AMERIVEST PROPERTIES INC
Form SB-2/A
July 10, 2001

As Filed with the Securities and Exchange Commission on July 10, 2001

Registration Number 333-63934

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM SB-2
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

AMERIVEST PROPERTIES INC.
(Name of small business issuer in its charter)

Maryland	6798	84-1240264
(State or jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1780 South Bellaire, Suite 515, Denver, Colorado 80222 (303) 297-1800
(Address and telephone number of principal executive offices)

1780 South Bellaire, Suite 515, Denver, Colorado 80222
(Address of principal place of business or intended principal place of business)

Charles K. Knight, 1780 South Bellaire, Suite 515, Denver, Colorado 80222 (303) 297-1800
(Name, address and telephone number of agent for service)

With copies to:

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [_]

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be Registered	Proposed maximum offering price per unit	Proposed maximum Aggregate offering Price	Amount of Registration fee
Common stock..........	2,300,000 shares(1)	$6.00	$13,800,000	$3,450(2)(3)

(1) Includes 300,000 shares of common stock which may be purchased by the underwriters solely to cover over-allotments, if any.
(2) Calculated in accordance with Rule 457(c) of the Securities Act of 1933 based upon the average of the high and low reported sales prices of the Company's common stock on June 21, 2001 as reported by the American Stock Exchange.

(3) Previously paid.

We hereby amend this registration statement on such date or dates as may be necessary to delay its effective date until we shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 10, 2001

PROSPECTUS

2,000,000 Shares

[LOGO OF AMERIVEST PROPERTIES INC.]

Common Stock

AmeriVest Properties Inc. is offering 2,000,000 shares of common stock in an underwritten offering. Our common stock is listed on the American Stock Exchange under the symbol "AMV." On July 9, 2001, the last reported sale price of our common stock on the American Stock Exchange was $6.00 per share.

The underwriters have an option to purchase up to an additional 300,000 shares of common stock to cover any over-allotments.

Investing in our common stock involves risks. See "Risk Factors" on page 5.

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

The underwriters expect to deliver the shares of common stock to investors on or about , 2001.

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

Ferris, Baker Watts
Incorporated

The date of this prospectus is   , 2001.

[Photo of Sheridan Center building in Denver, Colorado appears here.]

Sheridan Center
Denver, Colorado

[Photo of Sheridan Plaza at Inverness in Englewood, Colorado appears here.]

Sheridan Plaza at Inverness
Englewood, Colorado

[Photo of Panorama Falls building in Englewood, Colorado appears here.]

Panorama Falls Building
Englewood, Colorado

[Photo of Keystone Office Park in Indianapolis, Indiana appears here.]

Keystone Office Park
Indianapolis, Indiana

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with different information. We 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 is accurate as of the date on the front cover of this prospectus only.

PROSPECTUS SUMMARY

The following summary highlights information contained in this prospectus. You should read this entire prospectus carefully, including the "Risk Factors" section, the financial statements and the notes to the financial statements, before investing in our common stock. Unless otherwise indicated, all information in this prospectus assumes that the underwriters will not exercise their over-allotment option. Unless the context otherwise requires, all references to "we," "us," "our company" or "AmeriVest" refer collectively to AmeriVest Properties Inc. and its subsidiaries, considered as a single enterprise.

AmeriVest................. We are a real estate investment trust, or REIT, that owns 22 office properties. We market and lease our properties to small and mid-sized tenants that require modern business technology infrastructure and amenities. Our properties, which include an aggregate of approximately 717,000 rentable square feet, are currently located in Colorado, Texas and Indiana. Properties acquired in the future could be in other areas.

Business Strategy......... We acquire, develop and redevelop multi-tenant office buildings in selected cities with target average tenant sizes of 2,500 to 3,000 square feet. Our experienced management team seeks to increase value for our stockholders and tenants through:

- superior service and tenant relations initiatives;
- office and common area designs, technology features and amenities tailored to smaller tenants; and
- streamlined management procedures, including standardized leases that we believe are fair to both tenants and us.

We believe that the public stock markets for REITs reward a strongly focused strategy and that the office sector receives a relatively higher

	valuation than do many other property classifications. We believe the reason for this is that the demand for office space continues to grow as the economy transitions from manufacturing to service businesses. We believe that our target market of small to mid-sized tenants offers the largest pool of potential tenants. According to data compiled by Cognetics, Inc., a research firm in the area of economic change and new company formation, in 1999, 90% of all U.S. businesses employed fewer than 20 employees. As a result, we believe that a majority of businesses have an average office space requirement of no more than 3,000 square feet.
Management................	Since 1999, all of our properties have been managed under an agreement with Sheridan Realty Advisors, LLC, which also manages our day-to-day operations and assists and advises our Board of Directors with respect to real estate acquisitions and investment opportunities. Currently, Sheridan Realty Advisors does not advise any companies other than AmeriVest. Our executive officers are principals of Sheridan Realty Advisors. Upon termination of the agreement, we have the right to purchase Sheridan Realty Advisors for the nominal amount of $100 plus all

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	unpaid advisory fees. We intend to exercise this option upon termination of the agreement if we believe it would be in our stockholders' best interests to do so.
Major Properties	We own 22 office buildings totaling approximately 717,000 square feet of rentable space. These properties are located in Denver, Colorado, Indianapolis, Indiana, and in a number of smaller cities in Texas. The geographic distribution of our property portfolio by rentable square footage as of June 25, 2001 was 45% in Colorado, 41% in Texas and 14% in Indiana. Our major individual assets are located in Denver and Indianapolis.
	Our largest property, Sheridan Center, consists of three buildings, originally constructed in the late 1960s and early 1970s, totaling 143,582 square feet of rentable space in a prime mid-town Denver location. Since our purchase of this property in September 2000, we have completely renovated two of the three buildings to add amenities that we believe are attractive to small tenants. Sheridan Center embodies much of the technology and design used in the development of Sheridan Plaza at Inverness, which is our second largest property at 118,720 rentable square feet.
	Sheridan Plaza at Inverness, or Sheridan Plaza,

consists of two Class A office buildings that were completed in mid-1999 and that are centered around a landscaped plaza. Sheridan Plaza is located in the Inverness Business Park in Englewood, Colorado. Sheridan Plaza won the National Association of Industrial and Office Properties' Small Office Building of the Year award for the Denver area in 1999, and is currently 100% occupied by 42 tenants. The property features a range of customized design elements such as V-shaped, 15,000 square foot floorplates allowing visibility to all tenant suites from the elevator banks, high-tech common area conference rooms, and distinctive contemporary building materials and finishes.

Our Keystone Office Park, or Keystone, property, in Indianapolis, Indiana, totals 95,914 rentable square feet. Completed in 1986, Keystone is a three-building complex centered around a lake. AmeriVest purchased Keystone in 1999. In keeping with our strategy, we recently completed renovations to attract and retain small office tenants, including new common area carpets and lighting, telecommunications wiring, and exterior cleaning and refurbishing.

We acquired our Panorama Falls building in Englewood, Colorado in May 2000 with the intention of first refurbishing the entire 61,963 rentable square feet and then marketing the building to our target tenant market. However, we received an immediate offer from a national telecommunications company to lease substantially the entire building and executed a long-term lease with them at what we believed to be an attractive return. Built in 1982,

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Panorama Falls is located in Panorama Park, one of the premier business parks in the southeast Denver suburbs. The property features mountain views, a waterfall and mature landscaping and includes a vacant parcel suitable for the construction of an additional 40,000 square foot building.

Recent Dividends .... Since our initial public offering in November 1996, we have paid a dividend each quarter. We have paid the following cash dividends on our common stock with respect to the recent quarters indicated:

Quarter Ended	Dividend Per Share

March 31, 1999..........................	$0.120
June 30, 1999...........................	$0.120
September 30, 1999......................	$0.120
December 31, 1999.......................	$0.120
March 31, 2000..........................	$0.120
June 30, 2000...........................	$0.120
September 30, 2000......................	$0.125
December 31, 2000.......................	$0.125
March 31, 2001..........................	$0.125

The Offering

Common Stock Offered...... 2,000,000 shares

Offering Price............ $ per share

Common Stock Outstanding...............

Prior to the offering: 4,329,688 shares*
After the offering: 6,329,688 shares*

Use of Proceeds............ The net proceeds of this offering will be used for possible property acquisitions, to reduce indebtedness on a short-term basis unless and until the funds are needed for new acquisitions, for capital improvements to our properties, and for working capital.

AMEX Symbol................ Our common stock trades on the American Stock Exchange under the symbol "AMV."

Company Offices............ Our offices are located in our Sheridan Center property at 1780 South Bellaire, Suite 515, Denver, Colorado 80222. Our telephone number is (303) 297-1800.

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* Based on our outstanding common stock as of June 25, 2001. Does not include 331,575 shares of common stock issuable upon the exercise of options and warrants outstanding as of June 25, 2001.

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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 included in this prospectus. Our results of operations for the three months ended March 31, 2001 should not be regarded as indicative of our results for the full fiscal year, and our historical results are not necessarily indicative of our results for any future period.

	Year Ended December 31,				Three Mo Marc	
	2000 Pro Forma(a)	2000	1999	1998	2001 Pro Forma(a)	
	(Unaudited)				(Unaudited)	(
Operating Data:						
Operating revenue.......	$8,953,925	$7,222,437	$5,976,757	$3,816,169	$2,594,530	$
Net operating income....	$4,704,275	$3,490,483	$2,962,202	$1,787,638	$1,457,329	$
Net income (loss).......	$3,464,828(b)	$2,676,724(c)	$ 968,748(d)	$ (317,406)	$1,450,556(e)	$
Weighted average diluted shares................	3,651,203	2,495,919	1,882,232	1,538,403	4,069,946	
Diluted earnings (loss) per share.............	$ 0.95(b)	$ 1.07(c)	$ 0.51(d)	$ (0.21)	$ 0.36(e)	$

	As of December 31,			As of March 31,		
	2000	1999	1998	2001	2001 Pro Forma(a)	2001 Pro F As Adjuste
				(Unaudited)	(Unaudited)	(Unaudite
Balance Sheet Data:						
Net investment in real estate................	$38,922,380	$28,079,446	$22,098,197	$41,444,321	$56,667,058	$56,667,0
Total assets............	$42,363,797	$30,314,458	$23,714,934	$45,001,228	$60,606,418	$71,471,4
Mortgage loans and notes.................	$28,122,856	$22,467,915	$18,861,599	$28,828,554	$40,665,768	$40,665,7
Stockholders' equity....	$11,358,503	$ 6,258,776	$ 3,650,489	$12,011,730	$15,108,473	$25,973,4

(a) This column combines the historical operations of AmeriVest with the historical operations of the Sheridan Plaza property purchased on June 26, 2001, and subtracts the historical operations of our Giltedge office building, which we sold on June 1, 2001, as if both transactions had occurred at the beginning of the periods presented. This does not include any adjustments that would result from the offering of shares described in this prospectus.

(b) Includes a pro forma gain of $3,757,478 ($1.03 per share) recognized on the sale of our four self-storage facilities and our Giltedge office building.
(c) Includes a gain of $2,556,839 ($1.02 per share) recognized on the sale of our four self-storage facilities.
(d) Includes a gain of $720,712 ($0.38 per share) recognized on the sale of our industrial/showroom property.
(e) Includes a pro forma gain of $1,235,042 ($0.30 per share) recognized on the sale of our Giltedge office building.
(f) This column presents the historical financial information of AmeriVest as of March 31, 2001, as adjusted for the sale of our Giltedge office building and the acquisition of Sheridan Plaza, as if both transactions had occurred on March 31, 2001.
(g) This column presents the historical financial information of AmeriVest as

of March 31, 2001, as adjusted for the sale of our Giltedge office building and the acquisition of Sheridan Plaza, and gives effect to the sale of the 2,000,000 shares offered by this prospectus and the application of the net proceeds from that offering, as if these events had occurred on March 31, 2001.

RISK FACTORS

The purchase of shares of our common stock involves a high degree of risk. Before purchasing shares, you should read this entire prospectus and consider the following factors concerning AmeriVest in addition to the other information in this prospectus.

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

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 ours. 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 be a significant impediment to the continuation and development of our business.

Our debt level may have a negative impact on our income and asset value.

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 a result of our use of debt, we will be subject to the risks normally associated with debt financing, including:

- the risk that our cash flow will be insufficient to make required payments of principal and interest;

- the risk that any indebtedness will not be able to be refinanced or to be refinanced on as favorable terms as those of the existing indebtedness, and the risk of a default under the terms of any indebtedness and an acceleration resulting from such default; and

- the required payments on mortgages and on other indebtedness are not reduced if the economic performance of any property declines.

If any such decline occurs, 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, that property could be transferred to the mortgagee with a consequent loss of income and asset value.

