ARDEN REALTY INC
Form PREM14A
February 15, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant ý

Filed by a Party other than the Registrant o

Check the appropriate box:

ý Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

Arden Realty, Inc.
(Name of Registrant as Specified In Its Charter)

Not Applicable
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

o No fee required.
ý Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:
Common stock, par value $0.01 per share

(2) Aggregate number of securities to which transaction applies:
69,964,328 shares of common stock, including in-the-money stock options to purchase shares of common stock, restricted shares and shares of common stock issuable upon exchange of common units of limited partnership interest in Arden Realty Limited Partnership

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
The proposed maximum aggregate value of the transaction for purposes of calculating the filing fee is $3,177,499,920. The maximum aggregate value of the transaction represents the product of the estimated merger consideration per share of common stock multiplied by the aggregate number of shares of common stock, including restricted shares, in-the-money stock options and common units of limited partnership interest, entitled to receive cash consideration in the merger. Solely for purposes of this calculation, the merger consideration per share is estimated to be $45.416 per share, or $45.25 per share in base merger consideration plus $0.166 per share, representing an amount equal to a prorated portion of a normal quarterly dividend as of an assumed closing date of April 30, 2006.

(4) Proposed maximum aggregate value of transaction:
$3,177,499,920

(5) Total fee paid:
$339,992.49

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

ARDEN REALTY, INC.

11601 Wilshire Boulevard

Fourth Floor

Los Angeles, CA 90025

, 2006

Dear Common Stockholder:

You are cordially invited to attend a special meeting of stockholders of Arden Realty, Inc., a Maryland corporation, to be held on , , 2006, at a.m., local time, at the .

On December 21, 2005, Arden Realty, Inc. and Arden Realty Limited Partnership entered into a merger agreement with General Electric Capital Corporation, Trizec Properties, Inc., Trizec Holdings Operating LLC, Atlas Merger Sub, Inc. and Atlas Partnership Merger Sub, Inc., pursuant to which, among other things, Arden Realty, Inc. agreed to merge with and into Atlas Merger Sub, Inc. Upon completion of the merger, our common stockholders will receive cash consideration of $45.25 for each share of common stock, plus an amount equal to the prorated portion of the normal quarterly dividend payable on our common stock up to the closing date without interest and less any required withholding for taxes. On , 2006, the last trading day prior to the printing of the proxy statement that accompanies this letter, the closing price of our common stock on the New York Stock Exchange was $ per share. At the special meeting of stockholders, we will ask you to consider and vote on the approval of the merger agreement and the merger.

After careful consideration, our board of directors unanimously approved the merger agreement and the merger and determined that the merger is advisable, fair to and in the best interests of our company and our common stockholders. **Our board of directors unanimously recommends that you vote FOR the proposal to approve the merger agreement and the merger.**

Your vote is important. The merger agreement and the merger 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 completion of the merger is also subject to the satisfaction or waiver of customary closing conditions. More

information about the merger is contained in the accompanying proxy statement. We encourage you to read the accompanying proxy statement in its entirety, because it describes the terms of the proposed merger, the documents related to the merger and related transactions and provides specific information about the special meeting.

Whether or not you plan to attend the special meeting, please complete, sign, date and promptly return the proxy card in the enclosed prepaid return envelope, or, if you would prefer, follow the instructions on your proxy card for telephonic or internet proxy authorization, as soon as possible. If your shares are held in an account at a brokerage firm or bank or by another nominee, you should instruct your broker, bank or other nominee how to vote by following the voting instruction form furnished by your broker, bank or other nominee. **If you do not vote or do not instruct your broker, bank or other nominee how to vote, it will have the same effect as voting against the approval of the merger agreement and the merger**.

If you sign, date and send us your proxy but do not indicate how you want to vote, your proxy will be voted FOR the approval of the merger agreement and the merger.

On behalf of our board of directors, we thank you for your continued support of our company and urge you to vote for the approval of the merger agreement and the merger.

Sincerely,

Richard S. Ziman
Chairman of the Board and
Chief Executive Officer

This proxy statement is dated , 2006 and is first being mailed to common stockholders on or about , 2006.

ARDEN REALTY, INC.

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be held , 2006

To the Common Stockholders of Arden Realty, Inc.:

A special meeting of the stockholders of Arden Realty, Inc., a Maryland corporation, will be held on , , 2006, at a.m., local time, at , for the following purposes:

1. to consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of December 21, 2005, by and among Arden Realty, Inc., Arden Realty Limited Partnership, General Electric Capital Corporation, Trizec Properties, Inc., Trizec Holdings Operating LLC, Atlas Merger Sub, Inc. and Atlas Partnership Merger Sub, Inc. and the merger of Arden Realty, Inc. with and into Atlas Merger Sub, Inc. pursuant thereto;

2. to consider and vote on a proposal to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies; and

3. to transact any other business that may properly come before the special meeting or any adjournments or postponements of the special meeting.

Only our common stockholders of record at the close of business on , 2006, the record date for the special meeting, may vote at the special meeting and any adjournments or postponements of the special meeting. If your shares are held in an account at a brokerage firm or bank or by another nominee, you should instruct your broker, bank or other nominee how to vote by following the voting instruction form furnished by your broker, bank or other nominee. **Your vote is very important. Please submit your proxy or voting instructions as soon as possible to make sure that your shares are represented and voted at the special meeting, whether or not you plan to attend the special meeting.**

You may revoke a proxy at any time before it is voted. If you are the record holder of your shares of our common stock, you may revoke the proxy: (a) by filing with our corporate secretary a duly executed revocation of proxy; (b) by submitting a duly executed proxy with a later date to our corporate secretary; or (c) by appearing at the special meeting and voting in person. Attendance at the special meeting without voting will not itself revoke a proxy. If your shares are held in an account at a brokerage firm, bank or other nominee, you must contact your broker, bank or nominee to revoke your proxy.

For more information about the special meeting, the proposed merger and the other transactions contemplated by the merger agreement, please review the accompanying proxy statement and the merger agreement attached to it as Annex A. If you have any questions or need special assistance, please call our proxy solicitor, MacKenzie Partners, Inc., at (800) 322-2885.

By Order of the Board of Directors,

David A. Swartz
General Counsel and Secretary

, 2006

Los Angeles, California

ARDEN REALTY, INC.

11601 Wilshire Boulevard

Fourth Floor

Los Angeles, CA 90025

PROXY STATEMENT

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SUMMARY

This summary highlights selected information from this proxy statement and may not contain all the information about the merger that is important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should read carefully this proxy statement in its entirety, including the annexes and the other documents to which we have referred you, including the merger agreement attached as Annex A.

The Parties

Arden Realty, Inc.

Arden Realty, Inc. (referred to in this proxy statement as we, us, our or our company), a Maryland corporation, is a self-administered, self-managed real estate investment trust (REIT). Our primary strategy is to own, manage, lease, develop, renovate and acquire commercial office properties located in Southern California. Additional information about us is available on our website at http://www.ardenrealty.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 Securities and Exchange Commission (the SEC). Shares of our common stock are listed on the New York Stock Exchange (the NYSE), under the symbol ARI. Our principal executive offices are located at 11601 Wilshire Boulevard, Fourth Floor, Los Angeles, California 90025, and our telephone number is (310) 966-2600. For additional information about us and our business, see Where You Can Find More Information on page 76.

Arden Realty Limited Partnership

Arden Realty Limited Partnership (our operating partnership) is a Maryland limited partnership through which we conduct substantially all of our business and own, either directly or indirectly through subsidiaries, substantially all of our assets. Where the context requires, references to we, us, our or our company also include our operating partnership. Arden Realty Limited Partnership s principal executive offices are also located at 11601 Wilshire Boulevard, Fourth Floor, Los Angeles, California 90025, and its telephone number is (310) 966-2600.

Atlas Partnership Merger Sub, Inc.

Atlas Partnership Merger Sub, Inc. (Partnership Merger Sub) is a Maryland corporation and a wholly owned subsidiary of our company. Partnership Merger Sub was formed in 2005 solely for the purpose of merging with and into our operating partnership. Partnership Merger Sub has not carried on any activities to date other than those incident to its formation and the negotiation and execution of the merger agreement. Partnership Merger Sub s principal executive offices are located at 11601 Wilshire Boulevard, Fourth Floor, Los Angeles, California 90025, and its telephone number is (310) 966-2600.

General Electric Capital Corporation

General Electric Capital Corporation (GECC) was incorporated in 1943 in the State of New York under the provisions of the New York Banking Law relating to investment companies. On July 2, 2001, GECC reincorporated and changed its domicile from New York to Delaware. All outstanding common stock of GECC is owned by General Electric Capital Services, Inc., the common stock of which is in turn wholly owned directly or indirectly by General Electric Company. Through its division GE Commercial Finance Real Estate, GECC is a world leader in real estate capital with more than $35 billion in core assets and 34 offices located throughout North America, Europe, Asia and Australia/New Zealand. Additional information about GE Commercial Finance Real Estate is available on its website at http://www.gerealestate.com. The information contained on this 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 Securities and Exchange Commission. GECC s principal executive offices are located at 292 Long Ridge Road, Stamford, Connecticut 06927, and its telephone number is (203) 961-5400.

Atlas Merger Sub, Inc.

Atlas Merger Sub, Inc. (REIT Merger Sub) is a Maryland corporation and a wholly owned subsidiary of GECC. REIT Merger Sub was formed in 2005 solely for the purpose of facilitating GECC s acquisition of our company. REIT Merger Sub has not carried on any activities to date other than those incident to its formation and the negotiation and execution of the merger agreement. REIT Merger Sub s principal executive offices are located at 292 Long Ridge Road, Stamford, Connecticut 06927, and its telephone number is (203) 585-0179.

Trizec Properties, Inc.

Trizec Properties, Inc. (Trizec REIT), a Delaware corporation, is one of the largest fully integrated, self-managed, publicly traded REITs in the United States. Trizec REIT is engaged in owning and managing office properties in the United States. Trizec REIT s office properties are concentrated in seven core markets in the United States, located in the following major metropolitan areas: Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; Houston, Texas; Los Angeles, California; New York, New York; and Washington, D.C. Additional information about Trizec REIT is available on its website at http://www.trz.com. The information contained on Trizec REIT s 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 Securities and Exchange Commission. Trizec REIT s shares of common stock are quoted on the NYSE under the symbol TRZ. Trizec REIT s principal executive offices are located at 10 South Riverside Plaza, Suite 1100, Chicago, Illinois 60606, and its telephone number is (312) 798-6000.

Trizec Holdings Operating LLC

Trizec Holdings Operating LLC (Trizec OP) is a Delaware limited liability company through which Trizec REIT conducts substantially all its business and owns substantially all of its assets. Trizec OP s principal executive offices are located at 10 South Riverside Plaza, Suite 1100, Chicago, Illinois 60606, and its telephone number is (312) 798-6000. Trizec OP and Trizec REIT are sometimes referred to in this proxy statement collectively as Trizec.

The Merger and Related Transactions **(page 58)**

Pursuant to the Agreement and Plan of Merger, dated as of December 21, 2005, by and among us, our operating partnership, GECC, Trizec REIT, Trizec OP, REIT Merger Sub and Partnership Merger Sub (the merger agreement), which is attached to this proxy statement as Annex A and is incorporated by reference herein, we will engage in a multistep transaction that will result in the transfer of 13 of our properties and several undeveloped land parcels to Trizec OP, the merger of our operating partnership with Partnership Merger Sub and the merger of our company with REIT Merger Sub.

Admission

Prior to consummation of any of the transactions described in the merger agreement, we will form a wholly owned subsidiary that will be admitted as a limited partner to our operating partnership and be issued newly authorized Series C preferred units (the Series C units), equal to a 0.01% interest in our operating partnership, in exchange for a capital contribution (the admission). The admission is a technical step that is necessary to ensure that the operating partnership continues to comply with certain requirements of Maryland partnership law following completion of the transaction.

Redemption and Exchange

Pursuant to the merger agreement, holders of common units of limited partnership interest in our operating partnership (common units) that are accredited investors (other than us and our subsidiaries) may elect to have their common units redeemed (the redemption and each such holder, a redeeming common unit holder) by our operating partnership in exchange for an interest in one or, under certain circumstances, two existing or newly formed limited liability companies that each will own one of our operating partnership s properties to be transferred to Trizec (such interests, the LLC Interests). Our operating partnership will also distribute to each redeeming common unit holder an amount in cash equal to a prorated portion of the normal quarterly distribution payable on common units up to the closing date, without interest and less any required withholding for taxes.

Following the redemption, each redeeming common unit holder will contribute to Trizec OP all of its LLC Interests in exchange (the exchange) for common limited liability company membership interests in Trizec OP (Trizec OP units).

Partnership Merger

One day after the completion of the admission, redemption and exchange, Partnership Merger Sub will merge with and into our operating partnership (the partnership merger), with our operating partnership continuing as the surviving partnership. The partnership merger will become effective at such time as the partnership articles of merger have been accepted for record by the State Department of Assessments and Taxation of Maryland (the SDAT) in accordance with Maryland law, or such later time, up to 30 days after the partnership articles of merger are accepted for record by the SDAT, as we and GECC may agree and designate in the partnership articles of merger. Common unit holders that do not participate in the redemption (non-redeeming common unit holders) will have their common units converted into, and canceled in exchange for, the right to receive $45.25 for each common unit, plus an amount equal to the prorated portion of the normal quarterly distribution payable on common units up to the closing date without interest and less any required withholding for taxes (the common unit merger consideration). Upon consummation of the partnership merger, we will continue to be the general partner of the surviving partnership and our wholly owned subsidiary will be the sole limited partner of the surviving partnership.

Asset Distribution and Asset Sale

The surviving partnership will distribute its interests and rights in 11 or, under certain circumstances, 12 properties, several undeveloped land parcels and any LLC Interests retained by the surviving partnership after the redemption and exchange, to us in partial redemption of our common units (the asset distribution). Thereafter, pursuant to a purchase and sale agreement between Trizec OP and GECC, we will transfer the distributed assets to Trizec OP for approximately $1.6 billion in cash, less the aggregate amount paid in Trizec OP units to common unit holders in the exchange and the debt associated with the Trizec assets (the asset sale). The asset sale will not affect the cash consideration to be received by our common stockholders in the merger. Upon the consummation of the exchange and the asset sale, Trizec will be the direct or indirect owner of 13 properties and several undeveloped land parcels (the Trizec assets) currently owned by our operating partnership.

The Merger

Pursuant to the merger agreement, we will merge with and into REIT Merger Sub (the merger) and REIT Merger Sub will be the surviving entity and a wholly owned subsidiary of GECC (the surviving entity). The merger will become effective at such time as the articles of merger have been accepted for record by the SDAT in accordance with Maryland law, or up to 30 days after the articles of merger are accepted for record by the SDAT as we and GECC may agree and designate in the articles of merger in accordance with Maryland law.

Closing

Consummation of the redemption, exchange, asset sale or partnership merger are not conditions to the merger and in the event any or all fail to occur, the parties shall nevertheless be obligated to consummate the merger. The closing of the merger and related transactions will occur over the course of two days. The admission, redemption and exchange will occur on the first day of closing. The partnership merger, asset distribution, asset sale and merger will occur on the second day of closing.

Merger Consideration **(page 59)**

The merger agreement provides that each share of our common stock outstanding immediately prior to the effective time of the merger will be converted into, and canceled in exchange for, the right to receive cash consideration of $45.25 for each share of common stock, plus an amount equal to the prorated portion of the normal quarterly dividend payable on our common stock up to the closing date without interest and less any required withholding for taxes (collectively, the common stock merger consideration). Upon closing, each share of our common stock will be canceled and will cease to exist, and our common stockholders will cease to have any rights with respect to their shares of our common stock other than the right to receive the common stock merger consideration. A more complete description of the effects of the merger on shares of our common stock, options and

restricted shares is set forth below under the heading The Merger Agreement Merger Consideration on page 59.

Dividends (page 60)

The merger agreement authorizes us to continue to declare and pay regular quarterly dividends (subject to certain limited exceptions, not to exceed $0.505 per share of our common stock per quarter) for each full fiscal quarter that ends prior to the closing of the merger. For example, if the closing date of the merger were March 26, 2006, holders of shares of our common stock would receive regularly quarterly dividends through the fiscal quarter ended December 31, 2005, and an amount equal to the pro rata portion of the quarterly dividend for the quarter ending March 31, 2006 would be paid as part of the common stock merger consideration.

