

HIGHWOODS PROPERTIES INC

FORM 10-Q (Quarterly Report)

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Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 1999

Commission file number: 001-13100

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of
incorporation or organization)

56-1871668
(I.R.S. Employer
Identification Number)

3100 SMOKETREE COURT, SUITE 600, RALEIGH, N.C.
(Address of principal executive office)

27604
(Zip Code)

Registrant's telephone number, including area code:
(919) 872-4924

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No

The Company has only one class of common stock, par value \$.01 per share, with 61,661,891 shares outstanding as of May 14, 1999.

HIGHWOODS PROPERTIES, INC.

QUARTERLY REPORT FOR THE PERIOD ENDED MARCH 31, 1999

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PART I -- FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

We refer to (1) Highwoods Properties, Inc. as the "Company," (2) Highwoods Realty Limited Partnership as the "Operating Partnership," (3) the Company's common stock as "Common Stock" and (4) the Operating Partnership's common partnership interests as "Common Units."

The information furnished in the accompanying balance sheets, statements of income and statements of cash flows reflect all adjustments that are, in our opinion, necessary for a fair presentation of the aforementioned financial statements for the interim period.

The aforementioned financial statements should be read in conjunction with the notes to consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations and our 1998 Annual Report on Form 10-K.

HIGHWOODS PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	MARCH 31, 1999	DECEMBER 31, 1998
	----- (UNAUDITED)	-----
ASSETS		
Real estate assets, at cost:		
Land and improvements	\$ 506,078	\$ 559,100
Buildings and tenant improvements	2,950,479	3,186,584
Development in process	223,545	189,465
Land held for development	154,020	150,622
Furniture, fixtures and equipment	7,891	7,693
	-----	-----
	3,842,013	4,093,464
Less -- accumulated depreciation	(202,246)	(169,272)
	-----	-----
Net real estate assets	3,639,767	3,924,192
Property held for sale	396,160	131,262
Cash and cash equivalents	38,325	31,445
Restricted cash	11,668	24,263
Accounts receivable	23,039	27,948
Advances to related parties	3,166	10,420
Notes receivable	47,054	40,225
Accrued straight line rents receivable	30,016	27,194
Investment in unconsolidated affiliates	36,746	21,088
Other assets:		
Deferred leasing costs	51,419	45,785
Deferred financing costs	43,409	38,750
Prepaid expenses and other	15,331	15,237
	-----	-----
	110,159	99,772
Less -- accumulated amortization	(27,006)	(23,476)
	-----	-----
	83,153	76,296
	-----	-----
	\$4,309,094	\$4,314,333
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgages and notes payable	\$2,030,849	\$2,008,716
Accounts payable, accrued expenses and other liabilities	111,252	130,575
	-----	-----
Total liabilities	2,142,101	2,139,291
Minority interest	241,105	279,043
Stockholders' equity:		
Preferred stock, \$.01 par value, 50,000,000 authorized shares:		
8 5/8% Series A Cumulative Redeemable Preferred Shares		
(liquidation preference \$1,000 per share), 125,000 shares issued		
and outstanding at March 31, 1999 and December 31, 1998	125,000	125,000
8% Series B Cumulative Redeemable Preferred Shares		
(liquidation preference \$25 per share), 6,900,000 shares issued and		
outstanding at March 31, 1999 and December 31, 1998	172,500	172,500
8% Series D Cumulative Redeemable Preferred Shares		
(liquidation preference \$250 per share), 400,000 shares issued and		
outstanding at March 31, 1999 and December 31, 1998	100,000	100,000
Common stock, \$.01 par value, authorized 200,000,000 shares; 61,628,377		
shares issued and outstanding at March 31, 1999 and 59,865,259 shares		
issued and outstanding at December 31, 1998	616	599
Additional paid-in capital	1,581,853	1,546,592
Distributions in excess of net income	(54,081)	(48,692)
	-----	-----
Total stockholders' equity	1,925,888	1,895,999
	-----	-----
	\$4,309,094	\$4,314,333
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

HIGHWOODS PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF INCOME

(UNAUDITED AND IN THOUSANDS EXCEPT PER SHARE AMOUNTS)

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
REVENUE:		
Rental property	\$146,721	\$100,331
Equity in earnings of unconsolidated affiliates	197	--
Gain on disposition of assets	569	--
Interest and other income	5,287	2,157
	-----	-----
	152,774	102,488
OPERATING EXPENSES:		
Rental property	45,345	29,728
Depreciation and amortization	28,156	17,161
Interest expense:		
Contractual	31,842	17,162
Amortization of deferred financing costs	778	616
	-----	-----
	32,620	17,778
General and administrative	5,793	3,784
	-----	-----
Income before minority interest and extraordinary item	40,860	34,037
MINORITY INTEREST	(5,826)	(5,608)
	-----	-----
Income before extraordinary item	35,034	28,429
EXTRAORDINARY ITEM -- LOSS ON EARLY EXTINGUISHMENT OF DEBT	--	(46)
	-----	-----
Net income	35,034	28,383
Dividends on preferred stock	(8,145)	(6,145)
	-----	-----
Net income available for common stockholders	\$ 26,889	\$ 22,238
	=====	=====
NET INCOME PER COMMON SHARE -- BASIC:		
Income before extraordinary item	\$ 0.45	\$ 0.45
Extraordinary item -- loss on early extinguishment of debt	--	--
	-----	-----
Net income	\$ 0.45	\$ 0.45
	=====	=====
Weighted average shares outstanding -- basic	60,272	49,051
	=====	=====
NET INCOME PER COMMON SHARE -- DILUTED:		
Income before extraordinary item	\$ 0.45	\$ 0.45
Extraordinary item loss on early extinguishment of debt	--	--
	-----	-----
Net income	\$ 0.45	\$ 0.45
	=====	=====
Weighted average shares outstanding -- diluted	60,409	49,688
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

HIGHWOODS PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED AND IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
OPERATING ACTIVITIES:		
Net income	\$ 35,034	\$ 28,383
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,156	17,161
Minority interest	5,826	5,608
Loss on early extinguishment of debt	--	46
Gain on disposition of assets	(569)	--
Changes in operating assets and liabilities	(18,056)	773
Net cash provided by operating activities	50,391	51,971
INVESTING ACTIVITIES:		
Additions to real estate assets	(122,860)	(311,362)
Cash paid in exchange for partnership net assets	(1,008)	(12,383)
Proceeds from disposition	124,463	--
Repayment of advances from subsidiaries	7,254	--
Other	(30,467)	(2,099)
Net cash used in investing activities	(22,618)	(325,844)
FINANCING ACTIVITIES:		
Distributions paid on common stock and common units	(38,072)	(30,097)
Dividends paid on preferred stock	(8,145)	(6,145)
Payments of prepayment penalties	--	(46)
Borrowings on mortgages and notes payable	4,385	287,188
Repayment of mortgages and notes payable	(3,252)	(102,450)
Borrowings on revolving loans	95,000	247,000
Payments on revolving loans	(74,000)	(240,500)
Net proceeds from the sale of common stock	7,850	139,167
Net (payment) receipt of deferred financing costs	(4,659)	1,860
Net cash (used in) provided by financing activities	(20,893)	295,977
Net increase in cash and cash equivalents	6,880	22,104
Cash and cash equivalents at beginning of the period	31,445	10,146
Cash and cash equivalents at end of the period	\$ 38,325	\$ 32,250
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 30,207	\$ 12,324
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

HIGHWOODS PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED AND IN THOUSANDS)

SUPPLEMENTAL DISCLOSURE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

The following summarizes the net assets contributed by holders of Common Units in the Operating Partnership or acquired subject to mortgage notes payable:

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
ASSETS:		
Rental property and equipment, net	\$2,241	\$76,125
LIABILITIES:		
Mortgages and notes payable assumed	\$ --	\$61,303
	-----	-----
Net assets	\$2,241	\$14,822
	=====	=====

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

HIGHWOODS PROPERTIES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 1999
(UNAUDITED)

1. BASIS OF PRESENTATION

The consolidated financial statements include the accounts of the Company and the Operating Partnership and its majority controlled affiliates. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The extraordinary loss represents the write-off of loan origination fees and prepayment penalties paid on the early extinguishment of debt, net of the minority interest.

The Company has elected and expects to continue to qualify as a REIT under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended.

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which is required to be adopted in fiscal years beginning after June 15, 1999. The Statement will require the Company to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The fair market value of the Company's derivatives as of March 31, 1999 are discussed in Item 2.

The "Year 2000" issue is a general term used to describe the various problems that may result from the improper processing of dates and calculations involving years by many computers throughout the world as the Year 2000 is approached and reached. We have reviewed the impact of Year 2000 issues and do not expect Year 2000 issues to be material to our business, operations or financial condition. The Year 2000 issue is discussed more fully in "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Minority interest in the Company represents Common Units owned by various individuals and entities and not the Company in the Operating Partnership, the entity that owns substantially all of the Company's properties and through which the Company, as the sole general partner, conducts substantially all of its operations. Per share information is calculated using the weighted average number of shares outstanding (including common share equivalents). In addition, minority interest includes equity of consolidated real estate partnerships which are owned by various individuals and entities and not the Company. The Company acquired greater than 50% of the interest in real estate partnerships as part of its acquisition of J.C. Nichols Company.

The accompanying financial information has not been audited, but in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of our financial position, results of operations and cash flows have been made. For further information, refer to the financial statements and notes thereto included in our 1998 Annual Report on Form 10-K.

2. SEGMENT INFORMATION

The sole business of the Company is the acquisition, development and operation of rental real estate properties. The Company operates office, industrial and retail properties and apartment units. There are no material inter-segment transactions.

The Company's chief operating decision maker ("CDM") assesses and measures operating results based upon property level net operating income. The operating results for the individual assets within each property type have been aggregated since the CDM evaluates operating results and allocates resources on a property-by-property basis within the various property types.

The accounting policies of the segments are the same as those described in note 1. Further, all operations are within the United States and no tenant comprises more than 10% of consolidated revenues. The following table summarizes the rental income, net operating income and assets for each reportable segment for the quarter ended March 31, 1999 and 1998.

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
	(IN THOUSANDS)	
RENTAL INCOME:		
Office segment	\$ 121,208	\$ 91,412
Industrial segment	13,054	8,919
Retail segment	7,568	--
Apartment segment	4,891	--
	-----	-----
	\$ 146,721	\$ 100,331
	=====	=====
NET OPERATING INCOME:		
Office segment net operating income	\$ 82,709	\$ 63,225
Industrial segment net operating income	10,943	7,378
Retail segment net operating income	5,069	--
Apartment segment net operating income	2,655	--
	-----	-----
	\$ 101,376	\$ 70,603
Reconciliation to income before minority interest and extraordinary item:		
Equity in income of unconsolidated affiliates	197	--
Gain on disposition of assets	569	--
Interest and other income	5,287	2,157
Interest expense	(32,620)	(17,778)
General and administrative expenses	(5,793)	(3,784)
Depreciation and amortization	(28,156)	(17,161)
	-----	-----
Income before minority interest and extraordinary item	\$ 40,860	\$ 34,037
	=====	=====
TOTAL ASSETS:		
Office segment	\$3,229,735	\$2,739,906
Industrial segment	490,452	304,175
Retail segment	256,869	--
Apartment segment	136,339	--
Corporate and other	195,699	87,651
	-----	-----
Total Assets	\$4,309,094	\$3,131,732
	=====	=====

3. JOINT VENTURE ACTIVITY

On March 15, 1999, the Company closed a transaction with Schweiz-Deutschland-USA Dreilander Beteiligung Objekt-DLF 98/29-Walker Fink-KG ("DLF"), pursuant to which the Company sold or contributed certain office properties valued at approximately \$142 million to a newly created limited partnership (the "Joint Venture"). DLF contributed approximately \$55 million for a 77.19% interest in the Joint Venture, and the Joint Venture borrowed approximately \$71 million from third-party lenders. The Company retained the remaining 22.81% interest in the Joint Venture, received net cash proceeds of approximately \$124 million and are the sole and exclusive manager and leasing agent of the Joint Venture's properties, for which the Company receives customary management fees and leasing commissions. The Company used the cash proceeds received in the transaction to fund existing development activity either through direct payments or repayment of borrowings under the Revolving Loan.

4. CONTINGENCIES

LITIGATION. On October 2, 1998, John Flake, a former stockholder of J.C. Nichols Company, filed a putative class action lawsuit on behalf of himself and the other former stockholders of J.C. Nichols in the United States District Court for the District of Kansas against J.C. Nichols, certain of its former officers and directors

and the Company. The complaint alleges, among other things, that in connection with the merger of J.C. Nichols and the Company (1) J.C. Nichols and the named directors and officers of J.C. Nichols breached their fiduciary duties to J.C. Nichols' stockholders, (2) J.C. Nichols and the named directors and officers of J.C. Nichols breached their fiduciary duties to members of the J.C. Nichols Company Employee Stock Ownership Trust, (3) all defendants participated in the dissemination of a proxy statement containing materially false and misleading statements and omissions of material facts in violation of Section 14(a) of the Securities and Exchange Act of 1934 and (4) the Company filed a registration statement with the Securities and Exchange Commission containing materially false and misleading statements and omissions of material facts in violation of Sections 11 and 12(2) of the Securities Act of 1933. The plaintiffs seek equitable relief and monetary damages. The Company believes that the defendants have meritorious defenses to the plaintiffs' allegations. The Company intends to vigorously defend this litigation and has filed a motion to dismiss all claims asserted against the defendants. Due to the inherent uncertainties of the litigation process and the judicial system, the Company is not able to predict the outcome of this litigation. If this litigation is not resolved in our favor, it could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, the Company is a party to a variety of legal proceedings arising in the ordinary course of our business. The Company believes that it is adequately covered by insurance and indemnification agreements. Accordingly, none of such proceedings are expected to have a material adverse affect on the Company's business, financial condition and results of operations.

5. SUBSEQUENT EVENTS

PENDING DISPOSITION ACTIVITY. The Company recently entered into agreements to sell approximately 3.3 million rentable square feet of non-core office and industrial properties and 49 acres of development land in the South Florida area for gross proceeds of approximately \$323.2 million. The South Florida transaction is expected to close by June 1, 1999. The Company recently also entered into agreements to sell approximately 737,000 rentable square feet of non-core office and industrial properties and 10.5 acres of development land in the Baltimore area for gross proceeds of approximately \$82.2 million. The Baltimore transaction is expected to close by June 30, 1999. Non-core office and industrial properties generally include single buildings or business parks that do not fit our long-term strategy. The Company can provide no assurance that all or parts of the transactions will be consummated. Both transactions are subject to customary closing conditions, and the Baltimore transaction is also subject to the completion of due diligence.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with all of the financial statements appearing elsewhere in the report. The following discussion is based primarily on the consolidated financial statements of the Company.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1999. Revenues from rental operations increased \$46.4 million, or 46%, from \$100.3 million for the three months ended March 31, 1998 to \$146.7 million for the comparable period in 1999. The increase is primarily a result of our acquisition of 9.6 million square feet of majority owned office, industrial and retail properties and 2,325 apartment units, and the completion of 4.2 million square feet of development activity during the last nine months of 1998 and the first three months of 1999. Our in-service portfolio increased from 33.9 million square feet at March 31, 1998 to 43.6 million square feet at March 31, 1999. Same property revenues, which are the revenues of the 471 in-service properties owned on January 1, 1998, increased 4% for the three months ended March 31, 1999, compared to the same three months of 1998.

During the three months ended March 31, 1999, 373 leases representing 2.3 million square feet of office, industrial and retail space commenced at an average rate per square foot which was 5% higher than the average rate per square foot on the expired leases.

Interest and other income increased \$3.1 million, or 141%, from \$2.2 million for the three months ended March 31, 1998 to \$5.3 million for the comparable period in 1999. The increase was a result of higher cash balances in 1999, and additional income generated from management fees, development fees and leasing commissions. The Company generated \$313,000 in auxiliary income (vending and parking) as a result of acquiring multifamily communities in the merger with J.C. Nichols.

Rental operating expenses increased \$15.6 million, or 53%, from \$29.7 million for the three months ended March 31, 1998 to \$45.3 million for the comparable period in 1999. The increase is a result of our addition of 13.8 million square feet of office, industrial and retail space and 2,325 apartment units through a combination of acquisitions and developments during the last nine months of 1998 and the first three months of 1999. Rental operating expenses as a percentage of related revenues increased from 30% for the three months ended March 31, 1998 to 31% for the comparable period in 1999.

Depreciation and amortization for the three months ended March 31, 1999 and 1998 was \$28.2 million and \$13.8 million, respectively. The increase of \$11.0 million, or 64%, is due to an increase in depreciable assets over the prior year. Interest expense increased \$14.8 million, or 83%, from \$17.8 million for the three months ended March 31, 1998 to \$32.6 million for the comparable period in 1999. The increase is attributable to the increase in the outstanding debt for the entire quarter. Interest expense for the three months ended March 31, 1999 and 1998 included \$778,000 and \$616,000, respectively, of amortization of non-cash deferred financing costs and the costs related to the Company's interest rate hedge contracts. General and administrative expenses increased from 3.8% of rental revenue for the three months ended March 31, 1998 to 3.9% for the comparable period in 1999.

Net income before minority interest and extraordinary item equaled \$40.9 million and \$34.0 million for the three months ended March 31, 1999 and 1998, respectively. The Company's net income allocated to minority interest totaled \$5.8 million and \$5.6 million for the three months ended March 31, 1999 and 1998, respectively. The Company recorded \$8.1 million and \$6.1 million in preferred stock dividends for the three months ended March 31, 1999 and 1998, respectively.

LIQUIDITY AND CAPITAL RESOURCES

STATEMENT OF CASH FLOWS. For the three months ended March 31, 1999, cash provided by operating activities decreased by \$1.6 million, or 3%, to \$50.4 million, as compared to \$52.0 million for the same period in 1998. The decrease is primarily due to the payment of real estate taxes due in the first quarter of 1999 offset by the increase in net income resulting from our property acquisitions in 1998 and 1999. Cash used for investing activities decreased by \$303.2 million, to \$22.6 million, for the first three months of 1999, as compared to \$325.8 million for the same period in 1998. The decrease is due to a decline in acquisition activity during the first three months of 1999 as compared to the same period in 1998 and the sale or contribution of certain office properties to a newly created joint venture as described under " -- Recent Developments," partially offset by an increase in development activity. Cash provided by financing activities decreased by \$316.9 million to \$(20.9) million for the first three months of 1999, as compared to \$296.0 million for the same period in 1998. Payments of distributions increased by \$8.0 million to \$38.1 million for the first three months of 1999, as compared with \$30.1 million for the same period in 1998. The increase is due to the greater number of shares outstanding and a 6% increase in the distribution rate. Preferred stock dividend payments were \$8.1 million for the first three months of 1999, as compared to \$6.1 million for the same period in 1998. The increase is due to the issuance of Preferred Series D Shares in the first quarter of 1998.

CAPITALIZATION. The Company's total indebtedness at March 31, 1999 totaled \$2.0 billion and was comprised of \$641.9 million of secured indebtedness with a weighted average interest rate of 7.7% and \$1.4 billion of unsecured indebtedness with a weighted average interest rate of 7.0%. Except as stated below, all of the mortgage and notes payable outstanding at March 31, 1999 were either fixed rate obligations or variable rate obligations covered by interest rate hedge contracts. A portion of our \$600 million unsecured revolving loan (the "Revolving Loan") and approximately \$73 million of floating rate notes payable assumed upon consummation of the merger with J.C. Nichols were not covered by interest rate hedge contracts on March 31, 1999.

Based on the Company's total market capitalization of \$4.1 billion at March 31, 1999, (at the March 31, 1999 stock price of \$23.56 and assuming the redemption for shares of Common Stock of the 8,877,978 Common Units of minority interest in the Operating Partnership), the Company's debt represented approximately 50% of its total market capitalization.

To meet in part our long-term liquidity requirements, we borrow funds at a combination of fixed and variable rates. Borrowings under our Revolving Loan bear interest at variable rates. Our long-term debt, which consists of long-term financings and the issuance of debt securities, typically bears interest at fixed rates. In addition, we have assumed fixed rate and variable rate debt in connection with acquiring properties. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, from time to time we enter into interest rate hedge contracts such as collars, swaps, caps and treasury lock agreements in order to mitigate our interest rate risk with respect to various debt instruments. We do not hold or issue these derivative contracts for trading or speculative purposes.

The following table sets forth information regarding our interest rate hedge contracts as of March 31, 1999:

TYPE OF HEDGE	NOTIONAL AMOUNT	MATURITY DATE	REFERENCE RATE	FIXED RATE	FAIR MARKET VALUE
-----	-----	-----	-----	-----	-----
		(DOLLARS IN THOUSANDS)			
Treasury Lock	\$100,000	10/1/99	10-Year Treasury	5.725%	\$ (3,331)
Treasury Lock	50,000	6/10/99	10-Year Treasury	5.276	114
Treasury Lock	100,000	7/1/99	10-Year Treasury	5.674	(3,166)
Swap	100,000	10/1/99	3-Month LIBOR	4.970	22
Swap	20,970	6/10/02	1-Month LIBOR + 0.75%	7.700	(1,333)
Collar	80,000	10/15/01	1-Month LIBOR	5.40 - 6.25	(482)

We enter into swaps, collars and caps to limit our exposure to an increase in variable interest rates, particularly with respect to amounts outstanding under our Revolving Loan. The interest rate on all of our variable rate debt is adjusted at one- and three-month intervals, subject to settlements under these contracts. We also enter into treasury lock agreements from time to time in order to limit our exposure to an increase in interest rates with respect to future debt offerings.

In addition, we are exposed to certain losses in the event of nonperformance by the counterparties under the interest rate hedge contracts. We expect the counterparties, which are major financial institutions, to perform fully under these contracts. However, if the counterparties were to default on their obligations under the interest rate hedge contracts, we could be required to pay the full rates on our debt, even if such rates were in excess of the rates in the contracts.

CURRENT AND FUTURE CASH NEEDS. Historically, rental revenue has been the principal source of funds to pay operating expenses, debt service, stockholder distributions and capital expenditures, excluding nonrecurring capital expenditures. In addition, construction management, maintenance, leasing and management fees have provided sources of cash flow. We presently have no plans for major capital improvements to the existing in-service properties, other than normal recurring building improvements, tenant improvements and lease commissions. We expect to meet our short-term liquidity requirements generally through working capital and net cash provided by operating activities along with the Revolving Loan.

Our short-term (within the next 12 months) liquidity needs also include, among other things, the funding of approximately \$310 million of our existing development activity. We expect to fund our short-term liquidity needs through a combination of:

- o additional borrowings under our Revolving Loan (approximately \$144 million was available as of March 31, 1999);
- o the issuance of secured debt;
- o the selective disposition of non-core assets; and

o the sale or contribution of some of our wholly owned properties to strategic joint ventures to be formed with selected partners interested in investing with us, which will have the net effect of generating additional capital through such sale or contributions.

Because of certain financial covenants set forth in the Revolving Loan, we intend to finance a significant portion of our short-term development expenses through asset sales and joint ventures. Although we believe that we will be able to fund our short-term development commitments, an inability to sell a sufficient number of non-core assets or to enter into significant joint venture arrangements of the type described above could adversely affect our liquidity. See " -- Recent Developments."

Our long-term liquidity needs generally include the funding of existing and future development activity, selective asset acquisitions and the retirement of mortgage debt, amounts outstanding under the Revolving Loan and long-term unsecured debt. We remain committed to maintaining a flexible and conservative capital structure. Accordingly, we expect to meet our long-term liquidity needs through a combination of (1) the issuance by the Operating Partnership of additional unsecured debt securities, (2) the issuance of additional equity securities by the Company and the Operating Partnership as well as (3) the sources described above with respect to our short-term liquidity. We expect to use such sources to meet our long-term liquidity requirements either through direct payments or repayment of borrowings under the Revolving Loan. We do not intend to reserve funds to retire existing secured or unsecured indebtedness upon maturity. Instead, we will seek to refinance such debt at maturity or retire such debt through the issuance of equity or debt securities.