We do not have a policy limiting the amount of debt that we may incur. Accordingly, our management and Board of Directors have discretion to increase the amount of our outstanding debt at any time. Our debt to total capitalization ratio of 67% at December 31, 2000 exceeds those normally carried by our competitors and REITs in general. While we believe that our level of leverage is normal for a direct private or institutional investor, our higher 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 high leverage levels also may adversely affect the market value of our stock if we are perceived as more risky than our peers.

We may not be able to pay dividends to our stockholders regularly.

Our ability to pay dividends in the future is dependent on our ability to operate profitably and to generate cash from our operations. Although we have done so in the past, we cannot guarantee that we will be able to pay dividends on a regular quarterly basis in the future.

We may incur tax liabilities as a result of failing to qualify as a REIT.

We believe that we have been organized and operated so as to qualify as a REIT under the Internal Revenue Code of 1986, as amended. However, we cannot assure you that we will continue to be qualified as a REIT. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code

provisions for which there are only limited judicial or administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In addition, legislation, new regulations, administrative interpretations or court decisions may significantly change the requirements for qualification as a REIT or the federal income tax consequences of that qualification.

If we are unable to qualify as a REIT in any taxable year, we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to the regular federal income tax on our taxable income at regular corporate rates and possibly to the alternative minimum tax. Unless we are entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from treatment as a REIT for the four taxable years following the year during which REIT qualification was lost. As a result, the funds available for distribution to our stockholders would be reduced for each of the years involved. In addition, we may incur substantial indebtedness or may liquidate substantial investments in order to pay the resulting federal income tax liabilities if differences in timing exist between the receipt of income and payment of our tax obligations. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us to revoke our REIT election.

We may have to borrow money to make required distributions to our stockholders.

In order to qualify as a REIT, we generally will be required each year to distribute to our stockholders at least 90% of our REIT taxable income, excluding any net capital gains. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by us with respect to any calendar year are less than the sum of 85% of our ordinary income plus 95% of our capital gain net income for that year. We intend to make distributions to our stockholders to comply with the 90% distribution requirement and to avoid the nondeductible excise tax. We may have to borrow funds on a short-term basis to meet the 90% distribution requirement and to avoid the nondeductible excise tax if differences in timing between taxable income and cash available for distribution exist.

Some of our buildings are subject to special income tax considerations which could result in our being required to pay substantial taxes 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 rates on the difference between its fair market value and its adjusted basis at the effective time of our REIT election. Because we used proceeds from a recent sale of an office building in Wisconsin to purchase Sheridan Plaza in an exchange qualifying under Section 1031 of the Internal Revenue Code, we may also be required to hold Sheridan Plaza until 2006 in order to avoid corporate tax upon sale on the appreciation of the exchanged property as of the effective date of our REIT election. By utilizing a property exchange under Section 1031 of the Internal Revenue Code, which allows for the deferral of gain if the proceeds of the sale of investment properties are reinvested in other investment properties in certain circumstances, we may be able to defer the recognition of gain until after the 10-year period expires in 2006 so that we are not subject to the highest applicable corporate rates. If we are subject to the highest corporate rate, the amount of this corporate tax could be substantial. There is a risk that we would not have sufficient cash available to pay the corporate taxes resulting from the sale of these properties. We currently do not intend to sell any property while such a sale would be subject to this corporate tax (other than in an exchange qualifying under Section 1031 of the Internal Revenue Code pursuant to which this tax is not recognized) unless other economic, financial and business consequences of the sale would lead us to believe it would be in our best interests to effect such a sale.

New developments and acquisitions may fail to perform as expected.

Over the last few years, we focused our efforts on the acquisition and redevelopment of multi-tenant office buildings. We intend to continue to develop and acquire office properties on a select basis. 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. 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.

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. The yields available from equity investments in real estate depend on the amount of income and capital appreciation generated by the properties held by the entity in which the investment is made. 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:

. changes in economic conditions;

- 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.

Development and construction risks could adversely affect our profitability.

We currently are renovating and redeveloping some of our properties and may in the future develop new properties. Our renovation, redevelopment, development and related construction activities may be exposed 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 activities.

- We may incur construction costs for a property which exceed our original estimates due to increased costs for materials or labor or other costs that were unexpected.

- We may not be able to obtain financing with 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 a few years for a significant cash return. Because we are required to make cash distributions to our stockholders, if the cash flow from operations or refinancing is not sufficient, we may be forced to borrow to fund such distributions.

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

Currently, our properties are located in Colorado, Indiana and Texas. The market and 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 each of these local markets may be dependent 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 will need to 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.

Due to our target market of tenants seeking 2,500 to 3,000 square feet of office space, we are subject to the increased credit risk of these smaller tenants. Although we maintain a high level of credit quality in our largest office buildings through our control systems, 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 the industries in which our tenants operate may affect their 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 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.

Although our properties currently have favorable occupancy rates, current tenants may not 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. If this occurs, 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. Additionally, new properties we may acquire may not be 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.

Loss of a significant tenant could lead to a substantial decrease in our cash flow.

Although our target market is tenants seeking 2,500 to 3,000 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. In particular, one of our buildings is 84% leased to one tenant, Rhythms NetConnections Inc. through September 30, 2008. In recent filings with the Securities and Exchange Commission, Rhythms' auditors have expressed their concern about Rhythms' ability to continue as a going concern. Rhythms has indicated that it believes that its cash and investment balances as of December 31, 2000, together with anticipated future revenue generated from operations and lease financing proceeds, should be sufficient to fund its operating losses, capital expenditures, lease payments and interest payments into January 2002. As of June 30, 2001, Rhythms was current on all rent obligations. We have a deferred rent receivable from Rhythms in the amount of $329,463 as of May 31, 2001, that represents the effects of recording, for accounting purposes, straight-line rent resulting from a free rent period at the inception of the lease in exchange for Rhythms' providing all tenant improvements. We also hold a security deposit from Rhythms in the amount of $335,000. The loss of Rhythms as a tenant would result in a significant decrease in cash flow if we were not able to lease that space on a timely basis or on comparable or better terms.

In addition, fourteen of our office buildings are leased to 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 that the state legislature fails to appropriate funds necessary to pay the required rents or federally-funded programs housed in one of these buildings are discontinued. 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. In addition, we were not the successful bidder in a recent request by the Texas Department of Human Services for a new lease on our Clint, Texas building. This lease, which provides for an annual gross rent of $125,676, expires on November 30, 2001, and we presently have no other tenants identified for this building.

Sheridan Realty Advisors and its affiliates have significant influence over our company.

Entities affiliated with our advisor and members of our Board of Directors and management who also are affiliated with Sheridan Realty Advisors will collectively beneficially own approximately 24% of our common stock after this offering. As a result, these individuals and entities acting together would be able to exert significant influence over us through their ability to influence the election of directors and all other matters that require action by our stockholders. The voting power of these individuals and entities could have the effect of preventing or delaying a change in control of our company which they oppose even if our other stockholders believe it is in their best interests. In addition, all of our executive officers are principals of Sheridan Realty Advisors and related entities and, thus, these Sheridan affiliates have the ability to influence the day-to-day operations of our company. We have a management agreement with Sheridan Realty Advisors that expires on December 31, 2003 and provides for Sheridan Realty Advisors to manage our properties and day-to-day operations and to advise our Board with respect to acquisition and investment opportunities. We pay fees and incentive compensation to Sheridan Realty Advisors for these services.

The success of our company depends on the continuing contributions of our key personnel.

Through our management agreement with Sheridan Realty Advisors, we have a highly skilled management team and specialized workforce managing our properties. All of our executive officers are principals of Sheridan Realty Advisors and are paid by Sheridan Realty Advisors for their services for our company. Neither we nor Sheridan Realty Advisors has an employment agreement with any of our executive officers or key employees and, thus, any executive officer or key employee may terminate his or her relationship with us or Sheridan at any time. Our management agreement with Sheridan Realty Advisors expires on December 31, 2003, and Sheridan Realty Advisors may decide not to renew the agreement for any reason at such time or following the one-year renewal period. We may exercise our right to purchase the business of Sheridan Realty Advisors upon termination of the agreement for $100 plus any unpaid fees, but we may have lost the services of our management team and the other Sheridan employees who manage our properties.

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 Colorado, Indiana and Texas, 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 obtain construction tradespeople; and
- an unfamiliarity with local government and permitting procedures.

There is limited liquidity in our real estate investments which could limit our flexibility.

Real estate investments are relatively illiquid. Our ability to vary our portfolio in response to changes in economic and other conditions will be limited. We may not be able to dispose of an investment when we find disposition advantageous or necessary, and the sale price of any disposition may not recoup or exceed the amount of our investment. In addition, federal tax laws limit our ability to sell properties that we have owned for fewer than four years, and this may affect our ability to sell properties without adversely affecting returns to our stockholders.

There is a limited market for our common stock which could hinder your ability to sell our shares.

Historically, there has been an extremely limited public market for our common stock. We cannot assure you that the market will be sustained or will expand. Due to the limited trading volume and small capitalization of our common stock, many investors may not be interested in owning our securities because of the higher risks associated with limited trading volume and small market capitalization such as the inability to sell a substantial block of stock at one time without driving down prices. This could have an adverse effect on the market for our common stock. In addition, there is no assurance that an investor will be in a position to borrow funds using our securities as collateral because lenders may be unwilling to accept the pledge of securities having such a limited market.

Our equity market capitalization places us at the extreme low end of market capitalization among all REITs. As a result of our small market capitalization, substantially all of our investors are retail investors. This limits the ability for investors to acquire substantial blocks of our stock. This also places a near-term limit on capital appreciation for our shares if significant stockholders decide to sell.

Our uninsured and underinsured losses could result in loss of value of our properties.

We maintain comprehensive insurance on each of our properties, including liability, fire and extended coverage. We believe this coverage is of the type and amount customarily obtained for or by an owner of real property assets. We intend to obtain similar insurance coverage on subsequently acquired properties. However, there are certain types of losses, generally of a catastrophic nature, such as earthquakes and floods, that may be uninsurable or not economically insurable, as to which our facilities are at risk in their particular locations. Our management will use its discretion in determining amounts, coverage limits and deductibility provisions of insurance, with a view to requiring appropriate insurance on our investments at a reasonable cost and on suitable terms. This may result in our having insurance coverage that, in the event of a substantial loss, would not be sufficient to repay us for the full current market value or current replacement cost. Also, due to inflation, changes in codes and ordinances, environmental considerations, and other factors, it may not be feasible to use insurance proceeds to replace a building after it has been damaged or destroyed.

We may suffer environmental liabilities which could result in substantial costs.

Under various environmental laws, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances, including asbestos-containing materials that are located on or under the property. We currently are remediating asbestos-containing materials as part of the renovation of our Sheridan Center property and have undertaken actions designed to maintain proper air quality in our Mission, Texas building. These laws often impose liability whether the owner or operator knew of, or was responsible for, the presence of those substances. In connection with our ownership and operation of properties, we may be liable for these costs, which could be substantial. Also, our ability to arrange for financing secured by that real property might be adversely affected because of the presence of hazardous or toxic substances or the failure to properly remediate any contamination. In addition, we may be subject to claims by third parties based on damages and costs resulting from environmental contamination at or emanating from our properties. In particular, a lawsuit has been filed against our AmeriVest Properties Texas Inc. subsidiary alleging that our Mission, Texas property is contaminated with mold and other airborne contaminants. This lawsuit, if adversely determined, could have a material adverse effect on our business and financial condition, and we cannot assure you that other lawsuits will not be filed against us with respect to this building.

Non-compliance with the Americans with Disabilities Act could result in fines.

Under the ADA, all public accommodations are required to meet certain federal requirements related to physical access and use by disabled persons. While we believe that our properties comply in all material respects with these physical requirements or would be eligible for applicable exemptions from material

requirements because of adaptive assistance provided, a determination that we are not in compliance with the ADA could result in the imposition of fines or an award of damages to private litigants. If we were required to make modifications to comply with the ADA, our ability to make expected distributions to our stockholders could be adversely affected.

The ability of our stockholders to control our policies or affect a change in control of our company is limited, which may not be in our stockholders' best interests.

Charter and Bylaws Provisions. Some provisions of our charter and bylaws may delay or prevent a change in control of our company or other transactions that could provide our common stockholders with a premium over the then-prevailing market price of our common stock or that might otherwise be in the best interests of our stockholders. These include a staggered board of directors and the ability of our Board of Directors to authorize the issuance of preferred stock without stockholder approval. Also, any future series of preferred stock may have voting provisions that could delay or prevent a change in control or other transaction that might involve a premium price or otherwise be in the best interests of our stockholders.