Treatment of Common Units (page 60)

In connection with the partnership merger, each common unit holder will have the right to receive the common unit merger consideration, or, if such common unit holder is an accredited investor and so elects, subject to certain conditions, the right to have its common units redeemed in exchange for LLC Interests. Each redeeming common unit holder will also receive an amount in cash equal to a prorated portion of the normal quarterly distribution payable on common units up to the closing date, without interest and less any required witholding for taxes, paid by our operating partnership. Immediately following the redemption, each redeeming common unit holder will contribute all of its LLC Interests to Trizec OP in exchange for Trizec OP units. The number of Trizec OP units received by a redeeming common unit holder will be an amount equal to (i) the number of common units held by such redeeming common unit holder immediately prior to the redemption, multiplied by (ii) the quotient determined by dividing (x) $45.25 by (y) $21.89, which was the closing price of Trizec REIT common stock on the day preceding the execution of the merger agreement. If the average closing price of Trizec REIT s common stock for the 10 consecutive trading days ending on the third trading day prior to the closing date of the merger is greater than $23.50 or less than $18.89, then the number of Trizec OP units received will be calculated by using such 10-day average closing price rather than $21.89. At the effective time of the partnership merger, common units that were not redeemed will be converted into, and canceled in exchange for, the right to receive the common unit merger consideration. Each Trizec OP unit issued to redeeming common unit holders in the exchange will have economic attributes that are substantially similar to a share of Trizec REIT common stock, and will be redeemable at the option of the holder at any time after one year for cash equal to the then-current market price of Trizec REIT common stock or, at the option of Trizec OP, one share of Trizec REIT common stock. In addition, Trizec will grant redeeming common unit holders certain tax protections, registration rights and in-kind redemption rights. A more complete description of the effects of the merger on the common units, is set forth under the heading The Merger Agreement Treatment of Common Units on page 60.

Recommendation of Our Board of Directors (pages 36 and 72)

On December 21, 2005, after careful consideration of the factors described under the heading Approval of the Merger Agreement and the Merger Factors Considered by Our Board of Directors and Reasons for the Merger on page 32, our board of directors unanimously:

determined that it was advisable, fair to and in the best interests of our company and our common stockholders for us to enter into the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement; and

approved the merger agreement and the merger and directed that they be submitted to our common stockholders for approval at a special meeting of stockholders.

In addition, our board of directors unanimously determined to recommend to our common stockholders that the common stockholders vote FOR the proposal to approve the merger agreement and the merger (Proposal 1) and FOR the proposal to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies (Proposal 2).

The background and reasons for the merger are described in detail on pages 21 through 36.

The Special Meeting **(page 17)**

The special meeting of our stockholders will be held at the , at a.m., local time, on , , 2006. At the special meeting, you will be asked, by proxy or in person, to:

consider and vote on Proposal 1, to approve the merger agreement and the merger;

consider and vote on Proposal 2, to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies; and

approve the transaction of any other business that may properly come before the special meeting or any adjournments or postponements of the special meeting.

Merger Vote Requirement; Stockholders Entitled to Vote; Vote Required; Quorum **(page 17)**

The merger agreement and the merger 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. You may vote at the special meeting if you owned shares of our common stock at the close of business on the record date for the special meeting, , 2006. On the record date, there were shares of common stock outstanding and entitled to vote. You have one vote for each share of common stock that you owned on the record date.

A quorum is necessary to hold a valid special meeting and if a quorum is not present, a vote cannot occur. A quorum will be present if the holders of a majority of the shares of our common stock are present at the special meeting, either in person or by proxy. We may, however, seek to adjourn or postpone the special meeting if a quorum is not present at the special meeting.

Partnership Merger Vote Requirement **(page 18)**

Our consent as the general partner of our operating partnership is the only consent required to approve the partnership merger. In connection with our board of directors determination to approve the merger, we also approved the partnership merger. Therefore, the partnership merger will be consummated if and immediately prior to consummation of the merger.

Opinions of Our Financial Advisors **(page 36)**

Opinion of Wachovia Securities

At our board meeting on December 21, 2005, Wachovia Capital Markets, LLC (Wachovia Securities) rendered its oral opinion, which was subsequently confirmed in writing, to our board of directors to the effect that, as of December 21, 2005, subject to and based on the assumptions and limitations set forth in its opinion, the $45.25 in cash for each share of common stock to be received by holders of shares of our common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of Wachovia Securities written opinion, dated December 21, 2005 (the Wachovia Securities opinion), which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken in connection with the opinion, is attached as Annex B to, and is incorporated by reference in, this proxy statement. The opinion of Wachovia Securities does not constitute a recommendation as to how you should vote with respect to the merger agreement, the merger or any other matter related thereto. You should carefully read the opinion in its entirety.

Opinion of Houlihan Lokey

At our board meeting on December 21, 2005, Houlihan Lokey Howard & Zukin Financial Advisors, Inc. (Houlihan Lokey) rendered its oral opinion, which was subsequently confirmed in writing, to our board of directors to the effect that, as of December 21, 2005, subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken, as set forth in the opinion, the $45.25 in cash for each share of common stock to be received by holders of shares of our common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of Houlihan Lokey s written opinion, dated December 21, 2005 (the Houlihan Lokey opinion), which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken in connection with the opinion, is attached as Annex C to, and is incorporated by reference in, this proxy statement. The opinion of Houlihan Lokey does not constitute a recommendation as to how you should vote with respect to the merger agreement, the merger or any other matter related thereto. You should carefully read the opinion in its entirety.

Interests of Our Directors and Executive Officers in the Merger **(page 47)**

Members of our board of directors and our executive officers have certain interests in the merger that differ from, or are in addition to, those of other common stockholders. For example:

in accordance with the terms of the existing compensation awards, our executive officers hold options to purchase shares of our common stock, the vesting of which will be accelerated so that these options will vest in full upon stockholder approval of Proposal 1. At the time the merger is consummated, they will be converted into, and canceled in exchange for, the right to receive a single lump sum cash payment equal to the product of (a) the number of shares of common stock subject to such option and (b) the excess, if any, of the common stock merger consideration over the exercise price per share of such option (the option merger consideration, and along with the common stock merger consideration and the common unit merger consideration, each a form of merger consideration);

our directors and executive officers hold restricted shares as to which, in accordance with the terms of the existing compensation awards, the restrictions will lapse and the restricted shares will vest in full upon stockholder approval of Proposal 1. At the time the merger is consummated, they will be converted into, and canceled in exchange for, the right to receive the common stock merger consideration;

in accordance with the terms of our 2005 2009 Outperformance Program, certain of our executive officers will receive payments of cash or stock based on the total return to common stockholders for the period beginning on April 1, 2005 and ending on the date of stockholder approval of the merger;

certain of our executive officers will receive, in the event of termination of their employment within a specified period of time as a result of the merger, change of control benefits consisting of lump sum cash payments and the continuation of medical benefits, as provided for under their existing employment agreements with us;

certain of our executive officers will receive, as a result of the merger, cash payments in respect of their interests in our deferred compensation plan, as provided for under that plan;

our directors and officers will continue to be indemnified by the surviving company for six years after the completion of the merger and will have the benefit of directors and officers liability insurance for six years after completion of the merger; and

as common unit holders, Richard S. Ziman, the chairman of our board of directors and the chief executive officer of our company, and Victor J. Coleman, a director and the president and chief operating officer of our company, and certain of their family members and affiliates, will have the right to receive in exchange for their common units, either the common unit merger consideration or the right to participate in the redemption and exchange

and receive Trizec OP units, plus an amount in cash equal to a prorated portion of the normal quarterly distribution payable on common units up to the closing date, without interest and less any required withholding for taxes.

All of the members of our board of directors were fully aware of the foregoing interests of our directors and executive officers in the merger and our independent directors met in executive session to consider them prior to approving the merger agreement and the merger.

The Merger Agreement

Conditions to the Merger **(page 65)**

Completion of the merger depends upon the satisfaction or waiver of a number of conditions, including:

approval of the merger agreement and the merger by the affirmative vote of the holders of two-thirds of the outstanding shares of our common stock;

receipt of a legal opinion from our outside legal counsel, Latham & Watkins LLP (Latham), regarding our qualification as a REIT for federal income tax purposes;

continued accuracy of the respective representations and warranties and compliance with the covenants made by us and GECC in the merger agreement;

the absence of events, changes or occurrences that have had, or would be reasonably expected to have, a material adverse effect on our company;

the absence of any action involving a governmental authority that would reasonably be expected to impose limitations on GECC s ability to effectively exercise full rights of ownership over the surviving entity or result in a governmental investigation or material fines being imposed by the government; and

other customary closing conditions.

Where the law permits, GECC, on the one hand, or we, on the other hand, could decide to complete the merger even though one or more conditions were not satisfied. By law, however, neither GECC nor we can waive:

the requirement that the holders of two-thirds of the outstanding shares of our common stock approve the merger; or

any court order or law preventing the closing of the merger.

Termination of the Merger Agreement **(page 68)**

GECC and we can jointly agree to terminate the merger agreement at any time, even if our common stockholders have approved the merger. In addition, either GECC or we can decide, without the consent of the other, to terminate the merger agreement if:

any governmental entity shall have issued a governmental order permanently restraining, enjoining or otherwise prohibiting either the merger or the partnership merger and such order has become final and unappealable;

the merger has not been consummated by June 30, 2006, unless the failure to consummate the merger prior to such date is a result of any action or inaction of the party seeking to terminate the merger agreement pursuant to this provision; or

the holders of two-thirds of the outstanding shares of our common stock fail to approve the merger agreement and the merger in accordance with Maryland General Corporation Law and our charter.

GECC may unilaterally terminate the merger agreement if:

our board of directors fails to recommend that our common stockholders approve the merger agreement and the merger;

our board of directors approves, or recommends that our common stockholders approve, a third-party acquisition proposal;

we have entered into a third-party acquisition proposal; or

we have materially breached any of our representations, warranties or covenants contained in the merger agreement, and that breach is incapable of being cured by us prior to June 30, 2006.

We may unilaterally terminate the merger agreement if:

GECC has materially breached any of its representations, warranties or covenants contained in the merger agreement that is incapable of being cured by GECC prior to June 30, 2006; or

in order for us to enter into a definitive agreement to effect a superior transaction with a third party, provided that we have given GECC at least three business days prior written notice and we pay GECC the termination fee described below under the heading The Merger Agreement Termination Fee and Expenses on page 70.

Termination Fee and Expenses **(page 70)**

The merger agreement provides that, in specified circumstances, we may be required to pay GECC a termination fee of $100.0 million. The merger agreement also provides that if either party terminates the merger agreement because of the other party s material breach of a representation, warranty or covenant, the breaching party must reimburse the nonbreaching party for expenses up to $10.0 million. In addition, we have agreed to reimburse GECC s expenses up to $10.0 million if the merger agreement is terminated because the requisite stockholder approval is not obtained. In any case in which we are required to pay a termination fee, the amount of any expenses that we pay to GECC will be credited against the amount of the termination fee so that the total amount of the termination fee and expense reimbursement that we may be required to pay will not exceed $100.0 million.

Paying Agent **(page 61)**

The Bank of New York will act as the paying agent in connection with the merger.

Voting Agreement **(page 52)**

Each of Mr. Ziman and Mr. Coleman, have entered into a voting agreement with GECC, dated as of December 21, 2005 (the voting agreement). Pursuant to the voting agreement, Messrs. Ziman and Coleman have agreed to vote all of the shares of our common stock that they beneficially own in favor of the merger agreement and the merger as well as against any third-party acquisition proposal or other proposal that would impede or adversely affect the merger. The shares of our common stock beneficially owned by Messrs. Ziman and Coleman and governed by the voting agreement aggregate approximately 2.3% of the outstanding shares of our common stock.

Regulatory Matters **(page 52)**

No material federal or state regulatory requirements or approvals need be obtained by us or GECC in connection with either the merger or the partnership merger, other than the filing and distribution of this proxy statement and other materials that may be deemed soliciting materials and the filing of the articles of merger and the partnership articles of merger with, and the acceptance of such articles of merger for record by, the SDAT.

Dissenters Rights (page 52)

We are organized as a corporation under Maryland law. Under Maryland law, because shares of our common stock are listed on the NYSE, our common stockholders who object to the merger do not have any appraisal rights or dissenters rights in connection with the merger.

Litigation Relating to the Merger **(page 53)**

On December 23, 2005, a purported stockholder class action lawsuit related to the merger agreement was filed in Los Angeles County Superior Court naming us and each of our directors as defendants. The lawsuit, *Charter Township of Clinton Police and Fire Retirement System v. Arden Realty, Inc., et al.* (Case No. BC345065), alleges, among other things, that the $45.25 per share in cash to be paid to the holders of shares of our common stock in connection with the merger is inadequate and that the individual defendants breached their duties to our stockholders in negotiating and approving the merger agreement. A second purported stockholder class action lawsuit, *Dwyer v. Arden Realty, Inc., et al.* (Case No. BC345468), was filed in Los Angeles County Superior

Court on January 4, 2006 against the same defendants as in *Charter Township*. The *Dwyer* complaint alleges claims for breach of duty, indemnification and injunctive relief. We believe that these lawsuits are without merit and intend to vigorously defend the actions.

Material United States Federal Income Tax Consequences **(page 53)**

The receipt of the merger consideration for each share of our common 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 urge you to consult your tax advisor regarding the tax consequences of the merger to you.

You should read Approval of the Merger Agreement and the Merger Material United States Federal Income Tax Consequences on page 53 for a more complete discussion of the federal income tax consequences of the merger.

Delisting and Deregistration of Our Common Stock **(page 57)**

If the merger is completed, shares of our common stock will no longer be listed on the NYSE and will be deregistered under the Securities Exchange Act of 1934, as amended (the Exchange Act).

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: ***What matters will be voted on at the special meeting?***

A: You are being asked to:

consider and vote on Proposal 1, to approve the merger agreement and the merger;

consider and vote on Proposal 2, to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies; and

approve the transaction of any other business that may properly come before the special meeting or any adjournments or postponements of the special meeting.

Q: ***What is the proposed merger transaction?***

A: Once the merger agreement and the merger have been approved by our common stockholders and the other closing conditions under the merger agreement have been satisfied or waived, we will merge with and into REIT Merger Sub with REIT Merger Sub being the surviving entity and GECC being the sole remaining holder of the common stock of the surviving entity. For additional information about the merger, please review the merger agreement attached to this proxy statement as Annex 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 common stock, our common stockholders will receive the common stock merger consideration, which is an amount in cash equal to $45.25 for each share of common stock, plus an amount equal to the prorated portion of the normal quarterly dividend payable on our common stock up to the closing date without interest and less any required withholding for taxes. The amount equal to the prorated portion of the normal quarterly dividend will be determined by multiplying $0.505 by the quotient obtained when dividing (a) the number of days between the last day of the most recent fiscal quarter for which dividends were declared and paid and the closing date of the merger, by (b) the total number of days in the fiscal quarter during which the closing occurs, without interest and less any required withholding for taxes.

Q: ***When and where is the special meeting of our stockholders?***

A: The special meeting of stockholders will take place on , , 2006, at a.m. local time, at the .

Q: ***Who can vote and attend the special meeting?***

A: All common stockholders of record as of the close of business on , 2006, the record date for the special meeting, are entitled to receive notice of and to attend and vote at the special meeting or any adjournments or postponements thereof. Each share is entitled to one vote on each matter properly brought before the meeting.

Q: ***What vote of our common stockholders is required to approve the merger agreement and the merger?***

A: Approval of the merger agreement and the merger 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. We urge you to complete, sign, date and return the enclosed proxy card, or follow the instructions on your proxy card for telephonic or internet proxy authorization, to assure the representation of your shares at the special meeting.

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

A: The cash consideration of $45.25 for each share represents an approximate 3.8% discount to the closing price of our common stock on the day before the merger announcement; an approximate 22.0% premium to the closing price of our common stock on the trading day prior to our board s decision to pursue strategic alternatives on August 9; an approximate 11.2% premium to the average closing price of our common stock for the six-month period before the public announcement of the merger; and an approximate 19.7% premium over the average closing price of our common stock for the one-year period before the public announcement of the merger.