We anticipate that our available cash and cash equivalents and cash flows from operating activities, together with cash available from borrowings and other sources, will be adequate to meet our capital and liquidity needs in both the short and long term. However, if these sources of funds are insufficient or unavailable, the Company's ability to make the expected distributions to stockholders discussed below and satisfy other cash requirements may be adversely affected.

DISTRIBUTIONS TO STOCKHOLDERS. In order to qualify as a REIT for Federal income tax purposes, the Company is required to make distributions to its stockholders of at least 95% of REIT taxable income. The Company expects to use its cash flow from operating activities for distributions to stockholders and for payment of recurring, non-incremental revenue-generating expenditures. The following factors will affect cash flows from operating activities and, accordingly, influence the decisions of the Board of Directors regarding distributions: (1) debt service requirements after taking into account the repayment and restructuring of certain indebtedness; (2) scheduled increases in base rents of existing leases; (3) changes in rents attributable to the renewal of existing leases or replacement leases; (4) changes in occupancy rates at existing properties and procurement of leases for newly acquired or developed properties; and (5) operating expenses and capital replacement needs.

RECENT DEVELOPMENTS

JOINT VENTURE ACTIVITY. On March 15, 1999, we closed a transaction with Schweiz-Deutschland-USA Dreilander Beteiligung Objekt-DLF 98/29-Walker Fink-KG ("DLF"), pursuant to which we sold or contributed certain office properties valued at approximately \$142 million to a newly created limited partnership (the "Joint Venture"). DLF contributed approximately \$55 million for a 77.19% interest in the Joint Venture, and the Joint Venture borrowed approximately \$71 million from third-party lenders. We retained the remaining 22.81% interest in the Joint Venture, received net cash proceeds of approximately \$124 million and are the sole and exclusive manager and leasing agent of the Joint Venture's properties, for which we receive customary management fees and leasing commissions. We used the cash proceeds received in the transaction to fund existing development activity either through direct payments or repayment of borrowings under the Revolving Loan.

PENDING DISPOSITION ACTIVITY. We recently entered into agreements to sell approximately 3.3 million rentable square feet of non-core office and industrial properties and 49 acres of development land in the South Florida area for gross proceeds of approximately \$323.2 million. The South Florida transaction is expected to close by June 1, 1999. We recently also entered into agreements to sell approximately 737,000 rentable square feet of non-core office and industrial properties and 10.5 acres of development land in the Baltimore area for gross proceeds of approximately \$82.2 million. The Baltimore transaction is expected to close by June 30, 1999. Non-core office and industrial properties generally include single buildings or business parks that do not fit our long-term strategy. We can provide no assurance that all or parts of the transactions will be consummated. Both

transactions are subject to customary closing conditions, and the Baltimore transaction is also subject to the completion of due diligence.

YEAR 2000

BACKGROUND. The Year 2000 compliance issue refers to the inability of computer systems and computer software to correctly process any date after 1999. The date change to the new millennium may be a problem because some computer hardware and software was designed to use only two digits to represent a year. As a result, some systems may interpret 1/1/00 to be the year 1900. In addition, some systems may not recognize that the Year 2000 is a leap year. Both problems could result in system failure or miscalculations, which may cause disruptions of operations.

The Year 2000 issue, if not corrected, could result in the failure of the information technology ("IT") systems that we use in our business operations, such as computer programs related to property management, leasing, financial reporting, employee benefits, asset management and energy management. In addition, computerized systems and microprocessors are embedded in a variety of products used in our operations and properties, such as HVAC controls, lights, power generators, elevators, life safety systems, phones and security systems.

APPROACH AND STATUS. Our Year 2000 compliance efforts are divided into two areas -- "operations level" and "property level." Operations level includes those information technology systems used in our corporate and division offices to perform real estate, accounting and human resources functions. Property level includes the non-information technology systems at our individual properties. Our Y2K remediation plan at both the operations and property levels has three phases:

- o assessment (inventory and testing of computer systems),
- o renovation (repairing or replacing non-compliant systems) and
- o validation (testing of repaired or replaced systems).

Our Information Technology Department is overseeing our operations level compliance program. With respect to our operations level IT software, we have completed all three phases of our Year 2000 remediation plan. As part of a standardization of our technology infrastructure in 1998, computer software that was not Year 2000 compliant was upgraded or replaced. These software upgrades were off-the-shelf Year 2000 compliant packages. Additionally, we successfully upgraded and tested a Year 2000 compliant version of our corporate accounting and property management software in December 1998. With respect to our operations level IT hardware, we have completed the assessment phase of our remediation plan and are 90% complete (in terms of labor) with the renovation and validation phases of the plan. We expect to complete the renovation and validation phases with respect to our operations level hardware by the third quarter of 1999.

Our Chief Operating Officer is overseeing our property level compliance program. We have completed our inventory of all of our properties' non-information technology systems. As part of the inventory process, we requested appropriate vendors and manufacturers to certify that their products are Year 2000 compliant. We are approximately 75% complete (in terms of labor) with the renovation and validation phases of our remediation plan at the property level. We expect to complete both phases in the third quarter.

With respect to Year 2000 issues relating to our customer base, we have not sought representations from our tenants with respect to their Year 2000 readiness because no one tenant represents more than 3% of our annualized rental revenue. With respect to suppliers and vendors, our material purchases are generally from those in competitive fields where others will be able to meet any of our needs unmet by suppliers or vendors with Year 2000 difficulties. (Although we have no reason to expect a significant interruption of utility services for our properties, we have not received (nor sought) written assurances from utility providers that Y2K issues will not cause an interruption in service.)

COSTS. To date, the costs directly associated with our Year 2000 efforts have not been material, and we estimate our future costs to be immaterial as well.

RISKS ASSOCIATED WITH THE YEAR 2000 ISSUE. We do not expect Year 2000 failures to have a material adverse effect on our results of operations or liquidity because:

- o we do not rely on a small number of tenants for a significant portion of our rental revenue;

- o we stand ready to switch vendors or suppliers whose Year 2000 failures adversely affect their products or services; and

- o our remediation plan is expected to be complete prior to the Year 2000.

As a result, we do not expect to develop a contingency plan for Year 2000 failures.

Our assessment of the likely impact of Year 2000 issues on us, which is a forward-looking statement, depends on numerous factors, such as the continued provision of utility services, and we remain exposed to the risk of Year 2000 failures. See " -- Disclosure Regarding Forward-Looking Statements."

Our disclosures and announcements concerning our Year 2000 programs are intended to constitute "Year 2000 Readiness Disclosures" as defined in the recently-enacted Year 2000 Information and Readiness Disclosure Act. The Act provides added protection from liability for certain public and private statements concerning an entity's Year 2000 readiness and the Year 2000 readiness of its products and services. The Act also potentially provides added protection from liability for certain types of Year 2000 disclosures made after January 1, 1996, and before the date of enactment of the Act.

POSSIBLE ENVIRONMENTAL LIABILITIES

In connection with owning or operating our properties, we may be liable for certain costs due to possible environmental liabilities. Under various laws, ordinances and regulations, such as the Comprehensive Environmental Response Compensation and Liability Act, and common law, an owner or operator of real estate is liable for the costs to remove or remediate certain hazardous or toxic chemicals or substances on or in the property. Owners or operators are also liable for certain other costs, including governmental fines and injuries to persons and property. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic chemicals or substances. The presence of such substances, or the failure to remediate such substances properly, may adversely affect the owner's or operator's ability to sell or rent such property or to borrow using such property as collateral. Persons who arrange for the disposal, treatment or transportation of hazardous or toxic chemicals or substances may also be liable for the same types of costs at a disposal, treatment or storage facility, whether or not that person owns or operates that facility.

Certain environmental laws also impose liability for releasing asbestos-containing materials. Third parties may seek recovery from owners or operators of real property for personal injuries associated with asbestos-containing materials. A number of our properties have asbestos-containing materials or material that we presume to be asbestos-containing materials. In connection with owning and operating our properties, we may be liable for such costs.

In addition, it is not unusual for property owners to encounter on-site contamination caused by off-site sources. The presence of hazardous or toxic chemicals or substances at a site close to a property could require the property owner to participate in remediation activities or could adversely affect the value of the property. Contamination from adjacent properties has migrated onto at least three of our properties; however, based on current information, we do not believe that any significant remedial action is necessary at these affected sites.

As of the date hereof, we have obtained Phase I environmental assessments (and, in certain instances, Phase II environmental assessments) on substantially all of our in-service properties. These assessments have not revealed, nor are we aware of, any environmental liability at our properties that we believe would materially adversely affect our financial position, operations or liquidity taken as a whole. This projection, however, could be incorrect depending on certain factors. For example, material environmental liabilities may have arisen after the assessments were performed or our assessments may not have revealed all environmental liabilities or may have underestimated the scope and severity of environmental conditions observed. There may also be unknown environmental liabilities at properties for which we have not obtained a Phase I environmental assessment or have not yet obtained a Phase II environmental assessment. In addition, we base our assumptions regarding environmental conditions, including groundwater flow and the existence and source of contamination, on readily available sampling data. We cannot guarantee that such data is reliable in all cases. Moreover, we cannot provide any assurances (1) that future laws, ordinances or regulations will not impose a material environmental liability or (2) that tenants, the condition of land or operations in the vicinity of our properties or unrelated third parties will not affect the current environmental condition of our properties.

Some tenants use or generate hazardous substances in the ordinary course of their respective businesses. In their leases, we require these tenants to comply with all applicable laws and to be responsible to us for any damages resulting from their use of the property. We are not aware of any material environmental problems resulting from tenants' use or generation of hazardous or toxic chemicals or substances. We cannot provide any assurances, however, that all tenants will comply with the terms of their leases or remain solvent. If tenants do not comply or do not remain solvent, we may at some point be responsible for contamination caused by such tenants.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES, which is required to be adopted in fiscal years beginning after June 15, 1999. The Statement will require us to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings.

COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT

Under the Americans with Disabilities Act (the "ADA"), all public accommodations and commercial facilities are required to meet certain federal requirements related to access and use by disabled persons. These requirements became effective in 1992. Compliance with the ADA requirements could require removal of access barriers, and noncompliance could result in imposition of fines by the U.S. government or an award of damages to private litigants. Although we believe that our properties are substantially in compliance with these requirements, we may incur additional costs to comply with the ADA. Although we believe that such costs will not have a material adverse effect on us, if required changes involve a greater expenditure than we currently anticipate, our results of operations, liquidity and capital resources could be materially adversely affected.

FUNDS FROM OPERATIONS AND CASH AVAILABLE FOR DISTRIBUTIONS

We consider funds from operations ("FFO") to be a useful financial performance measure of the operating performance of an equity REIT because, together with net income and cash flows, FFO provides investors with an additional basis to evaluate the ability of a REIT to incur and service debt and to fund acquisitions and other capital expenditures. FFO does not represent net income or cash flows from operating, investing or financing activities as defined by Generally Accepted Accounting Principles ("GAAP"). It should not be considered as an alternative to net income as an indicator of our operating performance or to cash flows as a measure of liquidity. FFO does not measure whether cash flow is sufficient to fund all cash needs, including principal amortization, capital improvements and distributions to stockholders. Further, FFO as disclosed by other REITs may not be comparable to our calculation of FFO, as described below. FFO and cash available for distributions should not be considered as alternatives to net income as an indication of our performance or to cash flows as a measure of liquidity.

FFO means net income (computed in accordance with generally accepted accounting principles) excluding gains (or losses) from debt restructuring and sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. In March 1995, the National Association of Real Estate Investment Trusts ("NAREIT") issued a clarification of the definition of FFO. The clarification provides that amortization of deferred financing costs and depreciation of non-real estate assets are no longer to be added back to net income in arriving at FFO. Cash available for distribution is defined as funds from operations reduced by non-revenue enhancing capital expenditures for building improvements and tenant improvements and lease commissions related to second generation space.

FFO and cash available for distribution for the three month periods ended March 31, 1999 and 1998 are summarized in the following table (in thousands):

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
FUNDS FROM OPERATIONS:		
Income before minority interest and extraordinary item	\$ 40,860	\$ 34,037
Add (deduct):		
Dividends to preferred shareholders	(8,145)	(6,145)
Gain on disposition of assets	(569)	--
Depreciation and amortization	28,156	17,161
Depreciation on unconsolidated affiliates	477	--
FUNDS FROM OPERATIONS BEFORE MINORITY INTEREST	60,779	45,053
CASH AVAILABLE FOR DISTRIBUTION:		
Add (deduct):		
Rental income from straight-line rents	(3,985)	(3,116)
Amortization of deferred financing costs	778	616
Non-incremental revenue generating capital expenditures (1):		
Building improvements paid	(1,518)	(1,019)
Second generation tenant improvements paid	(6,009)	(2,436)
Second generation lease commissions paid	(3,531)	(1,726)
CASH AVAILABLE FOR DISTRIBUTION	\$ 46,514	\$ 37,372
Weighted average common shares/common units outstanding -- basic (2)	70,114	59,598
Weighted average common shares/common units outstanding -- diluted (2)	70,251	60,235
DIVIDEND PAYOUT RATIO -- DILUTED:		
Funds from operations	62.4%	68.2%
Cash available for distribution	81.6%	82.2%

(1) Amounts represent cash expenditures.

(2) Assumes redemption of Common Units for shares of Common Stock. Minority interest Common Unit holders and the stockholders of the Company share equally on a per share and per Common Unit basis; therefore, the resultant per share information is unaffected by the conversion.

On April 27, 1999, the Company's Board of Directors declared a dividend of \$.54 per share (\$2.16 on an annualized basis) payable on May 19, 1999 to stockholders of record on May 7, 1999.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Some of the information in this Quarterly Report on Form 10-Q may contain forward-looking statements. Such statements include, in particular, statements about our plans, strategies and prospects under "Management's Discussion and Analysis of Financial Condition and Results of Operations." You can identify forward-looking statements by our use of forward-looking terminology such as "may," "will," "expect," "anticipate," "estimate," "continue" or other similar words. Although we believe that our plans, intentions and expectations reflected in or suggested by such forward-looking statements are reasonable, we cannot assure you that our plans, intentions or expectations will be achieved. When considering such forward-looking statements, you should keep in mind the following important factors that could cause our actual results to differ materially from those contained in any forward-looking statement:

- o our markets could suffer unexpected increases in development of office, industrial and retail properties;
- o the financial condition of our tenants could deteriorate;
- o the costs of our development projects could exceed our original estimates;

o we may not be able to complete development, acquisition, disposition or joint venture projects as quickly or on as favorable terms as anticipated;

o we may not be able to lease or release space quickly or on as favorable terms as old leases;

o we may have incorrectly assessed the environmental condition of our properties;

o an unexpected increase in interest rates would increase our debt service costs;

o we may not be able to continue to meet our long-term liquidity requirements on favorable terms;

o we could lose key executive officers; and

o our southeastern markets may suffer an unexpected decline in economic growth or increase in unemployment rates.

Given these uncertainties, we caution you not to place undue reliance on forward-looking statements. We undertake no obligation to publicly release the results of any revisions to these forward-looking statements that may be made to reflect any future events or circumstances or to reflect the occurrence of unanticipated events.

PROPERTY INFORMATION

The following table sets forth certain information with respect to our majority owned in-service and development properties (excluding apartment units) as of March 31, 1999 and 1998:

MARCH 31, 1999	RENTABLE SQUARE FEET	NUMBER OF PROPERTIES	PERCENT LEASED/ PRE-LEASED
-----	-----	-----	-----
IN-SERVICE:			
Office	30,032,000	443	94%
Industrial	11,883,000	184	91%
Retail	1,661,000	18	91%
	-----	---	--
Total	43,576,000	645	93%
	=====	===	==
REDEVELOPMENT:			
Office	207,000	4	49%
Industrial	194,000	4	1%
	-----	---	--
Total	401,000	8	26%
	=====	===	==
DEVELOPMENT:			
COMPLETED -- NOT STABILIZED			
Office	1,564,000	15	79%
Industrial	777,000	6	87%
Retail	--	--	--
	-----	---	--
Total	2,341,000	21	82%
	=====	===	==
IN PROCESS			
Office	3,764,000	30	64%
Industrial	131,000	1	50%
Retail	200,000	2	65%
	-----	---	--
Total	4,095,000	33	63%
	=====	===	==
TOTAL:			
Office	35,567,000	492	
Industrial	12,985,000	195	
Retail	1,861,000	20	
	-----	---	
Total	50,413,000	707	
	=====	===	
MARCH 31, 1998			

IN-SERVICE:			
Office	26,501,000	382	94%
Industrial	7,429,000	148	90%
Retail	--	--	--
	-----	---	--
Total	33,930,000	530	93%
	=====	===	==
REDEVELOPMENT			
Office	N/A	N/A	N/A
Industrial	N/A	N/A	N/A
	-----	---	--
Total	N/A	N/A	N/A
	=====	===	====
DEVELOPMENT:			
COMPLETED -- NOT STABILIZED			
Office	N/A	N/A	N/A
Industrial	N/A	N/A	N/A
Retail	N/A	N/A	N/A
	-----	---	--
Total	N/A	N/A	N/A
	=====	===	====
IN PROCESS			
Office	3,182,000	27	53%
Industrial	396,000	5	25%
Retail	--	--	--
	-----	---	--
Total	3,578,000	32	50%
	=====	===	====
TOTAL:			
Office	29,683,000	409	
Industrial	7,825,000	153	
Retail	--	--	
	-----	---	
Total	37,508,000	562	
	=====	===	

The following table sets forth certain information with respect to our properties under development as of March 31, 1999 (dollars in thousands):

NAME	LOCATION	RENTABLE SQUARE FEET	ESTIMATED COSTS

IN-PROCESS			
OFFICE:			
Highwoods Center II			
@ Tradeport	Atlanta	53,000	\$ 4,825
Peachtree Corner	Atlanta	109,000	9,238
Highwoods I	Baltimore	125,000	15,300
Mallard Creek V	Charlotte	118,000	12,262
Parkway Plaza 14	Charlotte	90,000	7,690
Lakefront Plaza I	Hampton Roads	77,000	7,477
Belfort Park C1	Jacksonville	54,000	4,830
Belfort Park C2	Jacksonville	31,000	2,730
Valencia Place	Kansas City	241,000	34,020
Southwind Building D	Memphis	64,000	6,800
Caterpillar Financial Center	Nashville	313,000	54,000
Lakeview Ridge III	Nashville	131,000	13,100
Westwood South	Nashville	125,000	13,530
C N A Maitland III	Orlando	78,000	9,885
Capital Plaza	Orlando	303,000	53,000
Concourse Center One	Piedmont Triad	86,000	8,400
3737 Glenwood Ave.	Research Triangle	107,000	16,700
4101 Research Commons	Research Triangle	73,000	9,311
Capital One Bldg 1	Richmond	126,000	14,795
Capital One Bldg 2	Richmond	44,000	5,125
Capital One Bldg 3	Richmond	126,000	14,380
Highwoods Common	Richmond	49,000	4,840
Stony Point II	Richmond	136,000	13,881
Sportsline USA	South Florida	80,000	10,000
Intermedia Building 1	Tampa	200,000	27,040
Intermedia Building 2	Tampa	30,000	4,056
Intermedia Building 3	Tampa	170,000	22,984
Intermedia Building 4	Tampa	200,000	29,219
Intermedia Building 5	Tampa	200,000	29,219
Lakepoint II	Tampa	225,000	34,106

In-Process Office Total or Weighted Average		3,764,000	\$492,743
=====			
INDUSTRIAL:			
Newpoint II	Atlanta	131,000	5,167

In-Process Industrial Total or Weighted Average		131,000	\$ 5,167
=====			
RETAIL:			
Seville Square	Kansas City	119,000	32,100
Valencia Place	Kansas City	81,000	14,362

In-Process Retail Total or Weighted Average		200,000	\$ 46,462
=====			
Total or Weighted Average of all In-Process Development Projects		4,095,000	\$544,372
=====			

NAME	COST AT 3/31/99	PRE-LEASING PERCENTAGE (1)	ESTIMATED COMPLETION	ESTIMATED STABILIZATION (2)

IN-PROCESS				
OFFICE:				
Highwoods Center II				
@ Tradeport	\$ 994	57%	3Q 99	4Q 99
Peachtree Corner	3,042	--	3Q 99	3Q 00
Highwoods I	8,048	--	2Q 99	4Q 99
Mallard Creek V	5,948	--	4Q 99	4Q 00
Parkway Plaza 14	3,236	58	2Q 99	1Q 00
Lakefront Plaza I	5,122	31	2Q 99	1Q 00
Belfort Park C1	1,579	--	3Q 99	2Q 00
Belfort Park C2	1,130	--	3Q 99	2Q 00
Valencia Place	16,879	41	1Q 00	4Q 00
Southwind Building D	3,869	56	2Q 99	4Q 99
Caterpillar Financial Center	16,743	79	1Q 00	2Q 00

Lakeview Ridge III	8,523	88	2Q 99	2Q 99
Westwood South	8,068	79	3Q 99	1Q 00
C N A Maitland III	5,648	100	3Q 99	3Q 99
Capital Plaza	15,721	30	1Q 00	4Q 01
Concourse Center One	4,817	32	2Q 99	1Q 00
3737 Glenwood Ave.	8,903	56	3Q 99	1Q 00
4101 Research Commons	3,919	35	3Q 99	2Q 00
Capital One Bldg 1	8,647	100	2Q 99	2Q 99
Capital One Bldg 2	3,064	100	3Q 99	3Q 99
Capital One Bldg 3	4,401	100	4Q 99	4Q 99
Highwoods Common	3,902	100	2Q 99	2Q 99
Stony Point II	9,148	52	2Q 99	4Q 99
Sportsline USA	3,153	100	3Q 99	3Q 99
Intermedia Building 1	1,298	100	1Q 00	1Q 00
Intermedia Building 2	123	100	1Q 00	1Q 00
Intermedia Building 3	1,674	100	1Q 00	1Q 00
Intermedia Building 4	--	100	2Q 00	2Q 00
Intermedia Building 5	--	100	3Q 01	3Q 01
Lakepoint II	8,334	52	4Q 99	4Q 99
	-----	---		
In-Process Office Total or Weighted Average	\$165,933	64%		
	=====	===		
INDUSTRIAL:				
Newpoint II	2,964	50%	2Q 99	2Q 00
	-----	---		
In-Process Industrial Total or Weighted Average	\$ 2,964	50%		
	=====	===		
RETAIL:				
Seville Square	26,913	75%	2Q 99	4Q 99
Valencia Place	3,876	50	1Q 00	4Q 00
	-----	---		
In-Process Retail Total or Weighted Average	\$ 30,789	65%		
	=====	===		
Total or Weighted Average of all In-Process Development Projects	\$199,686	63%		
	=====	===		

(1) Includes the effect of letters of intent.

(2) We generally consider a development project to be stabilized upon the earlier of the first date such project is at least 95% occupied or one year from the date of completion.

