AMERIVEST PROPERTIES INC
Form DEFM14A
April 18, 2006

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 o
Check the appropriate box:

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

AMERIVEST PROPERTIES INC.
(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):

o	No fee required.		
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.		
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AMERIVEST PROPERTIES INC.
1780 South Bellaire Street, Suite 100
Denver, CO 80222
(303) 297-1800

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held May 24, 2006

The 2006 annual meeting of stockholders of AmeriVest Properties Inc., a Maryland Corporation, will be held at 1550 Seventeenth Street, Suite 500, Denver, Colorado 80202 on May 24, 2006 at 3:00 p.m. (Denver time), for the following purposes:

1. To consider and vote upon the plan of liquidation and dissolution of our company;

2. To elect members of our board of directors, whose terms are described in the proxy statement; and

3. To transact any other business that properly may come before the meeting and any adjournment or postponement thereof.

Only the stockholders of record as shown on our transfer books at the close of business on April 12, 2006 are entitled to notice of, and to vote at, the stockholders meeting and any adjournment or postponement of the meeting.

Your vote is important. Regardless of whether you expect to attend the meeting in person, please authorize a proxy to vote your shares in one of the following ways:

- Use the toll-free telephone number shown on the proxy card;
- Go to the Internet website address shown on the proxy card; or
- Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope.

Any proxy may be revoked at any time prior to its exercise by notifying our secretary in writing of the revocation, delivery of a later-dated proxy, using the toll-free telephone number or Internet website address or by voting in person at the meeting.

ALL STOCKHOLDERS ARE EXTENDED A CORDIAL INVITATION TO ATTEND THE STOCKHOLDER MEETING.

This notice and proxy statement was first mailed to stockholders on or about April 18, 2006.

If you have any questions or need assistance voting your shares, please call our proxy solicitor Georgeson Shareholder Communications, Inc. at 1-800-868-1390.

By our board of directors

Kathryn H. Hale
Secretary

April 18, 2006
Denver, Colorado

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AMERIVEST PROPERTIES INC.
1780 South Bellaire Street, Suite 100
Denver, CO 80222
(303) 297-1800

PROXY STATEMENT

May 24, 2006
2006 Annual Meeting of Stockholders

INTRODUCTION

This Proxy Statement is furnished in connection with the solicitation by the board of directors of AmeriVest Properties Inc., a Maryland corporation, of proxies from the holders of our company s issued and outstanding shares of common stock, par value $0.001 per share, to be exercised at the 2006 annual meeting of stockholders to be held on May 24, 2006, at 1550 Seventeenth Street, Suite 500, Denver Colorado 80202, at 3:00 p.m. (Denver time), and at any adjournment(s) or postponement(s) of such meeting, for the purposes set forth in the accompanying notice of annual meeting of stockholders.

This Proxy Statement and enclosed proxy card are being mailed to the stockholders on or about April 18, 2006.

Among the matters to be considered at the annual meeting are:

- A proposal to dissolve our company, pursuant to a plan of liquidation, which would authorize our board of directors to liquidate all of our company s assets and, after making the necessary and appropriate reserves against liabilities, make distributions of the proceeds of the liquidation to our company s stockholders and dissolve our company; and

- The election of members of our board of directors.

The Summary of Proposed Plan of Liquidation that follows provides a summary of the material terms of the plan of liquidation and the transactions contemplated in connection with the plan of liquidation. The Proxy Statement contains a more detailed description and background of each of the proposals, and we encourage you to read the entire Proxy Statement and each of the documents that we have attached as appendices.

Summary of Proposed Plan of Liquidation

The following is a summary of the steps to be undertaken (assuming the plan of liquidation is approved by our stockholders) in connection with, and the material terms of, the proposed plan of liquidation, which is attached as Appendix A to this Proxy Statement, and the other transactions contemplated in connection with the plan of liquidation. We encourage you to read carefully the entire Proxy Statement and Appendix A for a more detailed description of the terms of the proposed plan of liquidation.

- *General*. Under the plan of liquidation, we intend to effectuate the orderly sale of each of our company s remaining assets, which may take place in connection with the dissolution of substantially all of our company s subsidiaries, the collection of all outstanding loans and receivables, the discharge of all outstanding liabilities to third parties, and, after the provision of appropriate reserves, the distribution of all remaining cash to our stockholders and the dissolution of our company. If the plan of liquidation is approved, our board of directors may determine to sell our company s remaining assets in a single transaction or series of related transactions or may sell those assets in several distinct transactions. See also the information under the caption Proposal 1 What the Plan of Liquidation Contemplates.

- *Total Distributions*. Through the execution of the plan of liquidation, we currently expect that stockholders will receive aggregate cash distributions of between $4.20 and $4.80 per share of common stock. At December 31, 2005, our book value per share of common stock was $3.46. On April 12, 2006 the closing price of a share of common stock was $4.38. Our average closing trading price per share of common stock for the 30 days from January 10, 2006 to February 8, 2006, which is the day preceding the announcement of our board of directors adoption of the plan of liquidation, was $4.45. The amount and timing of distributions will depend on when each of our properties is sold. As properties are sold and cash proceeds are accumulated, our board of directors will determine the amount and timing of the initial distribution to stockholders. The cash to be received by stockholders is anticipated to be distributed in one or more installments, over a six to 24 month period after adoption of the plan of liquidation, as our assets are sold and we wind up our operations and dissolve our company. See the information under the caption Proposal 1 Key Provisions of the Plan of Liquidation and Proposal 1 Dissolution.

- *Distribution to a Liquidating Trust*. Upon a determination made by our board of directors at any time prior to the dissolution of our company, our board of directors may transfer and assign to a liquidating trust our company s remaining cash and property to pay (or adequately provide for) all the remaining debts and liabilities of our company. Any remaining assets of the liquidating trust would be distributed to the holders of our shares of common stock. See the information under the caption Proposal 1 Key Provisions of the Plan of Liquidation and Proposal 1 Liquidating Trust.

- *Amending or Abandoning the Plan of Liquidation*. Our board of directors may amend or abandon the plan of liquidation for any reason prior to it being approved by our stockholders. See the information under the caption Proposal 1 Key Provisions of the Plan of Liquidation and Proposal 1 Modification or Termination of Plan of Liquidation.

- *No Appraisal Rights*. No appraisal rights are available under Maryland law to our stockholders in connection with the approval of the plan of liquidation.

- *Required Vote*. The proposal to approve the plan of liquidation requires the affirmative vote of holders of at least a majority of our outstanding shares of common stock entitled to vote at the annual meeting.

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A full description of assumptions made, procedures followed, matters considered, and the qualifications and limitations on the scope of the review undertaken by our board of directors in connection with its determination of the range of liquidation values is set forth under the caption Proposal 1 Expected Distributions in this Proxy Statement.

Risk Factors

Risks Related to Plan of Liquidation

We do not know the exact amount or timing of liquidation distributions.

We cannot assure you of the precise nature and amount of any distributions to our stockholders pursuant to the plan of liquidation. Furthermore, the timing of our distributions will be affected, in large part, by our ability to sell our remaining assets in a timely and orderly manner.

The methods used by management in estimating the values of our assets (other than cash and cash equivalents) and liabilities are based on estimates which are inexact and may not approximate values actually realized or the actual costs incurred. Our board of directors assessment assumes that the estimates of our assets, liabilities, construction and operating costs, and sale prices of our remaining assets are accurate, but those estimates are subject to numerous uncertainties beyond our control, including any new contingent liabilities that may materialize and other matters discussed below. In addition, our board of directors has relied on (i) estimates as to the value of our company s properties, other assets, costs and operating expenses, and (ii) mathematical compilations and computations of such estimates and has not obtained or sought an appraisal of any of the properties that it proposes to liquidate. For all of these reasons, the actual net proceeds distributed to stockholders in liquidation may be more or less than the estimated amounts.

We have estimated the range of distributions based upon management s estimates of the values of the assets after considering, among other factors, internally prepared budgets, projections and models, comparable sales figures, and values ascribed to certain assets during discussions with bidders and brokers for our company. There can be no assurance that we will be able to find buyers for all the remaining assets, and if we are able to sell such assets, there can be no guaranty that the value received upon such sale will be consistent with management s estimates.

If our stockholders approve the plan of liquidation, potential purchasers of our assets may try to take advantage of our liquidation process and offer less-than-optimal prices for our assets. We intend to seek and obtain the highest sales prices reasonably available for our assets, and believe that we can out-wait bargain-hunters; however, we cannot predict how changes in local real estate markets or in the national economy may affect the prices that we can obtain in the liquidation process. Therefore, there can be no assurance that the announcement and approval of our plan of liquidation will not hinder management s ability to obtain the best price possible in the liquidation of our assets.

We currently estimate that an aggregate of between approximately $101 million and $116 million may be available for distribution to holders of our shares of common stock under the plan of liquidation, which would result in a total distribution of between approximately $4.20 and $4.80 per share of common stock. The actual amount available for distribution could be more or less or could be delayed, depending on a number of other factors including (i) unknown liabilities or claims, (ii) unexpected or greater or lesser than expected expenses, and (iii) greater or lesser than anticipated net proceeds of asset sales.

