CARRAMERICA REALTY CORP
Form DEFM14A
June 01, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

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CarrAmerica Realty Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

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1) Title of each class of securities to which transaction applies:

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2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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1850 K Street, N.W.

Washington, D.C. 20006

June 1, 2006

Dear stockholder,

You are cordially invited to attend a special meeting of stockholders of CarrAmerica Realty Corporation to be held on Tuesday, July 11, 2006 at 1:00 p.m. Eastern time. The special meeting will take place at The Willard Intercontinental Hotel, Crystal Ballroom, 1401 Pennsylvania Avenue, N.W., Washington, D.C. At the special meeting, we will ask you to approve the merger of CarrAmerica Realty Corporation with and into Nantucket Acquisition Inc., which we refer to as the merger, the Agreement and Plan of Merger, dated as of March 5, 2006, among CarrAmerica Realty Corporation, certain of its subsidiaries and affiliates of The Blackstone Group, which we refer to as the merger agreement, and the other transactions contemplated by the merger agreement. If the merger is completed, you, as a holder of shares of our common stock, will be entitled to receive $44.75 in cash, without interest and less any applicable withholding taxes, in exchange for each share you own, as more fully described in the enclosed proxy statement.

After careful consideration, our board of directors approved the merger, the merger agreement and the other transactions contemplated by the merger agreement, and has declared the merger, the merger agreement and the other transactions contemplated by the merger agreement advisable and in the best interests of CarrAmerica Realty Corporation and our stockholders. **Our board of directors recommends that you vote FOR the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.**

The merger, the merger agreement and the other transactions contemplated by the merger agreement must be approved by the affirmative vote of holders of at least two-thirds of the outstanding shares of our common stock that are entitled to vote at the special meeting. The proxy statement accompanying this letter provides you with more specific information concerning the special meeting, the merger, the merger agreement and the other transactions contemplated by the merger agreement. We encourage you to read carefully the enclosed proxy statement, including the exhibits. You may also obtain more information about CarrAmerica Realty Corporation from us or from documents we have filed with the Securities and Exchange Commission.

Your vote is very important regardless of the number of shares of our common stock that you own. Whether or not you plan to attend the special meeting, we request that you cast your vote by either completing and returning the enclosed proxy card as promptly as possible or submitting your proxy or voting instructions by telephone or Internet. The enclosed proxy card contains instructions regarding voting. If you attend the special meeting, you may continue to have your shares voted as instructed in the proxy, or you may withdraw your proxy at the special meeting and vote your shares in person. If you fail to vote by proxy or in person, or fail to instruct your broker on how to vote, it will have the same effect as a vote against approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.

Thank you for your cooperation and continued support.

Very truly yours,

Thomas A. Carr
Chief Executive Officer and Chairman of the Board of Directors

This proxy statement is dated June 1, 2006 and is first being mailed, along with the attached proxy card, to our stockholders on or about June 5, 2006.

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1850 K Street, N.W.

Washington, D.C. 20006

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD JULY 11, 2006

Dear stockholder:

You are cordially invited to attend a special meeting of the stockholders of CarrAmerica Realty Corporation on Tuesday, July 11, 2006, beginning at 1:00 p.m. Eastern time, at The Willard Intercontinental Hotel, Crystal Ballroom, 1401 Pennsylvania Avenue, N.W., Washington, D.C. The special meeting is being held for the purpose of acting on the following matters:

1. to consider and vote on a proposal to approve the merger of CarrAmerica Realty Corporation with and into Nantucket Acquisition Inc., which we refer to as the merger, the Agreement and Plan of Merger, dated as of March 5, 2006, by and among CarrAmerica Realty Corporation, CarrAmerica Realty Operating Partnership, L.P., Carr Realty Holdings, L.P., CarrAmerica Realty, L.P., Nantucket Parent LLC, Nantucket Acquisition Inc., Nantucket CRH Acquisition L.P. and Nantucket CAR Acquisition L.P., which we refer to as the merger agreement, pursuant to which each share of our common stock will be converted into the right to receive $44.75 in cash in the merger, without interest and less any applicable withholding taxes, and the other transactions contemplated by the merger agreement;

2. to consider and vote on a proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the special meeting to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement; and

3. to consider any other business that properly comes before the special meeting or any adjournments or postponements of the special meeting.

After careful consideration, our board of directors approved the merger, the merger agreement and the other transactions contemplated by the merger agreement, and has declared the merger, the merger agreement and the other transactions contemplated by the merger agreement advisable and in the best interests of CarrAmerica Realty Corporation and our stockholders. Our board of directors recommends that you vote FOR the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement and FOR the approval of any adjournments of the special meeting for the purpose of soliciting additional proxies.

All holders of record of our common stock and our 7.50% Series E cumulative redeemable preferred stock, or Series E preferred stock, as of the close of business on the record date, which was May 22, 2006, are entitled to receive notice of and attend the special meeting or any postponements or adjournments of the special meeting. However, only holders of our common stock at the close of business on the record date are entitled to vote at the special meeting or any postponements or adjournments of the special meeting. The vote of our Series E preferred stockholders is not required to approve the merger, the merger agreement or any of the other transactions contemplated by the merger agreement, or any adjournments of the special meeting for the purpose of soliciting additional proxies, and is not being solicited.

The merger, the merger agreement and the other transactions contemplated by the merger agreement must be approved by the affirmative vote of holders of at least two-thirds of the outstanding shares of our common stock that are entitled to vote at the special meeting. **Accordingly, regardless of the number of shares that you own, your vote is important**. Even if you plan to attend the special meeting in person, we request that you cast your vote by either marking, signing, dating and promptly returning the enclosed proxy card in the postage-paid envelope or submitting your proxy or voting instructions by telephone or Internet. If you fail to return your proxy card, the effect will be that the shares of our common stock that you own will not be counted for purposes of

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determining whether a quorum is present and will have the same effect as a vote against approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement. In addition, any adjournments of the special meeting for the purpose of soliciting additional proxies must be approved by the affirmative vote of holders of at least a majority of shares of our common stock who are present in person or represented by proxy at the special meeting. If you fail to return your proxy card, you will not be considered present in person or represented by proxy for the purpose of this proposal and such failure will have no effect on the proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies.

Any proxy may be revoked at any time prior to its exercise by delivery of a properly executed, later-dated proxy card, by submitting your proxy or voting instructions by telephone or Internet at a later date than your previously submitted proxy, by filing a written revocation of your proxy with our Corporate Secretary at our address set forth above or by your voting in person at the special meeting.

We encourage you to read this proxy statement carefully. If you have any questions or need assistance voting your shares, please call our proxy solicitor, Innisfree M&A Incorporated, toll-free at 1-888-750-5834. In addition, you may obtain information about us from certain documents that we have filed with the Securities and Exchange Commission and from our website at www.carramerica.com.

By Order of the Board of Directors,

Linda A. Madrid
Corporate Secretary

June 1, 2006

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SUMMARY

*This summary highlights only selected information from this proxy statement relating to (1) the merger of CarrAmerica Realty Corporation with and into Nantucket Acquisition Inc., (2) the mergers of Nantucket CRH Acquisition L.P. with and into Carr Realty Holdings, L.P. and Nantucket CAR Acquisition L.P. with and into CarrAmerica Realty, L.P., which we refer to as the partnership mergers, and (3) certain related transactions. References to the mergers refer to both the merger and the partnership mergers. This summary does not contain all of the information about the mergers and related transactions contemplated by the merger agreement that is important to you. As a result, to understand the mergers and the related transactions fully and for a more complete description of the legal terms of the mergers and related transactions, you should read carefully this proxy statement in its entirety, including the exhibits and the other documents to which we have referred you, including the merger agreement attached as **Exhibit A**. Each item in this summary includes a page reference directing you to a more complete description of that item. This proxy statement is first being mailed to our stockholders on or about June 5, 2006.*

The Parties to the Mergers (page 22)

CarrAmerica Realty Corporation

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

CarrAmerica Realty Corporation, which we refer to as we, us, our, the company, our company or CarrAmerica, is a Maryland corporatio fully integrated, self-administered and self-managed publicly traded real estate investment trust, or REIT. We focus on the acquisition, development, ownership and operation of office properties, located primarily in selected markets across the United States. As of December 31, 2005, we owned greater than 50% interests in 235 operating office buildings containing a total of approximately 18.4 million square feet of net rentable area. As of December 31, 2005, we also owned minority interests (ranging from 15% to 50%) in 50 operating office buildings and one building under development. The 50 operating office buildings contain a total of approximately 7.9 million square feet of net rentable area.

CarrAmerica Realty Operating Partnership, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

CarrAmerica Realty Operating Partnership, L.P., which we refer to as our operating partnership, is a Delaware limited partnership through which we conduct substantially all of our business and owns, either directly or indirectly through subsidiaries, substantially all of our assets. We serve as the sole general partner of our operating partnership and, together with another wholly-owned subsidiary of the company, own all of the limited partnership interests of our operating partnership.

Carr Realty Holdings, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

Carr Realty Holdings, L.P., which we refer to as CRH LP, is a Delaware limited partnership. Our operating partnership is the sole general partner of CRH LP. Certain of the assets that we own are owned through CRH LP.

CarrAmerica Realty, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

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CarrAmerica Realty, L.P., which we refer to as CAR LP, is a Delaware limited partnership. CarrAmerica Realty GP Holdings, LLC, a wholly-owned subsidiary of our operating partnership that we refer to as the CAR LP general partner, is the sole general partner of CAR LP. Certain of the assets that we own are owned through CAR LP. We refer to CAR LP and CRH LP collectively as the DownREIT partnerships.

Nantucket Parent LLC

c/o Blackstone Real Estate Partners V L.P.

345 Park Avenue

New York, New York 10154

(212) 583-5000

Nantucket Parent LLC, which we refer to as Nantucket Parent, is a Delaware limited liability company formed in connection with the mergers by affiliates of Blackstone Real Estate Partners V L.P., a Delaware limited partnership. The principal business of Blackstone Real Estate Partners V L.P. consists of making various real estate related investments. Blackstone Real Estate Partners V L.P. is an affiliate of The Blackstone Group.

The Blackstone Group, a global private investment firm with offices in New York, Atlanta, Boston, Los Angeles, London, Hamburg, Mumbai and Paris, was founded in 1985. Blackstone s real estate group has raised approximately $10 billion for real estate investing and has a long track record of investing in office buildings, hotels and other commercial properties. In addition to real estate, The Blackstone Group s core businesses include private equity, corporate debt investing, marketable alternative asset management, mergers and acquisitions advisory, and restructuring and reorganization advisory.

Nantucket Acquisition Inc.

c/o Blackstone Real Estate Partners V L.P.

345 Park Avenue

New York, New York 10154

(212) 583-5000

Nantucket Acquisition Inc., which we refer to as MergerCo, is a Maryland corporation and a wholly-owned subsidiary of Nantucket Parent. MergerCo was formed in connection with the mergers by Nantucket Parent.

Nantucket CRH Acquisition L.P.

c/o Blackstone Real Estate Partners V L.P.

345 Park Avenue

New York, New York 10154

(212) 583-5000

Nantucket CRH Acquisition L.P., which we refer to as CRH LP Merger Partnership, is a Delaware limited partnership. MergerCo is the general partner of CRH LP Merger Partnership. CRH LP Merger Partnership was formed in connection with the mergers. Pursuant to the merger agreement, on the closing date, CRH LP Merger Partnership will merge with and into CRH LP, which we refer to as the CRH LP partnership merger. We refer to the surviving partnership of the CRH LP partnership merger as the surviving CRH LP partnership.

Nantucket CAR Acquisition L.P.

c/o Blackstone Real Estate Partners V L.P.

345 Park Avenue

New York, New York 10154

(212) 583-5000

Nantucket CAR Acquisition L.P., which we refer to as CAR LP Merger Partnership, is a Delaware limited partnership. MergerCo is the general partner of CAR LP Merger Partnership. CAR LP Merger Partnership was

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formed in connection with the mergers. Pursuant to the merger agreement, on the closing date, CAR LP Merger Partnership will merge with and into CAR LP, which we refer to as the CAR LP partnership merger. We refer to the surviving partnership of the CAR LP partnership merger as the surviving CAR LP partnership. We refer to CRH LP Merger Partnership and CAR LP Merger Partnership jointly as the Merger Partnerships.

The Special Meeting (page 24)

The Proposals

The special meeting of our stockholders will be held at 1:00 p.m. Eastern time, on July 11, 2006 at The Willard Intercontinental Hotel, Crystal Ballroom, 1401 Pennsylvania Avenue, N.W., Washington, D.C. At the special meeting, you will be asked, by proxy or in person, to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement, and to approve any adjournments of the special meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the special meeting to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement.

The persons named in the accompanying proxy will also have discretionary authority to vote upon other business, if any, that properly comes before the special meeting and any adjournments or postponements of the special meeting.

Record Date, Notice and Quorum

All holders of record of our common stock and our Series E preferred stock as of the close of business on the record date, which was May 22, 2006, are entitled to receive notice of and attend the special meeting or any postponements or adjournments of the special meeting. However, only holders of our common stock at the close of business on the record date are entitled to vote at the special meeting or any postponements or adjournments of the special meeting.

You will have one vote for each share of our common stock that you owned as of the record date. On the record date, there were 59,056,769 shares of our common stock outstanding and entitled to vote at the special meeting.

The holders of a majority of the shares of our common stock that were outstanding on the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting.

Required Vote

Completion of the merger requires approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. **Because the required vote for this proposal is based on the number of shares of our common stock outstanding rather than on the number of votes cast, failure to vote your shares of our common stock (including as a result of broker non-votes) and abstentions will have the same effect as voting against approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.** In addition, the proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies requires the affirmative vote of holders of at least a majority of shares of our common stock who are present in person or represented by proxy at the special meeting. For the purpose of this proposal, if you fail to vote your shares of our common stock, you will not be considered present in person or represented by proxy. As a result, such failure will not have any effect on the outcome of this proposal. However, abstentions and broker non-votes are considered present and therefore will have the same effect as voting against the proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies. The vote of our Series E preferred stockholders is not required to approve the merger, the merger agreement or any of the other transactions contemplated by the merger agreement, or any adjournments of the special meeting for the purpose of soliciting additional proxies, and is not being solicited.

As of the record date, our executive officers and directors owned an aggregate of approximately 642,821 shares of our common stock, entitling them to exercise approximately 1.1% of the voting power of our common stock entitled to vote at the special meeting. Our executive officers and directors have informed us that they intend to vote the shares of our common stock that they own in favor of approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.

Proxies; Revocation

Any of our common stockholders of record entitled to vote may vote by returning the enclosed proxy, submitting your proxy or voting instructions by telephone or Internet, or by appearing and voting at the special meeting in person. If the shares of our common stock that you own are held in street name by your broker, you should instruct your broker on how to vote your shares using the instructions provided by your broker.

Any proxy may be revoked at any time prior to its exercise by your delivery of a properly executed, later-dated proxy card, by your submitting your proxy or voting instructions by telephone or Internet at a later date than your previously submitted proxy, by your filing a written revocation of your proxy with our Corporate Secretary or by your voting in person at the special meeting.

The Mergers and Related Transactions (page 27)

Pursuant to the merger agreement, on the closing date, (1) CRH LP Merger Partnership will be merged with and into CRH LP with CRH LP continuing as the surviving limited partnership, and (2) CAR LP Merger Partnership will be merged with and into CAR LP with CAR LP continuing as the surviving limited partnership. Each partnership merger will be effective under all applicable laws upon the filing of the certificate of merger in respect of such partnership merger with the Secretary of State of the State of Delaware or at such later time which the parties shall have agreed upon and designated in such filings in accordance with the Delaware Revised Uniform Limited Partnership Act. The effective times of the CRH LP partnership merger and the CAR LP partnership merger will occur substantially concurrently, and, unless the context otherwise requires, the earlier of the two effective times is referred to as the effective time of the partnership mergers.

