CARRAMERICA REALTY CORP
Form PREM14A
April 07, 2006
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

x Preliminary Proxy Statement

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

¨ Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

CARRAMERICA REALTY CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

x 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, of CarrAmerica Realty Corporation (CarrAmerica Common Stock)

Common units of limited partner interest in Carr Realty Holdings, L.P. (CRH Units)

Common units of limited partner interest in CarrAmerica Realty, L.P. (CAR Units)

---

2) Aggregate number of securities to which transaction applies:
59,005,397 shares of CarrAmerica Common Stock

1,501,833 shares of CarrAmerica Common Stock issuable upon exercise of stock options

90,550 shares of CarrAmerica Common Stock issuable pursuant to restricted and deferred stock units (RSU awards)

4,181,485 CRH Units (other than CRH Units held directly and indirectly by CarrAmerica Realty Corporation)

925,022 CAR Units (other than CAR Units held directly and indirectly by CarrAmerica Realty Corporation)

---

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):
(A) $44.75 per each share of outstanding CarrAmerica Common Stock and CarrAmerica Common Stock issuable pursuant to RSU awards, CRH Units and CAR Units, and (B) $17.80 (which is the difference between $44.75 and $26.95, the weighted average exercise price per share of all outstanding in-the-money stock options to purchase CarrAmerica Common Stock) per each share of CarrAmerica Common Stock issuable upon exercise of stock options.

---

4) Proposed maximum aggregate value of transaction:
$2,899,786,136.20

---

5) Total fee paid:
$310,278

¨ Fee paid previously with preliminary materials:

¨ 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:

Table of Contents

1850 K Street, N.W.

Washington, D.C. 20006

•, 2006

Dear stockholder,

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

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

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

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

Thank you for your cooperation and continued support.

Very truly yours,

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

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

Table of Contents

1850 K Street, N.W.

Washington, D.C. 20006

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD •, 2006

Dear stockholder:

You are cordially invited to attend a special meeting of the stockholders of CarrAmerica Realty Corporation on •, 2006, beginning at • a.m. Eastern time, at •. The special meeting is being held for the purpose of acting on the following matters:

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

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

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

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

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

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

Table of Contents

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

By Order of the Board of Directors,

Linda A. Madrid
Corporate Secretary

•, 2006

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

SUMMARY

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

The Parties to the Mergers (page 19)

CarrAmerica Realty Corporation

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

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

CarrAmerica Realty Operating Partnership, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

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

Carr Realty Holdings, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

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

CarrAmerica Realty, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

Table of Contents

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

Nantucket Parent LLC

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

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

Nantucket Acquisition Inc.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Nantucket CRH Acquisition L.P.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Nantucket CAR Acquisition L.P.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Table of Contents

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

The Special Meeting (page 21)

The Proposal

The special meeting of our stockholders will be held at • a.m. Eastern time, on •, 2006 at •. At the special meeting, you will be asked, by proxy or in person, to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement.

The persons named in the accompanying proxy will also have discretionary authority to vote upon other business, if any, that properly comes before the special meeting and any adjournments or postponements of the special meeting, including any adjournments or postponements for the purpose of soliciting additional proxies to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement.

Record Date, Notice and Quorum

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

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

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

Required Vote

Completion of the merger requires approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. **Because the required vote is based on the number of shares of our common stock outstanding rather than on the number of votes cast, failure to vote your shares of our common stock (including as a result of broker non-votes) and abstentions will have the same effect as voting against approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.** The vote of our Series E preferred stockholders is not required to approve the merger or the merger agreement and is not being solicited.

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

Proxies; Revocation

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

Table of Contents

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

The Mergers and Related Transactions (page 24)

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

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

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

Recommendation of Our Board of Directors (page 36)

On March 5, 2006, after careful consideration, our board of directors unanimously:

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

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

Table of Contents

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

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

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

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

Opinion of Our Financial Advisor (page 36)

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

The full text of the written opinion of Goldman Sachs, dated March 5, 2006, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as **Exhibit B** to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of our board of directors in connection with its consideration of the merger. Goldman Sachs opinion is not a recommendation as to how any holder of our common stock should vote with respect to the merger. Pursuant to our engagement with Goldman Sachs, we have agreed to pay Goldman Sachs a transaction fee equal to 0.40% of the aggregate merger consideration (as determined pursuant to the letter agreement, dated January 13, 2006, between us and Goldman Sachs), all of which is payable upon consummation of the transactions contemplated by the merger agreement.