Although we anticipate making an initial distribution of substantially all of the net proceeds from the sale of our properties, interim and final distributions will depend on the amount of proceeds we receive, when we receive them, and the extent to which we must establish reserves for current or future liabilities. In addition, although we expect that a distribution of substantially all of the remaining amount will be made to stockholders within two years following the adoption of the plan of liquidation by our stockholders, the actual time of distribution may be longer in the event that we have difficulties disposing of our assets or if a creditor seeks the intervention of the Maryland courts to enjoin dissolution.

We are currently unable to predict the precise timing of any distributions pursuant to the plan of liquidation. The timing of any distribution will depend upon and could be delayed by, among other things, the timing of the sale of our company s assets. Additionally, a creditor could seek an injunction against our making distributions to our stockholders on the ground that the amounts to be distributed were needed for the payment of the liabilities and expenses. Any action of this type could delay or substantially diminish the amount, if any, available for distribution to our stockholders.

Valuations of our real estate assets are subject to general risks associated with real estate assets and within the real estate industry.

The value of our real estate assets and consequently the value of your investment, is subject to certain risks applicable to our assets and inherent in the real estate industry. The following factors, among others, may adversely affect the value of our real estate assets:

- downturns in the national, regional and local economic climate where our properties are located;
- downturn in general economic conditions as well as a downturn in specific regional and local market conditions;
- competition from other commercial real estate entities;
- local real estate market conditions, such as oversupply of, or reduction in demand for, leasing of commercial real estate;
- decreases in rent and/or occupancy rates due to competition, economic or other factors;
- increases in operating costs such as real estate taxes, insurance premiums, site maintenance and utilities;
- changes in interest rates and the availability of financing; and
- changes in laws and governmental regulations, including those governing real estate usage, zoning and taxes.

We face potential risks with asset sales.

Risks associated with the sale of properties which, if they materialize, may have a material adverse effect on amounts you may receive, include:

- lack of demand by prospective buyers;
- inability to find qualified buyers;
- inability of buyers to obtain satisfactory financing;
- lower than anticipated sale prices; and
- the inability to close on sales of properties under contract.

Our stockholders could vote against the plan of liquidation.

If our stockholders do not approve the plan of liquidation, we would have to continue our business operations from a difficult position, in light of the announced intent to liquidate and dissolve. Employees, customers and other third parties may refuse to continue to conduct business with us if they are uncertain as to our future, particularly with respect to long-term relationships that would be advantageous to the

conduct of our business as a going concern. In addition, our company will have to continue operations while being faced with the same strategic issues it considered in determining to adopt the plan of liquidation. If our stockholders do not approve the plan of liquidation, we may still sell certain of our assets.

If we are unable to satisfy all of our obligations to creditors, or if we have underestimated our future expenses, the amount of liquidation proceeds will be reduced.

We have current and future obligations to creditors. Claims, liabilities and expenses from operations (such as operating costs, salaries, directors and officers insurance, payroll and local taxes, legal, accounting and consulting fees and miscellaneous office expenses) will continue to be incurred through the liquidation process. As part of this process, we will attempt to satisfy any obligations with creditors remaining after the sale of our assets. These expenses will reduce the amount of assets available for ultimate distribution to our stockholders. To the extent our liabilities exceed the estimates that we have made, the amount of liquidation proceeds will be reduced.

Stockholders may be liable to our creditors for amounts received from us if our reserves are inadequate.

If the plan of liquidation is approved by the stockholders, we intend to file Articles of Dissolution with the State Department of Assessments and Taxation of Maryland promptly after the sale of all our remaining assets or at such time as our directors have transferred our company s remaining assets, subject to its liabilities, into a liquidating trust. Pursuant to Maryland law, our company will continue to exist for the purpose of discharging any debts or obligations, collecting and distributing its assets, and doing all other acts required to liquidate and wind up its business and affairs. We intend to pay for all liabilities and distribute all of our remaining assets, which may be accomplished by the formation of a liquidating trust, before we file our Articles of Dissolution.

Under Maryland law, certain obligations or liabilities imposed by law on our stockholders, directors, or officers cannot be avoided by the dissolution. For example, if we make distributions to our stockholders without making adequate provisions for payment of creditors claims, our stockholders could be liable to the creditors to the extent of the distributions in excess of the amount of any payments due to creditors. The liability of any stockholder is, however, limited to the amounts previously received by such stockholder from us (and from any liquidating trust). Accordingly, in such event, a stockholder could be required to return all liquidating distributions previously made to such stockholder and a stockholder could receive nothing from us under the plan of liquidation. Moreover, in the event a stockholder has paid taxes on amounts previously received as a liquidation distribution, a repayment of all or a portion of such amount could result in a stockholder incurring a net tax cost if the stockholder s repayment of an amount previously distributed does not cause a commensurate reduction in taxes payable. Therefore, to the extent that we have underestimated the size of our contingency reserve and distributions to our stockholders have already been made, our stockholders may be required to return some or all of such distributions.

You will not be able to buy or sell our shares of common stock after we file our Articles of Dissolution.

If the stockholders approve our plan of liquidation, we intend to close our transfer books as of the close of business on the date on which we file Articles of Dissolution with the State Department of Assessments and Taxation of Maryland (the Final Record Date). We anticipate that the Final Record Date will be after the sale of all of our assets or such earlier time as our board of directors transfers all of our remaining assets into a liquidating trust. The Final Record Date is likely to be six to 24 months after the approval of the plan of liquidation by our stockholders. Your interests in a liquidating trust are likely to be non-transferable except in certain limited circumstances. After the Final Record Date, we will not record any further transfers of our shares of common stock except pursuant to the provisions of a deceased stockholder s will, intestate succession or operation of law and we will not issue any new stock certificates other than replacement certificates or certificates representing your interest in a liquidating trust. In addition, after the Final Record Date, we will not issue any shares of common stock upon exercise of outstanding options. It is anticipated that no further transfers of our shares of common stock will occur after the Final Record Date.

Our success depends on key personnel whose continued service is not guaranteed.

We have a highly skilled management team in our corporate offices and specialized outside firms managing our properties. Although we entered into employment and change of control agreements with our chief executive officer and chief financial officer, and retention agreements with other key employees, any executive officer or key employee may terminate his or her relationship with us at any time. The employment agreement with our chief executive officer expires December 31, 2006 and the employment agreement with our chief financial officer expires May 31, 2006. Our chief financial officer has given us notice of her intent to terminate her employment agreement, effective May 31, 2006. Although we intend to complete the sale of our properties before the expiration of our chief executive officer s employment agreement, our business operations and ability to complete the plan of liquidation in a timely manner and sell our assets for the estimated proceeds could be negatively impacted if we are unable to retain the services of other key personnel or hire suitable replacements.

Our chief executive officer and chief financial officer have conflicts of interest.

The employment agreements of each of our chief executive officer and chief financial officer contain provisions that entitle the officer to certain benefits and payments if that officer terminates their employment agreement following a change of control (as defined in the employment agreements and which definition includes adoption of a plan of liquidation as a change of control). Accordingly, if the stockholders approve our plan of liquidation and either officer elects to terminate employment with our company, that officer would be entitled to severance payments. Consequently, those officers may have been influenced by the potential severance payments to support, or in the case of the chief executive officer who is also a director, to vote to approve, the plan of liquidation. In connection with her May 31, 2006 resignation, our chief financial officer has waived her rights to receive benefits that otherwise may have been available following a change of control.

Liquidation and dissolution may not maximize value for our stockholders.

Although our board of directors believes that the plan of liquidation is more likely to result in greater returns to stockholders than if we continued the status quo or pursued other alternatives, it is possible that one or more of the other alternatives would be better for us and our stockholders, in which case, we will be foregoing such alternatives if we implement the plan of liquidation.

Approval of the plan of liquidation may reduce our stock price, increase its volatility and/or reduce the liquidity of our shares.

If our stockholders approve the plan of liquidation, but believe that we will be unable to complete our plan of liquidation in a timely manner, the price of our shares of common stock may decline. In addition, as we sell our assets, pay off our liabilities and make liquidating distributions to stockholders, our stock price will likely decline and our shares of common stock will likely become less liquid.

In addition, our shares of common stock may no longer be eligible for listing on the American Stock Exchange as a result of adopting the plan of liquidation, thus reducing liquidity of the shares of common stock. Being delisted by the American Stock Exchange would further decrease the market demand and liquidity for, and price of, our shares of common stock. The policy of the American Stock Exchange is to consider delisting a company if, among other reasons:

- the total number of public stockholders is less than 300;
- if the aggregate market value of shares publicly held is less than $1 million for more than 90 consecutive days; or
- if liquidation has been authorized by a company s board of directors and stockholders.

Furthermore, in the event that our board of directors elects to transfer our company s remaining assets into a liquidating trust, the trust certificates to be issued to each stockholder will likely not be transferable except in certain very limited circumstances, such as upon death of the holder.

Approval of the plan of liquidation may lead to stockholder litigation which could result in substantial costs and distract management.

Historically, extraordinary corporate actions, such as the proposed plan of liquidation, often lead to securities class action lawsuits being filed against a company. Such litigation is likely to be expensive and, even if we ultimately prevail, the process will be time consuming and divert management s attention from implementing the plan of liquidation and otherwise operating our business. If we do not prevail in any such lawsuit, we may be liable for damages, the validity of a stockholder vote approving the plan of liquidation may be challenged, or we may be unable to complete some transactions that we contemplate as part of the plan of liquidation. We cannot predict the cost of defense or the amount of such damages but they may be significant and would likely reduce our cash available for distribution.