Ownership Limit. In order to assist us in maintaining our qualification as a REIT, our bylaws contain provisions generally limiting the ownership of shares of our capital stock by any single stockholder to 9.8% of our outstanding shares, unless waived by our Board of Directors. Our Board has waived this restriction in connection with purchases by Jerry Tepper, a director who beneficially owned or controlled 10.6% of our outstanding shares as of June 25, 2001. These provisions could also delay or prevent an acquisition or change in control of our company that could benefit our stockholders.

Maryland Business Statutes. As a Maryland corporation, we are subject to the provisions of the Maryland General Corporation Law. Maryland law imposes restrictions on some business combinations and requires compliance with statutory procedures before some mergers and acquisitions can occur. This may have the effect of discouraging offers to acquire us even if the acquisition would be advantageous to our stockholders.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS AND CAUTIONARY STATEMENTS

This prospectus includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this prospectus, including statements regarding our financial position, business strategy, plans, estimated costs and completion dates for property improvements, and objectives of management for future operations and capital expenditures, are forward-looking statements. Although we believe that the expectations reflected in those forward-looking statements are reasonable, we can give no assurance that those expectations will prove to have been correct.

Additional statements concerning important factors that could cause actual results to differ materially from our expectations are disclosed in this prospectus, including the "Risk Factors" section. All written and oral forward-looking statements attributable to us or persons acting on our behalf subsequent to the date of this prospectus are expressly qualified in their entirety by the cautionary statements.

USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of 2,000,000 shares of our common stock in this offering will be approximately $10.9 million, assuming a public offering price of $6.00 per share, based on the last reported sale price for our common stock on July 9, 2001, and after deducting the estimated underwriting discounts and commissions and our estimated offering expenses. If the underwriters exercise their over-allotment option in full, we estimate that our net proceeds will be approximately $12.5 million.

The largest portion of the net proceeds, approximately $9.7 million, is intended to be used for unidentified property acquisitions that we anticipate will occur during the next 12 months. Prior to consummation of any such new acquisitions, of which there is no assurance, part or all of these funds may be used to reduce indebtedness on a short-term basis. We also may use up to $1.2 million of the proceeds to pay a portion of the costs to complete renovations on our Sheridan Center property and for capital improvements to other properties.

We intend to apply the balance of the net offering proceeds, after the allocations to acquisitions and capital improvements described above, to working capital. A portion of our working capital funds may be used to repay advances under our line of credit facilities with US Bank and Sheridan Investments, LLC. See "Transactions Between AmeriVest and Related Parties--Line of Credit with Sheridan Investments, LLC."

With respect to possible acquisitions, we are targeting multi-tenant office buildings with average tenant sizes of 2,500 to 3,000 square feet located in our identified growth cities. We may purchase these properties for any combination of cash, debt and/or stock. We may obtain additional financing from a bank or other third-party to purchase, rehabilitate or develop some or all of these properties and may refinance the properties at any time. We have not yet identified any specific properties for acquisition and there is no assurance that we will be able to locate appropriate properties or to purchase any such properties on terms we deem to be in our best interests.

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CAPITALIZATION

The following table sets forth (1) our actual, unaudited capitalization as of March 31, 2001 and (2) our capitalization as adjusted to reflect the sale of 2,000,000 shares of common stock in this offering at an assumed public offering price of $6.00 per share, based on the last reported sale price for our common stock on July 9, 2001, and the application of the net proceeds as set forth under "Use of Proceeds," and the issuance of 1,057,346 shares of common stock in connection with our purchase of Sheridan Plaza. 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 included in this prospectus.

	March 31, 2001	
	Actual	Pro Forma As Adjusted
Cash and cash equivalents	$ 1,135,295	$12,113,893
Mortgage loans and notes payable	$28,828,554	$40,665,768
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized; none issued and outstanding	--	--
Common stock, $0.001 par value; 15,000,000 shares authorized; 3,171,381 shares issued and outstanding, actual; 6,228,727 shares issued and outstanding, as adjusted(*)	3,171	6,228
Capital in excess of par value	12,883,985	29,850,955
Distributions in excess of accumulated earnings	(875,426)	(3,883,710)
Total stockholders' equity	12,011,730	25,973,473
Total capitalization	$40,840,284	$66,639,241

(*) Does not include 331,575 shares of common stock issuable upon the exercise of options and warrants outstanding as of June 25, 2001.

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MARKET FOR COMMON EQUITY AND DIVIDENDS

Market Information

Our common stock has traded on the American Stock Exchange under the symbol "AMV" since January 27, 2000. From our initial public offering in November 1996 until our listing on the American Stock Exchange, our common stock traded on the Nasdaq SmallCap Stock Market under the symbol "AMVP." The warrants issued in our initial public offering were traded on the Nasdaq SmallCap Stock Market under the symbol "AMVPW" until November 20, 2000 when they expired without being exercised.

The table below presents the range of high and low sale prices for our common stock during each of the quarters indicated, as reported by the American Stock Exchange and Nasdaq SmallCap Stock Market and the cash dividends per share paid or to be paid with respect to those quarters:

Quarter Ended	Common Stock High	Common Stock Low	Dividend Per Share
March 31, 1999	$4.375	$3.500	$0.120
June 30, 1999	4.750	3.969	0.120
September 30, 1999	5.438	4.000	0.120
December 31, 1999	4.938	3.750	0.120
March 31, 2000	4.750	3.313	0.120
June 30, 2000	4.750	3.875	0.120
September 30, 2000	5.125	4.250	0.125
December 31, 2000	4.875	4.250	0.125
March 31, 2001	5.950	4.250	0.125
June 30, 2001	6.200	4.850	0.125

On July 9, 2001, the closing sale price for our common stock was $6.00 per share, as reported by the American Stock Exchange. On May 10, 2001, there were approximately 800 stockholders of AmeriVest, consisting of 248 holders of record and approximately 550 beneficial owners. The information concerning beneficial owners is based on information provided by brokers and depositories who hold shares in their names on behalf of others.

Dividend Policy

Since our initial public offering in November 1996, we have paid a dividend each quarter. We intend to pay quarterly dividends in the future. We declared a dividend of $0.125 per share payable on July 17, 2001 to stockholders of record on June 29, 2001. 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 any dividends will be paid or that the historical level of dividends will be maintained.

BUSINESS AND PROPERTIES

Overview

AmeriVest Properties Inc. was incorporated in 1993 in the State of Delaware and was reincorporated in 1999 in the State of Maryland. We are a real estate investment trust, or REIT, that owns 22 office properties focused on small to mid-sized tenants. Our properties, which include an aggregate of approximately 717,000 rentable square feet, are currently located in Colorado, Texas and Indiana.

Property Management

All of our properties are managed under an agreement with Sheridan Realty Advisors, LLC, which also manages our day-to-day operations and assists and advises our Board of Directors on real estate acquisitions and investment opportunities. See "Transactions Between AmeriVest and Related Parties--Agreement with Sheridan Realty Advisors, LLC." Sheridan Realty Advisors uses local property management companies to perform the on-site property management activities related to our Texas properties, while Sheridan Realty Advisors performs the accounting and administrative activities for these properties.

Since 1999, we have focused our efforts on specializing in multi-tenant office buildings with an average tenant size of between 2,500 and 3,000 square feet in selected markets. Since 1990, the principals of Sheridan have operated almost exclusively in this property type, and we believe focusing our efforts on these properties will generate higher returns to our stockholders than investing in office buildings generally without this focus. From 1990 to 1999, Sheridan's principals successfully acquired or developed fourteen office properties in Denver, Phoenix, St. Louis, Indianapolis and Dallas. Sheridan's portfolio was largely liquidated by 1999, including the sale of Keystone Office Park in Indianapolis to AmeriVest. Sheridan's total investment in the fourteen properties was approximately $74 million, and the total gain on sale of those properties exceeded $17 million. Many of these assets served the small tenant market that AmeriVest now serves, and through ownership of these assets, the Sheridan management team acquired its substantial expertise in the small tenant market. As detailed further in the "Management" section of this prospectus, most of Sheridan's senior management has worked together for periods of six to ten years.

Recent Acquisitions and Sales

On June 26, 2001, we acquired, effective as of April 1, 2001, Sheridan Plaza at Inverness, LLC, or Inverness LLC. Inverness LLC's assets consist of a fee simple interest in two multi-tenant office buildings, known as Sheridan Plaza at Inverness, located in Englewood, Colorado, and related assets. Sheridan Plaza consists of 118,720 total rentable square feet on approximately 6.7 acres of land with 405 total parking spaces, including 80 underground parking spaces. The total purchase price was approximately $22.7 million, which consisted of:

- approximately $705,000 for our 9.639% preferred membership interest in Sheridan Investments, LLC, the owner of all of the membership interests in Inverness LLC, which we transferred back to Sheridan Investments;

- approximately $6.3 million paid with (1) 1,057,346 shares of our common stock at the agreed rate of $5.55 per share and (2) cash of $458,030;

- assumption of the mortgage in the principal amount of approximately $14.9 million secured by the property; and

- assumption of other liabilities in the approximate amount of $762,000.

On June 1, 2001, we sold our Giltedge building in Appleton, Wisconsin for $3,650,000, resulting in a gain on the sale of $1,149,219 for accounting purposes. We used the $458,030 in cash proceeds from the sale to acquire a portion of Inverness LLC in a Section 1031 exchange.

Properties

At June 25, 2001, we owned and operated 22 office properties in Colorado, Texas and Indiana. Other than as described under "Description of Specific Properties" below, we have no plans to renovate our office properties other than for routine capital maintenance. Given access to capital, we believe we will continue to be able to identify and complete acquisition and development opportunities. The following table sets forth certain information about each of our properties owned as of June 25, 2001:

Property Portfolio

Location	Year Acquired	Rentable Square Footage(a)	Percentage Occupancy at 5/31/2001	Annualized Rent Per Square Foot(b)
Small Tenant Office Buildings				
Denver, CO--Sheridan Center..........	2000	143,582	91.9%	$13.65
Englewood, CO--Sheridan Plaza........	2001	118,720	100.0%	$23.22
Indianapolis, IN--Keystone...........	1999	95,914	91.9%	$16.32
Englewood, CO--Panorama Falls........	2000	61,963	100.0%	$22.89(c)
Bank of America Buildings(d).........	1998	60,305	98.2%	$14.85
Mineral Wells, TX				
Georgetown, TX				
Henderson, TX				
Clifton, TX				
State of Texas Leased Buildings(e)...	1997-1998	237,087	95.2%	$ 8.49
Arlington, Paris, Marshall, Amarillo,				
El Paso, Belleville, Mission, Odessa,				
Clint, Lubbock, Temple, Hempstead and				
Columbus, TX				
Totals............................		717,571	95.5%	$14.89

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

(b) Annualized base rent divided by net rentable area leased. Annualized base rent is original base rent plus contractual increases, but excludes percentage rent, additional rent for common area maintenance, taxes and expense reimbursements and parking.

(c) Includes approximately $7.00 per square foot of estimated expenses because all the expenses are paid by the major tenant.

(d) Buildings leased approximately 63% to Bank of America, with the remainder leased to a number of small to mid-sized tenants.

(e) Buildings leased primarily to various departments of the State of Texas.

Depreciation

The following table shows the federal tax basis as of December 31, 2000 used to determine depreciation for federal income tax purposes on each of our properties that had as of December 31, 2000, or that currently has, a book value in excess of 10% of the total book value of our assets. For federal income tax purposes, depreciation is computed using the straight-line method over a useful life of 39 years (40 years for tax-exempt use property), for a depreciation rate of 2.56% per year (2.50% for tax-exempt use property).

Property	Federal Tax Basis
Sheridan Center, Denver, Colorado	$ 6,332,383
Sheridan Plaza at Inverness, Englewood, Colorado	$19,232,450
Keystone Buildings, Indianapolis, Indiana	$ 8,356,909
Panorama Falls Building, Englewood, Colorado	$ 5,510,251

For accounting purposes, depreciation is determined in accordance with generally accepted accounting principles, which use different bases for the properties and useful lives of 25 years (Sheridan Center) and 40 years (Sheridan Plaza, Keystone and Panorama Falls). See "Notes to Consolidated Financial Statements--Note 1--Summary of Significant Accounting Policies."

Description of Specific Properties

The Sheridan Center buildings (Denver, Colorado), Sheridan Plaza at Inverness (Englewood, Colorado), the Keystone buildings (Indianapolis, Indiana) and the Panorama Falls building (Englewood, Colorado) are our only properties that had as of December 31, 2000, or that currently have, a book value in excess of 10% of the total book value of our assets. The following includes a description of each of these properties.

Sheridan Center. We acquired the Sheridan Center office buildings, formerly known as The Writer Buildings, on August 31, 2000. The project consists of one four-story, one five-story and one eight-story office building on 3.72 acres of land. The buildings total 143,582 rentable square feet and site improvements include parking for approximately 400 cars, including 129 spaces in a separate surface lot. The buildings were built in 1966, 1968 and 1971 and, prior to our renovation, were considered Class C office buildings. When the renovations are completed, we believe that the buildings will be considered Class B office buildings and command higher rental rates.

