Columbia Equity Trust, Inc.
Form S-11/A
June 24, 2005

As filed with the Securities and Exchange Commission on June 24, 2005

Registration No. 333-122644

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Amendment No. 4
to

Form S-11
FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933
OF CERTAIN REAL ESTATE COMPANIES

Columbia Equity Trust, Inc.
(Exact name of registrant as specified in its governing instruments)

1750 H Street, N.W.

Suite 500
Washington, D.C. 20006
(202) 303-3080
(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Oliver T. Carr, III
Chairman, President and Chief Executive Officer
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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this Registration Statement.

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

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

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission has become effective. This prospectus is not an offer to sell these securities, nor is it a solicitation of an offer to buy these securities, in any state where an offer or sale of the securities is not permitted.

SUBJECT TO COMPLETION, DATED JUNE 16, 2005

PROSPECTUS

10,666,666 Shares

Common Stock

Columbia Equity Trust, Inc. is a recently formed, self-advised, self-managed Maryland corporation formed to succeed to the commercial office property business of Carr Capital Corporation. We intend to focus on the acquisition, development, renovation, repositioning, ownership, management and operation of commercial office properties in the Greater Washington, D.C. area. We intend to be taxed as a real estate investment trust, or REIT, for federal income tax purposes.

This is our initial public offering of our common stock. No public market currently exists for our common stock.

We are selling all of the shares of common stock offered by this prospectus. We currently expect the public offering price to be between $14 and $16 per share. We have applied to list our common stock on the New York Stock Exchange under the symbol COE.

See Risk Factors beginning on page 17 of this prospectus for risk factors relevant to an investment in our common stock.

	Per Share	Total
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds to us, before expenses	$	$

(1) Excludes a financial advisory fee of approximately $1,200,000 (approximately $1,380,000 if the underwriters over-allotment option is exercised in full) payable to Wachovia Capital Markets, LLC and Robert W. Baird & Co. Incorporated.

We have granted the underwriters an option to purchase up to an additional 1,600,000 shares of common stock from us at the public offering price within 30 days after the date of this prospectus solely to cover over-allotments, if any. At our request, the underwriters have reserved up to 8% of the shares of common stock being offered by this prospectus for sale to our directors, officers, employees, business associates and related persons through a directed share program at the public offering price. The underwriters are offering the shares of common stock covered by this prospectus as described in Underwriting.

The underwriters expect to deliver the shares of common stock on or about , 2005.

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

Wachovia Securities **Robert W. Baird & Co.**

A.G. Edwards **Legg Mason Wood Walker** Incorporated **Raymond James**

Ferris, Baker Watts Incorporated **Wells Fargo Securities** **HFF Securities L.P.**

The date of this prospectus is , 2005.

No dealer, salesperson or other individual has been authorized to give any information or make any representations not contained in this prospectus in connection with the offering made by this prospectus. If given or made, such information or representations must not be relied upon as having been authorized by us or any of the underwriters. This prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any of our securities in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this prospectus nor any sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this prospectus or in the affairs of our company since the date hereof.

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Until , 2005, 25 days after the date of this prospectus, all dealers that buy, sell or trade shares of our common stock, whether or not participating in this offering, may be required to deliver a prospectus. This requirement is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This is only a summary and does not contain all of the information that you should consider before investing in shares of our common stock. You should read the entire prospectus, including Risk Factors and our financial statements, and pro forma financial information, and related notes appearing elsewhere in this prospectus, before deciding to invest in shares of our common stock. In this prospectus, unless the context suggests otherwise, references to our company, we, us, and our mean Columbia Equity Trust, Inc. and its subsidiaries, including its operating partnership, Columbia Equity, LP. The historical operations described in this prospectus refer to the historical operations of our predecessor entities. We have described our operations in this prospectus as if the historical operations of our predecessor entities were conducted by us. Unless indicated otherwise, the information included in this prospectus assumes (1) no exercise by the underwriters of the over-allotment option to purchase up to an additional 1,600,000 shares of common stock, (2) that the shares of common stock to be sold in this offering are sold at $15 per share, which is the midpoint of the range indicated on the front cover of this prospectus, (3) that the initial value of a unit of partnership interest in our operating partnership, or operating partnership unit, is equal to the public offering price per share of common stock indicated on the front cover of this prospectus and (4) that a stock split in the form of a stock dividend on the 1,000 shares of our common stock currently issued and outstanding will occur prior to completion of this offering resulting in 63,334 shares of common stock outstanding immediately prior to completion of the offering. Each operating partnership unit is redeemable at the election of the holder beginning one year after completion of the offering for cash, or, at our option, our common stock on a one-for-one basis.