Approval of the plan of liquidation could cause our methodology of accounting to change, which may require us to reduce the net carrying value of our assets.

Once our stockholders approve the proposed plan of liquidation, we could change our basis of accounting from the going-concern basis to that of the liquidation basis of accounting.

In order for our financial statements to be in accordance with generally accepted accounting principles under the liquidation basis of accounting, all of our assets must be stated at their estimated net realizable value, and all of our liabilities (including those related to commitments under employment agreements) must be recorded at the estimated amounts at which the liabilities are expected to be settled. Based on the most recent available information, if the plan of liquidation is adopted, we expect to make liquidating distributions that exceed the carrying amount of our net assets. However, we cannot assure you what the ultimate amounts of such liquidating distributions will be. Therefore, there is a risk that the liquidation basis of accounting may entail write downs of certain of our assets to values substantially less than their current respective carrying amounts, and may require that certain of our liabilities be increased or certain other liabilities be recorded to reflect the anticipated effects of an orderly liquidation.

Until we determine that the plan of liquidation is about to be approved, we will continue to use the going-concern basis of accounting. If our stockholders do not approve the plan of liquidation, we will continue to account for our assets and liabilities under the going-concern basis of accounting. Under the going-concern basis, assets and liabilities are expected to be realized in the normal course of business. However, long-lived assets to be sold or disposed of should be reported at the lower of carrying amount or estimated fair value less costs to sell. For long-lived assets to be held and used, when a change in circumstances occurs, our management must assess whether we can recover the carrying amounts of our long-lived assets. If our management determines that based on all of the available information, we cannot recover those carrying amounts, an impairment of value of our long-lived assets has occurred and the assets would be written down to their estimated fair value.

Our management believes that the carrying amounts of our long-lived assets as of April 12, 2006, had not been impaired, other than to the extent of amounts already recorded in prior accounting periods. We may, however, be required to make write downs of our assets in the future, based on estimated net realizable value of our assets at that time. Such write downs could reduce our stock price.

We may be subject to corporate tax on any built-in gain recognized upon the sale of certain properties.

At the time of our REIT election, we acquired certain assets from taxable C corporations as to which we elected to defer the recognition of the built-in gain (i.e., the excess of the fair market value of such assets at the time of the acquisition by us over the adjusted basis of such assets, determined at the time of such acquisition) associated with those assets. If we recognize gain on the disposition of such assets prior to October 2006, then to the extent of such assets built-in gain we will be subject to tax on such gain at the highest corporate rate. Based on the estimated value of our only remaining asset that is subject to the tax on built-in gain, we do not expect to recognize gain or be subject to corporate tax upon the disposition of such asset. To the extent we are required to pay corporate taxes, the amount of liquidation proceeds will be reduced.

Stockholders Entitled to Vote at the Meeting

Only the holders of record of shares of common stock at the close of business on April 12, 2006 (the Record Date) are entitled to notice of and to vote at the annual meeting. Each share of common stock is entitled to one vote on all matters with each vote having equal weight. As of the Record Date, an aggregate of 24,128,206 shares of common stock were outstanding.

How to Vote Your Shares

Your vote is important. Your shares of common stock can be voted at the annual meeting only if you are present in person or represented by proxy. Even if you plan to attend the meeting, we urge you to vote now by completing and submitting the attached proxy card or authorizing your proxy by telephone or internet.

If you own your shares in record name, you may cast your vote by marking your proxy card, and then dating, signing, and returning it in the postage-paid envelope provided. Stockholders who hold their shares beneficially in street name through a nominee (such as a bank or broker) may be able to authorize their proxies by telephone or the internet as well as by mail. You should follow the instructions you receive from your nominee to vote these shares.

How to Revoke Your Proxy

You may revoke your proxy at any time prior to its exercise by notifying our secretary in writing of the revocation, delivery of a later-dated proxy, using the toll-free telephone number or Internet website address included herein or by voting in person at the meeting.

Voting at the Annual Meeting

The method by which you vote will in no way limit your right to vote at the meeting if you later decide to attend in person. If you hold your shares in street name, you must obtain a proxy executed in your favor from your nominee (such as a bank or broker) to be able to vote at the meeting.

Your shares will be voted at the meeting as directed by the instructions on your proxy card if:

- you are entitled to vote,
- your proxy was properly executed,
- we received your proxy prior to the annual meeting, and
- you did not revoke your proxy prior to the meeting.

The Recommendation of Our Board of Directors

If you send a properly executed proxy card without specific voting instructions, your shares represented by that proxy will be voted as recommended by our board of directors:

- ***FOR* the approval and adoption of the plan of liquidation and the dissolution of our company; and**
- ***FOR* the election of the nominated slate of directors.**

Our company does not presently know of any other business which may come before the annual meeting.

Votes Required to Approve Each Item

A majority of all the votes entitled to be cast at the annual meeting will constitute a quorum for the transaction of business at the annual meeting.

The following votes are required to approve each item of business at the meeting:

- Plan of Liquidation Proposal: The proposal to approve the plan of liquidation requires the affirmative vote of holders of at least a majority of our outstanding shares of common stock entitled to vote at the annual meeting (Proposal 1).
- Election of Directors: The affirmative vote of a majority of the shares of common stock represented at the annual meeting is required to elect each director (Proposal 2).

Abstentions and broker non-votes will be counted for purposes of determining the presence of a quorum. Abstentions will have the effect of a vote against the election of directors (Proposal 2). Abstentions and broker non-votes will have the effect of a vote Against the proposals to adopt the plan of liquidation (Proposal 1). A broker non-vote occurs when a nominee (such as a bank or broker) returns an executed proxy, but does not have the authority to vote on a particular proposal because it has not received voting instructions from the beneficial owner and has no discretionary authority to vote on the proposal. Since brokers are permitted to vote for the election of directors in an uncontested election, there will be no broker non-votes with respect to Proposal 2.

PROPOSAL 1 Plan of Liquidation

What You Are Being Asked To Approve

You are being asked to approve our proposed plan of liquidation. By voting in favor of the plan of liquidation, you will also approve the transactions described in this Proxy Statement, including the sale of all or substantially all of our assets and the dissolution of our company, which we and our board of

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directors will undertake in connection with the recommendation that the stockholders approve the plan of liquidation.

The Recommendation of Our Board of Directors

OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE PLAN OF LIQUIDATION.

What the Plan of Liquidation Contemplates

The plan of liquidation contemplates the orderly sale of each of our company s remaining assets which may take place in connection with the dissolution of substantially all of our company s subsidiaries, the collection of all outstanding loans and receivables, an orderly disposition or completion of construction of our development projects, the discharge of all outstanding liabilities to third parties, and, after the provision of appropriate reserves, the distribution of all remaining cash to our stockholders and the dissolution of our company. If the plan of liquidation is approved, our board of directors may determine to sell our company s remaining assets in a single transaction or series of related transactions or may sell those assets in several distinct transactions. Specifically, we intend to take the following steps in connection with the plan of liquidation once we receive our stockholders approval:

- the orderly sale of the remainder of our assets for cash or such other form of consideration, depending on the value of the non-cash consideration being offered, as may be conveniently distributed to stockholders;

- paying (or providing for) our liabilities and expenses;

- after the establishment of appropriate reserves, the distribution of the balance of the proceeds from the sale of our assets or the collection of all outstanding loans to third parties, which may occur in one or more installments over a six to 24 month period after adoption of the plan of liquidation;

- winding up our operations and dissolving our company, in accordance with the plan of liquidation; and

- filing Articles of Dissolution with the State Department of Assessments and Taxation of Maryland.

Key Provisions of the Plan of Liquidation

The plan of liquidation provides, in part, that:

- we may not engage in any business activities, except, to the extent determined appropriate by our board of directors to (i) operate and lease the properties; (ii) refinance any or all properties as necessary; (iii) repurchase our shares of common stock; (iv) preserve and sell our assets; (v) wind up our business and affairs; (vi) discharge and pay all our liabilities; and (vii) distribute our assets to our stockholders. We may also engage in any activities that our board of directors determines will enhance the value of our assets or business and any other activities related to or incidental to the foregoing;

- if our board of directors determines that we will not have completed the full distribution of our assets within two years after the approval of the proposed plan of liquidation, or if our board of directors determines it to be necessary to do so at an earlier date, we may transfer to a liquidating trust our remaining cash and property and pay for (or adequately provide for) all our remaining debts and liabilities so that the liquidating trust can make liquidating distributions to stockholders;

- our board of directors has the discretion, without further stockholder approval, to determine the terms of any liquidating trust and to appoint the trustees of any such trust;

- upon our transfer to a liquidating trust of our remaining assets, those assets will be held solely for the benefit of an ultimate distribution to our stockholders after payment of unsatisfied debts, liabilities and expenses;

- if we form a liquidating trust, the stockholders certificates for shares will be deemed to represent certificates for identical interests in the liquidating trust, unless separate trust certificates are issued in place of the shares, and the certificates representing an interest in the trust will not be transferable except in certain very limited circumstances, such as the death of the holder;

- if we form a liquidating trust, the distributions of cash or other property to our stockholders, or the transfer to a liquidating trust of our remaining cash and property, are anticipated to be in complete liquidation of our company and in cancellation of all issued and outstanding shares of common stock;

- until the date we file our Articles of Dissolution, our charter and bylaws will not contain provisions relating to the liability and indemnification of our officers and directors that are any less favorable to such officers and directors than those that existed immediately before the approval of the plan of liquidation, and our charter and bylaws will not be amended in any manner that adversely affects the rights of such persons; furthermore, our company will be required to maintain directors and officers insurance to cover these individuals;

- our board of directors and officers are, or the trustees of the liquidating trust will be, authorized to interpret the provisions of the plan of liquidation and to take such further actions and to execute such agreements, conveyances, assignments, transfers, certificates and other documents, as may in their judgment be necessary or desirable in order to wind up expeditiously our affairs and complete the liquidation; and

- our board of directors may terminate the plan of liquidation for any reason prior to the approval of the plan of liquidation by our stockholders.

