

HIGHWOODS PROPERTIES INC

FORM 8-K

(Unscheduled Material Events)

Filed 1/22/1998 For Period Ending 1/22/1998

Address	3100 SMOKETREE CT STE 600 RALEIGH, North Carolina 27604
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Industry	Real Estate Operations
Sector	Services
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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 22, 1998

HIGHWOODS PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

MARYLAND
(State of Incorporation)

1-13100	56-1871668
(Commission File Number)	(IRS Employer Identification No.)

3100 SMOKETREE COURT, SUITE 600
RALEIGH, NORTH CAROLINA
(Address of principal executive
offices)

27604
(Zip Code)

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

ITEM 5. OTHER EVENTS

The purpose of this filing is to report certain pro forma financial information of Highwoods Properties, Inc. (the "Company") as of and for the nine months ended September 30, 1997 and for the year ended December 31, 1996 and to set forth certain exhibits in connection with (i) an agreement of the Company dated January 22, 1998 to sell 2,000,000 shares of common stock (2,300,000 shares of common stock if the over-allotment option is exercised in full) in an underwritten public offering for net proceeds of approximately \$68.2 million (approximately \$78.5 million if the over-allotment option is exercised in full) and (ii) an offering by Highwoods/Forsyth Limited Partnership (the "Operating Partnership") of \$100 million of % MandatOry Par Put Remarketed Securities SM("MOPPRSSM") due January , 2013 and \$100 million of % Notes due January , .

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

Following is a list of the financial statements, pro forma financial information and exhibits filed as a part of this report:

(b) Pro Forma Financial Information

Pro Forma Condensed Combining Financial Statements

Pro Forma Condensed Combining Balance Sheet (unaudited) as of September 30, 1997

Pro Forma Condensed Combining Statement of Operations (unaudited) for the nine months ended September 30, 1997

Pro Forma Condensed Combining Statements of Operations (unaudited) for the year ended December 31, 1996

Notes to Pro Forma Condensed Combining Financial Statements

(c) The following exhibits are filed as part of this report:

8 Opinion of Alston & Bird LAP regarding certain federal tax matters

12 Statement of computation of ratios

SIGNATURES

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

HIGHWOODS PROPERTIES, INC.

/S/ CARMAN J. LIUZZO

*Carman J. Liuzzo
Vice President and Chief Financial
Officer*

Date: January 22, 1998

INDEX TO THE FINANCIAL STATEMENTS

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HIGHWOODS PROPERTIES, INC.
PRO FORMA CONDENSED COMBINING BALANCE SHEET (UNAUDITED)
SEPTEMBER 30, 1997
(IN THOUSANDS)

	HISTORICAL (A)	ACP, INC. (B)	USE OF PREFERRED STOCK OFFERING PROCEEDS (C)	COMMON STOCK OFFERING (D)
ASSETS				
Real estate assets, net.....	\$1,730,906	\$ 617,000	\$ --	\$ --
Cash and cash equivalents.....	184,230	(25,465)	(166,916)	9,192
Accounts and notes receivables.....	16,798	--	--	--
Accrued straight line rent receivable.....	10,024	--	--	--
Other assets.....	38,220	--	--	--
	\$1,980,178	\$ 591,535	\$(166,916)	\$ 9,192
LIABILITIES AND STOCKHOLDERS' EQUITY				
Mortgages and notes payable.....	\$ 649,188	\$ 481,171	\$(166,916)	\$ (273,050)
Accounts payable, accrued expenses and other.....	41,565	10,500	--	--
Total liabilities.....	690,753	491,671	(166,916)	(273,050)
Minority interest.....	174,913	96,041	--	--
Preferred stock:				
Series A.....	125,000	--	--	--
Series B.....	172,500	--	--	--
Stockholders' equity:				
Common stock.....	379	1	--	85
Additional paid in capital.....	839,912	3,822	--	282,157
Distributions in excess of net earnings.....	(23,279)	--	--	--
Total Stockholders' equity.....	1,114,512	3,823	--	282,242
	\$1,980,178	\$ 591,535	\$(166,916)	\$ 9,192