Overview

We are a self-advised, self-managed Maryland corporation formed in September 2004 to succeed to the commercial office property business of Carr Capital Corporation, or Carr Capital. Carr Capital is a recognized owner and operator of commercial office properties in the Greater Washington, D.C. area. Carr Capital was founded in 1994 by our chairman, president and chief executive officer, Oliver T. Carr, III, and our senior vice president and director of acquisitions, Clinton D. Fisch. Building on the reputation and extensive relationships created by the Carr family over four generations in the Washington, D.C. real estate market, Carr Capital and its investment partners have acquired 14 commercial office properties having an aggregate investment value of approximately $440 million and containing over 2.0 million square feet in Greater Washington, D.C. s central business district and suburban office sub-markets. Our senior management team has an average of over 18 years of individual experience in real estate and capital markets, including substantial experience investing in, acquiring, financing, repositioning, managing and leasing office properties and raising equity and debt capital. Upon completion of this offering and our formation transactions, our senior management team and directors together will own approximately 4.7% of the fully diluted equity interests in our company.

We intend to build on the success and experience of Carr Capital to become a preeminent owner and operator of small-to-medium size commercial office properties in the Greater Washington, D.C. area. Our primary business will be acquiring, renovating, repositioning, developing, owning, managing and operating commercial office properties that typically have an initial cost between $10 and $60 million, contain between 75,000 and 250,000 net rentable square feet and are well-located in sub-markets that we anticipate will benefit from the positive growth trends in the Greater Washington, D.C. economy. We believe that these properties offer long-term value creation potential and often present opportunities for near-term upside through re-tenanting, re-leasing or re-development. We rely on our management team s extensive market knowledge and long-standing business and personal relationships in the Greater Washington, D.C. office market to identify commercial office properties for acquisition. We will aggressively manage each property in accordance with a strategic plan developed during our pre-acquisition due diligence. Additionally, we intend to enter into strategic joint ventures to enhance our returns and manage the risks associated with the ownership of certain properties that may exceed our targeted investment size or that have significant vacancies at the time of acquisition.

Upon the completion of this offering and our other formation transactions, we will own or have interests in an initial portfolio of 13 commercial office properties located in the Greater Washington, D.C. area, which we refer to as the initial properties. In the aggregate, we will pay approximately $121.8 million in cash (including debt repayment), issue operating partnership units having a value of approximately $15.8 million and assume approximately $96.8 million of indebtedness, including our pro rata share of joint venture indebtedness, in connection with the acquisition of our interests in the initial properties and the other assets we will acquire in our formation transactions. The initial properties contain approximately 2.1 million net rentable square feet. Carr Capital, through its subsidiaries, currently holds an ownership interest in 11 of the initial properties and has under contract the right to purchase ownership interests in two additional office properties, including one in which our investment will take the form of a 40% equity investment in a private REIT that will own the property. These interests comprise all of Carr Capital s office property assets. At March 31, 2005, the occupancy rate for the initial properties was approximately 92%, excluding one property that Carr Capital and its joint venture partners acquired vacant in March 2005 and are in the initial stages of leasing. We will also provide third-party asset management services for three office buildings containing approximately 690,000 net rentable square feet and two hotel properties containing approximately 610 rooms.

We have also identified 17 properties that are under consideration for investment representing an aggregate investment in excess of $730 million. After further analysis and due diligence review, we may elect not to pursue, or we may not be able to complete, any or all of these transactions.

Our Primary Market

The Greater Washington, D.C. office market is the third largest market in the United States, with approximately 370 million square feet of commercial office space in over 5,600 individual office properties in the following regions:

- the District of Columbia;
- Northern Virginia, including but not limited to Arlington, Fairfax, Loudoun, Prince William and Stafford counties, and all the cities included within these counties; and
- Suburban Maryland, including but not limited to Montgomery, Prince George s, Calvert, Charles and Frederick counties.

The area has approximately 5 million residents and 2.8 million jobs and generated a 2004 gross regional product of approximately $300 billion.

