Dell has historically been recording its 70% equity interest in DFS under the equity method. In December 2003, the FASB issued FIN 46R, a revision to FIN 46. FIN 46R clarifies some of the provisions of FIN 46 and exempts certain entities from its requirements. FIN 46R did not have a material impact on Dell s consolidated results of operations or financial position.

In general, DFS facilitates customer financing transactions through either loan or lease financing. For customers who desire loan financing, Dell sells equipment directly to customers who, in turn, enter into loans with CIT to finance their purchases. For equipment sold to end-user customers that is financed by CIT loans, Dell recognized revenue of $874 million during the second quarter of fiscal 2005 and $1.9 billion during the six months ended July 30, 2004. For customers who desire lease financing, Dell usually sells the equipment to DFS, and DFS enters into direct financing lease arrangements with the customers. Dell recognized revenue for lease financing arrangements of $292 million during the second quarter of fiscal 2005 and $591 million during the six months ended July 30, 2004.

DFS maintains credit facilities with CIT which provide DFS with a funding capacity of up to $1.0 billion. As of July 30, 2004, outstanding advances under these facilities totaled $164 million and are included in other current and non-current liabilities on Dell s condensed consolidated statement of financial position.

NOTE 7 SEGMENT INFORMATION

Dell conducts operations worldwide and is managed in three geographic segments: the Americas, Europe, and Asia Pacific-Japan regions. The Americas region, which is based in Round Rock, Texas, covers the U.S., Canada, and Latin America. Within the Americas, Dell is further segmented into Business and U.S. Consumer. The Americas Business segment includes sales to corporate, government, healthcare and education customers while the U.S. Consumer segment includes sales primarily to individual consumers. The European region, which is based in Bracknell, England, covers Europe, the Middle East, and Africa. The Asia Pacific-Japan region covers the Pacific Rim, including Australia and New Zealand, and is based in Singapore.

The accounting policies of Dell s reportable segments are the same as those described in the summary of significant accounting policies in its Annual Report on Form 10-K for the fiscal year ended January 30, 2004. Dell allocates resources to and evaluates the performance of its segments based on operating income. Corporate expenses are included in Dell s measure of segment operating income for management reporting purposes. The table below presents information about Dell s reportable segments for the three and six month periods ended July 30, 2004 and August 1, 2003:

	Three Months Ended		Six Months Ended	
	July 30, 2004	August 1, 2003	July 30, 2004	August 1, 2003
	(in millions)			
Net revenue:				
Americas:				
Business	$ 6,404	$5,494	$12,162	$10,459
U.S. Consumer	1,567	1,398	3,305	2,872
Total Americas	7,971	6,892	15,467	13,331
Europe	2,416	1,862	5,069	3,894
Asia Pacific-Japan	1,319	1,024	2,710	2,085
Total net revenue	$11,706	$9,778	$23,246	$19,310
Operating income:				
Americas:				
Business	$ 642	$ 535	$ 1,207	$ 1,033
U.S. Consumer	87	90	183	183
Total Americas	729	625	1,390	1,216
Europe	172	145	370	286
Asia Pacific-Japan	105	70	212	149
Total operating income	$ 1,006	$ 840	$ 1,972	$ 1,651

ITEM 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

This Report contains forward-looking statements that are based on Dell s current expectations. Actual results in future periods may differ materially from those expressed or implied by those forward-looking statements because of a number of risks and uncertainties. For a discussion of factors affecting Dell s business and prospects, see Item 1 Business Factors Affecting Dell s Business and Prospects in Dell s Annual Report on Form 10-K for the fiscal year ended January 30, 2004. All percentage amounts and ratios were calculated using the underlying data in thousands. Unless otherwise noted, all references to industry market share and total market growth data are for personal computers (including desktops, notebooks, and x86 servers) and are based on IDC Worldwide PC Tracker, August 2004. Market share data is for the calendar quarter and all Dell growth rates are on a fiscal year-over-year basis.