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

A: As soon as practicable 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. At that time, you must send your share certificates with your completed letter of transmittal to the paying agent in order to receive the common stock merger consideration. You should not send your share certificates to us or anyone else until you receive these instructions. You will receive payment of your portion of the common stock merger consideration after we receive from you a properly completed letter of transmittal, together with your share certificates. If you hold your shares of common stock in street name, your broker or nominee will surrender your shares in exchange for your portion of the common stock merger consideration following completion of the merger.

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 agreement and the merger.

Q: Why is our board of directors recommending that I vote in favor of the proposal to approve the merger agreement and the merger?

A: After careful consideration, our board of directors unanimously approved the merger agreement and the merger and unanimously determined that the merger is advisable, fair to and in the best interests of our company and our common stockholders. In reaching its decision to approve the merger agreement and the merger and to recommend the approval of the merger agreement and the merger by our common stockholders, our board of directors

consulted with management, as well as with our legal and financial advisors, and considered the terms of the proposed merger agreement and the transactions contemplated by the merger agreement. Our board of directors also considered each of the items set forth on pages 32 through 36 under the heading Approval of the Merger Agreement and the Merger Factors Considered by Our Board of Directors and Reasons for the Merger.

Q: ***How do I cast my vote?***

A: If you were a holder of record of shares of our common stock on , 2006, 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.

If you sign, date and send your proxy and do not indicate how you want to vote, your proxy will be voted FOR the approval of the merger agreement and the merger and FOR the approval of any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies.

Q: How do I cast my vote if my shares of common stock are held of record in street name by my bank, broker or another nominee?

A: If your shares are held of record by a broker, bank or other nominee, which is often referred to as holding your shares in street name, 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. If you do not provide the record holder of your shares with instructions on how to vote your shares, the record holder generally will not be permitted to vote your shares. The inability of your record holder to vote your shares, often referred to as a broker nonvote, will have the same effect as a vote against the approval of the merger agreement and the merger. 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: 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 Proposal 1, to approve of the merger agreement and the merger, but will have no effect on Proposal 2, to approve any adjournments or postponements of the special meeting for the purpose of solicting additional proxies.

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

A: The record date for the special meeting, the close of business on , 2006, is earlier than the date of the special meeting. If you held your shares of common stock on the record date but transfer them prior to the effective time of the merger, 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 delivered my proxy?

A: Yes. If you are a record holder, you can change your vote at any time before your proxy is voted at the special meeting by delivering a later-dated, signed proxy card to our corporate secretary, by authorizing a subsequent proxy telephonically or over the internet, or by attending the special meeting in person and voting. Attendance at the special meeting without voting will not itself revoke your proxy. You also may revoke your proxy

by delivering a notice of revocation to our corporate secretary prior to the vote at the special meeting. If your shares are held in street name, you must contact your broker, bank or nominee to determine how to revoke your proxy.

Q: ***How will proxy holders vote my shares?***

A: If you complete and properly sign the proxy card attached to this proxy statement and return it to us prior to the special meeting, your shares will be voted as you direct. If no direction is otherwise made, your shares will be voted in accordance with our board of directors recommendations. Our board of directors recommends a vote FOR Proposal 1, to approve the merger agreement and the merger and FOR Proposal 2, to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies. Our board of directors recommendation is set forth, together with the description of the proposals, in this proxy statement. See the discussion under the heading Approval of the Merger Agreement and the Merger Recommendation of Our Board of Directors on page 36 and The Adjournment or Postponement Proposal on page 72.

Q: ***What should I do if I receive more than one set of voting materials?***

A: You may receive more than one set of voting materials, including multiple copies of this proxy statement and multiple proxy cards or voting instruction cards. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name,

you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive. You may also follow the instructions on the proxy cards for telephonic or internet proxy authorization for each proxy card that you receive.

Q: Does Arden Realty, Inc. expect to continue to pay regular quarterly dividends on its shares of common stock?

A: Yes, in accordance with certain dollar limitations contained in the merger agreement, we expect to continue to declare and pay regular quarterly dividends to our common stockholders of record for each full fiscal quarter ending prior to the closing of the merger. There will be no prorated dividend paid for the quarter in which the closing occurs; rather, an equivalent amount will be paid as a portion of the common stock merger consideration.

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 by indicating a vote against the proposal on your proxy card and signing and mailing your proxy card or by voting against the merger in person at the special meeting. If you hold your shares in street name, you can vote against the merger in accordance with the voting instructions provided to you by the record holder of your shares. You are not, however, entitled to dissenters or appraisal rights under Maryland law because shares of our common stock are listed on the NYSE.

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

A: Yes. The receipt of the merger consideration for each share of our common 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 Approval of the Merger Agreement and the Merger Material United States Federal Income Tax Consequences on page 53 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 urge you to consult your tax advisor regarding the tax consequences of the merger to you.

Q: ***Should I send in my common stock certificates now?***

A: No. As soon as practicable after the merger is completed, stockholders of record at the effective time of the merger will be sent written instructions for exchanging their certificates for the common stock merger consideration. These instructions will tell you how and where to send in your certificates in return for the common stock merger consideration.

Q: ***What will happen to my common shares 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 NYSE will cease. Price quotations for shares of our common stock will no longer be available and we will cease filing periodic reports with the SEC.

Q: ***When do you expect the merger to be completed?***

A: We are working to complete the merger as quickly as possible. We currently expect to complete the merger on or about , 2006. However, we cannot predict the exact timing of the merger because the merger is subject to specified closing conditions. See the discussion under the heading The Merger Agreement Conditions to the Merger on page 65.

Q: ***Who can help answer my questions?***

A: If you have any questions about the proposals or how to submit your proxy or if you need additional copies of this proxy statement or the enclosed proxy card, you should contact:

Arden Realty, Inc.
11601 Wilshire Boulevard, Fourth Floor
Los Angeles, California 90025
Attention: Investor Relations
Phone: (310) 966-2600
E-mail: proxy@ardenrealty.com

or our proxy solicitor:

MacKenzie Partners, Inc.
105 Madison Avenue
New York, New York 10016
Phone: (800) 322-2885
E-mail: proxy@mackenziepartners.com

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement contains forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Words such as estimate, project, intend, anticipate, expect, believe, will, may, should, would and similar intended to identify forward-looking statements. These statements are based on the current expectations and beliefs of our management and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These statements are not guarantees of future performance, involve certain risks, uncertainties and assumptions that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate. Therefore, actual outcomes and results may differ materially from what is expressed in a forward-looking statement.

In any forward-looking statement in which we express an expectation or belief as to future results, that expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement or expectation or belief will result or be achieved or accomplished. Risks and uncertainties pertaining to the following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements:

the possibility that the proposed merger will not be consummated on the terms described in this proxy statement, or at all;

the potential adverse effect on our business, properties and operations because of certain covenants we made in the merger agreement;

the decrease in the amount of time and attention that management can devote to our business and properties while also devoting its attention to effectuating the proposed merger;

increases in operating costs resulting from the expenses related to the proposed merger;

our inability to retain and, if necessary, attract key employees, particularly in light of the proposed merger;

risks resulting from any lawsuits that may arise out of or have arisen as a result of the proposed merger, including the matters described under the heading Approval of the Merger Agreement and the Merger Litigation Relating to the Merger on page 53;

risks that planned and additional real estate investments may not be consummated;

risks generally incident to the ownership of real property, including the ability to retain tenants and rent space upon lease expirations, the financial condition and solvency of our tenants, the relative illiquidity of real estate and changes in real estate taxes, regulatory compliance costs and other operating expenses; and

risks related to our status as a REIT for United States federal income tax purposes, such as the existence of complex regulations relating to our status as a REIT, the effect of future changes in REIT requirements as a result of new legislation and the adverse consequences of the failure to qualify as a REIT.

Many of these and other important factors are detailed in this proxy statement or in various SEC filings made periodically by us. We discussed a number of material risks in our annual report on Form 10-K for the year ended December 31, 2004 and subsequent reports on Form 10-Q, copies of which are available from us without charge or online at http://www.ardenrealty.com. Please review this proxy statement and these filings and do not place undue reliance on these forward-looking statements.

You should consider the cautionary statements contained or referred to in this section in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We do not undertake any obligation to release publicly any revisions to any forward-looking statements contained in

this proxy statement to reflect events or circumstances that occur after the date of this proxy statement or to reflect the occurrence of unanticipated events.

THE SPECIAL MEETING

We are furnishing this proxy statement to our common stockholders as part of the solicitation of proxies by our board of directors in connection with the special meeting of our stockholders.

Date, Time and Place

We will hold the special meeting on , , 2006, at a.m., local time, at .

Purpose of the Special Meeting

The purpose of the special meeting is to:

consider and vote on Proposal 1, to approve the merger agreement and the merger (see Approval of the Merger Agreement and the Merger on page 20 and The Merger Agreement on page 58);

consider and vote on Proposal 2, to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies (see The Adjournment or Postponement Proposal on page 72; and

transact any other business that may properly come before the special meeting or any adjournments or postponements of the special meeting.

Recommendation of Our Board of Directors

Our board of directors has unanimously determined that it is advisable, fair to and in the best interests of our company and our common stockholders for us to enter into the merger agreement and consummate the merger and the other transactions contemplated by the merger agreement.

Our board of directors unanimously recommends that our common stockholders vote FOR Proposal 1, to approve the merger agreement and the merger and FOR Proposal 2, to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies.

Record Date; Stockholders Entitled to Vote; Quorum

Only common stockholders of record at the close of business on , 2006, the record date, are entitled to notice of and to vote at the special meeting. On the record date, shares of our common stock were issued and outstanding and held by stockholders of record. Our common stockholders on the record date are entitled to one vote per share on any proposal at the special meeting.

A quorum is necessary to hold a valid special meeting. A quorum will be present if the holders of a majority of the shares of our common stock are present at the special meeting, either in person or by proxy. If a quorum is not present, a vote cannot occur. In deciding whether a quorum is present, abstentions and any broker nonvotes will be counted as shares that are represented at the special meeting.

Vote Required for Approval of the Merger Agreement and the Merger

The approval of the merger agreement and the merger by our common stockholders requires the affirmative vote of the holders of two-thirds of the outstanding shares of our common stock that are entitled to vote at the special meeting. Because the vote is based on the number of shares outstanding rather than the number of votes cast, an abstention, a failure to vote your shares in person or by proxy or, if your shares are held in street name, a failure to give voting instructions to the record holder of your shares, resulting in a broker nonvote, each will have the same effect as voting against the approval of the merger agreement and the merger.

Vote Required to Adjourn or Postpone the Special Meeting

The approval of any adjournments or postponements of the special meeting requires the affirmative vote of a majority of the votes cast on the proposal. Because an abstention, a failure to vote or a broker nonvote is not a vote cast, each will have no effect on the approval of Proposal 2.

Vote Required for Approval of the Partnership Merger

Our consent as the general partner of our operating partnership is the only consent required to approve the partnership merger. In connection with our board of directors determination to approve the merger, we also approved the partnership merger. Therefore, the partnership merger will be consummated if and immediately prior to consummation of the merger.

Voting; Proxies

At the special meeting, you may vote by proxy or, if you are the record holder of your shares, in person.

Voting in Person

If you plan to attend the special meeting and wish to vote in person, you will be given a ballot at the special meeting. Please note, however, that if your shares are held in street name and you wish to attend and vote at the special meeting, you must contact your broker, bank or other nominee and obtain a legal proxy which may take several days.

Voting by Proxy

All shares of our common stock represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the common stockholders giving those proxies. Properly executed proxies that do not contain voting instructions will be voted FOR Proposal 1 and FOR Proposal 2.

Only shares affirmatively voted for Proposal 1 and properly executed proxies that do not contain voting instructions will be counted as votes to approve Proposal 1. Because the vote is based on the number of shares outstanding rather than the number of votes cast, an abstention, a failure to vote your shares in person or by proxy or, if your shares are held in street name, a broker nonvote, each will have the same effect as voting against Proposal 1.

Approval of Proposal 2, however, requires only a majority of the votes cast on the proposal and therefore an abstention, a failure to vote your shares in person or by proxy or a broker nonvote, each will have no effect on the approval of Proposal 2.

Adjournments; Other Business

If a quorum is not present or represented at the special meeting, the common stockholders entitled to vote and present or represented by proxy have the power to adjourn the meeting from time to time to a date not more than 120 days after the original record date without notice other than announcement at the special meeting. At such adjourned special meeting at which a quorum shall be present, any business may be transacted that might have been transacted at the special meeting as originally notified.

Under Maryland law, no business other than the proposals to approve the merger agreement and the merger and to approve any adjournments or postponements of the special meeting for the purpose of soliciting additional proxies may be brought before the special meeting. If other matters incidental to the conduct of the meeting are properly presented at the special meeting, the persons named as proxies will vote in accordance with their discretion with respect to those matters.

Revocation of Proxies

Submitting a proxy on the enclosed form does not preclude a common stockholder of record from voting in person at the special meeting. A common stockholder of record may revoke a proxy at any time before it is voted by filing with our corporate secretary a duly executed revocation of proxy, by submitting a duly executed proxy to our corporate secretary with a later date or by appearing at the special meeting and voting in person. A common stockholder of record may revoke a proxy by any of these methods, regardless of the method used to deliver the common stockholder s previous proxy. Attendance at the special meeting without voting will not itself revoke a

proxy. If your shares are held in street name, you must contact your broker, bank or other nominee to revoke your proxy.

Solicitation of Proxies

We are soliciting proxies for the special meeting from our stockholders. We will bear the cost of soliciting proxies for the special meeting from our common stockholders and will pay approximately $15,000 (plus reimbursement of out-of-pocket expenses) to MacKenzie Partners, Inc., our proxy solicitor. In addition to solicitation by mail, our directors, officers and employees may solicit proxies by telephone, telegram or otherwise. Our directors, officers and employees will not be additionally compensated for such solicitation, but may be reimbursed for out-of-pocket expenses incurred in connection therewith. We will also request persons, firms and corporations holding shares beneficially owned by others to send proxy materials to, and obtain proxies from, the beneficial owners of such shares and will, upon request, pay the common stockholders reasonable expenses for doing so.

Dissenters Rights

We are organized as a corporation under Maryland law. Under Maryland law, because shares of our common stock are listed on the NYSE, our common stockholders who object to the merger do not have any appraisal rights or dissenters rights in connection with the merger.

Assistance

If you need assistance in completing your proxy card or authorizing your proxy over the internet or telephonically, or if you have questions regarding our special meeting, please contact:

Arden Realty, Inc.
11601 Wilshire Boulevard, Fourth Floor
Los Angeles, California 90025
Attention: Investor Relations

Phone: (310) 966-2600
E-mail: proxy@ardenrealty.com

or our proxy solicitor:

MacKenzie Partners, Inc.

105 Madison Avenue

New York, New York 10016

Phone: (800) 322-2885

E-mail: proxy@mackenziepartners.com

PROPOSAL 1: THE MERGER AGREEMENT AND THE MERGER

**APPROVAL OF THE MERGER AGREEMENT
AND THE MERGER**

The following is a description of the material aspects of the merger agreement and the merger. While we believe that the following description covers the material terms of the merger agreement and the merger, the description may not contain all of the information that is important to you. We encourage you to read carefully this proxy statement, including the merger agreement attached as Annex A, for a more complete understanding of the merger. The following description is subject to, and is qualified in its entirety by reference to, the merger agreement.

General Description of the Merger

Under the terms of the merger agreement, GECC will acquire us and our subsidiaries through the merger of our company with and into REIT Merger Sub, with REIT Merger Sub continuing as the surviving entity. As a result of the merger, you will have no future ownership interest in the surviving entity and, as a result, will not have the opportunity to share in any of the future earnings or growth of our company.