Sheridan Center is leased to approximately 110 tenants at base rental rates ranging from $8.04 to $17.50 per rentable square foot. The average effective annual rent per square foot for the year ended December 31, 2000 was $12.48. As of June 1, 2001, in place average rent roll was $13.65 per square foot. Lease terms range from approximately one year to five years. Sheridan Realty Advisors leases 2,849 square feet through January 31, 2003 at a base rent of $17.50 per rentable square foot, which increases to $18.00 per square foot in February 2002. We believe that this lease is at current market rates for the property.

We are substantially renovating the buildings at an estimated cost of up to $5.5 million for the period from our acquisition of the buildings in August 2000 through anticipated completion in late 2001. Through May 31, 2001, we have spent approximately $3.1 million on renovations of Sheridan Center. Funds for the renovation expenses are expected to come from working capital, additional proceeds under the US Bank loan secured by this property or a refinancing of the property and up to $1.2 million of the proceeds from this offering.

Exterior improvements include:

- a new exterior facade for each building to tie the buildings together visually;
- a new entry and handicap access ramp; and
- resurfaced parking lots with new landscape and lighting.

Interior improvements include:

- refurbished lobbies and hallways with new carpet and lighting;
- new oak suite entry doors and sidelights;
- new building and suite signage;
- computerized touch-screen building directories;
- keyless entry systems to the building and each suite monitored by computer;
- refurbished bathrooms with new tile, lighting, paint and ADA fixtures;
- a new selection of interior tenant finish packages;
- new fixed and operable thermal windows; and
- improved HVAC systems and new fire safety sprinklers and systems.

As part of the renovation, we embarked on an asbestos remediation program in accordance with state and federal requirements using licensed contractors to remove, wherever accessible or otherwise required, asbestos containing materials in the buildings, including ceiling tiles, drywall joint compound, wood and metal fire doors, wall texture, mudded pipe elbows and valves, thermal systems insulation, floor tile and mastic and boiler insulation. Most of the remediation has been completed except for one building, which is expected to be completed over the next few years as tenants vacate spaces, allowing access to the asbestos materials. The estimated cost of the asbestos remediation is included in the capital improvement budget for Sheridan Center.

The US Bank loan of up to $10.5 million bears interest at a rate equal to LIBOR plus 2.25% (subject to our option to elect non-LIBOR rates) and is due on August 31, 2003. The maturity may be extended under specified conditions, including meeting certain debt service requirements, to August 31, 2004. The US Bank loan is secured by a first mortgage on the Sheridan Center buildings. As of July 9, 2001, approximately $1,196,000 was available for renovation advances under the terms of the loan agreement. The US Bank loan is prepayable without penalty, in whole or in part, at any time during the life of the loan at the expiry of a LIBOR or money market rate borrowing period. We expect to draw down the full amount of the US Bank loan.

The property is located in a central location between downtown Denver and the southeast suburbs along Interstate 25 at Colorado Boulevard. The Colorado Department of Transportation and the Regional Transportation District have announced plans to build a light-rail and highway expansion project on Interstate 25, or I-25, to commence in 2001. The project, which is scheduled to continue through June 2008, is expected to disrupt traffic on I-25 due to lane closures and massive construction along 19 miles of the Interstate adjacent to Sheridan Center and near our Sheridan Plaza and Panorama Falls buildings. Sheridan Center is located north of I-25 on the other side of most of the proposed construction, which allows for alternative access from most metropolitan Denver locations. We believe that the central location of Sheridan Center, together with our focus on tenants whose employees have more flexible work schedules than employees of larger companies, should minimize the adverse impact of the highway construction on occupancy levels and leasing activity at this project.

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The occupancy rate for Sheridan Center at December 31, 2000 was 90%. Occupancy information for prior years, which are before we acquired the property, are not available. The offices are leased to various business entities for general office space purposes and there are no tenants occupying 10% or more of the rentable space. The following is a schedule as of December 31, 2000 of lease expirations for Sheridan Center for the next ten years:

	Number of Leases That Will Expire	Total Area of Expiring Leases	Annual Revenue of Expiring Leases	Percentage of Gross Rents on Expiring Leases
2001	30	26,167	$351,734	19.3%
2002	36	37,994	$511,490	28.0%
2003	35	37,324	$531,944	29.1%
2004	6	9,237	$165,797	9.1%
2005	3	7,940	$110,965	6.1%
2006(1)	5	10,218	$154,324	8.4%

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(1) At December 31, 2000, there were no leases in effect with an expiration date after 2006.

For 2000, the real estate taxes for the Sheridan Center buildings were $103,682, which is equal to 6.7% of the assessed value of the Sheridan Center buildings for real estate tax purposes as determined by the Denver County Assessors Office. We are not able to estimate the possible impact of the renovations to Sheridan Center on future real estate taxes.

Sheridan Plaza at Inverness. As described above under "--Recent Acquisitions and Sales," we acquired all the ownership interests of Inverness LLC effective as of April 1, 2001. Inverness LLC's assets consist primarily of two multi-tenant office buildings, together known as Sheridan Plaza at Inverness, located in Englewood, Colorado, and related assets. These two office buildings consist of approximately 119,000 total rentable square feet on approximately 6.7 acres of land with 405 total parking spaces, including 80 underground parking spaces.

Sheridan Plaza is located within the Inverness Business Park just east of I-25 at County Line Road. We believe that the location of Sheridan Plaza near the southern end of the highway project described above under "--Sheridan Center" could be an advantage in leasing during the highway construction period. Located even further south than the Panorama Falls building described below, Sheridan Plaza is just off the first exit north of the planned construction activity and is easily accessible from all southeast and east metro Denver residential areas. We currently do not have any plans for major capital improvements for Sheridan Plaza. The property must compete with several mid-sized office buildings in the area, including buildings that lease to small to mid-sized tenants and including buildings owned by CarrAmerica and Mack Cali, but there is no dominant owner or building.

Sheridan Plaza was constructed in 1998 and 1999. The occupancy rate for Sheridan Plaza at December 31, 1999 was 61%, and at December 31, 2000 was 100%. Only one tenant, a local law firm, occupies 10% or more of the rentable space. This tenant occupies 12,136 rentable square feet under a direct lease through September 2005 and an additional 2,915 rentable square feet under a sublease through December 2004. The tenant is responsible for its pro-rata share of operating expenses and the leases contain annual base rent escalation provisions. For 2000, the average effective annual rent per square foot for the property was $21.68. The following is a schedule as of December 31, 2000 of lease expirations for the property for the next ten years:

	Number of Leases That Will Expire	Total Area of Expiring Leases	Annual Revenue of Expiring Leases	Percentage of Gross Rents on Expiring Leases
2001...........................	0	0	0	0
2002...........................	6	10,738	$ 254,690	9.3%
2003...........................	7	13,805	$ 329,239	12.0%
2004...........................	14	38,006	$ 878,681	32.0%
2005(1)........................	18	56,171	$1,280,008	46.7%

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(1) At December 31, 2000, there were no leases in effect with an expiration date after 2005.

For 2000, the real estate taxes for Sheridan Plaza were $286,893, which is equal to 10.8% of the assessed value of Sheridan Plaza for real estate tax purposes as determined by the Douglas County Assessors Office.

Keystone Buildings. We acquired the Keystone buildings in Indianapolis, Indiana from Sheridan Realty Partners, L.P., an affiliate of Sheridan Realty Advisors, effective July 1, 1999. The Keystone buildings consist of three twostory multi-tenant office buildings located at 3021, 3077 and 3091 East 98th Street at the intersection of 98th Street and North Keystone Avenue (US 431) in north central Indianapolis, Indiana. These buildings comprise 95,914 total rentable square feet on approximately nine acres of land with 336 surface parking spaces, plus a 1,596 square foot freestanding maintenance building. The Keystone buildings were constructed and completed from 1984 to 1986.

The Keystone buildings are leased to various business entities for general office purposes. The average effective annual rent per square foot for the year ended December 31, 1999, the first year we owned the property, was $14.82, and for the year ended December 31, 2000 was $15.84. We recently completed major capital improvements to the Keystone buildings, including new common area carpets and lighting, an electronic directory system, telecommunications wiring, and exterior cleaning and refurbishing. The Keystone buildings compete with several mid-sized office buildings in the area, including buildings owned by Duke-Weeks Realty Corp., a dominant owner in the Indianapolis market.

The occupancy rate for the Keystone buildings at December 31, 1999 was 99.2%, and at December 31, 2000 was 93.7%. There are no tenants occupying 10% or more of the rentable space. The following is a schedule as of December 31, 2000 of lease expirations for the Keystone buildings for the next ten years:

	Number of Leases That Will Expire	Total Area of Expiring Leases	Annual Revenue of Expiring Leases	Percentage of Gross Rents on Expiring Leases
2001...........................	8	19,409	$289,361	20.3%
2002...........................	9	16,443	$261,790	18.4%
2003...........................	6	9,689	$158,096	11.1%
2004...........................	3	18,966	$303,756	21.3%
2005...........................	4	10,138	$161,658	11.3%
2006(1)........................	2	15,153	$250,025	17.6%

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(1) At December 31, 2000, there were no leases in effect with an expiration date after 2006.

For 2000, the real estate taxes for the Keystone buildings were $114,715, which is equal to 6.9% of the assessed value of the Keystone buildings for real estate tax purposes as determined by the Hamilton County Assessors Office.

Panorama Falls Building. In May 2000, we acquired the Panorama Falls building located at 9085 East Mineral Circle in Englewood, Colorado. The Panorama Falls building consists of a three-story office building with 61,963 rentable square feet on approximately six acres of land. The site improvements include parking for approximately 400 cars, exterior lighting and landscaping and a small waterfall and pond at the main entrance. The building was constructed in 1982 and contains fully built-out office space, common areas with a building conference room, and a mechanical basement area, which contains the air conditioning, electrical and heating systems for the building.

We acquired the Panorama Falls building with the intention to refurbish the building for small tenants, construct an additional building of approximately 40,000 square feet on an adjacent vacant building pad on the property and market the building to our target tenant market. During the acquisition, we received an offer from Rhythms NetConnections, Inc., a national telecommunications company, to lease substantially all of the property. We believed that this offer provided substantially better economics than our proposed renovation plan. Although we had concerns about the profitability and long-term viability of the tenant, we determined that it was in the best interests of our stockholders to lease the building to this tenant and defer the renovation plans to a later date.

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In April 2001, Rhythms stated in its Annual Report on Form 10-K for the year ended December 31, 2000 that it was refocusing its business, reducing its workforce by 450 employees, and hiring an investment banking firm to provide financial advice and to assist it in evaluating strategic alternatives and other possible financial transactions, including a sale of Rhythms, a strategic partnership, a debt or equity financing or restructuring, and/or a recapitalization or other business combination. Rhythms' auditors indicate that there is uncertainty about Rhythms' ability to continue as a going-concern. However, Rhythms stated in its annual report and reiterated in its Quarterly Report on Form 10-Q for the quarter ended March 31, 2001 that it believes that its cash and investment balances as of December 31, 2000 and anticipated future revenue generated from operations and lease financing proceeds should be sufficient to fund its operating losses, capital expenditures, lease payments and interest payments into January 2002 and that significant operating losses are expected to continue, which will require additional financing. In May 2001, Rhythms' common stock was delisted by Nasdaq. Rhythms also announced that it would defer payment of the $5.1 million quarterly dividend on its 6.75 Percent Series F--Cumulative Convertible Preferred Stock. As of June 30, 2001, Rhythms was current on all rent obligations. We have a deferred rent receivable from Rhythms in the amount of $329,463 as of May 31, 2001 that represents the effects of recording, for accounting purposes, straight-line rent resulting from a free rent period at the inception of the lease in exchange for Rhythms' providing all tenant improvements. We also hold a security deposit from Rhythms in the amount of $335,000.

The Panorama Falls building is located in a suburban business park just west of I-25 at Dry Creek Road in southeast metropolitan Denver. The light-rail and highway expansion project discussed previously also will impact the portion of I-25 adjacent to the Panorama Falls building. We believe that the location of this building, near the southern end of the highway project, could be an advantage in leasing if the building becomes available during the highway construction period. Office workers who live in southeast metropolitan Denver, a major residential area, can easily access the Panorama Falls building without traveling on I-25. There is substantial competition from existing buildings, however, many of which are newer than Panorama Falls. Specifically, CarrAmerica, a large office building owner, owns several properties nearby and will compete directly with Panorama Falls.