Immediately after the effective time of the later of the partnership mergers, we will be merged with and into MergerCo with MergerCo continuing as the surviving corporation. We sometimes use the term surviving corporation in this proxy statement to refer to MergerCo as the surviving corporation following the merger. In the merger, each share of our common stock issued and outstanding immediately prior to the effective time of the merger (other than shares held by us or our subsidiaries or MergerCo, which will be automatically canceled and retired and cease to exist with no payment being made with respect thereto) will be converted into the right to receive $44.75 in cash, without interest and less any applicable withholding taxes. We refer to this consideration to be received by our common stockholders in the merger as the common stock merger consideration. In addition, in connection with the merger, each share of our Series E preferred stock issued and outstanding immediately prior to the effective time of the merger, other than shares of our Series E preferred stock held by our subsidiaries or MergerCo, will be converted automatically into the right to receive one share of Series E preferred stock of the surviving corporation on substantially the same terms as our Series E preferred stock.

The merger of CarrAmerica and MergerCo will become effective under all applicable laws at such time as the articles of merger are accepted for record by the State Department of Assessments and Taxation of Maryland, or such later time that the parties to the merger agreement may specify in such documents (which will not exceed 30 days after the articles of merger are accepted for record), but in any event, after the later to occur of the CRH LP partnership merger or the CAR LP partnership merger. We sometimes use the term merger effective time in this proxy statement to describe the time the merger becomes effective under all applicable laws. As promptly as practicable following the merger effective time, the surviving corporation will be liquidated into Nantucket Parent. In the liquidation, the shares of the surviving corporation s Series E preferred stock will be canceled and holders of the surviving corporation s Series E preferred stock will receive a cash distribution from the surviving corporation in accordance with the terms of the articles supplementary classifying the surviving corporation s Series E preferred stock, which will be $25.00 per share plus any accrued and unpaid dividends.

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The following charts provide our organizational structure immediately prior to, and after, the proposed mergers:

Recommendation of Our Board of Directors (page 39)

After careful consideration, our board of directors unanimously:

has determined that it is advisable and in our and our common stockholders best interests for us to enter into the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement;

has determined separately, on behalf of CarrAmerica, in its capacity as the sole general partner of our operating partnership, that it is advisable and in the best interest of our operating partnership for our operating partnership to enter into the merger agreement and to consummate the transactions contemplated by the merger agreement;

has determined separately, on behalf of CarrAmerica, in its capacity as the general partner of our operating partnership, as the sole general partner of CRH LP, that it is advisable and in the best interests of CRH LP and its limited partners for CRH LP to enter into the merger agreement and to consummate the CRH LP partnership merger;

has determined separately, on behalf of CarrAmerica, in its capacity as the general partner of our operating partnership, as the sole member of the CAR LP general partner, as the sole general partner of CAR LP, that it is advisable and in the best interests of CAR LP and its limited partners for CAR LP to enter into the merger agreement and to consummate the CAR LP partnership merger;

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has approved the merger, the merger agreement and the other transactions contemplated by the merger agreement and directed that they be submitted to our common stockholders for approval at a special meeting of stockholders; and

recommends that you vote **FOR** the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.

Opinion of Our Financial Advisor (page 39)

On March 5, 2006, Goldman, Sachs & Co., or Goldman Sachs, delivered its oral opinion, which was subsequently confirmed in writing, to our board of directors that, as of March 5, 2006 and based upon and subject to the factors and assumptions set forth therein, the $44.75 per share of our common stock, in cash, to be received by our common stockholders pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated March 5, 2006, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as **Exhibit B** to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of our board of directors in connection with its consideration of the merger. Goldman Sachs opinion is not a recommendation as to how any holder of our common stock should vote with respect to the merger. Pursuant to our engagement with Goldman Sachs, we have agreed to pay Goldman Sachs a transaction fee equal to 0.40% of the aggregate merger consideration (as determined as of the closing of the mergers pursuant to the letter agreement, dated January 13, 2006, between us and Goldman Sachs, which, based upon our outstanding indebtedness as of March 31, 2006, would be approximately $21.2 million), all of which is payable upon consummation of the transactions contemplated by the merger agreement. In the event that the mergers are not consummated, Goldman Sachs will not be paid a fee in connection with the mergers. We also expect Goldman Sachs to serve as a dealer-manager for the debt tender offers in connection with the mergers, for which we expect to pay Goldman Sachs a customary fee.

Debt Tender Offers and Consent Solicitation (page 62)

We and our operating partnership have agreed to use our commercially reasonable efforts to commence offers to purchase and related consent solicitations relating to all of the aggregate principal amount of the following notes that our operating partnership has outstanding, on the terms and subject to the conditions set forth in the related tender offer documentation that will be distributed to the holders of such notes:

7.375% senior notes due 2007;

5.261% senior notes due 2007;

5.25% senior notes due 2007;

6.875% senior notes due 2008;

3.625% senior notes due 2009;

5.500% senior notes due 2010;

5.125% senior notes due 2011; and

7.125% senior notes due 2012.

We refer to these outstanding notes collectively as the senior notes. In connection with the offers to purchase the senior notes, our operating partnership will seek the consents of the holders of the senior notes to amend the indentures governing the senior notes to eliminate substantially all of the restrictive covenants contained in such senior notes and the indentures, eliminate certain events of default, modify covenants regarding mergers, and modify or eliminate certain other provisions contained in the indentures and the senior notes. The proposed terms of the amended senior notes and indentures will be described in the tender offer documents.

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The tender offer documents will provide that holders of senior notes will not be able to deliver consents to the amendments to the indentures and the senior notes without also tendering their senior notes. Assuming the requisite consents are received from the holders of the senior notes to amend the indentures and the senior notes, the amendments will become operative with respect to all of the senior notes concurrently with the merger effective time, so long as all validly tendered notes are accepted for purchase pursuant to the offers to purchase upon the completion of the mergers. Assuming that all of the conditions to the tender offers and consent solicitations are satisfied or waived, concurrently with the merger effective time, senior notes validly tendered in the tender offers will be accepted for payment. If the amendments become operative, senior notes that are not tendered and purchased in the tender offers are expected to remain outstanding and will be subject to the terms of the applicable indenture as modified by the amendments. In the event the requisite consents have not been validly delivered (without having been properly withdrawn) with respect to any series of senior notes, we and our operating partnership may issue an irrevocable notice of optional redemption for all of the then outstanding senior notes of such series in accordance with the terms of the applicable indenture governing such series, which would provide for the satisfaction and discharge of such senior notes and such indenture.

Financing (page 45)

In connection with the mergers, Nantucket Parent will cause approximately $2.9 billion to be paid to our stockholders, the limited partners of CAR LP and CRH LP (assuming none of the limited partners of CAR LP or CRH LP elects to receive class A preferred units in CAR LP or CRH LP, as applicable, in lieu of cash consideration) and holders of stock options, restricted stock, restricted stock units, stock value units and accrued and unvested cash dividend equivalent payments accumulated under, and payable in connection with, vesting of restricted stock units and deferred stock units, which we refer to as dividend equivalent payments. Nantucket Parent will also cause approximately $201 million to be paid to the holders of our Series E preferred stock in connection with the liquidation of the surviving corporation into Nantucket Parent after the merger. In addition, our operating partnership will commence tender offers to purchase all of its outstanding senior notes. As of March 31, 2006, our operating partnership had $1.525 billion of senior notes outstanding. Our revolving credit facility will also be repaid and our mortgage loan agreements, secured debt and letters of credit will be repaid or remain outstanding. As of March 31, 2006, we had an aggregate of approximately $431 million of outstanding indebtedness under our revolving credit facility, mortgage loan agreements, secured debt and letters of credit.

In connection with the execution and delivery of the merger agreement, Nantucket Parent obtained a debt commitment letter from Deutsche Bank Securities Inc. s affiliate German American Capital Corporation, Bank of America, N.A. and Citigroup Global Markets, Inc., providing for debt financing in an aggregate principal amount of up to the lesser of (a) $4,245,461,000 and (b) 80% of the total consideration payable by Nantucket Parent for the completion of the mergers and other costs, such as transaction costs relating to the mergers. In addition, it is expected that in connection with the mergers, affiliates of The Blackstone Group will contribute up to approximately $900 million of equity to Nantucket Parent (plus additional equity contributions as necessary to the extent the limited partners of CAR LP or CRH LP receive cash consideration rather than electing to receive class A preferred units in CAR LP or CRH LP, as applicable, in the partnership mergers), which amount will be used to fund the remainder of the acquisition costs that are not covered by the debt financing.

The merger agreement does not contain a financing condition or a market MAC condition to the closing of the merger. Nantucket Parent has agreed to use its reasonable best efforts to arrange the debt financing on the terms and conditions described in the debt commitment letter. If all other closing conditions have been satisfied or waived but Nantucket Parent fails to obtain adequate financing to complete the mergers, such failure will constitute a breach of its covenants under the merger agreement. In that event, so long as we, the operating partnership and the DownREIT partnerships are not in material breach of our obligations under the merger agreement, we would be entitled to terminate the merger agreement and receive from Nantucket Parent an amount equal to all reasonable expenses incurred by us in connection with the proposed transactions, up to $7.5 million. In addition, we may take legal action against Blackstone Real Estate Partners V L.P. to seek damages of up to $500 million, less the amount of any actual expense reimbursements that we have received, under its guarantee.

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Treatment of Series E Preferred Stock (page 59)

The merger agreement provides that, upon completion of the merger, each share of our Series E preferred stock issued and outstanding immediately prior to the merger effective time (other than shares of our Series E preferred stock held by our subsidiaries or MergerCo, which will be automatically canceled and retired and cease to exist) will be automatically converted into, and will be canceled in exchange for, the right to receive one share of 7.50% Series E cumulative redeemable preferred stock, par value $0.01 per share, of the surviving corporation. Pursuant to the terms of the merger agreement, as promptly as practicable after the merger effective time, the surviving corporation will be liquidated into Nantucket Parent. In the liquidation, the shares of the surviving corporation s Series E preferred stock will be canceled and holders of the surviving corporation s Series E preferred stock will receive a cash distribution from the surviving corporation in accordance with the terms of the articles supplementary classifying the surviving corporation s Series E preferred stock, which will be $25.00 per share plus any accrued and unpaid dividends. While holders of our Series E preferred stock are entitled to receive notice of and attend the special meeting or any postponements or adjournments of the special meeting, they are not entitled to vote upon the merger, the merger agreement or any of the other transactions contemplated by the merger agreement, or any adjournments of the special meeting for the purpose of soliciting additional proxies, at the special meeting.

Treatment of Stock Options, Restricted Stock, Restricted Stock Units, Deferred Stock Units, Stock Value Units and Dividend Equivalent Payments (page 59)

The merger agreement provides that immediately prior to the merger effective time, all of our outstanding stock options, restricted stock awards, restricted stock unit awards, deferred stock unit awards, stock value units, and dividend equivalent payments, whether or not exercisable or vested, as the case may be, will become fully vested and exercisable or payable, as the case may be, and, in the case of the restricted stock awards, restricted stock unit awards, deferred stock unit awards and stock value units, free of any forfeiture restrictions. Immediately prior to the merger effective time, all outstanding shares of restricted stock, restricted stock units and deferred stock units will be considered outstanding shares of our common stock for the purposes of the merger agreement, including the right to receive the common stock merger consideration.

In connection with the merger:

- all unexercised stock options held immediately prior to the merger will be canceled in exchange for payment to the holder of each such stock option of an amount in cash, less applicable withholding taxes, equal to the product of:
  - the aggregate number of shares of our common stock underlying such stock option immediately prior to the merger effective time, multiplied by;
  - the excess, if any, of $44.75 over the exercise price per share of our common stock subject to such stock option;
- the holder of each restricted stock award will receive an amount in cash, less applicable withholding taxes, equal to the product of:
  - the aggregate number of shares of our common stock underlying such restricted stock award immediately prior to the merger effective time, multiplied by;
  - $44.75;
- the holder of each restricted stock unit award and deferred stock unit award will receive an amount in cash, less applicable withholding taxes, equal to the product of:

the aggregate number of shares of our common stock underlying such restricted stock unit or deferred stock unit award, as applicable, multiplied by;

$44.75;

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- each unvested stock value unit will become fully vested and be settled in cash, less applicable withholding taxes; and
- any dividend equivalent payments will become fully vested and be settled in cash, less applicable withholding taxes.

Treatment of CRH LP Units and CAR LP Units (page 60)

In connection with the partnership mergers, each unit of limited partner interest in CRH LP and CAR LP issued and outstanding immediately prior to the effectiveness of the CRH LP partnership merger or the CAR LP partnership merger, as the case may be (other than units we or any of our subsidiaries own), will be converted into the right to receive $44.75 in cash, without interest and less applicable withholding taxes. We refer to the units of limited partner interest in CRH LP and CAR LP as CRH LP units and CAR LP units, respectively. Alternatively, in lieu of this cash consideration, each limited partner of CRH LP and CAR LP that is an accredited investor as defined under the U.S. securities laws will be offered the opportunity, subject to certain conditions, to elect to convert all, but not less than all, of the CRH LP units or CAR LP units that such partner owns into class A preferred units in the surviving CRH LP partnership or the surviving CAR LP partnership, as the case may be, on a one-for-one basis. Separate materials will be sent to the limited partners of CRH LP and CAR LP regarding this election. **This proxy statement does not constitute any solicitation of consents in respect of the partnership mergers, and does not constitute an offer to exchange or convert the CRH LP units or CAR LP units that you may own for or into class A preferred units in the surviving CRH LP partnership or the surviving CAR LP partnership.**

Interests of Our Directors, Executive Officers, and Certain Other Persons in the Mergers (page 47)

Our directors and executive officers and certain other persons may have interests in the merger that are different from, or in addition to, yours, including the following:

- our directors and executive officers will have their unvested stock options fully vested and exercisable, and all stock options held by our directors and executive officers and not exercised will be canceled, as of the merger effective time in exchange for the right to receive a cash payment in respect of each share of our common stock underlying their stock options equal to the excess, if any, of $44.75 per share over the exercise price per share of their stock options, less applicable withholding taxes;
- shares of restricted stock, restricted stock units and deferred stock units owned by our directors and executive officers will become fully vested and free of any of forfeiture restrictions immediately prior to the merger effective time and will be considered outstanding shares of our common stock for the purposes of the merger agreement, including the right to receive the common stock merger consideration, less applicable withholding taxes;
- stock value units that our executive officers own will, to the extent not already vested, become fully vested and free of any forfeiture restrictions immediately prior to the merger effective time, and all stock value units will be settled in cash, less applicable withholding taxes;
- any unvested dividend equivalent payments (payable in connection with the vesting of restricted stock units and deferred stock units) will automatically become fully vested and be settled in cash, less applicable withholding taxes;
- Thomas A. Carr, our Chief Executive Officer and the Chairman of our board of directors, as a holder of 13,235 CRH LP units, will receive a cash payment of $44.75 per CRH LP unit or, alternatively, if he satisfies certain requirements applicable to all holders of CRH LP units, Mr. Thomas A. Carr will be offered the opportunity to elect to convert all, but not less than all, CRH LP units that he owns into class A preferred units in the surviving CRH LP partnership on a one-for-one basis, in which case he will be entitled to the benefit of certain tax protections to defer potential taxable gain he might otherwise recognize if he were to receive the cash payment in respect of his CRH LP units (for a more complete discussion of the treatment of CRH LP units, the terms of the class A preferred units and the terms of the tax protection provisions to be offered to holders of CRH LP units, please see The Merger Agreement Treatment of CRH LP Units and CAR LP Units on page 60);