For the period January 1, 2000 to December 31, 2004, the Greater Washington, D.C. commercial office market exceeded by approximately 97.1% the average cumulative return of its peer markets, which is based on investment income and appreciation, as determined by the National Council of Real Estate Investment Fiduciaries. Over a longer timeframe, from January 1, 1985 through December 31, 2004, the Greater Washington, D.C. commercial office market exceeded the average cumulative return of its peer markets by approximately 79.9%. We define our peer markets as the top ten office markets in the United States, excluding Washington, D.C.

Our Strategy

Our goal is to generate attractive risk-adjusted investment returns for our stockholders through:

- ***Investing in Small-to-Medium Size Office Buildings.*** We will invest principally in small-to-medium size office properties with an initial cost between $10 and $60 million as we believe these properties present opportunities for attractive risk adjusted returns due to the lack of institutional focus on this segment of the office market.
- ***Selective and Strategic Geographic Focus.*** We will focus on the Greater Washington, D.C. commercial office property market to take advantage of the strong economic and demographic

character of that market, leverage our local market expertise and relationships and create economies of scale through the clustering of properties.

Intensive and Efficient Asset Management. We will intensively manage each of our properties through active property leasing and targeted capital improvements, which may include re-positioning or redeveloping certain properties, while maintaining efficiency through the outsourcing of non-strategic property functions.

Strategic Joint Ventures. We will selectively enter into joint ventures where appropriate to leverage our equity returns through fees and disproportionate cash flow distributions, as well as manage the risks associated with certain properties that may be inappropriate to wholly own due to size or vacancy levels. Carr Capital has established joint ventures with institutional investors such as JP Morgan Investment Management, Inc., Aetna Life Insurance Company, Invesco Realty Advisors, Clark Enterprises, Inc. and The Carlyle Group.

Recycling Capital. We intend to continue Carr Capital s successful strategy of opportunistic dispositions or recapitalizations, while actively reviewing our existing properties to assess future potential growth against current market value.

Competitive Strengths

We believe we enjoy significant competitive strengths, including:

Our Local Market Knowledge and Relationships. Our management team is intimately familiar with market conditions and investment opportunities in both the central business district and suburban property sub-markets in the Greater Washington, D.C. area and has extensive and long-standing business and personal relationships with property owners, developers, tenants, property managers and brokers established through many years of transactional experience in these sub-markets, which facilitate our access to acquisitions outside the normal auction process.

Our Quality Portfolio. We believe the locations and quality of our properties, our stable and diverse tenant roster of professional service firms, government contractors and U.S. government agencies and the on-going growth of the Greater Washington, D.C. economy will drive continued capital appreciation.

Our Experience as Value Added Investors. Our senior management team has a track record of creating value through acquisition, management, re-leasing and repositioning office properties as evidenced in part by the average internal rate of return of approximately 32% realized from the sale of three previously owned properties.

Our Focused Strategy. We believe that being a locally-based public REIT focused primarily on the ownership, operation, acquisition and development of small-to-medium size commercial office properties in the Greater Washington, D.C. area, one of the largest, most fragmented office markets in the country, we will have numerous high-quality opportunities for investment.

Our Growth-Oriented Capital Structure. Although our organizational documents do not restrict the amount of debt we may incur, we intend to limit our debt, including our pro rata share of joint venture debt, to 55% to 60% of our total market capitalization. Upon completion of this offering and the formation transactions, our initial debt to total market capitalization will be approximately 35% and the improved access to capital we will have as a public company will provide significant capacity for future acquisitions.

Our Joint Venture Strategy. Although we have no current commitments, we believe that our demonstrated access to institutional investors such as JPMorgan Investment Management, Inc., Aetna Life Insurance Company, Invesco Realty Advisors, Clark Enterprises, Inc. and The Carlyle Group, will enhance our ability to compete against less well-capitalized investors.

Summary Risk Factors

You should carefully consider the matters discussed in the Risk Factors section beginning on page 17 prior to deciding whether to invest in shares of our common stock. Some of these risks include:

- all of our initial properties are located in the Greater Washington D.C. area, making us vulnerable to changes in economic conditions in that region, including the adverse impact of decreased government spending;

- we have not obtained recent appraisals of the properties and other assets to be contributed to our operating partnership in the formation transactions and the consideration given by us in exchange for these assets was not negotiated at arm s length and may exceed their fair market value or the value that would be determined by third-party appraisals;

- we expect to experience significant growth in the future and may not be able to adapt our management and operational systems to properly integrate the additional properties without unanticipated significant disruption or expense;