Second Quarter Overview

Dell through its direct business model designs, develops, manufactures, markets, sells, and supports a wide range of computer systems and services that are customized to customer requirements. These include enterprise systems (servers, storage and networking products, and workstations), client systems (notebooks and desktops), printers, software and peripherals, and service and support programs. During the second quarter of fiscal 2005, Dell s year-over-year performance continued to outpace the industry. Dell increased its worldwide PC market share by 1.1 points year-over-year, to 18.3% for the calendar quarter, and maintained its position as the world s No. 1 supplier of personal computer systems. Net revenue increased 20% year-over-year to a record $11.7 billion and operating expenses remained at a record low 9.6% of net revenue. During the second quarter, Dell achieved quarterly operating income that exceeded $1.0 billion for the first time, as Dell continues to focus on growth in its most profitable products, regions, and customer segments. During the six months ended July 30, 2004, Dell delivered strong liquidity with cash flows from operations of $1.7 billion and ended the quarter with cash, cash equivalents, and investments of $11.8 billion.

Dell s low-cost structure and efficient direct-to-customer model have enabled the company to consistently achieve year-over-year market share growth while maximizing operating profitability. During the second quarter of fiscal 2005, Dell continued its focus on standards-based technologies and utilized its direct-to-customer model to drive down costs through efficient supply chain management. Dell s model inherently provides cost advantages in manufacturing, operations, and its supply chain. The direct-to-customer model also provides Dell with a constant flow of information about trends in customers plans and requirements. These trends have shown an increased use of standards-based technologies as well as a push towards standardization of services. Unlike proprietary technologies promoted by some of Dell s top competitors, standards-based technologies provide customers with flexibility and choice while allowing their purchasing decisions to be based on performance, cost, and customer service. This is a trend that favors Dell s ability to drive for profitable share growth and extend further into the enterprise.

While the current competitive environment remains challenging, management believes that corporate spending has improved and overall technology spending has stabilized. Management continues to focus on international growth with Dell s Europe and Asia Pacific-Japan segments producing combined year-over-year revenue growth of approximately 30% in each of the past two consecutive quarters.

Results of Operations

The following table summarizes the results of Dell s operations for the three and six months ended July 30, 2004 and August 1, 2003:

	Three Months Ended				Six Months Ended			
	July 30, 2004		August 1, 2003		July 30, 2004		August 1, 2003	
	Dollars	% of Net Revenue	Dollars	% of Net Revenue	Dollars	% of Net Revenue	Dollars	% of Net Revenue
Net revenue	$11,706	100.0%	$9,778	100.0%	$23,246	100.0%	$19,310	100.0%
Gross margin	2,134	18.2%	1,778	18.2%	4,207	18.1%	3,526	18.3%
Operating expenses	1,128	9.6%	938	9.6%	2,235	9.6%	1,875	9.7%
Operating income	1,006	8.6%	840	8.6%	1,972	8.5%	1,651	8.6%
Net income	799	6.8%	621	6.3%	1,530	6.6%	1,219	6.3%

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Net Revenue

Net revenue was a record $11.7 billion for the second quarter of fiscal 2005, an increase of $1.9 billion or 20% from the same quarter last year. Net revenue increased to $23.2 billion for the six months ended July 30, 2004, from $19.3 billion for the six months ended August 1, 2003. The year-over-year increase was led by strong net unit growth across all regions and product lines. Dell s net unit growth continued to outpace the market with consolidated net unit shipments increasing 19% year-over-year while the industry increased only 15% for the calendar quarter. During the quarter, Dell continued to optimize its financial results with a disciplined focus on profitable growth as Dell s average revenue per-unit sold remained relatively constant year-over-year.

Dell s enterprise and notebook product groups continue to carry higher growth rates, compared to desktops, and continue to increase as a percentage of consolidated net revenue. This has been led by an overall shift toward mobile computing and management s focus on extending Dell s enterprise computing capabilities. Net revenue from Dell s enterprise products increased 19% year-over-year during the three and six months ended July 30, 2004. Dell s server business led the increase in enterprise products with revenue growth of approximately 20% during the three and six months ended July 30, 2004. Dell gained 1.5 share points in shipments of x86 servers (based on standard Intel architecture) and strengthened its No. 2 worldwide share position year-over-year to 25.1% for the calendar quarter. In addition, external storage produced year-over-year revenue growth of 13% and 16% during the three and six months ended July 30, 2004, respectively, and continues to be supported by Dell s three-year partnership with EMC Corporation. Dell s continued focus on Dell/EMC storage area network products produced year-over-year revenue growth of 36% during the three months ended July 30, 2004. Dell also launched the new AX100 during the quarter to meet storage area network demand for smaller business enterprises.