NAME	LOCATION	RENTABLE SQUARE FEET	ESTIMATED COSTS

COMPLETED -- NOT STABILIZED			
OFFICE:			
Ridgefield III	Asheville	57,000	\$ 5,500
10 Glenlakes	Atlanta	254,000	35,100
Highwoods Center I			
@ Tradeport	Atlanta	45,000	3,717
Parkway Plaza 11	Charlotte	32,000	2,600
Parkway Plaza 12	Charlotte	22,000	1,800
Patewood VI	Greenville	107,000	11,400
Highwoods Centre	Hampton Roads	103,000	9,925
Cool Springs I	Nashville	153,000	16,800
Highwoods Centre	Research Triangle	76,000	8,300
Overlook	Research Triangle	97,000	10,500
Red Oak	Research Triangle	65,000	6,000
Situs II	Research Triangle	59,000	6,300
Eastshore II	Richmond	76,000	7,842
Highwoods Square	South Florida	93,000	12,500
Interstate Corporate Center	Tampa	325,000	19,100
		-----	-----
Completed -- Not Stabilized			
Office Total or Weighted		1,564,000	\$157,384
Average		=====	=====
INDUSTRIAL:			
Bluegrass Lakes I	Atlanta	112,000	4,700
Tradeport 1	Atlanta	87,000	3,100
Tradeport 2	Atlanta	87,000	3,100
Air Park South Warehouse II	Piedmont Triad	136,000	4,200
Air Park South Warehouse VI	Piedmont Triad	189,000	8,000
HIW Distribution Center	Richmond	166,000	5,764
		-----	-----
Completed -- Not Stabilized			
Industrial Total or Weighted		777,000	\$ 28,864
Average		-----	-----
Total or Weighted Average of			
all Completed -- Not			
Stabilized Development			
Projects		2,341,000	\$186,248
		=====	=====
Total or Weighted Average of			
all Development Projects		6,436,000	\$730,620
		=====	=====

NAME	COST AT 3/31/99	PRE-LEASING PERCENTAGE (1)	ESTIMATED COMPLETION	ESTIMATED STABILIZATION (2)

COMPLETED -- NOT STABILIZED				
OFFICE:				
Ridgefield III	\$ 5,046	44%	3Q 98	4Q 99
10 Glenlakes	27,469	77	1Q 99	4Q 99
Highwoods Center I				
@ Tradeport	2,776	100	1Q 99	2Q 99
Parkway Plaza 11	2,212	66	1Q 99	3Q 99
Parkway Plaza 12	1,401	61	1Q 99	4Q 99
Patewood VI	11,882	92	3Q 98	2Q 99
Highwoods Centre	8,103	60	4Q 98	4Q 99
Cool Springs I	15,076	66	3Q 98	3Q 99
Highwoods Centre	8,313	100	4Q 98	3Q 99
Overlook	9,509	91	4Q 98	2Q 99
Red Oak	4,767	80	4Q 98	2Q 99
Situs II	5,986	83	3Q 98	2Q 99
Eastshore II	6,275	100	1Q 99	2Q 99
Highwoods Square	8,842	47	1Q 99	4Q 99
Interstate Corporate Center	16,527	90	1Q 99	2Q 99
		-----	---	
Completed -- Not Stabilized				
Office Total or Weighted				
Average		\$134,184	79%	
		=====	===	
INDUSTRIAL:				
Bluegrass Lakes I	3,856	100%	1Q 99	2Q 99
Tradeport 1	2,605	87	3Q 98	2Q 99
Tradeport 2	2,587	96	3Q 98	2Q 99
Air Park South Warehouse II	3,216	100	4Q 98	3Q 99
Air Park South Warehouse VI	6,784	100	1Q 99	2Q 99

HIW Distribution Center	5,831	46	1Q 99	4Q 99
	-----	---		
Completed -- Not Stabilized				
Industrial Total or Weighted				
Average	\$ 24,879	87%		
	-----	---		
Total or Weighted Average of				
all Completed -- Not				
Stabilized Development				
Projects	\$159,063	82%		
	=====	===		
Total or Weighted Average of				
all Development Projects	\$358,749	70%		
	=====	===		

(1) Includes the effect of letters of intent.

(2) We generally consider a development project to be stabilized upon the earlier of the first date such project is at least 95% occupied or one year from the date of completion.

DEVELOPMENT ANALYSIS	RENTABLE SQUARE FEET	ESTIMATED COSTS	PRE-LEASING PERCENTAGE (1)
		(DOLLARS IN THOUSANDS)	
SUMMARY BY ESTIMATED STABILIZATION DATE:			
Second Quarter 1999	1,555,000	\$116,494	93%
Third Quarter 1999	599,000	56,910	89
Fourth Quarter 1999	1,543,000	191,981	57
First Quarter 2000	885,000	107,877	75
Second Quarter 2000	802,000	105,257	67
Third Quarter 2000	109,000	9,238	--
Fourth Quarter 2000	440,000	60,644	32
Third Quarter 2001	200,000	29,219	100
Fourth Quarter 2001	303,000	53,000	30
	-----	-----	---
Total or Weighted Average	6,436,000	\$730,620	70%
	=====	=====	===
SUMMARY BY MARKET:			
Asheville	57,000	5,500	44%
Atlanta	878,000	68,947	69
Baltimore	125,000	15,300	0
Charlotte	262,000	24,352	33
Greenville	107,000	11,400	92
Hampton Roads	180,000	17,402	48
Jacksonville	85,000	7,560	0
Kansas City	441,000	80,482	52
Memphis	64,000	6,800	56
Nashville	722,000	97,430	78
Orlando	381,000	62,885	44
Piedmont Triad	411,000	20,600	86
Research Triangle	477,000	57,111	74
Richmond	723,000	66,627	79
South Florida	173,000	22,500	72
Tampa	1,350,000	165,724	90
	-----	-----	---
Total or Weighted Average	6,436,000	\$730,620	70%
	=====	=====	===
Build-to-Suit	1,254,000	\$166,703	100%
Multi-tenant	5,182,000	563,917	63
	-----	-----	---
Total or Weighted Average	6,436,000	\$730,620	70%
	=====	=====	===
	RENTABLE SQUARE FEET	ESTIMATED COSTS	PRE-LEASING(1)
	-----	-----	-----
PER PROPERTY TYPE:			
Office Weighted Average.....	118,400	\$ 14,447	68%
Industrial Weighted Average	129,714	4,862	81
Retail Weighted Average	100,000	23,231	65
	-----	-----	-----
Total Weighted Average	119,400	\$ 13,378	70%
	=====	=====	=====

(1) Includes the effect of letters of intent.

The following table sets forth certain information with respect to our properties under redevelopment as of March 31, 1999 (dollars in thousands):

		RENTABLE					ESTIMATED
NAME	LOCATION	SQUARE FEET	ESTIMATED COST	COST AT 3/31/99	PRE-LEASING (1)	ESTIMATED COMPLETION	STABILIZATION (2)

OFFICE:							
Highwoods Park B	South Florida	27,000	\$ 2,296	\$ 1,834	99%	1Q 00	3Q 00
Highwoods Park C	South Florida	77,000	6,667	5,347	47	1Q 00	3Q 00
Highwoods Park E	South Florida	78,000	6,782	5,248	50	1Q 00	3Q 00
Highwoods Park F	South Florida	25,000	2,394	1,730	--	1Q 00	3Q 00
		-----	-----	-----	--		
Total or Weighted Average		207,000	18,139	14,159	49		
		=====	=====	=====	==		
INDUSTRIAL:							
Highwoods Park G	South Florida	66,000	4,241	2,578	1%	1Q 00	3Q 00
Highwoods Park H1	South Florida	20,000	1,426	771	--	1Q 00	3Q 00
Highwoods Park H2	South Florida	36,000	3,022	2,385	--	1Q 00	3Q 00
Highwoods Park J	South Florida	72,000	4,501	2,725	--	1Q 00	3Q 00
		-----	-----	-----	--		
Total or Weighted Average		194,000	13,190	8,459	--		
		=====	=====	=====	==		
Grand Total		401,000	31,329	22,618	26%		
		=====	=====	=====	==		

(1) Includes the effect of letters of intent.

(2) We generally consider a development project to be stabilized upon the earlier of the first date such project is at least 95% occupied or one year from the date of completion.

The following tables set forth certain information about our leasing activities at our majority-owned in service properties (excluding apartment units) for the three months ended March 31, 1999 and December 31, September 30 and June 30, 1998.

	OFFICE LEASING STATISTICS				
	THREE MONTHS ENDED				
	3/31/99	12/31/98	9/30/98	6/30/98	AVERAGE
NET EFFECTIVE RENTS RELATED TO RE-LEASED SPACE:					
Number of lease transactions (signed leases)	276	308	326	285	299
Rentable square footage leased	1,406,170	1,291,297	1,645,913	1,099,805	1,360,796
Average per rentable square foot over the lease term:					
Base rent	\$ 14.84	\$ 16.54	\$ 16.18	\$ 15.53	\$ 15.77
Tenant improvements	(0.84)	(0.85)	(0.71)	(1.00)	(0.85)
Leasing commissions	(0.42)	(0.38)	(0.42)	(0.27)	(0.37)
Rent concessions	0.00	0.00	0.00	(0.03)	(0.01)
Effective rent	13.58	15.31	15.05	14.23	14.54
Expense stop(1)	(3.55)	(3.96)	(4.45)	(4.22)	(4.05)
Equivalent effective net rent	\$ 10.03	\$ 11.35	\$ 10.60	\$ 10.01	\$ 10.49
Average term in years	5	4	5	5	5
CAPITAL EXPENDITURES RELATED TO RE-LEASED SPACE:					
Tenant Improvements:					
Total dollars committed under signed leases	\$6,848,279	\$4,886,517	\$ 6,754,100	\$5,849,409	\$6,084,576
Rentable square feet	1,406,170	1,291,297	1,645,913	1,099,805	1,360,796
Per rentable square foot	\$ 4.87	\$ 3.78	\$ 4.10	\$ 5.32	\$ 4.47
Leasing Commissions:					
Total dollars committed under signed leases	\$3,047,978	\$2,005,094	\$ 3,694,473	\$1,356,002	\$2,525,887
Rentable square feet	1,406,170	1,291,297	1,645,913	1,099,805	1,360,796
Per rentable square foot	\$ 2.17	\$ 1.55	\$ 2.24	\$ 1.23	\$ 1.86
Total:					
Total dollars committed under signed leases	\$9,896,257	\$6,891,611	\$10,448,573	\$7,205,411	\$8,610,463
Rentable square feet	1,406,170	1,291,297	1,645,913	1,099,805	1,360,796
Per rentable square foot	\$ 7.04	\$ 5.34	\$ 6.35	\$ 6.55	\$ 6.33
RENTAL RATE TRENDS:					
Average final rate with expense pass throughs	\$ 14.28	\$ 13.57	\$ 14.51	\$ 13.91	\$ 14.07
Average first year cash rental rate	\$ 15.01	\$ 14.47	\$ 15.43	\$ 14.87	\$ 14.95
Percentage increase	5.11%	6.63%	6.34%	6.90%	6.24%

(1) "Expense stop" represents operating expenses (generally including taxes, utilities, routine building expense and common area maintainance) for which we will not be reimbursed by our tenants.

INDUSTRIAL LEASING STATISTICS THREE MONTHS ENDED					
	3/31/99	12/31/98	9/30/98	6/30/98	AVERAGE
NET EFFECTIVE RENTS RELATED TO RE-LEASED SPACE:					
Number of lease transactions (signed leases)	72	44	56	41	53
Rentable square footage leased	837,616	582,758	314,549	194,014	482,234
Average per rentable square foot over the lease term:					
Base rent	\$ 5.12	\$ 4.71	\$ 6.59	\$ 6.99	\$ 5.85
Tenant improvements	(0.22)	(0.20)	(0.23)	(0.29)	(0.24)
Leasing commissions	(0.10)	(0.09)	(0.09)	(0.19)	(0.12)
Rent concessions	0.00	0.00	0.00	0.00	0.00
Effective rent	4.80	4.42	6.27	6.51	5.50
Expense stop(1)	(0.28)	(0.25)	(0.44)	(0.52)	(0.37)
Equivalent effective net rent	\$ 4.52	\$ 4.17	\$ 5.83	\$ 5.99	\$ 5.13
Average term in years	4	3	4	3	3
CAPITAL EXPENDITURES RELATED TO RE-LEASED SPACE:					
TENANT IMPROVEMENTS:					
Total dollars committed under signed leases	\$ 821,654	\$712,108	\$248,359	\$239,348	\$505,367
Rentable square feet	837,616	582,758	314,549	194,014	482,234
Per rentable square foot	\$ 0.98	\$ 1.22	\$ 0.79	\$ 1.23	\$ 1.05
LEASING COMMISSIONS:					
Total dollars committed under signed leases	\$ 315,101	\$173,017	\$ 99,574	\$130,243	\$179,484
Rentable square feet	837,616	582,758	314,549	194,014	482,234
Per rentable square foot	\$ 0.38	\$ 0.30	\$ 0.32	\$ 0.67	\$ 0.37
Total:					
Total dollars committed under signed leases	\$1,136,755	\$885,125	\$347,933	\$369,591	\$684,851
Rentable square feet	837,616	582,758	314,549	194,014	482,234
Per rentable square foot	\$ 1.36	\$ 1.52	\$ 1.11	\$ 1.90	\$ 1.42
RENTAL RATE TRENDS:					
Average final rate with expense pass throughs	\$ 4.91	\$ 4.62	\$ 5.40	\$ 6.09	\$ 5.26
Average first year cash rental rate	\$ 4.91	\$ 4.72	\$ 5.54	\$ 6.50	\$ 5.42
Percentage increase	0.00%	2.16%	2.59%	6.73%	3.04%

(1) "Expense stop" represents operating expenses (generally including taxes, utilities, routine building expense and common area maintainance) for which we will not be reimbursed by our tenants.

RETAIL LEASING STATISTICS THREE MONTHS ENDED				
	3/31/99	12/31/98	9/30/98	AVERAGE
NET EFFECTIVE RENTS RELATED TO RE-LEASED SPACE:				
Number of lease transactions (signed leases)	25	15	11	17
Rentable square footage leased	62,638	29,706	37,258	43,201
Average per rentable square foot over the lease term:				
Base rent	\$ 15.37	\$ 16.34	\$ 13.59	\$ 15.10
Tenant improvements	(0.45)	(1.66)	(0.14)	(0.75)
Leasing commissions	(0.39)	(0.76)	(0.44)	(0.53)
Rent concessions	0.00	0.00	0.00	0.00
Effective rent	14.53	13.92	13.01	13.82
Expense stop	(0.27)	(1.79)	(0.09)	(0.72)
Equivalent effective net rent	\$ 14.26	\$ 12.13	\$ 12.92	\$ 13.10
Average term in years	6	5	6	6
CAPITAL EXPENDITURES RELATED TO RE-LEASED SPACE:				
TENANT IMPROVEMENTS:				
Total dollars committed under signed leases	\$248,531	\$319,620	\$ 21,000	\$196,384
Rentable square feet	62,638	29,706	37,258	43,201
Per rentable square foot	\$ 3.97	\$ 10.76	\$ 0.56	\$ 4.55
LEASING COMMISSIONS:				
Total dollars committed under signed leases	\$153,872	\$123,047	\$ 99,268	\$125,396
Rentable square feet	62,638	29,706	37,258	43,201
Per rentable square foot	\$ 2.46	\$ 4.14	\$ 2.66	\$ 2.90
TOTAL:				
Total dollars committed under signed leases	\$402,403	\$442,667	\$120,268	\$321,779
Rentable square feet	62,638	29,706	37,258	43,201
Per rentable square foot	\$ 6.42	\$ 14.90	\$ 3.23	\$ 7.45
RENTAL RATE TRENDS:				
Average final rate with expense pass throughs	\$ 10.92	\$ 15.91	\$ 8.55	\$ 11.79
Average first year cash rental rate	\$ 16.22	\$ 18.16	\$ 10.53	\$ 14.97
Percentage increase	48.53%	14.14%	23.16%	26.94%

(1) "Expense stop" represents operating expenses (generally including taxes, utilities, routine building expense and common area maintainance) for which we will not be reimbursed by our tenants.

(2) Note: The company did not own any retail property during the quarter ended 6/30/98.

The following tables set forth scheduled lease expirations for executed leases at our majority-owned in-service properties (excluding apartment units) as of March 31, 1999 assuming no tenant exercises renewal options.

OFFICE PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	PERCENTAGE OF LEASED SQUARE FOOTAGE REPRESENTED BY EXPIRING LEASES	ANNUAL RENTS UNDER EXPIRING LEASES (1) (IN THOUSANDS)	AVERAGE ANNUAL RENTAL RATE PER SQUARE FOOT FOR EXPIRATIONS (1)	PERCENTAGE OF LEASED RENTS REPRESENTED BY EXPIRING LEASES
Remainder of 1999	955	3,288,450	11.6%	\$ 51,652	\$ 15.71	11.4%
2000	897	4,098,481	14.4	65,965	16.09	14.6
2001	850	4,463,076	15.7	71,864	16.10	15.8
2002	671	4,159,527	14.6	67,013	16.11	14.8
2003	587	3,978,439	14.0	64,482	16.21	14.3
2004	209	2,145,807	7.5	33,410	15.57	7.4
2005	92	1,349,324	4.7	20,673	15.32	4.6
2006	49	1,267,839	4.5	19,872	15.67	4.4
2007	31	870,058	3.1	14,321	16.46	3.2
2008	54	1,707,657	6.0	24,240	14.19	5.4
Thereafter	55	1,103,252	3.9	18,311	16.60	4.1
	---	---	---	---	---	---
Total of average	4,450	28,431,910	100.0%	\$451,803	\$ 15.89	100.0%
	=====	=====	=====	=====	=====	=====

INDUSTRIAL PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	PERCENTAGE OF LEASED SQUARE FOOTAGE REPRESENTED BY EXPIRING LEASES	ANNUAL RENTS UNDER EXPIRING LEASES (1) (IN THOUSANDS)	AVERAGE ANNUAL RENTAL RATE PER SQUARE FOOT FOR EXPIRATIONS (1)	PERCENTAGE OF LEASED RENTS REPRESENTED BY EXPIRING LEASES
Remainder of 1999	203	1,820,161	17.0%	\$ 9,150	\$ 5.03	17.7%
2000	172	2,157,591	20.1	10,681	4.95	20.6
2001	159	1,998,739	18.6	8,986	4.50	17.4
2002	83	1,267,253	11.8	5,929	4.68	11.5
2003	57	772,642	7.2	4,124	5.34	8.0
2004	23	1,369,816	12.8	5,275	3.85	10.2
2005	11	187,833	1.8	1,210	6.44	2.3
2006	5	224,099	2.1	1,110	4.95	2.1
2007	4	489,125	4.6	1,726	3.53	3.3
2008	8	376,536	3.5	3,245	8.62	6.3
Thereafter	3	58,876	0.5	335	5.69	0.6
	---	---	---	---	---	---
Total or average	728	10,722,671	100.0%	\$51,771	\$ 4.83	100.0%
	===	=====	=====	=====	=====	=====

(1) Includes operating expense pass throughs and excludes the effect of future contractual rent increases.

RETAIL PROPERTIES:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	PERCENTAGE OF LEASED SQUARE FOOTAGE REPRESENTED BY EXPIRING LEASES	ANNUAL RENTS UNDER EXPIRING LEASES (1) (IN THOUSANDS)	AVERAGE ANNUAL RENTAL RATE PER SQUARE FOOT FOR EXPIRATIONS (1)	PERCENTAGE OF LEASED RENTS REPRESENTED BY EXPIRING LEASES
Remainder of 1999	87	320,973	15.7%	\$ 3,060	\$ 9.53	12.0%
2000	72	238,381	11.7	2,940	12.33	11.5
2001	61	235,825	11.5	3,209	13.61	12.5
2002	41	162,767	8.0	2,161	13.28	8.4
2003	47	210,935	10.3	3,214	15.24	12.6
2004	19	168,129	8.2	1,260	7.49	4.9
2005	13	64,999	3.2	1,294	19.91	5.1
2006	12	109,066	5.3	1,172	10.75	4.6
2007	8	63,125	3.1	946	14.99	3.7
2008	14	105,765	5.2	2,223	21.02	8.7
Thereafter	23	366,156	17.8	4,118	11.25	16.0
	--	-----	-----	-----	-----	-----
Total or average	397	2,046,121	100.0%	\$25,597	\$ 12.51	100.0%
	===	=====	=====	=====	=====	=====

TOTAL:

YEAR OF LEASE EXPIRATION	NUMBER OF LEASES	TOTAL RENTABLE SQUARE FEET EXPIRING	PERCENTAGE OF LEASED SQUARE FOOTAGE REPRESENTED BY EXPIRING LEASES	ANNUAL RENTS UNDER EXPIRING LEASES (1) (IN THOUSANDS)	PERCENTAGE OF LEASED RENTS REPRESENTED BY EXPIRING LEASES
Remainder of 1999	1,245	5,429,584	13.2%	\$ 63,862	12.1%
2000	1,141	6,494,453	15.8	79,586	15.0
2001	1,070	6,697,640	16.2	84,059	15.9
2002	795	5,589,547	13.6	75,103	14.2
2003	691	4,962,016	12.0	71,820	13.6
2004	251	3,683,752	8.9	39,945	7.5
2005	116	1,602,156	3.9	23,177	4.4
2006	66	1,601,004	3.9	22,154	4.2
2007	43	1,422,308	3.5	16,993	3.2
2008	76	2,189,958	5.3	29,708	5.6
Thereafter	81	1,528,284	3.7	22,764	4.3
	-----	-----	-----	-----	-----
Total or average	5,575	41,200,702	100.0%	\$529,171	100.0%
	=====	=====	=====	=====	=====

(1) Includes operating expense pass throughs and excludes the effect of future contractual rent increases.

INFLATION

Historically inflation has not had a significant impact on our operations because of the relatively low inflation rate in our geographic areas of operation. Most of the leases require the tenants to pay their pro rata share of increased incremental operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing our exposure to increases in operating expenses resulting from inflation. In addition, many of the leases are for terms of less than seven years, which may enable us to replace existing leases with new leases at a higher base rent if rents on the existing leases are below the market rate.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

THE EFFECTS OF POTENTIAL CHANGES IN INTEREST RATES AND EQUITY PRICES ARE DISCUSSED BELOW. OUR MARKET RISK DISCUSSION INCLUDES "FORWARD-LOOKING STATEMENTS" AND REPRESENTS AN ESTIMATE OF POSSIBLE CHANGES IN FAIR VALUE OR FUTURE EARNINGS THAT WOULD OCCUR ASSUMING HYPOTHETICAL FUTURE MOVEMENTS IN INTEREST RATES OR EQUITY MARKETS. THESE DISCLOSURES ARE NOT PRECISE INDICATORS OF EXPECTED FUTURE LOSSES, BUT ONLY INDICATORS OF REASONABLY POSSIBLE LOSSES. AS A RESULT, ACTUAL FUTURE RESULTS MAY DIFFER MATERIALLY FROM THOSE PRESENTED. SEE "MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS -- LIQUIDITY AND CAPITAL RESOURCES" FOR A DESCRIPTION OF OUR ACCOUNTING POLICIES AND OTHER INFORMATION RELATED TO THESE FINANCIAL INSTRUMENTS.

INTEREST RATE RISK

To meet in part our long-term liquidity requirements, we borrow funds at a combination of fixed and variable rates. Borrowings under the Revolving Loan bear interest at variable rates. Our long-term debt, which consists of long-term financings and the issuance of debt securities, typically bears interest at fixed rates. In addition, we have assumed fixed rate and variable rate debt in connection with acquiring properties. Our interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve these objectives, from time to time we enter into interest rate hedge contracts such as collars, swaps, caps and treasury lock agreements in order to mitigate our interest rate risk with respect to various debt instruments. We do not hold or issue these derivative contracts for trading or speculative purposes.

CERTAIN VARIABLE RATE DEBT. As of March 31, 1999, the Company had approximately \$325.8 million of variable rate debt outstanding that was not protected by interest rate hedge contracts. If the weighted average interest rate on this variable rate debt is 100 basis points higher or lower during the 12 months ended March 31, 2000, our interest expense would be increased or decreased approximately \$3.3 million. In addition, as of March 31, 1999, we had \$80 million of additional variable rate debt outstanding that was protected by an interest rate collar that effectively keeps the interest rate within a range of 85 basis points. We do not believe that a 100 basis point increase or decrease in interest rates would materially affect our interest expense with respect to this \$80 million of debt.

INTEREST RATE HEDGE CONTRACTS. For a discussion of our interest rate hedge contracts in effect at March 31, 1999, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Liquidity and Capital Resources -- CAPITALIZATION." If interest rates increase by 100 basis points, the aggregate fair market value of these interest rate hedge contracts as of March 31, 1999 would increase by approximately \$21.1 million. If interest rates decrease by 100 basis points, the aggregate fair market value of these interest rate hedge contracts as of March 31, 1999 would decrease by approximately \$23.1 million.

In addition, we are exposed to certain losses in the event of nonperformance by the counterparties under the hedge contracts. We expect the counterparties, which are major financial institutions, to perform fully under these contracts. However, if the counterparties were to default on their obligations under the interest rate hedge contracts, we could be required to pay the full rates on our debt, even if such rates were in excess of the rates in the contracts.