As set forth in more detail in the merger agreement, the merger will occur in connection with the following transactions. Prior to the merger and the other transactions described in the merger agreement, we will form a wholly owned subsidiary that will be admitted to our operating partnership as a limited partner and will acquire Series C units representing a 0.01% interest in our operating partnership in exchange for a capital contribution. Common unit holders that are accredited investors may elect to have their common units redeemed, following the admission, by our operating partnership in exchange for LLC Interests, which are interests in one or, under certain circumstances, two existing or newly formed limited liability companies that each will own one of the properties to be transferred to Trizec. In connection with the redemption, our operating partnership will also distribute to each redeeming common unit holder an amount in cash equal to a prorated portion of our normal quarterly distribution payable on common units up to the closing date, without interest and less any required withholding for taxes. Following the admission and redemption, each redeeming common unit holder will contribute to Trizec OP all of its LLC Interests in exchange for Trizec OP units. One day after the completion of the admission, redemption and exchange, Partnership Merger Sub will merge with and into our operating partnership, with our operating partnership continuing as the surviving entity. Common unit holders that did not participate in the redemption and exchange will have each unit converted, subject to certain terms and conditions, into, and canceled in exchange for, the right to receive the common unit merger consideration, which is an amount in cash equal to (i) $45.25 plus (ii) an amount equal to a prorated portion of our normal quarterly distribution payable on common units up to the closing date, without interest and less any required withholding for taxes. Thereafter, the surviving partnership will distribute its interests and rights in the remaining Trizec assets to us in partial redemption of our common units and we will transfer the Trizec assets to Trizec OP for approximately $1.6 billion, less the aggregate amount paid in Trizec OP units to common unit holders in the exchange and the debt associated with the Trizec assets. Following the admission, redemption, exchange, partnership merger, asset distribution and asset sale, we will merge with and into REIT Merger Sub, with REIT Merger Sub as the surviving entity.

Under the terms of merger agreement, each issued and outstanding share of our common stock will be converted into, and canceled in exchange for, the right to receive the common stock merger consideration, which is an amount in cash equal to (i) $45.25 plus (ii) an amount equal to a prorated portion of our normal quarterly dividend up to the closing date, without interest and less any required withholding for taxes. Each outstanding option to purchase shares of common stock under any of our employee option or compensation plans will be canceled in exchange for the right to receive the option merger consideration, which is a single lump sum cash payment equal to the product of (a) the number of shares subject to such option and (b) the excess, if any, of the common stock merger consideration over the exercise price per share of such option. If the exercise price per share of any such option is equal to or greater than the common stock merger consideration, then such option will be canceled without any cash payment.

Background of the Merger

During 2003 and 2004, we were approached by various entities on multiple occasions about the possibility of acquiring us or engaging in other potential strategic transactions. These entities included a public office REIT, two private investment funds and a pension fund, as well as GECC, with whom we held informal discussions regarding an acquisition transaction in July and August of 2004. We entered into confidentiality agreements and engaged in informal discussions with each of these entities. None of these entities conducted substantive due diligence on our company other than a review of public filings and informal discussions with our management. For a variety of reasons, including the price ranges discussed by these entities in meetings with senior management and senior management s general view that there would be future opportunities to undertake transactions at higher valuations, none of these informal discussions resulted in the submission to us of a formal acquisition proposal.

Although senior management was confident that its strategic business plan was sound and offered opportunities for future growth, by mid-2005, our senior management came to the view that an unusually positive series of developments in the United States economy and the Southern California office market since 2002 had created an environment that made a strategic transaction an increasingly compelling alternative to continuing to operate our company consistent with past practice or other potential alternatives. Historically low interest rates and an influx of foreign and institutional investors seeking alternatives to stock and bond investments had created highly favorable market conditions for real estate investments. Prices for real estate assets had increased rapidly during these years, reaching historic highs, while capitalization rates were reaching historic lows. Office property fundamentals, such as rents, vacancy and absorption, were also strengthening. The stock prices of publicly traded REITs responded positively to these developments, significantly outpacing the performance of broader stock indices such as the Standard & Poor s 500. Moreover, a number of large portfolio acquisitions had occurred in 2004 and early 2005 at low capitalization rates, a trend that was reflected in the Southern California office market by several transactions, including Maguire Properties, Inc. s acquisition of a portfolio of properties from CommonWealth Partners for more than $1.5 billion in late January 2005.

Between July 2004 and July 2005, our stock price increased by approximately 17%. Nevertheless, we did not believe that either the implied value of our assets based on private market transactions, or the unique value of our large, high-quality portfolio of office properties in the supply-constrained Southern California market, had been appropriately reflected in our stock price, particularly in light of the gradual improvement that we had achieved in our portfolio in recent years through our senior management s successful capital recycling program of targeted dispositions and acquisitions. Additionally, in our senior management team s experience, valuations of public REITs and office properties were subject to fluctuation based on a variety of factors, including prevailing interest rates, local and national economic conditions that drive demand for office space and the performance of alternative investments such as stocks and bonds. Although in recent years these factors had been unusually and persistently positive, there could be no assurance that these factors would remain so. Interest rates, in particular, remained low, but were generally expected to increase in the future, which would make financing real estate acquisitions more costly and could therefore be expected to reduce demand for real estate acquisitions and the attendant values. In addition, because REIT share prices historically have had a negative correlation to interest rates, increases in interest rates could be expected to push down our stock price. Price-to-earnings multiples of public REITs were at historic highs, while REITs dividend yields were at or near historic lows. At the same time, because capitalization rates were historically low there was increased risk that we would not be able to reinvest proceeds from asset sales and achieve rates of return commensurate with our past performance. In light of all of these factors, by mid-2005, our senior management concluded that the conditions required to successfully consummate a strategic transaction that maximized stockholder returns were very favorable and we determined to actively investigate the feasibility and potential value of a sale or other strategic transaction involving our company.

During the course of the National Association of Real Estate Investment Trusts (NAREIT) Institutional Investor Forum held in New York, New York, on June 8 through June 10, 2005, members of our senior management discussed generally with representatives of Lehman Brothers Inc. (Lehman Brothers) and Wachovia Securities, two investment banking firms that had done substantial debt and equity underwriting for us in the past, senior management s willingness to explore potential opportunities for a strategic transaction. Lehman Brothers and Wachovia Securities each requested an opportunity to study our options and to meet with our senior management team more formally in the near future.

During June, July and August, following the NAREIT conference, our senior management team met and had informal discussions with each of Lehman Brothers and Wachovia Securities on a number of occasions in an effort to determine whether the opportunities presented by potential strategic transactions were attractive enough to merit formal consideration by our board of directors. At various times during this period, Messrs. Ziman and Coleman notified the members of our board that they had begun to investigate the risks and benefits of a strategic transaction and, from time to time, updated the members of our board on our senior management s discussions with Lehman Brothers and Wachovia Securities.

On July 7, Wachovia Securities discussed trends and developments in the real estate markets generally, the Southern California office market specifically, the market for public REIT stocks and the potential benefits and risks of pursuing a strategic transaction with our senior management. Wachovia Securities recommended that we approach a number of large, well-capitalized potential transaction parties as a means of assessing the potential value of our company and the feasibility of consummating a transaction on favorable terms. Wachovia Securities suggested a number of potential transaction parties, including GECC and Trizec, that Wachovia Securities might approach on our behalf in the event we determined to pursue a transaction.

During the week of July 10, our senior management approached Secured Capital Corp. (Secured Capital) to aid our senior management team in its investigation of the merits of a potential strategic transaction. Secured Capital had brokered a number of our property acquisitions in recent years and, in senior management s view, was particularly knowledgeable about our assets and our markets.

On July 20, Lehman Brothers, Wachovia Securities and Secured Capital met with our senior management to discuss our strategic options in more detail. At the July 20 meeting, the participants discussed, among other things, the timing of a possible transaction, various economic and market factors that could influence the valuations offered by potential transaction parties, execution risks associated with pursuing a strategic transaction and other potential strategies that we might undertake in an effort to increase stockholder value. The group also discussed our current strategic business plan and the risks and opportunities of continuing to operate in accordance with that plan. Lehman Brothers, Wachovia Securities and Secured Capital each suggested entities that they believed could be expected to have interest in pursuing a strategic transaction with us, as well as sufficient assets and access to capital to complete a transaction involving a portfolio as large as ours.

In the view of our senior management team, the data, trends, strategies, risks and potential benefits discussed by the group at the July 20 meeting supported management s belief that the market climate for a successful transaction was favorable, that the risks associated with further investigating a transaction were manageable and that the potential benefits to our stockholders were significant enough to merit formal consideration by our board of directors. Accordingly, our senior management requested that each of Wachovia Securities, Lehman Brothers and Secured Capital join them at the next scheduled meeting of our board of directors on August 9 and jointly discuss the potential benefits and risks of a strategic transaction with our board.

The discussion with Lehman Brothers, Wachovia Securities and Secured Capital on August 9 reiterated in detail the data, trends, strategies, risks and potential benefits discussed by each of them and our senior management team over the prior two months. Lehman Brothers, Wachovia Securities and Secured Capital discussed various alternatives to enhance stockholder value, including continuing to operate our company under our current business plan, including continuation of our capital recycling plan of targeted acquisitions and dispositions, a sale of our company and our operating partnership or an alternative strategic transaction. Our board discussed the risks and benefits of each of these alternatives and strategies, including the challenges that the size and concentration of our portfolio could present to a sale of our company. Our board also discussed additional strategies that we might pursue to enhance stockholder value, including the potential sale of a large number of noncore assets followed by a special dividend to stockholders, as well as a potential leveraged recapitalization of our company. Our board of directors discussed a variety of potential transaction parties which we and Lehman Brothers, Wachovia Securities and Secured Capital collectively believed had sufficient assets, or access to sufficient capital, to consummate an acquisition of our company. Lehman Brothers, Wachovia Securities and Secured Capital next discussed the process and timing of a potential strategic transaction, including the benefits of a private auction process in which the universe of potential transaction parties would be winnowed down to those entities that could meet our board s price expectations and had access to sufficient resources to close a transaction in a timely manner. This auction process was likely to maximize stockholder value by reducing disruption to our company and reducing business and market risk that could affect consummation of a transaction.

At the close of the August 9 meeting, our board of directors unanimously determined that we should undertake a formal process to explore strategic alternatives, potentially including a sale or other strategic transaction. Our board authorized senior management to engage each of Lehman Brothers, Wachovia Securities and Secured Capital as our strategic financial advisors (our strategic financial advisors), subject to the negotiation and execution of mutually satisfactory engagement letters. On August 9, our stock price closed at $37.10.

During August and September our senior management worked with our strategic financial advisors and considered approximately 50 potential qualified transaction parties. These entities included a broad cross-section of public REITs, including Trizec, other public companies, including GECC, pension funds, pension fund advisors, closed-end investment funds, open-end fund sponsors, commingled/closed-end funds and buyout funds. Our senior management and our strategic financial advisors approached 20 entities that we collectively determined were best qualified to complete an acquisition of our company. Concurrently, our outside counsel, Latham, prepared a form of confidentiality agreement that our general counsel, David Swartz, distributed to these 20 entities. We negotiated and executed confidentiality agreements with 16 of these entities, 15 of which ultimately conducted due diligence on us and discussed the possibility of a strategic transaction with our strategic financial advisors. Confidentiality agreements with each of GECC and Trizec were executed on October 3. The seven entities that decided not to participate in the process cited, among other things, valuation concerns and the size and concentration of our portfolio of properties.

During this period, our strategic financial advisors prepared an online data room to facilitate access to due diligence materials by those potential transaction parties that had executed confidentiality agreements and had elected to move forward in the process. On September 30, our strategic financial advisors distributed a bid-procedures letter to the 15 interested bidders. The letter set a deadline of November 1 for bidders to submit nonbinding preliminary indications of interest to acquire us.

On September 29, the Realty Stock Alert (RSA), an industry trade newsletter and website, speculated that our company was for sale. Our stock price rose 4.4% on larger than normal volume and closed that day at $40.40.

Beginning on September 30, our board of directors met during the course of its annual retreat. Our senior management reviewed with our board the status of our process to explore a strategic transaction. At the request of our board, and in light of the RSA article from the previous day and numerous press inquiries that followed, attorneys from Latham participated in the meeting by telephone. Our board of directors discussed our legal obligations with respect to public disclosure of any potential transaction. Our board determined that there was no reason to believe that any of our employees or agents were responsible for any unauthorized disclosure and determined that we would not make any public announcement regarding a possible strategic transaction. In addition, our board of directors discussed the benefits of engaging a fourth financial advisor whose role would be limited to rendering an additional fairness opinion in connection with any strategic transaction.

In light of the progress of the strategic transaction process to date, our senior management and Latham discussed the advisability of engaging Maryland counsel that was expert in the legal duties of board members under Maryland law and had extensive experience working with REITs. On October 1, we engaged Venable LLP (Venable) as our Maryland counsel in connection with the strategic transaction process.

On October 10, our board of directors met again to discuss the status of the strategic transaction process. At the request of our board, Latham participated in the meeting. Our senior management updated our board of directors on the progress of interested bidders due diligence and other developments. Members of our senior management who were participating in the meeting were then excused from the meeting so that the independent directors could discuss the strategic transaction process and their fiduciary duties. The independent directors determined that conflicts of interest between our common stockholders and common unit holders, including Messrs. Ziman and Coleman, had not yet arisen during the course of the transaction and that our senior management should continue leading our investigation of a strategic transaction under the board s supervision.

On October 17, our board of directors held a meeting at which our senior management again updated our board on the status of the strategic transaction process and the substantial due diligence being conducted by interested bidders.

On October 26, the Wall Street Journal reported in its Property Report column that public REITs were increasingly going private and that many investors and analysts were speculating about whether our company would be the next REIT taken private.

On October 28, RSA reported that first-round bids were due the following week and speculated that bids would be as high as $51.00 per share. During the morning of October 28, the NYSE temporarily suspended trading in our common stock. NYSE officials contacted us and explained that trading had been suspended because of a significant imbalance between buyers and sellers. Trading resumed later that day and by the end of that trading day, our stock price had risen 5.7% to close at $45.15.

On October 31, our board of directors held another meeting at which our senior management updated our board regarding the strategic transaction process, including the deadline for bids the following day and the anticipated timeline of events once bids were received. At the request of our board of directors, Latham also participated in the meeting. Our board discussed the October 28 RSA article and the suspension of trading in our common stock and determined that we had no reason to believe that any of our employees or agents were responsible for any unauthorized disclosure about the strategic transaction process. Our board then discussed our directors legal duties in any strategic transaction to our common stockholders and, in our capacity as the general partner of our operating partnership, our duties to common unit holders. Our board also discussed our contractual obligation under our operating partnership s partnership agreement to use commercially reasonable efforts to structure any sale of our company to give common unit holders the opportunity to avoid recognizing taxable gain for U.S. federal income tax purposes. In light of these legal and contractual duties, our board of directors discussed various circumstances that could give rise to a material conflict of interest between our common stockholders and common unit holders, including Messrs. Ziman and Coleman, and the measures that our board could take in response to any such conflict. Our board of directors determined that, in light of these potential conflicts, the independent directors should meet in executive session from time to time during the course of the strategic transaction process to determine whether any actual conflicts had arisen and how to respond to any such conflict.

On November 1, we received seven nonbinding, preliminary indications of interest to acquire all of the outstanding shares of our common stock and our operating partnership s outstanding common units for cash at per-share valuations ranging from a low of $41.00 for each share and each unit to a high of $46.00 for each share and each unit. GECC and Trizec were, separately, each among the entities that delivered indications of interest.

GECC s letter indicated that it was interested in acquiring all of the outstanding shares of our common stock and the outstanding common units of our operating partnership for a cash purchase price of between $44.00 and $46.00 for each share and each unit. GECC further indicated that it was willing to structure the transaction in a manner that would be tax-efficient for common unit holders by offering them the opportunity to exchange their common units for senior preferred partnership units about which GECC provided little detail, stating only that these units would earn a fixed, but unspecified, rate of return and that common unit holders and our common stockholders would receive the same economic value.

Trizec s letter indicated that it was willing to acquire all of the outstanding shares of our common stock and the outstanding common units of our operating partnership for a cash purchase price of between $42.00 and $44.00 for each share and each unit. Trizec also indicated that it was willing to structure the transaction in a manner that would be tax-efficient for common unit holders by offering them the opportunity to exchange their units for common limited liability company membership interests in Trizec OP and to work with us to address other tax-efficient structuring alternatives. Trizec indicated that it anticipated closing any transaction with a joint bidder, which it had not yet identified.