Debt Tender Offers and Consent Solicitation (page 58)

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

7.375% senior notes due 2007;

5.261% senior notes due 2007;

5.25% senior notes due 2007;

6.875% senior notes due 2008;

3.625% senior notes due 2009;

5.500% senior notes due 2010;

5.125% senior notes due 2011; and

7.125% senior notes due 2012.

Table of Contents

We refer to these outstanding notes collectively as the senior notes. In connection with the offers to purchase the senior notes, our operating partnership will seek the consents of the holders of the senior notes to amend the indentures governing the senior notes to eliminate substantially all of the restrictive covenants contained in such senior notes and the indentures, eliminate certain events of default, modify covenants regarding mergers, and modify or eliminate certain other provisions contained in the indentures and the senior notes. Assuming the requisite consents are received from the holders of the senior notes to amend the indentures and the senior notes, the amendments will become operative concurrently with the merger effective time, so long as all validly tendered notes are accepted for purchase pursuant to the offers to purchase upon the completion of the mergers, whereupon the amendments will apply to all such senior notes remaining outstanding following completion of the applicable offers to purchase. The proposed terms of the amended senior notes and indentures will be described in the tender offer documents. Assuming that all of the conditions to the tender offers and consent solicitations are satisfied or waived, concurrently with the merger effective time, senior notes validly tendered in the tender offers will be accepted for payment. In the event the requisite consents have not been validly delivered (without having been properly withdrawn) with respect to any series of senior notes, we and our operating partnership may issue an irrevocable notice of optional redemption for all of the then outstanding senior notes of such series in accordance with the terms of the applicable indenture governing such series, which would provide for the satisfaction and discharge of such senior notes and such indenture.

Financing (page 41)

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

It is expected that in connection with the mergers, affiliates of The Blackstone Group will contribute up to approximately $900 million of equity to Nantucket Parent (plus additional equity contributions as necessary to the extent the limited partners of CAR LP or CRH LP receive cash consideration rather than electing to receive class A preferred units in CAR LP or CRH LP, as applicable, in the partnership mergers). In addition, in connection with the execution and delivery of the merger agreement, Nantucket Parent obtained a debt commitment letter from Deutsche Bank Securities Inc. s affiliate German American Capital Corporation, Bank of America, N.A. and Citigroup Global Markets, Inc., providing for debt financing in an aggregate principal amount of up to the lesser of (a) $4,245,461,000 and (b) 80% of the total consideration payable by Nantucket Parent for the completion of the mergers and other costs, such as transaction costs relating to the mergers.

The merger agreement does not contain a financing condition or a market MAC condition to the closing of the merger. Nantucket Parent has agreed to use its reasonable best efforts to arrange the debt financing on the terms and conditions described in the debt commitment letter.

Treatment of Series E Preferred Stock (page 54)

The merger agreement provides that, upon completion of the merger, each share of our Series E preferred stock issued and outstanding immediately prior to the merger effective time (other than shares of our Series E

Table of Contents

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

Treatment of Stock Options, Restricted Stock, Restricted Stock Units, Deferred Stock Units, Stock Value Units and Dividend Equivalent Payments (page 54)

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

In connection with the merger:

all unexercised stock options held immediately prior to the merger will be canceled in exchange for payment to the holder of each such stock option of an amount in cash, less applicable withholding taxes, equal to the product of:

- the aggregate number of shares of our common stock underlying such stock option immediately prior to the merger effective time, multiplied by;
- the excess, if any, of $44.75 over the exercise price per share of our common stock subject to such stock option;

the holder of each restricted stock award will receive an amount in cash, less applicable withholding taxes, equal to the product of:

- the aggregate number of shares of our common stock underlying such restricted stock award immediately prior to the merger effective time, multiplied by;
- $44.75;

the holder of each restricted stock unit award and deferred stock unit award will receive an amount in cash, less applicable withholding taxes, equal to the product of:

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

$44.75;

each unvested stock value unit will become fully vested and be settled in cash, less applicable withholding taxes; and

any dividend equivalent payments will become fully vested and be settled in cash, less applicable withholding taxes.