The occupancy rate for the Panorama Falls building at December 31, 2000 was 100%. Occupancy information for prior years, which are before we acquired the property, are not available. Currently, the Panorama Falls building is 100% leased to two tenants: Comcast Corporation, a cable television company, and Rhythms NetConnections, Inc. The average effective annual rent per square foot for the year ended December 31, 2000 was $15.96. Comcast leases 10,080 square feet through May 24, 2002 at an average rent of $20.50 per square foot and does not have a renewal option. Rhythms leases 51,883 square feet through May 24, 2002 and the entire building (61,693 rentable square feet) from May 25, 2002 through September 30, 2008. In addition, Rhythms pays all operating expenses for the building. The rent per rentable square foot under this lease is $15.00 through July 1, 2007 and $15.50 through September 30, 2008. Rhythms has an option to renew for five years at the then-prevailing fair market rate.

The following is a schedule as of December 31, 2000 of lease expirations for the Panorama Falls building for the next ten years:

	Number of Leases That Will Expire	Total Area of Expiring Leases	Annual Revenue of Expiring Leases	Percentage of Gross Rents on Expiring Leases
2001	0	0	0	0
2002	1	10,080	$206,640	21.0%
2003	0	0	0	0
2004	0	0	0	0
2005	0	0	0	0
2006	0	0	0	0
2007	0	0	0	0
2008(1)	1	61,963	$960,426(2)	100.0%

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(1) At December 31, 2000, there were no leases in effect with an expiration date after 2008.

(2) Net of all building operating expenses, which are paid by tenant.

For 2000, the real estate taxes for the Panorama Falls building were $156,628, which is equal to 11.5% of the assessed value of the Panorama Falls building for real estate tax purposes as determined by the Arapahoe County Assessors Office.

Other Leases

State of Texas Office Building Leases. Fourteen of our office buildings are leased to the State of Texas with primary lease periods ranging from approximately six months to eight years, subject to the right of the State to terminate these leases as discussed in the next paragraph. Most of the leases grant five multiple renewal option periods of three years to five years at the election of the tenant. The Clint, Paris and Amarillo leases are the only leases that expire without additional option periods, in November 2001, August 2002, and August 2003.

Although each of the leases with the State of Texas includes a specific termination date, the State of Texas may terminate a lease at any time that the legislature of the State of Texas fails to appropriate funds necessary to pay required rents, or federally-funded programs housed in one of these office buildings are discontinued. Prior to terminating the lease, the State of Texas may assign another agency to fill or partially fill the rented space, and the lease would be adjusted accordingly. Despite this risk, we have no information that would lead us to believe that the State of Texas is considering any such terminations. If the State of Texas terminates or fails to renew a lease, it may be difficult to locate another tenant in a timely manner or on comparable or better terms, especially for certain buildings in smaller cities or remote locations. Moreover, we were not the successful bidder in a recent request by the Texas Department of Human Services for a new lease proposal on our 12,979 square foot building in Clint, Texas. If the successful bidder is able to construct a new building in accordance with the request for proposal, it is likely that the Department of Human Services will vacate our building and move to that of the successful bidder. The lease expires November 30, 2001, although we believe that it is likely the tenant will request an extension to accommodate the construction schedule for its new building. We presently have no other tenants identified for this building. The annual gross rent paid by the Department of Human Services for the Clint building is $125,676 per year.

Bank of America Building Leases. Approximately 63% of four buildings consolidated as the "Bank of America Buildings" are leased to Bank of America on a long-term basis, with the primary leases expiring July 20, 2012. The leases with Bank of America provide for automatic rent increases every three years at a predetermined rate. They also provide for multiple renewal option periods for Bank of America. The other leases in the Bank of America buildings are with smaller tenants and range from one year to five years in length.

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Property Improvements

We currently intend to spend up to $5 million for capital improvements, including tenant finish, on our properties during 2001. This amount is in addition to amounts that will be expended for routine maintenance and repairs with a specific focus on the renovations to the Sheridan Center in Colorado. Up to $1.2 million of this amount is expected to be funded from the proceeds of this offering, with the remainder funded from working capital and additional borrowing.

Mortgages and Promissory Notes

Substantially all of our properties are secured by mortgages. The following is a summary of our indebtedness, including mortgage debt:

Description of Indebtedness	Outstanding Balance at December 31, 2000
Note payable to Key Bank National Association. Interest at the LIBOR rate plus 2.20% is due monthly. Beginning July 1, 2001, monthly payments of principal of $5,585 and interest based on a 25-year amortization are due through June 1, 2002, at which time the remaining principal and accrued interest are due. This note may be prepaid at any time without premium or penalty upon the expiration of any applicable LIBOR borrowing period. The note is secured by a mortgage on the Panorama Falls building.............	$ 5,119,830
Note payable to US Bank National Association. Interest at the LIBOR rate plus 2.25% (subject to our option to elect non-LIBOR rates) is due monthly, with the principal balance and any accrued interest due on August 31, 2003. The note may be extended to August 31, 2004 if specified conditions are met and is secured by a mortgage on Sheridan Center. This note may be prepaid at any time without premium or penalty upon the expiration of any applicable LIBOR borrowing period...............................	7,342,522

Note payable to Anchor Bank. Fixed interest at 7.75%, due in monthly installments of $22,925 based on a 30-year amortization through June 1, 2008, at which time a balloon payment of $2,797,181 would have been due had we not sold the Giltedge building on June 1, 2001. This note was secured by a mortgage on the Giltedge building until the note was paid in full upon the sale of the building on June 1, 2001............................	3,125,484
Note payable to Jefferson Pilot. Fixed interest at 9.0%, due in monthly installments of $17,095 through May 1, 2013. This note may be prepaid after March 31, 2003 but only if prepaid in full. A prepayment premium is required, which declines by 1% per year from 6% in the first year prepayment is allowed down to 1%. This note is secured by a mortgage on four office buildings primarily leased to Bank of America.......................................	1,530,945
Note payable to Security Life of Denver Insurance Company. Interest at 8.00%, due in monthly installments of $37,626 through May 1, 2022. The lender can call the outstanding balance due on June 1, 2007, June 1, 2012 or June 1, 2017. This note may be prepaid in full with a prepayment premium equal to the greater of 1% of the outstanding loan amount or the excess of the present value of the remaining principal and interest payments discounted at the interest rate of the closest U.S. Treasury obligation for the remaining term. This note is secured by a mortgage on the Keystone buildings.........................	4,620,712
Note payable to Security Life of Denver Insurance Company. Interest at 8.63%, due in monthly installments of $4,403 through May 1, 2022. The lender can call the outstanding balance due on June 1, 2007, June 1, 2012 or June 1, 2017. This note may be prepaid in full with a prepayment premium equal to the greater of 1% of the outstanding loan amount or the excess of the present value of the remaining principal and interest payments discounted at the interest rate of the closest U.S. Treasury obligation for the remaining term. This note is secured by a mortgage on the Keystone buildings...	515,108
Note payable to Transatlantic Capital Company, LLC. Fixed interest at 7.66%, due in monthly installments of $42,612 through July 1, 2028, with the final balance of principal and unpaid interest due on August 1, 2028. This note may be prepaid on or after July 1, 2008 without penalty and may be defeased after July 13, 2002 by providing non-callable U.S. government obligations in an amount sufficient to meet all interest and principal payments due under the note. This note is secured by a mortgage on the State of Texas buildings, except our Odessa property, which is not encumbered...	5,868,255
TOTAL..	$28,122,856

In connection with the acquisition of Sheridan Plaza, we assumed the mortgage encumbering that property. This mortgage, with a balance of $14,975,000 at December 31, 2000, is payable to Teachers Insurance and Annuity Association of America and is due January 10, 2006 with principal and interest (totaling $108,835) payable monthly with unpaid principal due at maturity. The loan carries interest fixed at 7.9% per year. This note may not be prepaid, but may be defeased after January 2003 by providing non-callable U.S. government obligations in an amount sufficient to meet all interest and principal payments due under the note.

Under our loan agreement with Transatlantic Capital Company, LLC, we maintain capital improvement and tenant improvement reserves in connection with the State of Texas leased buildings. As of May 31, 2001, the total amount of these reserves was $447,377. Through May 31, 2001, we have incurred and paid for capital and tenant finish improvements in excess of the amount of these reserves and intend to draw down these reserves in accordance with the loan agreement.

We also have a revolving line of credit with US Bank National Association. We may borrow up to $300,000 at an interest rate equal to the US Bank prime rate plus 1% due monthly, with the principal balance and any unpaid accrued interest due on January 31, 2002. The note is secured by a second mortgage on Sheridan Center and a negative pledge on the assets of AmeriVest Buildings Texas Inc., which owns the buildings primarily leased to Bank of America. As of June 18, 2001, we have drawn all $300,000 available under this line.

In addition, on June 13, 2001, we established a $500,000 short-term unsecured line of credit with Sheridan Investments with an interest rate equal to the prime lending rate of US Bank, and with all outstanding principal and any unpaid accrued interest due on June 13, 2002. As of July 9, 2001, $400,000 had been borrowed from this facility.

Insurance

We believe that each of our properties is adequately covered by insurance under a blanket policy providing coverage for liability, fire and extended coverage. However, there are certain types of losses that may be uninsurable or not economically insurable. For more information on risks related to insurance, see "Risk Factors--Our uninsured and underinsured losses could result in loss of value of our properties."

Competition

The business of managing, leasing and operating office buildings is competitive and we compete for tenants with other office buildings, including buildings owned by larger companies with more financial and other resources available to them. This competition could limit our ability to lease our properties, increase or maintain rental rates, or secure attractive investment opportunities. We will need to compete for tenants based on rental rates, attractiveness and location of a property, and quality of maintenance and management services. We believe that our niche focus on multi-tenant office buildings with smaller average tenant sizes will improve our ability to compete. Competitive conditions relating specifically to Sheridan Center, Sheridan Plaza, the Keystone buildings, and the Panorama Falls building are described above under "Description of Specific Properties."

Employees

As of June 30, 2001, we had no direct employees. At that date, Sheridan Realty Advisors had 32 employees who spent the majority of their time on our business. This includes five senior executives, as well as 27 administrative, support, and property management personnel.

Environmental Matters

Under various federal, state and local laws and regulations, an owner or operator of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on that property. These laws often impose such liability regardless of whether the owner caused or knew of the presence of hazardous

or toxic substances and regardless of whether the storage of those substances was in violation of a tenant's lease. Furthermore, the costs of remediation or removal of those substances may be substantial, and the presence of hazardous or toxic substances, or the failure to promptly remediate those substances, may adversely affect the owner's ability to sell the property or to borrow money using the property as collateral. In connection with the ownership and operation of the properties, we may be potentially liable for such costs.

We have obtained an environmental assessment of each of our properties. These environmental assessments have not revealed any environmental conditions that management believes will subject us to material liability. In addition, we have not been, nor do we have knowledge that any of the previous owners of the properties have been, notified by any governmental authority of any material noncompliance, liability or claim relating to hazardous or toxic substances or other environmental substances in connection with any of the properties. Although we have obtained environmental assessments of the properties, and although we are not aware of any notifications by any governmental authority of any material noncompliance, it is possible that our assessments do not reveal all environmental liabilities or that there are material environmental liabilities of which we are unaware.

After the acquisition of the Sheridan Center buildings, we embarked on an asbestos remediation program in accordance with applicable federal and state requirements, using licensed contractors to remove, wherever accessible or otherwise required, asbestos-containing materials in the buildings, including ceiling tiles, drywall joint compound, wood and metal fire doors, wall texture, mudded pipe elbows and valves, thermal systems insulation, floor tile and mastic and boiler insulation. Most of the remediation has been completed, except for one building, which is expected to be completed over the next few years as tenants vacate spaces, allowing access to the asbestos materials. Through May 31, 2001, we have spent $194,906 on asbestos remediation. We may spend an additional $250,000 over the next ten years to remediate tenant spaces as they become vacant.

Legal Proceedings

On June 14, 2001, a lawsuit was filed in the District Court, Hidalgo County, Texas against Innerarity Austin, Inc., a Nevada corporation, and our AmeriVest Properties Texas, Inc. subsidiary by Laura Smith alleging that the defendants were negligent and breached various duties in allowing our Mission, Texas building to be contaminated with mold and other airborne contaminants while leasing the premises to the plaintiff's employer, the Texas Department of Human Services. Innerarity Austin, Inc. was the previous owner of the property. The plaintiff alleges that due to the acts and omissions of the defendants, she has suffered serious and some permanent injuries and severe physical and mental pain. The plaintiff seeks monetary and other relief, including exemplary damages, in excess of $50,000, and pre-judgment and post-judgment interest as provided by law, costs of the lawsuit and such other relief to which the plaintiff may be justly entitled. We have not yet responded to this lawsuit. This lawsuit, if adversely determined, could have a material adverse effect on our business and financial condition, and we cannot assure you that other lawsuits will not be filed against us with respect to this building. We previously hired consultants to examine the air quality in this building and replaced the air conditioning units. We also have undertaken other actions designed to maintain proper air quality in the building.

