

HIGHWOODS PROPERTIES INC

FORM 8-K/A (Unscheduled Material Events)

Filed 3/10/1997 For Period Ending 1/9/1997

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CIK	0000921082
Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 9, 1997

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

Maryland
(State of Incorporation)

1-13100
(Commission File Number)

56-1871668
(IRS Employer
Identification No.)

3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604
(Address of principal executive offices) (Zip Code)

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

Item 2. Acquisition or Disposition of Assets

CENTURY CENTER TRANSACTION. On January 9, 1997, Highwoods Properties, Inc. ("the Company") acquired the 17-building Century Center Office Park, four affiliated industrial properties and 20 acres of development land located in suburban Atlanta, Georgia (the "Century Center Transaction"). The properties total 1.6 million rentable square feet and, as of December 31, 1996, were 99% leased. The cost of the Century Center Transaction was \$55.6 million in Units (valued at \$29.25 per Unit, the market value of a share of Common Stock as of the signing of a letter of intent for the Century Center Transaction), the assumption of \$19.4 million of secured debt and a cash payment of \$53.1 million drawn from the Company's \$280 million Revolving Loan. All Units issued in the transaction are subject to restrictions on transfer and redemption. Such restrictions are scheduled to expire over a three-year period in equal annual installments commencing one year from the date of issuance. Prior to their acquisition by the Company, the acquired properties were leased and managed by White & Associates Management Group, 40 employees of which have been retained by the Company to continue the lease administration, property management, development, engineering and maintenance of the properties.

The 1.2-million square foot, 17-building Century Center Office Park is adjacent to Interstate-85 in north central Atlanta. Century Center Office Park was 99% leased at December 31, 1996. Its tenants include AT&T, BellSouth, the Federal government (four agencies), MBNA and Egleston Hospitals. Century Center Office Park is located on approximately 77 acres, of which approximately 61 acres are controlled under long-term fixed rental ground leases that expire in 2058. The rent under the leases is approximately \$180,000 per year with scheduled 10% increases in 1999 and 2009. The leases do not contain a right to purchase the subject land.

The four industrial properties acquired in the Century Center Transaction are located in two business parks and were 100% leased at December 31, 1996. The Company's acquisition also includes three development parcels totaling 20 acres in Century Center Office Park. The master plan for the office park envisions an additional 800,000 square feet of office space on such parcels.

The Company estimates a first year net operating income from the properties acquired in the Century Center Transaction of \$13.3 million. See "Disclosure Regarding Forward-Looking Statements."

ANDERSON TRANSACTION. On February 12, 1997, the Company entered into a business combination with Anderson Properties, Inc. ("Anderson Properties") and acquired a portfolio of industrial, office and undeveloped properties in Atlanta from affiliates of Anderson Properties (the "Anderson Transaction"). The Anderson Transaction involves 22 industrial properties and six office properties totaling 1.6 million rentable square feet, three industrial development projects totaling 402,000 square feet and 137 acres of land for development.

The cost of the Anderson Transaction consists of the issuance of \$22.9 million of Units (valued at \$29.25 per Unit, the market value of a share of Common Stock as of the signing of a letter of intent relating to the transaction), the assumption of \$7.8 million of mortgage debt and a cash payment of \$37.7 million. The cash amount does not include \$11.1 million expected to be paid to complete the three development projects. Approximately \$5.5 million of the Units are newly created Class B Units, which differ from other Units in that they are not eligible for cash distributions from the Operating Partnership. The Class B Units will convert to regular Units in 25% annual installments commencing one year from issuance. Prior to such conversion, such Units will not be redeemable for cash or Common Stock. All other Units issued in the transaction are also subject to restrictions on transfer or redemption. Such lock-up restrictions will expire over a three-year period in equal annual installments commencing one year from the date of issuance.

The in-service properties were 94% leased to 150 tenants as of December 31, 1996, and are primarily located in business park settings in north Atlanta or near Hartsfield International Airport. The in-service industrial properties are warehouse and bulk distribution facilities that are generally leased on a multi-tenant basis. The development projects have a cost-to-date of \$4.6 million and are expected to be completed during 1997.

The undeveloped land acquired in the Anderson Transaction is located in three business parks. The majority of the undeveloped land consists of the 108-acre tract in the Atlanta Tradeport complex ("Atlanta Tradeport"). Atlanta Tradeport is a 260-acre, integrated, mixed-use domestic and international business complex designed as Atlanta's only general purpose Foreign Trade Zone. Located nine miles south of downtown, Atlanta Tradeport is directly east of and contiguous to Hartsfield International Airport. The balance of the undeveloped land is located in Chastain Place (10 acres) and Newpoint (19 acres). Both locations are close to interstate highways and major area malls.

The Company has established an Atlanta division headed by Anderson Properties' president, H. Gene Anderson. Mr. Anderson has over 25 years of commercial real estate experience in the Atlanta area. All 25 employees of Anderson Properties have joined the Company, including the four other members of Anderson Properties' senior management team, each of whom has at least 12 years of commercial real estate experience. As a result of the Anderson Transaction, Mr. Anderson has become one of the Company's largest equity holders with 549,877 Units and has been appointed to the Board of Directors of the Company.

The Company estimates a first year net operating income from the properties to be acquired in the Anderson Transaction of \$5.7 million. See "Disclosure Regarding Forward-Looking Statements."

At the time of the Company's initial announcement of the Anderson Transaction, the acquisition was expected to include two additional industrial properties and a 158-acre tract of development land (collectively, "Bluegrass Business Center"), another industrial property ("Ellsworth") and three office properties ("Peachtree Corners East"). Although the Company continues to pursue their acquisition, certain legal issues have been raised about the seller's ability to deliver the Bluegrass Business Center and the Company has not yet reached an agreement with the seller of Peachtree Corners East. Upon completion of

due diligence, the Company decided not to acquire Ellsworth. The financial statements included herein assume the acquisition of Peachtree Corners East; however, the Company can make no assurance that such acquisition will occur.

Disclosure Regarding Forward-Looking Statements

Certain matters discussed herein are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Act of 1934, as amended. Those statements are identified by words such as "expect," "should" and words of similar import. Forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved. Factors that could cause actual results to differ materially from the Company's current expectations include general economic conditions; and risks associated with the development and acquisition of properties.

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

Century Center Page

Report of Independent Auditors

Statement of Revenue and Certain Expenses Notes to Statement of Revenue and Certain Expenses

Anderson Properties

Report of Independent Auditors

Statement of Revenue and Certain Expenses Notes to Statement of Revenue and Certain Expenses

(b) Pro Forma Financial Information

Unaudited Pro Forma Combining Financial Statements Pro Forma Condensed Combining Balance Sheet (unaudited) as of September 30, 1996
Pro Forma Condensed Statement of Operations (unaudited) for the nine months ended September 30, 1996
Pro Forma Condensed Statement of Operations (unaudited) for the year ended December 31, 1995 Notes to Pro Forma Condensed Combining Financial Statements

(c)

Exhibits

- | | |
|---------|---|
| 2.1 (1) | Contribution and Exchange Agreement by and among Century Center group, Highwoods/Forsyth Limited Partnership and Highwoods Properties, Inc. dated December 31, 1996. (Exhibit includes list of omitted schedules, together with an agreement to furnish supplementally a copy of any omitted schedule to the Commission upon request.) |
| 2.2 | Amended and Restated Master Agreement of Merger and Acquisition by and among Highwoods Properties, Inc., Highwoods/Forsyth Limited Partnership, Anderson Properties, Inc., Gene Anderson, and the partnerships and limited liability companies listed therein dated January 31, 1997. (Exhibit includes list of omitted schedules, together with an agreement to furnish supplementally a copy of any omitted schedule to the Commission upon request.) |
| 10.1 | Employment Agreement between Highwoods Properties, Inc. and Gene Anderson dated February 12, 1997. |

23.1 (2) Consent of Ernst & Young LLP

(1) Previously filed on Form 8-K dated January 9, 1997 and filed on January 24, 1997.

(2) Previously filed on Form 8-K/A dated January 9, 1997 and filed on February 7, 1997

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.

Date: March 7, 1997

/s/ Carman J. Liuzzo

*-----
Carman J. Liuzzo*

Vice President and Chief Financial Officer

Audited Financial Statement

Century Center

Year ended December 31, 1996

with Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors and Stockholders Highwoods Properties, Inc.

We have audited the accompanying Statement of Revenue and Certain Expenses of Century Center as described in Note 1 for the year ended December 31, 1996. This financial statement is the responsibility of Century Center's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the basis of accounting used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Revenue and Certain Expenses was prepared using the basis of accounting described in Note 1 for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K of Highwoods Properties, Inc. and is not intended to be a complete presentation of Century Center's revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expenses described in Note 1 of Century Center for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

Raleigh, North Carolina
January 24, 1997

Century Center

Statement of Revenue and Certain Expenses

Year ended December 31, 1996

Rental income	\$19,439,008
Certain expenses:	
Utilities	2,111,570
Real estate taxes	1,402,956
Repairs and maintenance	2,554,631
Property management	173,760
Insurance	98,162
Other	458,643

Total certain expenses	6,799,722

Revenue in excess of certain expenses	\$12,639,286
	=====

See accompanying notes.

Century Center

Notes to Statement of Revenue and Certain Expenses

December 31, 1996

1. Basis of Presentation

Presented herein is the Statement of Revenue and Certain Expenses related to the operations of twenty-one commercial real estate properties located in the greater Atlanta, Georgia metropolitan market identified as Century Center.

Century Center is not a legal entity but rather a combination of the operations of certain real estate properties which were acquired by Highwood's Properties, Inc. on January 9, 1997. The accompanying Statement of Revenue and Certain Expenses includes the accounts of the following commercial real estate properties, each of which is wholly owned by various parties not affiliated with Highwoods Properties, Inc.

Property	Number of Properties	Owner
1740-90 Century Circle	6	Century Centergroup
1800 Century Boulevard	1	Century Centergroup
1875 Century Boulevard	1	Century Centergroup
1900-75 Century Boulevard	5	Century Centergroup
2200 Century Parkway	1	Century Centergroup
2600 Century Parkway	1	Century Centergroup
2635 Century Parkway	1	Century Centergroup
2800 Century Parkway	1	Century Centergroup
4800 Fulton Corporate Center	1	GWJ Investment Company
5125 Fulton Industrial Boulevard	1	GWJ Investment Company
1077 Fred Drive	1	GWJ Investment Company
1035 Fred Drive	1	Fred Drive Investment Company

The accompanying financial statement is prepared in accordance with Rule 3-14 of Regulation S-X and thus is not necessarily representative of the actual operations for the year presented as certain expenses that may not be comparable to the expenses expected to be incurred by Highwoods Properties, Inc. in the proposed future operations of the aforementioned properties have been excluded. Expenses excluded consist of interest, depreciation and general and administrative expenses not directly related to future operations.

Century Center

Notes to Statement of Revenue and Certain Expenses (continued)

2. Significant Accounting Policies

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease. Certain lease agreements contain provisions which provide reimbursement of real estate taxes, insurance, advertising and certain common area maintenance (CAM) costs. These additional rents are recorded on the accrual basis. All rent and other receivables from tenants are due from commercial building tenants located in the properties.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those amounts.

3. Leases

Century Center is being leased to tenants under operating leases that will expire over the next fourteen years. The minimum rental amounts under the leases are either subject to scheduled fixed increases or adjustments based on the Consumer Price Index. Generally, the leases also require that the tenants reimburse Century Center for increases in certain costs above their base year costs.

Expected future minimum rents to be received over the next five years and thereafter from tenants for leases in effect at December 31, 1996 are as follows:

	Total

1997	18,491,291
1998	15,183,280
1999	9,902,572
2000	8,090,000
2001	5,540,777
Thereafter	25,040,056

	82,247,976
	=====

Three major tenants represented fifty-five percent of the total rental income for the year ended December 31, 1996.

Century Center

Notes to Statement of Revenue and Certain Expenses (continued)

4. Ground Leases

A portion of the land on which certain of the buildings at Century Center are located are subject to ground leases that expire in 2058. Rental expense was \$180,000 in 1996. The obligation for future minimum lease payments is as follows:

1997	\$	180,000
1998		180,000
1999		198,000
2000		198,000
2001		198,000
Thereafter		12,017,200

Total minimum lease payments	\$	12,971,200
		=====

5. Environmental Matters

All of the Century Center properties have been subjected to Phase I environmental reviews. Such reviews have not revealed, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying consolidated financial statements.

Anderson Properties

Audited Financial Statement

Year ended December 31, 1996
with Report of Independent Auditors

Report of Independent Auditors

To the Board of Directors and Stockholders Highwoods Properties, Inc.

We have audited the accompanying Statement of Revenue and Certain Expenses of Anderson Properties as described in Note 1 for the year ended December 31, 1996. This financial statement is the responsibility of Anderson Properties' management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the basis of account used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Statement of Revenue and Certain Expenses was prepared using the basis of accounting described in Note 1 for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Form 8-K of Highwoods Properties, Inc. and is not intended to be a complete presentation of Anderson Properties' revenue and expenses.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenue and certain expenses described in Note 1 of Anderson Properties for the year ended December 31, 1996, in conformity with generally accepted accounting principles.

Raleigh, North Carolina
January 23, 1997

Anderson Properties

Statement of Revenue and Certain Expenses

Year ended December 31, 1996

Rental income	\$7,688,769
Certain expenses:	
Utilities	404,942
Real estate taxes	738,588
Repairs and maintenance	464,338
Property management	453,080
Insurance	49,322
Other	199,129

Total certain expenses	2,309,399

Revenue in excess of certain expenses	\$5,379,370
	=====

See accompanying notes.

Anderson Properties

Notes to Statement of Revenue and Certain Expenses

December 31, 1996

1. Basis of Presentation

Presented herein is the Statement of Revenue and Certain Expenses related to the operations of thirty-four commercial real estate properties located in the greater Atlanta, Georgia metropolitan market identified as Anderson Properties.

Anderson Properties is not a legal entity but rather a combination of the operations of certain real estate properties expected to be acquired by Highwood's Properties, Inc. The accompanying Statement of Revenue and Certain Expenses includes the accounts of the following commercial real estate properties, each of wholly owned by various parties not affiliated with Highwoods Properties, Inc.

Property	Number of Properties	Owner

In-service properties:		
6348 Northeast Expressway	2	6348 Northeast Partners
6438 Northeast Expressway	1	6438 Northeast Partners
Chattahoochee	1	AG Joint Venture
Corporate Lakes	3	Southside/Corporate Lakes AA
Cosmopolitan North	6	Cosmopolitan North
Gwinnett Distribution Center	2	Gwinnett Distribution Center AA
Lavista Business Park	4	LaVista Business Park AA
Norcross I & II	2	AG Joint Venture
Oakbrook Summit	4	Oakbrook/MKKG Joint Venture
Peachtree Corners East	3	Peachtree Corners East, Ltd.
Southside Distribution	2	Southside/Corporate Lakes AA
Steel Drive	1	Steel Drive Partners, LP
Development properties:		
Chastain Place	1	Anderson/Chastain, LLC
TradePort	1	Anderson/Tradeport, LLC
Newpoint	1	Anderson/Newpoint, LLC

Anderson Properties

Notes to Statement of Revenue and Certain Expenses (continued)

1. Basis of Presentation (continued)

In accordance with Rule 3-14 of Regulation S-X, the accompanying financial statement is not representative of the actual operations for the year presented as certain expenses that may not be comparable to the expenses expected to be incurred by Highwoods Properties, Inc. in the proposed future operations of the aforementioned properties have been excluded. Expenses excluded consist of interest, depreciation and general and administrative expenses not directly related to future operations.

2. Significant Accounting Policies

Revenue Recognition

Rental income is recognized on a straight-line basis over the term of the lease. Certain lease agreements contain provisions which provide reimbursement of real estate taxes, insurance, advertising and certain common area maintenance (CAM) costs. These additional rents are recorded on the accrual basis. All rent and other receivables from tenants are due from commercial building tenants located in the properties.

Use of Estimates

The presentation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those amounts.

Anderson Properties

Notes to Statement of Revenue and Certain Expenses (continued)

3. Leases

Anderson Properties is being leased to tenants under operating leases that will expire over the next nine years. The minimum rental amounts under the leases are either subject to scheduled fixed increases or adjustments based on the Consumer Price Index. Generally, the leases also require that the tenants reimburse Anderson Properties for increases in certain costs above their base year costs.

Expected future minimum rents to be received over the next five years and thereafter from tenants for leases in effect at December 31, 1996 are as follows:

	Total
1997	6,148,610
1998	4,456,818
1999	2,976,740
2000	1,829,601
2001	1,215,405
Thereafter	588,028

	17,215,202
	=====

4. Environmental Matters

All of the Anderson properties have been subjected to Phase I environmental reviews. Such reviews have not revealed, nor is management aware of, any environmental liability that management believes would have a material adverse effect on the accompanying consolidated financial statements.