EQUITY PRICE RISK

On August 28, 1997, we entered into a purchase agreement with UBS AG, London Branch ("UB-LB") involving the sale of 1.8 million shares of Common Stock and a related forward contract providing for certain purchase price adjustments. The forward contract (as amended) generally provides that if the market price (defined as the weighted average closing price of the Common Stock for the period beginning March 31, 1999 and ending when UB-LB has sold all of the shares issued under the forward contract) is less than a certain amount, which we refer to as the "Forward Price," we must pay UB-LB the difference times 1.8 million. (Similarly, if the Market Price of a share of Common Stock is above the Forward Price, UB-LB must pay us the difference in shares of Common Stock.)

On February 28, 1999, the Company and UB-LB amended the forward contract.
Pursuant to the amendment:

- o UB-LB applied \$12.8 million in Company collateral to "buy down" the Forward Price by approximately \$7.10 (at March 31, 1999, the forward price was approximately \$25.12);
- o We issued 161,924 shares of Common Stock to UB-LB as an interim settlement payment; and
- o UB-LB agreed not to sell any of the shares that we had issued to it until not later than March 31, 1999.

If the weighted average closing price of one share of Common Stock during the period during which UB-LB sells the shares is 10% lower or higher than on March 31, 1999, our cost of settling the forward contract would increase or decrease by approximately \$5 million, payable in cash or shares of Common Stock. The Company has retained the option of repurchasing any of UB-LB's remaining shares for cash prior to their distribution by UB-LB.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

On October 2, 1998, John Flake, a former stockholder of J.C. Nichols, filed a putative class action lawsuit on behalf of himself and the other former stockholders of J.C. Nichols in the United States District Court for the District of Kansas against J.C. Nichols, certain of its former officers and directors and the Company. The complaint alleges, among other things, that in connection with the merger of J.C. Nichols and the Company, (1) J.C. Nichols and the named directors and officers of J.C. Nichols breached their fiduciary duties to J.C. Nichols' stockholders, (2) J.C. Nichols and the named directors and officers of J.C. Nichols breached their fiduciary duties to members of the J.C. Nichols Company Employee Stock Ownership Trust, (3) all defendants participated in the dissemination of a proxy statement containing materially false and misleading statements and omissions of material facts in violation of Section 14(a) of the Exchange Act of 1934 and (4) the Company filed a registration statement with the SEC containing materially false and misleading statements and omissions of material facts in violation of Sections 11 and 12(2) of the Securities Act of 1933. The plaintiffs seek equitable relief and monetary damages. We believe that the defendants have meritorious defenses to the plaintiffs' allegations. We intend to vigorously defend this litigation and have filed a motion to dismiss all claims asserted against the defendants. Due to the inherent uncertainties of the litigation process and the judicial system, we are not able to predict the outcome of this litigation. If this litigation is not resolved in our favor, it could have a material adverse effect on our business, financial condition and results of operations.

Item 2. Changes in Securities and Use of Proceeds

(c) During the three months ended March 31, 1999, the Company issued an aggregate of 1,179,103 shares of Common Stock to holders of Common Units in the Operating Partnership upon the redemption of such Common Units in private offerings exempt from the registration requirements pursuant to Section 4(2) or Rule 505 of Regulation D of the Securities Act. Each of the holders of Common Units were accredited investors under Rule 501 of the Securities Act, except for several holders who received their Common Stock pursuant to a single offering made under Rule 505 of Regulation D, and none of the offerings involved a general solicitation by the Company. The Company has registered the resale of such shares under the Securities Act.

Item 3. Defaults Upon Senior Securities -- NA

Item 4. Submission of Matters to a Vote of Security Holders -- NA

Item 5. Other Information -- NA

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

EXHIBIT NO.	DESCRIPTION
10.1	Purchase and Sale Agreement dated March 22, 1999, by and among Highwoods/Florida Holdings, L.P. and America's Capital Partners, LLC, as amended by First Amendment to Purchase and Sale Agreement dated April 21, 1999.
10.2	Purchase and Sale Agreement dated March 22, 1999, by and among Highwoods/Florida Holdings, L.P. and America's Capital Partners, LLC, as amended by First Amendment to Purchase and Sale Agreement dated April 21, 1999.
27	Financial Data Schedule

(b) Reports on Form 8-K -- None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HIGHWOODS PROPERTIES, INC.

/s/ RONALD P. GIBSON

RONALD P. GIBSON

PRESIDENT AND CHIEF EXECUTIVE OFFICER

/s/ CARMAN J. LIUZZO

CARMAN J. LIUZZO

CHIEF FINANCIAL OFFICER (PRINCIPAL ACCOUNTING OFFICER)

Date: May 17, 1999

FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT

THIS FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT is made and entered into the 21st day of April, 1999, by and between HIGHWOODS/FLORIDA HOLDINGS, L.P., a Delaware limited partnership ("Seller"), and AMERICA'S CAPITAL PARTNERS, LLC, a Florida limited liability company ("Purchaser").

Seller and Purchaser have previously entered into that certain Purchase and Sale Agreement dated as of March 22, 1999 (the "Agreement"). All terms used but not defined herein shall have the meanings given for such terms in the Agreement.

Seller and Purchaser wish to amend certain of the provisions of the Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00), the mutual covenants and agreements herein and in the Agreement set forth and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller and Purchaser hereby agree as follows:

1. RECITALS. The foregoing recitals are true and correct.

2. THE PROPERTY. Section 1.1 and Exhibit "1.1" are hereby amended to delete therefrom the properties described as "Highwoods Development Parcels" in Exhibit "1.1," I.E. Cypress Creek Land consisting of approximately 11 acres and Highwoods Sawgrass consisting of approximately 38 acres, and to delete the "Sunrise Office Building." The Agreement is further amended to delete therefrom all references in the Agreement, including all exhibits thereto, to said "Highwoods Development Parcels" and "Sunrise Office Building."

3. **DEFINITION OF CONTRACT.** Section 1.5 is hereby amended to add the words "set forth in Exhibit "12.1"" after the word "agreements" in the first line of Section 1.5.
4. **PURCHASE PRICE.** Section 5 is hereby amended to reduce the Purchase Price by the amount of Seventeen Million Two Hundred Eighty Four Thousand Dollars (\$17,284,000.00), to a total of Two Hundred Thirty-One Million Seven Hundred Fifty Thousand Dollars (\$231,750,000.00) plus an amount equal to the book value of the Development Assets as described in Section 5.1 of the Agreement.
5. **PAYMENT OF PURCHASE PRICE.** Section 5.2 is hereby amended to change the approximate balance of the Purchase Price due in cash at Closing, subject to prorations and adjustments as provided in the Agreement, to \$226,750,000.00.
6. **TITLE OBJECTIONS.** Section 9.1 is hereby amended to provide that April 28, 1999 is the last day on which Purchaser may notify Seller of any title and survey objections.
7. **INVESTIGATION PERIOD.** Sections 11.1 and 11.2 are hereby amended to provide that the Investigation Period shall expire on April 30, 1999 at 5:00 p.m. Eastern Daylight Time.
8. **APPROVAL OF AMENDMENT BY SELLER'S BOARD OF DIRECTORS.** Seller and Purchaser hereby acknowledge that this First Amendment must be approved by Seller's Board of Directors. Seller agrees to present the terms of this First Amendment to Seller's Board of Directors for its approval not later than April 27, 1999. Section 12.8 of the Agreement is hereby amended accordingly.

9. BROKERS. Section 20 is amended to provide that the brokerage commission to be paid to Redwood Real Estate Services Corp. shall be One Million Dollars (\$1,000,000.00).

10. HIGHWOODS PARK CONTRACTS. There are two (2) existing contracts for HVAC repairs, each between Seller and Airstron, dated March 1, 1999 and March 17, 1999, respectively, and one (1) existing contract for roof repairs, between Seller and Murton Roofing, dated March 1, 1999, in each case for work that is currently being done on the Improvements in the Highwoods Park property. At Closing, Seller shall credit to Purchaser an amount equal to the then-remaining balance due to said contractors for work completed and then unpaid and for the balance of the work contemplated by said contracts in order to achieve completion thereunder, and Seller shall provide to Purchaser proof (a) that the three (3) construction contracts are in good standing and full force and effect, (b) of the amounts that the contractors have been paid to the date of Closing, (c) that neither contractor has the right to file a lien against the Highwoods Park property, and (d) that the respective contractors have consented to the assignment of said contracts to Purchaser without change in the terms thereof.

Section 19 of the Agreement is hereby amended to provide that Seller shall deliver, at Closing, appropriate assignments to Purchaser of said construction contracts.

11. SELLER FINANCING. At Closing, Seller shall provide purchase money financing in the amount of Thirty Million Dollars (\$30,000,000.00) to Purchaser, for the purpose of closing the subject transaction. Said financing shall be for a term of three (3) years, shall be repaid in three (3) Ten Million Dollar (\$10,000,000.00) increments on each anniversary date of the Closing, shall accrue interest at the rate of eleven percent (11%) per annum, which interest shall be payable quarterly in arrears, and shall be prepayable at any

time, in whole or in part, without penalty. The loan shall be secured in a manner acceptable to Seller, in its sole and absolute discretion, pursuant to loan and security documents reasonably acceptable to Purchaser and Seller, the forms of which shall be agreed upon by Purchaser and Seller by the end of the Inspection Period.

12. TRUE, CORRECT AND COMPLETE AGREEMENT. Seller and Purchaser hereby acknowledge that several pages in the Agreement have been substituted to clarify certain issues and, pursuant to the terms of the Agreement, certain exhibits were annexed thereto after the Effective Date. Seller and Purchaser acknowledge and agree that the copy of the Agreement attached hereto is a true, correct and complete copy of the Agreement as it existed prior to the date of this First Amendment.

13. NO FURTHER MODIFICATION. Except as set forth in this First Amendment, the Agreement remains unmodified and in full force and effect. IN WITNESS WHEREOF, the Seller and Purchaser have executed this First Amendment the day and year first written above.

WITNESSES:

(As to Seller)

(As to Purchaser)

SELLER:

HIGHWOODS/FLORIDA HOLDINGS, L.P., a
Delaware limited partnership

By: Highwoods/Florida G.P. Corp., a
Delaware corporation, as general partner

By: Mack D. Pridgen III

Title: Vice President

Dated: April 21, 1999

PURCHASER:

AMERICA'S CAPITAL PARTNERS LLC, a
Florida limited liability company.

By: Alen C. de Olazarra

Title: Managing Member

Dated: April 21, 1999

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is made and entered into as of the 22nd day of March, 1999, by and between HIGHWOODS/FLORIDA HOLDINGS, L.P., a Delaware limited partnership ("Seller"), and AMERICA'S CAPITAL PARTNERS, LLC, a Florida limited liability company and/or its permitted assigns hereunder ("Purchaser"). In consideration of the mutual covenants and promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties to this Agreement, the parties agree to the following terms and conditions:

1. PURCHASE AND SALE. Subject to the terms of this Agreement, Seller agrees to sell to Purchaser and Purchaser agrees to purchase from Seller the following property (collectively, the "Property" or "Properties"):

1.1 Those fee and leasehold parcels of property located in Dade, Lee and Broward Counties, Florida consisting of approximately 2,813,123 rentable square feet and 49 acres of land as more particularly described in Exhibit "1.1" as the "Existing Properties" (collectively, the "Realty"), together with the projects presently under construction and Seller's rights with respect to the "Allied Signal Option Parcel" as more particularly described in Exhibit "1.1" as the "Development Assets" (collectively, the "Development Assets");

1.2 The land and all buildings, structures and other improvements situated on the Realty (the "Improvements");

1.3 All fixtures, equipment, furnishings and other items of property whatsoever used or useful in the operation, repair and maintenance of the Realty, situated on the Realty, and owned by Seller (the "Personalty");

- 1.4 All of the landlord's interest in and to tenant leases for space in the Improvements or on the Realty;
- 1.5 All transferable contracts and agreements (each a "Contract", and collectively, the "Contracts"), deposits, licenses, permits, and contract rights pertaining to ownership, development and/or operation of the Realty, the Improvements, the Personalty and the Development Assets;
- 1.6 All of Seller's rights in and to the name and all logos, trademarks and other rights in connection with the name, and general intangible rights pertaining to the ownership and/or operation of the Realty other than the name "Highwoods" and any logos, trademarks, tradenames or other intangible rights relating to the name "Highwoods"; and
- 1.7 All strips, gores, easements, privileges, rights-of-way, riparian and other water rights, rights to lands underlying any adjacent streets or roads, and other tenements, hereditaments and appurtenances, if any, pertaining to or accruing to the benefit of the Realty, the Improvements and the Development Assets.
2. **EFFECTIVE DATE.** If this Agreement is not executed and delivered by each party to it to all parties on or before March 25, 1999, at 5:00 p.m., Eastern time, then this Agreement shall be null and void and of no force or effect. Execution and delivery shall be defined as the receipt of the fully executed Agreement by the parties by means of the U.S. mails, delivery by a nationally recognized overnight delivery service, hand delivery or facsimile transmission. In the event delivery is by facsimile, the party delivering this Agreement shall deliver to all other parties an original copy of the fully executed Agreement within two (2) business days; failure to do so shall not affect the validity of the execution and delivery of this Agreement. The date of this Agreement,

for purposes of performance, shall be the date when the last one of Seller or Purchaser has signed this Agreement, as stated on the signature page (the "Effective Date").

3. CLOSING DATE. Subject to other provisions of this Agreement for extension or termination, the closing of the transactions contemplated by this Agreement (the "Closing") shall be held at the offices of the attorneys for Purchaser, Holland & Knight LLP, 701 Brickell Avenue, Miami, Florida 33131 on or before May 19, 1999 (the "Closing Date"); provided, however, that, as to the properties identified as "Gulf Atlantic Center" and "The 1800 Eller Drive Building" on Exhibit "1.1" only, either Seller or Purchaser may, by written notice to the other party, extend the Closing Date on said two (2) properties for up to three (3) successive periods of thirty (30) days each, solely for the purpose of satisfying the condition precedent in Section 13.2.2, but any such extension shall not affect Purchaser's obligation to close in a timely manner with respect to the other properties comprising the Property.

4. DEPOSIT.

4.1 To secure the performance by Purchaser of Purchaser's obligations under this Agreement, Purchaser will deliver, within two (2) business days of the Effective Date, to the law firm of Holland & Knight LLP, as escrow agent ("Escrow Agent"), the sum of One Million Dollars (\$1,000,000.00) by wire transfer to a depository designated by Escrow Agent, the proceeds of which shall be held in trust as an earnest money deposit (the "Initial Deposit") by Escrow Agent, and disbursed only in accordance with the terms of this Agreement. If Purchaser elects not to cancel this Agreement during the Investigation Period, as more particularly described in Section 11.2 of this Agreement, then, within two (2) business days following the expiration of said Investigation Period, Purchaser shall deliver to Escrow Agent a check or wire transfer in the sum of Four Million Dollars

(\$4,000,000.00) (the "Additional Deposit") to be held together with, and upon the same terms and conditions as, the Initial Deposit. Once the Additional Deposit is paid to Escrow Agent, the term "Deposit" shall mean only the Initial Deposit plus the Additional Deposit; prior to such payment, whenever used in this Agreement, the term "Deposit" shall mean only the Initial Deposit. In addition, on the Closing Date, in the event that the extension respecting the Gulf Atlantic Center and/or The 1800 Eller Drive Building properties is exercised by either party, the aggregate \$5,000,000.00 Deposit shall be applied to the Purchase Price as provided in Section 5.2, and Purchaser shall be obligated to make a new deposit in the amount of Two Hundred Fifty Thousand Dollars (\$250,000.00) for each such property for which the Closing Date is extended, up to a maximum aggregate amount of \$500,000.00, by wire transfer to Escrow Agent on the Closing Date, which amount shall thereafter become the "Deposit" for all purposes hereunder, and shall be applied to the portion of the Purchase Price to be paid upon the closing of the Gulf Atlantic Center and/or The 1800 Eller Drive Building properties or otherwise returned to Purchaser or paid to Seller as provided herein.

4.2 Escrow Agent shall use its reasonable efforts to invest the Deposit in an interest bearing account or certificate of deposit maintained with or issued by a commercial bank reasonably acceptable to Purchaser and Seller. All interest accrued or earned on the Deposit shall be paid or credited to Purchaser, except in the event of a default by Purchaser, without any default of Seller, in which event the interest shall be disbursed to Seller, together with the Deposit, as liquidated damages in accordance with Section 15.

4.3 Purchaser and Seller acknowledge that, if the Deposit is at any time in excess of \$100,000.00, then the amount over \$100,000.00 shall not be insured, and both parties hold

Escrow Agent harmless from all losses and costs and liabilities which may accrue or be incurred related to such lack of insurance.

5. PURCHASE PRICE.

5.1 The total purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Property is Two Hundred Forty-Nine Million Thirty-Four Thousand Dollars (\$249,034,000.00), plus an amount equal to the book value of the Development Assets as described in Exhibit "1.1". For purposes of this Agreement, "book value" is defined as \$650,000.00 for the "Allied Signal Option Parcel" and Seller's current cost basis as of the Closing Date, determined using generally accepted accounting principles, as to the other Development Assets. The Purchase Price shall be allocated among the Properties within two (2) business days prior to the end of the Inspection Period, which allocation, once completed, shall be attached to each copy of this Agreement as Exhibit "5.1."

5.2 The Purchase Price shall be paid to Seller as follows:

\$5,000,000.00,	the Deposit described in Section 4 of this Agreement, which shall be paid to Seller at Closing;
\$244,034,000.00,	approximately, in cash at Closing, subject to prorations and adjustments as provided in this Agreement, to be paid by cashier's check or by wire transfer; and
	an amount equal to the book value of the Development Assets as described in Section 5.1.

In the event that the extension respecting the Gulf Atlantic Center and/or The Eller Drive Building properties is exercised by either party, the Purchase Price payable hereunder shall be reduced by Seller's aggregate net book value of the Gulf Atlantic and/or Eller Drive properties, and such amount shall thereafter become the "Purchase Price" hereunder for the Gulf

Atlantic Center and/or The 1800 Eller Drive Building properties.

6. CONFIDENTIAL NATURE OF AGREEMENT. Except for information obtained by Purchaser from third parties or which is otherwise available to the public, Purchaser shall keep all information obtained by Purchaser relative to the Property (including, without limitation, the Due Diligence Documents), as it relates to this transaction, confidential. Purchaser shall have the right to disclose such information notwithstanding such limitation to Purchaser's professionals, consultants, lenders, officers, employees, stockholders, purchasers and affiliates for the sole purpose of evaluating the Property to determine its value and suitability for Purchaser's needs and financing and as may be required by applicable law. Seller shall have the right, in its sole discretion, to terminate this Agreement in the event of a material breach by Purchaser of this Section 6, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination.

7. TITLE EVIDENCE. Within fifteen (15) days following the Effective Date, Purchaser shall, at Purchaser's expense, obtain an ALTA marketability title insurance commitment (the "Commitment"), with fee and leasehold owner's title policy premium to be paid by Purchaser at Closing, issued by Holland & Knight LLP, as agent for one or more national title insurers acceptable to Purchaser (collectively, the "Title Insurer"), with hard copies of all exceptions. The Commitment shall show Seller to be vested with good and marketable and insurable fee simple or leasehold title to the Realty and the Development Assets other than the Allied Signal Option Parcel, insurable in an amount equal to the Purchase Price in accordance with the standards adopted from

time to time by The Florida Bar, at standard rates, and Seller believes that the Commitment will show the Realty and the Development Assets other than the Allied Signal Option Parcel to be free and clear of all liens, encumbrances, leases, tenancies, covenants, conditions, restrictions, rights-of-way, easements and other matters affecting title, except the following (which, if not objected to by Purchaser pursuant to the terms of Article 9 below, shall be deemed the "Permitted Exceptions"):

7.1 Ad valorem real estate taxes for 1999 and subsequent years;

7.2 All applicable zoning ordinances and regulations;

7.3 Matters of record which are common to the subdivision;

7.4 Matters described in Seller's existing title policies with respect to the Properties, including, with respect to the Gulf Atlantic Center and The 1800 Eller Drive Building properties, the ground leases (collectively, the "Ground Leases") pursuant to which Seller obtained its leasehold interest in the subject Realty; and

7.5 Tenants in possession.

8. SURVEY.

8.1 Within the time period for providing the Commitment, Purchaser shall obtain and deliver to Seller ALTA surveys (the "Surveys") of the Realty and the Improvements. The Surveys shall:

8.1.1 meet the minimum technical standards of the Florida Board of Land Surveyors;

8.1.2 be certified to Purchaser, to Purchaser's attorney, to the Title Insurer and to Purchaser's mortgage lender;

8.1.3 be certified (or recertified) as of a date subsequent to the Effective Date;

8.1.4 set forth the total number of square feet and acres in the Realty;

8.1.5 show the location of all improvements, parcels (if any) in the legal descriptions of the Realty, number of square feet and parking spaces in the Improvements, utility, setback and other lines; easements, either visible or recorded, and recording references of them; and

8.1.6 include elevation and flood zone information.

8.2 If the Survey shall reflect any encroachments, overlaps, unrecorded easements or similar rights in third parties, or any other adverse matters not specifically provided for in this Agreement, then the same shall be deemed "title defects" as set forth in Section 9.

9. TITLE DEFECTS.

9.1 Purchaser shall have until April 21, 1999 in which to examine the Commitment and the Surveys. If Purchaser finds title to be defective, Purchaser shall, no later than 5:00 p.m. Eastern time on April 21, 1999, notify Seller in writing, specifying the title defect(s). If Purchaser fails to give Seller written notice of any title defect(s) before 5:00 p.m. Eastern time on April 21, 1999, the defects shown in the Commitment or the Surveys shall be deemed to be waived as title objections to closing this transaction.

9.2 If Purchaser has given Seller timely written notice of defect(s) and the defect(s) render the title other than as represented in this Agreement or if any new defects appear from the date of the Commitment through the Closing Date, Seller shall use commercially reasonable efforts to cause only those defects recorded after October 7, 1997 to be cured by the Closing Date. Seller agrees to remove, by payment, bonding or otherwise, any such lien (other than

environmental liens) against the Property capable of removal by the payment of money or bonding. Seller shall not be obligated to (but may, in its sole and absolute discretion) cure any other defect or to buyout or settle any other claim or lien against the Property. At Seller's option, the Closing Date may be extended for a period not to exceed sixty (60) days for purposes of eliminating such title defects. If such additional time is reasonably required by Seller to cure such title defects, Seller's failure to extend the Closing Date shall be commercially unreasonable.

9.3 If Seller does not eliminate such defects as of the Closing Date, as the same may be extended under the preceding sentence, or if any new "title defects" appear between the date of the Commitment through the Closing Date which Seller does not eliminate as of the Closing Date, Purchaser shall have the option to:

9.3.1 Close and accept the title "as is," without reduction in the Purchase Price and without claim against Seller for such title defects (except for any lien that Seller is required to cure pursuant to Section 9.2 that can be removed by the payment of money or bonding, for which credit shall be given Purchaser at the Closing unless Seller pays the same at the Closing) (and in such event, the Closing shall take place on the Closing Date); or

9.3.2 Cancel this Agreement, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination, unless such title defects were caused by Seller's willful act or willful omission, in which event Seller shall remain liable to Purchaser for damages caused by such title defects.