	ACQUIRED PROPERTIES (E)	OTHER ACQUIRED PROPERTIES (F)	MOPPRS AND DEBT OFFERING (G)	1998 COMMON STOCK OFFERING (H)
ASSETS				
Real estate assets, net.....	\$106,936	\$155,801	\$ --	\$ --
Cash and cash equivalents.....	--	--	--	37,442
Accounts and notes receivables.....	--	--	--	--
Accrued straight line rent receivable.....	--	--	--	--
Other assets.....	--	--	1,600	--
	\$106,936	\$155,801	\$1,600	\$ 37,442
LIABILITIES AND STOCKHOLDERS' EQUITY				
Mortgages and notes payable.....	\$105,184	\$145,191	\$1,600	\$(30,807)
Accounts payable, accrued expenses and other.....	1,752	640	--	--
Total liabilities.....	106,936	145,831	1,600	(30,807)
Minority interest.....	--	9,970	--	--
Preferred stock:				
Series A.....	--	--	--	--
Series B.....	--	--	--	--
Stockholders' equity:				
Common stock.....	--	--	--	20
Additional paid in capital.....	--	--	--	68,229
Distributions in excess of net earnings.....	--	--	--	--
Total Stockholders' equity.....	--	--	--	68,249
	\$106,936	\$155,801	\$1,600	\$ 37,442

ASSETS		PRO FORMA
Real estate assets, net.....	\$2,610,643	
Cash and cash equivalents.....	38,483	
Accounts and notes receivables.....	16,798	
Accrued straight line rent receivable.....	10,024	
Other assets.....	39,820	
	\$2,715,768	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Mortgages and notes payable.....	\$ 911,561	
Accounts payable, accrued expenses and other.....	54,457	
Total liabilities.....	966,018	
Minority interest.....	280,924	
Preferred stock:		
Series A.....	125,000	
Series B.....	172,500	
Stockholders' equity:		
Common stock.....	485	
Additional paid in capital.....	1,194,120	
Distributions in excess of net earnings.....	(23,279)	
Total Stockholders' equity.....	1,468,826	
	\$2,715,768	

HIGHWOODS PROPERTIES, INC.

NOTES TO PRO FORMA CONDENSED COMBINING BALANCE SHEET (UNAUDITED)

SEPTEMBER 30, 1997

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combining balance sheet is presented as if the following transactions had been consummated on September 30, 1997: (a) the completion of the Company's business combination with Associated Capital Properties, Inc. (together with its affiliates, "ACP") and the acquisition of an affiliated property portfolio (collectively, the "ACP Portfolio") (the "Merger"), (b) the completion of the acquisition of the seven properties that ACP had under contract to purchase (the "1997 Pending Acquisitions"), (c) the issuance of 8.5 million shares of the Company's common stock, \$.01 par value (the "Common Stock"), at a price of \$35 per share (the "Common Stock Offering"), (d) the completion of the business combination with Riparius Development Corporation and the acquisitions of seven properties in Winston-Salem, NC and one property in Nashville, TN (collectively, the "Acquired Properties"), (e) the completion of the pending Garcia acquisition consisting of fourteen properties, six service center properties and 66 acres of development land and the completion of four other acquisitions of seven properties (collectively, the "Other Acquired Properties"), (f) the issuance of \$100 million of MandatOry Par Put Remarketed Securities ("MOPPRSSM") due 2013 at an assumed interest rate of 6.6% and \$100 million in debt securities, due 2008, at an assumed interest rate of 6.92% (the "MOPPRS and Debt Offering") and (g) the issuance of 2.0 million shares of the Company's Common Stock, at a price of \$36 per share (the "1998 Common Stock Offering").

The acquisitions have been accounted for using the purchase method of accounting. Accordingly, assets acquired and liabilities assumed have been recorded at their estimated fair values, which may be subject to further refinement, including appraisals and other analyses.