Table of Contents

Treatment of CRH LP Units and CAR LP Units (page 56)

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

Interests of Our Directors, Executive Officers, and Certain Other Persons in the Mergers (page 43)

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

- our directors and executive officers will have their unvested stock options fully vested and exercisable, and all stock options held by our directors and executive officers and not exercised will be canceled, as of the merger effective time in exchange for the right to receive a cash payment in respect of each share of our common stock underlying their stock options equal to the excess, if any, of $44.75 per share over the exercise price per share of their stock options, less applicable withholding taxes;

- shares of restricted stock, restricted stock units and deferred stock units owned by our directors and executive officers will become fully vested and free of any of forfeiture restrictions immediately prior to the merger effective time and will be considered outstanding shares of our common stock for the purposes of the merger agreement, including the right to receive the common stock merger consideration, less applicable withholding taxes;

- stock value units that our executive officers own will, to the extent not already vested, become fully vested and free of any forfeiture restrictions immediately prior to the merger effective time, and all stock value units will be settled in cash, less applicable withholding taxes;

- any unvested dividend equivalent payments (payable in connection with the vesting of restricted stock units and deferred stock units) will automatically become fully vested and be settled in cash, less applicable withholding taxes;

- Thomas A. Carr, our Chief Executive Officer and the Chairman of our board of directors, as a holder of CRH LP units, will receive a cash payment of $44.75 per CRH LP unit or, alternatively, if he satisfies certain requirements applicable to all holders of CRH LP units, Mr. Thomas A. Carr will be offered the opportunity to elect to convert all, but not less than all, CRH LP units that he owns into class A preferred units in the surviving CRH LP partnership on a one-for-one basis;

- each of Mr. Thomas A. Carr, Philip L. Hawkins, our President and Chief Operating Officer, Stephen E. Riffee, our Chief Financial Officer, Karen B. Dorigan, our Chief Investment Officer, and Linda A. Madrid, our, General Counsel and Corporate Secretary, will be entitled to severance benefits, comprised of (a) a lump sum payment of a pro rata portion of their annual bonus through the date of termination, (b) a lump sum payment equal to two years annual salary and bonus, (c) a lump sum payment equal to two years of our contributions to, and awards under, all incentive savings and retirement plans, practices, policies and programs (including the value of any equity-based incentive), and (d) two years of continued health benefits and certain other

8

Table of Contents

fringe benefits, under his or her respective change in control employment agreement if his or her employment is terminated without cause by us or he or she resigns for good reason (each as defined in their employment agreement) within two years after completion of the merger;

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

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

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

No Solicitation of Transactions (page 64)

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

Conditions to the Mergers (page 68)

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

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

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

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

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

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

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

Table of Contents

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

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

Termination of the Merger Agreement (page 70)

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

by mutual written consent of the parties;

by either Nantucket Parent or us if:

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

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

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

by Nantucket Parent if:

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

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

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

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

Table of Contents

by us if:

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

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

the requisite stockholder vote has not been obtained;

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

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

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

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

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

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

Termination Fee and Expenses (page 72)

Under certain circumstances, in connection with the termination of the merger agreement, we will be required to pay to Nantucket Parent a termination fee of $85 million and to reimburse Nantucket Parent s, MergerCo s and the Merger Partnerships reasonable transaction expenses up to a limit of $7.5 million. The merger agreement also provides that if either party terminates the merger agreement because of the other party s material breach of the merger agreement which would result in the failure of a condition being satisfied by September 5, 2006, the breaching party must reimburse the non-breaching party for its reasonable transaction expenses up to a limit of $7.5 million.

Regulatory Matters (page 47)

We are unaware of any material federal, state or foreign regulatory requirements or approvals that are required for the execution of the merger agreement or the completion of either the merger or the partnership mergers.

No Dissenters Rights (page 79)

We are organized as a corporation under Maryland law. Under Maryland corporate law, because shares of our common stock were listed on the New York Stock Exchange on the record date for determining stockholders

Table of Contents

entitled to vote at the special meeting, our common stockholders who object to the merger do not have any appraisal rights or dissenters rights in connection with the merger. Under Maryland corporate law, because the holders of our Series E preferred stock are not entitled to vote on the merger or the merger agreement, they do not have any appraisal rights or dissenters rights in connection with the merger.