10. EXISTING LEASES. Seller represents and warrants to Purchaser that attached to

this Agreement as Exhibit "10" is a rent roll of all leases, tenancies, and other occupancies, whether written or oral, affecting all or any portion of the Property (the "Leases"), setting forth, for each tenant (each a "Tenant", and collectively, the "Tenants"), the name of the tenant, the space (s) affected, the rents, the lease term, the security deposit as required by the subject Lease, if any, prepaid rent and any rent arrearages. Upon execution of this Agreement by Seller, Seller shall deliver to Purchaser true, correct and complete copies of all of the Leases. Seller further represents and warrants to Purchaser that:

10.1 No other parties have any rights of occupancy or possession (including, without limitation, renewal options, rights of first refusal, options to purchase, free rent, tenant improvement allowances or other special concessions) of all or any portion of the Property except as set forth in the rent roll which is a part of Exhibit "10" or as set forth in the lease files provided by Seller to Purchaser pursuant to Section 11.1;

10.2 All of the Leases are, as of the date of this Agreement, in good standing, without default on the part of Seller, and shall remain without default on the part of Seller through the date of the Closing;

10.3 Seller shall use its diligent, good-faith, commercially reasonable efforts to deliver to Purchaser, at least ten (10) days prior to the Closing, appropriate estoppel letters from all Tenants occupying more than 10,000 square feet ("Major Tenants") and from a sufficient number of Tenants occupying the remaining occupied square feet in the Property, and not occupied by Major Tenants, necessary to provide estoppel coverage on eighty percent (80%) of the occupied square footage in the Property, such estoppel letters to confirm in all material respects the information contained in Exhibit "10" and provided to Purchaser by Seller pursuant to Sections 11.1.5 and

11.1.6 and to be in the form attached hereto as Exhibit "10.3". If the estoppel letters required by the preceding sentence are not timely obtained after diligent effort by Seller, then Seller shall execute an affidavit as to each such Lease for which it has not obtained an estoppel letter, setting forth the information which would have been contained in the estoppel letter, which shall substitute for such missing estoppel letters until such time as estoppel letters are received from the subject Tenants; provided, however, that Seller shall not be obligated to give, and Purchaser shall not be obligated to accept, substitute affidavits for more than 100,000 occupied square feet in the aggregate with respect to missing estoppel letters from Major Tenants. If Seller is unable to comply with the provisions of this Section 10.3 by the Closing Date, Purchaser shall have the options set forth in Sections 14.1 and 14.2;

10.4 There are no modifications, understandings or agreements with respect to the Leases except as reflected in the Leases or as set forth in the lease files provided by Seller to Purchaser may be disclosed to Purchaser pursuant to Section 11.1;

10.5 Seller has not received any prepaid rent under any of the Leases except as may be disclosed to Purchaser in the rent roll which is part of Exhibit "10"; and

10.6 Seller shall not accept payment of any rent under any Lease for more than one (1) month in advance. Seller shall have the right, prior to the end of the Inspection Period, to modify any existing Lease or Contract and enter into any new lease or agreement affecting all or any portion of the Property, provided that Seller shall give Purchaser prompt notice of any such modification or new lease or agreement, and provided further that Seller shall not exercise its option, or enter into any lease respecting, the Allied Signal Option Parcel without Purchaser's prior written consent, which shall not be unreasonably withheld or delayed. After the end of the

Investigation Period, Seller shall modify any existing Lease or Contract or enter into any new lease or agreement affecting all or any portion of the Property only with the prior written consent of Purchaser, which shall not be unreasonably withheld. Seller shall immediately provide to Purchaser a copy of any such proposed modification, lease or agreement, and Purchaser shall have two (2) business days from the delivery thereof in which to withhold its consent to the terms thereof in writing, if it so chooses, or else the same shall be deemed consented to by Purchaser. If Purchaser timely withholds its consent, Purchaser shall have the right to terminate this Agreement, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination. If Purchaser elects not to terminate this Agreement at the end of the Investigation Period, all new leases and agreements entered into by Seller prior to the end of the Investigation Period shall become "Leases" and "Contracts," respectively, hereunder. In addition, all new leases and agreements entered into by Seller after the end of the Investigation Period with Purchaser's consent or deemed consent shall become "Leases" and "Contracts," respectively, hereunder.

11. INVESTIGATION PERIOD.

11.1 During the period from the Effective Date until April 23, 1999 (the "Investigation Period"), Purchaser shall have the right to conduct, at Purchaser's expense, whatever reasonable investigations, analyses and studies of the Property that Purchaser may deem appropriate to satisfy Purchaser with regard to:

11.1.1 the physical condition of the building(s) and other improvements included in the Property, including their structure, roofs, air conditioning, heating, electrical,

plumbing and other mechanical systems;

11.1.2 the physical condition of all fixtures, equipment, furnishings and other items of property referred to in Subsection 1.3 above, an inventory of which shall be furnished by Seller at Seller's expense within fifteen (15) days after the Effective Date;

11.1.3 the permitted uses of and improvements to the Property under applicable building and zoning ordinances and the present compliance or non-compliance with the same;

11.1.4 evidence of any hazardous waste or similar materials, and of Radon, in, on, under or about the Property;

11.1.5 all existing Contracts, Leases, lease files, lease abstracts, historical MRI reports (not including prospective information, such as budget projections, which are proprietary to Seller) and tenancies affecting the Property; and

11.1.6 Seller's historical operating statements for calendar year 1998 and year-to-date 1999 (as and when available).

11.2 Purchaser and its agents and employees shall have the right to enter upon the Property for the purpose of making inspections, at Purchaser's sole risk, cost and expense, and subject to the rights of tenants. No destructive testing shall be permitted. All of such entries upon the Property shall be at reasonable times during normal business hours and after at least one (1) business day's prior notice to Seller or Seller's agent, and Seller or Seller's agent shall have the right to accompany Purchaser during any activities performed by Purchaser on the Property. Seller shall make available to Purchaser at all times during business hours during the Investigation Period, and after the Investigation Period until the Closing Date, upon one (1) business day's prior notice, all

documents relating to the matters described in Section 11.1 above which are in Seller's possession for review and copying by Purchaser (the "Due Diligence Documents"). In addition, within five (5) business days after the Effective Date, Seller shall provide Exhibits "12.1" and "12.6" to Purchaser. Purchaser shall promptly provide to Seller copies of all environmental and engineering reports which Purchaser may obtain from third parties relating to the Property. If Purchaser is dissatisfied, for any reason and in Purchaser's exclusive judgment, with the result of Purchaser's investigations, then Purchaser may cancel this Agreement by notifying Seller of such cancellation on or before 5:00 p.m. on April 23, 1999, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination.

11.3 If Purchaser or Seller cancels this Agreement pursuant to the terms hereof, Purchaser shall deliver to Seller all of the Due Diligence Documents. Upon receipt of said documents by Seller, Escrow Agent shall disburse the Deposit, together with all interest earned thereon, to Purchaser.

11.4 Upon Purchaser's waiver of or failure to duly exercise its right to terminate described in this Section 11, Purchaser shall have accepted the Property "as is", with no representations or warranties regarding the Property other than any which may be specifically stated in this Agreement.

11.5 Notwithstanding any provisions in this Agreement to the contrary, Purchaser does and shall indemnify and hold harmless Seller and its agents, employees, successors and assigns, to the extent of the Deposit, against all losses, claims, damages, liability, attorneys' and

accountants' fees and costs of litigation and all other expenses related to, growing out of, or arising from the investigation of or entry upon the Property, or other acts undertaken by Purchaser or its agents, employees or assigns, under this Agreement, including, without limitation, mechanic's or materialmen's liens. If Purchaser does not close on the purchase of the Property under this Agreement, it shall return the Property to the condition in which it existed prior to any investigations undertaken by Purchaser or its agents, employees and assigns pursuant to this Agreement.

11.6 Except as otherwise expressly provided herein, Seller makes no representations or warranties as to the accuracy or completeness of the Due Diligence Documents.

11.7 The inspections under this Section 11 may include a Phase I environmental inspection of the Property, but no Phase II environmental inspection shall be performed without the prior written consent of Seller, which may be withheld in its sole and absolute discretion, and if consented to by Seller, the proposed scope of work and the party who will perform the work shall be subject to Seller's review and approval. Upon Seller's request, Purchaser shall deliver to Seller copies of any Phase II or other environmental report to which Seller consents as provided above. Purchaser, for itself and any entity affiliated with Purchaser, waives and releases Seller and its employees, agents, officers, trustees, directors, beneficiaries and partners from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, existing and future, contingent or otherwise (including any action or proceeding, brought or threatened, or ordered by any appropriate governmental entity) made, incurred, or suffered by Purchaser or any entity affiliated with Purchaser relating to the presence, misuse, use, disposal, release or threatened release of any hazardous or toxic materials, chemicals or wastes as the Property and any liability or claim related to the Property arising under

the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, and the Toxic Substance Control Act, all as amended, or any other cause of action based on any other state, local, or federal environmental law, rule or regulation; provided, however, the foregoing release shall not operate or release any claim by Purchaser against any person or entity other than described above in this Section 11.7. The provisions of this Section 11.7 shall survive indefinitely the Closing or any termination of this Agreement and shall not be merged into the closing documents.

11.8 To the maximum and extent permitted by applicable law, and except for Seller's representations and warranties (collectively, "Seller's Warranties") in this Agreement and the documents of conveyance and assignment to be delivered at the Closing, this sale is made and will be made without representation, covenant, or warranty of any kind (whether express, implied, or, to the maximum extent permitted by applicable law, statutory) by Seller. As a material part of the consideration of this Agreement, Purchaser agrees to accept the Property on an "AS IS" and "WHERE IS" basis, with all faults and any and all latent and patent defects, and without any representation or warranty, all of which Seller hereby disclaims, except for Seller's Warranties. Except for Seller's Warranties, no warranty or representation is made by Seller as to (a) fitness for any particular purpose, (b) merchantability, (c) design, (d) quality, (e) condition, (f) operation or income, (g) compliance with drawings or specifications, (h) absence of defects, (i) absence of hazardous or toxic substances, (j) absence of faults, (k) flooding, or (l) compliance with laws and regulations including, without limitation, those relating to health, safety, and the environment. Purchaser acknowledges that Purchaser has entered into this Agreement with the intention of

making and relying upon its own investigation of the physical, environmental, economic use, compliance and legal condition of the Property and that, except as otherwise provided in this Agreement, Purchaser is not now relying, and will not later rely, upon any representations and warranties made by Seller or anyone acting or claiming to act, by, through or under or on Seller's behalf concerning the Property. The provisions of this paragraph shall survive indefinitely the Closing or any termination of this Agreement and shall not be merged into the closing documents.

12. REPRESENTATIONS, WARRANTIES AND COVENANTS. Seller represents and warrants to Purchaser, to Seller's knowledge, and covenants and agrees with Purchaser as follows:

12.1 Seller has not entered into any contracts, subcontracts, arrangements, licenses, concessions, easements or other agreements, either recorded or unrecorded, written or oral, affecting all or any portion of the Property, or the use of it, other than the Leases set forth in Exhibit "10" and those agreements set forth in Exhibit "12.1";

12.2 There are no (i) existing or pending improvement liens affecting the Property; (ii) violations of building codes and/or zoning ordinances or other governmental or regulatory laws, ordinances, regulations, orders or requirements affecting the Property; (iii) existing, pending or threatened lawsuits or appeals of prior lawsuits affecting the Property; (iv) existing, pending or threatened condemnation proceedings affecting the Property; or (v) existing, pending or threatened zoning, building or other moratoria, downzoning petitions, proceedings, restrictive allocations or similar matters that could affect Purchaser's use of the Property;

12.3 Seller is vested with good and marketable title to all fixtures, equipment, furnishings and other items of property referred to in Section 1 and owned by Seller, free of all

financing and other liens or encumbrances;

12.4 Seller shall maintain the Property in the same manner as it has been maintained prior to the Effective Date until the Closing Date and shall comply prior to the Closing in all material respects with all laws, rules, regulations, and ordinances of all governmental authorities having jurisdiction over the Property;

12.5 There is no radon in the Improvements which are above government approved levels; Seller has not done nor allowed anything which could cause toxic or hazardous materials or waste to be present in, on or about the Property, and has no knowledge of any such materials or waste being or ever having been in, on, or about the Property or adjacent properties, in each case, except as described in Exhibit "12.6" attached hereto, which, for purposes hereof, constitutes all of Seller's knowledge;

12.6 Seller shall provide, and keep in force through the Closing, policies of fire, flood, windstorm, hazard and other casualty insurance on the improvements portion of the Realty and all items of other property referred to in Section 1 above;

12.7 There are no agreements currently in effect which restrict the sale of the Property;

12.8 Subject to approval of Seller's Board of Directors as provided in this Section 12.8, Seller has the right, power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby nor the fulfillment of nor the compliance with the terms, conditions and provisions of this Agreement will conflict with or result in a violation or breach of Seller's partnership agreement, or any other instrument or

agreement of any nature to which Seller is a party or by which it is bound or may be affected, or constitute (with or without the giving of notice or the passage of time) a default under such an instrument or agreement; no consent, approval, authorization or order of any person is required with respect to the consummation of the transactions contemplated by this Agreement. Seller agrees to present the terms of this Agreement to its Board of Directors (the "Board") for its approval not later than March 23, 1999. Seller further agrees to notify Purchaser of the decision of such Board no later than the end of business on such date. A Board decision to approve this transaction shall be final except that in the event of a material change in a term as embodied in this Agreement, the parties acknowledge that such change in terms may be subject to reconsideration by the Board, at its election.

12.9 No commitments or agreements have been or will be made by or on behalf of Seller to any governmental authority, utility company, school board, church or other religious body, any homeowners or homeowners' association, or any other organization, group or individual, relating to the Property which would impose an obligation upon Purchaser to make any contributions or dedications of money or land to construct, install or maintain any improvements of a public or private nature on or off the Realty or the Development Assets, or otherwise impose liability on Purchaser.

12.10 The Ground Leases are, as of the date of this Agreement, in good standing, without default on the part of Seller, and have not been modified, changed, altered or amended in any respect since Seller acquired its leasehold interest in the Ground Leases, and the lessors under the Ground Leases are not in default, nor has there occurred any event which, by lapse of time or otherwise, will result in any default under the Ground Leases.

12.11 At all times during the term of this Agreement and as of the Closing, all of Seller's representations, warranties and covenants in this Agreement shall be true and correct; no representation or warranty by Seller contained in this Agreement and no statement delivered or information supplied to Purchaser pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements or information contained in them or in this Agreement not misleading.

For purposes of this Section 12, "to Seller's knowledge" shall mean the actual knowledge of Troy Cox, James Heistand, Dale Johannes and Richard Nash, without independent inquiry.

Purchaser warrants and represents to Seller that Purchaser has the right, power and authority to execute and deliver this Agreement and to consummate the transactions contemplated by it, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by it nor the fulfillment of nor the compliance with the terms, conditions and provisions of this Agreement will conflict with or result in a violation or breach of Purchaser's organizational documents, or any other instrument or agreement of any nature to which Purchaser is a party or by which it is bound or may be affected, or constitute (with or without the giving of notice or the passage of time) a default under such an instrument or agreement; no consent, approval, authorization or order of any person is required with respect to the consummation of the transactions contemplated by this Agreement. At all times during the term of this Agreement and as of the Closing, all of Purchaser's representations, warranties and covenants in this Agreement shall be true and correct.

13. CONDITIONS PRECEDENT.

13.1 An express condition precedent to Purchaser's obligation to close this transaction is the truth and correctness of all of Seller's representations and warranties and the fulfillment of all of Seller's covenants at all times during the term of this Agreement and as of the Closing, and no inquiry, analysis or examination made by Purchaser (or the results of them) shall reduce, limit or otherwise affect said representations, warranties and covenants.

13.2 The following items are additional conditions precedent to Purchaser's obligation to close the transactions contemplated by this Agreement:

13.2.1 The Property shall remain zoned at the time of the Closing so as to permit each and every use now being made of the Property; there shall be no additional limiting conditions or restrictions under any zoning resolution, ordinance, covenant, agreement, or the like that could prohibit or frustrate any use of the Property now being made or otherwise permissible under said zoning classification in the absence of such conditions or restrictions.

13.2.2 As to the Gulf Atlantic Center and The 1800 Eller Drive Building properties only, Purchaser shall have received consents to the assignment of the lessee's interests under the Ground Leases by Seller and the assumption thereof by Purchaser, and Purchaser shall also have received estoppel certificates from the ground lessors under the Ground Leases in form and substance reasonably satisfactory to Purchaser; provided, however, that if one or both of such consents are not received by the Closing Date and Seller or Purchaser extends the Closing Date as to the Gulf Atlantic Center and/or The 1800 Eller Drive Building properties, the foregoing shall be a condition to closing of the Gulf Atlantic Center and/or The 1800 Eller Drive Building properties only.

14. DEFAULT BY SELLER. Prior to the Closing Date, in the event that Purchaser

becomes aware of facts or circumstances indicating that a representation or warranty of Seller contained herein is inaccurate, untrue or breached, as the case may be, Purchaser shall promptly so notify Seller in writing, and Seller shall have the right to cure the same on or before the Closing Date, failing which Purchaser shall have the right, by written notice to Seller given on the Closing Date, to terminate this Agreement, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations hereunder, except for those which expressly survive such termination. If any of Seller's representations and warranties are not true and correct in all material respects as of the Closing Date or Seller's covenants are not fulfilled in all material respects or all other conditions precedent are not met in all material respects as of the Closing (or earlier specified date, if any), or if Seller fails to perform any of the terms and conditions of this Agreement in all material respects or is otherwise in default under this Agreement, then Purchaser, at Purchaser's sole option, may elect to:

14.1 Waive the default or failure and close "as is"; or

14.2 Cancel this Agreement by written notice to Seller given on or before the Closing Date, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination, unless the default was caused by the willful act or willful omission of Seller, in which event Seller shall continue to be liable for damages and attorneys' fees caused by such default); or

14.3 Seek specific performance of Seller's obligations under this Agreement.

In the event that any representation or warranty made by Seller herein is found to be

inaccurate, untrue or breached, as the case may be, after the Closing Date, Purchaser shall have the right, for a period of one (1) year after the Closing Date, to seek actual (but not consequential or punitive) damages from Seller; provided, however, that Purchaser must commence a legal action or proceeding seeking such damages within said one (1)-year period, or its claims shall thereafter be barred.

15. **DEFAULT BY PURCHASER.** In the event of the failure or refusal of Purchaser to close this transaction, Escrow Agent shall pay to Seller the Deposit, together with all interest earned thereon, as agreed and liquidated damages for said breach, and as Seller's sole and exclusive remedy for default of Purchaser, whereupon this Agreement shall terminate and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination.

16. **PRORATIONS.**

16.1 Real estate and personal property taxes and ground rents under the Ground Leases shall be prorated as of midnight of the day before the Closing Date. In the event that the taxes for the year of the Closing are unknown, the tax proration will be based upon such taxes for the prior year and, at the request of either party, such taxes for the year of the Closing shall be reprorated and adjusted when the tax bill for the year of the Closing is received and the actual amount of taxes is known.

16.2 Utility bills or charges, where applicable, shall be prorated as of midnight of the day before the Closing Date. The parties shall, to the extent reasonably possible, have utility meters read the day preceding the Closing Date and Seller shall be responsible for paying all utility bills or charges which accrued against the Property prior to midnight of the day before the Closing

Date and Purchaser shall be required to pay all utility bills or charges accruing against the Property on or subsequent to midnight of the day before the Closing Date, with any charge for which a reading could not be made as of the day preceding the Closing Date being prorated as of midnight of the day before the Closing Date using an estimate based on the most recent reading for such utility. Purchaser shall, as of the day prior to the Closing Date, post with each utility company such deposit as each such utility company shall require, to the end that Seller's utility deposits shall be refunded to Seller following the Closing, after appropriate charge for Seller's utility bills. Purchaser shall secure its own insurance on the Property as of the Closing Date, and Seller shall cancel all existing insurance policies as of the Closing Date. Purchaser and Seller shall, before and after the Closing, reasonably cooperate with each other in connection with this Section 16.2.

16.3 The parties agree that, except as otherwise specifically stated elsewhere in this Agreement, all income and expenses of the Property are intended to be prorated as of midnight of the day before the Closing Date. Purchaser shall be deemed the owner of the Property, for the purpose of such calculation, for the entire Closing Date. Income shall include all revenue of Seller derived from the operation of the Property. Expenses shall include all expenses from the operation of the Property. Income actually received by Seller prior to the Closing in payment for a period subsequent to the Closing shall appear on the closing statement as a credit to Purchaser. Expenses actually paid by Seller prior to the Closing in payment for a period subsequent to the Closing shall appear on the closing statement as a credit to Seller.

16.4 Notwithstanding anything to the contrary in Section 16.3 above, rents under the Leases, including, without limitation, fixed rent and additional rent, including operating expense and real estate tax pass-throughs (collectively, "Rents"), shall be addressed in the manner set forth in

this Section 16.4. All collected Rents for the month in which the Closing occurs shall be prorated as of midnight the day before the Closing Date. All uncollected Rents for the months prior to the month in which the Closing occurs and all uncollected Rents for the month of the Closing (the "Delinquent Rents"), shall remain Seller's property, and Seller shall receive no proration credit therefor at the Closing. Purchaser, however, shall receive a proration credit for its prorated portion of all Rents for the month of the Closing whether such Rents have been collected or remain uncollected. All prepaid Rents (for the months following the Closing) paid to or in possession of Seller shall be credited to Purchaser at the Closing. Purchaser agrees to use good faith and commercially reasonable efforts, for a period of six (6) calendar months after the Closing, to collect Delinquent Rents from each tenant ("Tenant or Tenants") remaining in possession of its space under a Lease. If any Tenant identifies in writing at the time of payment what its payment is for or how such payment should be applied, such payment shall be used or applied in such manner. Any and all other amounts received by Purchaser from any party owing the Delinquent Rents which are received by Purchaser after the Closing Date shall first be applied to the Rent due for the then current month, then to Purchaser's reasonable collection costs (including reasonable attorneys' fees and costs), then to accrued obligations of such Tenant due prior to the Closing (in the order of accrual), and then to accrued obligations due after the Closing. Purchaser shall promptly deliver to Seller any funds to be applied to Delinquent Rents in accordance with the preceding sentence. No portion of Delinquent Rents attributable to a particular Tenant shall be applied against the Rents or Delinquent Rents attributable to another Tenant, or the expenses incurred by Purchaser in collecting such Rents or Delinquent Rents from other Tenants. Purchaser shall not be obligated to file suit to collect the Delinquent Rents. After the Closing, Seller shall be entitled to commence and/or

continue any collection efforts against any Tenants owing Delinquent Rents, including, but not limited to, commencing and/or continuing prosecuting lawsuits against such Tenants, so long as such lawsuits are for money damages only and do not seek the remedy of eviction.

16.5 All security deposits or prepaid Rent held by or under the control of Seller, as required by the Leases, reflected on the tenant estoppel letter with respect to the Leases and as set forth on Exhibit "10" (less any offsets indicated thereon as hereinafter defined, if applicable), shall be paid or credited to Purchaser as of the Closing Date, and Purchaser shall, with respect to all matters arising or accruing after the Closing, assume all liability therefor. Seller shall not, after the Effective Date and prior to the Closing, further offset all or any portion of such security deposits or prepaid Rent without the prior written consent of Purchaser.

16.6 Except as otherwise provided in this Agreement, any lease commissions or tenant improvement costs which are (i) incurred by Seller in connection with any existing Leases or new leases entered into prior to the end of the Investigation Period or entered into after the end of the Investigation Period and approved by Purchaser in writing; or (ii) associated with currently existing renewal, expansion or refusal rights of Tenants under the Leases exercised after the Effective Date but prior to the Closing shall be prorated between the parties in proportion to the percentage of the Lease term in the case of (i) above, or the renewal or expansion term or term applicable to the expansion or refusal rights in the case of (ii) above, which falls before midnight of the day before the Closing Date (which shall be Seller's portion) and the percentage of same which falls after midnight of the day before the Closing Date (which shall be Purchaser's portion). Any other lease commissions or tenant improvement costs incurred by Seller in connection with the Leases shall be the responsibility of Seller; provided, however, that Purchaser shall bear the cost of

any lease commissions or tenant improvement costs associated with currently existing renewal, extension, expansion or refusal rights of Tenants under the Leases exercised after the Closing.

16.7 Seller agrees to pay to the appropriate taxing authority sales tax collected by Seller in connection with Rent received by Seller under the Leases for the month in which the Closing occurs promptly after the Closing. Not later than one hundred twenty (120) days after the Closing Date, Seller shall deliver to Purchaser the receipt or certificate from the Florida Department of Revenue provided for in Section 212.10(1), Florida Statutes (such as a "letter of good standing"), evidencing that the sales taxes for such month and for previous months have been paid in full and that no interest or penalties are due in connection with same.