A third bidder, which we refer to as Bidder A, indicated that it was interested in acquiring us for a cash purchase price of between $44.00 and $46.00 for each share and each unit. Bidder A also indicated that it was willing to work with us to structure the transaction in a manner that would be tax-efficient for common unit holders. A fourth bidder, Bidder B, indicated that it was interested in acquiring us for a cash purchase price of $46.00 for each share and each unit. Bidder B did not indicate whether it would be willing to structure the transaction in a manner that was tax-efficient for common unit holders. A fifth bidder, Bidder C, indicated that it was interested in acquiring us for a cash purchase price of

$45.00 for each share and each unit. Bidder C did not indicate whether it would be willing to structure the transaction in a manner that was tax-efficient for common unit holders. A sixth bidder, Bidder D, indicated that it was interested in acquiring us for a cash purchase price of between $41.00 and

$43.00 for each share and each unit, and was willing to consider alternative treatment of common units. A seventh bidder, Bidder E, indicated that it was interested in acquiring us for a cash purchase price of $44.00 for each share and each unit, and was willing to structure the transaction in a manner that would be tax-efficient for common unit holders.

Our board of directors met on November 3 to discuss and evaluate the various bidders and the relative merits of their respective proposals. At the request of our board, our strategic financial advisors and Latham also participated in the meeting. Messrs. Ziman and Coleman and representatives from Lehman Brothers and Wachovia Securities presented summaries of the seven indications of interest that we had received. Our board discussed the relative strengths and weaknesses of the various bids. GECC, Bidder A and Bidder B had indicated that they were willing to acquire our company at a price for each share that was at the high end of the range of bids received. Furthermore, our board noted that each of these entities had access to sufficient capital to close a transaction and had conducted significant due diligence, which would potentially facilitate the execution of a definitive merger agreement on a rapid timetable, thereby reducing our business risk and disruption from the transaction. By contrast, our board of directors discussed a number of relative weaknesses in the remaining four proposals:

Trizec had offered consideration at the lower end of the range of bids and, in the view of our senior management and our strategic financial advisors, would not be willing to consummate the transaction without one or more joint bidders that it had yet to identify.

Bidder C had conducted limited due diligence and its proposal contemplated a number of features that presented an unacceptable level of closing risk and valuation risk, including a $50.0 million liquidated damages limit and an adjustment to the proposed merger consideration depending upon fluctuations in our working capital.

Although Bidder D was a large, well-established entity with access to significant capital, and had undertaken a significant amount of due diligence, its indicative pricing was the lowest offered by any of the bidders.

Bidder E was also a large and well-established entity with access to significant capital and had engaged in a substantial due diligence investigation of our company. Bidder E s proposed consideration, however, was at the lower end of the range of bids and it had indicated in its proposal letter that, despite the breadth of its due diligence to date, it would need at least another 60 days to finish its diligence and execute a definitive merger agreement.

Our board of directors then discussed whether Bidder D might be willing to increase its bid to a more competitive level if allowed to enter into the next round of the process. Our strategic financial advisors informed our board that in recent conversations Bidder D had specifically indicated to our strategic financial advisors that it would have difficulty underwriting the valuation set forth in its initial bid letter and that it was, therefore, unlikely to increase its offer price. Our board then discussed whether Bidder E could be persuaded to proceed with a transaction in a more expedited manner. Our strategic financial advisors explained that, as a pension fund advisor, Bidder E potentially was required to undertake more detailed due diligence than other bidders and was not known by reputation to move quickly on investments as large and significant as a potential acquisition of us. Our board of directors asked our strategic financial advisors whether, notwithstanding the relative weaknesses of the remaining bidders proposals, it might be beneficial to permit additional bidders to continue into the final round of the process. Our strategic financial advisors explained that participating in a multistage auction process required bidders to make a substantial investment of time and resources, and that in their experience bidders were typically unwilling to make that investment if the perceived chances of success were too low because the field of interested bidders was not being periodically narrowed. The strategic financial advisors explained that, in their

view, we were more likely to achieve a successful result for our stockholders by focusing our efforts and resources on a smaller number of bidders who had bid high, had demonstrated serious interest and conducted substantial due diligence, and had the resources and the ability to consummate a transaction in a timely manner. Based on our board of directors evaluation of the seven proposals and the recommendations of our senior management and our strategic financial advisors, our board determined to proceed with a final round of negotiations and bidding with GECC, Bidder A and Bidder B, but authorized our senior management to reintroduce other bidders into the process if they determined that doing so would be in the best interest of the process and our common stockholders.

Members of senior management that were participating in the meeting were then excused from the meeting and the independent, nonmanagement members of our board of directors discussed whether any of the proposals submitted to us raised conflicts of interest between common unit holders, including Messrs. Ziman and Coleman, and our common stockholders. Among other things, our independent directors noted that all of the bidders had either expressly indicated in their proposal letters that they would be willing to structure their transactions to be tax-efficient for common unit holders without diminishing the consideration payable to common stock holders, or had otherwise remained silent about the specific structure of their proposed transaction. Based upon the details of the various bids set forth in the proposal letters, our independent directors determined that none of the proposals from bidders had given rise to conflicts of interest between common unit holders, including Messrs. Ziman and Coleman, and our common stockholders.

On or around November 7, each of GECC and Bidder A approached Lehman Brothers and Wachovia Securities and indicated that, if they were to win the auction, they intended to keep only a portion of our assets and would seek to find one or more buyers for the remainder of our properties. Each of GECC and Bidder A further indicated that finding a potential buyer or buyers for the assets it did not expect to retain prior to submitting its final bid could mitigate some of the risks of acquiring a portfolio as large and concentrated as ours. Accordingly, each of GECC and Bidder A requested permission to speak to potential asset purchasers, something that was prohibited by the terms of the confidentiality agreements that they had entered into with us. GECC and Bidder A each specifically requested permission to speak with Trizec and another public REIT, which we refer to herein as Asset Buyer. Asset Buyer had been involved in the process at an earlier stage, had entered into a confidentiality agreement with us and had conducted substantial due diligence, but had elected not to submit a formal indication of interest on November 1 because it was primarily interested in acquiring only a relatively small number of our assets. Lehman Brothers and Wachovia Securities discussed these requests with our senior management team and collectively determined that they believed it would benefit the process to permit GECC and Bidder A to approach Trizec and Asset Buyer about agreeing to sell certain of our assets in connection with their final bids. On November 8, we authorized GECC and Bidder A to speak about jointly bidding with Trizec and Asset Buyer, but only those two entities, for their final bids.

On November 11, our strategic financial advisors delivered a final bid-procedures letter to each of the remaining bidders, indicating that final bids would be due on Friday, December 9.

From November 14 through November 21, our senior management and other key employees met separately with each of the three final-round bidders in a series of bidder-specific due diligence meetings.

On November 14, our board of directors held a meeting at which representatives of Wachovia Securities, Lehman Brothers, Secured Capital, Latham and Venable were all present. Our senior management and our strategic financial advisors updated our board on the status of the strategic transaction process. At our board of directors request, Venable made a presentation to our board regarding our directors legal duties to common stockholders and our duties to common unit holders in connection with any strategic transaction.

Around this time our board of directors again discussed whether to engage a fourth financial advisor to provide a second fairness opinion in connection with any strategic transaction. Our board of directors determined that we should engage a fourth financial advisor whose role would be limited to rendering an additional fairness opinion in connection with a transaction. After discussing the reputations and qualifications of a number of financial advisors, our board authorized our senior management to engage one of three financial advisors, including Houlihan Lokey. Soon thereafter, our senior management engaged Houlihan Lokey.

After our November 14 board meeting, Mr. Coleman and representatives of Lehman Brothers and Secured Capital had dinner with representatives of Bidder C. At that dinner, Bidder C expressed its disappointment at not being chosen as one of the final round bidders, and indicated that it still desired to participate in the process as a bidder or in some other capacity.

On November 17, Messrs. Ziman and Coleman and representatives of Lehman Brothers had breakfast with Tim Callahan, president and chief executive officer of Trizec. Mr. Callahan reiterated Trizec s interest in pursuing a strategic transaction.

On November 18, Bidder B informed our strategic financial advisors that, based on the additional due diligence that it had conducted since submitting its indication of interest on November 1, it would not be able to support a valuation within the range of prices indicated in its bid letter, and that, as a result, it was withdrawing from the process. Our senior management discussed Bidder B s departure from the process with our strategic financial advisors and Bidder C s continuing desire to reenter the process. Although our senior management and our strategic financial advisors did not believe that Bidder C would be likely to produce a proposal that was more attractive than the bids expected from GECC and Bidder A, they determined that it would benefit the competitive dynamics of the process if Bidder B were replaced with a third bidder. In light of Bidder C s continuing interest, Messrs. Ziman and Coleman determined that Bidder C should be permitted to reenter the process and thereafter informed the various members of our board of directors of Bidder B s withdrawal from, and Bidder C s reentrance to, the process.

On November 21, we distributed a draft merger agreement to GECC, Bidder A and Bidder C. That same day, the Los Angeles Business Journal and RSA each published articles speculating that an auction process was underway. RSA speculated that an announcement of a sale of our company was imminent, and that the acquisition price for each share would be in the mid-forties, and maybe as high as $51 for each share. Our stock price rose 1.7% and closed on November 21 at $45.71.

On November 28, counsel for Bidder C delivered to Latham a brief memo outlining its initial reactions to the draft merger agreement. The memo did not propose a specific transaction structure, but reiterated many of the material provisions of Bidder C s initial proposal that had been unacceptable to our board of directors.

On December 1, our board of directors held a meeting to discuss the strategic transaction process. Representatives of each of Lehman Brothers, Wachovia Securities, Secured Capital and Houlihan Lokey participated in the meeting, as did attorneys from Latham and Venable. Our strategic financial advisors informed our board that, after engaging in discussions with each of Trizec and Asset Buyer, Bidder A had elected to jointly bid with Trizec, and that as of that morning, GECC had elected to sell assets to Asset Buyer as part of GECC s bid.

Our strategic financial advisors also noted that Bidder C was contemplating jointly bidding with a large private equity company and a publicly traded real estate development company. Bidder C had not, however, conducted a significant amount of due diligence since being readmitted to the process and had not provided Latham with comprehensive comments to the draft merger agreement. Our board of directors determined that, in light of the lower bid originally submitted by Bidder C, the limited due diligence conducted by Bidder C, the fact that Bidder C was still searching for equity investors that would provide it with access to the resources necessary to complete a strategic transaction and that Bidder C had not submitted comprehensive comments on the draft merger agreement that would enable our board to fully evaluate Bidder C s proposal, the resources and attention of our senior management and our legal and strategic financial advisors should be focused primarily on GECC and Bidder A, but that our strategic financial advisors should continue to engage with Bidder C and encourage Bidder C to submit an attractive proposal for our company. Despite being permitted to reenter the final round of bidding, and the continued efforts of our senior management and our strategic financial advisors, Bidder C ultimately did not submit a formal proposal to acquire us or engage in some other strategic transaction with our company.

Our strategic financial advisors then discussed the recent performance of our common stock. Since the August 9 meeting when our board determined to begin exploring a potential strategic transaction, our common stock had provided a total return of 24.4%, compared to a total return of 6.2% on a peer group of public REITs. Our strategic financial advisors and our board of directors then discussed the effect of news stories speculating about our possible sale, the correlation of those stories with the more significant increases in our stock price and the relative absence of other material information about us entering the market during these periods. Based on that discussion, our board of directors determined that a significant acquisition premium had already been priced into our common stock.

Our board of directors and our strategic financial advisors then discussed a number of alternative strategies, other than a sale of our company as contemplated by the bids received on November 1, that we could undertake to potentially enhance stockholder value, and the risks and benefits of each strategy, including:

continuing to operate our company under senior management s current business plan, including a continuation of our capital recycling plan of targeted acquisitions and dispositions;

a strategic repositioning, in which we would continue to operate our company as discussed above but sell a large number of lower-quality assets and distribute all or a portion of the sales proceeds to stockholders through one or more special dividends;

a leveraged recapitalization in which we would borrow a significant amount of money and distribute all or a portion of it to stockholders through a special dividend;

a leveraged repositioning, in which we would combine aspects of both a strategic repositioning and a leveraged recapitalization, with all or a portion of proceeds and borrowings distributed to stockholders through one or more special dividends; and

a liquidation our company.

After reviewing the various risks, benefits and reasonably anticipated costs of each of these alternative strategies, and comparing them to the risks, benefits and reasonably anticipated costs of a sale of our company, our board of directors determined that the current strategic transaction process should continue.

Between December 2 and December 5, Latham and Hogan & Hartson L.L.P. (Hogan & Hartson), counsel for Trizec, engaged in a series of calls to explore alternatives that would permit qualified common unit holders to continue to defer the recognition of taxable gain after the consummation of any transaction with Bidder A and Trizec.

On December 5, King & Spalding LLP (King & Spalding), counsel for GECC, delivered its comments on the draft merger agreement to Latham. King & Spalding s comments proposed a transaction structure in which our company and our operating partnership would each merge with newly formed subsidiaries of GECC. Common unit holders who met certain qualifications would be given the right to elect to receive preferred limited partnership units in the surviving partnership in the partnership merger. Accompanying King & Spalding s comments to the merger agreement was a term sheet that set forth GECC s proposed terms for the preferred limited partnership units that qualifying common unit holders could elect to receive. King & Spalding s comments to the merger agreement would also have obligated us to sell, immediately prior to the closing of the merger transaction, an unspecified number of properties to a party or parties designated by GECC. GECC s obligation to close the transaction was not subject to completion of this sale or a financing condition. Our senior management, Latham and our strategic financial advisors reviewed and discussed King & Spalding s comments and identified a number of significant issues presented by those comments.

On December 6, counsel for Bidder A and Hogan & Hartson delivered to Latham their consolidated comments on the draft merger agreement. These comments proposed a transaction structure that would permit qualified common unit holders to exchange those units for membership interests in Trizec OP, effect the sale of certain assets to Trizec OP and merge our company and our operating partnership into a newly formed subsidiary of Bidder A. The consolidated comments from counsel for Bidder A and Hogan & Hartson would also have obligated us to sell, prior to the closing of the merger transactions, an unspecified number of properties to a party or parties designated by Bidder A. Our senior management, Latham and our strategic financial advisors reviewed and discussed the consolidated comments of counsel to Bidder A and Hogan & Hartson and identified a number of significant issues presented by these comments.

Between December 6 and December 9, Latham had several conversations with King & Spalding, Hogan & Hartson and counsel for Bidder A to negotiate issues in the draft merger agreement, including, in each case, among others, the level of representations being made by us and our operating partnership, the degree to which our board of directors could consider alternative proposals for strategic transactions after execution of the merger agreement, the amount and timing of payment of the fees and expense reimbursements that we would have to pay to Bidder A or GECC, as applicable, if we or Bidder A or GECC, as applicable, were to terminate the agreement under certain circumstances (including if we were to terminate the transaction to enter into a superior proposal), restrictions on our ability to operate our business between the execution and closing of the merger agreement and the treatment of, and tax issues relating to, common units.

On the evening of December 7, Messrs. Ziman and Coleman had dinner with Joseph Parsons, President of North America Equity for GE Commercial Finance Real Estate, an operating unit of GECC, and Thomas Wagner,

Managing Director of North America Equity for GE Commercial Finance Real Estate. Messrs. Parsons and Wagner were the principal representatives of GECC in the transaction. At the dinner, Messrs. Parsons and Wagner reiterated their strong desire to acquire us and to do so on an expedited basis.

On December 8, our senior management, including Messrs. Ziman and Coleman, participated in a teleconference with certain members of Trizec s senior management team, including Mr. Callahan. Attorneys from Latham, as well as representatives of our strategic financial advisors, also participated in the call. The call was intended to give our company, in its capacity as the General Partner of our operating partnership, an opportunity to make diligence inquiries of Trizec s management in connection with the potential transaction between us, Bidder A and Trizec, because, as described above, that transaction contemplated that qualifying common unit holders would be given the opportunity to exchange their units for Trizec OP units.

Also on December 8, our board held a teleconference meeting during which our senior management and Latham updated our board of directors on the progress of negotiations on the draft merger agreement with GECC and Bidder A.

On December 9, Bidder A contacted Lehman Brothers and indicated that, based on the additional due diligence that it had conducted since submitting its indication of interest on November 1, it would have difficulty supporting a valuation of our company within the range of prices indicated in its bid letter. Although Bidder A did not formally withdraw from the process, and indicated that it would be willing to proceed if we were willing to accept a valuation that was at or below $43.50 for each share and each unit, it informed Lehman Brothers that it would not submit a final bid at that time.