Reasons for the Liquidation

In reaching its determination that the plan of liquidation is fair to, and in the best interests of, our stockholders and approving the plan of liquidation and recommending that our stockholders vote to approve the plan of liquidation, our board of directors consulted with our management and our financial and legal advisors and considered the following factors:

- our board of directors review of possible alternatives to the proposed liquidation, including the identification of an institutional capital partner to assist in our company s growth going forward, a sale or recapitalization of all or a portion of our company s properties, the potential sale or merger of our company and other possible transactions designed to enhance stockholder value. Based on this review and various proposals received from third parties, our board of directors concluded that none of the alternatives considered was reasonably likely to provide equal or greater value to our stockholders than the proposed plan of liquidation;

- the inability to identify a buyer or strategic alliance partner who made a binding offer acceptable to our board of directors or otherwise provided an indication of interest at meaningful premiums to market prices or estimated liquidation value;

- our board of directors belief that we had thoroughly explored the market interest in various strategic alternatives;

- if we continued our operations as a going concern, the length of time necessary to evaluate and restructure our business, which our management estimated to be at least two to three years, and the

significant risks associated with restructuring our business, which would require a substantial influx of additional capital and our company s potential inability to raise that additional capital on a basis that is not dilutive to existing stockholders and otherwise on satisfactory terms and conditions;

- the prevailing economic conditions, both generally and within the real estate and REIT capital markets and, in particular, management s belief that premiums are being paid for properties that our company would want to acquire;
- the aggregate cash liquidating distributions, which we originally estimated at the time our board of directors adopted the plan of liquidation would range between $4.20 and $4.80 per share of common stock, and the fact that a distribution of $4.20 per share of common stock (which is at the low end of that range), or $4.80 per share of common stock (which is at the high end of that range), would have represented a 5.6% discount and a 7.8% premium, respectively, over the $4.45 average closing trading price for the 30 days from January 10, 2006 to February 8, 2006, which is the day preceding the announcement of our board of directors adoption of the plan of liquidation;
- our board of directors belief that the range of cash liquidating distributions that we estimate we will make to our stockholders was fair relative to our board of directors own assessment, based on presentations made by our management, of our current and expected future financial condition, earnings, business opportunities, strategies and competitive position and the nature of the market environment in which we operate;
- the per share consideration to be received by our stockholders in the liquidation is likely to be payable in cash, thereby eliminating any uncertainties in valuing the consideration to be received by our stockholders; and
- the terms and conditions of the plan of liquidation.

Our board of directors believed that each of the above factors generally supported its determination and recommendation. Our board of directors also considered and reviewed with management potentially negative factors concerning the plan of liquidation, including those listed below:

- there can be no assurance that our company would be successful in disposing of its assets for amounts equal to or exceeding its estimates or that these dispositions would occur as early as expected;
- our costs while executing the plan of liquidation may be greater than we estimated;
- the fact that following the adoption of the proposed plan of liquidation and the sale of our assets, our stockholders will no longer participate in any future earnings or growth from any additional investments or from acquisitions of additional assets;
- the potential that our stock price may decline or become more volatile, due to our gradual liquidation of our assets and the distribution of proceeds from these liquidations;
- if we establish a liquidating trust, the trust will likely provide for a prohibition of the transfer of trust interests subject to certain limited exceptions;
- the actual or potential conflicts of interest which certain of our executive officers and directors have in connection with the liquidation, including those specified under the heading Introduction Risk Factors and Proposal 1 Certain Transactions and Possible Effects of the Approval of the Plan of Liquidation Upon Directors and Officers, such as certain severance payments;
- the costs to be incurred by our company including significant accounting, financial advisory and legal fees in connection with the liquidation process;

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- the possibility that stockholders may, depending on their tax basis in their stock, recognize taxable gains (ordinary and/or capital gains) in connection with the completion of the liquidation;

- the fact that no fairness opinion with respect to the liquidation was obtained, nor were there any formal third-party appraisals made of our assets to determine their liquidation value; and

- the possibility that we may be subject to tax at corporate rates on gain recognized from the disposition of assets that are subject to deferred built-in gains attributable to our acquisition of such assets from taxable C corporations at the time of our REIT election.

The above discussion concerning the information and factors considered by our board of directors is not intended to be exhaustive, but includes the material factors considered by our board of directors in making its determination. In view of the variety of factors considered in connection with its evaluation of the plan of liquidation and the proposed liquidation, our board of directors did not quantify or otherwise attempt to assign relative weights to the specific factors it considered. In addition, individual members of our board of directors may have given different weight to different factors and, therefore, may have viewed certain factors more positively or negatively than others.

Background

General

In pursuing its strategy of enhancing stockholder value, our board of directors has from time to time considered opportunities for a variety of transactions involving our company, including business combinations and other strategic alliances. From 2000 through the first half of 2004, we focused on rapidly growing our asset base through acquisitions and stabilizing our balance sheet by replacing short-term bank debt with longer-term fixed rate mortgages. During the second half of 2004, we believed it was an appropriate time to review our strategic direction and identify possible partners that could assist us in continuing our growth, and that in light of the fierce competition for high quality office buildings and the valuations for these assets in the private market, coupled with the benefits to our company of increased size and market presence, we would consider every alternative to create value for our stockholders.

In early 2004, William T. Atkins, our Chairman and former chief executive officer, was approached by representatives of a nationally recognized investment banking firm regarding the possible business combination of our company with another small cap public real estate investment trust focusing on office properties. During May 2004, Mr. Atkins met with the chairman and chief executive officer of Party A, a publicly traded real estate investment trust, to discuss a possible business combination with our company. No discussion of value or terms took place at that time.

In September 2004, Mr. Atkins and Robert W. Holman, Jr., our lead independent director, discussed the possibility of the sale or merger of our company in light of the factors described above, and Mr. Atkins solicited nationally recognized investment banking firms, including Bear Stearns & Co. Inc., an international investment banking firm, (Bear Stearns), for proposals for the representation of our company in connection with the exploration and evaluation of strategic alternatives.

On October 18, 2004, Mr. Atkins met with Charles K. Knight, our current chief executive officer (who was the chief operating officer and president at the time) and John B. Greenman, our former chief investment officer and vice president, to advise them of potential strategic alternatives involving our company. Mr. Atkins, Mr. Knight and Mr. Greenman discussed the merits of various strategic alternatives that our company might pursue and their respective effects on our company s business strategy, financial condition and stockholders.

On October 20, 2004, our company completed a new loan agreement with KeyBank National Association, which increased our company s revolving credit facility from $30 million to $40 million, and extended the maturity date of the loan from November 2005 to November 2007.

In late October, proposals were received from Bear Stearns and two other nationally recognized investment banking firms with respect to the representation of our company in strategic alternatives process.

On November 4, 2004, our board of directors met to discuss the various factors relating to potential strategic alternatives that our company could pursue including: our company s cost of capital; the increasing costs associated with our company s compliance with Sarbanes Oxley and other rules and regulations adopted by the Securities and Exchange Commission and the impact of overhead costs on the operating margins and profitability of our company relative to other, larger REITs; liquidity issues relating to our company s smaller capital base; the aggressively priced nature of the current market for property acquisitions and the difficulty of identifying and successfully acquiring attractive properties at reasonable capitalization rates; the willingness of third-parties to pay substantial premiums for both portfolios and companies, given the lack of available real estate product; and the potential attractiveness of our company to third parties. Based on its review of these factors, our board of directors discussed the engagement of an investment banker to assist our company in its evaluation of strategic alternatives. After a review of the various proposals from the investment banking firms, our board of directors authorized Mr. Atkins to negotiate with Bear Stearns for its engagement to act in our company s behalf in exploring strategic alternatives.

On November 21, 2004, we engaged Bear Stearns to explore strategic alternatives for our company, among which were the identification of an institutional capital partner to assist in our company s growth going forward, a sale or recapitalization of all or a portion of our company s properties, the potential sale or merger of our company and other possible transactions designed to enhance stockholder value. We did not engage Bear Stearns in connection with an analysis of the dissolution and liquidation of our company. Our board of directors also approved the engagement of Mayer, Brown, Rowe & Maw LLP as special transaction counsel to our company in connection with the strategic alternative review.

On December 6, 2004, our board of directors met to discuss further the timing of the strategic review process and the responsibilities of management in connection with that process. Additionally, the non-management members of our board of directors also met in an executive session to discuss the strategic alternative process.