16.8 Notwithstanding anything to the contrary which may be contained herein:

16.8.1 Seller and Purchaser acknowledge and agree that to the extent the annual reconciliation of pass-throughs for the 1998 calendar year are not completed prior to the Closing, Seller, rather than Purchaser, shall have the right and obligation to complete such reconciliations and to collect and retain reimbursements from Tenants or pay reimbursements to Tenants, as applicable.

16.8.2 Upon the annual reconciliation of such pass-throughs with the Tenants of the Property for the 1999 calendar year, (i) if such reconciliation results in there being refunds due and payable to the Tenants, Seller shall promptly pay to Purchaser, upon Purchaser's request (accompanied by appropriate documentation), Seller's share of such refund amounts prorated for the portion of the year during which Seller owned the Property, and (ii) if such reconciliation results in Tenants owing funds, Purchaser shall have the right to collect such funds from the Tenants and Purchaser shall promptly pay to Seller a portion of the funds so collected,

prorated for the portion of the year during which Seller owned the Property.

16.9 The provisions of this Section 16 shall survive the Closing under this Agreement.

17. **IMPROVEMENT LIENS.** All installments due and owing under certified, confirmed or ratified liens for governmental improvements or special assessments as of the Closing Date, if any, shall be paid in full by Seller, and pending liens and installments thereof not yet due and owing for governmental improvements or special assessments as of the Closing Date shall be assumed by Purchaser, provided that where the improvement has been substantially completed as of the Closing Date, such pending lien shall be considered certified.

18. **CLOSING COSTS.** At the Closing, Seller shall pay the documentary stamps and surtax, if any, due on the deed of conveyance. Purchaser shall pay the owner's title insurance premium. Seller and Purchaser shall equally bear the cost of the Surveys. Each party shall pay its own attorneys' fees and bear the recording costs of any instruments received by that party, except that Seller shall pay the recording costs on documents necessary to clear title.

19. **CLOSING.**

19.1 Seller shall convey title to the Property owned in fee by Special Warranty Deed, subject only to the Permitted Exceptions (which, if Purchaser requests, shall not be specifically enumerated) and its leasehold interests in the Gulf Atlantic Center and The 1800 Eller Drive Building properties by assignment of the Ground Leases and assumption thereof by Purchaser, which assignment and assumption shall contain reciprocal indemnities for matters arising before and after the Closing Date and shall address such other matters as the ground lessors under the Ground Leases may require. Seller shall also deliver to Purchaser at the Closing:

19.1.1 a mechanic's lien affidavit, to the title insurer and Purchaser, in form acceptable to the Title Insurer to delete the standard exception relating to such liens in Purchaser's owner's title insurance policy;

19.1.2 an affidavit, to the Title Insurer and Purchaser, that there are no unrecorded easements and that Seller has exclusive possession of the Property, except for the rights of tenants shown on Exhibit "10" or hereafter approved in writing by Purchaser and that Seller has done nothing to change the state of facts shown on the Surveys, in form acceptable to the Title Insurer to delete the standard exceptions relating to such matters in Purchaser's owner's title insurance policy;

19.1.3 a gap affidavit and indemnification agreement acceptable to the Title Insurer for purposes of deleting the "gap" from Purchaser's title commitment and policy;

19.1.4 instruments necessary to clear title, if any, including those required to remove standard exceptions from the title policy;

19.1.5 an appropriate bill of sale with warranty of title for the Personalty;

19.1.6 appropriate assignments of the Leases and all other assignable leases, deposits, licenses, easements, rights-of-way, contract rights, intangible rights and other property and rights included in this transaction, containing reciprocal indemnities for matters arising before and after the Closing which instruments shall contain assumptions by Purchaser of the Leases and Contracts;

19.1.7 appropriate restatements of Seller's covenants, representations and warranties which are to survive the Closing;

19.1.8 appropriate evidence of Seller's partnership existence and authority

to sell and convey the Property;

19.1.9 any and all guarantees and warranties on all property conveyed pursuant to this Agreement, with assignment of all assignable rights under the guaranties and warranties;

19.1.10 a non-foreign certificate and other documentation as may be appropriate and satisfactory to Purchaser to meet the non-withholding requirements under FIRPTA and any other federal statute or regulations (or, in the alternative, Seller shall cooperate with Purchaser in the withholding of funds pursuant to FIRPTA regulations);

19.1.11 an appropriate reporting form to be submitted with the deed at time of recordation;

19.1.12 Tenant notice letter regarding payment of rent; and

19.1.13 A consent and certification from Andreyev Engineering, authorizing Seller, Purchaser and its lenders to rely upon its reports.

19.2 Purchaser shall pay the balance of the Purchase Price in excess of the Deposit, and shall provide Seller with analogous proof of entity existence and authority and an appropriate restatement of Purchaser's covenants, representations and warranties which are to survive the Closing. Seller and Purchaser shall each execute such other documents as are reasonably necessary to consummate this transaction.

20. **BROKERS.** The parties each represent and warrant to the other that the only real estate broker, salesman or finder involved in this transaction is Redwood Real Estate Services Corp., to whom Seller shall pay a real estate brokerage commission in the amount of the lesser of one (1%) percent of the Purchase Price (excluding the amount paid for the Development Assets) or

Two Million Four Hundred Fifty Thousand (\$2,450,000.00) Dollars, and Seller shall indemnify, defend and hold Purchaser harmless from claims for such payments. If a claim for brokerage or similar fees in connection with this transaction is made by any broker, salesman or finder other than the above-named broker claiming to have dealt through or on behalf of one of the parties to this Agreement, then that party shall indemnify, defend and hold the other party under this Agreement harmless from all liabilities, damages, claims, costs, fees and expenses whatsoever (including reasonable attorneys' fees and court costs, including those for appellate matters and post judgment proceedings) with respect to said claim for brokerage. The provisions of this section shall survive the Closing or the earlier termination of this Agreement.

21. ASSIGNABILITY. Purchaser shall be entitled to assign Purchaser's rights and obligations under this Agreement to any entities owned or controlled by Allen C. de Olazarra and Rodolfo Prio Touzet.

22. INSPECTIONS. Purchaser, and Purchaser's agents and contractors, shall have the right during the term of this Agreement, upon one (1) business day's advance notice, to enter upon the Property at all reasonable times for purposes of inspection and making tests and studies. Purchaser hereby agrees to and does indemnify, defend and hold Seller harmless, to the extent of the Deposit, from all liabilities, damages, claims, costs, or expenses whatsoever (including reasonable attorneys' fees and court costs) for bodily injury, death, or property damage resulting from any such inspection, test or study. The provisions of this Section 22 shall survive the Closing or the termination or cancellation of this Agreement.

23. ESCROW AGENT.

23.1 Escrow Agent undertakes to perform only such duties as are expressly set

forth in this Agreement. Escrow Agent shall not be deemed to have any implied duties or obligations under or related to this Agreement. Escrow Agent is the law firm representing Purchaser. In the event of a dispute between the parties, the parties consent to Escrow Agent continuing to represent Purchaser, notwithstanding that Escrow Agent shall continue to have the duties provided for in this Agreement.

23.2 Escrow Agent may (a) act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine; (b) assume the validity and accuracy of any statement or assertion contained in such a writing or instrument; and (c) assume that any person purporting to give any writing, notice, advice or instructions in connection with the provisions of this Agreement has been duly authorized to do so. Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in escrow, nor as to the identity, authority, or right of any person executing any instrument; Escrow Agent's duties under this Agreement are and shall be limited to those duties specifically provided in this Agreement.

23.3 The parties to this Agreement do and shall indemnify Escrow Agent and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or other expenses, fees, or charges of any character or nature, including attorneys' fees and costs, which it may incur or with which it may be threatened by reason of its action as Escrow Agent under this Agreement, except for such matters which are the result of Escrow Agent's gross negligence or willful malfeasance.

23.4 If the parties (including Escrow Agent) shall be in disagreement about the interpretation of this Agreement, or about their respective rights and obligations, or about the

propriety of any action contemplated by Escrow Agent, Escrow Agent may, but shall not be required to, file an action in interpleader to resolve the disagreement; upon filing such action, Escrow Agent shall be released from all obligations under this Agreement. Escrow Agent shall be indemnified for all costs and reasonable attorneys' fees, including those for appellate and post judgment matters and for paralegals and similar persons, incurred in its capacity as escrow agent in connection with any such interpleader action; Escrow Agent may represent itself in any such interpleader action and charge its usual and customary legal fees for such representation, and the court shall award such attorneys' fees, including those for appellate and post judgment matters and for paralegals and similar persons, to Escrow Agent from the losing party. Escrow Agent shall be fully protected in suspending all or part of its activities under this Agreement until a final judgment in the interpleader action is received.

23.5 Escrow Agent may consult with counsel of its own choice, including counsel within its own firm, and shall have full and complete authorization and protection in accordance with the opinion of such counsel. Escrow Agent shall otherwise not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind unless caused by its gross negligence or willful misconduct.

23.6 Escrow Agent may resign upon five (5) days' written notice to Seller and Purchaser. If a successor escrow agent is not appointed jointly by seller and Purchaser within the five (5) day period, Escrow Agent may petition a court of competent jurisdiction to name a successor.

24. NOTICES. Any notices required or permitted to be given under this Agreement shall be delivered by hand, by facsimile providing a transmission receipt or delivered by a nationally

recognized overnight delivery service, and addressed as described below; notices shall be deemed effective only upon receipt or refusal of delivery or, if by facsimile sent after 5:00 p.m., Eastern Time, on the next business day after transmission.

Notices to Seller:

Highwoods/Florida Holdings, L.P.
3100 Smoketree Court
Suite 600
Raleigh, NC 26704-1051
Attn: Mack D. Pridgen, III, Esq.
Fax: 919-876-6929

With a copy to:

Alston & Bird
3605 Glenwood Avenue
Suite 310
Raleigh, NC 27622-1107
Attn: William R. Klapp, Jr. Esq.
Fax: 919-420-2260

Notices to Purchaser:

America's Capital Partners, LLC
444 Brickell Avenue
Suite 1001
Miami, Florida 33131
Attn: Allen C. de Olazarra, CEO
Fax: 305-995-9993

With a copy to:

Holland & Knight LLP
701 Brickell Avenue
Suite 3000
Miami, Florida 33131
Attn: Stuart K. Hoffman, Esq.
Fax: 305-789-7732

Notices to Escrow Agent:

Holland & Knight LLP
701 Brickell Avenue
Suite 3000
Miami, Florida 33131
Attn: Stuart K. Hoffman, Esq.
Fax: 305-789-7732

25. RISK OF LOSS.

25.1 The Property shall be conveyed to Purchaser in the same condition as on the date of this Agreement, ordinary wear and tear excepted, free of all tenancies or occupancies except those set forth in Exhibit "10", or hereafter approved by Purchaser in writing). Seller shall not remove anything from the Property between the date of this Agreement and the Closing.

25.2 Upon receipt of an offer or any notice or communication from any governmental or quasi-governmental body seeking to take under its power of eminent domain all or any portion of the Property, Seller shall promptly notify Purchaser of the receipt of same and shall send such communication, or a copy of it, to Purchaser. Upon receipt of such notice, Purchaser shall have the right to rescind this Agreement by delivery of written notice to Seller within fifteen

(15) days of Purchaser's receipt of the communication from Seller. In the event Purchaser elects to rescind, Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination. In the event that Purchaser elects not to rescind, then Purchaser shall be entitled to all condemnation awards and settlements. Seller and Purchaser agree to cooperate with each other to obtain the highest and best price for the condemned property.

25.3 In the event that any of the Property is damaged or destroyed by fire or other casualty prior to Closing, Seller shall repair and restore the Property to the same condition as before the fire or casualty, and the closing shall be deferred for up to one hundred twenty (120) days to permit such repair and restoration. If Seller is unable to repair and restore within such one hundred twenty (120)-day period, then Purchaser shall have the option of (a) terminating this Agreement by written notice to Seller, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except those which expressly survive such termination, or (b) proceeding with the Closing, in which case Purchaser shall be entitled to all insurance proceeds (subject to the rights of the holder(s) of any existing mortgages), and to credits equal to the insurance deductibles and to the replacement cost not covered by insurance proceeds and deductibles.

26. INDEMNITY. Seller shall and does indemnify and hold Purchaser harmless from any and all liability, including costs and attorneys' fees, including those for appellate proceedings:

26.1 to the State of Florida for sales tax due on any rentals or sales prior to Closing, under Florida Statutes Section 212.10;

26.2 for services rendered prior to the Closing under any contracts for services to the Property existing now or at any time prior to the Closing;

26.3 for any security deposits of tenants received by Seller prior to the Closing and not credited to Purchaser at the Closing;

26.4 for any personal property taxes remaining unpaid for calendar years prior to the year of the Closing.

27. RADON GAS NOTICE. Pursuant to Florida Statutes Section 404.056(8), Seller hereby makes, and Purchaser hereby acknowledges, the following notification:

RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

28. MISCELLANEOUS.

28.1 This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without application of choice of law or conflicts of laws principles.

28.2 In the event any term or provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.

28.3 In the event of any litigation between the parties under this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees. Wherever provision is made in this Agreement for "attorneys' fees," such term shall be deemed to include accountants' and attorneys' fees and court costs, whether or not litigation is commenced, including those for appellate and post judgment proceedings and for paralegals and similar persons.

28.4 Each party has participated fully in the negotiation and preparation of this Agreement with full benefit of counsel. Accordingly, this Agreement shall not be more strictly construed against either party.

28.5 Whenever used in this Agreement, the singular shall include the plural, the

plural shall include the singular, any gender shall include every other and all genders, and captions and paragraph headings shall be disregarded.

28.6 The captions in this Agreement are for the convenience of reference only and shall not be deemed to alter any provision of this Agreement.

28.7 Any reference in this Agreement to time periods less than six (6) days shall, in the computation thereof, exclude Saturdays, Sundays, and legal holidays; any time period provided for in this Agreement which shall end on a Saturday, Sunday or legal holiday shall extend to 5:00 p.m. of the next full business day. Time is of the essence.

28.8 This Agreement constitutes the entire agreement between the parties and may not be changed, altered or modified except by an instrument in writing signed by the party against whom enforcement of such change would be sought.

28.9 All references in this Agreement to exhibits, schedules, paragraphs, subparagraphs and sections refer to the respective subdivisions of this Agreement, unless the reference expressly identifies another document.

28.10 All of the terms of this Agreement, including but not limited to the representations, warranties and covenants of Seller, shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective successors and assigns.

28.11 Typewritten or handwritten provisions which are inserted in or attached to this Agreement as addenda or riders shall control all printed or pretyped provisions of this Agreement with which they may be in conflict.

28.12 All covenants and agreements which expressly survive the Closing and all representations and warranties of Seller in this Agreement, all remedies related to them, and the

provisions of this Section 28.12 shall survive the Closing for a period of one (1) year.

29. SECTION 1031 EXCHANGE. Purchaser hereby acknowledges it is the intention of the Seller to effect a Section 1031 tax deferred exchange at no additional expense to Purchaser. The Seller's rights and obligations under this Agreement may be assigned to a qualified intermediary for the purpose of completing such an exchange. Purchaser agrees to cooperate with Seller and said qualified intermediary to complete the exchange.

30. OTHER AGREEMENT. Seller and Purchaser acknowledge that they have entered into one (1) other Purchase and Sale Agreement (the "Other Agreement") contemporaneously herewith, and that, if this Agreement is terminated in accordance with its terms, then the Other Agreement shall also terminate.

EXECUTED as of the date first written above in several counterparts, each of which shall be deemed an original, but all of which constitute only one agreement.

Signed, sealed and delivered
in the presence of:

SELLER:

HIGHWOODS/FLORIDA HOLDINGS, L.P., a
Delaware limited partnership

(As to Seller)

By: Highwoods/Florida GP Corp., a Delaware
corporation, its general partner

By: /s/ Edward Fritsch

Title: Executive Vice President

PURCHASER:

AMERICA'S CAPITAL PARTNERS

(As to Purchaser)

By: /s/ Allen C. de Olazarra
Its: Managing Member

Dated: March 25, 1999

FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT

THIS FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT is made and entered into the 21st day of April, 1999, by and between HIGHWOODS/FLORIDA HOLDINGS, L.P., a Delaware limited partnership ("Seller"), and AMERICA'S CAPITAL PARTNERS, LLC, a Florida limited liability company ("Purchaser").

Seller and Purchaser have previously entered into that certain Purchase and Sale Agreement dated as of March 22, 1999 (the "Agreement"). Seller and Purchaser wish to amend certain of the provisions of the Agreement as hereinafter set forth.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00), the mutual covenants and agreements herein and in the Agreement set forth and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Seller and Purchaser hereby agree as follows:

1. RECITALS. The foregoing recitals are true and correct.

2. THE PROPERTY. Section 1.1 and Exhibit "1.1" are hereby amended to add the properties described as (a) "Highwoods Development Parcels" I.E., Cypress Creek Land consisting of approximately 11 acres and Highwoods Sawgrass consisting of approximately 38 acres and (b) the "Sunrise Office Building," consisting of approximately 51,831 rentable square feet.

3. DEFINITION OF CONTRACT. Section 1.5 is hereby amended to add the words "set forth in Exhibit "12.1"" after the word "agreements" in the first line of Section 1.5.

4. CLOSING DATE. Section 3 is amended to provide that the Closing Date shall be on December 1, 1999.

5. ADDITIONAL DEPOSIT. The amount of the Additional Deposit in Section 4.1 is hereby changed to Three Million Dollars (\$3,000,000.00).

6. PURCHASE PRICE. Section 5.1 is hereby amended to increase the Purchase Price by the amount of Fifteen Million One Hundred Thirty Four Thousand Dollars (\$15,134,000.00), to a total of Eighty-Five Million One Hundred Thirty Four Thousand Dollars (\$85,134,000.00).

7. PAYMENT OF PURCHASE PRICE. Section 5.2 is hereby amended to change the amount of the Deposit to \$3,005,000.00 and the approximate balance of the Purchase Price due in cash at Closing, subject to prorations and adjustments as provided in the Agreement, to \$82,129,000.00.

8. TITLE OBJECTIONS. Section 9.1 is hereby amended to provide that April 28, 1999 is the last day on which Purchaser may notify Seller of any title and survey objections.

9. INVESTIGATION PERIOD. Sections 11.1 and 11.2 are hereby amended to provide that the Investigation Period shall expire on April 30, 1999 at 5:00 p.m. Eastern Daylight Time.

10. APPROVAL OF AMENDMENT BY SELLER'S BOARD OF DIRECTORS. Seller and Purchaser hereby acknowledge that this First Amendment must be approved by Seller's Board of Directors. Seller agrees to present the terms of this First Amendment to Seller's Board of Directors for its approval not later than April 27, 1999. Section 12.8 of the Agreement is hereby amended accordingly.

11. **BROKERS.** Section 20 is amended to delete the brokerage commission to be paid to Redwood Real Estate Services Corp.

12. **TRUE, CORRECT AND COMPLETE AGREEMENT.** Seller and Purchaser hereby acknowledge that several pages in the Agreement have been substituted to clarify certain issues and, pursuant to the terms of the Agreement, certain exhibits were annexed thereto after the Effective Date. Seller and Purchaser acknowledge and agree that the copy of the Agreement attached hereto is a true, correct and complete copy of the Agreement as it existed prior to the date of this First Amendment.

13. **NO FURTHER MODIFICATION.** Except as set forth in this First Amendment, the Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the Seller and Purchaser have executed this First Amendment the day and year first written above.

WITNESSES:

(As to Seller)

(As to Purchaser)

SELLER:

HIGHWOODS/FLORIDA HOLDINGS, L.P.,
a Delaware limited partnership

By: Highwoods/Florida G.P. Corp., a
Delaware corporation, as general
partner

By: Mark D. Pridgan III

Title: Vice President

Dated: April ____, 1999

PURCHASER:

AMERICA'S CAPITAL PARTNERS LLC, a
Florida limited liability company.

By: Allen C. de Olazarra

Title: Managing Member

Dated: April ____, 1999

Exhibit 10.2

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT is made and entered into as of the 22nd day of March, 1999, by and between HIGHWOODS/FLORIDA HOLDINGS, L.P., a Delaware limited partnership ("Seller"), and AMERICA'S CAPITAL PARTNERS, LLC, a Florida limited liability company and/or its permitted assigns hereunder ("Purchaser"). In consideration of the mutual covenants and promises set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties to this Agreement, the parties agree to the following terms and conditions:

1. PURCHASE AND SALE. Subject to the terms of this Agreement, Seller agrees to sell to Purchaser and Purchaser agrees to purchase from Seller the following property (collectively, the "Property" or "Properties"):

1.1 Those fee parcels of property located in Palm Beach County, Florida consisting of approximately 506,735 rentable square feet as more particularly described in Exhibit "1.1" (collectively, the "Realty");

1.2 The land and all buildings, structures and other improvements situated on the Realty (the "Improvements");

1.3 All fixtures, equipment, furnishings and other items of property whatsoever used or useful in the operation, repair and maintenance of the Realty, situated on the Realty, and owned by Seller (the "Personalty");

1.4 All of the landlord's interest in and to tenant leases for space in the Improvements or on the Realty;

1.5 All transferable contracts and agreements (each a "Contract", and

collectively, the "Contracts"), deposits, licenses, permits, and contract rights pertaining to ownership, development and/or operation of the Realty, the Improvements and the Personalty;

1.6 All of Seller's rights in and to the name and all logos, trademarks and other rights in connection with the name, and general intangible rights pertaining to the ownership and/or operation of the Realty other than the name "Highwoods" and any logos, trademarks, tradenames or other intangible rights relating to the name "Highwoods"; and

1.7 All strips, gores, easements, privileges, rights-of-way, riparian and other water rights, rights to lands underlying any adjacent streets or roads, and other tenements, hereditaments and appurtenances, if any, pertaining to or accruing to the benefit of the Realty and the Improvements.

2. EFFECTIVE DATE. If this Agreement is not executed and delivered by each party to it to all parties on or before March 25, 1999, at 5:00 p.m., Eastern time, then this Agreement shall be null and void and of no force or effect. Execution and delivery shall be defined as the receipt of the fully executed Agreement by the parties by means of the U.S. mails, delivery by a nationally recognized overnight delivery service, hand delivery or facsimile transmission. In the event delivery is by facsimile, the party delivering this Agreement shall deliver to all other parties an original copy of the fully executed Agreement within two (2) business days; failure to do so shall not affect the validity of the execution and delivery of this Agreement. The date of this Agreement, for purposes of performance, shall be the date when the last one of Seller or Purchaser has signed this Agreement, as stated on the signature page (the "Effective Date").

3. CLOSING DATE. Subject to other provisions of this Agreement for extension or

termination, the closing of the transactions contemplated by this Agreement (the "Closing") shall be held at the offices of the attorneys for Purchaser, Holland & Knight LLP, 701 Brickell Avenue, Miami, Florida 33131 on or before November 30, 1999, on a date designated by Seller upon not less than sixty (60) days' prior written notice to Purchaser (the "Closing Date").

4. DEPOSIT.

4.1 To secure the performance by Purchaser of Purchaser's obligations under this Agreement, Purchaser will deliver, within two (2) business days of the Effective Date, to the law firm of Holland & Knight LLP, as escrow agent ("Escrow Agent"), the sum of Five Thousand Dollars (\$5,000.00) by wire transfer to a depository designated by Escrow Agent, the proceeds of which shall be held in trust as an earnest money deposit (the "Initial Deposit") by Escrow Agent, and disbursed only in accordance with the terms of this Agreement. If Purchaser elects not to cancel this Agreement during the Investigation Period, as more particularly described in Section 11.2 of this Agreement, then, on the "Closing Date" under the Other Agreement (as hereinafter defined), Purchaser shall deliver to Escrow Agent a check or wire transfer in the sum of Two Million Dollars (\$2,000,000.00) (the "Additional Deposit") to be held together with, and upon the same terms and conditions as, the Initial Deposit. Once the Additional Deposit is paid to Escrow Agent, the term "Deposit" shall mean the Initial Deposit plus the Additional Deposit; prior to such payment, whenever used in this Agreement, the term "Deposit" shall mean only the Initial Deposit.