The Oliver Carr Company, or TOCC, owns 514,707 CRH LP units, and two trusts, of which Mr. Thomas A. Carr may be a beneficiary, own substantially all of the outstanding shares of common stock of TOCC; as a holder of CRH LP units, TOCC will receive a cash payment of $44.75 per CRH LP unit or, alternatively, if TOCC satisfies certain requirements applicable to all holders of CRH LP units, it will be offered the opportunity to elect to convert all, but not less than all, CRH LP units that it owns into class A preferred units in the surviving CRH LP partnership on a one-for-one basis, in which case TOCC will be entitled to the benefit of certain tax protections to defer potential taxable gain it might otherwise recognize if it were to receive the cash payment in respect of its CRH LP units (for a more complete discussion of the treatment of CRH LP units, the terms of the class A preferred units and the terms of the tax protection provisions to be offered to holders of CRH LP units, please see The Merger Agreement Treatment of CRH LP Units and CAR LP Units on page 60);

each of Mr. Thomas A. Carr, Philip L. Hawkins, our President and Chief Operating Officer, Stephen E. Riffee, our Chief Financial Officer, Karen B. Dorigan, our Chief Investment Officer, and Linda A. Madrid, our, General Counsel and Corporate Secretary, will be entitled to severance benefits, comprised of (a) a lump sum payment of a pro rata portion of their annual bonus through the date of termination, (b) a lump sum payment equal to two years annual salary and bonus, (c) a lump sum payment equal to two years of our contributions to, and awards under, all incentive savings and retirement plans, practices, policies and programs (including the value of any equity-based incentive), and (d) two years of continued health benefits and certain other fringe benefits, under his or her respective change in control employment agreement if his or her employment is terminated without cause by us or he or she resigns for good reason (each as defined in their employment agreement) within two years after completion of the merger;

under our new change in control severance pay plan, any employee (excluding those with more favorable change in control agreements, such as our executive officers) whose employment is terminated without cause by us or as the result of the employee s resignation for good reason (each as defined in the plan) may be eligible for severance in the form of a lump sum payment equal to (1) a prorated target annual bonus payment for the year of termination, and (2) the sum of (a) one month s salary and (b) one-twelfth of their target annual bonus for the year of termination, plus certain other benefits, in each case for each full year of employment with us, or any of our prior affiliated entities, up to a maximum of 24 months and with minimum benefits ranging from four months to 12 months depending upon pay level and position. The severance benefit calculated as described above is reduced by one month for each month that termination of employment occurs after the first anniversary of the closing of the merger. Eligibility is conditioned on the employee meeting certain other requirements set forth in the policy, including that the employee sign and return a waiver and release of claims; and

our board of directors resolved to terminate, upon the consummation of the merger, a non-competition agreement that we previously had entered into with Oliver T. Carr, Jr., our founder and former Chief Executive Officer and Chairman of the board of directors and the father of Mr. Thomas A. Carr, that restricts the ability of Mr. Oliver T. Carr, Jr. to directly or indirectly engage in certain real estate activities.

All of our directors were fully aware of the foregoing interests of our directors and executive officers in the merger and considered them prior to approving the merger and the merger agreement.

No Solicitation of Transactions (page 68)

The merger agreement contains restrictions on our ability to solicit or engage in discussions or negotiations with a third party regarding specified transactions involving the company or our subsidiaries. Notwithstanding these restrictions, under certain circumstances and subject to certain conditions, our board of directors may respond to an unsolicited written acquisition proposal or terminate the merger agreement and enter into an acquisition agreement with respect to a superior proposal.

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Conditions to the Mergers (page 72)

Completion of the mergers depends upon the satisfaction or waiver of a number of conditions, including, among others:

- approval of the merger and the other transactions contemplated by the merger agreement by the requisite stockholder vote;

- no action by any governmental authority that would prohibit the consummation of the mergers;

- our, our operating partnership s and the DownREIT partnerships representations and warranties being true and correct, except where the failure of such representations and warranties to be true and correct in all respects without regard to any materiality or material adverse effect qualifications (other than the representation relating to any material adverse effect to us) does not and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect;

- the performance, in all material respects, by us, our operating partnership and the DownREIT partnerships of our, our operating partnership s and the DownREIT partnerships obligations under the merger agreement and compliance, in all material respects, with the agreements and covenants to be performed or complied with under the merger agreement;

- since March 5, 2006, there shall not have been an event, occurrence, effect or circumstance that has resulted or would reasonably be expected to result in, a material adverse effect on us;

- the receipt of a tax opinion of our counsel, Hogan & Hartson L.L.P., opining that we have been organized and have operated in conformity with the requirements for qualification as a REIT under the Internal Revenue Code of 1986, as amended, which we refer to as the Code, commencing with our taxable year ended December 31, 1996;

- receipt from the administrative agent under our revolving credit facility of a payoff letter acknowledging that, subject to repayment of the aggregate principal amount outstanding under the credit facility, together with all accrued and unpaid interest and any other fees or expenses payable, the credit facility will be terminated, any and all related liens held by the administrative agent, or any other collateral agent under the revolving credit facility, will be released, and we and our subsidiaries will be released from any and all liabilities under the credit facility and any related guarantees (other than any obligations under any indemnification or similar provision that survive such termination); and

- (a) receipt of the requisite consents with respect to each series of our senior notes, and the execution of supplemental indentures to the indentures governing these senior notes, which will be effective promptly following the receipt of the required consents with the amendments described in the tender offer documents and provided for therein to become operative upon the acceptance of the senior notes for payment pursuant to the offers to purchase and concurrently with the closing of the mergers or (b) in the event the requisite consents are not obtained with respect to any series of senior notes, we and our operating partnership will have issued an irrevocable notice of optional redemption for all of the then outstanding senior notes of such series in accordance with the terms of the applicable indenture governing such series and which shall provide for the satisfaction and discharge of such senior notes and such indenture; provided that, Nantucket Parent, MergerCo and the Merger Partnerships shall have irrevocably deposited with the applicable trustee under each such indenture sufficient funds to effect such satisfaction and discharge.

Termination of the Merger Agreement (page 74)

The merger agreement may be terminated and the mergers may be abandoned at any time prior to the effective time of the partnership mergers, as follows:

by mutual written consent of the parties;

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by either Nantucket Parent or us if:

the partnership mergers have not occurred on or before September 5, 2006, provided that this right will not be available to a party whose failure to fulfill any obligation under the merger agreement materially contributed to the failure of the partnership mergers to occur on or before such date;

any governmental authority shall have taken any action which has the effect of making consummation of any of the mergers illegal or otherwise preventing or prohibiting the consummation of any of the mergers; or

the requisite vote of our common stockholders to approve the merger and the other transactions contemplated by the merger agreement is not obtained;

by Nantucket Parent if:

we, our operating partnership or the DownREIT partnerships are in breach of the representations and warranties or covenants or agreements under the merger agreement and such breach results in the applicable closing condition regarding representations and warranties or covenants and agreements being incapable of being satisfied by September 5, 2006, provided none of Nantucket Parent, MergerCo and the Merger Partnerships are in material breach of their obligations under the merger agreement;

our board of directors withdraws, modifies or amends its recommendation that stockholders vote to approve the merger agreement and the merger in any manner adverse to Nantucket Parent, MergerCo or the Merger Partnerships;

our board of directors recommends or approves an acquisition proposal or fails to recommend against certain alternative takeover proposals;

our board of directors exempts any person other than Nantucket Parent or its affiliates from the provisions in Article V of our charter; or

by us if:

Nantucket Parent, MergerCo or the Merger Partnerships are in breach of the representations and warranties or covenants or agreements under the merger agreement and such breach results in the applicable closing condition regarding representations and warranties or covenants and agreements being incapable of being satisfied by September 5, 2006, provided neither we, our operating partnership nor either of the DownREIT partnerships are in material breach of our, our operating partnership s and the DownREIT partnerships obligations under the merger agreement; or

our board of directors approves and authorizes us to enter into a definitive agreement to implement a superior proposal in accordance with the terms of the merger agreement so long as:

the requisite stockholder vote has not been obtained;

we are not in or have not been in breach of our obligations under the merger agreement with regard to prohibitions on soliciting acquisition proposals in any material respects;

our board of directors has determined in good faith, after consulting with its financial advisor, that such definitive agreement constitutes a superior proposal and has determined in good faith, after consulting with its outside legal counsel, that the failure to take such actions would be inconsistent with directors duties to our stockholders under applicable laws;

we have notified Nantucket Parent in writing that we intend to enter into such agreement;

during the three business days following the receipt by Nantucket Parent of our notice, we have offered to negotiate with, and if accepted, have negotiated in good faith with, Nantucket Parent to make adjustments to the terms and conditions of the merger agreement to enable us to proceed with the mergers;

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our board of directors has determined in good faith, after the end of such three business day period, after considering the results of such negotiations and any revised proposals made by Nantucket Parent, that the superior proposal giving rise to such notice continues to be a superior proposal; and

we pay to Nantucket Parent the termination fee and reasonable transaction expenses in accordance with the merger agreement simultaneously with the termination of the merger agreement.

Termination Fee and Expenses (page 76)

We have agreed to pay to Nantucket Parent a termination fee of $85 million and to reimburse Nantucket Parent s, MergerCo s and the Merger Partnerships reasonable transaction expenses up to a limit of $7.5 million if:

we terminate the merger agreement because our board approves and authorizes us to enter into an agreement to implement a superior proposal in accordance with the terms of the merger agreement;

Nantucket Parent has terminated the merger agreement because our board has withdrawn, modified or amended its recommendation that stockholders vote to approve the merger agreement and the merger in any manner adverse to Nantucket Parent, MergerCo or the Merger Partnerships;

Nantucket Parent has terminated the merger agreement because our board has approved, endorsed or recommended, or we have entered into a contract or agreement relating to, an acquisition proposal, or a tender offer or exchange offer for any of our outstanding stock has been commenced prior to the requisite stockholder vote being obtained and our board has failed to recommend against such offer within ten business days of its commencement, or we or our board has publicly announced its intention to do any of the foregoing;

Nantucket Parent has terminated the merger agreement because our board has exempted any person other than Nantucket Parent or its affiliates from the ownership restrictions in Article V of our charter; or

an acquisition proposal has been made to us, our operating partnership, or the DownREIT partnerships, or otherwise publicly announced, prior to the termination date and the merger agreement has been terminated (i) by either Nantucket Parent or us because the mergers have not been consummated on or before September 5, 2006 and such acquisition proposal has not been withdrawn prior to the termination date or because the requisite stockholder vote to approve the merger upon a vote being taken has not been obtained at a duly convened meeting or (ii) by Nantucket Parent because we, our operating partnership, or the DownREIT partnerships have breached our obligations in the merger agreement regarding non-solicitation and convening and holding a meeting of our common stockholders, and in any case, within twelve months following the termination we enter into a contract with respect to or consummate any acquisition proposal.

The merger agreement also provides that if either party terminates the merger agreement because of the other party s material breach of the merger agreement which would result in the failure of a condition being satisfied by September 5, 2006, the breaching party must reimburse the non-breaching party for its reasonable transaction expenses up to a limit of $7.5 million.

Regulatory Matters (page 51)

We are unaware of any material federal, state or foreign regulatory requirements or approvals that are required for the execution of the merger agreement or the completion of either the merger or the partnership mergers, other than the filing of the articles of merger with, and the acceptance of such articles of merger for record by, the State Department of Assessments and Taxation of the State of Maryland, or the SDAT, and the filing of a certificate of merger by each of CRH LP and CAR LP with the Secretary of State of the State of Delaware.

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No Dissenters Rights of Appraisal (page 84)

We are organized as a corporation under Maryland law. Under Maryland corporate law, because shares of our common stock were listed on the New York Stock Exchange on the record date for determining stockholders entitled to vote at the special meeting, our common stockholders who object to the merger do not have any appraisal rights or dissenters rights in connection with the merger. However, our common stockholders can vote against the merger, the merger agreement and the other transactions contemplated by the merger agreement. Under Maryland corporate law, because the holders of our Series E preferred stock are not entitled to vote on the merger or the merger agreement, they do not have any appraisal rights or dissenters rights in connection with the merger.

Litigation Relating to the Merger (page 52)

On March 9, 2006, a purported stockholder class action lawsuit related to the merger agreement was filed in the Superior Court of the District of Columbia, *Doris Staer v. CarrAmerica Realty Corporation, et al.* (Case No. 06-0001918), naming us and each of our directors as defendants. On March 10, 2006, another purported stockholder class action lawsuit was filed in the Circuit Court for Baltimore City, *William Reichart v. CarrAmerica Realty Corporation, et al.* (Case No. 24-C-06-002569), naming us and each of our directors as defendants. Both lawsuits allege, among other things, that our directors violated their fiduciary duties to our stockholders in approving the merger.

Both lawsuits seek class action status and to enjoin the completion of the merger and the related transactions. Additionally, among other things, the District of Columbia lawsuit seeks disgorgement of any benefits improperly received and the Maryland lawsuit asks for unspecified monetary damages. We intend to vigorously defend the actions. Even if these lawsuits are proven to be without merit, they may potentially delay or, if the delay is substantial enough that it makes it not possible to consummate the partnership mergers by September 5, 2006, potentially prevent the closing of the mergers.

Material United States Federal Income Tax Consequences (page 52)

The receipt of the merger consideration for each share of our stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. Generally for United States federal income tax purposes, you will recognize gain or loss as a result of the merger measured by the difference, if any, between the merger consideration per share and your adjusted tax basis in that share. In addition, under certain circumstances, we may be required to withhold a portion of your merger consideration under applicable tax laws. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We encourage you to consult your tax advisor regarding the tax consequences of the merger to you.

Delisting and Deregistration of Our Common Stock and Series E Preferred Stock (page 56)

If the merger is completed, shares of our common stock and Series E preferred stock will no longer be listed on the New York Stock Exchange and will be deregistered under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Market Price of Our Common Stock (page 79)

Our common stock, par value $0.01 per share, is listed on the New York Stock Exchange under the ticker symbol CRE . On February 16, 2006, the last trading day prior to published reports regarding a proposed business combination transaction involving us, the closing price of our common stock on the New York Stock Exchange was $37.80 per share. On March 3, 2006, the last trading day prior to the date of the public announcement of the merger agreement, the closing price of our common stock on the New York Stock Exchange was $41.08 per share. On May 31, 2006, the last trading day before the date of this proxy statement, the closing price of our common stock on the New York Stock Exchange was $44.33 per share. You are encouraged to obtain current market quotations for our common stock.

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QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGERS

The following questions and answers address briefly some questions you may have regarding the special meeting and the proposed mergers. These questions and answers may not address all questions that may be important to you as a stockholder. Please refer to the more detailed information contained elsewhere in this proxy statement, as well as the additional documents to which it refers or which it incorporates by reference, including the merger agreement, a copy of which is attached to this proxy statement as ***Exhibit A****.*

Q: What are the proposed transactions?

A: The proposed transaction is the acquisition of the company and its subsidiaries, including our operating partnership and the DownREIT partnerships, by affiliates of The Blackstone Group pursuant to the merger agreement. Once the merger, the merger agreement and the other transactions contemplated by the merger agreement have been approved by our stockholders and the other closing conditions under the merger agreement have been satisfied or waived, CRH LP Merger Partnership will be merged with and into CRH LP with CRH LP continuing as the surviving limited partnership and CAR LP Merger Partnership will be merged with and into CAR LP with CAR LP continuing as the surviving limited partnership. Immediately after the partnership mergers, CarrAmerica will merge with and into MergerCo with MergerCo continuing as the surviving corporation. For additional information about the partnership mergers and the merger, please review the merger agreement attached to this proxy statement as **Exhibit A** and incorporated by reference into this proxy statement. We encourage you to read the merger agreement carefully and in its entirety, as it is the principal document governing the merger.

Q: As a common stockholder, what will I receive in the merger?