Litigation Relating to the Merger (page 47)

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

Both lawsuits seek class action status and injunctive relief against completion of the merger and the related transactions. Additionally, among other things, the District of Columbia lawsuit seeks disgorgement of any benefits improperly received and the Maryland lawsuit asks for unspecified monetary damages. We believe that these lawsuits are without merit and intend to vigorously defend the actions.

Material United States Federal Income Tax Consequences (page 48)

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

Delisting and Deregistration of Our Common Stock and Series E Preferred Stock (page 52)

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

Market Price and Dividend Data (page 74)

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

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGERS

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

Q: What are the proposed transactions?

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

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

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

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

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

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

A: We are working toward completing the mergers as quickly as possible, and we anticipate that the mergers will be completed in the second quarter of 2006. In order to complete the mergers, we must obtain the requisite stockholder approval of the merger and satisfy the other closing conditions under the merger agreement.

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

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

receive these instructions.

Q: When and where is the special meeting?

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

Table of Contents

Q: Who can vote and attend the special meeting?

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

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

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

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

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

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

A: Our board of directors unanimously recommends that our common stockholders vote to approve the merger, the merger agreement and the related transactions.

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

A: Our directors and executive officers may have interests in the merger that are different from, or in addition to, yours, including the consideration that they would receive with respect to their stock options, restricted stock awards, restricted stock units, deferred stock units, stock value units and dividend equivalent payments in connection with the merger. Additionally, Mr. Thomas A. Carr, our Chief Executive Officer and Chairman of our board of directors, and Mr. Robert O. Carr, President of one of our wholly-owned subsidiaries and Mr. Thomas A. Carr s brother, will receive consideration with respect to CRH LP units that he beneficially owns in connection with the CRH LP partnership merger. Further, our executive officers are entitled to certain severance payments and benefits following the closing of the merger in certain circumstances. Please see The Mergers Interests of Our Directors, Executive Officers and Certain Other Persons in the Mergers on page 43 for additional information about possible interests that our directors and executive officers may have in the merger that are different than yours.

Q: How do I cast my vote?

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

Table of Contents

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

A: If you hold your shares of common stock in street name through a broker or other nominee, your broker or nominee will not vote your shares unless you provide instructions on how to vote. You must obtain a proxy form from the broker, bank or other nominee that is the record holder of your shares and provide the record holder of your shares with instructions on how to vote your shares, in accordance with the voting directions provided by your broker, bank or nominee. The inability of your record holder to vote your shares, often referred to as a broker non-vote , will have the same effect as a vote against the approval of the merger, the merger agreement and the other transactions contemplated under the merger agreement. 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 the merger, the merger agreement and the other transactions contemplated under the merger agreement.

Q: How will proxy holders vote my shares?

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

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

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

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

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

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

A: Yes. The receipt of the merger consideration for each share of our stock pursuant to the merger will be a taxable transaction for United States federal income tax purposes. Generally, for United States federal income tax purposes, you will recognize gain or loss as a result of the merger measured by the difference, if any, between the merger consideration per share and your adjusted tax basis in that share. In addition, under certain circumstances, we may be required to withhold a portion of your merger consideration under applicable tax laws. You should read The Mergers Material United States Federal Income Tax Consequences on page 48 for a more complete discussion of the

United States federal income tax consequences of the merger. Tax matters can be complicated, and the tax consequences of the merger to you will depend on your particular tax situation. We encourage you to consult your tax advisor regarding the tax consequences of the merger to you.

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

A: No. Shortly after the merger is completed, you will receive a letter of transmittal with instructions informing you how to send your stock certificates to the paying agent in order to receive the common stock merger consideration or Series E preferred stock merger consideration. You should use the letter of transmittal to

Table of Contents

exchange stock certificates for the common stock merger consideration or Series E preferred stock merger consideration, as the case may be, to which you are entitled as a result of the merger. **DO NOT SEND ANY STOCK CERTIFICATES WITH YOUR PROXY.**

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

A: If you are a common stockholder of record, you can vote against the merger and the merger agreement by indicating a vote against the proposal on your proxy card and signing and mailing your proxy card or by voting against the merger and the merger agreement in person at the special meeting. If you hold your shares in street name, you can vote against the merger and the merger agreement 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 New York Stock Exchange. Please see No Dissenters Rights of Appraisal on page 79.