4.2 Escrow Agent shall use its reasonable efforts to invest the Deposit in an interest bearing account or certificate of deposit maintained with or issued by a commercial bank reasonably acceptable to Purchaser and Seller. All interest accrued or earned on the Deposit shall

be paid or credited to Purchaser, except in the event of a default by Purchaser, without any default of Seller, in which event the interest shall be disbursed to Seller, together with the Deposit, as liquidated damages in accordance with Section 15.

4.3 Purchaser and Seller acknowledge that, if the Deposit is at any time in excess of \$100,000.00, then the amount over \$100,000.00 shall not be insured, and both parties hold Escrow Agent harmless from all losses and costs and liabilities which may accrue or be incurred related to such lack of insurance.

5. PURCHASE PRICE.

5.1 The total purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Property is Seventy Million Dollars (\$70,000,000.00). The Purchase Price shall be allocated among the Properties within two (2) business days prior to the end of the Inspection Period, which allocation, once completed, shall be attached to each copy of this Agreement as Exhibit "5.1."

5.2 The Purchase Price shall be paid to Seller as follows:

\$2,005,000.00,	the Deposit described in Section 4 of this Agreement, which shall be paid to Seller at Closing; and
\$67,995,000.00,	approximately, in cash at Closing, subject to prorations and adjustments as provided in this Agreement, to be paid by cashier's check or by wire transfer.

6. CONFIDENTIAL NATURE OF AGREEMENT. Except for information obtained by Purchaser from third parties or which is otherwise available to the public, Purchaser shall keep all information obtained by Purchaser relative to the Property (including, without limitation, the Due

Diligence Documents), as it relates to this transaction, confidential. Purchaser shall have the right to disclose such information notwithstanding such limitation to Purchaser's professionals, consultants, lenders, officers, employees, stockholders, purchasers and affiliates for the sole purpose of evaluating the Property to determine its value and suitability for Purchaser's needs and financing and as may be required by applicable law. Seller shall have the right, in its sole discretion, to terminate this Agreement in the event of a material breach by Purchaser of this Section 6, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination.

7. TITLE EVIDENCE. Within fifteen (15) days following the Effective Date, Purchaser shall, at Purchaser's expense, obtain an ALTA marketability title insurance commitment (the "Commitment"), with fee owner's title policy premium to be paid by Purchaser at Closing, issued by Holland & Knight LLP, as agent for one or more national title insurers acceptable to Purchaser (collectively, the "Title Insurer"), with hard copies of all exceptions. The Commitment shall show Seller to be vested with good and marketable and insurable fee simple title to the Realty, insurable in an amount equal to the Purchase Price in accordance with the standards adopted from time to time by The Florida Bar, at standard rates, and Seller believes that the Commitment will show the Realty to be free and clear of all liens, encumbrances, leases, tenancies, covenants, conditions, restrictions, rights-of-way, easements and other matters affecting title, except the following (which, if not objected to by Purchaser pursuant to the terms of Article 9 below, shall be

deemed the "Permitted Exceptions");

7.1 Ad valorem real estate taxes for 1999 and subsequent years;

7.2 All applicable zoning ordinances and regulations;

7.3 Matters of record which are common to the subdivision;

7.4 Matters described in Seller's existing title policies with respect to the Properties; and

7.5 Tenants in possession.

8. SURVEY.

8.1 Within the time period for providing the Commitment, Purchaser shall obtain and deliver to Seller ALTA surveys (the "Surveys") of the Realty and the Improvements. The Surveys shall:

8.1.1 meet the minimum technical standards of the Florida Board of Land Surveyors;

8.1.2 be certified to Purchaser, to Purchaser's attorney, to the Title Insurer and to Purchaser's mortgage lender;

8.1.3 be certified (or recertified) as of a date subsequent to the Effective Date;

8.1.4 set forth the total number of square feet and acres in the Realty;

8.1.5 show the location of all improvements, parcels (if any) in the legal descriptions of the Realty, number of square feet and parking spaces in the Improvements, utility, setback and other lines; easements, either visible or recorded, and recording references of them; and

8.1.6 include elevation and flood zone information.

8.2 If the Survey shall reflect any encroachments, overlaps, unrecorded easements or similar rights in third parties, or any other adverse matters not specifically provided for in this Agreement, then the same shall be deemed "title defects" as set forth in Section 9.

9. TITLE DEFECTS.

9.1 Purchaser shall have until April 21, 1999 in which to examine the Commitment and the Surveys. If Purchaser finds title to be defective, Purchaser shall, no later than 5:00 p.m. Eastern time on April 21, 1999, notify Seller in writing, specifying the title defect(s). If Purchaser fails to give Seller written notice of any title defect(s) before 5:00 p.m. Eastern time on April 21, 1999, the defects shown in the Commitment or the Surveys shall be deemed to be waived as title objections to closing this transaction.

9.2 If Purchaser has given Seller timely written notice of defect(s) and the defect(s) render the title other than as represented in this Agreement or if any new defects appear from the date of the Commitment through the Closing Date, Seller shall use commercially reasonable efforts to cause only those defects recorded after October 7, 1997 to be cured by the Closing Date. Seller agrees to remove, by payment, bonding or otherwise, any such lien (other than environmental liens) against the Property capable of removal by the payment of money or bonding. Seller shall not be obligated to (but may, in its sole and absolute discretion) cure any other defect or to buyout or settle any other claim or lien against the Property. At Seller's option, the Closing Date may be extended for a period not to exceed sixty (60) days for purposes of eliminating such title defects. If such additional time is reasonably required by Seller to cure such title defects, Seller's

failure to extend the Closing Date shall be commercially unreasonable.

9.3 If Seller does not eliminate such defects as of the Closing Date, as the same may be extended under the preceding sentence, or if any new "title defects" appear between the date of the Commitment through the Closing Date which Seller does not eliminate as of the Closing Date, Purchaser shall have the option to:

9.3.1 Close and accept the title "as is," without reduction in the Purchase Price and without claim against Seller for such title defects (except for any lien that Seller is required to cure pursuant to Section 9.2 that can be removed by the payment of money or bonding, for which credit shall be given Purchaser at the Closing unless Seller pays the same at the Closing) (and in such event, the Closing shall take place on the Closing Date); or

9.3.2 Cancel this Agreement, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination, unless such title defects were caused by Seller's willful act or willful omission, in which event Seller shall remain liable to Purchaser for damages caused by such title defects.

10. EXISTING LEASES. Seller represents and warrants to Purchaser that attached to this Agreement as Exhibit "10" is a rent roll of all leases, tenancies, and other occupancies, whether written or oral, affecting all or any portion of the Property (the "Leases"), setting forth, for each tenant (each a "Tenant", and collectively, the "Tenants"), the name of the tenant, the space(s) affected, the rents, the lease term, the security deposit as required by the subject Lease, if any,

prepaid rent and any rent arrearages. Upon execution of this Agreement by Seller, Seller shall deliver to Purchaser true, correct and complete copies of all of the Leases. Seller further represents and warrants to Purchaser that:

10.1 No other parties have any rights of occupancy or possession (including, without limitation, renewal options, rights of first refusal, options to purchase, free rent, tenant improvement allowances or other special concessions) of all or any portion of the Property except as set forth in the rent roll which is a part of Exhibit "10" or as set forth in the lease files provided by Seller to Purchaser pursuant to Section 11.1;

10.2 All of the Leases are, as of the date of this Agreement, in good standing, without default on the part of Seller, and shall remain without default on the part of Seller through the date of the Closing;

10.3 Seller shall use its diligent, good faith, commercially reasonable efforts to deliver to Purchaser, at least ten (10) days prior to the Closing, appropriate estoppel letters from all Tenants occupying more than 10,000 square feet ("Major Tenants") and from a sufficient number of Tenants occupying the remaining occupied square feet in the Property, and not occupied by Major Tenants, necessary to provide estoppel coverage on eighty percent (80%) of the occupied square footage in the Property, such estoppel letters to confirm in all material respects the information contained in Exhibit "10" and provided to Purchaser by Seller pursuant to Sections 11.1.5 and 11.1.6 and to be in the form attached hereto as Exhibit "10.3". If the estoppel letters required by the preceding sentence are not timely obtained after diligent effort by Seller, then Seller shall execute an affidavit as to each such Lease for which it has not obtained an estoppel letter, setting forth the

information which would have been contained in the estoppel letter, which shall substitute for such missing estoppel letters until such time as estoppel letters are received from the subject Tenants; provided, however, that Seller shall not be obligated to give, and Purchaser shall not be obligated to accept, substitute affidavits for more than 100,000 occupied square feet in the aggregate with respect to missing estoppel letters from Major Tenants. If Seller is unable to comply with the provisions of this Section 10.3 by the Closing Date, Purchaser shall have the options set forth in Sections 14.1 and 14.2;

10.4 There are no modifications, understandings or agreements with respect to the Leases except as reflected in the Leases or as set forth in the lease files provided by Seller to Purchaser may be disclosed to Purchaser pursuant to Section 11.1;

10.5 Seller has not received any prepaid rent under any of the Leases except as may be disclosed to Purchaser in the rent roll which is part of Exhibit "10"; and

10.6 Seller shall not accept payment of any rent under any Lease for more than one (1) month in advance. Seller shall have the right, prior to the end of the Inspection Period, to modify any existing Lease or Contract and enter into any new lease or agreement affecting all or any portion of the Property, provided that Seller shall give Purchaser prompt notice of any such modification or new lease or agreement. After the end of the Investigation Period, Seller shall modify any existing Lease or Contract or enter into any new lease or agreement affecting all or any portion of the Property only with the prior written consent of Purchaser, which shall not be unreasonably withheld. Seller shall immediately provide to Purchaser a copy of any such proposed modification, lease or agreement, and Purchaser shall have two (2) business days from the delivery

thereof in which to withhold its consent to the terms thereof in writing, if it so chooses, or else the same shall be deemed consented to by Purchaser. If Purchaser timely withholds its consent, Purchaser shall have the right to terminate this Agreement, whereupon Escrow Agent, subject to the provisions of

Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination. If Purchaser elects not to terminate this Agreement at the end of the Investigation Period, all new leases and agreements entered into by Seller prior to the end of the Investigation Period shall become "Leases" and "Contracts," respectively, hereunder. In addition, all new leases and agreements entered into by Seller after the end of the Investigation Period with Purchaser's consent or deemed consent shall become "Leases" and "Contracts," respectively, hereunder.

11. INVESTIGATION PERIOD.

11.1 During the period from the Effective Date until April 23, 1999 (the "Investigation Period"), Purchaser shall have the right to conduct, at Purchaser's expense, whatever reasonable investigations, analyses and studies of the Property that Purchaser may deem appropriate to satisfy Purchaser with regard to:

11.1.1 the physical condition of the building(s) and other improvements included in the Property, including their structure, roofs, air conditioning, heating, electrical, plumbing and other mechanical systems;

11.1.2 the physical condition of all fixtures, equipment, furnishings and other items of property referred to in Subsection 1.3 above, an inventory of which shall be furnished

by Seller at Seller's expense within fifteen (15) days after the Effective Date;

11.1.3 the permitted uses of and improvements to the Property under applicable building and zoning ordinances and the present compliance or non-compliance with the same;

11.1.4 evidence of any hazardous waste or similar materials, and of Radon, in, on, under or about the Property;

11.1.5 all existing Contracts, Leases, lease files, lease abstracts, historical MRI reports (not including prospective information, such as budget projections, which are proprietary to Seller) and tenancies affecting the Property; and

11.1.6 Seller's historical operating statements for calendar year 1998 and year-to-date 1999 (as and when available).

11.2 Purchaser and its agents and employees shall have the right to enter upon the Property for the purpose of making inspections, at Purchaser's sole risk, cost and expense, and subject to the rights of tenants. No destructive testing shall be permitted. All of such entries upon the Property shall be at reasonable times during normal business hours and after at least one

(1) business day's prior notice to Seller or Seller's agent, and Seller or Seller's agent shall have the right to accompany Purchaser during any activities performed by Purchaser on the Property. Seller shall make available to Purchaser at all times during business hours during the Investigation Period, and after the Investigation Period until the Closing Date, upon one (1) business day's prior notice, all documents relating to the matters described in Section 11.1 above which are in Seller's possession for review and copying by Purchaser (the "Due Diligence Documents"). In addition, within five (5)

business days after the Effective Date, Seller shall provide Exhibits "12.1" and "12.6" to Purchaser. Purchaser shall promptly provide to Seller copies of all environmental and engineering reports which Purchaser may obtain from third parties relating to the Property. If Purchaser is dissatisfied, for any reason and in Purchaser's exclusive judgment, with the result of Purchaser's investigations, then Purchaser may cancel this Agreement by notifying Seller of such cancellation on or before 5:00 p.m. on April 23, 1999, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination.

11.3 If Purchaser or Seller cancels this Agreement pursuant to the terms hereof, Purchaser shall deliver to Seller all of the Due Diligence Documents. Upon receipt of said documents by Seller, Escrow Agent shall disburse the Deposit, together with all interest earned thereon, to Purchaser.

11.4 Upon Purchaser's waiver of or failure to duly exercise its right to terminate described in this Section 11, Purchaser shall have accepted the Property "as is", with no representations or warranties regarding the Property other than any which may be specifically stated in this Agreement.

11.5 Notwithstanding any provisions in this Agreement to the contrary, Purchaser does and shall indemnify and hold harmless Seller and its agents, employees, successors and assigns, to the extent of the Deposit, against all losses, claims, damages, liability, attorneys' and accountants' fees and costs of litigation and all other expenses related to, growing out of, or arising

from the investigation of or entry upon the Property, or other acts undertaken by Purchaser or its agents, employees or assigns, under this Agreement, including, without limitation, mechanic's or materialmen's liens. If Purchaser does not close on the purchase of the Property under this Agreement, it shall return the Property to the condition in which it existed prior to any investigations undertaken by Purchaser or its agents, employees and assigns pursuant to this Agreement.

11.6 Except as otherwise expressly provided herein, Seller makes no representations or warranties as to the accuracy or completeness of the Due Diligence Documents.

11.7 The inspections under this Section 11 may include a Phase I environmental inspection of the Property, but no Phase II environmental inspection shall be performed without the prior written consent of Seller, which may be withheld in its sole and absolute discretion, and if consented to by Seller, the proposed scope of work and the party who will perform the work shall be subject to Seller's review and approval. Upon Seller's request, Purchaser shall deliver to Seller copies of any Phase II or other environmental report to which Seller consents as provided above. Purchaser, for itself and any entity affiliated with Purchaser, waives and releases Seller and its employees, agents, officers, trustees, directors, beneficiaries and partners from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs or expenses of whatever kind or nature, known or unknown, existing and future, contingent or otherwise (including any action or proceeding, brought or threatened, or ordered by any appropriate governmental entity) made, incurred, or suffered by Purchaser or any entity affiliated with Purchaser relating to the presence, misuse, use, disposal, release or threatened release of any hazardous or toxic materials, chemicals or wastes as the Property and any liability or claim related to the Property arising under

the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Superfund Amendments and Reauthorization Act of 1986, the Resource Conservation and Recovery Act, and the Toxic Substance Control Act, all as amended, or any other cause of action based on any other state, local, or federal environmental law, rule or regulation; provided, however, the foregoing release shall not operate or release any claim by Purchaser against any person or entity other than described above in this Section 11.7. The provisions of this Section 11.7 shall survive indefinitely the Closing or any termination of this Agreement and shall not be merged into the closing documents.

11.8 To the maximum and extent permitted by applicable law, and except for Seller's representations and warranties (collectively, "Seller's Warranties") in this Agreement and the documents of conveyance and assignment to be delivered at the Closing, this sale is made and will be made without representation, covenant, or warranty of any kind (whether express, implied, or, to the maximum extent permitted by applicable law, statutory) by Seller. As a material part of the consideration of this Agreement, Purchaser agrees to accept the Property on an "AS IS" and "WHERE IS" basis, with all faults and any and all latent and patent defects, and without any representation or warranty, all of which Seller hereby disclaims, except for Seller's Warranties. Except for Seller's Warranties, no warranty or representation is made by Seller as to (a) fitness for any particular purpose, (b) merchantability, (c) design, (d) quality, (e) condition, (f) operation or income, (g) compliance with drawings or specifications, (h) absence of defects, (i) absence of hazardous or toxic substances, (j) absence of faults, (k) flooding, or (l) compliance with laws and regulations including, without limitation, those relating to health, safety, and the environment.

Purchaser acknowledges that Purchaser has entered into this Agreement with the intention of making and relying upon its own investigation of the physical, environmental, economic use, compliance and legal condition of the Property and that, except as otherwise provided in this Agreement, Purchaser is not now relying, and will not later rely, upon any representations and warranties made by Seller or anyone acting or claiming to act, by, through or under or on Seller's behalf concerning the Property. The provisions of this paragraph shall survive indefinitely the Closing or any termination of this Agreement and shall not be merged into the closing documents.

12. REPRESENTATIONS, WARRANTIES AND COVENANTS. Seller represents and warrants to Purchaser, to Seller's knowledge, and covenants and agrees with Purchaser as follows:

12.1 Seller has not entered into any contracts, subcontracts, arrangements, licenses, concessions, easements or other agreements, either recorded or unrecorded, written or oral, affecting all or any portion of the Property, or the use of it, other than the Leases set forth in Exhibit "10" and those agreements set forth in Exhibit "12.1";

12.2 There are no (i) existing or pending improvement liens affecting the Property; (ii) violations of building codes and/or zoning ordinances or other governmental or regulatory laws, ordinances, regulations, orders or requirements affecting the Property; (iii) existing, pending or threatened lawsuits or appeals of prior lawsuits affecting the Property; (iv) existing, pending or threatened condemnation proceedings affecting the Property; or (v) existing, pending or threatened zoning, building or other moratoria, downzoning petitions, proceedings, restrictive allocations or similar matters that could affect Purchaser's use of the Property;

12.3 Seller is vested with good and marketable title to all fixtures, equipment, furnishings and other items of property referred to in Section 1 and owned by Seller, free of all financing and other liens or encumbrances;

12.4 Seller shall maintain the Property in the same manner as it has been maintained prior to the Effective Date until the Closing Date and shall comply prior to the Closing in all material respects with all laws, rules, regulations, and ordinances of all governmental authorities having jurisdiction over the Property;

12.5 There is no radon in the Improvements which are above government approved levels; Seller has not done nor allowed anything which could cause toxic or hazardous materials or waste to be present in, on or about the Property, and has no knowledge of any such materials or waste being or ever having been in, on, or about the Property or adjacent properties, in each case, except as described in Exhibit "12.6" attached hereto, which, for purposes hereof, constitutes all of Seller's knowledge;

12.6 Seller shall provide, and keep in force through the Closing, policies of fire, flood, windstorm, hazard and other casualty insurance on the improvements portion of the Realty and all items of other property referred to in Section 1 above;

12.7 There are no agreements currently in effect which restrict the sale of the Property;

12.8 Subject to approval of Seller's Board of Directors as provided in this Section 12.8, Seller has the right, power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby; neither the execution and delivery of this

Agreement nor the consummation of the transactions contemplated hereby nor the fulfillment of nor the compliance with the terms, conditions and provisions of this Agreement will conflict with or result in a violation or breach of Seller's partnership agreement, or any other instrument or agreement of any nature to which Seller is a party or by which it is bound or may be affected, or constitute (with or without the giving of notice or the passage of time) a default under such an instrument or agreement; no consent, approval, authorization or order of any person is required with respect to the consummation of the transactions contemplated by this Agreement. Seller agrees to present the terms of this Agreement to its Board of Directors (the "Board") for its approval not later than March 23, 1999. Seller further agrees to notify Purchaser of the decision of such Board no later than the end of business on such date. A Board decision to approve this transaction shall be final except that in the event of a material change in a term as embodied in this Agreement, the parties acknowledge that such change in terms may be subject to reconsideration by the Board, at its election.

12.9 No commitments or agreements have been or will be made by or on behalf of Seller to any governmental authority, utility company, school board, church or other religious body, any homeowners or homeowners' association, or any other organization, group or individual, relating to the Property which would impose an obligation upon Purchaser to make any contributions or dedications of money or land to construct, install or maintain any improvements of a public or private nature on or off the Realty or the Development Assets, or otherwise impose liability on Purchaser; and

12.10 At all times during the term of this Agreement and as of the Closing,

all of Seller's representations, warranties and covenants in this Agreement shall be true and correct; no representation or warranty by Seller contained in this Agreement and no statement delivered or information supplied to Purchaser pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements or information contained in them or in this Agreement not misleading.

For purposes of this Section 12, "to Seller's knowledge" shall mean the actual knowledge of Troy Cox, James Heistand, Dale Johannes and Richard Nash, without independent inquiry.

Purchaser warrants and represents to Seller that Purchaser has the right, power and authority to execute and deliver this Agreement and to consummate the transactions contemplated by it, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by it nor the fulfillment of nor the compliance with the terms, conditions and provisions of this Agreement will conflict with or result in a violation or breach of Purchaser's organizational documents, or any other instrument or agreement of any nature to which Purchaser is a party or by which it is bound or may be affected, or constitute (with or without the giving of notice or the passage of time) a default under such an instrument or agreement; no consent, approval, authorization or order of any person is required with respect to the consummation of the transactions contemplated by this Agreement. At all times during the term of this Agreement and as of the Closing, all of Purchaser's representations, warranties and covenants in this Agreement shall be true and correct.

13. CONDITIONS PRECEDENT.

13.1 An express condition precedent to Purchaser's obligation to close this transaction is the truth and correctness of all of Seller's representations and warranties and the fulfillment of all of Seller's covenants at all times during the term of this Agreement and as of the Closing, and no inquiry, analysis or examination made by Purchaser (or the results of them) shall reduce, limit or otherwise affect said representations, warranties and covenants.

13.2 The following items are additional conditions precedent to Purchaser's obligation to close the transactions contemplated by this Agreement:

13.2.1 The Property shall remain zoned at the time of the Closing so as to permit each and every use now being made of the Property; there shall be no additional limiting conditions or restrictions under any zoning resolution, ordinance, covenant, agreement, or the like that could prohibit or frustrate any use of the Property now being made or otherwise permissible under said zoning classification in the absence of such conditions or restrictions.

14. **DEFAULT BY SELLER.** Prior to the Closing Date, in the event that Purchaser becomes aware of facts or circumstances indicating that a representation or warranty of Seller contained herein is inaccurate, untrue or breached, as the case may be, Purchaser shall promptly so notify Seller in writing, and Seller shall have the right to cure the same on or before the Closing Date, failing which Purchaser shall have the right, by written notice to Seller given on the Closing Date, to terminate this Agreement, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations hereunder, except for those which expressly survive such termination. If any of Seller's representations and warranties are not true and correct in

all material respects as of the Closing Date or Seller's covenants are not fulfilled in all material respects or all other conditions precedent are not met in all material respects as of the Closing (or earlier specified date, if any), or if Seller fails to perform any of the terms and conditions of this Agreement in all material respects or is otherwise in default under this Agreement, then Purchaser, at Purchaser's sole option, may elect to:

14.1 Waive the default or failure and close "as is"; or

14.2 Cancel this Agreement by written notice to Seller given on or before the Closing Date, whereupon Escrow Agent, subject to the provisions of

Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination, unless the default was caused by the willful act or willful omission of Seller, in which event Seller shall continue to be liable for damages and attorneys' fees caused by such default); or

14.3 Seek specific performance of Seller's obligations under this Agreement.

In the event that any representation or warranty made by Seller herein is found to be inaccurate, untrue or breached, as the case may be, after the Closing Date, Purchaser shall have the right, for a period of one (1) year after the Closing Date, to seek actual (but not consequential or punitive) damages from Seller; provided, however, that Purchaser must commence a legal action or proceeding seeking such damages within said one (1)-year period, or its claims shall thereafter be barred.

15. **DEFAULT BY PURCHASER.** In the event of the failure or refusal of Purchaser to close this transaction, Escrow Agent shall pay to Seller the Deposit, together with all interest earned

thereon, as agreed and liquidated damages for said breach, and as Seller's sole and exclusive remedy for default of Purchaser, whereupon this Agreement shall terminate and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination.