On December 9, GECC contacted our strategic financial advisors and indicated that it and Asset Buyer had not yet reached an agreement with respect to the terms on which Asset Buyer would acquire properties from GECC at the closing of an acquisition of us, but that GECC anticipated that these issues would be resolved soon and that it anticipated submitting a final bid sometime that evening.

On December 9, our board of directors held a teleconference meeting. Representatives of our strategic financial advisors and Latham also participated in the meeting. Senior management updated our board on the status of discussions with each of GECC and Bidder A. Our board of directors discussed Bidder A s decision not to submit a final bid and the importance of maintaining competitive dynamics in the process. Accordingly, our board instructed our senior management and our strategic financial advisors to continue negotiating with Bidder A.

On December 10, our board of directors held a teleconference meeting. Representatives of Latham and our strategic financial advisors participated in the meeting. During the course of this meeting, GECC submitted an unsigned letter that stated that GECC was willing to increase its purchase price to $46.25 for each share and each unit, but that its obligation to close would be subject to Asset Buyer obtaining certain proceeds that were held in an escrow account. Our board discussed the implications of the escrow release condition with our strategic financial advisors, who indicated that such a condition was highly unusual in a public acquisition transaction like the one we were contemplating. Our board determined that the escrow closing condition would create an unacceptable amount of closing risk and instructed our strategic financial advisors to inform GECC that the escrow condition would not be acceptable, but that we were willing to explore alternative structures that would facilitate GECC s bid.

On December 11, our board of directors held another teleconference meeting. Representatives of each of our strategic financial advisors participated in the call, as did Latham and Venable. Our strategic financial advisors indicated that they had discussed the escrow release condition with GECC over the past day and had learned a number of details about the prerequisites for the release of the escrowed funds to Asset Buyer. Lehman Brothers noted its understanding that the board of directors of Asset Buyer would not authorize Asset Buyer s participation in the

transaction without the release of those funds, and that GECC s board had not approved GECC s acquisition of us without the sale of certain assets to Asset Buyer or another suitable purchaser. Our strategic financial advisors indicated that GECC had told them that GECC and Asset Buyer were exploring ways to solve the problem so that they could submit a bid without the escrow condition.

Our board of directors and our strategic financial advisors then discussed potential methods to facilitate GECC s bid. Lehman Brothers then informed our board that it had begun investigating the cost and feasibility of providing a commitment to GECC whereby it would agree to purchase the assets slated to be sold to Asset Buyer in

the event that Asset Buyer was unable to obtain the release of its escrowed funds. After discussion, our board agreed that such an arrangement could lead to a more favorable transaction. Our board of directors then discussed the status of Bidder A. Our strategic financial advisors indicated that they had spoken to Bidder A, who reiterated that they remained interested in pursuing an acquisition of us, but that one of the investors for which it served as advisor and which would provide a significant amount of the equity financing for any transaction was not willing to participate in the acquisition at a per-share price higher than $43.50. Bidder A had also indicated that it was searching for additional equity financing needed to close a transaction. Our board instructed our senior management and our strategic financial advisors to continue to engage with Bidder A.

Between December 12 and December 16, Latham continued to negotiate with King & Spalding regarding the terms of the merger agreement.

On December 14, Latham distributed to our board of directors the then-current draft of the GECC merger agreement and on December 15 delivered to our board an executive summary of that agreement.

On December 16, our board of directors held a meeting in which representatives of each of our strategic financial advisors and Latham and Venable participated. Senior management updated our board on the status of the strategic transaction process. Latham reported that substantial progress had been made with King & Spalding on the merger agreement, but that a number of significant issues remained unresolved. Latham then reviewed the terms of the draft GECC merger agreement with our board of directors in detail. Lehman Brothers updated our board on its efforts to underwrite a commitment to GECC, but noted that GECC had not responded positively to Lehman Brothers proposal and had indicated to Lehman Brothers that they were working on other means of addressing the escrow release issue that GECC believed were preferable. Our strategic financial advisors then updated our board of directors on the status of Bidder A. In a series of communications with our strategic financial advisors, Bidder A had indicated that it had been seeking new or additional equity co-investors in an effort to revitalize its bid to acquire us, but had not been successful and therefore was not prepared to make a formal, competitive proposal to acquire our company.

On December 16, the Los Angeles Times ran a story stating that GECC and another bidder were vying to acquire us and speculating that the purchase price would be between $50.00 and $57.00 per share. That day our stock price hit a 52-week high of $48.20 per share during intra-day trading and closed up $0.72 at $46.92.

On December 18, GECC submitted a formal bid to acquire our company and our operating partnership for $44.00 for each share and each unit. Rather than selling certain assets to Asset Buyer as had been contemplated up to that point, GECC s bid was now premised upon Trizec purchasing certain assets. The bid was accompanied by a full mark-up of the draft merger agreement reflecting a revised, multistep structure. Except for changes relating to the new structure, the merger agreement mark-up was largely consistent with the draft that our board had reviewed with Latham on December 16. The agreement still presented a number of significant issues, including among others, the size of the termination fee and the amount of the expense reimbursement, which had increased from the level contemplated in our prior conversations with GECC. GECC s proposal, however, contemplated that the transaction would close even if Trizec did not perform its obligations under the agreement. If Trizec did not perform its obligations, common unit holders would be forced to accept cash from GECC at the closing and could, therefore, recognize taxable gains.

Our board of directors held a teleconference meeting on the evening of December 18 to discuss GECC s bid. Each of our strategic financial advisors, Latham and Venable participated in the call. Our senior management reviewed the general terms of the bid with our board. Latham reviewed the structure of the transaction and the material issues raised for stockholders and common unit holders by the terms of the bid. Our board of directors discussed the terms of the proposal, whether the reduced bid price would be acceptable and how they should respond to GECC. Concluding that it needed more time to study and understand the proposal before making any determinations, our board decided to convene another board meeting to discuss the proposal in depth the following day.

Early in the morning on December 19, Mr. Ziman received a call from Mr. Callahan. Mr. Callahan expressed his desire to reach an agreement between the parties as soon as possible and that Trizec and Hogan & Hartson would be willing to work with us to address any issues caused by the proposed transaction structure.

Later in the morning of December 19, our board of directors met again to discuss GECC s formal bid. Representatives of our strategic financial advisors, Latham and Venable all participated in person or by telephone. Our board discussed in detail the proposed transaction, as well as our directors legal duties to our common stockholders and our duties to common unit holders. At the end of the meeting, our board of directors concluded that GECC s and Trizec s bid was unacceptable because, among other things, the price was too low. Accordingly, our board of directors instructed senior management and our strategic financial advisors to inform GECC that its proposal was unacceptable, but that we would be willing to accept a proposal at $46.25 for each share and each unit pursuant to the structure set forth in GECC s December 10 letter. After consulting with its legal and strategic financial advisors, our board also determined that we should agree to the expense reimbursement provision proposed by GECC, but only if GECC agreed to reduce the termination fee from $106.0 million to $100.0 million.

Our board held another teleconference meeting during the afternoon on December 19. Representatives of our strategic financial advisors and Latham all participated. Our senior management informed our board of directors that representatives of Lehman Brothers had contacted GECC to relay our board s reaction to GECC s proposal. GECC subsequently contacted Lehman Brothers to indicate that GECC could increase its price, but was not authorized to offer $46.25 for each share and each unit. Our board of directors concluded that our strategic financial advisors should inform GECC that the minimum price that our board would be willing to accept was $45.25 for each share and each unit.

After our board meeting on December 19, Lehman Brothers contacted GECC and relayed our board of directors determination regarding the minimum acceptable price for each share and each unit and its concerns regarding the terms of the proposal. GECC contacted Lehman Brothers later that day and indicated that it was authorized to pay between $45.00 and $45.25 for each share and each unit. GECC also agreed to reduce the termination fee from $106.0 million to $100.0 million.

Over the course of December 19 and 20, attorneys for our company and GECC negotiated the voting agreement, negotiated terms of the merger agreement, finalized the schedules and resolved certain diligence issues. GECC agreed that it would be willing to pay $45.25 for each outstanding share and each outstanding unit, and a corresponding amount, net of exercise price, for each outstanding option.

On December 21, our board of directors held a meeting to consider the merger. Representatives of all of our financial advisors, Latham and Venable also participated. In advance of the meeting, each member of our board received a copy of the merger agreement and related documents and copies of presentations to be made by Houlihan Lokey, Wachovia Securities and Latham. At the meeting, Latham reviewed the terms of the proposed merger agreement and Venable again reviewed our directors standard of conduct under Maryland law. During the meeting, Wachovia Securities rendered an oral opinion to our board, subsequently confirmed in a written opinion, to the effect that, as of December 21, 2005, subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken, as set forth in the opinion, the $45.25 in cash for each share to be received by the holders of our common stock pursuant to the merger agreement, was fair, from a financial point of view, to such holders.

During the meeting, Houlihan Lokey also rendered an oral opinion to our board, subsequently confirmed in a written opinion, to the effect that, as of December 21, 2005, subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken, as set forth in the opinion, the $45.25 in cash for each share to be received by the holders of our common stock pursuant to the merger agreement, was fair, from a financial point of view, to such holders.

Our board then discussed at length the terms of the proposed merger and a variety of positive and negative considerations concerning the transaction and the overall strategic alternatives available to the company. These factors are described in more detail below under the heading Factors Considered by Our Board of Directors and Reasons for the Merger on page 32. Members of senior management who were participating in the meeting were excused from the meeting and the independent, nonmanagement members of our board (each of whom is independent under NYSE standards) met in executive session to discuss the transaction and

any interests that Messrs. Ziman and Coleman may have in the transaction that are different than, and could potentially conflict with, the interests of our common stockholders. Our independent directors discussed in detail each of the matters

discussed under the heading Interests of Our Directors and Executive Officers in the Merger on page 47, with particular emphasis on Messrs. Ziman s and Coleman s holdings of common units. Our independent directors determined that their regular evaluation of, and preparation to respond to, potential conflicts of interest between members of our senior management who are members of our board of directors and our common stockholders, including meeting in executive session, enabled the independent directors to effectively oversee the strategic transaction process. Our independent directors also noted that our senior management team and our legal and strategic financial advisors had negotiated a transaction in which our common stockholders would receive the largest amount of merger consideration that GECC had formally indicated that it would be willing to pay. In addition, our board determined that the transaction would satisfy our fiduciary duties and contractual obligations to common unit holders by providing a structure that would be tax-efficient for common unit holders. At the conclusion of the December 21 meeting, our board of directors unanimously approved the merger agreement and the merger and directed that the merger agreement and the merger be submitted for consideration by our common stockholders at a special meeting of stockholders.

Late in the evening of December 21, 2005, the parties executed the merger agreement. On December 22, 2005, prior to the opening of the financial markets, the parties to the merger agreement issued a joint press release announcing the transaction.

Factors Considered by Our Board of Directors and Reasons for the Merger

In reaching its decision to approve the merger agreement and the merger and to recommend that our common stockholders approve the merger agreement and the merger, our board of directors consulted numerous times with our senior management and our legal and financial advisors. These consultations included discussions regarding our strategic business plan, the historical prices of our common stock, our past and current business operations and financial condition, our future prospects, the potential transaction with GECC and Trizec and other strategic alternatives.

In particular, our board of directors considered the following factors, which in the aggregate it deemed potentially favorable, in reaching its decision to approve the merger agreement and the merger:

Value and Form of Merger Consideration

Each share of our common stock that is outstanding at the effective time of the merger will be converted into, and canceled in exchange for, the right to receive cash consideration of $45.25, plus an amount equal to a prorated portion of the normal quarterly dividend up to the closing date without interest and less any required withholding for taxes. The cash consideration of $45.25 for each share is fixed and will not be adjusted for changes in the price of our common stock prior to the closing date of the merger and represents a premium to the average closing price of our common stock of approximately:

$8.15 for each share, or a 22.0% premium, over the closing price of our common stock on August 9, the trading day prior to our board s decision to pursue strategic alternatives.

$6.57 for each share, or a 17.0% premium, over the closing price of our common stock on September 28, the trading day prior to RSA s speculation that we were for sale.

$4.55 for each share, or a 11.2% premium, over the average closing price of our common stock for the six-month period before the public announcement of the merger.

$7.43 for each share, or a 19.7% premium, over the average closing price of our common stock for the one-year period before the public announcement of the merger.

The consideration to be received by our common stockholders in the merger, which was determined based on arm s-length negotiations, represents an attractive price. The payment of cash as the form of common stock merger consideration will provide our common stockholders with immediate liquidity and value that is not subject to market fluctuation.

Favorable Market Conditions

As discussed above under the heading Background of the Merger on page 21, our board of directors determined that the merger allows us to take advantage of conditions in the real estate markets generally, and the Southern California office market specifically, that have created an unusually favorable environment for effecting a strategic transaction to maximize stockholder value:

Prices for real estate assets, particularly in large metropolitan markets like Southern California, have increased rapidly in recent years, reaching historic highs, while capitalization rates have reached historic lows.

Office property fundamentals, such as rents, vacancies and net absorption, were strengthening in our markets.

Interest rates remained low by historic standards, but were generally expected to rise in the near-term. As interest rates rise, demand for real estate assets would be expected to decrease, and because REIT stock prices historically have had a negative correlation to interest rates, our stock price may have greater downside risk in the future.

A number of large portfolio acquisitions in 2004 and 2005 suggested that a successful sale of our company at an attractive valuation was feasible.

Our Business and Prospects

Our board of directors believes that the merger represents a more desirable alternative for our common stockholders than continuing to operate as an independent public company under our current strategic business plan. In the view of our board, realizing a cash premium in the merger provides more value for our common stockholders on a risk-adjusted basis than executing our strategic business plan. In making this determination, we considered a number of risks facing us in the future, including the various risks discussed in our Annual Report on Form 10-K, as well as the following:

The valuations of public REITs and funds from operations multiples have reached historic highs in recent months, while dividend yields have reached historic lows.

Our funds from operations multiple is significantly above the mean for office REITs generally, while analysts consensus estimates for our 2006 earnings growth lag behind the peer average.

Our stock price is, and has been since prior to the beginning of the strategic transaction procedure, trading at a premium to analysts estimates of the net asset value of our portfolio.

Competition in our markets for properties, tenants and investors is significant, with five office REITs or real estate operating companies focused on Southern California.

Other Strategic Alternatives

As discussed above under the heading Background of the Merger on page 21, in addition to the merger transaction, our board of directors considered other strategic alternatives that might be available to us, including a strategic repositioning involving a sale of a selected number of assets followed by a special dividend to common stockholders, a leveraged recapitalization followed by a special dividend to common stockholders, a leveraged repositioning combining elements of a strategic repositioning and a leveraged recapitalization and a liquidation. After considering the potential benefits and risks to us and our common stockholders associated with each of these alternatives, our board of directors determined that the merger represented the alternative that was in the best interests of our common stockholders.

Opinions of Wachovia Securities and Houlihan Lokey

Our board of directors considered as favorable to its determination the opinion and analyses of Wachovia Securities described under the heading Opinions of Our Financial Advisors Opinion of Wachovia Securities on page 36, including the oral opinion of Wachovia Securities, which was subsequently confirmed in writing, to the effect that, as of December 21, 2005 and subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken as set forth in its opinion, the $45.25 in cash to be received for each outstanding share of common stock pursuant to the merger agreement is fair from a financial point of view to the holders of such shares.

Our board of directors also considered as favorable to its determination the opinion and analyses of Houlihan Lokey described under the heading Opinions of Our Financial Advisors Opinion of Houlihan Lokey on page 42, including the oral opinion of Houlihan Lokey, which was subsequently confirmed in writing, to the effect that, as of December 21, 2005 and subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken as set forth in its opinion, the $45.25 in cash to be received for each outstanding share of common stock pursuant to the merger agreement is fair from a financial point of view to the holders of such shares.

The High Probability of Transaction Completion

Our board of directors considered as favorable that, in its judgment, there is a high probability of completing the proposed transaction. Based on our discussions with and analysis of GECC, our board of directors determined that GECC will have the necessary resources at closing to complete the merger. The merger agreement does not contain a financing condition and even if Trizec were unable or unwilling to satisfy its obligations under the merger agreement, GECC would be obligated to consummate the merger.