In client systems, Dell continues to capitalize on the growth of mobile computing with notebooks producing revenue growth of 18% and 21% during the three and six months ended July 30, 2004, respectively. Desktop net revenue increased by approximately 14% over the same periods.

Dell s enhanced services and support programs continued to produce strong performance with year-over-year revenue growth of 35% during the quarter and 38% during the six months ended July 30, 2004. Software and peripherals year-over-year net revenue growth was 31% and 35% during the three and six months ended July 30, 2004, respectively. Dell s printing and imaging business, launched in early fiscal 2004, is currently the fastest growing product line in Dell s history and is expected to exceed $1.0 billion in net revenue during fiscal 2005.

Dell continues to execute on its international growth strategy with revenue outside the U.S. increasing to 37% of consolidated revenue during the three months ended July 30, 2004, compared to 34% during the same quarter last year. The following table summarizes Dell s net revenue by geographic region:

	Three Months Ended		Six Months Ended	
	July 30, 2004	**August 1, 2003**	**July 30, 2004**	**August 1, 2003**
	(in millions)			
Net revenue:				
Americas:				
Business	$ 6,404	$ 5,494	$ 12,162	$ 10,459
U.S. Consumer	1,567	1,398	3,305	2,872
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Asia Pacific-Japan	1,319	1,024	2,710	2,085
Total net revenue	$ 11,706	$ 9,778	$ 23,246	$ 19,310

Americas Dell increased its No. 1 personal computer market share position year-over-year by approximately 1.9 share points to 33.3% in the U.S. and 1.3 share points to 29.3% in the Americas overall for the calendar quarter. In the U.S., Dell ended the quarter with the No. 1 PC market share position in every customer segment. Year-over-year net unit growth in the Americas was 15% and 17% during the three and six months ended July 30, 2004, respectively, while revenue growth was approximately 16% over the same

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periods. Revenue growth during both the three and six months ended July 30, 2004 was led by strong growth in Dell s small and medium business customer segment and Dell s notebook product group.

In the Americas Business segment, which includes sales to small and medium businesses, government, and corporate accounts, year-over-year net unit growth was 16% and 17% during the three and six months ended July 30, 2004, respectively, while revenue growth was 17% and 16% over the same periods. Desktop revenue led the year-over-year growth while corporate spending has improved.

In the U.S. Consumer segment, which includes sales primarily to individual consumers, year-over-year net unit growth was 9% and 16% during the three and six months ended July 30, 2004, respectively, while revenue growth was 12% and 15% over the same periods. The revenue increase was led primarily by notebooks during the current quarter and printing and imaging during the six months ended July 30, 2004, as Dell continues to increase its printer business.

Europe In Europe, which includes the Middle East and Africa, Dell strengthened its No. 2 share position year-over-year with PC market share gains of approximately 1.4 share points to 12.6% market share for the calendar quarter. This growth was led by the continuing strong performance in the United Kingdom and France. Net unit shipments grew 30% year-over-year during the second quarter while average revenue per-unit sold remained relatively constant. The net unit growth and favorable foreign exchange rates produced year-over-year revenue growth of approximately 30% during both the three and six months ended July 30, 2004.

Asia Pacific-Japan Dell generated year-over-year personal computer market share gains in Asia Pacific-Japan of approximately 1.1 share points to 8.5% market share for the calendar quarter and the No. 2 share position. Net unit shipments grew 28% year-over-year during the second quarter, in a market that increased only 15% for the calendar quarter. Year-over-year net revenue growth during the three and six months ended July 30, 2004 was 29% and 30%, respectively. This increase included combined year-over-year net revenue growth in the focus countries of China and Japan of 21% and 23% during the three and six months ended July 30, 2004, respectively.