HIGHWOODS PROPERTIES, INC.
PRO FORMA FINANCIAL INFORMATION

The accompanying unaudited Pro Forma Condensed Consolidated Statements of Operations for the year ended December 31, 1995 assume that the following transactions all occurred as of January 1, 1995: (i) the merger with Forsyth Properties, Inc. and its affiliates (the "Forsyth Transaction"), (ii) the acquisition of six office properties located at the Research Commons office park in Research Triangle Park, North Carolina, (iii) the issuance of 5,640,000 shares of Common Stock at a price of \$20.75 per share (the "February 1995 Offering"), (iv) the issuance of 4,774,989 shares of Common Stock at a price of \$24.50 per share (the "August 1995 Offering"), (v) acquisitions of a total of 77 Properties and 68 acres of Development Land (the "Other 1995 Acquisitions"), (vi) the merger with Eakin & Smith, Inc. and its affiliates (the "Eakin & Smith Transaction"), (vii) the issuance of 11,500,000 and 250,000 shares of Common Stock at per share prices of \$26.875 and \$27.375, respectively (the "Summer 1996 Offerings"), (viii) the merger with Crocker Realty Trust, Inc. (the "Crocker Merger"), (ix) the sale of the Company's 6 3/4% Notes and 7% Notes in aggregate principal amounts of \$100,000,000 and \$110,000,000, respectively (the "Notes"), (x) the issuance of 2,587,500, 611,626,344,752 and 137,198 shares of Common Stock at per share prices of \$29.00, \$28.86, \$29.01 and \$29.16, respectively (the "December 1996 Offerings"), (xi) the Century Center Transaction, and (xii) the Anderson Transaction. The Pro Forma Condensed Consolidated Balance Sheet as of September 30, 1996 assumes that the issuance of the Notes, the December 1996 Offerings, the Century Center Transaction and the Anderson Transaction occurred on September 30, 1996. The pro forma operating data for the nine months ended September 30, 1996 assumes that the Eakin & Smith Transaction, the Summer 1996 Offerings, the Crocker Merger, the issuance of the Notes, the December 1996 Offerings, the Century Center Transaction and the Anderson Transaction occurred as of January 1, 1995. These unaudited statements should be read in conjunction with the financial statements and notes thereto of the Company included herein or incorporated by reference in the accompanying Form 8-K. In the opinion of management, the pro forma condensed consolidated financial information provides all adjustments necessary to reflect the effects of the above transactions.

The pro forma condensed consolidated financial information is unaudited and is not necessarily indicative of the consolidated results which would have occurred if the transactions had been consummated in the periods presented, or on any particular date in the future, nor does it purport to represent the financial position, results of operations or changes in cash flows for future periods.

HIGHWOODS PROPERTIES, INC.

PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 1996 (UNAUDITED, IN THOUSANDS)

	HISTORICAL (A)	NOTES (B)	DECEMBER 1996 OFFERINGS (C)	CENTURY CENTER TRANSACTION (D)	ANDERSON TRANSACTION (E)	PRO FORMA
	-----	-----	-----	-----	-----	-----
ASSETS						
Real estate assets, net.....	\$1,320,758	\$ --	\$ --	\$ 123,500	\$71,484	\$1,515,742
Cash and cash equivalents....	19,305		37,652			56,957
Restricted cash.....	11,532					11,532
Accounts and notes receivable.....	8,717					8,717
Accrued straight line rents receivable.....	4,957					4,957
Other assets.....	15,641	8,631				24,272
	-----	-----	-----	-----	-----	-----
	\$1,380,910	\$ 8,631	\$ 37,652	\$ 123,500	\$71,484	\$1,622,177
	=====	=====	=====	=====	=====	=====
LIABILITIES AND STOCKHOLDERS'						
EQUITY						
Mortgages and notes payable....	\$ 352,734	\$ (25,183)	\$ --	\$ 19,400	8,683	\$ 355,634
Revolving loan.....	245,000	(176,186)	(68,814)	53,100	37,179	90,279
6 3/4% Notes due 2003.....		100,000	--	--	--	100,000
7% Notes due 2006.....		110,000	--	--	--	110,000
Accounts payable, accrued expenses and other liabilities.....	28,767		--	--	--	28,767
	-----	-----	-----	-----	-----	-----
Total liabilities.....	626,501	8,631	(68,814)	72,500	45,862	684,680
Minority interest.....	92,283		--	\$ 54,841	25,622	172,746
Stockholders' equity						
Preferred stock.....	--	--	--	--	--	--
Common stock.....	318		37	--		355
Additional paid in capital...	670,032		106,429		--	776,461
Accumulated deficit.....	(8,224)		--	(3,841)		(12,065)
	-----	-----	-----	-----	-----	-----
Total stockholders' equity...	662,126	--	106,466	(3,841)	--	764,751
	-----	-----	-----	-----	-----	-----
	\$1,380,910	\$ 8,631	\$ 37,652	\$ 123,500	\$71,484	\$1,622,177
	=====	=====	=====	=====	=====	=====

See Notes to Pro Forma Condensed Consolidated Balance Sheet

HIGHWOODS PROPERTIES, INC.

**NOTES TO PRO FORMA
CONDENSED CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 1996
(UNAUDITED, IN THOUSANDS)**

(A.) Reflects the Company's historical balance sheet contained in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.

(B.) Reflects the Sale of the Notes and the repayment of approximately \$176,186 of the Revolving Loan, the repayment of \$25,183 of the Company's mortgages and secured notes payable and the capitalization of the discount, underwriters' fees and other expenses associated with the sale of the Notes, including the settlement of various interest rate swap agreements, to be amortized over the respective terms of the Notes.

(C.) Reflects the December 1996 Offerings and the repayment of \$68,814 of the Revolving Loan and the investment of \$37,652 in cash and cash equivalents.

(D.) Reflects the purchase price of \$128,100 (which includes approximately \$4,600 of Prepayment Penalties associated with the repayment of certain indebtedness) for the Century Center Transaction which was funded through the assumption of a \$19,400 mortgage loan, the issuance of \$55,600 in Units (offset by \$759 for minority interest share in prepayment penalties) and a cash payment of \$53,100.

(E.) Reflects the purchase price of \$71,484 for Anderson Transaction which was funded through the assumption of \$8,683 of mortgage indebtedness, the issuance of \$25,622 in Units and a cash payment of \$37,179.

HIGHWOODS PROPERTIES, INC.

PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 (UNAUDITED, IN THOUSANDS EXCEPT PER SHARE DATA)

PRE-ACQUISITION RESULTS									
	HISTORICAL (A)	EAKIN & SMITH (B)	CROCKER HISTORICAL (C)	CROCKER ACQUISITIONS (D)	PRO FORMA ADJUSTMENTS	NOTES (M)	DECEMBER 1996 OFFERINGS (N)	CENTURY CENTER TRANSACTION	ANDERSON TRANSACTION
REVENUE:									
Rental property.....	\$ 83,366	\$ 3,000	\$ 47,372	\$520	\$ 900 (E)			\$14,656 (O)	\$ 5,802 (R)
Other income.....	4,400	512	2,607	12	(4,043) (F)				
	87,766	3,512	49,979	532	(3,143)	--	--	14,656	5,802
OPERATING EXPENSES:									
Rental property.....	22,210	957	17,170	179	(1,640) (G)			5,189 (O)	1,659 (R)
Depreciation and amortization...	13,357	526	8,516	108	351 (H)			2,316 (P)	903 (P)
Interest expense:									
Contractual...	13,786	739	15,055	215	(1,754) (I)	234	(3,612)	3,828 (Q)	2,282 (Q)
Amortization of deferred financing costs.....	1,288	--	849	--	(475) (J)	794			
	15,074	739	15,904	215	(2,229)	1,028	(3,612)	3,828	2,282
General and administrative..	3,766	153	4,134	--	(3,816) (K)				
Income before minority interest.....	33,359	1,137	4,255	30	4,191	(1,028)	3,612	3,323	958
Minority interest.....	(5,205)				(3,018) (L)				
Income before extraordinary item.....	\$ 28,154	\$ 1,137	\$ 4,255	\$ 30	\$ 1,173	\$(1,028)	\$ 3,612	\$ 3,323	\$ 958
Net income per share...									
Weighted average shares.....									
	PRO FORMA								
REVENUE:									
Rental property.....	\$155,616								
Other income.....	3,488								
	159,104								
OPERATING EXPENSES:									
Rental property.....	45,724								
Depreciation and amortization...	26,077								
Interest expense:									
Contractual...	30,773								
Amortization of deferred financing costs.....	2,456								
	33,229								
General and administrative	4,237								
Income before minority interest.....	49,837								
Minority interest.....	(8,223)								

Income before extraordinary item.....	----- 41,614 =====
Net income per share...	\$1.17 =====
Weighted average shares.....	35,470 =====

See Notes to Pro Forma Condensed Consolidated Statement of Operations

HIGHWOODS PROPERTIES, INC.

NOTES TO PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 (UNAUDITED, DOLLARS IN THOUSANDS)

(A.) Reflects the Company's historical statement of operations contained in its Quarterly Report on Form 10-Q for the nine months ended September 30, 1996.

(B.) Reflects the historical statement of operations of Eakin & Smith, Inc. for the three months ended March 31, 1996, which was acquired by the Company on April 1, 1996.

(C.) Represents the historical statement of operations of Crocker for the period from January 1, 1996 to September 5, 1996.

(D.) Reflects the historical operations of the Towermarc properties, which were acquired by Crocker on January 16, 1996, adjusted on a pro forma basis for interest and depreciation expense, for the period from January 1, 1996 to January 16, 1996, the date of the acquisition of Towermarc. Depreciation expense is calculated on the purchase price allocated to buildings, site improvements and tenant improvements with depreciation calculated on a straight-line basis over useful lives of 40 years, 15 years and the life of the respective leases, respectively.

(E.) Reflects incremental rental income from a supplemental lease agreement entered into in connection with the Crocker Merger. The lease agreement was a condition of the Crocker Merger.

(F.) Reflects the elimination of certain third-party leasing and property management income of Crocker not retained by the Company (\$1,824) and the elimination of interest income on short-term investments advanced to a wholly owned subsidiary (the "Merger Subsidiary") in connection with the Crocker Merger (\$2,219).

(G.) Reflects the net adjustment to rental property expenses to eliminate the costs related to certain assets (primarily land held for development) which were retained by the prior shareholders of Crocker (\$800) and to eliminate certain other property operating costs (primarily personnel and office costs for duplicative property management operations) which have been eliminated upon the completion of the Crocker Merger (\$840).

(H.) Represents the net adjustment to depreciation expense based upon an assumed allocation of the purchase price to land, buildings and development in process and building depreciation computed on a straight-line basis using an estimated life of 40 years for buildings and 7 years for furniture, fixtures and equipment as follows:

Eakin & Smith Transaction.....	\$ (73)
Crocker Merger.....	424

Total.....	\$ 351
	=====

(I.) Represents the net adjustment to interest expense to reflect interest costs on the net incremental borrowings related to the Eakin & Smith Transaction, the Crocker Merger (including effects of refinancing of certain Crocker mortgage debt with borrowings under the Revolving Loan) and the issuance of 11,750,000 shares of Common Stock. The adjustments are as follows:

Eakin & Smith Transaction (1).....	\$ 468
Crocker Merger (2).....	(2,222)

Total.....	\$ (1,754)
	=====

(1) \$26,653 in incremental borrowing in the Eakin & Smith Transaction at an average rate under the Revolving Loan of 7% for three months.

(2) The incremental effect of refinancing mortgage debt with an average outstanding balance of \$104,000 and an average rate of 10% with borrowings under the Revolving Loan with an average rate of 7% for the for period from January 1, 1996 to September 30, 1996.

(J.) Represents the incremental adjustment to amortization to reflect the commitment fee on the Revolving Loan and the reduction in the amortization to reflect the Crocker mortgage loans repaid.

(K.) Represents the net adjustment to general administrative expense to reflect the estimated incremental costs (primarily salaries) to the Company of operating a Nashville division and to reflect the elimination of certain costs (primarily executive salaries, administrative costs, the expenses incurred to generate third-party revenue and the expenses to operate the public entity) of Crocker not expected to be incurred by the Company as follows (in thousands):

Eakin & Smith Transaction.....	\$ 47
Crocker Merger.....	(3,863)

Total.....	\$(3,816)
	=====

(L.) Reflects the net adjustment to minority interest to reflect the pro forma minority interest percentage of 16.5%.

(M.) Reflects estimated interest expense on the Notes for the nine months ended September 30, 1996, at an effective annual interest rate of 7.4% (which includes cash and amortization of deferred offering costs) less interest on debt repaid with the proceeds from the sale of the Notes.

(N.) Reflects the estimated interest expense savings on the Revolving Loan repaid with the proceeds of the December 1996 offerings.

(O.) Reflects the historical operations of the properties acquired in the Century Center Transaction for the nine months ended September 30, 1996.

(P.) Reflects the estimated depreciation expense based upon an assumed allocation of the purchase price to land, buildings and development in process and building depreciation computed on a straight-line basis using an estimated life of 40 years.

(Q.) Reflects the estimated interest expense on the assumed mortgages and notes payable at an average rate of 7.15% for Century Center and 8.78% for the Anderson Properties and incremental borrowings under the Revolving Loan at an average rate of 7%.

(R.) Reflects the historical operations of the properties to be acquired in the Anderson Transaction for the nine months ended September 30, 1996.

HIGHWOODS PROPERTIES, INC.
PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 1995
(UNAUDITED, IN THOUSANDS EXCEPT PER SHARE DATA)

	HISTORICAL (A)	1995 TRANSACTIONS (B)	PRE-CROCKER AND EAKIN & SMITH PRO FORMA	EAKIN & SMITH TRANSACTIONS (C)	CROCKER TRANSACTION		PRO FORMA ADJUSTMENTS
					CROCKER HISTORICAL (D)	PRE-ACQUISITION RESULTS (E)	
REVENUE:							
Rental property.....	\$ 71,217	\$ 17,020	\$88,237	\$ 9,222	\$ 42,489	\$23,985	\$ 1,200 (F)
Other income.....	2,305	50	2,355	2,542	1,777	2,380	(2,628) (G)
	73,522	17,070	90,592	11,764	44,266	26,365	(1,428)
OPERATING EXPENSES:							
Rental property.....	17,049	4,426	21,475	2,977	13,601	9,619	(2,030) (H)
Depreciation and amortization.....	11,082	2,868	13,950	1,956	6,773	4,881	(972) (I)
Interest expense:							
Contractual.....	12,101	2,876	14,977	2,161	16,214	5,689	387 (J)
Amortization of deferred financing costs.....	1,619	46	1,665	--	594	--	312 (K)
	13,720	2,922	16,642	2,161	16,808	5,689	699
General and administrative.....	2,737	181	2,918	763	2,813	2,376	(4,652) (L)
Income before minority interest.....	28,934	6,673	35,607	3,907	4,271	3,800	5,527
Minority interest.....	(4,937)	(760)	(5,697)				(3,981) (M)
Income before extraordinary item...	\$ 23,997	\$ 5,913	\$29,910	\$ 3,907	\$ 4,271	\$ 3,800	\$ 1,546
Net income per share.....							
Weighted average shares.....							

	NOTES (N)	DECEMBER 1996 OFFERINGS (O)	CENTURY CENTER TRANSACTION	ANDERSON TRANSACTION	PRO FORMA
REVENUE:					
Rental property.....			\$16,364 (P)	\$ 6,948 (S)	\$188,445
Other income.....					6,426
			16,364	6,948	194,871
OPERATING EXPENSES:					
Rental property.....			6,507 (P)	2,269 (S)	54,418
Depreciation and amortization.....			3,088 (Q)	1,204 (Q)	30,880
Interest expense:					
Contractual.....	312	(4,816)	5,104 (R)	3,042 (R)	43,070
Amortization of deferred financing costs.....	1,059				3,630
	1,371	(4,816)	5,104	3,042	46,700
General and administrative.....					4,218
Income before minority interest.....	(1,371)	4,816	1,665	433	58,655
Minority interest.....					(9,678)
Income before extraordinary item...	\$(1,371)	\$ 4,816	\$1,665	\$ 433	48,977
Net income per share.....					\$ 1.38
Weighted average shares.....					35,470

See Notes to Pro Forma Condensed Consolidated Statement of Operations.

HIGHWOODS PROPERTIES, INC.

NOTES TO THE PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1995 (UNAUDITED, DOLLARS IN THOUSANDS)

(A.) Represents the Company's historical statement of operations contained in its Annual Report on Form 10-K for the year ended December 31, 1995.

(B.) Reflects the February 1995 Offering and the August 1995 Offering and the historical operations of Forsyth Properties, Inc. and its affiliates, the Research Commons Properties and the Other 1995 Acquisitions, adjusted on a pro forma basis for interest and depreciation expense, for the period of time during 1995 prior to their acquisition by the Company.