The Existence of a Limited Termination Right in the Event of a Superior Proposal

Our board of directors is not prohibited from receiving proposals and inquiries for other potential acquisition proposals (although to date we have not received such an inquiry). If, however, before receiving stockholder approval for the merger, we receive an unsolicited bona fide acquisition proposal, we may furnish information to, and participate in discussions and negotiations with, the party making the proposal if our board of directors determines in good faith that (i) failure to do so would be reasonably likely to be inconsistent with our directors duties to the company or our common stockholders, (ii) prior to taking such action, we enter into a confidentiality agreement with the party making the acquisition proposal and (iii) the acquisition proposal is reasonably likely to lead to a transaction that would be more favorable to our common stockholders than the merger. Upon making such a determination and subject to the satisfaction of specified conditions and payment of a termination fee, we may enter into an agreement with respect to a superior proposal with a third party.

Approval of Our Common Stockholders Is Required

The merger is subject to the approval of our common stockholders and our common stockholders have the option to reject the merger agreement and merger.

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

Recent Trading Prices of Our Common Stock

Although our board of directors believes that the cash consideration of $45.25 for each share represents an attractive price and a significant premium to historical prices for our common stock, the per-share closing price of our common stock on the day before we announced the merger was $46.99 for each share. Accordingly, $45.25 for each share represents a $1.74 per share, or 3.8%, discount to the closing price of our common stock on December 21. As discussed above under the heading Background of the Merger on page 21, however, our board of directors concluded, after extensive discussion with our legal and financial advisors during a number of meetings, and after taking into account the correlation between speculation about the sale our company in trade publications and mainstream press, the significant increases in the price of our common stock since August 9, the relative

absence of other new, publicly available information about us and the performance of other comparable REITs, that a substantial sale premium was reflected in the price of our common stock by the time our board met to consider the merger proposal from GECC and Trizec.

Our Common Stockholders Will Be Unable to Share in Our Company s Future Growth

Our board of directors recognized that the merger would preclude our common stockholders from having the opportunity to participate in the future performance of our assets and any future appreciation in the value of our common stock. Common stockholders will no longer share in any of our future growth or receive quarterly dividends. Since December 2002, we have paid annual dividends of $2.02 for each share to our common stockholders on a quarterly basis.

As discussed under the heading Interests of Our Directors and Executive Officers in the Merger on page 47, each of Messrs. Ziman and Coleman hold common units and, in connection with the merger, may elect to receive Trizec OP units in exchange for their existing common units.

Tax Consequences to Our Common Stockholders

Our board of directors recognized that the merger is a taxable transaction and, as a result, our common stockholders will generally be required to pay taxes on any gains that result from their receipt of the cash consideration in the merger.

Significant Costs Involved

Our board of directors considered the significant costs involved in connection with completing the merger, the substantial management time and effort required to effectuate the merger and the related disruption to our operations. If the merger is not consummated, then we may be required to bear these expenses and the costs of these disruptions. Moreover, our board considered that if the merger agreement is terminated by GECC because our common stockholders do not approve the merger, we would be obligated to reimburse GECC for its reasonable out-of-pocket expenses incurred in connection with the merger and related transactions up to an aggregate maximum amount of $10.0 million.

Prohibition against Soliciting Other Offers

Even though the merger agreement permits our board of directors to receive unsolicited inquiries and proposals regarding other potential acquisition proposals, it also prohibits us from soliciting, initiating, knowingly encouraging or taking any other action to facilitate inquiries with respect to acquisition proposals or making any proposals for, or participating in any discussions or negotiations regarding any acquisition proposals except under the circumstances discussed under the heading The Merger Agreement No Solicitation on page 67. If we receive a superior proposal and ultimately enter into an agreement for such a transaction, we would be obligated to pay a termination fee in the amount of $100.0 million to GECC, subject to certain conditions.

Benefits to Certain Directors and Executive Officers

Our board of directors also considered the fact that Messrs. Ziman and Coleman have interests in the merger that differ from, or are in addition to, and therefore may conflict with, the interests of our common stockholders. These interests are discussed under the heading Interests of Our Directors and Executive Officers in the Merger on page 47, including the lapsing of restrictions and immediate vesting of common stock awarded under our benefit plans, additional severance payments that may be received under certain circumstances, and the ability to defer recognition of income by electing to receive Trizec OP units in exchange for their existing common units. In executive session, however, the independent members of our board of directors determined that their regular evaluation of, and preparation to respond to, potential conflicts of interest between management board members and our common stockholders had enabled the independent directors to effectively oversee the strategic transaction process. Moreover, our senior management team and our legal and strategic financial advisors had negotiated a transaction in which our common stockholders would receive the largest amount of merger consideration that GECC had formally indicated that it would be willing to pay, satisfying our directors duties to our company. In addition, our board determined that the transaction would satisfy our duties and contractual obligations to common unit holders by providing a structure that would be tax-efficient for them.

In view of the wide variety of factors considered by our board of directors, our board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weights to the specific factors considered. Our board of directors views its recommendation as being based on the totality of the information presented to, and considered by, it. After taking into consideration all of the factors discussed above, among others, our board of directors determined that the potential benefits of the merger substantially outweigh the potential detriments associated with the merger.

Recommendation of Our Board of Directors

Our board of directors, at a special meeting held on December 21, 2005, after due consideration, unanimously:

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

approved the merger agreement and the merger and directed that they be submitted to our common stockholders for approval at a special meeting of stockholders.

Our board of directors unanimously recommends that our common stockholders vote FOR Proposal 1, the approval of the merger agreement and the merger.

Opinions of Our Financial Advisors

Our board of directors retained Wachovia Securities to act as a financial advisor with respect to a possible sale, or other extraordinary transaction involving a change of control, of our company and to render an opinion to our board of directors as to the fairness from a financial point of view of the per-share consideration to be received by our stockholders in connection with the transaction. Our board of directors also retained Houlihan Lokey to render an opinion to our board of directors as to the fairness from a financial point of view of the per-share consideration to be received by our stockholders in connection with the transaction. Set forth in separate parts below are summaries of their respective opinions.

Opinion of Wachovia Securities

Our board of directors retained Wachovia Securities to act as one of our financial advisors with respect to a possible sale, or other extraordinary transaction involving a change of control, of our company. Our board of directors selected Wachovia Securities to act as one of its financial advisors based on its qualifications, expertise and reputation. Wachovia Securities rendered its oral opinion to our board of directors and subsequently provided its written opinion that, as of December 21, 2005, subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken, as set forth in the opinion, the $45.25 in cash per share of our common stock to be received by holders of shares of our common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders.

The full text of Wachovia Securities opinion, which sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement. You should carefully read the opinion. This summary is qualified in its entirety by reference to the full text of the opinion.

The Wachovia Securities opinion did not address the merits of the underlying business decision to enter into the merger agreement and does not constitute a recommendation to any holder of shares of our common stock as to how such holder should vote in connection with the merger agreement.

In arriving at its opinion, Wachovia Securities has, among other things:

reviewed the merger agreement, including the financial terms of the merger agreement;

reviewed annual reports to stockholders and Annual Reports on Form 10-K for our company for the five years ended December 31, 2004;

reviewed certain interim reports to stockholders and Quarterly Reports on Form 10-Q for our company;

reviewed certain business, financial and other information, including financial forecasts, regarding our company, a portion of which was publicly available and a portion of which was furnished to Wachovia Securities by our management, and discussed the business and prospects of our company with our management;

participated in discussions and negotiations among representatives of our company, GECC and Trizec and their financial and legal advisors;

reviewed the reported price and trading activity for shares of our common stock;

considered certain financial data for our company and compared that data with similar data regarding certain other publicly traded companies that Wachovia Securities deemed to be relevant;

compared the proposed financial terms of the merger agreement with the financial terms of certain other business combinations and transactions that Wachovia Securities deemed to be relevant; and

considered other information such as financial studies, analyses and investigations, as well as financial and economic and market criteria that Wachovia Securities deemed to be relevant.

In connection with its review, Wachovia Securities has relied upon the accuracy and completeness of the foregoing financial and other information, including all accounting, legal and tax information and did not assume any responsibility for any independent verification of such information and assumed such accuracy and completeness for purposes of this opinion. With respect to financial forecasts furnished to Wachovia Securities by our management, Wachovia Securities assumed that they were reasonably prepared and reflected the best current estimates and judgments of management as to our future financial performance. Wachovia Securities assumed no responsibility for, and expressed no view as to, financial projections or the assumptions upon which they are based. In arriving at its opinion, Wachovia Securities did not prepare or obtain any independent evaluations or appraisals of our assets or liabilities, nor were they provided with any such evaluations or appraisals.

In rendering its opinion, Wachovia Securities assumed that the merger will be consummated on the terms described in the merger agreement, without waiver of any material terms or conditions, and that in the course of obtaining any necessary legal, regulatory or third-party consents and/or approvals, no restrictions will be imposed or other actions will be taken that will have an adverse effect on the merger or other actions contemplated by the merger agreement in any way meaningful to its analysis.

The Wachovia Securities opinion is necessarily based on economic, market, financial and other conditions and the information made available to Wachovia Securities as of the date of its opinion. In addition, Wachovia Securities expressed no view on the terms of the partnership merger or on the terms pursuant to which holders of our partnership units may become holders of Trizec OP units. Additionally, Wachovia Securities expressed no view on whether any holder of our partnership units should exchange its partnership units for shares of our common stock. Wachovia Securities opinion does not address the relative merits of the merger or other actions contemplated by the merger agreement compared with other business strategies or transactions that may have been considered by our management, our board of directors or any committee thereof.

The summary set forth below does not purport to be a complete description of the analyses performed by Wachovia Securities, but describes, in summary form, the material analyses of Wachovia Securities in connection with its fairness opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to a partial analysis or summary description. In arriving at its fairness opinion, Wachovia Securities considered the results of all its analyses as a whole and did not attribute any particular weight to any analysis or factors considered by it. Accordingly, the analyses listed in the tables and described below must be considered as a whole. Considering any portion of such analyses and the factors considered, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the Wachovia Securities opinion.

Historical Stock Trading Analyses. Wachovia Securities reviewed publicly available historical trading prices and volumes for shares of our common stock for the 12-month period between December 21, 2004 and December 19, 2005. Wachovia Securities also reviewed publicly available historical trading prices and volumes for shares of our common stock for the period between September 29, 2004 and September 28, 2005 (the day prior to the day on which an article was published speculating that our company was for sale). In addition, Wachovia Securities compared the $45.25 in cash per share of our common stock to be received by holders of shares of our common stock pursuant to the merger agreement to the average closing trading prices of shares of our common stock during the 10-day, 30-day, 60-day, 90-day, 180-day and 12-month periods ending December 19, 2005, as well as the high and low closing trading prices during the 52-week period ending December 19, 2005. The $45.25 per share offer price represents a premium to the historical closing prices of shares of our common stock as follows:

	Closing Price	**Premium to Closing Price**
September 28, 2005	$38.68	17.0%
December 19, 2005	$47.10	(3.9)%
10-Day Average	$46.11	(1.9)%
30-Day Average	$45.67	(0.9)%
60-Day Average	$43.47	4.1%
90-Day Average	$41.77	8.3%
180-Day Average	$38.86	16.4%
12-month Average	$37.78	19.8%
52-Week High	$47.12	(4.0)%
52-Week Low	$33.01	37.1%

Comparable Companies Analysis. Wachovia Securities compared our financial, operating and stock market data to the following publicly traded REITs:

Boston Properties, Inc.

Crescent Real Estate Equities Company

Mack-Cali Realty Corporation

CarrAmerica Realty Corporation

Equity Office Properties Trust

Kilroy Realty Corporation

Maguire Properties, Inc.

Reckson Associates Realty Corp.

SL Green Realty Corp.

Trizec Properties, Inc.

Vornado Realty Trust

Wachovia Securities calculated the multiple of per share closing prices to estimated funds from operations (FFO) for 2006 for the comparable companies, based upon projected financial information from the Thompson Financial Company First Call (First Call) consensus estimates and closing share prices on December 19, 2005. Wachovia Securities calculated a range consisting of the high, mean, median and low multiples of per share price to estimated FFO for the comparable companies and applied this range to our management s and First Call s consensus estimates of estimated FFO for 2006. This analysis produced an implied per share value range for shares of our common stock of $32.49 to $51.60 as set forth in the table below.

	2006 FFO Multiple	Implied Per Share Common Stock Price Based on Consensus 2006 Estimated FFO	Implied Per Share Common Stock Price Based on Management s 2006 Estimated FFO
High:	18.9x	$48.38	$51.60
Mean:	14.9x	$37.87	$40.39
Median:	14.4x	$36.96	$39.41
Low:	12.7x	$32.49	$34.65

Wachovia Securities selected the companies reviewed in the comparable companies analyses because of, among other reasons, their specialization in the office REIT sector, geographic location, asset quality, market capitalization and capital structure. None of the companies utilized in the above analyses, however, is identical to our company. Accordingly, a complete analysis of the results of the foregoing calculations cannot be limited to a quantitative review of such results and involves complex considerations and judgments concerning the differences in the financial and operating characteristics of the comparable companies and other factors that could affect the public trading value of the comparable companies, as well as the potential trading value of our company.

Selected Transactions Analysis. Wachovia Securities examined selected transactions involving publicly traded REITs from 2000 to 2005 with an aggregate value ranging from $3 billion to $7 billion and transactions involving publicly traded office REITs announced from 2000 through 2005. Wachovia Securities reviewed information relating to FFO and premiums paid in connection with these transactions. Using publicly available information, including estimates of 2006 FFO published by First Call, Wachovia Securities compared transaction multiples of FFO and premiums paid for the merger with the selected transactions. The selected transactions were:

Acquiror	Target
CalEAST Industrial Investors, LLC	CenterPoint Properties Trust
Brandywine Realty Trust	Prentiss Properties Trust
DRA Advisors LLC	Capital Automotive REIT
DRA Advisors LLC	CRT Properties, Inc.
ProLogis	Catellus Development Corporation
The Lightstone Group, LLC	Prime Group Realty Trust
Simon Property Group, Inc.	Chelsea Property Group, Inc.
Archstone Communities Trust	Charles E. Smith Residential Realty, Inc.
Equity Office Properties Trust	Spieker Properties, Inc.
Equity Office Properties Trust	Cornerstone Properties, Inc.

Wachovia Securities calculated, among other things, a range consisting of the high, mean, median and low transaction prices to forward FFO multiples for the selected transactions and applied this range to our management s and First Call s consensus estimates of our FFO for 2006. Based upon transaction multiples, Wachovia Securities calculated the following range of implied share prices:

	FFO Multiple of Selected Transactions	Implied Per Share Common Stock Price Based on Consensus 2006 Estimated FFO	Implied Per Share Common Stock Price Based on Management s 2006 Estimated FFO
High:	20.9x	$53.63	$57.19
Mean:	14.3x	$36.62	$39.06
Median:	13.8x	$35.41	$37.76
Low:	10.1x	$25.78	$27.49

Wachovia Securities also examined separately a subset of the selected transactions involving publicly traded office REITs announced from 2000 to 2005. The selected transactions are:

Acquiror	Target
Brandywine Realty Trust	Prentiss Properties Trust
DRA Advisors LLC	CRT Properties Trust

The Lightstone Group, LLC	Prime Group Realty Trust
Equity Office Properties Trust	Spieker Properties, Inc.
Equity Office Properties Trust	Cornerstone Properties, Inc.

Wachovia Securities calculated, among other things, a range consisting of the high, mean, median and low transaction prices to forward FFO multiples for the selected office REIT transactions and applied this range to our management s and First Call s consensus estimates of our FFO for 2006. Based upon transaction multiples, Wachovia Securities calculated the following range of implied share prices:

	FFO Multiple of Selected Office REIT Transactions	Implied Per Share Common Stock Price Based on Consensus 2006 Estimated FFO	Implied Per Share Common Stock Price Based on Management s 2006 Estimated FFO
High:	15.2x	$38.89	$41.47
Mean:	12.4x	$31.67	$33.77
Median:	11.5x	$29.32	$31.26
Low:	10.1x	$25.78	$27.49

In addition, Wachovia Securities analyzed the premium or discount paid by the acquiror in all of the transactions used in the selected transactions analysis, in relation to the average closing market price of shares of the targets common stock on the day prior to the announcement of the transaction and the average closing prices for the 10-day, 30-day, 60-day and 90-day closing prices for the period prior to the announcement of the selected transaction.