During December, members of our management provided Bear Stearns with detailed information on each of its properties, including physical and financial information, property level budgets, loan information as well as detailed corporate information on our company, including preliminary budgets, historic and projected financial information and other matters necessary to prepare a confidential information memorandum with respect to our company. Bear Stearns also worked with Mayer, Brown, Rowe & Maw LLP to prepare a form of confidentiality agreement to be delivered to parties with whom our company may have entered into a transaction in the strategic alternative process. Additionally, during December our management and Bear Stearns prepared an electronic information data room that was made available to all interested parties.

During January 2005, Bear Stearns completed the confidential information memorandum and distributed the confidential information memorandum to various institutions following execution of confidentiality agreement by an institution. A response deadline of February 15, 2005 was established for delivery of proposals for a transaction from these institutions.

On January 18, 2005, members of our management and Bear Stearns met with Party B, a diversified publicly traded real estate investment trust, at our company s offices in Denver. General terms of a transaction were discussed, but no proposals or indications of interest were put forth at that time.

On January 27, 2005, members of our management met with Party C, a private investment management firm, at our company s offices in Denver. General terms of a transaction were discussed but no proposals or indications of interest were put forth at that time.

On February 2, 2005, members of our management and Bear Stearns met with Party D, a private real estate investment, development and management company, at our company s offices in Denver.

On February 9, 2005, our president and chief operating officer met with Party E, a private real estate operating and investment company, outside our company s offices at a location in Denver. General terms of a transaction were discussed, but no proposals or indications of interest were put forth at that time.

On February 9, 2005, members of our management and Bear Stearns met with Party F, a publicly traded real estate investment trust, at our company s offices in Denver. General terms of a transaction were discussed, but no proposals or indications of interest were put forth at that time.

On February 15, 2005, our president and chief operating officer and Bear Stearns met with an investment banker representing Party A at Bear Stearn s offices in New York and we received a proposal from Party A as described below.

On February 18, 2005, members of our management and Bear Stearns met with Party D at our company s offices in Denver regarding the properties and operations of our company. General terms of a transaction were discussed, but no proposals or indications of interest were put forth at that time.

On February 18, 2005, members of our management had a conference call with Party B to discuss the operations of our company. General terms of a transaction were discussed, but no proposals or indications of interest were put forth at that time.

On February 18, 2005, we received an indication of interest from Party G, a private investment advisor, for the acquisition of all of our company s assets for approximately $6.85 per share, less deductions for costs and fees and working capital adjustments. This proposal was subject to extensive conditions, including completion of satisfactory due diligence reviews by Party G, exclusive negotiations with our company and a termination fee of $10 million.

On February 23, 2005, members of our management and Bear Stearns met with Party A at Party A s offices. General terms of a transaction were discussed, including the proposal received on February 15, 2005, as well as the operations and properties owned by Party A.

At a meeting of our board of directors on February 24, 2005, Bear Stearns reported that 103 confidentiality agreements were sent out in response to third-party inquiries, 72 confidential information memorandums were sent to parties who had returned an executed confidentiality agreement, 29 parties explicitly declined to receive any information and 12 proposals were received by the February 15, 2005 deadline. The proposals fell into the following categories: mergers; asset sales; cash buyouts; and recapitalization scenarios. Based on the proposals that had been received, Bear Stearns recommended that our management and Bear Stearns should continue discussions with Party A, Party B, Party D and Party G. Our board of directors authorized Bear Stearns to continue discussions with these parties. Party A proposed a merger of our company into Party A in exchange for common and preferred shares in Party A represented by Party A to be valued at $6.07 per share. Party G made a revised proposal for an acquisition of all of our issued and outstanding shares of common stock in exchange for cash valued at $6.45 per share. The proposals from each of Party B and Party D were for a recapitalization of our company. Each of the proposals were preliminary and were subject to the completion of an financial, legal and property due diligence examination of our company and assets. Additionally at this meeting, our board of directors discussed our of company s ability to meet the financial and coverage covenants in our secured credit facility with KeyBank National Association based on our expected fourth quarter 2004 results and the waivers that would be necessary from KeyBank National Association.

During the months of February and March, our management and Bear Stearns continued to provide detailed financial and property information to Party A, Party B, Party D and Party G and solicited a second round of proposals for a strategic transaction.

On March 2, 2005, our company notified KeyBank National Association that based on our expected fourth quarter 2004 results, we would likely need a waiver of certain financial and coverage covenants in its secured credit facility and requested such a waiver from KeyBank National Association, as agent for its primary bank group.

On March 3, 2005, our company completed a deed-in-lieu agreement with the lender for our Texas State building portfolio, pursuant to which we returned 13 properties to the lender.

On March 4, 2005, our company received a proposal from Party D regarding the contribution of real estate assets to our company by Party D in exchange for shares of our common stock and cash. This proposal was subject to numerous contingencies and qualifications.

On March 9, 2005, we announced the suspension of our dividend for the first quarter of 2005, in light of our company s ongoing review of strategic alternatives and current capital resources and requirements, including restraints to be placed on our company by KeyBank National Association as a result of the negotiations with KeyBank National Association for a waiver of our covenant default under our secured credit facility.

On March 10, 2005, members of our management and Bear Stearns had meetings with Party G at our company s offices in Denver. General terms of a transaction were discussed but no further proposals or indications of interest were put forth at that time.

On March 11, 2005, members of our management had meetings with Party D at our company s offices in Denver. General terms of a transaction were discussed but no further proposals or indications of interest were put forth at that time.

At a meeting of our board of directors on March 8, 2005, Bear Stearns gave our board of directors an update on the various proposals under consideration and the status of each party s due diligence investigation of our company and its properties.

On March 15, 2005 through March 17, 2005, members of our management conducted property tours and met with Bear Stearns and Party A at Party A s offices. General terms of a transaction were discussed, as well as the operations of our company and Party A, but no further proposals or indications of interest were put forth at that time.

On April 7, 2005, our board of directors met to consider the second round of proposals. Our company received further proposals from Party A, Party D and Party G. We also received proposals from Party H, a real estate fund advisor that was acting with a large institutional investor to source funds for a transaction, and Party I, an institutional real estate investment group. Based upon discussions with our financial advisor, our board of directors determined that the second round of proposals ranged in value from $3.91 per share to $4.52 per share, and included proposals for cash mergers, stock mergers and asset sale transactions. All of the proposals were subject to extensive conditions, including completion of satisfactory due diligence reviews by the proposing party. Additionally, several of the parties required that we enter into exclusive negotiations with that party. After analyzing the second round proposals and reviewing a summary of the proposals provided by Bear Stearns, our board of directors determined that none of the proposals presented a compelling strategic alternative for our company. Following a thorough review of these proposals and after a discussion of the business prospects for our company, our board of directors authorized our management to work with Bear Stearns to review and analyze the viability of a potential recapitalization of our company through the offering of a series of convertible preferred shares or other securities of our company in a private placement transaction, the proceeds of which would have been used to reduce our bank debt and increase our asset base through accretive acquisitions.

On April 11, 2005, we received an updated proposal from Party A for a merger of our company into Party A in exchange for a combination of preferred stock and common stock estimated by Bear Stearns to have a value of $4.31 per share. During April, members of our management and Bear Stearns continued to discuss the terms of a possible transaction with Party A.

On April 14, 2005, members of our management and Bear Stearns had a conference call with Party I regarding its interest in a possible transaction with our Company. General terms of a transaction were discussed, but no further proposals or indications of interest were put forth at that time.

On April 19, 2005, members of our management had meetings with Party J, a private investment firm, at our company s offices in Denver. General terms of a transaction were discussed, but no further proposals or indications of interest were put forth at that time.

On April 22, 2005, our board of directors met to review in more detail a potential recapitalization of our company based on models prepared by management and Bear Stearns. In a separate engagement from the engagement described above, Bear Stearns was retained to lead a recapitalization offering of our company on a best efforts basis. Additionally, at this meeting, our board of directors also accepted the resignation of Mr. Atkins as chief executive officer of our company and approved the appointment of Mr. Knight as chief executive officer of our company effective May 1, 2005.

On May 18, 2005, our board of directors met to review the timeline of the proposed recapitalization offering and certain proposed amendments to our company s credit facility with KeyBank National Association to allow the completion of the offering.

On May 19, 2005, our company commenced an institutional road show soliciting interest in a proposed recapitalization transaction for our company. We also obtained a commitment from KeyBank National Association to provide a $100 million acquisition line of credit as part of a completed recapitalization of our company.

On June 1, 2005, we completed the road show, having met in person or by phone with 30 institutional investors regarding their interest in a recapitalization investment in our company. Following completion of the road show, management and Bear Stearns continued discussions with investors who showed significant interest in the transaction.

From June 3, 2005 through June 7, 2005, members of our management and Bear Stearns had conference calls with several parties regarding their interest in recapitalization transaction with our company.

On June 15, 2005, members of our management team had meetings with Party K, a real estate management firm, regarding its interest in a joint venture arrangement with our company with respect to a portion or all of our company s assets. General terms of a transaction were discussed, but no further proposals or indications of interest were put forth.