Policies and Objectives with Respect to Our Activities

The following is a discussion of our policies with respect to investment, financing and other activities. The policies with respect to these activities have been determined by our Board of Directors and, although our Board currently does not contemplate any changes to these policies, our Board may change these policies without a vote or other approval of stockholders.

Acquisition, Development and Investment Policies

Our business and growth strategies are designed to maximize total return to stockholders over the medium- and long-term with a niche property type and geographic focus. Our current policies contemplate the possibility of:

. direct ownership of real estate properties, including ownership through wholly-owned subsidiaries, focusing on office properties with average tenant sizes of between 2,500 and 3,000 square feet;

. indirect participation in those types of properties through investments in corporations, business trusts, general partnerships, limited partnerships, joint ventures and other legal entities; and

. development and acquisition of unimproved property or the acquisition and conversion of existing structures.

At the present time, all of our existing and contemplated investments in real estate properties are held through direct ownership. Generally, we intend to hold our properties for the long term. However, we may sell properties when we believe the economic benefits, including the income tax consequences, warrant such action. Our long-term view is to focus on multi-tenant office buildings in select cities and dispose of non-core assets and property types when economically and operationally feasible.

Although we have no formal policy as to the allocation of assets among our investments, we generally intend to limit investment in a single property to a maximum of 25% of our total assets. We expect to fund future development and acquisitions utilizing funds from additional indebtedness, future offerings of our securities, sale or exchange of existing properties, and retained cash flow. We believe our capital structure is advantageous because it permits us to acquire additional properties by issuing equity securities in whole or in part as consideration for the acquired properties. In order to maintain our qualification as a REIT, we must make annual distributions to our stockholders of at least 90% of our REIT taxable income, which does not include net capital gains. This requirement may impair our ability to use retained cash flow for future acquisitions.

Financing Policies

We intend to make additional investments in properties and may incur indebtedness to make those investments or to meet the distribution requirements imposed by the REIT provisions of the Internal Revenue Code to the extent that cash flow from our operations, investments and working capital is insufficient. Additional indebtedness incurred by us may be secured by part or all of our real estate properties. Our Board of Directors has placed no limitations on the number or amount of secured indebtedness or mortgages that may be placed on any one of our properties.

Secured indebtedness incurred by us may be in the form of purchase money obligations to the sellers of properties, or publicly or privately placed debt instruments or financing from banks, institutional investors or other lenders. This indebtedness may be recourse to all or any part of our assets, or may be limited to the particular property to which the indebtedness relates. The proceeds from any borrowings by us may be used for, among other things, refinancing existing indebtedness, financing development and acquisition of properties, financing renovation or redevelopment of properties, the payment of dividends, and working capital.

If our Board of Directors decides to raise additional equity capital, our Board has the authority, generally without stockholder approval and provided we have sufficient authorized shares, to issue additional common stock or preferred stock in any manner, and on such terms and for such consideration, as our Board deems appropriate, including in exchange for property. Existing stockholders have no preemptive right to purchase shares issued in any offering, and any such offering might cause a dilution of a stockholder's investment in us.

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STRATEGIC PLAN

Focus on Multi-Tenant Office Buildings in Target Growth Cities

After the acquisition of the Keystone buildings and the addition of two Sheridan principals to our Board of Directors in 1999, we evaluated our existing real estate portfolio and elected to re-focus our efforts on the acquisition and development of multi-tenant office buildings with an average tenant size of between 2,500 and 3,000 square feet in select cities. In addition, we elected to pursue the sale of our non-office building assets, which at the time included one industrial and four self-storage properties. As of December 31, 2000, all our assets were office buildings.

The Case for an Office Focus

We believe the public equity markets for REITs reward a strongly focused strategy and that the office sector receives a relatively higher valuation than do other property types. We believe the reason for this is that the demand for office space has continued to grow as the economy has transitioned from manufacturing to service businesses. We believe that demand will continue in our target markets of small to mid-sized tenants. Though much has been written recently about the "New Economy" characterized by information technology, in fact this transition to a knowledge-based economy has occurred steadily since the turn of the century. According to Cognetics, Inc., a leading research firm in the area of economic change and new company formation, the percentage of "white collar"/service employment rose from 27% in 1900 to more than 65% by 1980.

The Case for Small Tenants

Within the growing office sector, we believe that a niche focus on properties with small average tenant sizes is appropriate due to the positive "corporate demographics" of small firms. According to data compiled by Cognetics included in the 2000 Corporate Almanac, there were more than eight million companies in the U.S. economy in 1999. Of these firms, 98% of them employed fewer than 100 employees, and in 1999 this 98% employed almost 45% of all workers. Assuming each office worker occupies the national average of 150 square feet, these firms each require less than 15,000 square feet of office space. This research further reveals that in 1999, 90% of U.S. businesses employed fewer than 20 employees, indicating an average office space requirement of no more than 3,000 square feet.

We believe that this small tenant market is traditionally underserved by most office landlords. Through both new development, as in the Sheridan Plaza project developed by our advisor, and redevelopment of existing properties, as in the Sheridan Center project, we believe that we bring a level of amenities to the small tenant that usually only larger tenants enjoy. For example, tenants in our largest buildings enjoy a keyless entry card system to allow secure access 24 hours a day to their individual suites, as well as use (for a nominal fee) of common area conference rooms with the latest telecommunications equipment. 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. 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 telecom providers, and tenants can elect to use the building's centralized server and local area network as its own computer system, with 24 hour, seven day a week, support from third party providers. We operate our multi-tenant buildings under a "no-hassle" leasing philosophy, using a standard simplified lease of only eleven pages that has been designed for fairness to both tenant and landlord. This lease greatly reduces negotiation time and allows the tenant to move into its space earlier and with less aggravation than is usual in the leasing process.

The two frequently cited concerns about the small and mid-sized tenant office market are its perceived high level of credit risk and management intensity. As explained below, we believe that both these concerns are overstated, and can be addressed by proper staffing and management systems tailored to this tenant base. We believe that these perceived risks are higher than the actual risks and, thus, provide an effective deterrent for competition and an attractive opportunity for us.

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Regarding credit risk, we maintain a high level of credit quality in our largest office buildings through accounting and collection systems that flag any late payments and rigorously impose late payment penalty charges. Eviction action will be quickly taken if a tenant does not make timely lease payments. These control systems are centralized in our Denver headquarters, and monitored by an experienced accounting staff with many years of service with Sheridan Realty Advisors, our advisor. We believe that we can maintain and improve this high level of credit quality in all our properties.

We also believe that, based on our experience, the issue of management intensity may be largely a matter of mind-set. Middle market tenants may be viewed as problematic primarily because most property managers are accustomed to giving priority to the large users. With our deliberate focus on small to mid-sized users, we bring a positive, service-oriented mentality to our tenants.

Our largest buildings (Sheridan Center, Keystone and Sheridan Plaza) staff an on-site "Tenant Relations Manager" whose job description is to interface regularly with all tenants and maximize tenant retention. There also is a building engineer assigned to these properties to deal with physical maintenance. The Tenant Relations Manager, unlike a conventional property manager, does not have responsibility for the physical operation of a building, but rather is solely dedicated to tenant issues with a singular focus on tenant retention. The Tenant Relations Manager personifies our service-oriented mentality and is available to resolve minor tenant service complaints before they develop into major issues.

Our Tenant Relations Managers report directly to a senior manager in the Denver headquarters, providing direct and regular feedback on tenant concerns. We believe that, as we acquire additional buildings of a size sufficient to support a Tenant Relations Manager, we will improve our tenant retention rates over those of our competitors. Over time, we believe that smaller tenants actually are less demanding than large tenants, who use their economic leverage not only in initial lease negotiations but throughout their tenancy as well.

AmeriVest Growth Cities

Within the niche of multi-tenant properties with smaller average tenant size, we have elected to narrow our focus even further by generally restricting our acquisition or development activities to buildings or projects containing at least 100,000 square feet, unless adding to an existing metropolitan portfolio, within target cities where we hope to build meaningful multi-property portfolios over the short- and medium-term. In order to employ our management resources in the most efficient manner, these target cities were selected to be within a two-hour travel radius by air from our Denver headquarters. The target cities also had to be large enough in total office square footage to offer the possibility of multiple acquisitions and liquidity in the event of a desired sale and had to have a high concentration of firms of fewer than 20 employees as derived from the Cognetics data discussed previously. Using a minimum of 45 million square feet of total office space (this number includes both single-tenant and multi-tenant properties), and at least 89% of firms under 20 employees, the top ten cities (ranked in order of projected ten-year growth) within our targeted geographic range as of 1997 were as follows:

1. Phoenix, AZ
2. Salt Lake City, UT
3. San Francisco, CA
4. San Diego, CA
5. Denver, CO
6. Minneapolis, MN
7. San Antonio, TX
8. Indianapolis, IN
9. Dallas, TX
10. Houston, TX

We believe that the geographic logic of these proposed cities is strong. Sheridan has experience owning and managing properties in both Phoenix and Dallas, as well as AmeriVest's current activities in Denver and Indianapolis.

SELECTED FINANCIAL INFORMATION

The selected consolidated financial data set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," our consolidated financial statements and the related notes, and the other information included in this prospectus. The selected financial data for each of the three years in the period ended December 31, 2000 is derived from the consolidated financial statements of AmeriVest, which have been audited by Arthur Andersen LLP for the year ended December 31, 2000 and by Wheeler Wasoff, P.C. for the years ended December 31, 1999 and 1998, each of whom are independent certified accountants. The selected financial data for the three months ended March 31, 2001 and 2000 is derived from our unaudited consolidated financial statements. The selected data provided below is not necessarily indicative of the future results of operations or financial performance of AmeriVest, and our results for the three months ended March 31, 2001 are not necessarily indicative of our results for the year ending December 31, 2001.

	Year Ended December 31,				Three Mo
	2000 Pro Forma(a)	2000	1999	1998	2001 Pro Forma(a)
	(Unaudited)				(Unaudited)
Operating Data:					
Operating revenue......	$ 8,953,925	$ 7,222,437	$ 5,976,757	$ 3,816,169	$ 2,594,530
Net operating income...	$ 4,704,275	$ 3,490,483	$ 2,962,202	$ 1,787,638	$ 1,457,329
Net income (loss)......	$ 3,464,828(b)	$ 2,676,724(c)	$ 968,748(d)	$ (317,406)	$ 1,450,556(
Weighted average diluted shares........	3,651,203	2,495,919	1,882,232	1,538,403	4,069,946
Diluted earnings (loss) per share............	$ 0.95(b)	$ 1.07(c)	$ 0.51(d)	$ (0.21)	$ 0.36(
Other Data:					
Funds from operations (FFO)(f):					
Net income (loss)......	$ 3,464,828	$ 2,676,724	$ 968,748	$ (317,406)	$ 1,450,556
Depreciation and amortization..........	1,532,375	1,205,795	1,033,450	751,592	412,844
Share of depreciation of unconsolidated affiliate............	--	59,635	--	--	--
Gain on sale of real estate................	(3,757,478)	(2,556,839)	(720,712)	--	(1,235,042)
Expenses associated with debt refinancing..........	--	--	--	321,178	--
Total FFO..........	$ 1,239,725	$ 1,385,315	$ 1,281,486	$ 755,364	$ 628,358
Net cash flow from operating activities..		$ 2,439,916	$ 1,557,743	$ 473,048	
Net cash flow from investing activities..		(15,005,789)	(384,953)	(2,425,617)	
Net cash flow from financing activities..		13,154,513	(1,155,770)	2,294,551	
Net increase (decrease) in cash and cash equivalents..........		$ 588,640	$ 17,020	$ 341,982	

	As of December 31,			As of March 31,	
	2000	1999	1998	2001	2001 Pro Forma(g)
				(Unaudited)	(Unaudited)
Balance Sheet Data:					
Net investment in real estate................	$38,922,380	$28,079,446	$22,098,197	$41,444,321	$56,667,058
Total assets...........	$42,363,797	$30,314,458	$23,714,934	$45,001,228	$60,606,418
Mortgage loans and notes.................	$28,122,856	$22,467,915	om" style ="">-100.00%$1.50-85.00%		

50.00-50.00%$6.50-35.00%
80.00-20.00%$9.50-5.00%
85.00(2)-15.00%$10.000.00%
90.00-10.00%$10.000.00%
94.00-6.00%$10.000.00%
97.00-3.00%$10.000.00%
100.00(1)0.00%$13.00(3)30.00%
102.002.00%$13.0030.00%
105.005.00%$13.0030.00%
110.0010.00%$13.0030.00%
120.0020.00%$13.0030.00%
130.00(4)30.00%$13.0030.00%
140.0040.00%$14.0040.00%
143.0043.00%$14.3043.00%
150.0050.00%$15.0050.00%
160.0060.00%$16.0060.00%

(1) The **hypothetical** Starting Value of 100 used in these examples has been chosen for illustrative purposes only. The actual Starting Value is 2,774.88, which was the closing level of the Market Measure on the pricing date.
(2) This is the **hypothetical** Threshold Value.
(3) This amount represents the sum of the principal amount and the Step Up Payment of $3.00.
(4) This is the **hypothetical** Step Up Value.