Gross Margin

Gross margin as a percentage of net revenue remained constant at 18.2% during the second quarter of fiscal 2005, as compared to the second quarter of fiscal 2004. Gross margin was 18.1% for the six months ended July 30, 2004 and 18.3% during the same period last year. The year-over-year decline in gross margin during the six months ended July 30, 2004 was primarily due to the continued competitive pricing environment and short-term increases in certain component costs during the first quarter of fiscal 2005. Component costs moderated slightly during the second quarter of fiscal 2005 and management expects the component cost environment to improve during the third quarter of fiscal 2005. Dell will continue to adjust its pricing as necessary in response to future competitive and economic conditions in order to execute on its strategy of profitable market share growth. Management believes that the strength of Dell s direct-to-customer business model, as well as its strong liquidity position, makes Dell better positioned than its competitors to gain market share in any business climate.

As part of management s focus on striving to improve margins, Dell remains committed to reducing costs through four primary cost reduction initiatives: manufacturing costs, warranty costs, structural or design costs, and operating expenses. These cost savings initiatives also include providing certain customer technical support and back-office functions from cost-effective locations as well as driving more efficient processes and tools globally. Dell s general practice is to aggressively pass on declines in costs to its customers in order to improve customer value while increasing market share.

Operating Expenses

The following table presents certain information regarding Dell s operating expenses during the periods indicated:

	Three Months Ended				Six Months Ended			
	July 30, 2004		August 1, 2003		July 30, 2004		August 1, 2003	
	Dollars	% of Net Revenue	Dollars	% of Net Revenue	Dollars	% of Net Revenue	Dollars	% of Net Revenue
Selling, general and administrative	$1,008	8.6%	$822	8.4%	$1,999	8.6%	$1,648	8.5%
Research, development and engineering	120	1.0%	116	1.2%	236	1.0%	227	1.2%
Total operating expenses	$1,128	9.6%	$938	9.6%	$2,235	9.6%	$1,875	9.7%

Selling, general and administrative During the three and six months ended July 30, 2004, selling, general and administrative expenses increased in absolute dollars and as a percentage of net revenue, compared to the same periods last year, as Dell continues to invest in global expansion efforts as part of its strategy to profitably gain market share. The increase was mainly due to a resulting greater mix of business outside the U.S., which carries a slightly higher operating expense percentage.

Research, development and engineering Dell continues to invest in research, development, and engineering activities to develop and introduce new products. During the three and six months ended July 30, 2004, research, development, and engineering expenses decreased slightly as a percentage of net revenue, compared to the same quarter last year. The efficiencies are a result of Dell s continued leverage of its streamlined infrastructure and strategic relationships with its vendor partners. Dell expects to continue to invest in research, development, and engineering activity and has received 1,059 U.S. patents and applied for an additional 657 patents as of July 30, 2004.

Investment and Other Income, net

Investment and other income, net, primarily includes interest income and expense, gains and losses from the sale of investments, and foreign exchange transaction gains and losses. Investment and other income, net, remained relatively flat during the second quarter of fiscal 2005, compared to the same quarter last year, and increased slightly for the six months ended July 30, 2004 compared to the same period last year.

Income Taxes

Differences between the effective tax rate and the U.S. federal statutory rate of 35% principally result from Dell s geographical distribution of taxable income and differences between book and tax treatment of certain items. Dell s effective tax rate was 24% for the second quarter of fiscal 2005, as compared to 30% for the same quarter last year. For the six months ended July 30, 2004 and August 1, 2003, Dell s effective tax rate was 26% and 30%, respectively. The decline in Dell s effective tax rate is due to a higher proportion of operating profits that will be attributable to foreign jurisdictions during fiscal 2005, as compared to fiscal 2004. The rate was reduced to 24% in the second quarter to bring the year-to-date rate in-line with the expected annual rate of 26%. Dell expects that its effective tax rate will remain around 26% for the rest of fiscal 2005, but it may continue to decline in future periods as the company s business outside the U.S. in lower tax jurisdictions continues to expand and becomes an increasing portion of operating profits.