- we may be unable to renew expiring leases, lease vacant space or re-lease space on a timely basis or on comparable or better terms, which could significantly decrease our cash flow;

- we may be impacted by our tenants failure to make lease payments, which could cause a significant decrease in our revenues;

- properties owned in joint ventures could be adversely affected by our lack of sole decision-making authority, our reliance on our co-venturer s financial condition and disputes between us and our co-venturers;

- if we are unable to complete the acquisitions of the Loudoun Gateway IV and Barlow Building properties that we have under contract in a timely fashion or at all, we will have no designated use for a portion of the net proceeds of this offering and may experience delays in locating and securing attractive alternative investments which would result in a reduction of the amount of cash available for distribution to our stockholders;

- if the private REIT which owns the Barlow Building fails to qualify as a REIT, we may fail to qualify as a REIT;

- the private REIT that will own the Barlow Building could incur substantial corporate tax on built-in gain in connection with a sale of the Barlow Building before December 31, 2010;

- we could recognize a substantial amount of taxable income in connection with a sale of the Barlow Building, rather than a sale of stock in the private REIT that will own the Barlow Building;

- we may invest in properties in other real estate markets outside the Greater Washington, D.C. area where we have no experience;

- our revenue and cash available for distribution to stockholders could be materially adversely affected if any of our significant tenants were to become bankrupt or insolvent, or suffer a downturn in their business;

- our management has no prior experience operating a REIT or a public company, which could have an adverse effect on our operations;

- we may experience conflicts of interest with our chairman, president and chief executive officer and several of our executive officers relating to their ownership of operating partnership units;

- we depend on key personnel with long-standing business relationships, the loss of whom could threaten our ability to operate our business successfully;

- our performance and stockholder value are subject to risks associated with real estate assets and with the real estate industry; and if we fail to qualify or remain qualified as a REIT for federal income tax purposes, we will not be able to deduct our dividends, and our income will be subject to taxation.

Our Initial Properties

Upon completion of this offering and our other formation transactions, we will own or have interests in a portfolio of 13 commercial office properties located in the Greater Washington, D.C. area containing an aggregate of approximately 2.1 million net rentable square feet. We refer to these properties as our initial properties. The following table provides summary information regarding our initial properties as of March 31, 2005:

Property	Location/ Sub-Market	Percentage Ownership After Formation Transactions	Year Built/ Renovated(1)	Year Acquired By Predecessor	Net Rentable Square Feet	Occupancy(2)	Annualized Base Rent(3)	Primary Tenants(4)
							(in thousands)	
Wholly Owned:								
Fair Oaks	Northern Virginia/Fairfax Center	100%	1985	2001	126,949	90%	$ 2,664	J Spargo & Associates SCA Direct
Greenbriar	Northern Virginia/ Fairfax Center	100	1985/1998	2001	111,721	59	1,368	Long & Foster Shapiro & Burson
Meadows IV	Northern Virginia/Westfields	100	1988/1997	2004	148,160	100	3,031	CACI International Online Resources
Sherwood Plaza	Northern Virginia/Fairfax Center	100	1984	2000	92,960	91	1,894	Chadwick Washington Leros Technologies
Loudoun Gateway IV	Northern Virginia/ Dulles	100	2002	N/A(5)	102,987	100	1,532(6)	America Online
Joint Venture:								
King Street(7)	Northern Virginia/ Alexandria	50	1984/2004	1999	149,080	89	3,696	Preferred Office Club Sciences International
Madison Place(7)	Northern Virginia/Alexandria	50	1989	2003	107,960	72	2,083	Personal Communications Assoc. of Clinical Research
Atrium(8)	Northern Virginia/ Alexandria	37	1978/1999	2004	138,507	100	3,906	Oliff & Berridge Communities in Schools Natl Assoc of Temp & Staffing
Independence Center(9)	Northern Virginia/ Westfields	15	1999	2002	275,002	90	5,433	Northrop Grumman Titan Corp
1575 Eye Street(10)	Washington, D.C./ Central Business District	9	1979	2002	210,372	99	7,637	Federal Aviation Administration Veterans Administration
Victory Point(9)	Northern Virginia/ Westfields	10	1989	2005	147,743	0	0	N/A
Suffolk Building(11)	Northern Virginia/ Skyline	37	1964/2003	2005	257,425	100	6,245	General Services Administration TKC Communications
Barlow Building(12)	Suburban Maryland/ Chevy Chase	40	1966/1988 and 2001	N/A(9)	270,480	97	8,162	Abacus Technology Cellular One
Total/ Weighted Average					2,139,346	92%(13)	$47,651	

(1) Includes the year in which construction was completed and, where applicable, the year of most recent major renovation.