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

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

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

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

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

A: We file certain information with the Securities and Exchange Commission, or the SEC. You may read and copy this information at the SEC s public reference facilities. You may call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available at the Internet site the SEC maintains at www.sec.gov and on our website at www.carramerica.com. Information contained on our website is not part of, or incorporated in, this proxy statement. You can also request copies of these documents from us. See Where You Can Find More Information on page 80.

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

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

Q: Who can help answer my other questions?

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

Innisfree M&A Incorporated

501 Madison Avenue

19th Floor

New York, NY 10022

1-888-750-5834

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

Table of Contents

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

the level of lease rents, and

the availability of financing for both tenants and us;

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

the extent of tenant bankruptcies, financial difficulties and defaults,

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

the extent of the decreases in rental rates,

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

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

Table of Contents

our ability to consummate any planned dispositions in a timely manner on acceptable terms, and

changes in operating costs, including real estate taxes, utilities, insurance and security costs;

actions, strategies and performance of affiliates that we may not control or companies in which we have made investments;

ability to obtain insurance at a reasonable cost;

ability to maintain our status as a REIT for federal and state income tax purposes;

ability to raise capital;

effect of any terrorist activity or other heightened geopolitical risks;

governmental actions and initiatives; and

environmental/safety requirements

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

Table of Contents

THE PARTIES TO THE MERGERS

CarrAmerica Realty Corporation

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

We are a Maryland corporation and a fully integrated, self-administered and self-managed publicly traded REIT. We focus on the acquisition, development, ownership and operation of office properties, located primarily in selected markets across the United States. As of December 31, 2005, we owned greater than 50% interests in 235 operating office buildings containing a total of approximately 18.4 million square feet of net rentable area. As of December 31, 2005, we also owned minority interests (ranging from 15% to 50%) in 50 operating office buildings and one building under development. The 50 operating office buildings contain a total of approximately 7.9 million square feet of net rentable area. The one office building under development will contain approximately 154,000 square feet of net rentable area. Additional information about us is available on our website at http://www.carramerica.com. The information contained on our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document on file with or furnished to the SEC. Our common stock is listed on the New York Stock Exchange under the symbol CRE. For additional information about us and our business, please refer to Where You Can Find More Information on page 80.

CarrAmerica Realty Operating Partnership, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

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

Carr Realty Holdings, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

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

CarrAmerica Realty, L.P.

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

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

Nantucket Parent LLC

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Table of Contents

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

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

Nantucket Acquisition Inc.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Nantucket CRH Acquisition L.P.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Nantucket CAR Acquisition L.P.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Table of Contents

THE SPECIAL MEETING

Date, Time and Purpose of the Special Meeting

This proxy statement is being furnished to our stockholders in connection with the solicitation of proxies from our common stockholders by our board of directors for use at a special meeting to be held on •, 2006, at • a.m. Eastern time. The special meeting will take place at •. The purpose of the special meeting is for you to consider and vote upon a proposal to approve the merger of CarrAmerica with and into MergerCo, with MergerCo surviving the merger, the merger agreement and the other transactions contemplated by the merger agreement, and to transact any other business that may properly come before the special meeting or any adjournments or postponements of the special meeting. Our common stockholders must approve the merger, the merger agreement and the other transactions contemplated by the merger agreement for the merger to occur. A copy of the merger agreement is attached as **Exhibit A** to this proxy statement, which we encourage you to read carefully in its entirety.

Record Date, Notice and Quorum

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

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

Required Vote

Completion of the merger requires the approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of at least two-thirds of the outstanding shares of our common stock entitled to vote at the special meeting. Each share of our common stock that was outstanding on the record date entitles the holder to one vote at the special meeting. **Because the required vote is based on the number of shares of our common stock outstanding rather than on the number of votes cast, failure to vote shares of our common stock that you own (including as a result of broker non-votes) and abstentions will have the same effect as voting against approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.** Accordingly, in order for your shares of CarrAmerica common stock to be included in the vote, if you are a stockholder of record, you must either have your shares of CarrAmerica common stock voted by returning the enclosed proxy card or by submitting your proxy or voting instructions by telephone or Internet or voting in person at the special meeting. The vote of our Series E preferred stockholders is not required to approve the merger or the merger agreement and is not being solicited.