(C.) Represents the historical statement of operations of Eakin & Smith for the year ended December 31, 1995.

(D.) Represents the historical statement of operations of Crocker contained in its Annual Report on Form 10-K for the year ended December 31, 1995.

(E.) Reflects the historical operations of Crocker Realty Investors, Inc., Crocker & Sons, Inc., Crocker Realty Management Services, Inc., the Sabal properties and the Towermarc properties, adjusted on a pro forma basis for interest and depreciation expense, for the period of time during 1995 prior to their acquisition by Crocker. Interest expense reflects incremental indebtedness of approximately \$97,400 for the first half of 1995 at an average rate of 9.94% and \$57,800 for the second half of 1995 at an average rate of 9.70% plus loan cost amortization of \$292. Historical indebtedness was also reduced by \$20,000 which was prepaid on December 28, 1995 using the proceeds of a private placement. The \$20,000 had a fixed rate of interest of 11.5%. Depreciation is calculated using the respective purchase prices allocated to buildings, site improvements and tenant improvements with depreciation calculated on a straight-line basis over useful lives of 40 years, 15 years, and the life of the respective leases, respectively.

(F.) Reflects incremental rental income from a supplemental lease agreement entered into in connection with the Crocker Merger. This agreement was a condition of the Crocker Merger.

(G.) Reflects the elimination of certain third-party leasing and property management income of Crocker not retained by the Company.

(H.) Reflects the net adjustment to rental property expenses to eliminate the costs related to certain assets (primarily land held for development) distributed to the stockholders of Crocker (\$800) and for other property operating costs (primarily personnel and office expenses related to duplicative property management operations) eliminated upon the completion of the Crocker Merger (\$1,230).

(I.) Represents the net adjustment to depreciation expense based upon an assumed allocation of the purchase price to land, buildings, furniture, fixtures and equipment and development in process and building depreciation computed on a straight-line basis using an estimated life of 40 years for buildings and 7 years for furniture, fixtures and equipment as follows (in thousands):

Eakin & Smith Transaction.....	\$ (145)
Crocker Merger.....	(827)

Total.....	\$ (972)
	=====

(J.) Represents the net adjustment to interest expense to reflect interest costs on borrowings under the Revolving Loan at an assumed rate of 7.0% capped
(the effective interest rate based on a 30-day LIBOR rate of 5.50% plus 1.50%)
and assumed debt as follows (in thousands):

Eakin & Smith Transaction (1).....	\$ 2,667
Crocker Merger (2).....	(2,280)

Total.....	\$ 387
	=====

(1) \$26,653 of borrowings under the Revolving Loan at 7% plus \$10,075 of assumed debt at 8.0%.

(2) The incremental effect of \$10,231 of borrowings under the Revolving Loan at 7% and the effect of refinancing mortgage debt with an outstanding balance of \$100,000 and an average rate of 10% with borrowings under the Revolving Loan with an average rate of 7%.

(K.) Represents the amortization of the commitment fee (\$937) on the Revolving Loan over the 36-month period.

(L.) Represents the net adjustment to general administrative expense to reflect the estimated incremental costs to the Company of operating a Nashville division (primarily salaries) and to reflect the elimination of certain costs (primarily executive salaries (\$1,020), administrative costs (\$1,875), the expenses incurred to generate third-party revenue (\$994) and the expenses of operating as a public entity (\$800) of Crocker not expected to be incurred by the Company as follows (in thousands):

Eakin & Smith Transaction.....	\$ 37
Crocker Merger.....	(4,689)

Total.....	\$ (4,652)
	=====

(M.) Reflects the net adjustment to minority interest to reflect the pro forma minority interest of 16.5%.

(N.) Reflects estimated interest expense on the Notes for the nine months ended September 30, 1996 at an effective annual interest rate of 7.4% (which includes cash and amortization of deferred offering costs) less interest on debt repaid with the proceeds from the sale of the Notes.

(O.) Reflects the estimated interest expense savings on the Revolving Loan repaid with the proceeds of the December 1996 offerings.

(P.) Reflects the historical operations of the properties acquired in the Century Center Transaction for the twelve months ended December 31, 1995.

(Q.) Reflects the estimated depreciation expense based upon an assumed allocation of the purchase price to land, buildings and development in process and building depreciation computed on a straight-line basis using an estimated life of 40 years.

(R.) Reflects the estimated interest expense on the assumed mortgages and notes payable at an average rate of 7.15% for Century Center and 8.78% for the Anderson Properties and incremental borrowings under the Revolving Loan at an average rate of 7%.

(S.) Reflects the historical operations of the properties to be acquired in the Anderson Transaction for the year ended December 31, 1995.

AMENDED AND RESTATED MASTER AGREEMENT

OF

MERGER AND ACQUISITION

by and among

Highwoods Properties, Inc.,

Highwoods/Forsyth Limited Partnership,

Anderson Properties, Inc.,

Gene Anderson,

the partnerships, the tenancies in common

and limited liability companies

listed below

Dated January 31, 1997

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF ANY DOCUMENT USED IN CONNECTION WITH THE OFFERING AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO THE REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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**AMENDED AND RESTATED MASTER AGREEMENT OF
MERGER AND ACQUISITION**

This AMENDED AND RESTATED MASTER AGREEMENT OF MERGER AND ACQUISITION (the "Amended and Restated Master Agreement") is made as of the 31st day of January, 1997, by and among HIGHWOODS PROPERTIES, INC., a Maryland corporation ("HPI"), HIGHWOODS/FORSYTH LIMITED PARTNERSHIP, a North Carolina limited partnership ("Highwoods"), the partnerships, tenancies in common and limited liability companies listed on SCHEDULE 1 attached hereto (the "Anderson Partnerships"), ANDERSON PROPERTIES, INC., a Georgia corporation ("API"), and GENE ANDERSON, an individual resident of Atlanta, Georgia ("Anderson").

WHEREAS, Highwoods is a North Carolina limited partnership having HPI as its sole general partner and HPI has elected to be qualified as a real estate investment trust under the Code; and

WHEREAS, Anderson and the Anderson Partnerships own certain real properties in Atlanta, Georgia and environs;

WHEREAS, API is engaged in certain real estate-related activities in Atlanta, Georgia including brokerage, leasing and management;

WHEREAS, the parties desire to amend and restate that certain Master Agreement of Merger and Acquisition Agreement entered into on January 9, 1997 by and among HPI, Highwoods, API, Anderson and certain partnerships and limited liability companies affiliated with Anderson (the "Master Agreement") subject to the terms and conditions described herein;

WHEREAS, Highwoods, Anderson, and the owners of the Anderson Partnerships (the "Anderson Partners") have entered or will enter into the Acquisition Agreements (as defined below), pursuant to which such Anderson Partners, subject to provisions thereof, will irrevocably agree to sell, transfer and assign their interests in the Anderson Partnerships or the Properties (as defined below), as the case may be, and as more particularly described therein, to Highwoods;

WHEREAS, pursuant to the terms hereof and the terms of the Acquisition Agreements, Highwoods, Anderson, the Anderson Partnerships and API desire to combine their respective businesses subject to the terms, conditions, provisions and limitations of this Amended and Restated Master Agreement; and

NOW, THEREFORE, in consideration of the premises herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I DEFINITIONS

The following capitalized terms shall have the following meanings for all purposes of this Amended and Restated Master Agreement and such meanings are equally applicable to the singular and plural forms of the terms defined. The terms "hereof", "hereto", "herein", "hereunder" and comparable terms refer to the entire agreement with respect to which such terms are used and not to any particular section, subsection, paragraph or other subdivision thereof.

"ACQUISITION AGREEMENTS" means collectively the Purchase Option Agreements (as defined below), the Exchange Option Agreements (as defined below) and the Tradeport Agreement (as defined below).

"ACTUAL KNOWLEDGE" for the purposes of this Amended and Restated Master Agreement shall mean information which is known to an individual or, as to any entity, to the officers, general partners or managers of such entity without the requirement of additional inquiry unless such persons are aware of facts or circumstances which would lead reasonable persons to make or conduct additional inquiry.

"ANDERSON CASH RECIPIENTS" means collectively those of the Anderson Partners receiving cash pursuant to the transactions contemplated by the Purchase Option Agreements.

"ANDERSON FINANCIAL STATEMENTS" means the periodic income statement and balance sheets provided to Highwoods (including the schedules attached thereto) for the Anderson Partnerships and API, and specifically excludes any forecasts and projections.

"ANDERSON PARTIES" means collectively Anderson, the Anderson Partnerships and API, without duplication.

"ANDERSON PARTNERS" means collectively Anderson, the Anderson Cash Recipients and the Anderson Unit Recipients (as defined below) as listed on SCHEDULE 3.2(A) attached hereto.

"ANDERSON PROPERTY OWNERS" means the Anderson Partnerships and Anderson.

"ANDERSON UNIT RECIPIENTS" means collectively those parties receiving Units (as defined below) pursuant to the transactions contemplated by the Exchange Option Agreements and the Tradeport Agreement.

"ANDERSON UNITS" means collectively the Units to be issued to the Anderson Unit Recipients at Closing.

"ASSUMED ANDERSON DEBT FINANCING" means the indebtedness described on SCHEDULE 1-1 attached hereto.

"ASSUMED ANDERSON MORTGAGES" means the deeds to secure debt, mortgages or other instruments that secure the Assumed Anderson Debt Financing.

"CLOSING DATE" means the date upon which all the conditions for closing and consummation of the transactions contemplated by this Amended and Restated Master Agreement shall have been satisfied, which date shall be no later than February 14, 1997.

"CODE" means the Internal Revenue Code of 1986, as amended.

"ENVIRONMENTAL LAW" means any and all federal, state and local laws, regulations, ordinances and other requirements relating to pollution or protection of the environment, including, without limitation, laws, regulations and requirements relating to the ownership, possession, storage and control of the Properties (as defined below) and to emissions, discharges, releases or threatened releases of storm water, pollutants, contaminants, toxic or hazardous substances, or solid or hazardous wastes into the environment (including without limitation ambient air, surface water, groundwater or land), or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, toxic or hazardous substances, or solid or hazardous wastes. The Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"EXCHANGE OPTION AGREEMENTS" means, collectively, those agreements listed on SCHEDULE 1-3 attached hereto and the Tradeport Agreement, between

Highwoods, HPI and the parties more particularly described therein and on SCHEDULE 1-3 pursuant to which Units are to be exchanged for certain ownership interests in the Anderson Partnerships or in certain of the Properties.

"HIGHWOODS PARTNERSHIP AGREEMENT" means the First Amended and Restated Agreement of Limited Partnership of Highwoods/Forsyth Limited Partnership dated as of June 14, 1994, as amended through the date of Closing.

"IMPROVEMENTS" means all buildings, structures, streets, furnishings, parking lots, landscaping, walls, ponds, culverts, fixtures, utilities, fences, driveways, loading docks, security systems and other physical features constructed or assembled on, at, upon or beneath any of the Properties (whether finished or unfinished) and owned by the respective Anderson Property Owner owning such Property.

"INDEBTEDNESS" means, without duplication, any obligations for borrowed money and all monetary obligations to trade creditors, whether heretofore, now or hereafter owing, arising, due or payable to any person and howsoever evidenced, created, incurred, acquired or owing, whether primary, secondary, direct, contingent, fixed or otherwise and whether matured or unmatured. Without in any way limiting the generality of the foregoing, Indebtedness specifically includes the following: (a) all obligations or liabilities of any person that are secured by any lien, claim, encumbrance or security interest upon property; (b) all obligations or liabilities created or arising under any capital lease of real or personal property, or conditional sale or other title retention agreement with respect to property, even though the rights and remedies of the lessor, seller or lender thereunder are limited to repossession of such property; (c) all unfunded pension fund, employee medical or welfare obligations and liabilities; (d) deferred taxes; and (e) all obligations under any indemnification agreements, guaranty agreements, letters of credit or other documents creating such contingent liabilities.

"LIABILITY" means any liability, obligation or indebtedness of any and every kind and nature, whether heretofore, now or hereafter owing, arising, due, or payable by the Anderson Parties or any of them, howsoever evidenced, created, incurred, acquired or owing, whether primary, secondary, direct, contingent, fixed, or otherwise, including obligations of performance.

"LIEN" means any interest in property securing an obligation owed to, or a claim by, a person other than the owner of the property, whether such interest is based on the common law, statute or contract, and including but not limited

to the lien or security interest arising from a deed to secure debt, mortgage, encumbrance, pledge, security agreement, conditional sale or trust receipt or a lease consignment or bailment for security purposes. The term Lien shall include reservations, exceptions, defects of any kind or nature, encroachments, easements, rights-of-way, covenants, conditions, restrictions, leases and other title exceptions and encumbrances affecting property.

"PAYABLE ANDERSON DEBT FINANCING" means the indebtedness described on SCHEDULE 1-5 attached hereto.

"PERMITTED LIEN" means (i) liens for 1997 ad valorem taxes not yet due and payable; (ii) restrictions, easements, covenants, reservations and rights of way of record disclosed by Highwoods' title examination; (iii) zoning ordinances, restrictions and other requirements imposed by governmental authority as do not materially interfere with the present use of a parcel of property; (iv) such imperfections of title, liens and encumbrances, if any, as do not detract materially from the value or interfere with the present use of a parcel of property and which do not secure obligations for borrowed money or the deferred purchase price of property; and (v) the liens securing the Assumed Anderson Debt Financing and the liens securing the Payable Anderson Debt Financing. Provided, however, that all of the items set forth at (iii) and (iv) hereof known to Highwoods and/or which should have been disclosed by Highwoods survey of or relating to the Properties shall be considered Permitted Liens.

"PERSON" means any individual, joint venture, corporation, limited liability company, voluntary association, partnership, trust, joint stock company, unincorporated organization, association, government, or any agency, instrumentality, or political subdivision thereof, or any other form of entity.

"PROPERTY" or "PROPERTIES" shall mean, individually, the real property together with any Improvements thereon and all personal property and rights, privileges and interests appurtenant thereto (other than "Excluded Intangibles" as defined at Section 4.1 below) owned by an Anderson Property Owner or, collectively, by all of the Anderson Property Owners as more particularly described on the Descriptive Property Exhibit attached hereto at SCHEDULE 1-2.

"PURCHASE OPTION AGREEMENTS" means, collectively, those agreements listed on SCHEDULE 1-4 attached hereto between Highwoods, HPI and the parties more particularly described therein and on SCHEDULE 1-4 pursuant to which cash is to be paid for certain ownership interests in the Anderson Partnerships.

"SEC" means the Securities and Exchange Commission.

"SECURITIES ACT" means the Securities Act of 1933, as amended.

"SECURITIES LAWS" means the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder.

"SHARES" means the duly authorized common stock, par value \$.01 per share, of HPI.

"TRADEPORT AGREEMENT" means that certain Contribution and Exchange Agreement By and Between Highwoods/Forsyth Limited Partnership and Anderson/Tradeport, L.L.C.

"UNIT" means an undivided limited partnership interest of Highwoods, which is exchangeable by the Unit holder for either cash or Shares, whichever may be elected by HPI, in accordance with the Highwoods Partnership Agreement, the Registration Rights Agreement to be executed in conjunction with the Acquisition Agreements and Schedule H of the Acquisition Agreements. "Units" refers both to Class A Units and to Class B Units as provided by the Highwoods Partnership Agreement unless otherwise specified. Class B Units are more specifically described on Exhibit 1 attached hereto.

ARTICLE II THE TRANSACTIONS

2.1 General. Subject to the terms, conditions, provisions and limitations in this Amended and Restated Master Agreement, on the Closing Date the parties shall cause the transactions contemplated hereby (the "Transactions") to be consummated, including, but not limited to:

- (a) The closings under the Acquisition Agreements, as described in Section 2.2 below;
- (b) The contribution of certain of the API Assets (as hereinafter defined) to Highwoods pursuant to the terms and conditions hereof;
- (c) The dissolution of the Anderson Partnerships listed on Schedule 2.1(c) (the "Acquired Anderson Partnerships") and the resulting transfer by operation of law of all the Properties owned by them, respectively, to Highwoods.

2.2 Acquisition Agreements. Highwoods shall tender the consideration required by each of the Acquisition Agreements such that each "Final Closing", as defined in the respective Acquisition Agreements, occurs under the terms of each of the respective Acquisition Agreements.

2.3 Conditions of Loan Assumptions. As of the date hereof, Anderson has provided to Highwoods true, correct and complete copies of all documents, agreements, correspondence, waivers or other written materials (and made Highwoods aware of any material agreements and understandings) evidencing, securing or otherwise related to the Assumed Anderson Debt Financing (including the Assumed Anderson Mortgages). Highwoods shall have from the date hereof until the Closing Date (the "Review Period") to conduct its review of all documentation required to be executed in connection with the assumption by Highwoods of the Assumed Anderson Debt Financing (the "Assumption Documents"). If for any reason any of the terms, conditions or provisions of the Assumption Documents, as the same are to be assumed by Highwoods, are unacceptable to Highwoods in any respect in the sole and absolute discretion of Highwoods, then Highwoods shall have the option at any time prior to the expiration of the Review Period to terminate this Amended and Restated Master Agreement.

