CARRAMERICA REALTY CORP
Form DEFM14A
June 01, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of

the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

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

x Definitive Proxy Statement

¨ Definitive Additional Materials

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CARRAMERICA REALTY CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

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1) Amount Previously Paid:

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4) Date Filed:

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1850 K Street, N.W.

Washington, D.C. 20006

June 1, 2006

Dear stockholder,

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

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

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

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

Thank you for your cooperation and continued support.

Very truly yours,

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

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

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1850 K Street, N.W.

Washington, D.C. 20006

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD JULY 11, 2006

Dear stockholder:

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

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

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

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

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

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

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

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

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

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

By Order of the Board of Directors,

Linda A. Madrid
Corporate Secretary

June 1, 2006

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SUMMARY

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

The Parties to the Mergers (page 22)

CarrAmerica Realty Corporation

1850 K Street, N.W., Suite 500

Washington, D.C. 20006

(202) 729-1700

CarrAmerica Realty Corporation, which we refer to as we, us, our, the company, our company or CarrAmerica, is a Maryland 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

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

Nantucket Parent LLC

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

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

Nantucket Acquisition Inc.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Nantucket CRH Acquisition L.P.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

Nantucket CAR Acquisition L.P.

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

345 Park Avenue

New York, New York 10154

(212) 583-5000

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

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

The Special Meeting (page 24)

The Proposals

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

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

Record Date, Notice and Quorum

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

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

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

Required Vote

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

As of the record date, our executive officers and directors owned an aggregate of approximately 642,821 shares of our common stock, entitling them to exercise approximately 1.1% of the voting power of our common

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stock entitled to vote at the special meeting. Our executive officers and directors have informed us that they intend to vote the shares of our common stock that they own in favor of approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement.

Proxies; Revocation

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

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

The Mergers and Related Transactions (page 27)

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

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

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

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

Recommendation of Our Board of Directors (page 39)

After careful consideration, our board of directors unanimously:

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

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

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

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

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

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

Opinion of Our Financial Advisor (page 39)

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

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

Debt Tender Offers and Consent Solicitation (page 62)

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

7.375% senior notes due 2007;

5.261% senior notes due 2007;

5.25% senior notes due 2007;

6.875% senior notes due 2008;

3.625% senior notes due 2009;

5.500% senior notes due 2010;

5.125% senior notes due 2011; and

7.125% senior notes due 2012.

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

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

Financing (page 45)

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

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

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

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Treatment of Series E Preferred Stock (page 59)

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

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

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

In connection with the merger:

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

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

$44.75;

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

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

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

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

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

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

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

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

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

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

Thomas A. Carr, our Chief Executive Officer and the Chairman of our board of directors, as a holder of 13,235 CRH LP units, will receive a cash payment of $44.75 per CRH LP unit or, alternatively, if he satisfies certain requirements applicable to all holders of CRH LP units, Mr. Thomas A. Carr will be offered the opportunity to elect to convert all, but not less than all, CRH LP units that he owns into class A preferred units in the surviving CRH LP partnership on a one-for-one basis, in which case he will be entitled to the benefit of certain tax protections to defer potential taxable gain he might otherwise recognize if he were to receive the cash payment in respect of his CRH LP units (for a more complete discussion of the treatment of CRH LP units, the terms of the class A preferred units and the terms of the tax protection provisions to be offered to holders of CRH LP units, please see The Merger Agreement Treatment of CRH LP Units and CAR LP Units on page 60);

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

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

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

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

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

No Solicitation of Transactions (page 68)

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

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Conditions to the Mergers (page 72)

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

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