Autocallable Market-Linked Step Up Notes
Linked to the S&P 500® Index, due February 28, 2025

Redemption Amount Calculation Examples

Example 1

The Ending Value is 75.00, or 75.00% of the Starting Value:

Starting Value: 100.00
Threshold Value: 85.00
Ending Value: 75.00

Redemption Amount per unit

Example 2

The Ending Value is 95.00, or 95.00% of the Starting Value:

Starting Value: 100.00
Threshold Value: 85.00
Ending Value: 95.00

Redemption Amount per unit **= $10.00***, the principal amount, since the Ending Value is less than the Starting Value, but is equal to or greater than the Threshold Value.*

Example 3

The Ending Value is 110.00, or 110.00% of the Starting Value:

Starting Value: 100.00
Step Up Value: 130.00
Ending Value: 110.00

Redemption Amount per unit, *the principal amount plus the Step Up Payment, since the Ending Value is equal to or greater than the Starting Value, but less than the Step Up Value.*

Example 4

The Ending Value is 143.00, or 143.00% of the Starting Value:

Starting Value: 100.00
Step Up Value: 130.00
Ending Value: 143.00

Redemption Amount per unit

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Risk Factors

There are important differences between the notes and a conventional debt security. An investment in the notes involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the notes in the Risk Factors sections beginning on page PS-7 of product supplement EQUITY INDICES SUN-1, page S-4 of the Series A MTN prospectus supplement, and page 7 of the prospectus identified above. We also urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

If the notes are not automatically called, depending on the performance of the Index as measured shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal.

Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity.

Payments on the notes are subject to our credit risk, and the credit risk of BAC, and actual or perceived changes in our or BAC's creditworthiness are expected to affect the value of the notes. If we and BAC become insolvent or are unable to pay our respective obligations, you may lose your entire investment.

If the notes are called, your investment return, is limited to the return represented by the applicable Call Premium.

Your investment return may be less than a comparable investment directly in the stocks included in the Index.

We are a finance subsidiary and, as such, will have limited assets and operations.

BAC's obligations under its guarantee of the notes will be structurally subordinated to liabilities of its subsidiaries

The notes issued by us will not have the benefit of any cross-default or cross-acceleration with other indebtedness of BofA Finance or BAC; events of bankruptcy or insolvency or resolution proceedings relating to BAC and covenant breach by BAC will not constitute an event of default with respect to the notes.

The initial estimated value of the notes considers certain assumptions and variables and relies in part on certain forecasts about future events, which may prove to be incorrect. The initial estimated value of the notes is an estimate only, determined as of a particular point in time by reference to our and our affiliates' pricing models. These pricing models consider certain assumptions and variables, including our credit spreads and those of BAC, BAC's internal funding rate on the pricing date, mid-market terms on hedging transactions, expectations on interest rates and volatility, price-sensitivity analysis, and the expected term of the notes. These pricing models rely in part on certain forecasts about future events, which may prove to be incorrect.

The public offering price you pay for the notes exceeds the initial estimated value. If you attempt to sell the notes prior to maturity, their market value may be lower than the price you paid for them and lower than the initial estimated value. This is due to, among other things, changes in the level of the Index, BAC's internal funding rate, and the inclusion in the public offering price of the underwriting discount and the hedging related charge, all as further described in Structuring the Notes beginning on page TS-16. These factors, together with various credit, market and economic factors over the term of the notes, are expected to reduce the price at which you may be able to sell the notes in any secondary market and will affect the value of the notes in complex and unpredictable ways.

The initial estimated value does not represent a minimum or maximum price at which we, BAC, MLPF&S or any of our other affiliates would be willing to purchase your notes in any secondary market (if any exists) at any time. The value of your notes at any time after issuance will vary based on many factors that cannot be predicted with accuracy, including the performance of the Index, our and BAC's creditworthiness and changes in market conditions.

A trading market is not expected to develop for the notes. None of us, BAC or MLPF&S is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in any secondary market.

BAC and its affiliates' hedging and trading activities (including trades in shares of companies included in the Index) and any hedging and trading activities BAC or its affiliates engage in that are not for your account or on your behalf, may affect the market value and return of the notes and may create conflicts of interest with you.

The Index sponsor may adjust the Index in a way that affects its level, and has no obligation to consider your interests.

You will have no rights of a holder of the securities represented by the Index, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.

While BAC and our other affiliates may from time to time own securities of companies included in the Index, except to the extent that BAC's common stock is included in the Index, we, BAC and our other affiliates do not control any company included in the Index, and have not verified any disclosure made by any other company.

There may be potential conflicts of interest involving the calculation agent, which is an affiliate of ours. We have the right to appoint and remove the calculation agent.

The U.S. federal income tax consequences of the notes are uncertain, and may be adverse to a holder of the notes. See Summary Tax Consequences below and U.S. Federal Income Tax Summary beginning on page PS-28 of product supplement EQUITY INDICES SUN-1.

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The Index
All disclosures contained in this term sheet regarding the Index, including, without limitation, its make-up, method of calculation, and changes in its components, have been derived from publicly available sources. The information reflects the policies of, and is subject to change by, S&P Dow Jones Indices LLC (the Index sponsor). The Index sponsor, which licenses the copyright and all other rights to the Index, has no obligation to continue to publish, and may discontinue publication of, the Index. The consequences of the Index sponsor discontinuing publication of the Index are discussed in the section entitled Description of the Notes Discontinuance of an Index on page PS-22 of product supplement EQUITY INDICES SUN-1. None of us, BAC, the calculation agent, or MLPF&S accepts any responsibility for the calculation, maintenance, or publication of the Index or any successor index.
The Index is intended to provide an indication of the pattern of common stock price movement. The calculation of the level of the Index is based on the relative value of the aggregate market value of the common stocks of 500 companies as of a particular time compared to the aggregate average market value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943.
Eleven main groups of companies constitute the Index, with the approximate percentage of the market capitalization of the Index included in each group as of January 31, 2019 indicated in parentheses: Information Technology (19.9%); Health Care (15.1%); Financials (13.5%); Communication Services (10.3%); Consumer Discretionary (10.1%); Industrials (9.5%); Consumer Staples (7.2%); Energy (5.5%); Utilities (3.2%); Real Estate (3.0%) and Materials (2.7%). The Index sponsor may from time to time, in its sole discretion, add companies to, or delete companies from, the Index to achieve the objectives stated above.
As of the close of business on September 21, 2018, S&P and MSCI, Inc. updated the Global Industry Classification Sector (GICS) structure. Among other things, the update broadened the Telecommunications Services sector and renamed it the Communication Services sector. The renamed sector includes the previously existing Telecommunication Services Industry group, as well as the Media Industry group, which was moved from the Consumer Discretionary sector and renamed the Media & Entertainment Industry group. The Media & Entertainment Industry group contains three industries: Media, Entertainment and Interactive Media & Services. The Media industry continues to consist of the Advertising, Broadcasting, Cable & Satellite and Publishing sub-industries. The Entertainment industry contains the Movies & Entertainment sub-industry (which includes online entertainment streaming companies in addition to companies previously classified in such industry prior to September 21, 2018) and the Interactive Home Entertainment sub-industry (which includes companies previously classified in the Home Entertainment Software sub-industry prior to September 21, 2018 (when the Home Entertainment Software sub-industry was a sub-industry in the Information Technology sector), as well as producers of interactive gaming products, including mobile gaming applications). The Interactive Media & Services industry and sub-industry includes companies engaged in content and information creation or distribution through proprietary platforms, where revenues are derived primarily through pay-per-click advertisements, and includes search engines, social media and networking platforms, online classifieds and online review companies. The GICS structure changes were effective for the Index as of the open of business on September 24, 2018 to coincide with the September 2018 quarterly rebalancing.
The Index sponsor calculates the Index by reference to the prices of the constituent stocks of the Index without taking account of the value of dividends paid on those stocks. As a result, the return on the notes will not reflect the return you would realize if you actually owned the Index constituent stocks and received the dividends paid on those stocks.

Computation of the Index

While the Index sponsor currently employs the following methodology to calculate the Index, no assurance can be given that the Index sponsor will not modify or change this methodology in a manner that may affect the Redemption Amount.
Historically, the market value of any component stock of the Index was calculated as the product of the market price per share and the number of then outstanding shares of such component stock. In March 2005, the Index sponsor began shifting the Index halfway from a market capitalization weighted formula to a float-adjusted formula, before moving the Index to full float adjustment on September 16, 2005. The Index sponsor’s criteria for selecting stocks for

the Index did not change with the shift to float adjustment. However, the adjustment affects each company's weight in the Index.
Under float adjustment, the share counts used in calculating the Index reflect only those shares that are available to investors, not all of a company's outstanding shares. Float adjustment excludes shares that are closely held by control groups, other publicly traded companies or government agencies.
In September 2012, all shareholdings representing more than 5% of a stock's outstanding shares, other than holdings by block owners, were removed from the float for purposes of calculating the Index. Generally, these control holders will include officers and directors, private equity, venture capital and special equity firms, other publicly traded companies that hold shares for control, strategic partners, holders of restricted shares, ESOPs, employee and family trusts, foundations associated with the company, holders of unlisted share classes of stock, government entities at all levels (other than government retirement/pension funds) and any individual person who controls a 5% or greater stake in a company as reported in regulatory filings. However, holdings by block owners, such as depositary banks, pension funds, mutual funds and ETF providers, 401(k) plans of the company, government retirement/pension funds, investment funds of insurance companies, asset managers and investment funds, independent foundations and savings and investment plans, will ordinarily be considered part of the float.
Treasury stock, stock options, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. Shares held in a trust to allow investors in countries outside the country of domicile, such as depositary shares and Canadian

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exchangeable shares are normally part of the float unless those shares form a control block. If a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class are treated as a control block.

For each stock, an investable weight factor (IWF) is calculated by dividing the available float shares by the total shares outstanding.

Available float shares are defined as the total shares outstanding less shares held by control holders. This calculation is subject to a 5% minimum threshold for control blocks. For example, if a company's officers and directors hold 3% of the company's shares, and no other control group holds 5% of the company's shares, the Index sponsor would assign that company an IWF of 1.00, as no control group meets the 5% threshold. However, if a company's officers and directors hold 3% of the company's shares and another control group holds 20% of the company's shares, the Index sponsor would assign an IWF of 0.77, reflecting the fact that 23% of the company's outstanding shares are considered to be held for control. As of July 31, 2017, companies with multiple share class lines are no longer eligible for inclusion in the Index. Constituents of the Index prior to July 31, 2017 with multiple share class lines will be grandfathered in and continue to be included in the Index. If a constituent company of the Index reorganizes into a multiple share class line structure, that company will remain in the Index at the discretion of the S&P Index Committee in order to minimize turnover.

The Index is calculated using a base-weighted aggregate methodology. The level of the Index reflects the total market value of all component stocks relative to the base period of the years 1941 through 1943. An indexed number is used to represent the results of this calculation in order to make the level easier to work with and track over time. The actual total market value of the component stocks during the base period of the years 1941 through 1943 has been set to an indexed level of 10. This is often indicated by the notation 1941- 43 = 10. In practice, the daily calculation of the Index is computed by dividing the total market value of the component stocks by the index divisor. By itself, the index divisor is an arbitrary number. However, in the context of the calculation of the Index, it serves as a link to the original base period level of the Index. The index divisor keeps the Index comparable over time and is the manipulation point for all adjustments to the Index, which is index maintenance.

Index Maintenance

Index maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructuring or spinoffs. Some corporate actions, such as stock splits and stock dividends, require changes in the common shares outstanding and the stock prices of the companies in the Index, and do not require index divisor adjustments.

To prevent the level of the Index from changing due to corporate actions, corporate actions which affect the total market value of the Index require an index divisor adjustment. By adjusting the index divisor for the change in market value, the level of the Index remains constant and does not reflect the corporate actions of individual companies in the Index. Index divisor adjustments are made after the close of trading and after the calculation of the Index closing level.