A: For each outstanding share of our common stock that you own immediately prior to the merger effective time, you will receive the common stock merger consideration, which is an amount equal to $44.75 in cash, without interest and less any applicable withholding taxes.

Q: Will I receive any regular quarterly dividends with respect to the shares of common stock that I own?

A: Yes. Under the merger agreement, we are permitted to declare and pay to you prior to the merger effective time a regular quarterly dividend of up to $0.50 per share of our common stock for the quarterly period ended March 31, 2006. This dividend was paid on May 31, 2006. However, under the terms of the merger agreement, we may not declare or pay any other dividends to you without the prior written consent of Nantucket Parent.

Q: When do you expect the mergers to be completed?

A: We are working toward completing the mergers as quickly as possible. If CarrAmerica s stockholders vote to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement, and assuming that the other conditions to the mergers are satisfied or waived, it is anticipated that the mergers will become effective as soon as practicable following the special meeting.

Q: If the merger is completed, when can I expect to receive the common stock merger consideration for my shares of common stock?

A:

Promptly after the completion of the merger, you will receive a letter of transmittal describing how you may exchange your shares of common stock for the common stock merger consideration. You should not send your share certificates to us or anyone else until you receive these instructions.

Q: When and where is the special meeting?

A: The special meeting of stockholders will take place on Tuesday, July 11, 2006 at 1:00 p.m. Eastern time, at The Willard Intercontinental Hotel, Crystal Ballroom, 1401 Pennsylvania Avenue, N.W., Washington, D.C.

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Q: Who can vote and attend the special meeting?

A: All of our common stockholders and Series E preferred stockholders of record as of the close of business on May 22, 2006, the record date for the special meeting, are entitled to receive notice of and attend the special meeting or any adjournments or postponements of the special meeting. However, only common stockholders are entitled to vote at the special meeting or any adjournments or postponements of the special meeting. Each share of our common stock entitles you to one vote on each matter properly brought before the special meeting. The vote of our Series E preferred stockholders is not required to approve the merger, the merger agreement or any of the other transactions contemplated by the merger agreement, or any adjournments of the special meeting for the purpose of soliciting additional proxies, and is not being solicited.

Q: What vote of common stockholders is required to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement?

A: Approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock that are entitled to vote at the special meeting. Because the required vote is based on the number of shares of our common stock outstanding rather than on the number of votes cast, failure to vote your shares (including as a result of broker non-votes) and abstentions will have the same effect as voting against approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.

Q: What vote of our common stockholders is required to approve an adjournment of the special meeting?

A: Approval of any adjournments of the special meeting to solicit additional proxies requires the affirmative vote of holders of at least a majority of shares of our common stock who are present in person or represented by proxy at the special meeting. For the purpose of this proposal, if you fail to vote your shares of our common stock, you will not be considered present in person or represented by proxy. As a result, such failure will not have any effect on the outcome of this proposal. However, abstentions and broker non-votes are considered present and therefore will have the same effect as voting against the proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies.

Q: How does the common stock merger consideration compare to the market price of the common stock?

A: The cash consideration of $44.75 for each share of our common stock represents an approximate 8.9% premium to the closing price of our common stock on March 3, 2006, the last trading day before the public announcement of us entering into the merger agreement, an approximate 18.4% premium to the closing price of our common stock on February 16, 2006, the date prior to published reports regarding a potential acquisition of us, an approximate 17.3% premium to the average closing price of our common stock for the 30 trading day period ended March 3, 2006, an approximate 25.3% premium to the average closing price of our common stock for the 90 trading day period ended March 3, 2006, an approximate 24.2% premium to the average closing price of our common stock for the 180 trading day period ended March 3, 2006, and an approximate 27.0% premium over the average closing price of our common stock for the one-year period ended March 3, 2006.

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Q: How does our board of directors recommend that I vote?

A: Our board of directors unanimously recommends that our common stockholders vote to approve the merger, the merger agreement and the related transactions, and to approve any adjournments of the special meeting for the purpose of soliciting additional proxies if there are not sufficient votes at the special meeting to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement.

Q: Do any of the company s executive officers and directors or any other person have any interest in the merger that is different than mine?

A: Our directors and executive officers may have interests in the merger that are different from, or in addition to, yours, including the consideration that they would receive with respect to their stock options, restricted stock awards, restricted stock units, deferred stock units, stock value units and dividend equivalent payments in connection with the merger. Additionally, Mr. Thomas A. Carr, our Chief Executive Officer and Chairman of our board of directors, and Mr. Robert O. Carr, President of one of our wholly-owned subsidiaries and Mr. Thomas A. Carr s brother, will receive consideration with respect to CRH LP units that he beneficially owns in connection with the CRH LP partnership merger. Further, our executive officers are entitled to certain severance payments and benefits following the closing of the merger in certain circumstances. Please see The Mergers Interests of Our Directors, Executive Officers and Certain Other Persons in the Mergers on page 47 for additional information about possible interests that our directors and executive officers may have in the merger that are different than yours.

Q: How do I cast my vote?

A: If you are a common stockholder of record on the record date, you may vote in person at the special meeting or submit a proxy for the special meeting. You can submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed, postage paid envelope, or, if you prefer, by following the instructions on your proxy card for telephonic or Internet proxy authorization.

Q: How do I cast my vote if my shares of common stock are held of record in street name ?

A: If you hold your shares of common stock in street name through a broker or other nominee, your broker or nominee will not vote your shares unless you provide instructions on how to vote. You must obtain a proxy form from the broker, bank or other nominee that is the record holder of your shares and provide the record holder of your shares with instructions on how to vote your shares, in accordance with the voting directions provided by your broker, bank or nominee. The inability of your record holder to vote your shares, often referred to as a broker non-vote , will have the same effect as a vote against the approval of the merger, the merger agreement and the other transactions contemplated under the merger agreement and the proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies. If your shares are held in street name , please refer to the voting instruction card used by your broker, bank or other nominee, or contact them directly, to see if you may submit voting instructions using the Internet or telephone.

Q: What will happen if I abstain from voting or fail to vote?

A: With respect to the proposal to approve the merger, the merger agreement or the other transactions contemplated by the merger agreement, if you abstain from voting, fail to cast your vote in person or by proxy or if you hold your shares in street name and fail to give voting instructions to the record holder of your shares, it will have the same effect as a vote against the merger.

With respect to the proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies, if you abstain from voting, it will have the effect of voting against that proposal. However, failure to cast your vote in person or by proxy will not have any effect on the outcome of such proposal.

Q: How will proxy holders vote my shares?

A: If you properly submit a proxy prior to the special meeting, your shares of common stock will be voted as you direct. If you submit a proxy but no direction is otherwise made, your shares of common stock will be voted **FOR** the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement, and **FOR** the approval of any adjournments of the special meeting for the purpose of soliciting additional proxies.

Q: What happens if I sell my shares before the special meeting?

A: If you held your shares of common stock on the record date but transfer them prior to the merger effective time, you will retain your right to vote at the special meeting, but not the right to receive the common stock merger consideration for the common shares. The right to receive such consideration will pass to the person who owns the shares you previously owned when the merger becomes effective.

Q: Can I change my vote after I have mailed my proxy card?

A: Yes. If you own shares of our common stock as a record holder, you may revoke a previously granted proxy at any time before it is exercised by filing with our Corporate Secretary a notice of revocation or a duly executed proxy bearing a later date or by attending the meeting and voting in person. Attendance at the meeting will not, in itself, constitute revocation of a previously granted proxy. If you have instructed a broker to vote your shares, the above-described options for changing your vote do not apply and instead you must follow the instructions received from your broker to change your vote.

Q: Is the merger expected to be taxable to me?

A: Yes. The receipt of the merger consideration for each share of our stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. Generally, for United States federal income tax purposes, you will recognize gain or loss as a result of the merger measured by the difference, if any, between the merger consideration per share and your adjusted tax basis in that share. In addition, under certain circumstances, we may be required to withhold a portion of your merger consideration under applicable tax laws. You should read The Mergers Material United States Federal Income Tax Consequences on page 52 for a more complete discussion of the United States federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We encourage you to consult your tax advisor regarding the tax consequences of the merger to you.

Q: Should I send in my common or Series E preferred stock certificates now?

A: No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your stock certificates to the paying agent in order to receive the common stock merger consideration or Series E preferred stock merger consideration. You should use the letter of transmittal to exchange stock certificates for the common stock merger consideration or Series E preferred stock merger consideration, as the case may be, to which you are entitled as a result of the merger. **DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.**

Q: What rights do I have if I oppose the merger?

A: If you are a common stockholder of record, you can vote against the merger, the merger agreement and the other transactions contemplated by the merger agreement. You are not, however, entitled to dissenters or

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appraisal rights under Maryland law because shares of our common stock are listed on the New York Stock Exchange. Please see No Dissenters Rights of Appraisal on page 84.

Q: What will happen to shares of common stock that I currently own after completion of the merger?

A: Following the completion of the merger, your shares will be canceled and will represent only the right to receive your portion of the common stock merger consideration. Trading in shares of our common stock on the New York Stock Exchange will cease. Price quotations for our common stock will no longer be available and we will cease filing periodic reports with the Securities and Exchange Commission, or the SEC.

Q: Have any stockholders already agreed to approve the merger?

A: No. There are no agreements between Nantucket Parent or other affiliates of The Blackstone Group and any of our common stockholders in which a stockholder has agreed to vote in favor of approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.

Q: Where can I find more information about the company?

A: We file certain information with the SEC. You may read and copy this information at the SEC s public reference facilities. You may call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the Internet site the SEC maintains at www.sec.gov and on our website at www.carramerica.com. Information contained on our website is not part of, or incorporated in, this proxy statement. You can also request copies of these documents from us. See Where You Can Find More Information on page 85.

Q: Who will solicit and pay the cost of soliciting proxies?

A: We will bear the cost of soliciting proxies for the special meeting. Our board of directors is soliciting your proxy on our behalf. Our officers, directors and employees may solicit proxies by telephone and facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies. We have retained Innisfree M&A Incorporated to assist us in the solicitation of proxies, and will pay approximately $25,000, plus reimbursement of out-of-pocket expenses, to Innisfree M&A Incorporated for their services. We will also request that banking institutions, brokerage firms, custodians, directors, nominees, fiduciaries and other like parties forward the solicitation materials to the beneficial owners of shares of common stock held of record by such person, and we will, upon request of such record holders, reimburse forwarding charges and out-of-pocket expenses.

Q: Who can help answer my other questions?

A: If you have more questions about the special meeting or the mergers, you should contact our proxy solicitation agent, Innisfree M&A Incorporated, as follows:

Innisfree M&A Incorporated

501 Madison Avenue

19th Floor

New York, NY 10022

1-888-750-5834

If your broker holds your shares, you should also call your broker for additional information.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Information both included and incorporated by reference in this proxy statement may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements, which are based on various assumptions and describe our future plans, strategies, and expectations, are generally identified by our use of words such as intend, plan, may, should, will, project, es anticipate, believe, expect, continue, potential, opportunity, and similar expressions, whether in the negative or affirmative. We cannot gu that we actually will achieve these plans, intentions or expectations, including completing the mergers on the terms summarized in this proxy statement. All statements regarding our expected financial position, business and financing plans are forward-looking statements.

Except for historical information, matters discussed in this proxy statement are subject to known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Factors which could have a material adverse effect on our operations and future prospects or the completion of the mergers include, but are not limited to:

- the satisfaction of the conditions to consummate the mergers, including the receipt of the required stockholder approval;
- the actual terms of certain financings that will be obtained for the mergers;
- the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement;
- the outcome of the legal proceedings that have been instituted against us following announcement of the merger agreement;
- the failure of the mergers to close for any other reason;
- the amount of the costs, fees, expenses and charges related to the mergers;
- substantial indebtedness following the consummation of the mergers;
- national and local economic, business and real estate conditions that will, among other things, affect:
  - demand for office space,
  - the extent, strength and duration of any economic recovery, including the effect on demand for office space and the creation, cost and timing of new office development,
  - availability and creditworthiness of tenants,

the level of lease rents, and

the availability of financing for both tenants and us;

adverse changes in the real estate markets, including, among other things:

the extent of tenant bankruptcies, financial difficulties and defaults,

the extent of future demand for office space in our core markets and barriers to entry into markets which we may seek to enter in the future,

the extent of the decreases in rental rates,

our ability to identify and consummate attractive acquisitions on favorable terms,

our ability to successfully complete and lease development projects on time and within budget,

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- our ability to consummate any planned dispositions in a timely manner on acceptable terms, and
- changes in operating costs, including real estate taxes, utilities, insurance and security costs;
- actions, strategies and performance of affiliates that we may not control or companies in which we have made investments;
- ability to obtain insurance at a reasonable cost;
- ability to maintain our status as a REIT for federal and state income tax purposes;
- ability to raise capital;
- effect of any terrorist activity or other heightened geopolitical risks;
- governmental actions and initiatives; and
- environmental/safety requirements

These risks and uncertainties, along with the risk factors discussed under Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, should be considered in evaluating any forward-looking statements contained in this proxy statement. All forward-looking statements speak only as of the date of this proxy statement. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are qualified by the cautionary statements in this section.

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THE PARTIES TO THE MERGERS

CarrAmerica Realty Corporation

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

We are a Maryland corporation and a fully integrated, self-administered and self-managed publicly traded REIT. We focus on the acquisition, development, ownership and operation of office properties, located primarily in selected markets across the United States. As of December 31, 2005, we owned greater than 50% interests in 235 operating office buildings containing a total of approximately 18.4 million square feet of net rentable area. As of December 31, 2005, we also owned minority interests (ranging from 15% to 50%) in 50 operating office buildings and one building under development. The 50 operating office buildings contain a total of approximately 7.9 million square feet of net rentable area. The one office building under development will contain approximately 154,000 square feet of net rentable area. Additional information about us is available on our website at http://www.carramerica.com. The information contained on our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document on file with or furnished to the SEC. Our common stock is listed on the New York Stock Exchange under the symbol CRE. For additional information about us and our business, please refer to Where You Can Find More Information on page 85.

CarrAmerica Realty Operating Partnership, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

Our operating partnership is a Delaware limited partnership through which we conduct substantially all of our business and own, either directly or indirectly through subsidiaries, substantially all of our assets. We serve as the sole general partner of our operating partnership and, together with another wholly-owned subsidiary of the company, own all of the limited partnership interests of our operating partnership.

Carr Realty Holdings, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

CRH LP is a Delaware limited partnership. Our operating partnership is the sole general partner of CRH LP. Certain of the assets that we own are owned through CRH LP.

CarrAmerica Realty, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

CAR LP is a Delaware limited partnership. CarrAmerica Realty GP Holdings, LLC, a wholly-owned subsidiary of our operating partnership, is the sole general partner of CAR LP. Certain of the assets that we own are owned through CAR LP.

Nantucket Parent LLC

c/o Blackstone Real Estate Partners V L.P.

345 Park Avenue

New York, New York 10154

(212) 583-5000

Nantucket Parent is a Delaware limited liability company formed in connection with the mergers by affiliates of Blackstone Real Estate Partners V L.P., a Delaware limited partnership. The principal business of

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Blackstone Real Estate Partners V L.P. consists of making various real estate related investments. Blackstone Real Estate Partners V L.P. is an affiliate of The Blackstone Group.

The Blackstone Group, a global private investment firm with offices in New York, Atlanta, Boston, Los Angeles, London, Hamburg, Mumbai and Paris, was founded in 1985. Blackstone s real estate group has raised approximately $10 billion for real estate investing and has a long track record of investing in office buildings, hotels and other commercial properties. In addition to real estate, The Blackstone Group s core businesses include private equity, corporate debt investing, marketable alternative asset management, mergers and acquisitions advisory and restructuring and reorganization advisory.