Using publicly available information, Wachovia Securities calculated, among other things, a range consisting of the high, mean, median and low premium paid in these transactions and applied this range to the corresponding day and average for the closing prices of shares of our common stock. This analysis resulted in the following range of implied share prices for each share of common stock:

Selected Publicly Traded Real Estate Transactions

Implied Per Share Common Stock Price

	Premium to December 19, 2005 Closing Price	Premium to 10-Day Average	Premium to 30-Day Average	Premium to 60-Day Average	Premium to 90-Day Average
High:	$57.00	$56.40	$56.92	$54.25	$51.76
Mean:	$52.78	$52.10	$52.16	$50.07	$48.22
Median:	$51.95	$51.07	$51.21	$49.28	$48.11
Low:	$49.88	$49.69	$47.63	$44.59	$43.97

Selected Office REIT Transactions

Implied Per Share Common Stock Price

	Premium to December 19, 2005 Closing Price	Premium to 10-Day Average	Premium to 30-Day Average	Premium to 60-Day Average	Premium to 90-Day Average
High:	$57.00	$56.40	$54.97	$54.25	$51.76
Mean:	$53.03	$52.50	$52.40	$50.47	$48.70
Median:	$52.00	$51.56	$51.58	$49.46	$48.10
Low:	$49.88	$49.69	$50.09	$47.54	$45.54

Because the market conditions, rationale and circumstances surrounding each of the transactions analyzed in the various selected transaction analyses were specific to each transaction and because of the inherent differences between our businesses, operations and prospects and those of

the comparable acquired companies, Wachovia Securities believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the analysis. Accordingly, Wachovia Securities also made qualitative judgments concerning differences between the characteristics of these transactions and the proposed merger that could affect our acquisition values and those of such acquired companies including the size of those transactions and market conditions at the time of those transactions.

Discounted Dividend Analysis. Wachovia Securities performed a discounted dividend analysis on our company using our management s projections for FFO per share and dividend payouts per share for 2006 through 2009. Wachovia Securities calculated the implied present values of projected cash dividends for our company for 2006 through 2009 using discount rates ranging from 9.0% to 11.0%. Wachovia Securities then calculated implied terminal values in 2009 based on multiples ranging from 10.0x FFO to 15.0x FFO. Wachovia Securities derived a range of per share values for shares of our common stock based on the implied present values of our cash dividends and the implied present values of our terminal values in 2009. The analysis resulted in a range of implied values of $33.73 to $50.42 per share of our common stock.

Net Asset Valuation Analysis. Using information provided by our management, Wachovia Securities calculated the net asset value per share of our common stock. For this analysis, Wachovia Securities applied a range of capitalization rates from 5.75% to 6.75% to our management s projected 2006 net operating income (net of recurring capital expenditures and estimated California s Proposition 13 tax reassessments). The resulting gross real estate value was added to the gross value of our other assets, including our land development assets, less our outstanding debt and other liabilities and estimated transaction costs, to arrive at an estimated net asset value per share of our common stock. In applying the range of capitalization rates, Wachovia Securities took into consideration current market conditions and property characteristics. The net asset valuation analysis produced a range of implied values of $38.43 to $54.56 per share of our common stock.

In performing its analyses, Wachovia Securities made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond our control. No company, transaction or business used in the analyses described above is identical to our company or the proposed merger. Any estimates contained in Wachovia Securities analyses are not necessarily indicative of future results or actual values, which may be significantly more or less favorable than those suggested by these estimates. The analyses performed were prepared solely as a part of Wachovia Securities analysis of the fairness, from a financial point of view, to the holders of shares of our common stock, as of December 21, 2005, and subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken in such opinion, of the $45.25 in cash per share of our common stock to be received by such holders pursuant to the terms of the merger agreement, and were conducted in connection with the delivery by Wachovia Securities of its fairness opinion, dated December 21, 2005.

Wachovia Securities opinion was one of the many factors taken into consideration by our board of directors in making its determination to approve the merger. Wachovia Securities analyses summarized above should not be viewed as determinative of the opinion of our board of directors with respect to the value of shares of our common stock or of whether our board of directors would have been willing to agree to a different form of consideration.

Wachovia Securities is a trade name of Wachovia Capital Markets, LLC, an investment banking subsidiary and affiliate of Wachovia Corporation. Wachovia Securities, as part of its investment banking and financial advisory business, is continuously engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Wachovia Securities and its affiliates provide a full range of financial advisory securities and lending services in the ordinary course of business for which they receive customary fees. In connection with matters unrelated to the merger, Wachovia Securities and its affiliates in the past have provided financing services to our company. In February 2005, Wachovia Securities served as lead manager in our offering of $300 million aggregate principal amount of 5.25% notes due 2015 and in August 2004, as lead manager in our offering of $200 million aggregate principal amount of 5.20% notes due 2011. In November 2003, Wachovia Securities led an interest rate swap of $49.3 million in principal amount and in December 2002, it led another interest rate swap of $87.5 million in principal amount. In December 2002, Wachovia Securities served as agent and participating lender for our company in a $50 million repurchase by us of our common stock. In August 2002, Wachovia Securities participated in the loan

syndication by committing $40 million to our $310 million unsecured revolving line of credit agented by Wells Fargo. As of November 30, 2005, Wachovia Securities has committed $95 million to our line of credit under our Fourth Amended and Restated Revolving Credit Agreement dated as of July 7, 2005. In addition, in connection with matters unrelated to the merger, Wachovia Securities and its affiliates have in the past provided financing services for GECC and its affiliates. Aditionally, in connection with matters unrelated to the merger, Wachovia Securities and its affiliates have in the past provided financial services for Trizec. Wachovia Securities and its affiliates provide, and in the future may provide, similar or other banking and financial services to, and maintain their relationships with, our company, GECC and its affiliates and Trizec. Wachovia Securities also maintains active equity and/or fixed income research on our company and certain affiliates of GECC and Trizec. Additionally, in the ordinary course of its business, Wachovia Securities may trade in our securities and affiliates of GECC and Trizec, for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Pursuant to an engagement letter dated October 21, 2005, our board of directors engaged Wachovia Securities as one of its financial advisors with respect to a possible sale or other strategic transaction involving our company. Pursuant to the terms of this agreement, we have agreed to pay Wachovia Securities a fee of $500,000, which represents a nonrefundable cash fee paid to Wachovia Securities upon the delivery of its opinion to our board

of directors and a fee of $10,000,000 payable at the close of the transaction, except that such fee is reduced by $375,000 as a result of the additional opinion received from Houlihan Lokey. In addition, we have agreed to reimburse Wachovia Securities for its expenses and to indemnify Wachovia Securities and certain related parties against certain liabilities and certain expenses related to or arising out of Wachovia Securities engagement.

Opinion of Houlihan Lokey

Our board of directors also retained Houlihan Lokey to render an opinion to our board of directors as to the fairness from a financial point of view of the per share consideration to be received by our stockholders in connection with the transaction. Our board of directors retained Houlihan Lokey based upon its experience in the valuation of businesses and their securities in connection with mergers, acquisitions, recapitalizations and similar transactions, particularly with respect to REITs. Houlihan Lokey is a nationally recognized investment banking firm that is continually engaged in providing financial advisory services and rendering fairness opinions in connection with mergers and acquisitions, leveraged buyouts, business valuations and securities valuations for a variety of regulatory and planning purposes, recapitalizations, financial restructurings and private placements of debt and equity securities.

On December 21, 2005, Houlihan Lokey delivered its oral opinion, subsequently confirmed by its written opinion dated December 21, 2005, to our board of directors to the effect that, as of the date of the Houlihan Lokey opinion, on the basis of its analyses summarized below and subject to and based on the assumptions made, procedures followed, matters considered and limitations on the opinion and the review undertaken, the per-share sale consideration to be received by our stockholders in the merger is fair to them from a financial point of view.

The full text of the opinion, which describes, among other things, the assumptions made, general procedures followed, matters considered and limitations on the review undertaken by Houlihan Lokey in rendering its opinion is attached to this proxy statement as Annex C and is incorporated in this proxy statement by reference. The summary of the Houlihan Lokey opinion in this proxy statement is qualified in its entirety by reference to the full text of the Houlihan Lokey opinion. Stockholders are urged to read the Houlihan Lokey opinion in its entirety.

The Houlihan Lokey opinion does not constitute a recommendation to our board of directors or stockholders on whether or not to support the sale and does not constitute a recommendation to any stockholder as to how to vote on any matter relating to the sale. In addition, Houlihan Lokey expressed no view on the partnership merger or the terms pursuant to which common unit holders may become holders of Trizec OP units. Houlihan Lokey expressed no view on whether any common unit holder should exchange its common units for shares of our common stock. The Houlihan Lokey opinion was furnished for the benefit of our board of directors in evaluating the merger. The Houlihan Lokey opinion does not constitute legal, regulatory, accounting, insurance, tax or other similar professional advice, and does not address:

the underlying business decision of our company, its security holders or any other party to proceed with or effect the merger;

the fairness of any portion or aspect of the merger not expressly addressed in the Houlihan Lokey opinion;

the fairness of any portion or aspect of the merger to the holders of any class of securities, creditors or our other constituencies, or any other party other than those set forth in the Houlihan Lokey opinion;

the relative merits of the merger as compared to any alternative business strategies that might exist for us or the effect of any other transaction in which we might engage;

the tax or legal consequences of the merger to either us, our security holders, or any other party; or

whether any security holder should tender their shares in connection with the merger.

In connection with its opinion, Houlihan Lokey made such review, analyses and inquiries as it deemed necessary and appropriate under the circumstances. Among other things, Houlihan Lokey:

reviewed the company s annual report to stockholders on Form 10-K for the fiscal year ended December 31, 2004, and quarterly report on Form 10-Q for the quarter ended September 30, 2005,

which the company s management identified as being the most current financial statements available;

spoke with certain members of our management regarding the operations, financial condition, future prospects and projected operations and performance of our company and regarding the merger, and spoke with representatives of our investment bankers and counsel regarding our company, the merger, and related matters;

visited certain of our assets;

reviewed the following agreements and documents to be delivered at the closing of the merger:

the GECC letter of interest dated December 18, 2005;

a draft of the merger agreement;

a draft of the merger agreement disclosure schedule; and

the term sheet for our operating partnership limited partner contributions dated December 18, 2005;

reviewed the following documents:

presentation to the board of directors dated August 9, 2005 prepared by the strategic financial advisors;

summary of bids and first round bid letters presented to the board of directors on November 3, 2005;

presentation to the board of directors dated December 1, 2005 prepared by the strategic financial advisors;

the first round bid procedure letter dated September 30, 2005;

the second round bid procedure letter dated November 11, 2005;

the confidential information memorandum; and

the property book;

reviewed forecasts and projections prepared by our management with respect to our company for the fiscal years ended December 31, 2005 through 2009;

reviewed the 2000 2005 dispositions summary prepared by our management dated November 11, 2005;

reviewed the summary of shares and options excluded from severance analysis as of October 31, 2005;

reviewed the severance analysis prepared by The Schonbraun McCann Group, LLC, dated December 1, 2005;

reviewed the Argus property files and assumptions summary for leasing and marketing, as presented in the online data room;

reviewed the land development schedule and ground lease summary, as presented in the online data room;

reviewed summary information for NextEdge and AVP, as presented in the online data room;

reviewed the historical market prices and trading volume for our publicly traded securities for the past three years and those of certain publicly traded companies, which Houlihan Lokey deemed relevant;

reviewed certain other publicly available financial data for certain companies that Houlihan Lokey deemed relevant and publicly available transaction prices and premiums paid in other change of control transactions that Houlihan Lokey deemed relevant for companies in related industries to our company; and

conducted such other financial studies, analyses and inquiries as Houlihan Lokey deemed appropriate.

In order to determine the fairness of the consideration from a financial point of view to our stockholders, Houlihan Lokey determined a range of values of our common stock. In order to determine such range of values for our common stock, Houlihan Lokey used the following valuation methodologies: public stock price approach, market approach, comparable transaction approach, a discounted cash flow approach and net asset value approach, pre- and post-transaction costs.

Public Price Approach. Houlihan Lokey reviewed the historical market prices and trading volume for our publicly traded common stock and reviewed publicly available analyst reports, news articles and press releases relating to our company. Houlihan Lokey reviewed our closing stock price on a spot basis, five-day average and 30-day average, as of December 21, 2005, the day immediately preceding public announcement of the merger, and September 23, 2005, the date preceding published market speculation about a potential sale of our company. The resulting per share indications from this approach, as reviewed by Houlihan Lokey, ranged from $45.86 to $46.99 as of December 21, 2005 and $38.35 to $38.52 as of September 23, 2005. Based on this approach, the resulting enterprise value (EV) indications ranged from $4.23 billion to $4.86 billion. EV is calculated by adding an entity s market value of equity, plus the book value of its existing debt and preferred stock, less cash and cash equivalents. Houlihan Lokey noted that the $45.25 price to be paid per share of our common stock in the merger is within the range of values indicated by this analysis.

Market Approach. Houlihan Lokey reviewed certain financial information of the following ten comparable publicly traded office REITs selected solely by Houlihan Lokey:

Boston Properties Inc.

CarrAmerica Realty Corporation

Crescent Real Estate Equities Company

Equity Office Properties Trust

HRPT Properties Trust

Kilroy Realty Corp.

Mack-Cali Realty Corporation

Maguire Properties, Inc.

Reckson Associates Realty Corp.

Trizec Properties, Inc.

Houlihan Lokey calculated certain financial ratios of the comparable companies based on the most recent publicly available information. These financial ratios included the multiples of: (i) EV to latest twelve months (LTM) earnings before interest, taxes, depreciation and amortizations (EBITDA); (ii) market value of equity (MVE) to LTM FFO; (iii) EV to our management s projected 2006 EBITDA and (iv) MVE to our management s projected 2006 FFO. Houlihan Lokey also considered the dividend yield for each of the comparable companies.

Houlihan Lokey s analysis showed that the multiples and dividend yields exhibited by the comparable companies were as follows:

	LTM EBITDA Multiple	LTM FFO Multiple	2006 EBITDA Multiple	2006 FFO Multiple	Dividend Yield
Maximum:	22.8x	22.2x	19.7x	17.2x	8.1%
Mean:	16.3x	13.9x	15.1x	12.8x	5.5%
Median:	15.1x	13.6x	14.7x	12.8x	5.5%
Minimum:	12.5x	9.7x	12.7x	7.9x	3.3%

Houlihan Lokey derived EV indications for our company by applying selected LTM and 2006 projected EBITDA and FFO multiples to estimated operating results provided by our management for the 12-month period ended September 30, 2005 and the projected 12-month period ending December 31, 2006. Under the dividend yield approach, Houlihan Lokey applied selected market yields to our stated annual dividend and added debt net of cash to derive EV indications. Based on the above, the resulting indications of the EV of our operations range from approximately $4.12 billion to $4.33 billion. On an MVE basis, the market approach yielded values ranging from

$36.19 to $39.21 per share. Houlihan Lokey noted that the $45.25 price to be paid per share of our common stock in the merger is above the range of values indicated by this analysis.

Comparable Transaction Approach. Houlihan Lokey reviewed the consideration paid in certain change of control acquisitions of selected REITs from 2000 through 2005, as shown in the following table:

($ in millions)

Date Announced	Target Name	Enterprise Value	EV/EBITDA	FFO Multiple
10/3/2005	Prentiss Properties Trust	$3,227.0	15.1x	13.9x
6/17/2005	CRT Properties, Inc.	1,699.7	17.3x	18.5x
2/17/2005	Prime Group Realty Trust	889.4	22.4x	23.1x
8/20/2004	Rouse Co.	12,600.0	18.9x	NMF
6/21/2004	Chelsea Property Group, Inc.	4,800.0	16.9x	17.3x
4/16/2004	Hallwood Realty Partners	454.0	12.4x	13.6x
1/22/2004	Great Lakes REIT, Inc.	595.5	11.5x	8.6x
2/23/2001	Spieker Properties, Inc.	7,200.0	13.2x	14.3x
11/2/2000				