2.4 Closing.

(a) The closing of the transactions contemplated by this Amended and Restated Master Agreement (the "Closing") shall take place at the offices of ELROD & THOMPSON, Attorneys at Law, Atlanta, Georgia on or before the Closing Date but, unless otherwise agreed in writing by Highwoods and Anderson in no event later than and, if no such unanimous agreement is reached, on February 14, 1997. The closing of any of the Acquisition Agreements shall take place only if the Closing hereunder occurs.

(b) Highwoods may terminate this Amended and Restated Master Agreement without liability and without waiving any of its rights at law or in equity by giving notice to Anderson at any time prior to the Closing:

(i) In the event any one of the Anderson Parties is in breach (after any applicable period of notice and cure) in any material respect of any representation, warranty, or covenant contained in this Amended and Restated Master Agreement;

(ii) If the Closing shall not have occurred on or before the Closing Date by reason of the failure of the Anderson Parties to satisfy any condition precedent to the performance of Highwoods (unless the failure results from Highwoods itself breaching any representation,

warranty or covenant contained in this Amended and Restated Master Agreement);

(iii) If there has been a material adverse change in the financial condition or business of the Anderson Parties affecting the Properties after the date of this Amended and Restated Master Agreement or if API files any voluntary petition, or has filed against it any involuntary petition, seeking liquidation, reorganization, arrangement, readjustment of debts or for any other relief under the United State Bankruptcy Code or under any other statute, code or act, whether state, federal or foreign, or becomes insolvent or otherwise becomes subject to any reorganization or insolvency proceeding; or

(iv) Pursuant to the terms of Section 2.3 hereof.

(v) Pursuant to the terms of Section 2.5 hereof.

(c) The Anderson Parties may terminate this Amended and Restated Master Agreement without liability and without waiving any of their respective rights at law or in equity by giving notice to Highwoods at any time prior to the Closing:

(i) In the event Highwoods is in breach (after any applicable period of notice and cure) in any material respect of any representation, warranty, or covenant contained in this Amended and Restated Master Agreement;

(ii) If the Closing shall not have occurred on or before the Closing Date by reason of any condition precedent herein to the performance by the Anderson Parties not being fulfilled (unless the failure results from any of the Anderson Parties breaching any representation, warranty, or covenant contained in this Amended and Restated Master Agreement); or

(iii) Upon five (5) days written notice, in the event Highwoods takes any action or fails to take any action that would cause HPI to fail to qualify as a real estate investment trust under the Code.

2.5 Examination by Highwoods.

(a) Highwoods shall have the right during the Review

Period to examine the Properties and to conduct title examinations, environmental surveys and/or audits, make surveys, and conduct all other investigations of the Properties as Highwoods

deems necessary to determine whether the Properties are suitable and satisfactory to Highwoods. During the Review Period, the Anderson Parties shall make available to Highwoods, for inspection and copying, all environmental and engineering studies, surveys, title insurance policies, and other documents and records that Highwoods may reasonably request in the course of the performing its inspection activities. Notwithstanding anything to the contrary set forth in this Agreement, this Agreement shall terminate on the date that Highwoods gives written notice to Anderson that the results of its examinations and investigations undertaken during the Review Period are unsatisfactory to Highwoods, provided that such written notice is received by Anderson on or before the expiration of the Review Period. If Highwoods fails to give such notice on or before the expiration of the Review Period, then this Agreement shall continue in full force and effect in accordance with, and subject to, all the terms and conditions hereof. Highwoods shall have the right to determine, in Highwood's sole and absolute discretion, whether or not the results of its inspection activities are satisfactory. If this Agreement is terminated by Highwoods pursuant to this Section 2.5, all rights and obligations of the parties under this Agreement shall, except as specifically provided herein, expire, and this Agreement shall become null and void.

(b) Highwoods agrees to indemnify and hold the Anderson Parties harmless from and against any and all claims, causes of action, damages, costs (including reasonable attorney's fees), injuries and liabilities resulting from the activities of Highwoods and/or Highwoods' agents or designees at or on the Properties. Notwithstanding anything to the contrary contained elsewhere in this Agreement, the provisions of this Section 2.5(b) shall survive both Closing and termination of this Agreement.

ARTICLE III CONSIDERATION

3.1 Purchase Price Generally. The total consideration to be transferred or paid to the Anderson Partners on the Closing Date (the "Aggregate Consideration") (prior to the adjustment required by Section 3.3 below) shall be based on the following aggregate assigned values for the various Properties:

(a) The consideration for the Properties listed on SCHEDULE 3.1(A) (the "In-Service Properties") shall be based upon a total value for the Properties of \$51,536,000 in a combination of cash, Units (valued at \$29.25 each) and debt assumption.

(b) The consideration to be tendered for the Properties listed on SCHEDULE 3.1(B) (the "Development Properties") shall be \$8,864,447 reduced by the estimated

costs to complete the Development Properties and will be paid in a combination of Units (valued at \$29.25 each) and debt assumption.

(c) Schedule 3.1(c) describes the current status and impact of any future transaction involving the properties owned by R&A Investment Holdings I, LLC and R&A Land Holdings ("Bluegrass").

(d) The consideration for the Properties listed on SCHEDULE 3.1(D) (the "Development Land") shall be as follows:

(i) The Tradeport property is subject to the Tradeport Agreement.

(ii) The Chastain property currently zoned industrial (approximately 10 acres) shall be acquired for consideration based upon a value of \$105,000 per acre payable in a combination of Units (valued at \$29.25 each) and debt assumption. The 5.69 acres of Chastain land which is not zoned industrial shall be subject to an option in favor of Highwoods in the form as attached hereto as Exhibit 3.1(d).

(iii) The consideration to be paid for Newpoint shall be based upon a value of \$110,000 per acre for a total value of \$2,189,473 and shall be in the form of a combination of debt assumption and Units (all Units to be valued at \$29.25 each) in the form of 20% Class A Units and 80% Class B Units (25% of the Class B Units shall convert to Class A Units on each anniversary of the Closing Date such that the Class B Units will be fully converted as of the fourth anniversary of the Closing Date).

3.2 Agreed Upon Consideration. Subject to adjustment as provided below, the aggregate consideration required by the Acquisition Agreements and this Amended and Restated Master Agreement, to be paid by Highwoods to or in favor of the Anderson Partners on the Closing Date (the "Aggregate Consideration") shall be:

(a) the payment of cash in the amount of \$89,403 to the Anderson Cash Recipients pursuant to the terms of the applicable Purchase Option Agreements and in accordance with SCHEDULE 3.2(A) attached hereto;

(b) the issuance of 782,728 Units, including 615,698 Class A Units and 167,030 Class B Units, to the Anderson Unit Recipients pursuant to the terms of the applicable Exchange Option Agreements and in accordance with SCHEDULE 3.2(A) attached hereto;

(c) the payment by Highwoods of the Payable Anderson Debt Financing and the assumption of the principal balance of the Assumed Anderson Debt Financing in the aggregate amount of \$45,084,734 and the release of all the combined Anderson Partners from any and all liability arising out of the Assumed Anderson Debt Financing and the succession to other liabilities as expressly provided herein.

Notwithstanding the amounts set forth in SCHEDULE 3.2(A) hereof, each Anderson Partner's consideration (in cash or Units) to be received shall be adjusted, as applicable, pursuant to Paragraph 2 of each such Anderson Partner's Acquisition Agreement and Section 3.3 below.

3.3 Closing Adjustments.

(a) Generally. All real estate taxes, charges and assessments affecting a Property, all charges for water, sewer, electricity, gas and all other utilities and operating expenses with respect to a Property, to the extent not paid or payable by tenants under the Leases (as defined in Section 5.7 below and as described on SCHEDULE 5.7A attached hereto), shall be apportioned on a per diem basis as of midnight on the date immediately preceding the Closing. All such expenses for the period preceding the Closing shall be deemed expenses of the applicable Anderson Parties and all such expenses commencing as of the Closing with respect to such Property shall be deemed to be expenses of Highwoods. Amounts owed under this paragraph shall be paid to the party to whom they are owed in cash at the Closing or in the Post-Closing Adjustment Period (as defined below) in the same manner as if the underlying real property were being sold. If any real estate taxes, charges or assessments have not been finally assessed as of the Closing Date for a Property for the then current calendar tax year, they shall be adjusted at the Closing based upon the most recently issued bills therefor. The provisions of this Section 3.3(a) shall survive the Closing.

(b) Rent. Except for delinquent rent, all rent under an Anderson Partnership's Leases and other income attributable to a Property shall be apportioned on a per diem basis as of midnight on the date immediately preceding the Closing. All such rent and other income, including commissions earned, for the period preceding the Closing shall be deemed to be property of the applicable Anderson Parties, and all rent and other income for any period commencing as of the Closing and thereafter shall be the property of Highwoods for the purpose of making the adjustments set forth herein. Amounts owed under this paragraph shall be paid to the party to whom they are owed in cash at the Closing or during the Post-Closing Adjustment Period. Delinquent rent shall not be prorated, but shall be deemed the property of the appropriate Anderson Parties. Payments received by Highwoods from tenants of an Anderson Partnership from and after the Closing with respect to a Property shall be applied first to rents then due for the current period from such tenant

and then to such tenant's delinquent rent as of the time of apportionment. Highwoods shall use reasonable efforts to collect delinquent rents for the benefit of the Anderson Parties but in no event shall be obligated to evict or sue any tenants in order to collect such rents and shall cooperate with the Anderson Parties in the collection of any delinquent amounts; provided, however, that the Anderson Parties shall not have any rights to evict such tenants for such delinquent amounts. Any amounts received by Anderson Parties on account of rent or other income for the period after the Closing with respect to the Property and the related personal property shall be turned over to Highwoods for application in accordance with the terms of this paragraph. All accounts receivable, notes, cash and bank accounts of the Anderson Partnerships existing as of the Closing date shall at Closing, for the purpose of making the adjustments set forth herein, be transferred to or retained by the appropriate Anderson Parties, other than the remaining balance of any escrow accounts for tenant improvements and lease commissions held by the Anderson Partnerships, the amount necessary to pay prorations of taxes, security deposits and amounts which belong to Highwoods after making the closing adjustments for rent and operating expenses. Except for the adjustments to be made in the Post Closing Adjustment Period, the parties hereto agree that no adjustments to reimbursable income received from tenants for taxes, insurance or common area maintenance expenses will be made because the estimated periodic payments made by tenants of the Properties for 1997 were more or less than the tenant actual prorated share of taxes, insurance and common area maintenance expenses. The provisions of this Section 3.3(b) shall survive the Closing.

(c) Preclosing Expenses and Liabilities. The parties acknowledge that not all invoices for expenses incurred with respect to the Properties prior to the Closing will be received by the Closing and that a mechanism needs to be in place so that such invoices can be paid as received. All of the prorations referred to above will be done on an interim basis at the Closing and will be subject to final adjustment in accordance with the provisions hereof within sixty days or such other agreed upon period of time following Closing (the "Post-Closing Adjustment Period"). Upon receipt by Highwoods after Closing of an invoice for a Property's operating expenses which are attributable in whole or in part to a period prior to the Closing and which were not apportioned (or, if apportioned, not correctly apportioned) at Closing, Highwoods shall submit to Anderson, as agent for the Anderson Partners, a copy of such invoice with such additional supporting information as Anderson shall reasonably request. Within ten (10) days of receipt of such copy, Anderson shall pay to Highwoods an amount equal to the portion of such invoice attributable to the period ending as of midnight on the date immediately preceding the Closing apportioned on a per diem basis.

3.4 Fluctuation. EACH OF THE ANDERSON PARTIES AND HIGHWOODS ACKNOWLEDGES AND AGREES THAT AFTER THE EXECUTION OF THE ACQUISITION AGREEMENTS, THE MARKET VALUE OF THE HPI COMMON STOCK WHICH IS CURRENTLY OUTSTANDING MAY INCREASE OR DECREASE IN VALUE AS THE RESULT OF MARKET FLUCTUATIONS, AND THAT ANY SUCH FLUCTUATIONS MAY AFFECT THE VALUE OF THE UNITS. NOTWITHSTANDING THESE FLUCTUATIONS, HIGHWOODS WILL NOT BE REQUIRED TO INCREASE THE NUMBER OF UNITS TO BE ISSUED TO ANY ANDERSON UNIT RECIPIENT (WHOSE PURCHASE PRICE IS PAID IN UNITS) IN THE EVENT OF A DECREASE IN THE MARKET VALUE OF HPI COMMON STOCK PRIOR TO THE CLOSING. LIKEWISE, EACH ANDERSON UNIT RECIPIENT WHOSE PURCHASE PRICE IS BEING PAID IN UNITS WILL BE ENTITLED TO THAT NUMBER OF UNITS SET FORTH ON SCHEDULE 3.2(A) HEREOF NOTWITHSTANDING ANY INCREASE IN VALUE OF HPI COMMON STOCK PRIOR TO THE CLOSING, AS SUCH INCREASE MAY INURE TO THE BENEFIT OF SUCH ANDERSON UNIT RECIPIENT.

3.5 Partnership Distribution Adjustment. For the first fiscal quarter of Highwoods ending after the Closing Date, partnership distributions attributable to such quarter payable by Highwoods to the Anderson Unit Recipients pursuant to Section 12.2C of the Highwoods Partnership Agreement shall be prorated to take into account the period of time during such quarter that the Anderson Unit Recipients were limited partners in Highwoods. Each Anderson Unit Recipient shall receive that portion of a full quarterly distribution otherwise attributable to his Units determined by multiplying the amount of such full distribution by a fraction the numerator of which is the number of days during such quarter that the Anderson Unit Recipient was a limited partner in Highwoods and the denominator of which is the number of days in such quarter. In the event that any Anderson Unit Recipient receives a full cash distribution for such period, such Anderson Unit Recipient shall reimburse Highwoods the prorated portion of such distribution within five (5) days of receipt.

3.6 Prepayment Penalties. The Aggregate Consideration shall be reduced by the prepayment penalties, or a prorated portion thereof, associated with the payment by Highwoods of Indebtedness as described on SCHEDULE 3.5 attached hereto.

ARTICLE IV COVENANTS AND AGREEMENTS

4.1 Operation of Business. After making adequate provisions for all prorrations contemplated herein, specifically by Section 3.3, and by the Acquisition Agreements, the Anderson Partnerships and API may make cash distributions of all cash on hand immediately prior to the Closing and may otherwise distribute all claims or other evidences of money owed to them. Highwoods and the Anderson Parties agree to use their reasonable efforts to reconcile prorrations and other closing adjustments within the Post-Closing Adjustment Period. In the event any party receives any payments to which any other party is, pursuant

to the proration provisions hereof, entitled, such payment shall promptly be delivered to the party so entitled.

4.2 Brokers. Each of the Anderson Parties covenants, represents and warrants to Highwoods, and Highwoods covenants, represents and warrants to each of the Anderson Parties that, except as indicated on SCHEDULE 4.2 attached hereto, no broker or finder or agent has been involved or engaged by it in connection with the transactions contemplated hereby and, each hereby agrees, and Anderson agrees specifically as related to the persons identified on SCHEDULE 4.2, to indemnify and hold harmless the other from and against any and all broker's or finder's fees, commissions or similar charges incurred or alleged to have been incurred by the indemnified party in connection with the transactions contemplated hereby and any and all loss, liability, cost or expense (including without limitation reasonable attorneys' fees) arising out of any claim that the indemnifying party incurred or created any such fees, commissions or charges.

4.3 Employment Agreements. At Closing, HPI and Anderson shall have entered into the Employment Agreement in the form of EXHIBIT 4.3 attached hereto.

4.4 Section 754 Elections. Anderson and each of the Acquired Anderson Partnerships agree to cause an election under Section 754 of the Code to be included in the final federal partnership tax return of each such Anderson Partnership indicating Highwoods as a partner.

4.5 Employees; Benefit Plans. At Closing, either HPI or Highwoods, at their discretion, shall hire all of the employees of API at their current level of compensation and benefits or their equivalent economic values as such employees were compensated by API.

4.6 Termination of Contracts. Unless otherwise specified by Highwoods in writing, all management, development, or leasing contracts, entered into by the Anderson Partnerships, if any, must be terminated as of the effective date of Closing so that Highwoods or its designee shall have the exclusive right to manage and lease the Properties.

4.7 Contribution of API Assets. All personal property listed on SCHEDULE 4.7, including the tradename "Anderson Properties" and the associated goodwill, used by Anderson Properties, Inc. in the operation and management of the Properties (the "API Assets") will be transferred to Highwoods in conjunction with the Closing and as partial consideration for the transactions otherwise contemplated by this Agreement.