16. PRORATIONS.

16.1 Real estate and personal property taxes shall be prorated as of midnight of the day before the Closing Date. In the event that the taxes for the year of the Closing are unknown, the tax proration will be based upon such taxes for the prior year and, at the request of either party, such taxes for the year of the Closing shall be reprorated and adjusted when the tax bill for the year of the Closing is received and the actual amount of taxes is known.

16.2 Utility bills or charges, where applicable, shall be prorated as of midnight of the day before the Closing Date. The parties shall, to the extent reasonably possible, have utility meters read the day preceding the Closing Date and Seller shall be responsible for paying all utility bills or charges which accrued against the Property prior to midnight of the day before the Closing Date and Purchaser shall be required to pay all utility bills or charges accruing against the Property on or subsequent to midnight of the day before the Closing Date, with any charge for which a reading could not be made as of the day preceding the Closing Date being prorated as of midnight of the day before the Closing Date using an estimate based on the most recent reading for such utility. Purchaser shall, as of the day prior to the Closing Date, post with each utility company such deposit as each such utility company shall require, to the end that Seller's utility deposits shall be refunded to Seller following the Closing, after appropriate charge for Seller's utility bills. Purchaser shall secure its own insurance on the Property as of the Closing Date, and Seller shall cancel all existing insurance policies as of the Closing Date. Purchaser and Seller shall, before and after the Closing, reasonably cooperate with each other in connection with this Section 16.2.

16.3 The parties agree that, except as otherwise specifically stated elsewhere in

this Agreement, all income and expenses of the Property are intended to be prorated as of midnight of the day before the Closing Date. Purchaser shall be deemed the owner of the Property, for the purpose of such calculation, for the entire Closing Date. Income shall include all revenue of Seller derived from the operation of the Property. Expenses shall include all expenses from the operation of the Property. Income actually received by Seller prior to the Closing in payment for a period subsequent to the Closing shall appear on the closing statement as a credit to Purchaser. Expenses actually paid by Seller prior to the Closing in payment for a period subsequent to the Closing shall appear on the closing statement as a credit to Seller.

16.4 Notwithstanding anything to the contrary in Section 16.3 above, rents under the Leases, including, without limitation, fixed rent and additional rent, including operating expense and real estate tax pass-throughs (collectively, "Rents"), shall be addressed in the manner set forth in this

Section 16.4. All collected Rents for the month in which the Closing occurs shall be prorated as of midnight the day before the Closing Date. All uncollected Rents for the months prior to the month in which the Closing occurs and all uncollected Rents for the month of the Closing (the "Delinquent Rents"), shall remain Seller's property, and Seller shall receive no proration credit therefor at the Closing. Purchaser, however, shall receive a proration credit for its prorated portion of all Rents for the month of the Closing whether such Rents have been collected or remain uncollected. All prepaid Rents (for the months following the Closing) paid to or in possession of Seller shall be credited to Purchaser at the Closing. Purchaser agrees to use good faith and commercially reasonable efforts, for a period of six (6) calendar months after the Closing, to collect Delinquent Rents from each tenant ("Tenant or Tenants") remaining in possession of its space under

a Lease. If any Tenant identifies in writing at the time of payment what its payment is for or how such payment should be applied, such payment shall be used or applied in such manner. Any and all other amounts received by Purchaser from any party owing the Delinquent Rents which are received by Purchaser after the Closing Date shall first be applied to the Rent due for the then current month, then to Purchaser's reasonable collection costs (including reasonable attorneys' fees and costs), then to accrued obligations of such Tenant due prior to the Closing (in the order of accrual), and then to accrued obligations due after the Closing. Purchaser shall promptly deliver to Seller any funds to be applied to Delinquent Rents in accordance with the preceding sentence. No portion of Delinquent Rents attributable to a particular Tenant shall be applied against the Rents or Delinquent Rents attributable to another Tenant, or the expenses incurred by Purchaser in collecting such Rents or Delinquent Rents from other Tenants. Purchaser shall not be obligated to file suit to collect the Delinquent Rents. After the Closing, Seller shall be entitled to commence and/or continue any collection efforts against any Tenants owing Delinquent Rents, including, but not limited to, commencing and/or continuing prosecuting lawsuits against such Tenants, so long as such lawsuits are for money damages only and do not seek the remedy of eviction.

16.5 All security deposits or prepaid Rent held by or under the control of Seller, as required by the Leases, reflected on the tenant estoppel letter with respect to the Leases and as set forth on Exhibit "10" (less any offsets indicated thereon as hereinafter defined, if applicable), shall be paid or credited to Purchaser as of the Closing Date, and Purchaser shall, with respect to all matters arising or accruing after the Closing, assume all liability therefor. Seller shall not, after the Effective Date and prior to the Closing, further offset all or any portion of such security deposits or

prepaid Rent without the prior written consent of Purchaser.

16.6 Except as otherwise provided in this Agreement, any lease commissions or tenant improvement costs which are (i) incurred by Seller in connection with any existing Leases or new leases entered into prior to the end of the Investigation Period or entered into after the end of the Investigation Period and approved by Purchaser in writing; or (ii) associated with currently existing renewal, expansion or refusal rights of Tenants under the Leases exercised after the Effective Date but prior to the Closing shall be prorated between the parties in proportion to the percentage of the Lease term in the case of (i) above, or the renewal or expansion term or term applicable to the expansion or refusal rights in the case of (ii) above, which falls before midnight of the day before the Closing Date (which shall be Seller's portion) and the percentage of same which falls after midnight of the day before the Closing Date (which shall be Purchaser's portion). Any other lease commissions or tenant improvement costs incurred by Seller in connection with the Leases shall be the responsibility of Seller; provided, however, that Purchaser shall bear the cost of any lease commissions or tenant improvement costs associated with currently existing renewal, extension, expansion or refusal rights of Tenants under the Leases exercised after the Closing.

16.7 Seller agrees to pay to the appropriate taxing authority sales tax collected by Seller in connection with Rent received by Seller under the Leases for the month in which the Closing occurs promptly after the Closing. Not later than one hundred twenty (120) days after the Closing Date, Seller shall deliver to Purchaser the receipt or certificate from the Florida Department of Revenue provided for in Section 212.10(1), Florida Statutes (such as a "letter of good standing"), evidencing that the sales taxes for such month and for previous months have been paid in full and

that no interest or penalties are due in connection with same.

16.8 Notwithstanding anything to the contrary which may be contained herein:

16.8.1 Seller and Purchaser acknowledge and agree that to the extent the annual reconciliation of pass-throughs for the 1998 calendar year are not completed prior to the Closing, Seller, rather than Purchaser, shall have the right and obligation to complete such reconciliations and to collect and retain reimbursements from Tenants or pay reimbursements to Tenants, as applicable.

16.8.2 Upon the annual reconciliation of such pass-throughs with the Tenants of the Property for the 1999 calendar year, (i) if such reconciliation results in there being refunds due and payable to the Tenants, Seller shall promptly pay to Purchaser, upon Purchaser's request (accompanied by appropriate documentation), Seller's share of such refund amounts prorated for the portion of the year during which Seller owned the Property, and (ii) if such reconciliation results in Tenants owing funds, Purchaser shall have the right to collect such funds from the Tenants and Purchaser shall promptly pay to Seller a portion of the funds so collected, prorated for the portion of the year during which Seller owned the Property.

16.9 The provisions of this Section 16 shall survive the Closing under this Agreement.

17. **IMPROVEMENT LIENS.** All installments due and owing under certified, confirmed or ratified liens for governmental improvements or special assessments as of the Closing Date, if any, shall be paid in full by Seller, and pending liens and installments thereof not yet due and owing for governmental improvements or special assessments as of the Closing Date shall be

assumed by Purchaser, provided that where the improvement has been substantially completed as of the Closing Date, such pending lien shall be considered certified.

18. CLOSING COSTS. At the Closing, Seller shall pay the documentary stamps and surtax, if any, due on the deed of conveyance. Purchaser shall pay the owner's title insurance premium. Seller and Purchaser shall equally bear the cost of the Surveys. Each party shall pay its own attorneys' fees and bear the recording costs of any instruments received by that party, except that Seller shall pay the recording costs on documents necessary to clear title.

19. CLOSING.

19.1 Seller shall convey title to the Property by Special Warranty Deed, subject only to the Permitted Exceptions (which, if Purchaser requests, shall not be specifically enumerated). Seller shall also deliver to Purchaser at the Closing:

19.1.1 a mechanic's lien affidavit, to the title insurer and Purchaser, in form acceptable to the Title Insurer to delete the standard exception relating to such liens in Purchaser's owner's title insurance policy;

19.1.2 an affidavit, to the Title Insurer and Purchaser, that there are no unrecorded easements and that Seller has exclusive possession of the Property, except for the rights of tenants shown on Exhibit "10" or hereafter approved in writing by Purchaser and that Seller has done nothing to change the state of facts shown on the Surveys, in form acceptable to the Title Insurer to delete the standard exceptions relating to such matters in Purchaser's owner's title insurance policy;

19.1.3 a gap affidavit and indemnification agreement acceptable to the Title

Insurer for purposes of deleting the "gap" from Purchaser's title commitment and policy;

19.1.4 instruments necessary to clear title, if any, including those required to remove standard exceptions from the title policy;

19.1.5 an appropriate bill of sale with warranty of title for the Personalty;

19.1.6 appropriate assignments of the Leases and all other assignable leases, deposits, licenses, easements, rights-of-way, contract rights, intangible rights and other property and rights included in this transaction, containing reciprocal indemnities for matters arising before and after the Closing which instruments shall contain assumptions by Purchaser of the Leases and Contracts;

19.1.7 appropriate restatements of Seller's covenants, representations and warranties which are to survive the Closing;

19.1.8 appropriate evidence of Seller's partnership existence and authority to sell and convey the Property;

19.1.9 any and all guarantees and warranties on all property conveyed pursuant to this Agreement, with assignment of all assignable rights under the guaranties and warranties;

19.1.10 a non-foreign certificate and other documentation as may be appropriate and satisfactory to Purchaser to meet the non-withholding requirements under FIRPTA and any other federal statute or regulations (or, in the alternative, Seller shall cooperate with Purchaser in the withholding of funds pursuant to FIRPTA regulations);

19.1.11 an appropriate reporting form to be submitted with the deed at time

of recordation;

19.1.12 Tenant notice letter regarding payment of rent; and

19.1.13 A consent and certification from Andreyev Engineering, authorizing Seller, Purchaser and its lenders to rely upon its reports.

19.2 Purchaser shall pay the balance of the Purchase Price in excess of the Deposit, and shall provide Seller with analogous proof of entity existence and authority and an appropriate restatement of Purchaser's covenants, representations and warranties which are to survive the Closing. Seller and Purchaser shall each execute such other documents as are reasonably necessary to consummate this transaction.

20. **BROKERS.** The parties each represent and warrant to the other that the only real estate broker, salesman or finder involved in this transaction is Redwood Real Estate Services Corp., to whom Seller shall pay a real estate brokerage commission in the amount of the lesser of one (1%) percent of the Purchase Price or Seven Hundred Thousand (\$700,000.00) Dollars, and Seller shall indemnify, defend and hold Purchaser harmless from claims for such payments. If a claim for brokerage or similar fees in connection with this transaction is made by any broker, salesman or finder other than the above-named broker claiming to have dealt through or on behalf of one of the parties to this Agreement, then that party shall indemnify, defend and hold the other party under this Agreement harmless from all liabilities, damages, claims, costs, fees and expenses whatsoever (including reasonable attorneys' fees and court costs, including those for appellate matters and post judgment proceedings) with respect to said claim for brokerage. The provisions of this section shall survive the Closing or the earlier termination of this Agreement.

21. ASSIGNABILITY. Purchaser shall be entitled to assign Purchaser's rights and obligations under this Agreement to any entities owned or controlled by Allen C. de Olazarra and Rodolfo Prio Touzet.

22. INSPECTIONS. Purchaser, and Purchaser's agents and contractors, shall have the right during the term of this Agreement, upon one (1) business day's advance notice, to enter upon the Property at all reasonable times for purposes of inspection and making tests and studies. Purchaser hereby agrees to and does indemnify, defend and hold Seller harmless, to the extent of the Deposit, from all liabilities, damages, claims, costs, or expenses whatsoever (including reasonable attorneys' fees and court costs) for bodily injury, death, or property damage resulting from any such inspection, test or study. The provisions of this Section 22 shall survive the Closing or the termination or cancellation of this Agreement.

23. ESCROW AGENT.

23.1 Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement. Escrow Agent shall not be deemed to have any implied duties or obligations under or related to this Agreement. Escrow Agent is the law firm representing Purchaser. In the event of a dispute between the parties, the parties consent to Escrow Agent continuing to represent Purchaser, notwithstanding that Escrow Agent shall continue to have the duties provided for in this Agreement.

23.2 Escrow Agent may (a) act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine; (b) assume the validity and accuracy of any statement or assertion contained in such a writing or instrument; and (c) assume that any person

purporting to give any writing, notice, advice or instructions in connection with the provisions of this Agreement has been duly authorized to do so. Escrow Agent shall not be liable in any manner for the sufficiency or correctness as to form, manner of execution, or validity of any instrument deposited in escrow, nor as to the identity, authority, or right of any person executing any instrument; Escrow Agent's duties under this Agreement are and shall be limited to those duties specifically provided in this Agreement.

23.3 The parties to this Agreement do and shall indemnify Escrow Agent and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or other expenses, fees, or charges of any character or nature, including attorneys' fees and costs, which it may incur or with which it may be threatened by reason of its action as Escrow Agent under this Agreement, except for such matters which are the result of Escrow Agent's gross negligence or willful malfeasance.

23.4 If the parties (including Escrow Agent) shall be in disagreement about the interpretation of this Agreement, or about their respective rights and obligations, or about the propriety of any action contemplated by Escrow Agent, Escrow Agent may, but shall not be required to, file an action in interpleader to resolve the disagreement; upon filing such action, Escrow Agent shall be released from all obligations under this Agreement. Escrow Agent shall be indemnified for all costs and reasonable attorneys' fees, including those for appellate and post judgment matters and for paralegals and similar persons, incurred in its capacity as escrow agent in connection with any such interpleader action; Escrow Agent may represent itself in any such interpleader action and charge its usual and customary legal fees for such representation, and the

court shall award such attorneys' fees, including those for appellate and post judgment matters and for paralegals and similar persons, to Escrow Agent from the losing party. Escrow Agent shall be fully protected in suspending all or part of its activities under this Agreement until a final judgment in the interpleader action is received.

23.5 Escrow Agent may consult with counsel of its own choice, including counsel within its own firm, and shall have full and complete authorization and protection in accordance with the opinion of such counsel. Escrow Agent shall otherwise not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind unless caused by its gross negligence or willful misconduct.

23.6 Escrow Agent may resign upon five (5) days' written notice to Seller and Purchaser. If a successor escrow agent is not appointed jointly by seller and Purchaser within the five (5) day period, Escrow Agent may petition a court of competent jurisdiction to name a successor.

24. NOTICES. Any notices required or permitted to be given under this Agreement shall be delivered by hand, by facsimile providing a transmission receipt or delivered by a nationally recognized overnight delivery service, and addressed as described below; notices shall be deemed effective only upon receipt or refusal of delivery or, if by facsimile sent after 5:00 p.m., Eastern Time, on the next business day after transmission.

Notices to Seller:

Highwoods/Florida Holdings, L.P.
3100 Smoketree Court
Suite 600
Raleigh, NC 26704-1051
Attn: Mack D. Pridgen, III, Esq.
Fax: 919-876-6929

With a copy to:

Alston & Bird
3605 Glenwood Avenue
Suite 310
Raleigh, NC 27622-1107
Attn: William R. Klapp, Jr. Esq.
Fax: 919-420-2260

Notices to Purchaser:

America's Capital Partners, LLC
444 Brickell Avenue
Suite 1001
Miami, Florida 33131
Attn: Allen C. de Olazarra, CEO
Fax: 305-995-9993

With a copy to:

Holland & Knight LLP
701 Brickell Avenue
Suite 3000
Miami, Florida 33131
Attn: Stuart K. Hoffman, Esq.
Fax: 305-789-7732

Notices to Escrow Agent:

Holland & Knight LLP
701 Brickell Avenue
Suite 3000
Miami, Florida 33131
Attn: Stuart K. Hoffman, Esq.
Fax: 305-789-7732

25. RISK OF LOSS.

25.1 The Property shall be conveyed to Purchaser in the same condition as on the date of this Agreement, ordinary wear and tear excepted, free of all tenancies or occupancies except those set forth in Exhibit "10", or hereafter approved by Purchaser in writing). Seller shall not remove anything from the Property between the date of this Agreement and the Closing.

25.2 Upon receipt of an offer or any notice or communication from any governmental or quasi-governmental body seeking to take under its power of eminent domain all or any portion of the Property, Seller shall promptly notify Purchaser of the receipt of same and shall send such communication, or a copy of it, to Purchaser. Upon receipt of such notice, Purchaser shall have the right to rescind this Agreement by delivery of written notice to Seller within fifteen

(15) days of Purchaser's receipt of the communication from Seller. In the event Purchaser elects to rescind, Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except for those which expressly survive such termination. In the event that Purchaser elects not to rescind, then Purchaser shall be entitled to all condemnation awards and settlements. Seller and Purchaser agree to cooperate with each other to obtain the

highest and best price for the condemned property.

25.3 In the event that any of the Property is damaged or destroyed by fire or other casualty prior to Closing, Seller shall repair and restore the Property to the same condition as before the fire or casualty, and the closing shall be deferred for up to one hundred twenty (120) days to permit such repair and restoration. If Seller is unable to repair and restore within such one hundred twenty (120)-day period, then Purchaser shall have the option of (a) terminating this Agreement by written notice to Seller, whereupon Escrow Agent, subject to the provisions of Section 11.3, shall return the Deposit, together with all interest earned thereon, to Purchaser, and both parties shall be released from all further obligations under this Agreement, except those which expressly survive such termination, or (b) proceeding with the Closing, in which case Purchaser shall be entitled to all insurance proceeds (subject to the rights of the holder(s) of any existing mortgages), and to credits equal to the insurance deductibles and to the replacement cost not covered by insurance proceeds and deductibles.

26. INDEMNITY. Seller shall and does indemnify and hold Purchaser harmless from any and all liability, including costs and attorneys' fees, including those for appellate proceedings:

26.1 to the State of Florida for sales tax due on any rentals or sales prior to Closing, under Florida Statutes Section 212.10;

26.2 for services rendered prior to the Closing under any contracts for services to the Property existing now or at any time prior to the Closing;

26.3 for any security deposits of tenants received by Seller prior to the Closing and not credited to Purchaser at the Closing;

26.4 for any personal property taxes remaining unpaid for calendar years prior to the year of the Closing.

27. RADON GAS NOTICE. Pursuant to Florida Statutes Section 404.056(8), Seller hereby makes, and Purchaser hereby acknowledges, the following notification:

RADON GAS: Radon is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in Florida. Additional information regarding radon and radon testing may be obtained from your county public health unit.

28. MISCELLANEOUS.

28.1 This Agreement shall be governed by and construed in accordance with the laws of the State of Florida, without application of choice of law or conflicts of laws principles.

28.2 In the event any term or provision of this Agreement is determined by appropriate judicial authority to be illegal or otherwise invalid, such provision shall be given its nearest legal meaning or be construed as deleted as such authority determines, and the remainder of this Agreement shall be construed to be in full force and effect.

28.3 In the event of any litigation between the parties under this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees. Wherever provision is made in this Agreement for "attorneys' fees," such term shall be deemed to include accountants' and attorneys' fees and court costs, whether or not litigation is commenced, including those for appellate and post judgment proceedings and for paralegals and similar persons.

28.4 Each party has participated fully in the negotiation and preparation of this

Agreement with full benefit of counsel. Accordingly, this Agreement shall not be more strictly construed against either party.

28.5 Whenever used in this Agreement, the singular shall include the plural, the plural shall include the singular, any gender shall include every other and all genders, and captions and paragraph headings shall be disregarded.

28.6 The captions in this Agreement are for the convenience of reference only and shall not be deemed to alter any provision of this Agreement.

28.7 Any reference in this Agreement to time periods less than six (6) days shall, in the computation thereof, exclude Saturdays, Sundays, and legal holidays; any time period provided for in this Agreement which shall end on a Saturday, Sunday or legal holiday shall extend to 5:00 p.m. of the next full business day. Time is of the essence.

28.8 This Agreement constitutes the entire agreement between the parties and may not be changed, altered or modified except by an instrument in writing signed by the party against whom enforcement of such change would be sought.

28.9 All references in this Agreement to exhibits, schedules, paragraphs, subparagraphs and sections refer to the respective subdivisions of this Agreement, unless the reference expressly identifies another document.

28.10 All of the terms of this Agreement, including but not limited to the representations, warranties and covenants of Seller, shall be binding upon and shall inure to the benefit of the parties to this Agreement and their respective successors and assigns.

28.11 Typewritten or handwritten provisions which are inserted in or attached to

this Agreement as addenda or riders shall control all printed or pretyped provisions of this Agreement with which they may be in conflict.

28.12 All covenants and agreements which expressly survive the Closing and all representations and warranties of Seller in this Agreement, all remedies related to them, and the provisions of this Section 28.12 shall survive the Closing for a period of one (1) year.

29. SECTION 1031 EXCHANGE. Purchaser hereby acknowledges it is the intention of the Seller to effect a Section 1031 tax deferred exchange at no additional expense to Purchaser. The Seller's rights and obligations under this Agreement may be assigned to a qualified intermediary for the purpose of completing such an exchange. Purchaser agrees to cooperate with Seller and said qualified intermediary to complete the exchange.

30. OTHER AGREEMENT. Seller and Purchaser acknowledge that they have entered into one (1) other Purchase and Sale Agreement (the "Other Agreement") contemporaneously herewith, and that, if the Other Agreement is terminated in accordance with its terms, then this Agreement shall also terminate. In the event that "Closing" (as defined in the Other Agreement) occurs under the Other Agreement on or before May 19, 1999 (or on such later date as may be permitted by the Other Agreement), Seller and Purchaser shall enter into a management agreement and a leasing agreement in the forms attached hereto as Exhibit "30(a)" and Exhibit "30(b)". Purchaser shall manage and lease the Property pursuant to such agreements from the date of such "Closing" until the Closing Date hereunder or earlier termination of, or default by Purchaser under, this Agreement.

EXECUTED as of the date first written above in several counterparts, each of which shall be deemed an original, but all of which constitute only one agreement.

Signed, sealed and delivered
in the presence of:

SELLER:

HIGHWOODS/FLORIDA HOLDINGS, L.P., a
Delaware limited partnership

(As to Seller)

By: Highwoods/Florida GP Corp., a Delaware
corporation, its general partner

By: Edward Fritson

Title: Executive Vice President

PURCHASER:

AMERICA'S CAPITAL PARTNERS

(As to Purchaser)

By: Allen C. de Olazarra
Its: Managing Member

Dated: March 25, 1999

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1999
PERIOD START	JAN 01 1999
PERIOD END	MAR 31 1999
CASH	49,993
SECURITIES	0
RECEIVABLES	75,152
ALLOWANCES	1,893
INVENTORY	0
CURRENT ASSETS	91,529
PP&E	3,842,013
DEPRECIATION	202,246
TOTAL ASSETS	4,309,094
CURRENT LIABILITIES	111,252
BONDS	2,030,849
PREFERRED MANDATORY	0
PREFERRED	397,500
COMMON	616
OTHER SE	1,768,877
TOTAL LIABILITY AND EQUITY	4,309,094
SALES	146,721
TOTAL REVENUES	152,774
CGS	45,345
TOTAL COSTS	73,501
OTHER EXPENSES	5,793
LOSS PROVISION	0
INTEREST EXPENSE	32,620
INCOME PRETAX	35,034
INCOME TAX	0
INCOME CONTINUING	35,034
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	26,889
EPS PRIMARY	0.45
EPS DILUTED	0.45

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