Liquidity and Capital Commitments

Liquidity

Dell ended the second quarter of fiscal 2005 with $11.8 billion in cash, cash equivalents, and investments, a year-over-year increase of $1.2 billion from August 1, 2003. Dell invests a large portion of its available cash in highly liquid/highly rated government, agency, and corporate debt securities of varying maturities at the date of acquisition. Dell s investment policy is to manage its investment portfolio to preserve principal and liquidity

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while maximizing the return through the full investment of available funds. The following table summarizes the results of Dell s statement of cash flows for the six months ended July 30, 2004 and August 1, 2003:

	Six Months Ended	
	July 30, 2004	**August 1, 2003**
	(in millions)	
Net cash flow provided by (used in):		
Operating activities	$ 1,705	$ 1,552
Investing activities	(450)	(695)
Financing activities	(1,712)	(677)
Effect of exchange rate changes on cash and cash equivalents	165	224
Net increase (decrease) in cash and cash equivalents	$ (292)	$ 404

Operating Activities Cash provided by operating activities during the six months ended July 30, 2004 was $1.7 billion, as compared to $1.6 billion for the same period last year. Cash flows from operating activities resulted primarily from net income during both periods, which represents Dell s principal source of cash and primarily led the year-over-year increase. In addition to net income, operating cash flows have historically been impacted by improvements in Dell s cash conversion cycle.

Dell s direct model allows the company to maintain an efficient asset management system which is among the leaders in Dell s industry. The following table presents the components of Dell s cash conversion cycle as of July 30, 2004 and January 30, 2004:

	July 30, 2004	**January 30, 2004**
Days of sales outstanding[(a)]	31	31
Days of supply in inventory	4	3
Days in accounts payable	70	70
Cash conversion cycle	(35)	(36)

(a) Days of sales outstanding include the effect of product costs related to in-transit customer shipments that are classified in other current assets. For both the periods ended July 30, 2004 and January 30, 2004, days of sales outstanding included days of sales in accounts receivable and days of in-transit customer shipments of 28 and 3 days.

Dell defers the cost of revenue associated with in-transit customer shipments until they are delivered and revenue is recognized. These deferred costs are included in Dell s reported days of sales outstanding because management believes it illustrates a more conservative and accurate presentation of Dell s days of sales outstanding and cash conversion cycle. These deferred costs are recorded in other current assets in Dell s condensed consolidated statement of financial position and totaled $471 million and $387 million as of July 30, 2004 and January 30, 2004, respectively.

Investing Activities Cash used in investing activities for the six months ended July 30, 2004 was $450 million, as compared to $695 million for the same period last year. Cash used in investing activities principally consists of net purchases of investments and capital expenditures for property, plant and equipment. In addition, during the six months ended August 1, 2003, Dell purchased $190 million of assets that were held in master lease facilities and previously classified as operating leases.

Financing Activities Cash used in financing activities during the six months ended July 30, 2004 was $1.7 billion, as compared to $677 million during the same period last year. Financing activities primarily consist of the repurchase of Dell common stock, partially offset by the issuance of common stock under employee stock plans. Dell repurchased 59 million shares during the six months ended July 30, 2004, compared to 34 million in the same period last year. This increase in share repurchases primarily led the year-over-year increase in cash used in financing activities.

Dell has typically generated annual cash flows from operating activities in amounts greater than net income, driven mainly by its efficient cash conversion cycle. Management currently believes that Dell s fiscal 2005 cash flows from operations will continue to exceed net income and be more than sufficient to support Dell s operations and capital requirements. Dell currently anticipates that it will continue to utilize its strong liquidity and cash flows from operations to repurchase its common stock, invest in systems and processes, invest in the growth of its enterprise products, and make a limited number of strategic equity investments.

Capital Commitments

Dell Financial Services Dell is currently a partner in DFS, a joint venture with CIT. The joint venture allows Dell to provide its customers with various financing alternatives. See Note 6 of Notes to Condensed Consolidated Financial Statements included in Item 1 Financial Statements.

Restricted Cash Pursuant to the joint venture agreement between DFS and CIT, DFS is required to maintain certain escrow cash accounts. Due to the consolidation of DFS during the third quarter of fiscal 2004, $320 million in restricted cash is included in other current assets on Dell s condensed consolidated statement of financial position as of July 30, 2004.