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

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

Table of Contents

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

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

Proxies and Revocation

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

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

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

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

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

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

Table of Contents

Adjournments and Postponements

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

Table of Contents

THE MERGERS

General Description of the Mergers

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

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

Background of the Merger

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

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

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

Table of Contents

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

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

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

Between February 17 and April 8, 2005, Company B conducted due diligence and had due diligence meetings and discussions with our senior management team and representatives of Goldman Sachs. Mr. Carr discussed the status of discussions with Company B from time to time with members of our board of directors. On April 8, 2005, Company B delivered a preliminary indication of interest to Mr. Carr which proposed a merger between CarrAmerica and Company B. The letter proposed consideration in a range between $34.39 and $35.61 per share of our common stock, such consideration consisting of a mix of (i) cash, (ii) 5% convertible redeemable preferred stock of Company B, convertible at a significant premium to Company B s then-current stock price and with a five year prohibition on redemption by Company B, and (iii) common stock/operating partnership units of Company B. No other details regarding the proposed transaction were provided. The closing price of our common stock was $32.31 per share on April 7, 2005, the last trading day prior to our receipt of the letter. After evaluation of the proposal and discussions with representatives of Goldman Sachs, we determined that, due to a variety of reasons, including the insufficiency of the price, the mix of consideration and the continuing successful implementation of our strategic plan, the proposal should be rejected. We formally terminated discussions with Company B at that time.

On November 23, 2005, representatives of Blackstone contacted representatives of Goldman Sachs to request certain publicly available information about CarrAmerica, which material was provided on November 28, 2005.

Table of Contents

From time to time thereafter, Blackstone indicated to representatives of Goldman Sachs that Blackstone viewed CarrAmerica as a potentially attractive investment and might be interested in exploring discussions should CarrAmerica be inclined to do so.

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

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

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

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

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

On January 5, 2006, representatives of Company C and its financial advisor met with members of our senior management team, including Mr. Carr and Mr. Philip L. Hawkins, our President and Chief Operating Officer and a member of our board of directors, representatives of Goldman Sachs and representatives of Hogan & Hartson. The representatives of Company C orally reiterated their preliminary offer of between $43 and $44 per share of our common stock and per DownREIT partnership unit, subject to conducting confirmatory due diligence.

Table of Contents

Company C described the due diligence of publicly available information it had performed to date, the nature of its requested confirmatory due diligence of our confidential information and the general nature of its potential equity and debt financing. Company C noted that it had not yet determined the treatment of our Series E preferred stock. Company C also indicated that its offer was conditioned upon our agreeing to negotiate a potential transaction exclusively with Company C for a period of at least two weeks. At the conclusion of the meeting, Mr. Carr indicated that he would discuss the offer, including the requested exclusivity, with our board of directors.

On January 12, 2006, we held a special meeting of our board of directors. Also participating in the meeting were members of our senior management team and representatives of Goldman Sachs and Hogan & Hartson. Mr. Carr provided the members of the board with an update on the discussions to date with Company C. Representatives of Hogan & Hartson then discussed with the members of the board their fiduciary duties. The board of directors was reminded of the interests that Mr. Carr and Mr. Hawkins would have in a change in control of CarrAmerica, including the terms and potential value to be received by them under their change in control agreements, the vesting of their equity awards and, in the case of Mr. Carr, his direct and indirect interests in CRH LP, as more fully described under Interests of our Directors, Executive Officers and Certain Other Persons in the Mergers on page 43.

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

On January 13, 2006, we entered into a confidentiality agreement with Company C, which agreement included providing exclusivity to Company C through January 26, 2006. Between January 13, 2006 and January 25, 2006, members of our senior management team and representatives of Goldman Sachs and Hogan & Hartson provided Company C and its financial and legal advisors with due diligence information about us and conducted meetings with representatives of Company C and its financial and legal advisors to discuss this information and to d