ARTICLE V
REPRESENTATIONS AND WARRANTIES OF
ANDERSON AND API

To induce Highwoods and HPI to enter into this Amended and Restated Master Agreement and the transactions contemplated hereby, unless otherwise indicated, Anderson and API represent and warrant, and each Anderson Partnership represents and warrants (with respect to itself only), that the statements contained in this Article V are true, correct and complete on the date hereof. Pursuant to Section 8.1 hereof, Anderson, each of the Anderson Partnerships (each with respect to itself only) and API shall deliver to Highwoods at closing a certificate certifying that all such representations and warranties are still true, correct and complete as of the Closing Date, or to the extent that any representation and warranty is not then true, correct and complete, stating the fact or facts which render such representation and warranty untrue. It is the express intention and agreement of Anderson, the Anderson Partnerships and API that the representations and warranties set forth in this Article V shall, except to the extent specified herein to the contrary, survive the consummation of the transactions contemplated in this Amended and Restated Master Agreement, but only to the extent expressly provided in Section 11.2 hereof.

5.1 Consents. Except as disclosed on SCHEDULE 5.1 attached hereto, (i) no consents, approvals, waivers, notifications, acknowledgments or permissions which have not been obtained are required in order for any of the Anderson Parties to fully perform its or his respective obligations under this Amended and Restated Master Agreement or which, if left unobtained at Closing and thereafter, would have a material adverse affect on the value, operation, occupation, use or development of any Property, and (ii) the execution and delivery of this Amended and Restated Master Agreement by the Anderson Parties and the consummation of the transactions contemplated hereby, including without limitation the execution of any related agreements, will not require the consent of, or any prior filing with or notice to or payment to, any governmental authority or other Person (other than normal and customary transfer taxes, recording and other transactional costs and expenses).

5.2 Disclosure. The representations and warranties contained in this Amended and Restated Master Agreement (including Schedules and Exhibits and documents or instruments delivered in connection herewith) or in any information, statement, certificate or agreement furnished or to be furnished to Highwoods by any of the Anderson Parties in connection with the Closing pursuant to this Amended and Restated Master Agreement, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements and information contained herein or therein, in light of the circumstances in which they are made, not misleading.

5.3 Absence of Conflicts. Except as set forth on SCHEDULE 5.1 AND SCHEDULE 5.3 attached hereto, the execution, delivery and performance of this Amended and Restated Master Agreement by the Anderson Parties and the consummation of the transactions contemplated hereby, including without limitation, the execution and delivery of any documents, instruments or agreements contemplated hereby, will not (after a lapse of time, due notice or otherwise) (a) conflict with, violate or result in any breach or default

under (I) any provision of any partnership agreement, operating agreement or certificate of any of the Anderson Partnerships; (II) any provision of the articles of incorporation or bylaws of API, (III) any law, statute, rule or regulation of any administrative agency or governmental body, or any judgment, order, writ, stipulation, injunction, award or decree of any court, arbiter, administrative agency or governmental body to which the Anderson Parties or the Properties are subject; or (IV) any indenture, agreement, instrument or other contract to which the Anderson Parties may be bound or relating to or affecting their assets (except for the documents and instruments evidencing and/or securing the Assumed Anderson Debt Financing and the Payable Anderson Debt Financing); or (b) result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice under or result in the creation or imposition of any Lien on the Properties or related assets in accordance with the terms of this Amended and Restated Master Agreement under any indenture, mortgage, contract, agreement, lease, sublease, license, sublicenses, franchise, permit, instrument of indebtedness, security agreement or other undertaking or instrument to which the Anderson Parties may be bound or affected.

5.4 Certification of Anderson Financial Statements. The Anderson Financial Statements are true, correct and complete in all material respects, are prepared in accordance either with generally acceptable accounting principles or federal income tax principles, consistently applied, and fairly present the financial condition of each of the applicable Anderson Parties.

5.5 Power and Authority of Anderson Partnerships. Each of the Anderson Partnerships is a partnership, limited liability company or tenancy in common, as the case may be, duly formed and validly existing under the laws of the State of Georgia. Each partner, owner or member of the Anderson Partnerships (which is controlled directly or indirectly by Anderson and/or API) which is not an individual has been duly formed and is validly existing. All partnership interests in each Anderson Partnership have been validly issued and fully paid. True, correct and complete copies of each of the partnership agreements and operating agreements, as applicable, of the Anderson Partnerships and all amendments thereto have been submitted to Highwoods prior to the date of this Amended and Restated Master Agreement. Each of the Anderson Partnerships has full power and authority to own and operate its properties and to enter into and perform its obligations under this Amended and Restated Master Agreement and the documents and instruments contemplated hereby to which they are a party, and the execution, delivery and performance of this Amended and Restated Master Agreement have been duly authorized by all requisite partnership or company actions on the part of each of the Anderson Partnerships. This Amended and Restated Master Agreement constitutes, and the documents and instruments contemplated hereby and other instruments and documents to be executed and delivered by Anderson and the Anderson Partnerships, as applicable, hereunder will, when executed, constitute the legal, valid and binding obligations of Anderson and the Anderson Partnerships, respectively, enforceable against them in accordance with their respective

terms, subject to bankruptcy and similar laws effecting the remedies or recourse of creditors generally. The Closing of the Acquisition Agreements and the Amended and Restated Master Agreement will effectuate the transfer of all of the ownership interests in each of the Acquired Anderson Partnerships.

5.6 Power and Authority of API. API is a corporation duly incorporated, validly existing and authorized to transact business under the laws of the State of Georgia and is authorized to transact business as a foreign corporation in all states where the ownership of assets or the nature of its business requires qualification as a foreign corporation, with full corporate power and authority to conduct its business as it has been conducted in the past and enter into and perform its obligations under each of the Acquisition Agreements, this Amended and Restated Master Agreement and each of the documents and instruments contemplated by this Amended and Restated Master Agreement. The execution, delivery and performance of each of the Acquisition Agreements, this Amended and Restated Master Agreement, the consummation of the transactions contemplated hereby and the execution of the documents and instruments contemplated hereby have been duly authorized by all requisite corporate action on the part of API and this Amended and Restated Master Agreement constitutes, each of the Acquisition Agreements constitutes, and the instruments and documents to be executed and delivered by API hereunder will, when executed, constitute the legal, valid and binding obligations of API, enforceable against it in accordance with their respective terms, subject to bankruptcy and similar laws effecting the remedies or recourse of creditors generally.

5.7 Rent Roll and Leases. The schedule of leases attached hereto as SCHEDULE 5.7A (the "Schedule of Leases") is a true, correct and complete schedule of all leases, subleases and rights of occupancy (claiming directly by, through, under or with the knowledge of Anderson, the Anderson Partnerships or API) in effect with respect to each of the Properties, (respectively, the "Leases"), and there have been no material changes to the Schedule of Leases. Except as set forth on the Schedule of Leases, there are no other leases, subleases, tenancies or other rights of occupancy (claiming directly by, through, under or with the knowledge of Anderson, the Anderson Partnerships or API) in effect with respect to the Properties other than the Leases. True, correct and complete copies of the Leases, together with all amendments and supplements thereto and all other documents and correspondence relating thereto, have been delivered or made available to Highwoods and its agents. SCHEDULE 5.7A includes the rent roll information and is, as of the date shown thereon, true and correct in all material respects. The Schedule of Leases sets forth, as of such date, (I) a list of all tenants under the Leases and the space occupied by each such tenant, (II) all arrearages owing from such tenants under such Leases (listed on delinquency and default reports attached to the and made a part thereof), (III) the expiration date of the term of such Leases, (IV) the base rent and the rent the tenant under such Lease is currently obligated to pay, (V) the current outstanding balances of any security deposits held pursuant to any Leases, (VI) any prepayments of rent by any tenant under any Lease of more than one

(1) month in advance (excluding security deposits which are delineated on the list attached to the Schedule of Leases and made a part thereof) and (VII) whether or not there are rental concessions or abatements under a Lease applicable to any period subsequent to the Closing. Except as set forth on the Schedule of Leases, all such Leases are valid and enforceable and presently in full force and effect, and none of the Leases have been assigned and all brokerage commissions payable under any of the Leases have been paid or will be paid by the Anderson Partnerships prior to the Closing Date, except as provided in SCHEDULE 5.7B attached hereto. All tenant upfit obligations provided for in any of the Leases not set forth on SCHEDULE 5.7C will be completed or paid for in full prior to the Closing or will be paid from escrow funds established for such purposes (and any excess amounts shall be the obligation of Anderson regardless of when incurred). Except as set forth on SCHEDULE 5.7D attached hereto or the tenant estoppel certificates, none of the Anderson Partnerships or any lessee under any Lease, is in default under such Lease, and there is no event which, but for the passage of time or the giving of notice, or both, would constitute a default under such Leases, except such defaults that would not have a material adverse effect on the condition, financial or otherwise or on the earnings, business affairs or business prospects of any of the Anderson Partnerships or the Properties. Except as set forth on the Schedule of Leases, no tenant under any of the Leases has an option or right of first refusal to purchase the premises demised under such Leases. The consummation of the transactions contemplated by this Amended and Restated Master Agreement will not give rise to any breach, default or event of default under any of the Leases. Each of the Leases is assignable by the applicable Anderson Partnership and, except as disclosed on SCHEDULE 5.7E attached hereto, none of the Leases requires the consent or approval of any party in connection with the transactions contemplated by this Amended and Restated Master Agreement.

5.8 No Contracts. No agreements, undertakings or contracts affecting the Properties, the Acquired Anderson Partnerships or API, written or oral, will be in existence as of the Closing, except as set forth on SCHEDULE 1-1, SCHEDULE 5.7A [Leases], SCHEDULE 1-5 and SCHEDULE 5.8 attached hereto. With respect to any such contracts set forth on SCHEDULE 5.8 (collectively, the "Scheduled Contracts"), each such contract is valid and binding on the applicable Anderson Partnership and is in full force and effect in all material respects. Except as specifically set forth on SCHEDULE 5.8 attached hereto, no party to any Scheduled Contract to API's or Anderson's Actual Knowledge has breached or defaulted under the terms of such contract, except for such breaches or defaults that would not have a material adverse effect on the business or operations of any of the Properties or any of the Anderson Partnerships, as applicable. None of the Scheduled Contracts requires the consent or approval of any party in connection with the transactions contemplated by this Amended and Restated Master Agreement.

5.9 Title to Property and Partnership Interests. The Descriptive Property Exhibit hereof represents a true, correct and complete description of all ownership interests in the Properties, and there exist no other ownership interests in the Properties except as

disclosed thereon. Either the Anderson Partnerships or Anderson own and will own at Closing good, valid and marketable fee simple title to the Properties, in such forms and in such percentages as are shown on the Descriptive Property Exhibit hereof; the Anderson Partnerships or Anderson, respectively, own good, valid and marketable title to all personal property listed on SCHEDULE 5.9A attached hereto (the "Personal Property"). API owns good, valid and marketable title to the API Assets, free and clear of any Lien. Each owner of any interests in any of the Anderson Partnerships owns, to Anderson's and API's Actual Knowledge, good, valid and marketable title to such interest(s) in the Anderson Partnership(s) as are being conveyed to Highwoods under the Acquisition Agreements free and clear of any lien, encumbrance, security interest, option, restriction, subscription or other similar right or interest, and such owner has, to Anderson's and API's Actual Knowledge, the absolute and unconditional right, power and authority to perform under the respective Acquisition Agreements. Upon the consummation of the transactions contemplated by this Amended and Restated Master Agreement and the Acquisition Agreements, Highwoods will receive good and marketable title to all such interests in all of the Acquired Anderson Partnerships and all of the Properties, free and clear of any Liens (other than Permitted Liens). The Properties are not subject to any Liens except Permitted Liens and the easements, encumbrances and other exceptions to title listed as SCHEDULE 5.9B attached hereto.

5.10 Liabilities; Indebtedness. Except for the Assumed Anderson Debt Financing and the Payable Anderson Debt Financing, the Leases, the leasing commissions listed on SCHEDULE 5.7B and the operating agreements listed on SCHEDULE 5.22, and those liabilities disclosed to Highwoods in writing on SCHEDULE 5.10 hereto, no Indebtedness related to the Properties has been incurred except in each instance for trade payables and any other customary and ordinary expenses in the ordinary course of business that either will be paid and discharged in full by Anderson or the Anderson Partnerships, respectively, will be subject to adjustment as provided in Section 3.3 hereof or will remain an obligation of Anderson or an Anderson Partnership, no part of the ownership of which such Anderson Partnership is owned by Highwoods after Closing, as of the Closing. At Closing and after giving effect to the transactions contemplated by this Amended and Restated Master Agreement, there will exist no default, or event which with the passage of time or giving of notice or both would constitute a default with respect to the Assumed Anderson Debt Financing. The Payable Anderson Debt Financing is unconditionally prepayable in full, without penalty, premium or charges, except as disclosed in SCHEDULE 1-5 attached hereto. Except as shown on the Anderson Financial Statements, none of the Anderson Partnerships, is subject to or obligated or liable under any Liability except for ordinary and customary expenses incurred in the ordinary course of business.

5.11 Insurance. Each of the Anderson Parties currently maintains or causes to be maintained all of the public liability, casualty and other insurance coverage with respect to the Properties and their respective businesses as set forth on SCHEDULE 5.11 attached

hereto. All such insurance coverage shall be maintained in full force and effect through the Closing and all premiums due and payable thereunder have been, and shall be, fully paid when due.

5.12 Personal Property. All equipment, fixtures and personal property located at or on any of the Properties or at the place(s) of business of API, respectively, which is owned or leased by the Anderson Partnerships or API, as applicable, shall remain at the Properties or at the place(s) of business of API and shall not be removed prior to the Closing, except for equipment that becomes obsolete or unusable, which may be disposed of or replaced in the ordinary course of business. The personal property of the Anderson Partnerships and of API is not subject to any liens except for Permitted Liens.

5.13 Claims or Litigation. Except as set forth on SCHEDULE 5.13 attached hereto, none of the Anderson Parties nor any of the Properties are subject to claim, demand, suit or unfilled lien, proceeding or litigation of any kind, pending or outstanding, before any court or administrative, governmental or regulatory authority, agency or body, domestic or foreign, or to any order, judgment, injunction or decree of any court, tribunal or other governmental authority, or, to the Actual Knowledge of Anderson or API, threatened, or likely to be made or instituted, which would have a materially adverse affect on the business or financial condition of any of the Anderson Parties or any of the Properties or in any way be binding upon Highwoods or affect or limit Highwoods' full use and enjoyment of any of the Properties or which would limit or restrict in any way any Anderson Party' right or ability to enter into this Amended and Restated Master Agreement and consummate the assignments, transfers, conveyances and any other transaction contemplated hereby.

5.14 Hazardous Substances. Except as set forth in the environmental audit reports provided to Highwoods by the Anderson Parties and in the environmental assessments of the Properties conducted on behalf of Highwoods (the "Environmental Assessments"), the Anderson Parties have not generated, stored, released, discharged or disposed of hazardous substances or hazardous wastes at, upon or from any of the Properties in violation of any Environmental Law, order, judgment or decree or permit, or in connection with which remedial action would be required under any Environmental Law, order, judgment, decree or permit. Except as set forth in the environmental audit reports provided to Highwoods by the Anderson Parties or in the Environmental Assessments, no hazardous substances or hazardous wastes have otherwise been generated, stored, released, discharged or disposed of from, at or upon any of the Properties in violation of any Environmental Law. Except as set forth in the environmental audit reports provided to Highwoods by the Anderson Parties or in the Environmental Assessments, no underground storage tanks are to Anderson's and API's Actual Knowledge located on any of the Properties. As used in this Amended and Restated Master Agreement, the terms "hazardous substances" and "hazardous wastes" shall have the meanings set forth in the Comprehensive Environmental Response, Compensation and Liability Act, as amended, and the regulations thereunder, the Resource

Conservation and Recovery Act, as amended, and the regulations thereunder, and the Federal Clean Water Act, as amended, and the regulations thereunder, and such terms shall also include asbestos, petroleum products, radioactive materials and any regulated substances under any Environmental Law, regulation or ordinance.

5.15 Financial Condition of the Properties and Anderson Parties. Except as set forth in SCHEDULE 5.15 attached hereto, there has been no material adverse change, financial or otherwise, in any of the Anderson Parties or any of the Properties as previously represented by any of the Anderson Parties, including, without limitation, as disclosed in the Anderson Financial Statements.