(2) Calculated as a weighted average based on net rentable square feet.

(3) Calculated as actual March 2005 base rent multiplied by 12. Because annualized base rental revenue is not derived from historical results that were accounted for in accordance with generally accepted accounting principles, historical results differ from the annualized amounts.

(4) Represents major tenants in each property based on annualized base rent.

(5) We expect to acquire a 100% interest in this property from an unaffiliated third party in the formation transactions.

(6) Base rent for Loudoun Gateway IV is net of operating expenses.

(7) Aetna Life Insurance Company owns the remaining joint venture interests in this property.

(8) Aetna Life Insurance Company, Clark/Carr Investments, LLC and Holualoa K^3 Atrium VA, LLC own the remaining joint venture interests in this property.

(9) An affiliate of JPMorgan Investment Management, Inc. will own the remaining joint venture interests in this property.

(10) Aetna Life Insurance Company, American Society of Association Executives and other third party investors, including approximately 12 individuals, own the remaining joint venture interests in the property.

(11) An affiliate of JPMorgan Investment Management, Inc. and Clark/Carr Investments, LLC will own the remaining joint venture interests in this property.

(12) In the formation transactions, we will acquire a 40% interest in a joint venture that will own a more than 99% interest in a private REIT that will own this property.

(13) Excludes the occupancy of the Victory Point property that Carr Capital and its joint venture partners acquired vacant and are in the initial stages of leasing. The weighted average occupancy including the Victory Point property was approximately 86%.

Our Investment Criteria

We follow a disciplined approach to evaluating investment opportunities, targeting office assets that meet the following investment criteria:

$10 to $60 million in initial cost;

75,000 to 250,000 net rentable square feet;

well-located within sub-market;

purchase price typically equal to or below replacement cost; and

high-quality design and construction.

Our investment strategy focuses on office properties that generally fall into one of the following two categories:

Value-Added. We generally define value-added office properties to be properties which have: (1) a moderate-to-high risk profile due to current vacancy levels or a relatively high level of near-term lease expirations, (2) a lower percentage of investment returns received from current income and (3) greater potential for near-to-intermediate-term capital appreciation as compared to a core property, described below. The additional risk associated with value-added investments generally results from identifiable issues such as market inefficiencies or historically substandard management.

Core. We generally define core office properties to be properties which have: (1) a lower risk profile due to limited near-term leasing risk, (2) a higher percentage of investment return received from current income and (3) the potential for long-term capital appreciation.

Formation Transactions

In connection with this offering, we will complete the transactions described below to acquire all of the interests in our initial properties held by Carr Capital and its affiliates and to acquire interests in other properties and assets as described below. We refer to these transactions as our formation transactions. We, Carr Capital and its affiliates have structured the formation transactions for the purpose of aggregating interests in our initial properties in a tax efficient manner into a single public REIT with improved access to capital and increased flexibility to execute Carr Capital s growth strategy. These transactions are described in more detail in Formation Transactions. Upon completion of the offering, we will complete the following formation transactions:

we will sell 10,666,666 shares of common stock in this offering;

we will contribute the net proceeds of this offering to Columbia Equity, LP, our operating partnership. In return for our contribution, we will receive 10,666,666 units of partnership interest in our operating partnership, or operating partnership units, and will own an approximate 88.8% interest in our operating partnership;

our operating partnership will acquire a 100% ownership interest in the Greenbriar, Sherwood Plaza, Fair Oaks, Meadows IV and Loudoun Gateway IV properties for an aggregate of approximately $39.5 million in cash payable to unaffiliated third parties, operating partnership units having a value of approximately $57,000 issuable to an unaffiliated third party, and operating partnership units having a value of approximately $2.1 million issuable to affiliates of Carr Capital;

in connection with our acquisition of the five properties described above, we will repay approximately $40.8 million of outstanding debt, interest and prepayment penalties on these properties and assume $19.0 million of first mortgage indebtedness on the Meadows IV property;