Nantucket Acquisition Inc.

c/o Blackstone Real Estate Partners V L.P.

345 Park Avenue

New York, New York 10154

(212) 583-5000

MergerCo is a Maryland corporation and a wholly-owned subsidiary of Nantucket Parent. MergerCo was formed in connection with the mergers by Nantucket Parent.

Nantucket CRH Acquisition L.P.

c/o Blackstone Real Estate Partners V L.P.

345 Park Avenue

New York, New York 10154

(212) 583-5000

CRH LP Merger Partnership is a Delaware limited partnership, whose general partner is MergerCo. CRH LP Merger Partnership was formed in connection with the mergers.

Nantucket CAR Acquisition L.P.

c/o Blackstone Real Estate Partners V L.P.

345 Park Avenue

New York, New York 10154

(212) 583-5000

CAR LP Merger Partnership is a Delaware limited partnership, whose general partner is MergerCo. CAR LP Merger Partnership was formed in connection with the mergers.

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THE SPECIAL MEETING

Date, Time and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders in connection with the solicitation of proxies from our common stockholders by our board of directors for use at a special meeting to be held on Tuesday, July 11, 2006, at 1:00 p.m. Eastern time. The special meeting will take place at The Willard Intercontinental Hotel, Crystal Ballroom, 1401 Pennsylvania Avenue, N.W., Washington, D.C. The purpose of the special meeting is for you to consider and vote upon a proposal to approve the merger of CarrAmerica with and into MergerCo, with MergerCo surviving the merger, the merger agreement and the other transactions contemplated by the merger agreement, to approve any adjournments of the special meeting for the purpose of soliciting additional proxies, and to transact any other business that may properly come before the special meeting or any adjournments or postponements of the special meeting. Our common stockholders must approve the merger, the merger agreement and the other transactions contemplated by the merger agreement for the merger to occur. A copy of the merger agreement is attached as **Exhibit A** to this proxy statement, which we encourage you to read carefully in its entirety.

Record Date, Notice and Quorum

All holders of record of our common stock and our Series E preferred stock as of the close of business on the record date, which was May 22, 2006, are entitled to receive notice of and attend the special meeting or any postponements or adjournments of the special meeting. However, only holders of our common stock at the close of business on the record date are entitled to vote at the special meeting or any postponements or adjournments of the special meeting. On the record date, there were 59,056,769 shares of our common stock outstanding.

The holders of a majority of the shares of our common stock that were outstanding as of the close of business on the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Any shares of our common stock held by any of our subsidiaries are not considered to be outstanding for purposes of determining a quorum. Abstentions and properly executed broker non-votes will be counted as shares present for the purposes of determining the presence of a quorum. Broker non-votes result when the beneficial owners of shares of our common stock do not provide specific voting instructions to their brokers. Under the rules of the New York Stock Exchange, brokers are precluded from exercising their voting discretion with respect to the approval of non-routine matters, such as the merger or the merger agreement.

Required Vote

Completion of the merger requires the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. Each share of our common stock that was outstanding on the record date entitles the holder to one vote at the special meeting. **Because the required vote for this proposal is based on the number of shares of our common stock outstanding rather than on the number of votes cast, failure to vote shares of our common stock that you own (including as a result of broker non-votes) and abstentions will have the same effect as voting against approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.**

In addition, the proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies requires the affirmative vote of holders of at least a majority of shares of our common stock who are present in person or represented by proxy at the special meeting. For the purpose of this proposal, if you fail to vote your shares of our common stock, you will not be considered present in person or represented by proxy. As a result, such failure will not have any effect on the outcome of this proposal. However, abstentions and broker non-votes are considered present and therefore will have the same effect as voting against the proposal to approve any adjournments of the special meeting for the purpose of soliciting additional proxies.

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Accordingly, in order for your shares of CarrAmerica common stock to be included in the vote, if you are a stockholder of record, you must either have your shares of CarrAmerica common stock voted by returning the enclosed proxy card or by submitting your proxy or voting instructions by telephone or Internet or voting in person at the special meeting. The vote of our Series E preferred stockholders is not required to approve the merger, the merger agreement or any of the other transactions contemplated by the merger agreement, or any adjournments of the special meeting for the purpose of soliciting additional proxies, and is not being solicited.

Record holders may cause their shares of common stock to be voted using one of the following methods:

- mark, sign, date and return the enclosed proxy card by mail; or
- submit your proxy or voting instructions by telephone or by Internet by following the instructions included with your proxy card; or
- appear and vote in person by ballot at the special meeting.

Regardless of whether you plan to attend the special meeting, we request that you complete and return a proxy for your shares of CarrAmerica common stock as described above as promptly as possible. If you own shares of our common stock through a bank, brokerage firm or nominee (*i.e.*, in street name), you must provide voting instructions in accordance with the instructions on the voting instruction card that your bank, brokerage firm or nominee provides to you. You should instruct your bank, brokerage firm or nominee as to how to vote your shares of CarrAmerica common stock, following the directions contained in such voting instruction card. If you have not received such voting instructions or require further information regarding such voting instructions, contact your broker who can give you directions on how to vote your shares of CarrAmerica common stock.

As of the record date, our executive officers and directors owned an aggregate of approximately 642,821 shares of our common stock, entitling them to exercise approximately 1.1% of the voting power of our common stock entitled to vote at the special meeting. Our executive officers and directors have informed us that they intend to vote their shares of our common stock in favor of approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement and in favor of approval of any adjournments of the special meeting for the purpose of soliciting additional proxies.

Proxies and Revocation

If you submit a proxy, your shares of CarrAmerica common stock will be voted at the special meeting as you indicate on your proxy. If no instructions are indicated on your signed proxy card, your shares of CarrAmerica common stock will be voted **FOR** the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement, and **FOR** the approval of any adjournments of the special meeting for the purpose of soliciting additional proxies.

You may revoke your proxy at any time, but only before the proxy is voted at the special meeting, in any of three ways:

- by delivering, prior to the date of the special meeting, a written revocation of your proxy dated after the date of the proxy that is being revoked to our Corporate Secretary at 1850 K Street, N.W., Suite 500, Washington, D.C. 20006; or
- by delivering to our Corporate Secretary a later-dated, duly executed proxy or by submitting your proxy or voting instructions by telephone or by Internet at a date after the date of the previously submitted proxy relating to the same shares; or
- by attending the special meeting and voting in person by ballot.

Attendance at the special meeting will not, in itself, constitute revocation of a previously granted proxy. If you own shares of our common stock in street name, you may revoke or change a previously granted proxy by following the instructions provided by the bank, brokerage firm, nominee or other party that is the registered owner of the shares of our common stock.

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We do not expect that any matter other than the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement, and the approval of any adjournments of the special meeting for the purpose of soliciting additional proxies, will be brought before the special meeting. If, however, such a matter is properly presented at the special meeting or any adjournments or postponements of the special meeting, the persons appointed as proxies will have discretionary authority to vote the shares represented by duly executed proxies in accordance with their discretion and judgment.

We will pay the costs of soliciting proxies for the special meeting. Our officers, directors and employees may solicit proxies by telephone and facsimile, by mail, on the Internet or in person. They will not be paid any additional amounts for soliciting proxies. We will also request that individuals and entities holding shares of our common stock in their names, or in the names of their nominees, that are beneficially owned by others, send proxy materials to and obtain proxies from those beneficial owners, and, upon request, will reimburse those holders for their reasonable expenses in performing those services. We have retained Innisfree M&A Incorporated to assist us in the solicitation of proxies, and will pay fees of approximately $25,000, plus reimbursement of out-of-pocket expenses, to Innisfree M&A Incorporated for their services. In addition, our arrangement with Innisfree M&A Incorporated includes provisions obligating us to indemnify it for certain liabilities that could arise in connection with its solicitation of proxies on our behalf.

Adjournments

Although it is not currently expected, the special meeting may be adjourned for the purpose of soliciting additional proxies if we have not received sufficient proxies to constitute a quorum or sufficient votes for approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement at the special meeting of stockholders. Any adjournments may be made without notice, other than by an announcement at the special meeting, by approval of the affirmative vote of holders of at least a majority of shares of our common stock who are present in person or represented by proxy at the special meeting, whether or not a quorum exists. Any adjournment of the special meeting for the purpose of soliciting additional proxies will allow stockholders who have already sent in their proxies to revoke them at any time prior to their use.

Postponements

At any time prior to convening the special meeting, our board of directors may postpone the special meeting for any reason without the approval of our stockholders. If postponed, as required by law, we will provide at least ten days notice of the new meeting date. Although it is not currently expected, our board of directors may postpone the special meeting for the purpose of soliciting additional proxies if we have not received sufficient proxies to constitute a quorum or sufficient votes for approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement. Similar to adjournments, any postponement of the special meeting for the purpose of soliciting additional proxies will allow stockholders who have already sent in their proxies to revoke them at any time prior to their use.

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THE MERGERS

General Description of the Mergers

Under the terms of the merger agreement, affiliates of The Blackstone Group will acquire us and our subsidiaries, including our operating partnership and the DownREIT partnerships, through their ownership of Nantucket Parent, the merger of us with and into MergerCo, and the merger of the Merger Partnerships with and into the DownREIT partnerships. Under the merger agreement, (a) CRH LP Merger Partnership will merge with and into CRH LP with CRH LP continuing as the surviving limited partnership, and (b) CAR LP Merger Partnership will merge with and into CAR LP with CAR LP continuing as the surviving limited partnership. Immediately after the partnership mergers, we will merge with and into MergerCo with MergerCo continuing as the surviving corporation.

We and certain of our subsidiaries, as the general partners of each of CRH LP and CAR LP, have already taken all actions necessary to approve the partnership mergers and no further approvals of any of the partners of either of CRH LP or CAR LP are required to complete the partnership mergers. **This proxy statement does not constitute any solicitation of consents in respect of the partnership mergers, and does not constitute an offer to exchange or convert CRH LP units or CAR LP units that you may own for or into class A preferred units in the surviving CRH LP partnership or the surviving CAR LP partnership.**

Background of the Merger

From time to time since the end of 2001 (when Security Capital Group Incorporated, formerly the owner of over 40% of our common stock sold all of its shares of our common stock), our senior management team and representatives of Goldman, Sachs & Co., or Goldman Sachs, our financial advisor, were approached on several occasions about the possibility of pursuing potential mergers, asset sales or other business combination and strategic transactions regarding CarrAmerica. These discussions generally consisted of informal discussions about CarrAmerica and its business based upon publicly available information and, except as described below, did not result in the submission of an indicative price for or an offer to acquire CarrAmerica.

At many of our regularly scheduled board meetings between the end of 2001 and the announcement of the signing of the merger agreement, our strategic plan was reviewed and discussed by our board of directors. The plan generally included seeking to maximize stockholder value by focusing on acquisitions and dispositions in our core markets in order to take advantage of our expertise in and knowledge of those markets, a disciplined investment strategy and, more recently, the development of office properties. After several years of difficulty in the office sector resulting from increasing vacancies and declining rental rates, we believe that due to an improving job market and the continued implementation of our strategic plan, vacancy rates in our portfolio peaked in 2003 and by the end of 2005 market rental rates had stabilized in all of our markets and had improved in many of our core markets, including Washington, D.C. and Southern California. However, notwithstanding the recent improvements in the rental markets, rents in certain markets had not recovered to their prior levels and we continue to be negatively impacted by rent roll downs in markets where lease renewals or extensions are generally at lower rents than expiring leases. We also believe that our development plan, which has resulted in the recent acquisitions of key land sites in certain of our markets, is an appropriate path to long term growth. Development has been attractive to us in part because extremely high prices for acquisitions have made it difficult for us to re-deploy capital through the acquisition of existing office properties in some of our core markets, including Washington, D.C. and Southern California. While our efforts to implement our strategic plan had resulted in steady progress, continuing rent roll downs, the high price of acquisitions, the rising interest rate environment, our current inability to cover our dividend from cash flows from operations and uncertainties and risks associated with development remained issues to be overcome in order to fully achieve our strategic plan.

In July 2004, representatives of The Blackstone Group had discussions with representatives of Goldman Sachs regarding a potential strategic transaction with us. On July 15, 2004, representatives of Goldman Sachs met with representatives of Blackstone and discussed our business based upon publicly available information. Representatives of Blackstone indicated that they would continue to evaluate CarrAmerica but no further discussions were held with Blackstone at that time.

Also in July 2004, a publicly-traded real estate company, which we refer to as Company A, contacted representatives of Goldman Sachs and expressed an interest in pursuing a potential acquisition of CarrAmerica. Company A stated that it needed access to confidential information prior to making any offer to buy CarrAmerica. On September 15, 2004, we entered into a confidentiality agreement with Company A and members of our senior management team and representatives of Goldman Sachs and Hogan & Hartson L.L.P., our outside legal counsel, began to provide Company A and its financial and legal advisors with due diligence information requested by Company A.

On September 21, 2004, members of our senior management team and representatives of Goldman Sachs met with representatives of Company A and its financial advisor. At the meeting, our senior management team made presentations regarding our business, markets and properties and answered questions that Company A asked about our properties and future performance expectations. Between September 21 and October 13, Company A and its financial and legal advisors conducted further due diligence and members of our senior management team and representatives of Goldman Sachs continued to engage with Company A and its financial advisor in connection with their due diligence process. Thomas A. Carr, our Chairman and Chief Executive Officer, periodically updated members of our board of directors regarding the progress of discussions with Company A. On October 13, 2004, the chief executive officer of Company A called Mr. Carr and indicated that Company A was interested in pursuing a potential acquisition of CarrAmerica for cash at a price that represented a nominal premium to the market price of our common stock, subject to conducting further due diligence. The closing price of our common stock was $32.86 per share on October 12, 2004, the last trading day prior to our receipt of the indication of interest. We considered the indication of interest and determined, after discussions with representatives of Goldman Sachs, that the proposal was insufficient in terms of price, lacked specificity related to other terms, and was too uncertain given the remaining due diligence requirements, and that pursuing further discussions could cause significant disruption to the conduct of our business and the continued execution of our strategic plan. On October 14, 2004, we informed Company A of the insufficiency of its proposal and terminated discussions with Company A. Mr. Carr subsequently updated our board of directors regarding the conclusion of our discussions with Company A.

In February of 2005, representatives of a publicly-traded REIT, which we refer to as Company B, indicated to representatives of Goldman Sachs that they were interested in exploring a potential strategic transaction with or acquisition of CarrAmerica. On February 10 and 11, 2005, representatives of Company B met with members of our senior management team and representatives of Goldman Sachs and had preliminary discussions regarding their interest in pursuing a possible transaction. On February 17, 2005, we entered into a confidentiality agreement with Company B and members of our senior management team and representatives of Goldman Sachs began providing Company B with due diligence information.

Between February 17 and April 8, 2005, Company B conducted due diligence and had due diligence meetings and discussions with our senior management team and representatives of Goldman Sachs. Mr. Carr discussed the status of discussions with Company B from time to time with members of our board of directors. On April 8, 2005, Company B delivered a draft preliminary letter of interest to Goldman Sachs which proposed a merger between CarrAmerica and Company B. The draft letter proposed consideration consisting of a mix of (i) cash, (ii) 5% convertible redeemable preferred stock of Company B, convertible at a significant premium to Company B s then-current stock price and with a five year prohibition on redemption by Company B, and (iii) common stock/operating partnership units of Company B. The consideration set forth in the draft letter implied a price in a range between $34.39 and $35.61 per share of our common stock. No other details regarding the proposed transaction were provided, and Company B never made a formal offer or delivered a definitive preliminary letter of interest. The closing price of our common stock was $32.31 per share on April 7, 2005, the last trading day prior to our receipt of the letter. After evaluation of the terms of the draft letter and discussions with representatives of Goldman Sachs, we determined that, due to a variety of reasons, including the insufficiency of the price, the mix of consideration and the continuing successful implementation of our strategic plan, the draft proposal should not be pursued. We formally terminated discussions with Company B at that time.