5.16 Compliance with Laws. The Anderson Parties possess such certificates, authorities or permits issued by the appropriate state or federal regulatory agencies or bodies necessary to conduct the business to be conducted by them and, to Anderson's and API's Actual Knowledge, there are no proceedings relating to the revocation or modification of any such certificate, authority or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would materially and adversely affect the condition, financial or otherwise, or the earnings, business affairs or business prospects of any of the Anderson Partnerships, API or any of the Properties, as applicable. There is no violation to Anderson's and API's Actual Knowledge of any applicable zoning, building or safety code, rule, regulation or ordinance, or of any employment, environmental, wetlands or other regulatory law, order, regulation or other requirement, including without limitation the Americans With Disabilities Act ("ADA"), or any restrictive covenants or other easements, encumbrances or agreements, relating to any of the Properties, which remains uncured. To Anderson's and API's Actual Knowledge: (i) each of the Properties, has been constructed and is operated in accordance with all applicable laws, ordinances, rules and regulations, (ii) all approvals regarding zoning, land use, subdivision, environmental and building and construction laws, ordinances, rules and regulations have been obtained, and (iii) such approvals will not be invalidated by the consummation of the transactions contemplated by this Amended and Restated Master Agreement. The representations and warranties, except to the extent provided by Section 5.2 hereof, shall not survive Closing.

5.17 Employees. None of the Anderson Partnerships presently has any employees nor have any of the Anderson Partnerships ever had any such employees.

5.18 Condemnation and Moratoria. There are to Anderson's and API's Actual Knowledge (i) no pending or threatened condemnation or eminent domain proceedings, or negotiations for purchase in lieu of condemnation, which affect or would affect any portion of any of the Properties; (ii) no pending or threatened moratoria on utility or public sewer hook-ups or the issuance of permits, licenses or other inspections or approvals necessary in connection with the construction or reconstruction of improvements, including without limitation tenant improvements, which affect or would affect any portion of any of the

Properties; and (iii) no pending or threatened proceeding to change adversely the existing zoning classification as to any portion of any of the Properties. To Anderson's and API's Actual Knowledge, (x) no portion of any of the Properties is a designated historic property or located within a designated historic area or district, and (y) there are no graveyards or burial grounds located within any of the Properties.

5.19 Condition of Improvements. Except as disclosed or made known to Highwoods in the course of its inspection activities or except as described on SCHEDULE 5.19 attached hereto, there is to Anderson's and API's Actual Knowledge no material defect in the condition of (i) any of the Properties, (ii) the improvements thereon, (iii) the roof, foundation, load-bearing walls or other structural elements thereof, or (iv) the mechanical, electrical, plumbing and safety systems therein, nor any material damage from casualty or other cause, nor any soil condition of any nature that will not support all of the Improvements currently thereon without the need for unusual or new subsurface excavations, fill, footings, caissons or other installations. The representations and warranties, except to the extent provided by Section 5.2 hereof, shall not survive Closing.

5.20 Taxes. Except as set forth on SCHEDULE 5.20 attached hereto, (i) all tax or information returns required to be filed on or before the date hereof by or on behalf of the Anderson Parties or the Properties have been filed and all such tax or information returns required to be filed hereafter will be filed on or before the date due in accordance with all applicable laws prior to the incurrence of any penalties or interest thereon and all taxes shown to be due on any returns have been paid or will be paid when due; and (ii) there is no action, suit or proceeding pending against or threatened with respect to any Anderson Party or any of the Properties in respect of any tax, nor is any claim for additional tax asserted by any taxing authority. None of the Anderson Parties nor any of their respective federal, state and local income or franchise tax returns are to Anderson's and API's Actual Knowledge the subject of any audit or examination by any taxing authority. None of the Anderson Parties has executed or filed with the Internal Revenue Service or any other taxing authority any agreement now in effect extending the period for assessment or collection of any income or other taxes.

5.21 Management Agreements. All management, service and similar agreements in effect between any of the Anderson Parties and any affiliates of the Anderson Parties are described on SCHEDULE 5.21 attached hereto (collectively, the "Management and Leasing Agreements"), and all such Management and Leasing Agreements relating to the Properties shall be terminated as of the Closing Date and thereafter shall be void and of no further force and effect.

5.22 Operating Agreements. True, complete and correct copies of all agreements pertaining to the operation of the Properties as of the date hereof (collectively, the "Existing Operating Agreements") have been provided or made available to Highwoods. The Existing

Operating Agreements are in full force and effect, no Anderson Party is in default of any of its material obligations under any of such Existing Operating Agreements, and except for those set forth on SCHEDULE 5.22 attached hereto, all Existing Operating Agreements are terminable on not more than thirty (30) days prior written notice and without payment of any penalty. At the Closing with respect to each of the Properties, true, complete and correct copies of such Existing Operating Agreements shall have been provided or made available to Highwoods and, the Existing Operating Agreements shall be, unless otherwise described in writing to Highwoods or except as otherwise provided herein, (x) in full force and effect and (xi) free from any default by the appropriate Anderson Partnership of any of its material obligations under any of them. Anderson shall advise Highwoods immediately of any default by any party to an Existing Operating Agreement.

5.23 ERISA; Employee Benefit Plans. Except as disclosed on SCHEDULE 5.23 attached hereto, none of the Anderson Parties nor any Person which, in conjunction with any of the Anderson Parties, is treated as a single employer under Section 414 of the Code (referred to as an "ERISA Affiliate") has any officer or employee bonus, incentive compensation, profit-sharing, pension, stock ownership, medical expense reimbursement plan, group insurance or employee welfare or benefit plan of any nature whatsoever (an "Employee Benefit Plan"), including, without limitation, any "employee benefit plan" within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or any "multiemployer plan" within the meaning of ERISA. To the extent, if any, that there has heretofore been any such Employee Benefit Plan in effect, such plan has been terminated, required notice, if any, has been given to the Pension Benefit Guaranty Corporation and received from such Anderson Party or ERISA Affiliate and all liabilities, if any, of any Anderson Party with respect thereto have been fully and finally discharged and released in writing. No Anderson Party or any ERISA Affiliate has any obligation, liability or commitment to any Person with respect to any Employee Benefit Plan that will be the obligation of, or will affect the property or assets of HPI or Highwoods.

5.24 Absence of Certain Changes. Since October 31, 1996, except as otherwise set forth in this Amended and Restated Master Agreement or as disclosed in writing to Highwoods by an Anderson Party or as otherwise known to Highwoods, there has not been with respect to Anderson, API or any of the Anderson Partnerships:

(a) any material adverse change in the financial condition of any of such Anderson Parties;

(b) any change in the condition of the property, business or liabilities of any of the Anderson Partnerships or API except normal and usual changes in the ordinary course of business which have not been materially adverse;

(c) any damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties or business of any of the Anderson Partnerships or API;

(d) any sale, abandonment or other disposition by any of the Anderson Partnerships or API or of any interest in the Properties, or of any personal property other than in the ordinary course of such Anderson Partnerships or API's business;

(e) any change in the accounting methods or practices by any of the Anderson Partnerships or API or in depreciation or amortization policies theretofore used or adopted;

(f) any material contractual liability incurred by any of the Anderson Partnerships or of API, contingent or otherwise, other than for operating expenses, obligations under executory contracts incurred for fair consideration and taxes accrued with respect to operations during such period, all incurred in the ordinary course of business; or

(g) any other material change in the business of any of the Anderson Partnerships or API, or any of the Properties.

5.25 Tradename. API owns all right, title and interest in and to the tradename "ANDERSON PROPERTIES " and all variations and derivatives thereof and goodwill associated therewith arising out of the use of such tradename (collectively, the "Tradename") free and clear of any Liens or pending or threatened third party claims for infringement or unlawful use thereof, and API has the right to sell, transfer, assign and convey the Tradename to Highwoods. API will at Closing, transfer to Highwoods all of its right, title and interest in the Tradename, including the goodwill associated therewith and the rights to all the variations to the Tradename.

5.26 Operation of Business. Except as set forth on Schedule 5.26 attached hereto, from November 14, 1996 through the Closing Date, API has conducted its business only in the ordinary course and has not granted any substantial or general or uniform increase in the rate of pay of any employees or any substantial increase in salaries to any employees or officers (by means of bonus, pension plan or other contract or otherwise).

5.27 Effect of Transactions on Title. After giving effect to the Transactions, Highwoods will be the owner of the Personal Property and the API Assets, free and clear of any Liens or ownership interests except for the Permitted Liens.

**ARTICLE VI
REPRESENTATIONS AND WARRANTIES
OF HIGHWOODS**

To induce the Anderson Parties to enter into this Amended and Restated Master Agreement and the transactions contemplated hereby, Highwoods hereby represents and warrants to the Anderson Parties that the statements contained in this Article VI are true, correct and complete as of the date hereof. Highwoods shall deliver to the Anderson Parties, as applicable, at Closing a certificate certifying that all such representations and warranties are still true, complete and correct as of the Closing Date, or to the extent that any such representations and warranties are not true, correct and complete, stating the fact or facts which render such representation and warranty untrue. It is the express intention and agreement of Highwoods that the foregoing representations and warranties shall survive the consummation of the transactions contemplated in this Amended and Restated Master Agreement, except as expressly provided in Section 11.4 hereof.

6.1 Organization and Authority. Highwoods has been duly formed and is validly existing as a North Carolina limited partnership and is duly qualified to do business in all jurisdictions where such qualification is necessary to carry on its business as now conducted and is duly qualified or in the process of becoming duly qualified in all jurisdictions where the ownership of its property would necessitate such qualification. Highwoods has all partnership power and authority under its Partnership Agreement and its certificate of limited partnership to enter into this Amended and Restated Master Agreement and the Acquisition Agreements and to enter into and deliver all of the documents and instruments required to be executed and delivered by Highwoods and to perform its obligations hereunder and thereunder.

6.2 Binding Obligation. The execution and delivery of this Amended and Restated Master Agreement, the Acquisition Agreements and the documents required to be executed by Highwoods hereunder and thereunder, and the performance of its obligations under this Amended and Restated Master Agreement and the Acquisition Agreements, have been duly authorized by all requisite partnership action, and this Amended and Restated Master Agreement and the Acquisition Agreements have been, and such documents will on the Closing date have been, duly executed and delivered by Highwoods. This Amended and Restated Master Agreement and the Acquisition Agreements do and will, and the documents executed by Highwoods will, constitute the valid and binding obligation of Highwoods enforceable in accordance with their terms, subject to bankruptcy and similar laws affecting the remedies or recourse of creditors generally.

6.3 Partnership Agreement. The Partnership Agreement and amendments previously delivered to Anderson or his attorneys is a true, complete and correct copy of the limited partnership agreement of Highwoods, as amended. The Partnership Agreement is in

full force and effect and has not been further amended, modified or terminated except as disclosed to Anderson or the Anderson Parties.

6.4 Disclosure. To the Actual Knowledge of Highwoods, the representations and warranties contained in this Amended and Restated Master Agreement (including Schedules and Exhibits and documents or instruments delivered in connection herewith) or in any information, statement, certificate or agreement furnished or to be furnished to any of the Anderson Parties by Highwoods in connection with the Closing pursuant to this Amended and Restated Master Agreement, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements and information contained herein or therein, in light of the circumstances in which they are made, not misleading.

ARTICLE VII REPRESENTATIONS AND WARRANTIES OF HPI

HPI hereby represents and warrants to each Anderson Party as follows:

7.1 Organization and Authority. HPI has been duly formed and is validly existing as a Maryland corporation and has elected under the Code to be treated as a real estate investment trust, and is duly qualified to do business in all jurisdictions where such qualification is necessary to carry on its business as now conducted and is duly qualified or in the process of becoming duly qualified in all jurisdictions in which its properties or Highwoods' properties are located. HPI has all power and authority under its organizational documents to enter into this Amended and Restated Master Agreement and such other documents as are required hereby and by the Acquisition Agreements to be executed by it.

7.2 Binding Obligations. The execution and delivery of this Amended and Restated Master Agreement, the Acquisition Agreements and the documents required to be executed by HPI by the terms hereof and thereof, and the performance of its obligations under this Amended and Restated Master Agreement, the Acquisition Agreements and the documents executed by it, have been duly authorized by all requisite action and this Amended and Restated Master Agreement, the Acquisition Agreements, and the documents required to be executed by it have been and will on the Closing Date have been, duly executed and delivered by HPI. To the Actual Knowledge of HPI, none of the foregoing requires any action by or in respect of, or filing with, any governmental body, agency or official or contravenes or constitutes a default under any provision of applicable law or regulation, any organizational document of HPI or any agreement, judgment, injunction, order, decree or other instrument binding upon HPI. This Amended and Restated Master Agreement does and will, and the documents required to be executed by it will, constitute the valid and binding obligations of HPI enforceable in accordance with their respective

terms, subject to bankruptcy and similar laws affecting the remedies or resources of creditors generally.

7.3 Securities Filings. HPI has delivered or made available to Anderson the registration statement of HPI filed with the SEC in connection with HPI's initial public offering of Shares of HPI common stock, and all exhibits, amendments and supplements thereto (the "Initial Registration Statement"), and each report, proxy statement or information statement and all exhibits thereto prepared by it or relating to its properties since the effective date of the Initial Registration Statement each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "Highwoods Reports"). The Highwoods Reports, which were filed with the SEC in a timely manner, constitute all forms, reports and documents required to be filed by HPI under the Securities Laws. As of their respective dates, the Highwoods Reports (i) complied as to form in all material respects with the applicable requirements of the Securities Laws and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of circumstances under which they were made, not misleading. No material adverse change in the financial condition, business operations or properties of HPI has occurred that would render any material statement made in any of the Highwoods Reports materially untrue or misleading.

7.4 REIT Status of HPI. HPI is organized and operates and will continue to operate in a manner so as to qualify as a "real estate investment trust" under Section 856 through 860 of the Code. HPI has elected, and will continue to elect, to be taxed as a "real estate investment trust" under the Code.

ARTICLE VIII CLOSING DELIVERIES

8.1 Anderson Closing Deliveries. At Closing or at such earlier date if otherwise provided in this Amended and Restated Master Agreement or if otherwise expressly agreed by Highwoods, the Anderson Parties shall deliver or cause to be delivered to Highwoods the following documents, instruments, opinions, certificates and statements:

- (a) The documents, instruments, deeds, assignments, affidavits, forms, contracts and agreements required to be delivered under the Acquisition Agreements;
- (b) A tenant estoppel certificate in the form attached hereto as Exhibit 8.1(e) from each tenant under the Leases provided, however, this Section 8.1(e) shall be deemed satisfied if such tenant estoppel certificates are delivered from tenants occupying eighty-percent (80%) of the aggregate net rented square feet of the improved Properties (the "Buildings"). To the extent the Anderson Parties shall not have delivered tenant estoppel certificates by Closing from tenants occupying 80%

of the net rented space of the Buildings, Anderson will execute a sufficient number of certificates (certifying the same matters set forth in the tenant estoppel certificates submitted to tenants which were not received) (the "Owner Estoppel Certificates") related to tenants leasing that number of net rented square feet in the Buildings, which when added to the net rented square feet in the Buildings leased by tenants whose tenant estoppel certificates have been received, will equal 80% or more of the net rented square feet in the Buildings. Anderson will agree to indemnify Highwoods from loss or damage incurred by Highwoods resulting from the inaccuracy of any matter contained in such certificates executed by Anderson. Notwithstanding the representations and warranties of Anderson to its Actual Knowledge related to the Leases as set forth in Section 5.7 above, the Owner Estoppel Certificates shall not be limited to Anderson's Actual Knowledge, but rather shall contain unconditional representations. Anderson agrees to send estoppel certificates to all tenants of the Property and request that the same be completed and returned for delivery to Highwoods. Provided, further, Anderson will be released from liability under the above referenced indemnifications pari passu with the receipt of executed tenant estoppels subsequent to Closing.

(c) A lender's estoppel certificate and assumption agreement from each of the holders of the Assumed Anderson Debt Financing ;

(d) A certified payoff letter, effective through the Closing Date, from each of the holders of the Payable Anderson Debt Financing, and such evidence of cancellation of documents or instruments as Highwoods reasonably may require;

(e) If requested by Highwoods, quit claim deeds or articles of merger and dissolution and bills of sales to facilitate the dissolution of the Anderson Partnerships pursuant to Section 2.1(c) hereto in form and substance satisfactory to Highwoods and its counsel;

(f) An assignment of the Tradename and all derivatives or variations thereof used prior to the Closing Date in form and substance satisfactory to Highwoods and its counsel;

(g) Evidence, obtained based upon the best efforts of the Anderson Parties, of compliance by the Properties, (and the development, operation, occupation and use thereof) with all applicable land use, zoning, building, planning, development, subdivision, watershed and other similar laws, rules, regulation and ordinances from all governmental or quasi-governmental agencies, boards, departments, bodies, commissions or subdivisions having or asserting jurisdiction over the Properties or the development, operation, use or occupancy thereof in form, content and detail satisfactory to Highwoods and its counsel.

8.2 Additional Deliveries. Each of the Anderson Parties agrees to execute and deliver to Highwoods or cause to be executed and delivered to Highwoods such further documents, instruments, statements, opinions, certificates, deeds, waivers and agreements as Highwoods reasonably may deem necessary or appropriate to carry out the terms and provisions of this Amended and Restated Master Agreement.