our operating partnership will acquire a 50% ownership interest in the King Street property for an aggregate of approximately $5.4 million in cash payable to unaffiliated third parties, operating partnership units having a value of approximately $2.9 million issuable to affiliates of Carr Capital in exchange for their 17.6% interest in this property and operating partnership units having a value of approximately $82,000 issuable to unaffiliated third parties. The property will continue to be subject to approximately $22.0 million of first mortgage indebtedness;

our operating partnership will acquire a 50% ownership interest in the Madison Place property for an aggregate of approximately $5.8 million in cash payable to unaffiliated third parties, and operating partnership units having a value of approximately $674,000 issuable to an affiliate of Carr Capital in exchange for its 5.27% interest in this property. The property will continue to be subject to approximately $15.5 million of first mortgage indebtedness;

our operating partnership will acquire a 37% ownership interest in the Atrium property for an aggregate of approximately $4.7 million in cash payable to unaffiliated third parties, and operating partnership units having a value of approximately $412,000 issuable to affiliates of Carr Capital. The property will continue to be subject to approximately $24.3 million of mortgage indebtedness;

our operating partnership will acquire a 14.7% ownership interest in the Independence Center property for an aggregate of approximately $1.9 million in cash payable to unaffiliated third parties and operating partnership units having a value of approximately $2.8 million issuable to affiliates of Carr Capital in exchange for their 8.7% interest in this property. The property will continue to be subject to approximately $31.5 million of first mortgage indebtedness;

our operating partnership will acquire a 9.2% ownership interest in the 1575 Eye Street property for operating partnership units having a value of approximately $2.6 million issuable to affiliates of Carr Capital. The property will continue to be subject to approximately $42.2 million of first mortgage indebtedness;

our operating partnership will acquire a 10% ownership interest in the Victory Point property for an aggregate of approximately $834,000 in cash payable to unaffiliated third parties and operating partnership units having a value of approximately $100,000 issuable to an affiliate of Carr Capital in exchange for its 1% interest in this property;

our operating partnership will acquire a 36.5% interest in the Suffolk Building property for an aggregate of approximately $9.6 million in cash payable to unaffiliated third parties and operating partnership units having a value of $417,000 issuable to affiliates of Carr Capital in exchange for their 1.5% interest in this property. The property will continue to be subject to approximately $42.0 million of first mortgage indebtedness;

our operating partnership will contribute approximately $13.3 million in cash for a 40% interest in a limited liability company that will acquire the Barlow Building property. The limited liability company will acquire more than 99% of the capital stock of the corporation that owns the Barlow Building from unaffiliated third parties in a cash merger transaction. The property will be subject to approximately $61.8 million of first mortgage indebtedness;

our operating partnership will acquire from Carr Capital agreements pursuant to which Carr Capital provides certain asset management services for our initial properties as well as five third-party asset management agreements and certain other tangible and intangible assets for operating partnership units and shares of our common stock having a value of $3.7 million;

our operating partnership will acquire from Carr Capital furniture, fixtures and equipment for $25,000 in cash; and

all of the employees of Carr Capital will become employees of our company.

Our agreements to acquire equity interests in the entities that own the Fair Oaks, Meadows IV, Suffolk Building, Victory Point and Atrium properties provide that the value of the interests will be based on a negotiated rate of return on the owners investment during the period of their investment. The rate of return is based on the amount of the aggregate investment, cash distributions to equity investors during the holding period and the net proceeds from the sale of the property distributable to equity investors. The values described above are based, in part, on the negotiated rate of return as of March 31, 2005. As a result, the amount of cash we will pay and the number of operating partnership units and shares of common stock we will issue to acquire these interests may be higher or lower than shown above. In addition, our agreements to acquire equity interests in the entities that own the King Street, Madison Place, Atrium, Independence Center, 1575 Eye Street and Suffolk Building properties provide that the value of the interests will be based on a fixed value plus the net working capital held by the entity that owns the property at the time of completion of the formation transactions. The values described above for these interests are based on the net working capital held by these entities as of March 31, 2005. As a result, the amount of cash we will pay and the number of units we will issue in our acquisition of these interests may be higher or lower than shown above. We do not anticipate that the adjustments described above will be material.

Holders of operating partnership units will have the right, beginning one year after completion of the offering, to tender such units to our operating partnership for redemption. At our option, we may redeem such units for shares of our common stock on a one-for-one basis, subject to adjustments for stock splits, dividends, recapitalizations and similar events, or for an equivalent amount of cash. Limited partners will receive distributions per operating partnership unit equivalent to the per share distributions we make to holders of shares of our common stock, but holders of