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On November 23, 2005, representatives of Blackstone contacted representatives of Goldman Sachs to request certain publicly available information about CarrAmerica, which material was provided on November 28, 2005. From time to time thereafter, Blackstone indicated to representatives of Goldman Sachs that Blackstone viewed CarrAmerica as a potentially attractive investment and might be interested in exploring discussions should CarrAmerica be inclined to do so.

In December 2005, the chief executive officer of Company A again contacted representatives of Goldman Sachs to express interest in pursuing a potential acquisition of CarrAmerica, and on December 8, 2005, the chief executive officer of Company A met with representatives of Goldman Sachs to reiterate that interest.

On December 16, 2005, Mr. Carr had lunch with the chief executive of a private real estate investment fund, which we refer to as Company C. At that lunch, the chief executive of Company C told Mr. Carr that Company C wanted to acquire CarrAmerica. In order to minimize any potential disruption to CarrAmerica s operations, Mr. Carr told the chief executive of Company C that Company C should complete its investigation of CarrAmerica s publicly available information and then make a compelling proposal regarding a potential acquisition prior to the two companies exploring matters further.

On December 20, 2005, a representative of a private real estate investment fund, which we refer to as Company D, called Mr. Carr and indicated that Company D was interested in pursuing a potential acquisition of CarrAmerica. Later that day, Company D delivered a letter to Mr. Carr confirming that interest, presenting information about Company D and requesting certain confidential information about CarrAmerica in order to begin exploring a potential transaction. After discussions with representatives of Goldman Sachs, Mr. Carr indicated to a representative of Company D that CarrAmerica would consider its request and respond to it shortly. During the week of December 26, 2005, a representative of Company D indicated that Company D was no longer interested in pursuing a potential acquisition of CarrAmerica due to matters internal to Company D.

On December 27, 2005, Mr. Carr met with the chief executive of Company C. At that meeting, the chief executive of Company C said that Company C had completed its review of publicly available information regarding CarrAmerica and that, based upon that review, Company C was prepared to offer to acquire CarrAmerica for cash consideration of between $43 and $44 per share of common stock of CarrAmerica and per DownREIT partnership unit, without a financing contingency. The closing price of our common stock was $35.54 per share on December 23, 2005, the last trading day prior to the date of this meeting. In addition, the chief executive of Company C indicated that Company C could provide a structure that would allow limited partners in the DownREIT partnerships to exchange their current partnership interests into a continuing interest in an entity surviving the mergers and provide them with some ongoing tax protection. The chief executive of Company C added that Company C would be prepared to conduct and complete confirmatory due diligence and execute a definitive agreement within two weeks, but indicated that if CarrAmerica engaged in an auction there could be no assurance that Company C would participate. Mr. Carr indicated that he would respond after discussing the proposal with CarrAmerica s board of directors, senior management and financial and legal advisors.

Between December 27, 2005 and January 12, 2006, Mr. Carr discussed Company C s proposal with members of our board of directors and senior management and representatives of Goldman Sachs and Hogan & Hartson. We determined that an initial meeting with representatives of Company C was appropriate in order to assess Company C s level of interest. In addition, Mr. Carr requested that our senior management team and representatives of Goldman Sachs prepare a preliminary financial analysis of CarrAmerica, a review of the current environment for office REITs and a market overview of office and other REITs, a preliminary evaluation of Company C s proposal, and a review of comparable recent transactions for presentation to our board of directors. In addition, Mr. Carr asked our senior management team to prepare a presentation regarding our strategic plan.

On January 5, 2006, representatives of Company C and its financial advisor met with members of our senior management team, including Mr. Carr and Mr. Philip L. Hawkins, our President and Chief Operating Officer and a member of our board of directors, representatives of Goldman Sachs and representatives of Hogan & Hartson. The representatives of Company C orally reiterated their preliminary offer of between $43 and $44 per share of our common stock and per DownREIT partnership unit, subject to conducting confirmatory due diligence. Company C described the due diligence of publicly available information it had performed to date, the nature of its requested confirmatory due diligence of our confidential information and the general nature of its potential equity and debt financing. Company C noted that it had not yet determined the treatment of our Series E preferred stock. Company C also indicated that its offer was conditioned upon our agreeing to negotiate a potential transaction exclusively with Company C for a period of at least two weeks. At the conclusion of the meeting, Mr. Carr indicated that he would discuss the offer, including the requested exclusivity, with our board of directors.

On January 12, 2006, we held a special meeting of our board of directors. Also participating in the meeting were members of our senior management team and representatives of Goldman Sachs and Hogan & Hartson. Mr. Carr provided the members of the board with an update on the discussions to date with Company C. Representatives of Hogan & Hartson then discussed with the members of the board their fiduciary duties. The board of directors was reminded of the interests that Mr. Carr and Mr. Hawkins would have in a change in control of CarrAmerica, including the terms and potential value to be received by them under their change in control agreements, the vesting of their equity awards and, in the case of Mr. Carr, his direct and indirect interests in CRH LP, as more fully described under Interests of our Directors, Executive Officers and Certain Other Persons in the Mergers on page 47.

Following this discussion, Mr. Carr and other members of our senior management team reviewed with the board our current financial condition and strategic plan. Goldman Sachs then made a presentation to the board with respect to its preliminary financial analysis of CarrAmerica, the current market environment for REITs generally, and a preliminary evaluation of the financial terms of Company C s proposal. A discussion followed among the members of the board, our senior management team and representatives of Goldman Sachs and Hogan & Hartson regarding our strategic plan and the proposed offer from Company C, including the exclusivity condition. It was the view of our senior management and the board that, despite the success and continued belief in our strategic plan, a sale of CarrAmerica in the range discussed with Company C could represent an attractive alternative to proceeding with our strategic plan. Our board determined to authorize CarrAmerica and its management to pursue a potential transaction with Company C, to grant Company C two weeks of exclusivity and to formally engage Goldman Sachs as CarrAmerica s financial advisor in connection with a potential transaction.

On January 13, 2006, we entered into a confidentiality agreement with Company C, which agreement included providing exclusivity to Company C through January 26, 2006. Between January 13, 2006 and January 25, 2006, members of our senior management team and representatives of Goldman Sachs and Hogan & Hartson provided Company C and its financial and legal advisors with due diligence information about us and conducted meetings with representatives of Company C and its financial and legal advisors to discuss this information and to discuss possible structural alternatives for a potential transaction. During this time, we also conducted due diligence on Company C s potential equity and debt financing of a proposed acquisition of us.

On January 19, 2006, our board of directors held a special meeting to discuss the status of discussions with Company C. Also present at the meeting were members of our senior management team and representatives of Goldman Sachs and Hogan & Hartson. Mr. Carr informed the board that discussions and due diligence regarding a potential transaction with Company C were ongoing. Representatives of Hogan & Hartson then updated the members of the board regarding the expected structure of the proposed transaction that had been proposed by Company C, including a merger of CarrAmerica into a subsidiary of Company C in exchange for cash for each share of our common stock. Under the proposal, our Series E preferred stock would remain an outstanding preferred security of the surviving private company after the merger with substantially the same terms. The board discussed its concerns with a transaction in which holders of the Series E preferred stock would ultimately continue to own a relatively less liquid security in an entity expected to be much more highly leveraged than

CarrAmerica. After a further discussion of the process with Company C and other potential strategic alternatives, the board instructed management to continue negotiating with Company C.

On January 19, 2006, Hogan & Hartson distributed to Company C and its financial and legal advisors a draft merger agreement. On January 22, 2006, Company C s legal advisors delivered comments on the draft merger agreement to Hogan & Hartson. The comments did not include a price proposal or a detailed structural proposal, although they reflected that our Series E preferred stock would remain an outstanding preferred security of the surviving private company after the merger with substantially the same terms. Also on January 22, 2006, Company C s legal advisors delivered a term sheet setting forth the terms of the proposed consideration to be paid to the limited partners of the DownREIT partnerships, which consisted of the right to receive cash per unit equal to the amount of the merger consideration to be payable per share of our common stock, or, for electing unit holders who meet certain qualifications, preferred units of partnership interest in the applicable surviving partnership in lieu of cash, as part of their merger consideration. Such electing limited partners in CRH LP would also be provided with limited tax protection for up to five years, but limited partners in CAR LP would not be provided with tax protection.

Between January 19, 2006 and January 25, 2006, members of our senior management team negotiated with representatives of Company C regarding the proposed merger consideration. In addition, during this time, representatives of Hogan & Hartson and Company C s legal advisors held negotiations to discuss issues related to the draft merger agreement and limited partner term sheet. Among the issues discussed were representations and warranties of the parties to the merger agreement, operating covenants, conditions to closing, our ability to entertain other offers after execution of the merger agreement, the amount and conditions under which a termination fee and expense reimbursement would be payable, the consideration for shares of our Series E preferred stock and the terms of the consideration payable to and the tax protection terms relating to the limited partners in the DownREIT partnership.

On January 25, 2006, the day before the end of Company C s exclusivity period, the chief executive of Company C called Mr. Carr and indicated that, while Company C s previous preliminary offer was between $43 and $44 per share, Company C would not be prepared to offer $43 or more per share as a result of costs that Company C did not contemplate before making its preliminary offer. He added that Company C was not then prepared to propose a specific reduced price. Mr. Carr indicated that he would discuss the matter with our board of directors.

On January 26, 2006, at a regularly scheduled meeting, our board of directors discussed, among other matters, the status of negotiations with Company C. After discussion of the status of the negotiations, the board instructed senior management to seek a definitive offer from Company C but to inform Company C that an offer below $43 per share was insufficient. Later on January 26, Mr. Carr called the chief executive of Company C and conveyed the board s view regarding the price. Mr. Carr also stated that the exclusivity period would not be extended, though Company C could complete its diligence.

On February 2, 2006, Mr. Carr met again with the chief executive of Company C. At that meeting, Company C indicated it was prepared to purchase CarrAmerica for $41 per share of common stock in cash, subject to the terms and conditions previously discussed. Mr. Carr responded that $41 per share was not a sufficient price and that other terms of Company C s offer, including the treatment of the Series E preferred stock and the limited partners of the DownREIT partnerships, were not acceptable to our board of directors. On February 3, 2006, the chief executive of Company C called Mr. Carr and increased Company C s offer to $41.25 per share of common stock, subject to the same terms and conditions previously discussed. Mr. Carr reaffirmed our position that the offer was insufficient.

On February 6, 2006, Mr. Carr again met with the chief executive of Company C. At that meeting, the chief executive of Company C increased Company C s offer to $41.75 per share, again subject to the same terms and conditions previously discussed, which Company C confirmed in writing later that day. On February 7 and February 8, 2006, Mr. Carr had several conversations with representatives of Company C to discuss the price of

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Company C s offer and the treatment of the Series E preferred stock and the limited partners of the DownREIT partnerships. On February 8, 2006, Company C submitted a written offer to acquire CarrAmerica for $42 per share of common stock, provided that CarrAmerica would not be permitted to pay any further dividends to its common stockholders after the execution of the merger agreement. The remaining terms and conditions of the offer remained unchanged. On February 9 and the morning of February 10, 2006, Mr. Carr and representatives of Goldman Sachs had discussions with representatives of Company C and its financial advisor in an attempt to increase the offer and/or to permit regular quarterly dividends to be paid after the execution of the merger agreement. Company C did not then change its proposal.

On February 9, 2006, Mr. Carr received a written preliminary proposal to acquire CarrAmerica from the chief executive of Company A. The proposal outlined an interest in acquiring CarrAmerica for in excess of $41 per share of common stock in cash, subject to further due diligence. The letter did not contain any other details regarding the structure or other terms of the proposed transaction. The closing price of our common stock was $37.02 per share on February 8, 2006, the last trading day prior to our receipt of the letter .

On February 10, 2006, our board of directors held a special meeting to discuss Company C s offer, the preliminary proposal received from Company A and other possible alternatives. At the meeting, Mr. Carr described the status of negotiations with Company C and the preliminary proposal from Company A. Representatives from Goldman Sachs then discussed with the board its updated preliminary financial analysis of CarrAmerica, its preliminary evaluation of the financial terms of Company C s offer, the identities of other potential parties that could be interested in pursuing a strategic transaction with CarrAmerica, and the process of approaching potential purchasers that could be undertaken by us. After a discussion among the members of the board, members of senior management and representatives of Goldman Sachs and Hogan & Hartson, our board of directors resolved to reject Company C s offer and to terminate discussions with Company C. The board of directors also authorized contacts with Blackstone, Company A, Company B and the real estate investment division of a large global financing company, which we refer to as Company E, to determine their interest in pursuing a potential transaction with CarrAmerica. These parties were selected because the board believed they would have a high likelihood of interest in pursuing a transaction with us and would have the financial resources to acquire a company the size of CarrAmerica. Each party would be given approximately two to three weeks to conduct due diligence (subject to entering into confidentiality agreements) and submit offers to acquire CarrAmerica. After the meeting, discussions with Company C regarding a potential transaction were terminated.

Later on February 10, our advisors contacted representatives of Blackstone, Company A, Company B and Company E. The potential bidders were informed that they would be provided with at least two weeks in which to conduct their due diligence and submit offers regarding a potential acquisition of CarrAmerica. We entered into confidentiality agreements with Blackstone and Company A on February 10, 2006, and representatives of Goldman Sachs and Hogan & Hartson began providing Blackstone and Company A with due diligence information about us. There was no further contact with Company B after February 10 and Company B did not express any further interest in pursuing a possible acquisition. On February 14, 2006, we entered into a confidentiality agreement with Company E and provided Company E with due diligence information.

Between February 10, 2006 and March 1, 2006, the due date for the bids, members of our senior management team and representatives of Goldman Sachs and Hogan & Hartson held various meetings and telephone calls with representatives of the potential bidders and their respective various advisors to discuss a potential transaction, including due diligence matters. Mr. Carr periodically advised members of the board of the progress of the process during this time.

On February 15, 2006, the chief executive of Company C called Mr. Carr. We resumed discussions regarding a potential transaction with Company C and indicated that they could participate in the process on the same terms as the other potential bidders.

On February 16, 2006, representatives of a pension fund advisor, which we refer to as Company F, contacted representatives of Goldman Sachs and indicated an interest in pursuing a potential acquisition of

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CarrAmerica. We entered into a confidentiality agreement with Company F on February 17, 2006 and provided Company F with due diligence information. There was no further significant contact with Company F after February 17 and Company F did not express any further interest in pursuing a possible acquisition of us.

On February 17, 2006, an industry publication speculated about a potential business combination transaction involving us. Our common stock price rose approximately 5% that day and closed at $39.70 per share on higher than normal trading volume.

Also on February 17, Hogan & Hartson delivered a draft merger agreement to Blackstone, Company A, Company C, Company E and Company F.

On February 23, 2006, Company E delivered a letter to representatives of Goldman Sachs indicating that Company E continued to be interested in evaluating whether to make an offer to acquire us, but that Company E would need an additional two to three weeks to complete its due diligence and requested additional due diligence information and the ability to discuss its potential acquisition with potential partners or asset buyers.

On February 24, 2006, Goldman Sachs delivered a bid-procedures letter to Blackstone, Company A, Company C and Company E, indicating that best and final bids would be due on March 1, 2006.