ARTICLE IX CONDITIONS PRECEDENT TO HIGHWOODS'S PERFORMANCE

The obligations of Highwoods to consummate the transactions provided for herein on the Closing Date are subject to the fulfillment on or before the Closing Date of each of the conditions in this Article IX, except to the extent that Highwoods may, in its absolute discretion, waive one or more thereof in writing in whole or in part, unless expressly provided otherwise herein.

9.1 Representations, Warranties and Covenants. The representations and warranties of the Anderson Parties contained herein shall be true in all material respects on and as of the Closing Date with the same force and effect as if made on and as of such date and the covenants and agreements of the Anderson Parties set forth herein shall have been complied with through the Closing Date in all material respects, and a certificate of such effect shall be executed and delivered to Highwoods by the Anderson Parties on and as of the Closing Date.

9.2 Consents. The consents described in SCHEDULES 5.1 AND 5.7E shall have been obtained in form reasonably satisfactory to Highwoods.

9.3 Document Deliveries. The Anderson Parties shall have delivered or caused to be delivered to Highwoods the documents, instruments and other items referred to in Article VIII above.

9.4 No Adverse Proceedings. No action, suit or proceeding before any court or any governmental or regulatory authority shall have been commenced, no investigation by any governmental or regulatory authority shall have been commenced, and no action, suit or proceeding by any governmental or regulatory authority shall have been threatened, against any of the parties to this Amended and Restated Master Agreement, or any of the shareholders, members, officers or directors of any of them, or any of the assets of any of the Anderson Parties, or any of the Anderson Partnerships wherein an unfavorable judgment, order, decree, stipulation, injunction or charge would (i) prevent consummation of any of the transactions contemplated by this Amended and Restated Master Agreement, (ii) cause any

of the transactions contemplated by this Amended and Restated Master Agreement to be rescinded following consummation, or (iii) adversely affect the right of Highwoods to own, operate or control the Anderson Partnerships (and no such judgment, order, decree, stipulation, injunction or charge shall be in effect) or own the assets of API.

9.5 Termination. The Anderson Parties shall have terminated the Management and Leasing Agreements.

9.6 Legal Opinion. There shall have been delivered to Highwoods the written legal opinion of Elrod & Thompson, counsel for the Anderson Partnerships and Anderson and API, dated the Closing Date, in form reasonably acceptable to Highwoods and its counsel.

9.7 Other Assurances. The Anderson Parties shall have delivered to Highwoods such other and further certificates, assurances and documents as Highwoods may reasonably request to evidence the accuracy of the representations and warranties made pursuant to Article V, the performance of covenants and agreements to be performed pursuant to Article IV at or prior to the Closing, and the fulfillment of the conditions to Highwoods's obligations hereunder.

9.8 Review Period. Highwoods shall not have terminated this Agreement pursuant to the rights granted to Highwoods in Section 2.3 and/or Section 2.5 hereof.

ARTICLE X
CONDITIONS PRECEDENT
TO ANDERSON PARTIES' PERFORMANCE

The obligations of the Anderson Parties to consummate the transactions provided for herein on the Closing Date are subject to the fulfillment on or before the Closing Date of each of the conditions in this Article X, except to the extent that the Anderson Parties may, in their absolute discretion, waive in writing one or more thereof in whole or in part.

10.1 Representations and Warranties. The representations and warranties of Highwoods contained herein shall be true in all respects on and as of the Closing Date with the same force and effect as if made on and as of such date, and the covenants of Highwoods set forth herein shall have been complied with in all material respects through the Closing Date, and a certificate to such effect shall be executed and delivered to the Anderson Parties by Highwoods on and as of the Closing Date.

10.2 Payment of Purchase Price. Highwoods shall have paid the Aggregate Consideration in the manner described in Article III.

10.3 No Adverse Proceedings. No action, suit or proceeding before any court or any governmental or regulatory authority shall have been commenced, no investigation by any governmental or regulatory authority shall have been commenced, and no action, suit or proceeding by any governmental or regulatory authority shall have been threatened, against any of the parties to this Amended and Restated Master Agreement, or any of the shareholders, officers or directors of any of them, or any of the assets of Highwoods wherein an unfavorable judgment, order, decree, stipulation, injunction or charge would (i) prevent consummation of any of the transactions contemplated by this Amended and Restated Master Agreement, (ii) cause any of the transactions contemplated by this Amended and Restated Master Agreement to be rescinded following consummation or (iii) adversely affect the right of Highwoods to own, operate or control the Properties (and no such judgment, order, decree, stipulation, injunction or charge shall be in effect).

10.4 Legal Opinion. There shall have been delivered to the Anderson Parties the written opinion of Highwoods's special counsel, Smith Helms Mulliss & Moore, L.L.P., dated the Closing Date, in form reasonably acceptable to the Anderson Parties.

ARTICLE XI INDEMNITY

11.1 Representations and Warranties of Anderson Partners. Anderson and API hereby agree, for themselves and their successors and assigns, jointly and severally, to indemnify, defend and hold both Highwoods and HPI harmless from and against any and all damage, cause of action, action, proceeding, expense (including without limitation reasonable expenses of investigation and reasonable attorneys' fees and expenses), loss, cost, claim or liability (each a "Claim") suffered or incurred by either Highwoods or HPI as a result of any untruth, inaccuracy or breach in or of any the representations, warranties or covenants made in Article V above.

11.2 Scope of Anderson Indemnity. Notwithstanding anything to the contrary contained in this Amended and Restated Master Agreement, Anderson shall have no liability for any Claim which is asserted more than twelve (12) calendar months after the Closing Date (except with respect to any Claim asserted because of the untruth, inaccuracy or breach of Section 5.20 (a "Tax Claim"), the time limitation for such a claim shall be the same as the statute of limitations applicable to the Tax Claim) except with respect to Claims for which notice of the breach or inaccuracy of the representations, warranties or covenants giving rise to such right of indemnity have been given to Anderson by written notice from Highwoods at any time within the twelve (12) month period following the Closing Date.

11.3 Representations and Warranties of Highwoods. Highwoods hereby agrees, for itself and its successors and assigns, to indemnify, defend and hold Anderson, API and

the Anderson Partners harmless from and against any Claim suffered or incurred by Anderson as a result of any of the following:

(a) any untruth or inaccuracy in any representations or warranties herein; or

(b) to the extent as of the Closing Date Hyman Auerbach, Bennie Auerbach, Leon Auerbach or any of the Anderson Parties or Anderson Partners have not been released from any liability under or guaranty of the Assumed Anderson Debt Financing or to the extent any recourse is sought against such party under the Payable Anderson Debt Financing after the Closing Date.

It is the express intention and agreement of the parties that the foregoing indemnity shall survive the consummation of the transactions contemplated in this Amended and Restated Master Agreement; provided, however, that Highwoods shall not have any liability for expenses, damages, losses, costs or liability incurred by Anderson with respect to any Claim which, other than principal and interest or collection costs or other similar expenses related thereto under any Payable Anderson Debt Financing or Assumed Anderson Debt Financing, arises or is asserted more than twelve (12) calendar months after the Closing Date.

11.4 Notice to Indemnitors. Any party entitled to indemnification under this Amended and Restated Master Agreement (the "Indemnified Party") shall give prompt written notice to the party against whom indemnity is sought pursuant to this Amended and Restated Master Agreement (the "Indemnifying Party") as to the assertion of any claim, or the commencement of any suit, action or proceeding in respect of which indemnity may be sought under this Amended and Restated Master Agreement. Except as otherwise provided in Sections 11.2 and 11.3, the omission of the Indemnified Party to notify the Indemnifying Party of any such claim shall not relieve the Indemnifying Party from any liability in respect of such claim which it may have to the Indemnified Party on account of this Amended and Restated Master Agreement, except, however, the Indemnifying Party shall be relieved of liability to the extent that the failure so to notify (a) shall have caused prejudice to the defense of such claim, or (b) shall have increased the costs or liability of the Indemnifying Party by reason of the inability or failure of the Indemnifying Party (because of the lack of prompt notice from the Indemnified Party) to be involved in any investigations or negotiations regarding any such claim, nor shall it relieve the Indemnifying Party from any other liability which it may have to the Indemnified Party. In case any such claim shall be asserted or commenced against an Indemnified Party and it shall notify the Indemnifying Party thereof, the Indemnifying Party shall be entitled to participate in the negotiation or administration thereof and, to the extent it may wish, to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Party, and, after notice from the Indemnifying Party to the Indemnified Party of its election so to assume the defense thereof, which notice shall be given within thirty (30) days of its receipt of such notice from such

Indemnified Party, the Indemnifying Party will not be liable to the Indemnified Party hereunder for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation. In the event that the Indemnifying Party does not wish to assume the defense, conduct or settlement of any claim, the Indemnified Party shall not settle such claim without the written consent of the Indemnifying Party, which consent shall not be unreasonably withheld or delayed. Nothing in this Section 11.4 shall be construed to mean that either Highwoods or Anderson shall be responsible for any obligations, acts or omissions of the other prior to Closing, except for those obligations and liabilities expressly assumed by Highwoods or Anderson pursuant to this Amended and Restated Master Agreement.

11.5 Effect of Indemnity. Nothing in this Article XI shall be construed to mean that either Highwoods or the Anderson Parties shall be responsible for any obligations, acts or omissions of the other prior to Closing except for such obligations and liabilities expressly assumed pursuant to this Amended and Restated Master Agreement.

ARTICLE XII MISCELLANEOUS

12.1 Notices. All notices and demands which either party is required or desires to give to the other shall be given in writing by personal delivery, express courier service, certified mail, return receipt requested, or by telecopy to the address or telecopy number set forth below for the respective parties. All notices and demands so given shall be effective upon the delivery of the same to the party to whom notice or a demand is given, if personally delivered, or if sent by telecopy. If notice is by deposit with an express courier service, it shall be effective on the next business day (if sent for next business day delivery) following such deposit or, if notice is sent by certified mail, return receipt requested, it shall be effective upon receipt.

NOTICES TO THE ANDERSON PARTIES:

To the Anderson Parties, to the addressee at the address
indicated on SCHEDULE 12.1 attached hereto.

with copies to:

ELROD & THOMPSON
1500 Peachtree Center
South Tower
225 Peachtree St., N.E.
Atlanta, Georgia 30303
Attn: Ken Weiss
Telephone: (404) 659-1500
Telefax: (404) 880-4757

NOTICES TO HIGHWOODS:

HIGHWOODS PROPERTIES, INC.
3100 Smoketree Court, Suite 600
Raleigh, North Carolina 27604
Attention: Ronald P. Gibson
Telephone: (919) 872-4924
Telefax: (919) 876-2448

with copies to:

SMITH HELMS MULLISS & MOORE, L.L.P.
2800 Two Hannover Square
Raleigh, North Carolina 27601
Attention: Mack D. Pridgen, III
Telephone: (919) 755-8796
Telefax: (919) 755-8800

MANNING FULTON & SKINNER
3605 Glenwood Avenue, Suite 500
Raleigh, North Carolina 27612
Attention: Samuel T. Oliver, Jr.
Telephone: (919) 787-8880
Telefax: (919) 781-0811

No notice required or permitted under this Amended and Restated Master Agreement need be sent to any Anderson Party in more than one legal capacity unless such notice relates to such Anderson Party in that legal capacity.

12.2 Counterparts. This Amended and Restated Master Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

12.3 Severability. Any provision of this Amended and Restated Master Agreement which is prohibited or unenforceable in any jurisdiction shall as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision on any other jurisdiction.

12.4 Assigns. This Amended and Restated Master Agreement shall be binding upon and inure to the benefit of any and all successors, assigns, or other successors in interest of HPI and Highwoods. This Amended and Restated Master Agreement shall be binding upon and inure to the benefit of any and all respective successors, assigns, personal representatives, executors, or other successors in interest of the Anderson Parties; provided, however, that none of the Anderson Parties shall assign its rights or delegate its obligations hereunder without the prior written consent of Highwoods, which may be withheld for any reason. Neither Highwoods nor HPI shall assign its rights or delegate its obligations hereunder without the prior written consent of the Anderson Parties. This Amended and Restated Master Agreement shall not confer any rights or remedies upon any person or entity other than Highwoods, HPI, the Anderson Parties and their respective successors and permitted assigns.

12.5 Public Announcement. Except as otherwise required by law, none of the parties hereto may make public announcements with respect to the transactions contemplated by this Amended and Restated Master Agreement without the approval of the other parties, which approval may be withheld for any reason.

12.6 Remedies. In the event that any party defaults or fails to perform any of the conditions or obligations of such party under this Amended and Restated Master Agreement or any other agreement, document or instrument executed in connection with this Amended and Restated Master Agreement, or in the event that any such party's representations or warranties contained herein or in any such other agreement, document or instrument are not true and correct as of the date hereof and as of the Closing Date, any other party shall be entitled to exercise any and all rights and remedies available to it by or pursuant to this Amended and Restated Master Agreement, documents or instruments contemplated hereby or at law (statutory or common) or in equity; provided, however, that in the event of a Closing of the transactions contemplated by this Amended and Restated Master Agreement, the rights and remedies of each party shall be limited to the rights contained in Article XI and in Section 3.3 relating solely to those closing adjustments allowed to be made in the Post-Closing Adjustment Period of this Amended and Restated Master Agreement.

12.7 Captions. The captions and headings set forth in this Amended and Restated Master Agreement are for convenience of reference only and shall not be construed as a part of this Amended and Restated Master Agreement.

12.8 Exhibits and Schedules. All exhibits and schedules referred to in this Amended and Restated Master Agreement and attached hereto shall be deemed and construed as part of this Amended and Restated Master Agreement and for all purposes all such exhibits and schedules are hereby specifically incorporated herein by reference.

12.9 Merger Clause. This Amended and Restated Master Agreement and the Acquisition Agreements, including the exhibits and schedules incorporated herein and therein, contain the final, complete and exclusive statement of the agreement among the parties with respect to the transactions contemplated herein, and all prior or contemporaneous oral and all prior written agreements, including the Master Agreement, with respect to the subject matter hereof are merged herein.

12.10 Amendments and Waiver. No change, amendment, qualification, cancellation or termination hereof shall be effective unless in writing and duly executed by each of the parties hereto. No failure of any party to enforce any provisions hereof or to resort to any remedy or to exercise any one or more of alternate remedies and no delay in enforcing, resorting to or exercising any remedy shall constitute a waiver by that party of its right subsequently to enforce the same or any other provision hereof or to resort to any one or more of such rights or remedies on account of any such ground then existing or which may subsequently occur.

12.11 Governing Laws. This Amended and Restated Master Agreement shall be governed by and construed in accordance with the internal laws of the State of North Carolina and of the United States of America.

IN WITNESS WHEREOF, the parties have duly executed this Agreement by their hands and under seal affixed hereto as of the date and year first above written.

HIGHWOODS PROPERTIES, INC.