On June 16, 2005, our board of directors met to consider the results of the proposed recapitalization. Bear Stearns provided a summary of the indications of interest that it had received regarding a potential offering of preferred stock of our company and the pricing and other terms thereof. After discussing these indications of interests, our board of directors concluded that the terms on which we would able to complete a recapitalization transaction would significantly dilute the holders of our shares of common stock and would not be favorable to the continued operation of our company. At this meeting, our board of directors also discussed other proposals received by our company from other investors providing for debt financing of our company. Our board of directors discussed these proposals and determined that the cost of capital, coupled with the structure of the particular proposals, made those proposals unattractive as compared to the potential benefits to the holders of our shares of common stock at that time. Our board of directors discussed the remaining strategic alternatives available to our company, with a particular emphasis on the alternatives involving either a merger or a sale of the entire company or a sale of selected assets, followed by the continued operation of our company on a reduced scale. Our board of directors discussed the benefits and costs of each approach.

On June 23, 2005, our board of directors met to review the strategic alternative process that had occurred to that date. Bear Stearns indicated that they had received additional indications of interest from potential transaction participants. Our board of directors authorized Bear Stearns to pursue these additional indications of interests and to further solicit new proposals for all or some of our company.

On June 26, 2005, we entered into an additional amendment to our secured revolving credit agreement which further extended the maturity date from November 12, 2005 to January 31, 2006 and waived the $2.5 million payment requirement that was due on July 1, 2005.

On June 27, 2005, our board of directors voted to continue the suspension of our dividend for the second quarter of 2005.

During June 2005, Mayer, Brown, Rowe & Maw LLP prepared a draft of an Agreement and Plan of Merger that was reviewed by our management and Bear Stearns. The draft agreement was distributed to 11 parties by Bear Stearns during the week of June 27, 2005. Additionally, our management and Bear Stearns continued to update our electronic data room at that time.

On July 5, 2005, members of our management met with Party L, a private real estate investment management firm, at our company s offices in Denver. General terms of a transaction were discussed, but no further proposals or indications of interest were put forth at that time.

On July 6, 2005, members of our management team met with Party M, a private real estate investment firm, at our company s offices in Denver. General terms of a transaction were discussed, but no further proposals or indications of interest were put forth at that time.

On July 14, 2005, management and representatives of Party N, a publicly traded real estate investment trust focused on commercial property, participated in a conference call regarding Party N s interest in a recapitalization or acquisition of our company. No discussion of specific value or terms took place at that time.

On July 18, 2005, our board of directors met to consider updated proposals that our company had received from Party A, Party B, Party G, Party H, Party O, a real estate fund advisor that was acting with a large institutional investor to source funds for a transaction, Party P, a private investment advisor, and Party Q, a private real estate investment management firm. Our board of directors also discussed interest from Party N in connection with a proposed $75 million recapitalization of our company. Based upon discussions with our financial advisor, our board of directors determined these proposals ranged in value from an estimated $3.00 per share to an estimated $4.50 per share. Our board of directors considered all proposals. The two proposals that were the highest in value were from Party G at $4.50 per share and Party O at $4.50 per share. Each of these proposals provided for a cash-out merger and both Party G and Party O were seeking exclusivity with respect to negotiating on a transaction and satisfactory due diligence and other contingencies with respect to our company and our properties. At this meeting, our board of directors also discussed the continuing operations of our company on a reduced level as recommended by Mr. Atkins and Alexander Hewitt, a director. Our board of directors, with the exception of Mr. Atkins and Mr. Hewitt, authorized management to continue to pursue a business combination involving our company, with a particular focus on the proposals obtained from Party G and Party O. Because both of the proposals were of an equivalent stated value, and neither proposal was at an excessive premium to the current market price of our shares of common stock, our board of directors determined it could not agree to provide exclusivity to either party. At the conclusion of this meeting, our board of directors directed our management to continue to consider all strategic alternatives available to it.

On July 20, 2005, attorneys at Mayer, Brown, Rowe & Maw LLP conducted a conference call with counsel for Party O to discuss the structure of Party O s proposal and the terms of the draft agreement and plan of merger. On August, 4, 2005, counsel for Party O delivered a revised draft of the agreement and plan of merger to our management and Mayer, Brown, Rowe & Maw LLP.

During August 2005 our management and Bear Stearns continued to have discussions with both Party G and Party O, and Party G continued with its due diligence review of the materials available in the information date room.

On August 18, 2005, our board of directors met to review the status of negotiations with both Party G and Party O. At that meeting Bear Stearns reported that Party O had elected to forego its request that it have exclusivity with our company in the negotiation of a transaction. At this point, however, Party O was still in the process of trying to finalize its potential financing of the transaction. Party O indicated that it believed it could make a final offer within two weeks. Party N continued to insist that it be given an exclusive right to negotiate a transaction with our company. Our board of directors also reviewed a proposal from Party L to recapitalize our company and a revised proposal from Party B for a $40 million loan to our company that would allow us to refinance our revolving line of credit with KeyBank National Association. In each case, our board of directors determined that the cost of the capital required by the proposals was too high. At this meeting, our management suggested that our board of directors consider certain limited asset sales in order to generate the necessary capital to repay our company s credit facilities with KeyBank National Association by the April 2006 maturity date. Our management recommended the sale of five assets based on anticipated marketability of the assets, their impact on the future operations of our company if not sold and the estimated sale proceeds each asset could generate. Bear Stearns reviewed various asset sale alternatives and indicated that pursuing such sales was not necessarily mutually exclusive of pursuing other strategic alternatives. Our board of directors approved the listing of the following four properties, Keystone, Panorama Falls, Financial Plaza and AmeriVest Plaza, and entering into negotiations to sell our company s tenancy-in-common interest in Panorama Falls to the other tenant-in-common. Additionally, our board of directors also approved amendments to our credit agreements with KeyBank National Association, which among other things provided for a restructuring of both the secured and unsecured credit facilities by extending the principal reduction dates on both facilities from September 1, 2005 to December 31, 2005, and by extending the maturity date of the secured credit facility from November 12, 2005 to April 1, 2006 to coincide with the unsecured revolving credit facility.

On August 29, 2005, our board of directors met and reviewed a proposal from Party R, a private real estate investment management and advisory firm, for a $30 million loan to our company. After discussion, our board of directors concluded that this proposal was less favorable than the similarly structured proposal from Party B, and directed management to inform Party R that the suggested terms were not acceptable at that time. At this meeting, our management updated our board of directors on its progress on the asset sales and proposed an operational restructuring plan designed to maximize the possibility and value of a corporate sale or other strategic transaction involving our company. Our management also proposed a plan to transition our company to third-party property management and to implement staff reductions at both the regional and corporate level in an effort to reduce costs, streamline operations, provide stability for the remaining employees and retain as many long-term strategic options for our company as possible. Our board of directors also reviewed a proposal from Party B to acquire the Chateau Plaza property in a privately negotiated sale. After considering the offer made by Party B, our board of directors directed our management to list the fifth property recommended by management at the August 18, 2005 meeting, Chateau Plaza, for sale as part of the asset sale group. Additionally, our board of directors approved our management s operational restructuring plan, including an agreement with Trammell Crow Services, Inc. to manage our Denver properties.

On September 1, 2005, we announced an amended employment agreement with Mr. Knight through June 2006 and a severance and retention agreement with Mr. Greenman through January 17, 2006. Additionally, our board of directors voted to continue the suspension of our dividend for the third quarter of 2005.

On September 13, 2005, Mr. Knight met with the chief executive officer of Party S, a publicly traded real estate investment trust regarding its interest in a possible transaction with our company. No discussion of specific value or terms took place at that time.

On September 14, 2005, we completed our amended loan agreements with KeyBank National Association.

On September 30, 2005, we completed the sale of our tenancy-in-common interest in the Panorama Falls property.

During September, brokers were retained to sell the four wholly-owned properties listed above. During September, our management worked with the listing brokers to complete confidential offering memoranda for each property and distribution of memoranda began for Chateau Plaza and AmeriVest Plaza. During September, we began the transition to third-party management in Denver and eliminated two positions in our corporate offices.

During October, confidential offering memoranda were completed and distributed for the Financial Plaza and Keystone properties and offers were requested for the Chateau Plaza and AmeriVest Plaza properties.

At a meeting on October 27, 2005, our board of directors reviewed a proposal from Party T, a privately held real estate operating company, to purchase all of our outstanding shares of common stock for consideration of $4.25 per share, subject to due diligence and other conditions. Our board of directors also reviewed a revised proposal from Party O, which reflected a new capital partner for Party O. Party O s revised proposal provided for the purchase by Party O of all of our outstanding shares of common stock at a price per share of $3.62 per share or to acquire the assets of our company at a price of $3.72 per share. Both proposals contained numerous conditions and deductions from these estimated amounts for transaction costs and fees and working capital adjustments. Our board of directors authorized Bear Stearns to continue to negotiate and clarify these proposals. Additionally at this meeting, our board of directors reviewed a preliminary liquidation analysis. Bear Stearns assisted management by helping to develop financial models and performing various sensitivity analyses of management s projections relating to the amount of cash distributions that could be made to stockholders. Bear Stearns did not independently verify management s budgets and projections, and it did not appraise any of the assets of our company, although it did perform the mathematical compilations and computations of management s budgets and projections necessary to complete the sensitivity analyses. Our board of directors discussed the results of other REIT liquidations, the consequences of the time value of money on the liquidation analysis, the source of the cost of capital estimates for the analysis and the market perception of various alternatives and the related effect on stockholder value. Our board of directors reviewed the various valuation assumptions for our properties, noting the cross-collateralized nature of the debt arrangements for certain properties, the liquidation process, and the associated timeline for accomplishing that initiative, including the requisite approvals, the designation and engagement of national brokers, our company s reporting obligations under applicable federal securities laws and American Stock Exchange requirements, the functioning of a liquidating trust, and severance and retention cost estimates. Our board of directors engaged in a lengthy discussion about the benefits and costs of a liquidation scenario versus continuing to operate the remaining portion of our properties. Our board of directors also discussed the various legal and fiduciary duties and responsibilities associated with such scenarios. At this meeting, our board of directors discussed the possibility of additional asset sales and approved the sale or refinancing of the Greenhill Park property and the sale of the Chateau Plaza property.