On February 25, 2006, representatives of Simpson Thacher & Bartlett LLP, legal counsel to Blackstone, delivered to representatives of Goldman Sachs and Hogan & Hartson comments on the draft merger agreement which did not include a price offer. In addition, representatives of Simpson Thacher delivered a term sheet setting forth the terms of the proposed consideration to be paid to the limited partners of the DownREIT partnerships, which consisted of cash per unit equal to the amount of the merger consideration to be payable per share of our common stock, or qualified partners could elect to receive, in lieu of cash, preferred units of partnership interest in the applicable surviving partnership with a liquidation preference equal to the cash merger consideration and tax protection provisions for seven years. On February 28, 2006, representatives of Hogan & Hartson discussed the comments to the draft merger agreement with representatives of Simpson Thacher, including the representations and warranties of the parties, operating covenants, conditions to closing, our ability to entertain other offers following execution of the merger agreement, termination rights of the parties and the amount and conditions under which a termination fee and expense reimbursement would be payable, and the terms of the limited partner consideration.

On March 1, 2006, we received nonbinding offer letters from Blackstone, Company A and Company C to acquire us together with comments from each bidder on the draft merger agreement. Company E did not submit a bid.

Blackstone s offer indicated that it was willing to acquire all of our outstanding common stock for $44.00 per share in cash, plus payment of the pro rata portion of our regular quarterly dividend of $0.50 per share from the last ex-dividend date of our common stock through the closing of the merger. The offer also permitted us to pay our regular quarterly dividends in accordance with our past practices through the closing of the merger (which, based upon our board s expectations regarding timing of our dividends and the closing of the potential transaction, would have included the dividend for the first quarter but would have been unlikely to include the dividend for the second quarter). Limited partners in the DownREIT partnerships would receive the same cash consideration for each of their units, and qualified partners could elect to receive, in lieu of cash, preferred partnership units on terms similar to the term sheet previously provided. Blackstone s proposal also contemplated that the holders of our Series E preferred stock would receive preferred stock in the surviving private corporation with terms substantially identical to their current terms, and the surviving corporation would then promptly be liquidated into Nantucket Parent with the holders receiving cash in an amount equal to the $25.00 liquidation value plus accrued but unpaid dividends. The offer was not subject to a financing contingency. It also contemplated tender offers for our senior notes (but the success of these offers would not be a closing condition), a termination fee of $85 million and expense reimbursement of up to $7.5 million. Blackstone also provided a

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copy of its equity and debt commitment letters. Blackstone also indicated that Blackstone Real Estate Partners V L.P. would agree to guarantee the payment obligations of Nantucket Parent and MergerCo under the merger agreement up to a maximum amount of $500 million.

Company A s offer indicated that it was willing to acquire all of our outstanding common stock for $42.00 per share in cash. The offer permitted us to pay our regular quarterly dividends in accordance with our past practices through the closing of the merger (which, based upon our board s expectations regarding timing of our dividends and the closing of the potential transaction, would have included the dividend for the first quarter but would have been unlikely to include the dividend for the second quarter). The offer also contemplated the acquisition of all of our outstanding Series E preferred stock for cash in the amount of the $25.00 per share liquidation value plus any accrued but unpaid dividends. Company A also indicated that it would be willing to consider substituting stock of Company A as a portion of the merger consideration. Limited partners in the DownREIT partnerships would receive the same cash consideration for each of their partnership units as the per share consideration for our common stock, and qualified partners could elect to receive equity interests in the surviving partnerships in the form of either a preferred partnership interest with a liquidation value of $42.00 per unit or another form of equity interest with the same value. Specific terms of the equity interests were not provided. Company A also indicated that it was willing to provide tax protection to limited partners of CRH LP but not CAR LP. The offer did not contain a financing contingency and contemplated a termination fee of $100 million and expense reimbursement of up to $20 million.

Company C s offer indicated that it was willing to acquire all of our outstanding common stock for $42.75 per share in cash and permitted us to pay our regular $0.50 per share quarterly dividend for the first quarter of 2006 but no additional dividends thereafter. The offer contemplated that our Series E preferred stock would remain an outstanding preferred security of the surviving private company following the merger with terms substantially identical to its current terms, subject to a 1.0% increase in the dividend rate if the surviving company had a loan to value ratio greater than 70% on the second anniversary of the closing of the proposed transaction. Limited partners in the DownREIT partnerships would receive the same cash consideration for each of their units, and qualified partners could elect to receive up to 20% of their consideration in the form of preferred partnership units with terms similar to the term sheet Company C previously provided, with five years of limited tax protection to partners of CRH LP but not CAR LP. The offer did not contain a financing contingency and contemplated a termination fee of approximately 3% of the equity value of CarrAmerica in the proposed transaction plus an unspecified amount for expense reimbursement. The offer also indicated that a potential transaction would be conditioned upon the receipt of the consent of the lender of one of our mortgage loans. Company C also indicated that it and its equity partners would agree to guarantee the payment obligations under the merger agreement up to a maximum amount of $550 million.

After discussions regarding the offers among Mr. Carr and representatives of Goldman Sachs and Hogan & Hartson, on March 2, 2006, representatives of Goldman Sachs contacted representatives of Company A and Company C and indicated that their offers were insufficient in terms of price and other terms. Later on March 2, representatives of Company A contacted representatives of Goldman Sachs and increased Company A s offer to $42.50 per share and indicated that it was its best offer. Representatives of Company C indicated that they would respond with an improved offer prior to our special board meeting on March 3. Also on March 2, representatives of Goldman Sachs had various discussions with Jonathan D. Gray, Senior Managing Director of Blackstone. In the evening of March 2, Blackstone increased its offer to $44.50 per share. The offer was otherwise on the same terms previously indicated, including the payment of the pro rata portion of our regular quarterly dividend of $0.50 per share from the last ex-dividend date of our common stock through the closing of the merger.

On the morning of March 3, 2006, representatives of Company C contacted representatives of Goldman Sachs and indicated that Company C would make a best and final offer of $44.60 per share, subject to our ability to pay only our regular $0.50 per share quarterly dividend for the first quarter of 2006. In order to provide our board the ability to compare the bids of Blackstone and Company C on an equivalent basis, representatives of Goldman Sachs later contacted Mr. Gray and asked him what Blackstone s offer would be if we were permitted

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to pay only our regular $0.50 per share quarterly dividend for the first quarter of 2006 and did not receive as additional consideration the pro rata portion of our regular quarterly dividend of $0.50 per share from the last ex-dividend date of our common stock through the closing of the merger. Mr. Gray indicated that under those terms Blackstone s best and final offer was $44.75 per share.

Also on March 3, the Executive Compensation Committee of our board of directors, consisting solely of independent members of our board of directors, met to consider the adoption of the Change in Control Severance Pay Plan under which certain employees of CarrAmerica and its subsidiaries would be entitled to certain payments under certain circumstances if they were terminated or if they were constructively terminated during a period of time following the consummation of a merger.

The Executive Compensation Committee also discussed proposed amendments to the change in control employment agreements with our executive officers, including Messrs. Carr and Hawkins, and certain of our other officers. The potential economic impact of the Change in Control Severance Pay Plan and the amendments to the change in control agreements was provided to all potential bidders prior to February 24, 2006. The amendments were intended to clarify the intent of the agreements that, during the term of the agreements: (i) the company would be required to maintain not only cash-based incentive opportunities, but also equity-based incentive opportunities, that are not less favorable, in the aggregate, than those provided to the executives before the merger; and (ii) if an executive s employment is terminated without cause by us or for good reason by the executive (each such term as defined in the agreements), the executive will receive, among other things, a payment in respect of not only the value of any cash-based incentive awards that the executive would have received if the executive had remained employed for two years after such termination, but also the value of any equity-based incentive awards the executive would have received during such period.

After extended discussion regarding the Change in Control Severance Pay Plan and the amendments, the Committee adopted and approved the Change in Control Severance Pay Plan and recommended that the board of directors adopt and approve the Plan. Given that a special meeting of the full board was to commence, the Committee deferred further discussion regarding the amendments to the change in control agreements until after the conclusion of the board meeting. Ms. Dennis and Mr. Torray did not participate in this subsequently reconvened meeting of the Committee due to scheduling conflicts. At various times during the March 3 meetings of the Committee, Mr. Carr was asked to join to answer questions from the members of the Committee. The Committee, after further discussion, determined that the amendments were appropriate to clarify the original intent of the change in control agreements, but decided not to take formal action until all Committee members could be present.

On March 3, our board of directors held a special meeting to consider the offers received. Members of our senior management team and representatives of Goldman Sachs and Hogan & Hartson were also in attendance. Mr. Carr updated the board regarding the offers received and subsequent discussions with the bidders. Representatives of Goldman Sachs reviewed with the board the financial aspects of the three bids, including a comparison of the bids, and provided information about the three bidders. Representatives of Hogan & Hartson then reviewed with the directors their fiduciary duties and the terms of the merger agreement comments received from the three bidders. The board also discussed the uncertainties facing CarrAmerica in the execution of its strategic plan, including matters related to the rent roll downs in Northern California, our inability to currently cover our dividend from cash flows from operations and the uncertainties relating to realizing value on our development pipeline. After extensive discussion among our board, senior management and our advisors, the board unanimously agreed to proceed with Blackstone s offer and authorized management to negotiate with Blackstone on substantially the terms described to the board. Later that day, Goldman Sachs informed each of Company A and Company C that their bids had not been accepted and that CarrAmerica would be pursuing a transaction with another party.

Over the course of March 3, 4 and 5, representatives of our management, Blackstone, Hogan & Hartson and Simpson Thacher negotiated the terms of the merger agreement, the terms of the preferred units to be made

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available to qualified partners of the DownREIT partnerships, the terms of Blackstone s equity and debt financing and the terms of Blackstone Real Estate Partners V L.P. s guarantee.

On March 5, 2006, our board was provided with a copy of the merger agreement that had been negotiated with Blackstone, a detailed summary of the merger agreement and the terms of the preferred units to be made available to qualified partners of the DownREIT partnerships and materials prepared by Goldman Sachs and by Stifel, Nicolaus & Company, Incorporated, which had been retained to advise the members of the board with respect to matters related to the DownREIT partnerships.

On the evening of March 5, 2006, the Executive Compensation Committee of our board of directors met to consider the adoption of the amendments to the change in control agreements. Representatives of Hogan & Hartson also participated in the meeting. Ms. Joan Carter, Chairman of the Committee, discussed the substance of the amendments with the Committee, including the impact of the amendments on members of our senior management, including Messrs. Carr and Hawkins, and the nature of the clarifications set forth in the amendments which the Committee believed did not materially change the intended benefits thereunder to our senior management. Representatives of Hogan & Hartson then reviewed with the members of the Committee their fiduciary duties. After further discussion, the Committee unanimously adopted and approved the amendments and recommended that the board of directors also adopt and approve the amendments. After the conclusion of the meeting of the Committee, the independent members of our board of directors met without Messrs. Carr and Hawkins. Representatives of Hogan & Hartson also participated in the meeting. The independent members of the board of directors discussed the Change in Control Severance Pay Plan and the amendments to the change in control agreements, including the impact of the amendments on members of our senior management, including Messrs. Carr and Hawkins, and representatives of Hogan & Hartson reviewed with the members of the board their fiduciary duties. After further discussion, the board of directors, without Messrs. Carr and Hawkins present as they had recused themselves from consideration of the matters, adopted and approved the Plan and the amendments.

Our board of directors then convened a special meeting to consider the proposed merger agreement with Blackstone. Members of our senior management team and representatives of Goldman Sachs, Hogan & Hartson and Stifel, Nicolaus also participated in the meeting. During the meeting, Mr. Carr updated the board on the negotiations with Blackstone that had taken place over the course of the last three days since the last board meeting. Representatives of Hogan & Hartson then reviewed the board s fiduciary duties. Hogan & Hartson summarized in detail the principal terms of the merger agreement and ancillary documents, including the representations and warranties, operating covenants, other covenants regarding, among other things, the debt tender offers and the proxy statement, the provisions regarding non-solicitation of competing acquisition proposals, closing conditions and the absence of a financing contingency, termination provisions, termination fees and expense reimbursement provisions, the guarantee by Blackstone Real Estate Partners V L.P. and the structure and financing of the proposed transaction. Representatives of Hogan & Hartson also reviewed with the board the terms of the transaction relating to the DownREIT partnerships, including the proposed treatment of the limited partnership interests in the DownREIT partnerships, our operating partnership s senior notes and our Series E preferred stock.

Representatives of Goldman Sachs then reviewed, among other things, the history of negotiations with Blackstone and other potential bidders and the financial terms of the proposed transaction and presented certain financial analysis regarding the proposed transaction. Representatives of Stifel, Nicolaus then reviewed with the board matters relating to the DownREIT partnerships and the consideration proposed to be received by the holders of limited partnership interests in the partnership mergers. Considerable discussion concerning the transaction then ensued, and Goldman Sachs then rendered its oral opinion, which was subsequently confirmed in writing, to our board of directors that, as of March 5, 2006 and based upon and subject to the factors and assumptions set forth therein, the $44.75 per share of our common stock, in cash, to be received by our common stockholders pursuant to the merger agreement was fair from a financial point of view to such stockholders. Further discussion of the proposed transaction followed and after its deliberations our board of directors, among other things, unanimously approved the merger, the merger agreement and the other transactions contemplated

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by the merger agreement and resolved to recommend that our common stockholders vote for the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement. Certain of the factors considered by our board of directors are described in greater detail under the heading Reasons for the Merger.

Later that evening, CarrAmerica and Blackstone executed the merger agreement. Before trading on the NYSE opened on March 6, 2006, the parties issued a joint press release announcing the execution of the merger agreement.

Reasons for the Merger

In reaching its decision to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement and to recommend approval of the merger, the merger agreement and other transactions contemplated by the merger agreement to our common stockholders, our board of directors consulted with our senior management team, as well as our outside legal and financial advisors, and considered a number of factors, including the following material factors which our board of directors viewed as supporting its decision to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement and to recommend approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement to our common stockholders:

- the current and historical market prices of shares of our common stock, and the fact that the cash merger consideration of $44.75 per share of our common stock represented an approximate 8.9% premium over the closing price of our common stock on March 3, 2006, the last trading day prior to the public announcement of the merger agreement, an approximate 18.4% premium to the closing price of our common stock on February 16, 2006, the last trading day prior to published reports regarding a potential business combination transaction involving us, an approximate 17.3% premium to the average closing price of our common stock for the 30 day period ended immediately prior to the announcement of the merger, an approximate 25.3% premium to the average closing price of our common stock for the 90 day period ended immediately prior to the announcement of the merger, an approximate 24.2% premium to the average closing price of our common stock for the 180 day period ended immediately prior to the announcement of the merger, and an approximate 27.0% premium to the average closing price of our common stock for the one year period ended immediately prior to the announcement of the merger;

- although we had been successful in the past in implementing our strategic plan, the merger provides a better alternative to our stockholders than pursuing our strategic plan on an ongoing basis as a result of the risks and uncertainties associated with the successful implementation of our strategic plan, including (i) the continued negative impact from ongoing rent roll downs, (ii) the high cost of acquisitions, (iii) our current inability to cover our dividend from cash flows from operations (we expected to be required to borrow between $75 million and $90 million in 2006 to maintain our current dividend rate, subject to our continued compliance with our debt covenants and our ability to draw on our line of credit or obtain other suitable financing to do so), and (iv) the risks and uncertainties in implementing our development plans;

- the high multiples of funds from operations at which shares of REITs have been trading and the risk that those multiples might not be sustained, which could result in a decline in the trading price of our common stock regardless of our performance;

- favorable conditions for sale transactions in the real estate markets generally and the office sector specifically, including prices for real estate assets being extremely high while capitalization rates are extremely low, the relatively low interest rate environment and the number of large portfolio acquisitions and public real estate mergers in recent years;

- the high probability that the mergers would be completed based on, among other things, Blackstone s proven ability to complete large acquisition transactions on the agreed terms, Blackstone s extensive experience in the real estate industry, the lack of a financing condition, and Blackstone Real Estate Partners V L.P. s $500 million guarantee of the acquisition entities obligations under the merger agreement;

the fact that the merger represented the transaction that provided the highest price to our stockholders we had been offered after pursuing other potential transactions (see Background of the Merger on page 27);

the terms and conditions of the merger agreement, which were reviewed by our board of directors with our financial and legal advisors and the fact that such terms were the product of arm s-length negotiations between the parties;

the financial analysis of Goldman Sachs, and its oral opinion, which was subsequently confirmed in writing, to our board of directors that as of March 5, 2006, and based upon and subject to the factors and assumptions set forth therein, the $44.75 per share of our common stock, in cash, to be received by our common stockholders pursuant to the merger agreement was fair from a financial point of view to such stockholders (see Opinion of Our Financial Advisor on page 39);

our ability, under the merger agreement, under certain circumstances, to consider and respond to an unsolicited written acquisition proposal, and if, after consultation with our financial advisors, the board of directors determines in good faith that such acquisition proposal is a superior proposal and determines in good faith, after consultation with legal counsel, that failure to take such action would be inconsistent with the board s duties to our stockholders under applicable law, and Blackstone chooses not to negotiate improvements to the merger agreement to make it superior, our ability to terminate the merger agreement upon the payment of a termination fee of $85 million plus reimbursement of Nantucket Parent s expenses up to $7.5 million;

the fact that the all cash merger consideration will provide our stockholders with immediate fair value, in cash, for their investment in our stock;

because a sale of the entire company would need to address all equity holders in CarrAmerica and in CRH LP and CAR LP, the fact that, after pursuing other potential transactions, the merger represented the transaction that provided the most value to our common and preferred stockholders and holders of units of limited partnership interest in CRH LP and CAR LP; and

the merger is subject to the approval of our common stockholders.