Changes in a company's shares outstanding of 5.00% or more due to mergers, acquisitions, public offerings, tender offers, Dutch auctions, or exchange offers are made as soon as reasonably possible. Share changes due to mergers or acquisitions of publicly held companies that trade on a major exchange are implemented when the transaction occurs, even if both of the companies are not in the same headline index, and regardless of the size of the change. All other changes of 5.00% or more (due to, for example, company stock repurchases, private placements, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participation units, at-the-market offerings, or other recapitalizations) are made weekly and are announced on Fridays for implementation after the close of trading on the following Friday. Changes of less than 5.00% are accumulated and made quarterly on the third Friday of March, June, September, and December, and are usually announced two to five days prior.

If a change in a company's shares outstanding of 5.00% or more causes a company's IWF to change by five percentage points or more, the IWF is updated at the same time as the share change. IWF changes resulting from partial tender offers are considered on a case by case basis.

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The following graph shows the daily historical performance of the Index in the period from January 1, 2008 through February 21, 2019. We obtained this historical data from Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg L.P. On the pricing date, the closing level of the Index was 2,774.88.

Historical Performance of the Index

This historical data on the Index is not necessarily indicative of the future performance of the Index or what the value of the notes may be. Any historical upward or downward trend in the level of the Index during any period set forth above is not an indication that the level of the Index is more or less likely to increase or decrease at any time over the term of the notes.

Before investing in the notes, you should consult publicly available sources for the levels of the Index.

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The notes are not sponsored, endorsed, sold or promoted by S&P Dow Jones Indices LLC, Dow Jones, S&P or any of their respective affiliates (collectively, S&P Dow Jones Indices). S&P Dow Jones Indices make no representation or warranty, express or implied, to the holders of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly or the ability of the Index to track general market performance. S&P Dow Jones Indices' only relationship to MLPF&S with respect to the Index is the licensing of the Index and certain trademarks, service marks and/or trade names of S&P Dow Jones Indices and/or its third party licensors. The Index is determined, composed and calculated by S&P Dow Jones Indices without regard to us, MLPF&S, or the notes. S&P Dow Jones Indices have no obligation to take our needs, BAC's needs or the needs of MLPF&S or holders of the notes into consideration in determining, composing or calculating the Index. S&P Dow Jones Indices are not responsible for and have not participated in the determination of the prices, and amount of the notes or the timing of the issuance or sale of the notes or in the determination or calculation of the equation by which the notes are to be converted into cash. S&P Dow Jones Indices have no obligation or liability in connection with the administration, marketing or trading of the notes. There is no assurance that investment products based on the Index will accurately track index performance or provide positive investment returns. S&P Dow Jones Indices LLC and its subsidiaries are not investment advisors. Inclusion of a security or futures contract within an index is not a recommendation by S&P Dow Jones Indices to buy, sell, or hold such security or futures contract, nor is it considered to be investment advice. Notwithstanding the foregoing, CME Group Inc. and its affiliates may independently issue and/or sponsor financial products unrelated to the notes currently being issued by us, but which may be similar to and competitive with the notes. In addition, CME Group Inc. and its affiliates may trade financial products which are linked to the performance of the Index. It is possible that this trading activity will affect the value of the notes.

S&P DOW JONES INDICES DO NOT GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS AND/OR THE COMPLETENESS OF THE INDEX OR ANY DATA RELATED THERETO OR ANY COMMUNICATION, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATION (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P DOW JONES INDICES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS, OR DELAYS

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Supplement to the Plan of Distribution; Conflicts of Interest

Under our distribution agreement with MLPF&S, MLPF&S will purchase the notes from us as principal at the public offering price indicated on the cover of this term sheet, less the indicated underwriting discount.

MLPF&S, a broker-dealer subsidiary of BAC, is a member of the Financial Industry Regulatory Authority, Inc. (FINRA) and will participate as selling agent in the distribution of the notes. Accordingly, offerings of the notes will conform to the requirements of Rule 5121 applicable to FINRA members. MLPF&S may not make sales in this offering to any of its discretionary accounts without the prior written approval of the account holder.

We will deliver the notes against payment therefor in New York, New York on a date that is greater than two business days following the pricing date. Under Rule 15c6-1 of the Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The notes will not be listed on any securities exchange. In the original offering of the notes, the notes will be sold in minimum investment amounts of 100 units. If you place an order to purchase the notes, you are consenting to MLPF&S acting as a principal in effecting the transaction for your account.

MLPF&S may repurchase and resell the notes, with repurchases and resales being made at prices related to then-prevailing market prices or at negotiated prices, and these will include MLPF&S’s trading commissions and mark-ups. MLPF&S may act as principal or agent in these market-making transactions; however, it is not obligated to engage in any such transactions. At MLPF&S’s discretion, for a short, undetermined initial period after the issuance of the notes, MLPF&S may offer to buy the notes in the secondary market at a price that may exceed the initial estimated value of the notes. Any price offered by MLPF&S for the notes will be based on then-prevailing market conditions and other considerations, including the performance of the Index and the remaining term of the notes. However, neither we nor any of our affiliates is obligated to purchase your notes at any price, or at any time, and we cannot assure you that we or any of our affiliates will purchase your notes at a price that equals or exceeds the initial estimated value of the notes.

The value of the notes shown on your account statement will be based on MLPF&S’s estimate of the value of the notes if MLPF&S or another of our affiliates were to make a market in the notes, which it is not obligated to do. That estimate will be based upon the price that MLPF&S may pay for the notes in light of then-prevailing market conditions and other considerations, as mentioned above, and will include transaction costs. At certain times, this price may be higher than or lower than the initial estimated value of the notes.

Structuring the Notes

The notes are our debt securities, the return on which is linked to the performance of the Index. The related guarantees are BAC's obligations. As is the case for all of our and BAC's respective debt securities, including our market-linked notes, the economic terms of the notes reflect our and BAC's actual or perceived creditworthiness at the time of pricing. In addition, because market-linked notes result in increased operational, funding and liability management costs to us and BAC, BAC typically borrows the funds under these types of notes at a rate that is more favorable to BAC than the rate that it might pay for a conventional fixed or floating rate debt security. This rate, which we refer to in this term sheet as BAC's internal funding rate, is typically lower than the rate BAC would pay when it issues conventional fixed or floating rate debt securities. This generally relatively lower internal funding rate, which is reflected in the economic terms of the notes, along with the fees and charges associated with market-linked notes, resulted in the initial estimated value of the notes on the pricing date being less than their public offering price.

Payments on the notes, including the amount you receive at maturity or upon an automatic call, will be calculated based on the performance of the Index and the $10 per unit principal amount. . In order to meet these payment obligations, at the time we issue the notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) with MLPF&S or one of our other affiliates. The terms of these hedging arrangements are determined by seeking bids from market participants, including MLPF&S and its affiliates, and take into account a number of factors, including our and BAC's creditworthiness, interest rate movements, the volatility of the Index, the tenor of the notes and the tenor of the hedging arrangements. The economic terms of the notes and their initial estimated value depend in part on the terms of these hedging arrangements

MLPF&S has advised us that the hedging arrangements will include a hedging related charge of approximately $0.075 per unit, reflecting an estimated profit to be credited to MLPF&S from these transactions. Since hedging entails risk and may be influenced by unpredictable market forces, additional profits and losses from these hedging arrangements may be realized by MLPF&S or any third party hedge providers.

For further information, see Risk Factors—General Risks Relating to the Notes beginning on page PS-7 and Use of Proceeds on page PS-17 of product supplement EQUITY INDICES SUN-1.

MLPF&S Reorganization

The current business of MLPF&S is being reorganized into two affiliated broker-dealers: MLPF&S and a new broker-dealer, BofAML Securities, Inc. (BofAMLS). MLPF&S will be assigning its rights and obligations as selling agent for the notes under our distribution agreement to BofAMLS effective on the Transfer Date . Effective on the Transfer Date, BofAMLS will be the new legal entity for the institutional services that are now provided by MLPF&S. As such, beginning on the Transfer Date, the institutional services currently being provided by MLPF&S, including acting as selling agent for the notes, acting as calculation agent for the notes, acting as principal or agent in secondary market-making transactions for the notes, estimating the value of the notes using pricing models, and entering into hedging arrangements with respect to the notes, are expected to be provided by BofAMLS. Accordingly, references to MLPF&S in this term sheet as such references relate to MLPF&S's institutional services, such as those described above, should be read as references to BofAMLS to the extent these services are to be performed on or after the Transfer Date.

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Summary Tax Consequences

You should consider the U.S. federal income tax consequences of an investment in the notes, including the following:

There is no statutory, judicial, or administrative authority directly addressing the characterization of the notes.
You agree with us (in the absence of an administrative determination, or judicial ruling to the contrary) to characterize and treat the notes for all tax purposes as a callable single financial contract with respect to the Index.
Under this characterization and tax treatment of the notes, a U.S. Holder (as defined beginning on page 50 of the prospectus) generally will recognize capital gain or loss upon maturity or upon a sale, exchange, or redemption of the notes prior to maturity. This capital gain or loss generally will be long-term capital gain or loss if you held the notes for more than one year.
No assurance can be given that the IRS or any court will agree with this characterization and tax treatment.
Under current Internal Revenue Service guidance, withholding on dividend equivalent payments (as discussed in the product supplement), if any, will not apply to notes that are issued as of the date of this term sheet unless such notes are delta-one instruments.

You should consult your own tax advisor concerning the U.S. federal income tax consequences to you of acquiring, owning, and disposing of the notes, as well as any tax consequences arising under the laws of any state, local, foreign, or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws. You should review carefully the discussion under the section entitled U.S. Federal Income Tax Summary beginning on page PS-28 of product supplement EQUITY INDICES SUN-1. In addition, any reference to Morrison & Foerster LLP in the aforementioned tax discussions in product supplement EQUITY INDICES SUN-1 should be read as a reference to Sidley Austin LLP.

Validity of the Notes

In the opinion of McGuireWoods LLP, as counsel to BofA Finance and BAC, when the trustee has made an appropriate entry on Schedule 1 to the Master Registered Global Note dated November 4, 2016 that represents the notes (the Master Note) identifying the notes offered hereby as supplemental obligations thereunder in accordance with the instructions of BofA Finance, and the notes have been delivered against payment therefor as contemplated in this pricing supplement and the related prospectus, prospectus supplement and product supplement, all in accordance with the provisions of the indenture governing the notes and the related guarantee, such notes will be legal, valid and binding obligations of BofA Finance, and the related guarantee will be the legal, valid and binding obligations of BAC, subject, in each case, to the effects of applicable bankruptcy, insolvency (including laws relating to preferences, fraudulent transfers and equitable subordination), reorganization, moratorium and other similar laws affecting creditors' rights generally, and to general principles of equity. This opinion is given as of the date of this pricing supplement and is limited to the laws of the State of New York and the Delaware Limited Liability Company Act and the Delaware General Corporation Law (including the statutory provisions, all applicable provisions of the Delaware Constitution and reported judicial decisions interpreting the foregoing) as in effect on the date hereof. In addition, this opinion is subject to customary assumptions about the trustee's authorization, execution and delivery of the indenture governing the notes and due authentication of the Master Note, the validity, binding nature and enforceability of the indenture governing the notes and the related guarantee with respect to the trustee, the legal capacity of individuals, the genuineness of signatures, the authenticity of all documents submitted to McGuireWoods LLP as originals, the conformity to original documents of all documents submitted to McGuireWoods LLP as copies thereof, the authenticity of the originals of such copies and certain factual matters, all as stated in the letter of McGuireWoods LLP dated August 23, 2016, which has been filed as an exhibit to the Registration Statement of BofA Finance and BAC relating to the notes and the related guarantees initially filed with the Securities and Exchange Commission on August 23, 2016.

Sidley Austin LLP, New York, New York, is acting as counsel to MLPF&S and as special tax counsel to BofA Finance and BAC.

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Where You Can Find More Information

We and BAC have filed a registration statement (including a product supplement, a prospectus supplement, and a prospectus) with the SEC for the offering to which this term sheet relates. Before you invest, you should read the Note Prospectus, including this term sheet, and the other documents relating to this offering that we and BAC have filed with the SEC, for more complete information about us, BAC and this offering. You may get these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, we, any agent, or any dealer participating in this offering will arrange to send you these documents if you so request by calling MLPF&S toll-free at 1-800-294-1322.

Market-Linked Investments Classification

MLPF&S classifies certain market-linked investments (the Market-Linked Investments) into categories, each with different investment characteristics. The following description is meant solely for informational purposes and is not intended to represent any particular Enhanced Return Market-Linked Investment or guarantee any performance.

Enhanced Return Market-Linked Investments are short- to medium-term investments that offer you a way to enhance exposure to a particular market view without taking on a similarly enhanced level of market downside risk. They can be especially effective in a flat to moderately positive market (or, in the case of bearish investments, a flat to moderately negative market). In exchange for the potential to receive better-than market returns on the linked asset, you must generally accept market downside risk and capped upside potential. As these investments are not market downside protected, and do not assure full repayment of principal at maturity, you need to be prepared for the possibility that you may lose all or part of your investment.