Additionally, on October 27, 2005, the non-management members of our board of directors met in executive session to discuss the progress of strategic asset sales.

During October 2005, Mr. Knight had discussions with the chief executive officer of Party U, a publicly traded real estate investment trust, regarding a corporate merger of our company with Party U. Mr. Knight also engaged in preliminary discussions with three groups that control various private real estate portfolios in various markets that had expressed interest in a reverse merger with our company. Additionally, our management had discussions with representatives of Party V, a subsidiary of an investment banking firm. The representatives of Party V expressed a preliminary interest in financing a management buyout of our company. No discussion of specific value or terms took place at that time, and Mr. Knight advised Party V that he had no interest in such a transaction. Our management had no further discussions with Party V regarding a management buyout after that preliminary discussion.

Also in October 2005, attorneys at Mayer, Brown, Rowe & Maw LLP also had discussions with counsel to Party O and its capital partner regarding a proposed structure for a transaction between Party O and our company. Mr. Knight met multiple times with representatives of Party O regarding their continued interest in the transaction; however, during these discussions, Party O informed Mr. Knight that its second capital partner for a proposed transaction had terminated its interest.

In October 2005, our company received preliminary proposals to form joint ventures on all or certain specific assets from Party W, a real estate pension fund advisor, and Party L. These parties indicated they were not willing to pursue serious discussions with our company as long as an outright sale or merger of our company was still being considered. At Party W s request, we introduced Party W to Party O, which we refer to as Group A and began renewed discussions with this group regarding an acquisition of our company in a cash merger.

On November 3, 2005, Mr. Knight met with the chief executive officer of Party U regarding its interest in acquiring our company. Additional financial information about our company was provided to Party U by Bear Stearns.

On November 6, 2005, management met with representatives of Real Estate Advisor A, a nationally recognized real estate brokerage firm, regarding their qualifications to assist our company in a possible liquidation.

On November 11, 2005, our board of directors met to consider a mini-tender offer, a tender offer for less than five percent of our outstanding shares of common stock, from MacKenzie Patterson Fuller Inc. to acquire shares of common stock of our company for $4.00 per share. Our board of directors approved a response to the mini-tender offer, and directed management to respond in writing to stockholders as required by law. Our board of directors believed that the net asset value of our company s assets, including properties that were currently scheduled for sale, was in excess of $4.00 per share of common stock, and therefore, did not express an opinion with respect to, and remained neutral toward, the mini-tender offer, which was for a non-controlling interest in our company. Our board of directors did note, however, that if a stockholder otherwise intended to sell its shares of common stock, it should consider the mini-tender offer as a means of liquidity to the extent that the current market price of our common stock at the time the stockholder intended to sell was less than $4.00 per share of common stock.

At the November 11, 2005 meeting, our board of directors also reviewed a proposal received that same day from Group B, which was comprised of a real estate management firm and a privately held real estate investment company, to acquire all of the outstanding shares of common stock of our company for $4.50 per share in cash. Additionally, at this meeting Bear Stearns reported that Group A was planning to make a new proposal to our company in December 2005.

On November 11, 2006, Mr. Knight met with representatives of Real Estate Advisor B, a nationally recognized real estate brokerage firm, regarding their qualifications to assist our company in a possible liquidation.

During November 2005, Bear Stearns had continuing discussions with Group B and their representatives. Group B had previously requested the right to exclusively negotiate with our company with respect to an acquisition of our company, but subsequently agreed to proceed without exclusivity. Group B s legal counsel submitted initial comments on the proposed merger agreement to Mayer, Brown, Rowe & Maw LLP and indicated they expected to complete their due diligence by mid-December 2005 and be in a position to make a definitive proposal at that time. Throughout November 2005, our management and Bear Stearns provided both Group A and Group B with extensive information regarding our company, including copies of documents and detailed financial and other information. During November 2005, Mr. Knight met representatives of Party L and Group A regarding their interest in our company. During November 2005, our management had a series of conference calls with representatives of Party X, a privately held real estate owner, regarding their interest in acquiring all or part of our company s assets together with an unidentified third party.

On November 14, 2005, we announced the transfer of property management for our Phoenix properties to Trammell Crow.

On November 16, 2005, the acquisition committee of our board of directors approved the sale of the AmeriVest Plaza property.

On November 17, 2006, representatives of Real Estate Advisor A made a formal presentation to our management on their recommendations for liquidation of our company and their qualifications to assist our company as an advisor in a liquidation.

On November 23, 2005, the acquisition committee of our board of directors approved the sale of the Financial Plaza property.

On November 29, 2005, representatives of Trammell Crow made a formal presentation to our management on their recommendations for liquidation of our company and their qualifications to assist our company as an advisor in a liquidation.

During December 2005, our management and Bear Stearns continued to provide extensive due diligence information and continued in discussions with representatives of each Group A and Group B.

On December 2, 2005, representatives of Real Estate Advisor B made a formal presentation to our management on their recommendations for liquidation of our company and their qualifications to assist our company as an advisor in a liquidation.

At a meeting of our board of directors on December 5, 2005, our board of directors further reviewed the proposal from Group B, received on November 11, 2005, to effectuate a merger at a price of $4.50 per share and an update on the proposal from Group A to acquire all of our outstanding common shares. At that time, Group A had requested an exclusive period within which our company would not negotiate any other transactions involving any strategic alternatives with any other party for a period of 50 days, and further provided that if Group A and our company did not enter into a transaction for any reason, our company would be required to reimburse Group A for all of its costs and expenses in negotiating a transaction and conducting due diligence on our company. At that time, our board of directors reiterated its concerns with pursuing any proposal with an exclusivity requirement or expense reimbursement provisions in order to receive the highest value to our stockholders particularly in light of our pending proposals at equal or greater value.

Additionally, at the December 5, 2005 meeting of our board of directors, Mr. Atkins and Mr. Hewitt proposed a plan for continuing the operations of our company with a decrease in the size of management, without further growing our company and limiting the number of asset sales by our company. Our board of directors discussed the proposal at length with Mr. Atkins and Mr. Hewitt, and analyzed the underlying assumptions and different perspectives on interest rates, capitalization rates and the short and long term direction of the real estate markets and the prospects for our properties. Our board of directors also reviewed a liquidation plan prepared by our management, including a cash flow analysis and a memorandum about liquidation events under Maryland corporation law.

On December 6, 2005, Mr. Knight had a call with representatives of Party Y, a private real estate investment group, regarding Party Y s interest in contributing office building assets to our company in exchange for a controlling interest in our company. Bear Stearns and an investment banking firm representing Party Y discussed Party Y s proposal, but those discussions did not result in any formal offer being made by Party Y to our company.

On December 7, 2005, Mr. Knight met with the chief executive officer of Party O to discuss the continued interest of Group A in acquiring our company.

On December 9, 2005, representatives of Group B toured our company s Denver properties with members of our management.

On December 12, 2005, we completed the sale of the Chateau Plaza property.

On December 13, 2005, the acquisition committee of our board of directors approved the sale of the Keystone property.

On December 15, 2005, we completed the sale of the AmeriVest Plaza property.

On December 16, 2005, we announced the completion of a purchase and sale agreement on the Financial Plaza property.

During December 2005, Mr. Knight had further calls with representatives from Party X regarding its interest in our company and issues regarding the form of a confidentiality agreement that would be required of Party X. No discussion of specific value or terms took place at that time.

Throughout the month of December 2005, attorneys at Mayer, Brown, Rowe & Maw LLP and our management continued extensive negotiations with Group B on the merger agreement. Representatives of Group B conducted physical due diligence inspections of all of our properties in Denver, Dallas and Phoenix and spent two days in the our Denver corporate offices reviewing various detailed corporate documents.

On December 20, 2005, our board of directors met to discuss the continuing negotiations with Group B. Based on these discussions, our board of directors directed our management and Bear Stearns to continue their negotiations with Group B and to request that Group B s proposal be increased to $4.60 per share. Additionally, our board of directors voted to continue the suspension of our dividend for the fourth quarter of 2005.

On December 21, 2005, Mr. Knight met with a representative of Group B to discuss the proposed transaction between Group B and our company.

On December 27, 2005, we announced the transfer of property management for our Dallas properties to Transwestern Commercial Services and our hiring of a new director of asset management.

On December 29, 2005, representatives of Party Z, a private real estate investment firm, toured our Denver properties and met with our management to discuss their interest in acquiring our company.