Our board of directors also considered the following potentially negative factors in its deliberations concerning the merger agreement and the merger:

the merger would preclude our stockholders from having the opportunity to participate in the future performance of our assets, future earnings growth, future appreciation of the value of our common stock or future dividends that could be expected if our strategic plan were successfully implemented;

the significant costs involved in connection with entering into and completing the merger and the substantial time and effort of management required to consummate the merger and related disruptions to the operation of our business;

the restrictions on the conduct of our business prior to the completion of the merger, which could delay or prevent us from undertaking business opportunities that may arise pending completion of the merger;

the pending merger or failure to complete the merger may cause substantial harm to relationships with our employees and may divert management and employee attention away from the day to day operation of our business;

our inability to solicit competing acquisition proposals and the possibility that the $85 million termination fee and up to $7.5 million expense reimbursement payable by us upon the termination of the merger agreement could discourage other potential bidders from making a competing bid to acquire us;

the fact that an all cash merger would be taxable to our stockholders for U.S. federal income tax purposes;

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- our inability to take action to cause specific performance or require Blackstone to complete the mergers, and our exclusive remedy for such failure to complete the mergers being to seek damages up to the amount of Blackstone Real Estate Partners V L.P. s $500 million guarantee; and

- some of our directors and executive officers may have interests in the mergers that are different from, or in addition to, CarrAmerica stockholders (see Interests of Our Directors, Executive Officers and Certain Other Persons in the Mergers on page 47).

The foregoing discussion of the factors considered by our board of directors is not intended to be exhaustive, but rather includes the material factors considered by our board of directors. In reaching its decision to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement, our board of directors did not quantify or assign any relative weights to the factors considered and individual directors may have given different weights to different factors. In the event the merger is not completed for any reason, we expect to continue to pursue our strategic plan with the intention of delivering further improvement in our financial results and enhanced stockholder value.

Recommendation of Our Board of Directors

After careful consideration, our board of directors, by unanimous vote, has approved the merger, the merger agreement and the other transactions contemplated by the merger agreement and has declared the merger, the merger agreement and the other transactions contemplated by the merger agreement advisable and in the best interests of CarrAmerica and our stockholders. Our board of directors recommends that you vote FOR the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement, and FOR the approval of any adjournments of the special meeting for the purpose of soliciting additional proxies.

Opinion of Our Financial Advisor

On March 5, 2006, Goldman Sachs rendered its oral opinion, which was subsequently confirmed in writing, to our board of directors that, as of March 5, 2006 and based upon and subject to the factors and assumptions set forth therein, the $44.75 per share of our common stock, in cash, to be received by our common stockholders pursuant to the merger agreement was fair from a financial point of view to such holders.

The full text of the written opinion of Goldman Sachs, dated March 5, 2006, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Exhibit B to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of CarrAmerica s board of directors in connection with its consideration of the merger. The Goldman Sachs opinion is not a recommendation as to how any common stockholder should vote with respect to the merger.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

- the merger agreement;

- the guarantee described in Guarantee and Remedies ;

- our annual reports to stockholders and Annual Reports on Form 10-K for the five fiscal years ended December 31, 2005;

- certain of our interim reports to our stockholders and Quarterly Reports on Form 10-Q;

- certain other communications from us to our stockholders; and certain of our internal financial analyses and forecasts prepared by our management.

Goldman Sachs also held discussions with members of our senior management regarding their assessment of the past and current business operations, financial condition, and future prospects of CarrAmerica. In addition,

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Goldman Sachs reviewed the reported price and trading activity for CarrAmerica common stock, compared certain financial and stock market information for CarrAmerica with similar information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the office real estate industry specifically and in other real estate industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

Goldman Sachs relied upon the accuracy and completeness of all of the financial, accounting, legal, tax and other information discussed with or reviewed by it and assumed such accuracy and completeness for purposes of rendering the opinion described above. In that regard, Goldman Sachs assumed, with the consent of the board of directors of CarrAmerica, that the internal financial forecasts prepared by the management of CarrAmerica had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of CarrAmerica. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of CarrAmerica or any of its subsidiaries, nor was any such evaluation or appraisal of the assets or liabilities of CarrAmerica or any of its subsidiaries furnished to Goldman Sachs. Goldman Sachs opinion does not address the underlying business decision of CarrAmerica to engage in the transaction. Goldman Sachs opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, March 5, 2006.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of CarrAmerica in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before March 5, 2006 and is not necessarily indicative of current market conditions.

Historical Trading Analysis. Goldman Sachs reviewed the historical trading prices for CarrAmerica common stock for the five-year period ended March 3, 2006. In addition, Goldman Sachs analyzed the relationship between the $44.75 per share of CarrAmerica common stock, in cash, to be received by holders of CarrAmerica common stock pursuant to the merger agreement and the prices of CarrAmerica common stock during certain periods within the one-year period ended March 3, 2006. This analysis indicated that the price per share to be paid to CarrAmerica s stockholders pursuant to the merger agreement represented:

- a premium of 8.9% based on the closing price of $41.08 per share on March 3, 2006;
- a premium of 17.3% based on the 30 trading day average closing price of $38.14 per share;
- a premium of 25.3% based on the 90 trading day average closing price of $35.73 per share;
- a premium of 24.2% based on the 180 trading day average closing price of $36.04 per share; and
- a premium of 27.0% based on the one-year average closing price of $35.24 per share.

In addition, Goldman Sachs analyzed the relationship between the $44.75 per share of CarrAmerica common stock, in cash, to be received by holders of CarrAmerica common stock pursuant to the merger agreement and the prices of CarrAmerica common stock during certain periods within the one-year period ended February 16, 2006, the last trading day prior to the speculation in the media about a pending business combination transaction involving CarrAmerica. This analysis indicated that the price per share to be paid to CarrAmerica stockholders pursuant to the merger agreement represented:

- a premium of 18.4% based on the closing price of $37.80 per share on February 16, 2006;

a premium of 21.9% based on the 30 trading day average closing price of $36.70 per share;

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a premium of 28.1% based on the 90 trading day average closing price of $34.93 per share;

a premium of 25.1% based on the 180 trading day average closing price of $35.76 per share; and

a premium of 28.3% based on the one-year average closing price of $34.87 per share.

Net Asset Value Analysis. Goldman Sachs performed a net asset value analysis on CarrAmerica using the asset valuations and net operating income projections for 2006 provided by the management of CarrAmerica and the base implied capitalization rate of 6.30% derived by Goldman Sachs from information provided by the management of CarrAmerica and the upside implied capitalization rate of 6.05% provided by the management of CarrAmerica. Using information provided by the management of CarrAmerica, Goldman Sachs calculated an illustrative per share net asset value of the common stock of CarrAmerica equal to $42.73 using the base implied capitalization rate of 6.30% and $46.15 using the upside implied capitalization rate of 6.05%. Goldman Sachs used 64,771,480 as the number of fully-diluted outstanding shares of common stock of CarrAmerica for purposes of this analysis, as obtained from the management of CarrAmerica. This number of fully-diluted outstanding shares of common stock of CarrAmerica included 58,238,179 outstanding shares, 5,116,989 shares issuable upon conversion of partnership units, 585,602 shares of unvested restricted stock, 51,395 deferred stock units, an estimated 114,131 shares of restricted stock which CarrAmerica expected to grant in 2006 and a weighted-average number of shares issuable with respect to 1,677,014 options to purchase shares of common stock of CarrAmerica (calculated using the treasury method).

Goldman Sachs performed a sensitivity analysis to the net asset value analysis by applying various levels of estimated 2006 net operating income ranging from $322.5 million to $332.5 million and capitalization rates ranging from 5.75% to 6.50%. The sensitivity analysis to the net asset value analysis indicated a range of illustrative net asset values of $39.12 to $51.80 per share of common stock of CarrAmerica.

Goldman Sachs then compared the $44.75 per share of CarrAmerica common stock, in cash, to be received by holders of CarrAmerica common stock pursuant to the merger agreement to the following:

the base illustrative per share net asset value of the common stock of CarrAmerica calculated by Goldman Sachs, based on information provided by the management of CarrAmerica;

the upside illustrative per share net asset value of the common stock of CarrAmerica calculated by Goldman Sachs, based on information provided by the management of CarrAmerica; and

the average consensus estimate of per share net asset value of the common stock of CarrAmerica obtained from SNL Interactive and Green Street Advisors equal to $38.11 as of March 3, 2006 and $37.34 as of February 16, 2006. The average consensus estimate of per share net asset value of the common stock of CarrAmerica was calculated by Goldman Sachs by first obtaining from SNL Interactive and Green Street Advisors estimates of per share net asset value determined by twelve research analysts, and then calculating the arithmetic average of those estimates of per share net asset values.

The results of these analyses are summarized as follows:

	Net Asset Value Per Share		Premium/(Discount) of Merger Consideration of $44.75 to NAV	
Measure	**As of March 3, 2006**	**As of February 16, 2006**	**As of March 3, 2006**	**As of February 16, 2006**
Management Base Estimate	$ 42.73	$ 42.73	4.7%	4.7%
Management Upside Estimate	$ 46.15	$ 46.15	(3.0)%	(3.0)%
Average Consensus Estimate	$ 38.11	$ 37.34*	17.4%	19.8%

* *Excludes increases by Wachovia Securities LLC on February 21, 2006 and by J.P. Morgan Securities Inc. on February 27, 2006.*

Discounted Cash Flow Analysis. Goldman Sachs performed an illustrative discounted cash flow analysis on CarrAmerica using CarrAmerica s management s projections for the three years from 2006 through 2008 and the six years from 2006 through 2011.

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Goldman Sachs calculated illustrative net present value ranges of the common stock of CarrAmerica by using projected dividend payments for CarrAmerica for the three years from 2006 through 2008 and illustrative residual value indications in the year 2008 based on multiples ranging from 13.4x to 17.4x forward estimated funds from operations per share of common stock of CarrAmerica. The projected dividend payments and the illustrative residual value indications derived from this analysis were then discounted to an illustrative present value using discount rates ranging from 7.0% to 10.0%.

The following table presents the results of this analysis:

		Discount Rate			
		10.0%	**9.0%**	**8.0%**	**7.0%**
Multiple	**13.4x**	$ 34.26	$ 35.16	$ 36.10	$ 37.07
	14.4x	$ 36.45	$ 37.41	$ 38.41	$ 39.44
of 2008	**15.4x**	$ 38.63	$ 39.66	$ 40.72	$ 41.82
	16.4x	$ 40.82	$ 41.90	$ 43.03	$ 44.19
Estimated FFO/Share	**17.4x**	$ 43.00	$ 44.15	$ 45.34	$ 46.57

Goldman Sachs also calculated illustrative net present value ranges of the common stock of CarrAmerica by using projected dividend payments for CarrAmerica for the six years from 2006 through 2011 and illustrative residual value indications in the year 2011 based on multiples ranging from 13.4x to 17.4x forward estimated funds from operations per share of common stock of CarrAmerica. The projected dividend payments and the illustrative residual value indications derived from this analysis were discounted to an illustrative present value using (a) discount rates ranging from 7.0% to 10.0% for the projected existing operations dividends per share of CarrAmerica common stock and related illustrative residual value indications, (b) a discount rate of 10% for the incremental projected dividends per share of CarrAmerica common stock and illustrative residual value indications related to development of unimproved land currently owned by CarrAmerica or currently owned by a joint venture to which CarrAmerica is a party, and (c) a discount rate of 12% for the incremental projected dividends per share of CarrAmerica common stock and illustrative residual value indications related to development of land that currently is neither owned by CarrAmerica nor owned by any of the joint ventures to which CarrAmerica is a party, but which may be acquired in the future.

The following table presents the results of this analysis:

		Base Discount Rate			
		10.0%	**9.0%**	**8.0%**	**7.0%**
Multiple	**13.4x**	$ 34.79	$ 36.34	$ 37.98	$ 39.73
	14.4x	$ 36.71	$ 38.35	$ 40.09	$ 41.95
of 2011	**15.4x**	$ 38.62	$ 40.36	$ 42.21	$ 44.17
	16.4x	$ 40.54	$ 42.37	$ 44.32	$ 46.39
Estimated FFO/Share	**17.4x**	$ 42.45	$ 44.38	$ 46.43	$ 48.61

Selected Transactions Analysis. Goldman Sachs analyzed premiums paid in selected announced transactions across all real estate investment trust sectors since 1997 and in the period from 2005 through 2006, based on the closing price one day prior to announcement (with the exception of one transaction, where the premium was based on the undisturbed closing price as of a prior date). Goldman Sachs selected the transactions on the basis of a range of factors, including the industry in which the principals to the transaction operate, the structure of the transaction, the amount of the aggregate consideration paid in the transaction and the form of consideration paid in the transaction. The following table presents the results of this analysis:

Measure	**Premium Paid in Selected Transactions**		**Premium Paid in Selected All-Cash Transactions**
	Since 1997	**2005 to 2006**	

			Since 1997	2005 to 2006
Mean	13.7%	12.8%	16.5%	13.2%
Median	13.4%	13.8%	15.4%	13.8%

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FFO Multiple Analysis. Goldman Sachs calculated illustrative value ranges of the common stock of CarrAmerica by multiplying undiscounted forward estimated funds from operations per share of common stock of CarrAmerica for the six years from 2006 through 2011 (including the effect of the new development plan), provided by the management of CarrAmerica, by a range of multiples from 13.0x to 17.0x. In calculating the illustrative value ranges, Goldman Sachs used information provided by CarrAmerica s management. Goldman Sachs used 64,771,480 as the number of fully-diluted outstanding shares of common stock of CarrAmerica for purposes of this analysis, as obtained from the management of CarrAmerica. This number of fully-diluted outstanding shares of common stock of CarrAmerica included 58,238,179 outstanding shares, 5,116,989 shares issuable upon conversion of partnership units, 585,602 shares of unvested restricted stock, 51,395 deferred stock units, an estimated 114,131 shares of restricted stock which CarrAmerica expected to grant in 2006 and a weighted-average number of shares issuable with respect to 1,677,014 options to purchase shares of common stock of CarrAmerica (calculated using the treasury method). The following table presents the results of this analysis:

		Illustrative Per Share Value Indications					
		2006E	2007E	2008E	2009E	2010E	2011E
Multiple of Estimated FFO/Share	**13.0x**	$					