ATTEST:

By: /s/ Ronald P. Gibson

President
/s/ Edward J. Fritsch

Secretary

[CORPORATE SEAL]

HIGHWOODS/FORSYTH LIMITED PARTNERSHIP

By: Highwoods Properties, Inc.,
General Partner

By: /s/ Ronald P. Gibson

Title: President

ATTEST: ANDERSON PROPERTIES, INC.
By: /s/ H. Gene Anderson

President

Secretary

[CORPORATE SEAL]

/s/ H. Gene Anderson
_____(SEAL)
H. Gene Anderson

6348 NORTHEAST PARTNERS A, (SEAL)
a Georgia partnership

By: /s/ H. Gene Anderson

Title:_____

AG JOINT VENTURE (SEAL)

By: /s/ H. Gene Anderson

Title:_____

ANDERSON PARTNERS (Southside/Corporate Lakes), L.P., a Georgia limited partnership (SEAL)

By: /s/ H. Gene Anderson

Title:_____

GWINNETT DISTRIBUTION CENTER
AA, a Georgia partnership (SEAL)

By: /s/ H. Gene Anderson

Title:_____

LAVISTA BUSINESS PARK AA, (SEAL)
a Georgia partnership

By: /s/ H. Gene Anderson

Title:_____

ANDERSON/NEWPOINT, L.L.C., (SEAL)
a Georgia limited liability company

By: /s/ H. Gene Anderson

Title:_____

OAKBROOK/MKKG JV, (SEAL)
a Georgia partnership

By: /s/ H. Gene Anderson

Title:_____

STEEL DRIVE PARTNERS, LP, (SEAL)
a Georgia limited partnership

By: /s/ H. Gene Anderson

Title:_____

ANDERSON/CHASTAIN, L.L.C., (SEAL)
a Georgia limited liability company

By: /s/ H. Gene Anderson

Title:_____

LIST OF SCHEDULES AND EXHIBITS

Schedule 1	Anderson Partnerships
Schedule 1-1	Assumed Anderson Debt Financing
Schedule 1-2	Descriptive Property Exhibit
Schedule 1-3	Exchange Option Agreements
Schedule 1-4	Purchase Option Agreements
Schedule 1-5	Payable Anderson Debt Financing
Schedule 2.1(c)	Acquired Anderson Partnerships
Schedule 3.1(a)	In-Service Properties
Schedule 3.1(b)	Development Properties
Schedule 3.1(c)	Bluegrass Transactions
Schedule 3.1(d)	Development Land
Schedule 3.2(a)	Aggregate Consideration/Unit Recipients and Cash Recipients
Schedule 3.5	Prepayment Penalties
Schedule 4.1	Third Party Commissions
Schedule 4.2	Brokers
Schedule 4.7	Personal Property of API
Schedule 5.1	Consent of Anderson Parties
Schedule 5.3	Conflicts
Schedule 5.7A	Schedule of Leases
Schedule 5.7B	Lease Commissions Assumed
Schedule 5.7C	Highwoods Approved Leases

SHMM: 78723

Schedule 5.7D	Lease Defaults
Schedule 5.7E	Lease Consents
Schedule 5.8	Scheduled Contracts
Schedule 5.9A	Personal Property
Schedule 5.9B	Scheduled Liens and Encumbrances to Title
Schedule 5.10	Assumed Liabilities - Disclosed
Schedule 5.11	Insurance
Schedule 5.13	Claims or Litigation
Schedule 5.15	Exceptions to Financial Condition
Schedule 5.19	Condition of Improvements
Schedule 5.20	Taxes
Schedule 5.21	Management Agreements
Schedule 5.22	Operating Agreements - Exceptions to Termination
Schedule 5.23	Employee Benefit Plans
Schedule 5.26	Operation of Business - Exceptions
Schedule 12.1	Names and Addresses of Anderson Parties
Exhibit 1	Description - Class B Units
Exhibit 3.1(d)	Form of Right of First Refusal
Exhibit 4.3	Form of Anderson Employment Agreement
Exhibit 6.3	Partnership Agreement
Exhibit 8.1(c)	Form of Tenant Estoppel Certificate

January 24, 1997

Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Re: Highwoods/Forsyth Limited Partnership

Ladies and Gentlemen:

In connection with the Highwoods/Forsyth Limited Partnership (the "Registrant") current report on Form 8-K (the "Report"), the Registrant hereby agrees, pursuant to Item 601(b)(2) of Regulation S-K, to furnish the Securities and Exchange Commission upon its request copies of the schedules omitted from Exhibits 2.1 and 2.2 of the Report.

Very truly yours,

HIGHWOODS/FORSYTH LIMITED PARTNERSHIP

By: Highwoods Properties, its general partner

/s/ Carman J. Liuzzo
Chief Financial Officer

EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of this 12th day of February, 1997, by and between HIGHWOODS PROPERTIES, INC., a Maryland corporation, (the "Company") and GENE ANDERSON, a resident of Atlanta, Georgia (the "Employee").

WITNESSETH:

WHEREAS, the Company desires to obtain the services of Employee, for its own benefit and for the benefit of any existing and future Affiliated Company (defined as any corporation or other business entity that directly or indirectly controls, is controlled by, or is under common control with the Company) and Employee desires to secure employment from the Company upon the following terms and conditions;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties agree that the following provisions shall constitute their agreement of employment:

1. Employment. The Company hereby employs the Employee, and the Employee hereby accepts employment with the Company, for the term set forth in

Section 2 below, in the position and with the duties and responsibilities set forth in Section 3 below, and upon the other terms and conditions hereinafter stated.

2. Period of Employment. The term of this Agreement (the "Period of Employment") shall commence on the date hereof and shall continue through the earlier of the third anniversary of such date or the date of termination as otherwise provided hereinafter. Subject to the provisions of Section 7, the Company shall pay the Employee compensation as provided in Section 4 during the Period of Employment, and thereafter the Company's obligations hereunder shall end. In the event that this Agreement expires and a new written agreement is not entered into by the parties, the provisions of Sections 8, 9, and 10 of this Agreement will apply with respect to any continued employment of the Employee by the Company or by any successor to the business of the Company. It is acknowledged and agreed that in the event of a termination of the Period of Employment prior to the third anniversary of the date hereof, such termination will have prospective effect only and not affect or reduce the compensation and benefits provided to the Employee hereunder prior to such date of termination.

3. Position; Duties; Extent of Services.

(a) Duties; Position. The Employee shall serve initially as the Senior Vice President - Highwoods/Anderson Division of Highwoods Properties, Inc., and he shall have responsibilities, duties and authorities and shall perform such services of an executive character as shall be designated from time to time by the Board of Directors or the President of the Company so long as such responsibilities, duties, authorities and services are generally to be performed in Atlanta, Georgia. The Company shall retain full direction and control of the means and methods by which Employee

performs the above services and of the place(s) at which such services are to be provided so long as such place is generally in Atlanta, Georgia.

(b) Other Activities. Except upon the prior written consent of the Board, Employee, during the Period of Employment, will not (I) accept any other employment, or (II) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that is or may be competitive with, or that might place him in a competing position to that of the Company or any Affiliated Company with respect to the development, operation, management or leasing of any industrial, office, research and development, or warehouse and distribution properties, including properties in which Employee has an ownership interest.

4. Compensation. In consideration of the services to be rendered by the Employee to the Company and in consideration of the Employee's other covenants hereunder, the Employee will receive a minimum base salary at the rate of \$150,000.00 per year, payable at such intervals as may be established by the Company from time to time for salary payments to its management employees. The Employee shall receive such salary increases and/or bonuses as the Board of Directors of the Company may from time to time approve in its discretion. The Employee shall also be entitled to participate in such incentive compensation plans as the Company at its discretion may from time to time maintain for its executive employees generally with a bonus percentage of up to 70% of base salary but not to exceed \$105,000.00.

5. Employee Benefits. The Employee will be entitled to participate, in accordance with the provisions thereof, in the employee benefit plans made available from time to time by the Company to its senior management employees generally. In the event of the death or total disability of the Employee, the Employee or his estate or beneficiaries shall also be entitled to benefits in accordance with Section 7 hereof.

6. Business Expense Reimbursements. During the period of his employment under this Agreement, the Employee will be entitled to reimbursement for all reasonable, out-of-pocket expenses incurred by him in performing services hereunder, including, but not limited to, an automobile allowance of not less than \$550 per month, provided that such expenses are incurred in accordance with the applicable policies of the Company. The Employee shall be entitled to such reimbursement upon presentation by the Employee, from time to time, of an itemized account of such expenses and appropriate documentation therefor.

7. Termination of Employment.

(a) Death. In the event of the death of the Employee during his employment under this Agreement, the following payments shall be made to the Employee's designated beneficiary, or, in the absence of such designation, to the estate or other legal representative of the Employee: (I) his base salary for the month in which his death occurs, and (II) such bonuses (if any) as have been earned by the Employee and not paid to him at the time of his death. In the event of the Employee's

death any rights and benefits the Employee or his estate or any other person may have under employee benefit plans and programs of the Company generally shall be determined in accordance with the terms of such plans and programs. Except as provided in this Section 7, neither the Employee's estate nor any other person shall have any rights or claims arising out of wages or employee benefits against the Company in the event of the death of the Employee during his employment hereunder.

(b) Long-Term Disability. In the event of the Employee's disability (as hereinafter defined) during his employment under this Agreement, the Period of Employment may be terminated by the Company. For the first six months following termination of employment due to disability, the Employee shall be paid his base salary at the rate in effect at the time of the commencement of disability. Thereafter, the Employee shall be entitled to benefits in accordance with and subject to the terms and provisions of the Company's long-term disability plan for senior management employees, as in effect at the time of the commencement of disability. For purposes of this Agreement, "disability" shall have the same meaning as given that term under the Company's long-term disability plan for senior management employees, as in effect from time to time. Anything herein to the contrary notwithstanding, if, during the six-month period following a termination of employment under this Section 7 in which salary continuation payments are payable by the Company, the Employee becomes reemployed or otherwise engaged (whether as an employee, partner, consultant, or otherwise), any salary or other remuneration or benefits earned by him from such employment or engagement shall offset any payments due him under this Section 7. In the event of the Employee's disability, any rights and benefits the Employee may have under employee benefit plans and programs of the Company generally shall be determined in accordance with the terms of such plans and programs. Upon termination of the Employee's employment by reason of disability under this Section 7, the Employee shall be entitled, in addition to the other payments provided for in this Section 7, to payment of such bonuses (if any) as may have been earned by the Employee and not paid to him at the time of such termination. Except as provided in this Section 7, neither the Employee nor his estate, or any other person, shall have any rights or claims arising out of wages or employee benefits against the Company in the event of the termination of the Employee's employment by reason of disability.

(c) Termination for Cause. Nothing herein shall prevent the Company from terminating the Period of Employment for Cause (as hereinafter defined). Upon termination for Cause, the Employee shall receive his base salary only through the date of termination, and neither the Employee nor any other person shall be entitled to any further payments from the Company, for salary, unpaid bonuses or any other amounts. Any rights and benefits the Employee may have under employee benefit plans and programs of the Company generally following a termination of the Employee's employment for Cause shall be determined in accordance with the terms of such plans and programs. For purposes of this Agreement, termination for Cause shall mean (I) termination due to (y) willful or gross neglect of duties for which

employed, or (z) willful misconduct in the performance of duties for which employed, in either such instance so as to cause material harm to the Company, all such facts to be determined in good faith by the Board of Directors of the Company, (II) termination due to the Employee's committing fraud, misappropriation or embezzlement in the performance of his duties as an employee of the Company, or (III) termination due to the Employee's committing any felony for which he is convicted and which, as determined in good faith by the Board of Directors of the Company, constitutes a crime involving moral turpitude.

(d) Termination by the Company Other than for Cause. Notwithstanding any other term or provision of this Agreement, the Company may terminate the Period of Employment at any time and for whatever reason it deems appropriate, or for no reason. In the event such termination by the Company occurs and is not due to disability as provided in Section 7(b) above or for Cause as provided in Section 7(c) above, the Employee shall be entitled to payment of his base salary, at the rate in effect at the time of such termination, until the fourth anniversary of the date hereof, provided, however, that such salary continuation payments shall cease in the event of the Employee's death prior to completion of such payments. The Employee shall also be entitled to such bonuses (if any) as have been earned by the Employee and not paid to him at the time of such termination. Following a termination of his employment by the Company under the circumstances described above in this Section 7(d), the Employee will make reasonable efforts to find other employment and, upon his becoming reemployed or otherwise engaged (whether as an employee, partner, consultant, or otherwise), any salary or other remuneration or benefits accruing to him from such other employment or engagement shall offset any salary continuation payments due him under this Section 7. Any rights and benefits the Employee may have under employee benefit plans and programs of the Company generally following a termination of the Employee's employment under the circumstances described in this Section 7(d) shall be determined in accordance with the terms of such plans and programs. Except as provided in this Section 7(d), neither the Employee nor any other person shall have any rights or claims arising out of wages or employee benefits against the Company by reason of the termination of the Employee's employment under the circumstances described in this Section 7(d).

(e) Voluntary Termination by the Employee. At any time, Employee may terminate, without liability, the Period of Employment for any reason, by giving thirty (30) days' advance written notice to the Company. If Employee terminates his employment pursuant to this Section 7(e), the Company shall have the option, in its complete discretion, to terminate Employee immediately without the running of the notice period. Such earlier termination by the Company shall nevertheless be treated as a termination by the Employee as provided by this Section 7(e). The Company shall pay Employee the compensation to which he is entitled pursuant to Section 4 through the end of the notice period, or, if elected, through the day upon which early termination is elected pursuant to the foregoing sentence, and thereafter all obligations of the Company hereunder shall terminate.

8. Covenants Not to Compete.

(a) Scope of Agreement Not to Compete. Except as provided in

Section 8(c) with regard to a termination of the Period of Employment by the Company other than for Cause, the Employee promises and agrees that, during the Period of Employment and until the expiration of one year following the termination or expiration of the Period of Employment, he will not for himself or any third party, directly or indirectly (I) engage in the development, operation, management or leasing of any industrial, office, research and development, or warehouse and distribution properties in any town, city, county, municipality or metropolitan area in which the Company is engaged in business at the time of termination, (II) interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between the Company and any third party, including but not limited to its employees, contractors, tenants and lessees.

(b) Enforceability. It is the desire and intent of the parties that the provisions of this Section 8 shall be enforced to the fullest extent permitted under the laws and public policies of each jurisdiction in which enforcement is sought. Accordingly, if any particular portion of this Section 8 shall be adjudicated to be invalid or unenforceable, such adjudication shall apply only with respect to the operation of that portion in the particular jurisdiction in which such adjudication is made, and all other portions shall continue in full force and effect.

(c) Termination Not for Cause. It is expressly agreed that the provisions and covenants in this Section 8 shall not apply and shall be of no force or effect in the event the Company terminates the Employee's employment under this Agreement and such termination is not due to disability or for cause.

9. Confidential Information: Rights to Materials.

(a) Confidential Information. The Employee promises and agrees that he will not, either while in the Company's employ or at any time thereafter, disclose to any person not employed by the Company, or not engaged to render services to the Company, or use, for himself or any other person, firm, corporation or entity, any confidential information of the Company obtained by him while in the employ of the Company, including, without limitation, any of the Company's methods, processes, techniques, practices, research data, marketing and sales information, personnel data, customer lists, financial data, plans, know-how, trade secrets, and proprietary information of the Company; provided, however, that this provision shall not preclude the Employee from use or disclosure of information known generally to the public (other than information known generally to the public as a result of a violation of this Section 9(a) by the Employee), from use or disclosure of information acquired by the Employee outside of his affiliation with the Company, from disclosure required by law

or court order, or from disclosure or use appropriate and in the ordinary course of carrying out his duties as an employee of the Company.

(b) Rights to Materials. The Employee further promises and agrees that, upon termination of his employment for whatever reason and at whatever time, he will not take with him, without the prior written consent of an officer authorized to act in the matter by the Board of Directors of the Company, any records, files, memoranda, reports, customer lists, drawings, plans, sketches, documents, specifications, and the like (or any copies thereof) relating to the business of the Company or any of its current or future Affiliated Companies.

10. Stock Options. As of the date hereof, Employee shall be awarded 30,000 stock options, which may be either incentive or nonqualified options, with a term of ten years, exercisable in four equal annual installments beginning on the second anniversary of the date of grant at the fair market value of the Company's stock at the date of grant, to be issued under the terms and conditions of the Highwoods Properties, Inc. 1994 Stock Option Plan.

11. Injunctive Relief. The Employee acknowledges and agrees that the Company would suffer irreparable injury in the event of a breach by him or any of the provisions of Section 8 or Section 9 of this Agreement and that the Company shall be entitled to an injunction restraining him from any breach or threatened breach thereof. The Employee further agrees that, in the event of his breach of any provision of Section 8 or 9 hereof, the Company shall be entitled to cease any payments otherwise due and payable to the Employee hereunder. Nothing herein shall be construed, however, as prohibiting the Company from pursuing any other remedies at law or in equity which it may have for any such breach or threatened breach of any provision of Section 8 or 9 hereof, including the recovery of damages from the Employee.

12. Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of the Employee and his personal representatives, estate and heirs and the Company and its successors and assigns, including without limitation any corporation or other entity to which the Company may transfer all or substantially all of its assets and business (by operation of law or otherwise) and to which the Company may assign this Agreement. The Employee may not assign this Agreement or any part hereof without the prior written consent of the Company, which consent may be withheld by the Company for any reason it deems appropriate.

13. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the employment of the Employee by the Company and supersedes and replaces all other understandings and agreements, whether oral or in writing, if any there be, previously entered into by the parties with respect to such employment.

14. Amendment; Waiver. No provisions of this Agreement may be amended, modified or waived unless such amendment, modification or waiver is agreed to in writing and signed by the Employee and by a duly authorized officer of the Company. No waiver by either party of any breach by the other party of any provision of this Agreement shall be deemed a waiver of any other breach.

15. Notices. Any notice to be given hereunder shall be in writing and delivered personally, or sent by certified mail or registered mail, postage prepaid, return receipt requested, addressed to the party concerned at, if to the Company, the Company's address and if to the Employee, at the Employee's home address.

16. Severability. If any one or more of the provisions contained in this Agreement shall be invalid, illegal, or unenforceable in any respect under any applicable law, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

17. Withholding. Anything herein to the contrary notwithstanding, all payments made by the Company hereunder shall be subject to the withholding of such amounts relating to taxes as the Company may reasonably determined it should withhold pursuant to any applicable law or regulation.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws and judicial decisions of the State of Georgia.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

HIGHWOODS PROPERTIES, INC.

ATTEST:

/s/ Edward J. Fritsch

Secretary

By: /s/ Ronald P. Gibson

Title: President

[CORPORATE SEAL]

EMPLOYEE

/s/ H. Gene Anderson

GENE ANDERSON (SEAL)