On January 3, 2006, our management was informed by the real estate management firm included in Group B that the original privately held real estate investment company with whom it had partnered had been replaced in Group B by a new privately held real estate investment company. During January 2006, the newly reconstituted Group B continued its due diligence review of our company.

On January 10, 2006, Mr. Knight met with a representative of Group A to discuss the proposed transaction between Group A and our company.

On January 23, 2006, we completed a loan agreement with our primary bank group which amended our unsecured revolving credit agreement and reinstated a revolving credit facility of up to $10 million to be used for working capital and other limited corporate purposes. The revolver is secured by the Greenhill Park property and matures on December 28, 2006.

On January 23, 2006, we completed the sale of the Financial Plaza property.

On January 24, 2006, we completed the sale of the Keystone property.

During January 2006, Bear Stearns and our management continued discussions with each of Group A and with Group B regarding its interest in a transaction with our company and continued to provide additional information to both parties as requested. In addition, representatives of Group B completed property tours of all properties and attorneys and accountants for Group B reviewed numerous documents provided by our company.

In a continued effort to enter into a transaction, throughout January 2006, Mr. Knight met with representatives of Group A, Party B, Party E, Party Z, Party AA, a large institutional investor, and Party BB, a large institutional investor, regarding their interests in our company.

On January 20, 2006, management received formal second round presentations from each of Real Estate Advisor B and Trammell Crow regarding its recommendations and proposed asset sales plan for the remaining assets of our company.

On January 24, 2006, Bear Stearns and management had a conference call with principals of Party CC, a real estate opportunity fund. Party CC had expressed an interest in exploring a possible recapitalization of our company. On January 30, 2006, representatives from Party CC and Bear Stearns met in New York to discuss this proposed recapitalization. Party CC proposed to acquire up to $50 million of our outstanding shares of common stock at a price equal to $4.50 per share of common stock. Additionally, Party CC proposed to invest additional capital into our company on unspecified terms.

On January 26, 2006, our board of directors reviewed a revised proposal from Group B (as reconstituted). The revised Group B proposal provided for the acquisition of all of our outstanding shares of common stock at a price of $4.60 per share in cash. The proposal was subject to certain conditions, including delivery of specified due diligence items, negotiation of an acceptable merger agreement and receipt of all necessary consents to the assumption of the existing mortgage debt prior to closing of the transaction. Our board of directors also reviewed a proposal from Party Z to purchase all of our outstanding shares of common stock at a price between $4.15 and $4.40 per share in cash, subject to certain conditions, including a legal due diligence review of our company. Our board of directors also reviewed an updated proposal from Group A indicating their interest in pursuing an acquisition of all of our outstanding shares of common stock at a price per share equal to $4.39, less deductions for transaction costs and fees and working capital adjustments. The revised proposal from Group A continued to include the exclusivity and expense reimbursement provisions and a request for a further 30-day due diligence period. Bear Stearns reported that Group B had finished its real estate and market due diligence and was requesting an additional one to two weeks to complete its legal due diligence effort. Our board of directors also reviewed a further updated liquidation analysis and discussed the range of values likely to be realized by our stockholders in a liquidation of our company. Our board of directors discussed certain accounting and tax issues that could arise in the event a plan of liquidation were adopted by our board of directors and the likely timeline for a plan of liquidation. At the conclusion of the meeting, our board of directors directed management to allow Group B up to an additional two weeks to complete its legal due diligence and requested further information from our management with respect to the impact of certain existing non-prepayable debt on the valuations of specific properties of our company.

On January 26 and 27, 2006, representatives from Group B toured our properties in Phoenix and Denver and met with our management regarding their continued interest in an acquisition of our company.

On January 30, 2006, representatives of Group B contacted Bear Stearns to inform our company that its proposal to acquire all of the outstanding shares of our company at price of $4.60 per share in cash had been withdrawn, based upon Group B s estimate of the costs associated with assuming or prepaying our company s secured debt and that the group no longer had an interest in pursuing a transaction.

On January 30 and 31, 2006, management had meetings and conference calls with representatives of Trammell Crow regarding their projected property valuations, the impact of non-prepayable mortgage debt on these values and other matters related to a complete liquidation of our company s remaining assets.

On February 2, 2006, Mr. Knight had a discussion with representatives from Party DD, a private real estate investment management firm that had recently executed a confidentiality agreement with our company, regarding its preliminary interest in a recapitalization transaction of our company.

Our board of directors held a special meeting on February 9, 2006. Our board of directors initially discussed the progress of a proposed transaction with Group B and reviewed the proposal from Party CC outlining the general terms of their proposed recapitalization of our company. Bear Stearns reported on the status of current discussions with Group B and the recapitalization proposal from Party CC.

Our management next presented a draft plan of liquidation and various financial analyses and scenarios of a liquidation of our company. Representatives of Mayer, Brown, Rowe & Maw LLP advised our board of directors of its duties to our stockholders under applicable law with respect to adopting a plan of liquidation. Our management responded to questions and comments from our board of directors. After these presentations, our board of directors commenced a discussion concerning the proposed plan of liquidation. Following the review of the liquidation analyses and the discussions of the plan of liquidation, our board of directors unanimously determined that the plan of liquidation was fair to, advisable and in the best interests of our company and our stockholders.

On the evening of February 9, 2006, a press release was issued announcing the adoption of the plan of liquidation. A copy of the plan of liquidation is attached to this proxy statement as Appendix A.

Expected Distributions

Timing and Amount

At present, the amount and timing of distributions to stockholders depends entirely on the amount and timing of proceeds from sales of our properties. Our board of directors has not established a firm timetable for distributions to stockholders. Under the terms of the plan of liquidation and Maryland law, we may make one or more distributions from time to time, after providing for or reserving for the payment of our obligations and liabilities, as we sell or otherwise liquidate our assets. Alternatively, if our board of directors elects, we may transfer our remaining assets to a liquidating trust and issue each stockholder an interest, which may be certificated, in such liquidating trust. All distributions will be paid to stockholders of record at the close of business on the record dates to be determined by our board of directors, pro rata based on the number of shares owned by each stockholder.

The final distribution from our company to our stockholders, or alternatively to a liquidating trust, is expected to be made, if possible, no later than the second anniversary of the date on which our stockholders approve the plan of liquidation. However, we cannot assure you that the final distribution of the proceeds of all of our assets will be made in such time period.

Although we cannot be sure of the amounts, we currently believe that you will receive cash distributions totaling in the range of between approximately $4.20 to $4.80 per share of common stock.

However, should actual circumstances differ from our assumptions, you could receive more or less than that amount. The indicated amount and timing of the distributions represent our current estimates, but it is not possible to determine with certainty the aggregate net proceeds that may ultimately be available for distribution to stockholders. See Introduction Risk Factors. The actual amount, timing of and record dates for stockholder distributions will be determined by our board of directors in its sole discretion and will depend upon the timing and proceeds of the sale of our remaining assets, and the amounts deemed necessary by our board of directors to pay or provide for all of our liabilities and obligations.

Calculation of Estimated Distributions

To estimate the amounts that may be available for distribution from the liquidation proceeds, we estimated the amounts likely to be received from the sale of our properties and the costs of liquidation. We also estimated general and administrative costs during the liquidation process. The payment of the distributions is in each case subject to the payment or provision for payment of our obligations to the extent not assumed by any purchasers of our assets and any tax liabilities. We believe that we will have sufficient cash and cash equivalents to pay all of our current and accrued obligations as a result of cash from operations and asset sales. In addition, if contingent or unknown liabilities exist and/or greater federal, state or local income taxes have to be paid, distributions to stockholders may be reduced or delayed. Also, expenses will continue to accrue following approval of the plan of liquidation, as the expenses that we have estimated for professional fees and other expenses of liquidation are significant. These expenses will reduce the amount of cash available for ultimate distribution to stockholders. See Introduction Risk Factors for a more detailed discussion of these risks.

Uncertainties Relating to Estimated Distributions

Our estimates of potential distributions were prepared solely for planning purposes. The preparation of these estimates involved judgments and assumptions with respect to the liquidation process that, although considered reasonable at the time by management, may not be realized. We cannot assure you that actual results will not vary materially from the estimates. As we have disclosed under Introduction Risk Factors, certain examples of uncertainties that could cause the aggregate amount of distributions to be less or more than our estimates include the following:

- the value of our assets and the time required to sell our assets may change due to a number of factors beyond our control, including market conditions in the commercial real estate market and the length of time it takes to develop or sell our commercial real estate properties;

- our estimate of distributable cash resulting from our liquidation is based on estimates of the costs and expenses of the liquidation and operating our company. If actual costs and expenses exceed or are less than such estimated amount, aggregate distributions to stockholders from liquidation could be less or more than estimated;

- if properties are not sold by the times and at prices we currently expect, the liquidation may yield distributions less than or greater than the recent market prices of the shares of common stock;

- if liabilities, unknown or contingent at the time of the mailing of this Proxy Statement, later arise which must be satisfied or reserved for as part of the plan of liquidation, the aggregate amount of distributions to stockholders as a result of the plan of liquidation could be less than estimated; and

- delays in consummating the plan of liquidation could result in additional expenses and result in actual aggregate distributions to stockholders being less than our estimated amount.

We do not anticipate updating or otherwise publicly revising the estimates presented in this document to reflect circumstances existing or developments occurring after the preparation of these estimates or to