Capital Expenditures Dell spent $216 million on property, plant, and equipment during the six months ended July 30, 2004. Product demand and mix, as well as ongoing efficiencies in operating and information technology infrastructure, influence the level and prioritization of Dell s capital expenditures. Capital expenditures for all of fiscal 2005 are currently expected to be approximately $500 million.

Long Term Debt As of July 30, 2004, Dell had outstanding $200 million in Senior Notes due April 15, 2008 and $300 million in Senior Debentures due April 15, 2028. Concurrent with the issuance of the Senior Notes and Senior Debentures, Dell entered into interest rate swap agreements converting Dell s interest rate exposure from a fixed rate to a floating rate basis to better align the associated interest rate characteristics to its cash and investments portfolio. The interest rate swap agreements have an aggregate notional amount of $200 million maturing April 15, 2008 and $300 million maturing April 15, 2028. The floating rates are based on three month London Interbank Offered Rates (LIBOR) plus 0.41% and 0.79% for the Senior Notes and Senior Debentures, respectively.

Share Repurchases Dell has a share repurchase program that authorizes the purchase of up to 1.25 billion shares of common stock to manage the dilution resulting from shares issued under Dell s employee stock plans. Dell expects to repurchase shares of common stock through a systematic program of open market purchases that will return cash to stockholders and mitigate dilution. During the quarter, Dell repurchased 25 million shares for an aggregate cost of $891 million, see Part II Item 2 Changes in Securities, Use of Proceeds, and Issuer Purchases of Equity Securities . During the six months ended July 30, 2004, Dell repurchased 59 million shares for an aggregate cost of $2.0 billion. Dell evaluates its share repurchase program quarterly and expects share repurchases during the third quarter of fiscal 2005 to be at least $1.1 billion.

Factors Affecting Dell s Business and Prospects

There are numerous factors that affect Dell s business and the results of its operations. These factors include general economic and business conditions; the level of demand for Dell s products and services; the level and intensity of competition in the technology industry and the pricing pressures that have resulted; the ability of Dell to timely and effectively manage periodic product transitions, as well as component availability and cost; the ability of Dell to develop new products based on new or evolving technology and the market s acceptance of those products; the ability of Dell to manage its inventory levels to minimize excess inventory, declining inventory values, and obsolescence; the product, customer, and geographic sales mix of any particular period; Dell s ability to effectively manage its operating costs; and the effect of armed hostilities, terrorism, or public health issues on the economy generally, on the level of demand for Dell s products and services, and on Dell s ability to manage its supply and delivery logistics in such an environment. For a discussion of these and other factors affecting Dell s business and prospects, see Item 1 Business Factors Affecting Dell s Business and Prospects in Dell s Annual Report on Form 10-K for the fiscal year ended January 30, 2004.

ITEM 3. ***Quantitative and Qualitative Disclosures About Market Risk***

For a description of Dell s market risks, see Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Market Risk in Dell s Annual Report on Form 10-K for the fiscal year ended January 30, 2004.

ITEM 4. ***Controls and Procedures***

The management of Dell, with the participation of Dell s Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of Dell s disclosure controls and procedures (as defined in Rule 13a-15(e)

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under the Securities Exchange Act of 1934) as of the end of the period covered by this Report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that Dell s disclosure controls and procedures are effective in enabling Dell to record, process, summarize, and report information required to be included in Dell s periodic SEC filings within the required time period.

In addition, the management of Dell, with the participation of Dell s Chief Executive Officer and Chief Financial Officer, has evaluated whether any change in Dell s internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the period covered by this Report. Based on that evaluation, Dell s Chief Executive Officer and Chief Financial Officer have concluded that there has been no change in Dell s internal control over financial reporting during the period covered by this Report that has materially affected, or is reasonably likely to materially affect, Dell s internal control over financial reporting.

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PART II OTHER INFORMATION

ITEM 1. ***Legal Proceedings***

Dell is subject to various legal proceedings and claims arising in the ordinary course of business. Dell s management does not expect that the outcome in any of these legal proceedings, individually or collectively, will have a material adverse effect on Dell s financial condition, results of operations, or cash flows.

ITEM 2. ***Changes in Securities, Use of Proceeds, and Issuer Purchases of Equity Securities***

Dell has a share repurchase program that authorizes the purchase of common stock to manage dilution resulting from shares issued under Dell s employee stock plans. The following are details on repurchases under this program for the period covered by this Report:

Period	Total Number of Shares Purchased[(a)]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number of Shares that May Yet Be Purchased Under the Announced Plans
	(in millions, except average price paid per share)			
Repurchases from May 1, 2004 through May 28, 2004	6	$35.12	6	156
Repurchases from May 29, 2004 through June 25, 2004	10	35.04	10	146
Repurchases from June 26, 2004 through July 30, 2004	9	35.35	9	137
Total	25	$35.17	25	

(a) All shares were purchased in open-market transactions. Dell s share repurchase program was announced on February 20, 1996 and authorizes the purchase of up to 1.25 billion shares of common stock.

ITEM 4. ***Submission of Matters to a Vote of Security Holders***

The annual meeting of Dell s stockholders was held on July 16, 2004. At that meeting, the following three proposals were submitted to a vote of Dell s stockholders:

(1) Proposal 1 (Election of Directors) A proposal for the election of the persons who will serve as Dell s directors until next year s annual meeting.

(2) Proposal 2 (Ratification of Independent Auditors) A proposal for the ratification of the Audit Committee s selection of PricewaterhouseCoopers as Dell s independent auditors for fiscal 2005.

(3) Proposal 3 (Stockholder Proposal Relating to Expensing Stock Options) A proposal submitted by a Dell stockholder requesting the Board of Directors to establish a policy of expensing stock options.

At the close of business on the record date for the meeting (which was May 21, 2004), there were 2,524,208,466 shares of common stock outstanding and entitled to be voted at the meeting. Holders of

2,271,978,989 shares of common stock (representing a like number of votes) were present at the meeting, either in person or by proxy. The following table sets forth the results of the voting:

Proposal	For	Withheld
1. Election of directors:		
Donald J. Carty	2,215,055,168	56,923,821
Michael S. Dell	2,238,534,438	33,444,551
William H. Gray, III	2,223,955,503	48,023,486
Judy C. Lewent	2,253,926,265	18,052,724
Thomas W. Luce, III	2,216,980,464	54,998,525
Klaus S. Luft	2,252,786,448	19,192,541
Alex J. Mandl	2,245,271,891	26,707,098
Michael A. Miles	2,243,857,391	28,121,598
Samuel A. Nunn, Jr.	2,223,472,872	48,506,117
Kevin B. Rollins	2,231,432,468	40,546,521

	For	Against	Abstain	Broker Non-Votes
2. Ratification of Independent Auditors	2,195,959,036	64,300,986	11,718,966	1
3. Stockholder Proposal Relating to Expensing Stock Options	796,007,212	966,616,232	47,802,605	461,552,940

Proposal 1 (Election of Directors) and Proposal 2 (Ratification of Independent Auditors) each received more than the number of favorable votes required for approval and were therefore duly and validly approved by the stockholders. Proposal 3 (Stockholder Proposal Relating to Expensing Stock Options) failed to receive a sufficient number of favorable votes and, therefore, was rejected by the stockholders.

ITEM 6. ***Exhibits and Reports on Form 8-K***

(a) Exhibits.

31.1	Certification of Kevin B. Rollins, President and Chief Executive Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
31.2	Certification of James M. Schneider, Senior Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934
32.1	Certifications of Kevin B. Rollins, President and Chief Executive Officer, and James M. Schneider, Senior Vice President and Chief Financial Officer, pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K.

On May 13, 2004, Dell filed a current report on Form 8-K reporting that it had issued a press release regarding its financial results for fiscal quarter ended April 30, 2004.

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SIGNATURE

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.

DELL INC.

September 7, 2004

/s/ ROBERT W. DAVIS

Robert W. Davis
Vice President, Corporate Finance
(On behalf of the registrant and as principal accounting officer)

INDEX TO EXHIBITS

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