This unaudited pro forma condensed combining balance sheet should be read in conjunction with the pro forma condensed combining statement of operations of the Company for the nine months ended September 30, 1997 and for the year ended December 31, 1996, the consolidated financial statements and related notes of the Company included in its Annual Report on Form 10-K for the year ended December 31, 1996, the unaudited financial statements and related notes of the Company included in its Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997, and the financial statements and related notes of Associated Capital Properties Portfolio and 1997 Pending Acquisitions included in the Company's Current Report on Form 8-K dated October 1, 1997 (as filed with the Securities and Exchange Commission on October 16, 1997).

The pro forma condensed combining balance sheet is unaudited and not necessarily indicative of what the actual financial position would have been had the aforementioned transactions actually occurred on September 30, 1997, nor does it purport to represent the future financial position of the Company.

2. ADJUSTMENTS TO THE UNAUDITED PRO FORMA CONDENSED COMBINING BALANCE SHEET

(a.) Represents the Company's historical balance sheet contained in the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997.

(b.) Reflects the allocation of the \$617 million purchase price to the fair value of the net assets acquired in the Merger and the 1997 Pending Acquisitions (collectively, the "ACP Transaction"). The purchase price consisted of the issuance of 2,955,238 Common Units (valued at \$32.50 per Common Unit), the assumption of \$481 million of mortgage debt, the issuance of 117,617 shares of Common Stock (valued at \$32.50 per share), a cash payment of approximately \$24 million and an \$11 million capital expenditure reserve.

(c.) Reflects the use of the net proceeds from the issuance of 6.9 million 8% Series B Cumulative Redeemable Preferred Shares (the "Series B Preferred Shares") to pay off \$166.9 million of debt assumed in the ACP Transaction.

(d.) Reflects the issuance of 8.5 million shares of Common Stock in the Common Stock Offering at an offering price of \$35 per share and the use of the net proceeds to pay off \$273.1 million of debt assumed in the ACP Transaction. Underwriting discounts and other offering costs equaled approximately \$15.3 million.

HIGHWOODS PROPERTIES, INC.

NOTES TO PRO FORMA CONDENSED COMBINING BALANCE SHEET (UNAUDITED) -- CONTINUED

2. ADJUSTMENTS TO THE UNAUDITED PRO FORMA CONDENSED COMBINING BALANCE SHEET -- Continued

(e.) Reflects the allocation of the \$106.9 million purchase price to the fair value of the net assets acquired in the Acquired Properties. The purchase price consisted of a draw on the Company's \$430 million unsecured revolving lines of credit (the "Lines of Credit") of \$105.2 million and a capital expenditure reserve of \$1.7 million.

(f.) Reflects the allocation of the \$155.8 million purchase price to the fair value of the net assets acquired in the Other Acquired Properties. The purchase price consisted of the issuance of 299,810 Class A Units (215,863 of which were valued at \$32.50 per Class A Unit and 83,947 of which were valued at \$35.20), the assumption of \$31.0 million of mortgage debt, a draw on the Lines of Credit of \$114.2 million and a capital expenditure reserve of \$.6 million.

(g.) Reflects the issuance of \$100 million of MOPPRS due 2013 at an assumed interest rate of 6.6% and \$100 million in debt securities, due 2008, at an assumed interest rate of 6.92% and the use of the net proceeds to pay off approximately \$201.4 million of debt drawn on the Lines of Credit. In determining net proceeds from the MOPPRS and Debt Offering, the amount paid to the Company by the remarketing dealer for the right to remarket the securities was assumed to equal \$3.0 million and the underwriting discounts and other offering costs to be paid by the Company have been assumed to equal \$1.6 million.

(h.) Reflects the issuance of 2.0 million shares of Common Stock in the 1998 Common Stock Offering at an offering price of \$36 per share and the use of a portion of the net proceeds to pay off debt drawn on the Lines of Credit. Underwriting discounts and other offering costs have been assumed to equal \$3.8 million.

HIGHWOODS PROPERTIES, INC.
PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	HISTORICAL (A)	CENTURY CENTER AND ANDERSON TRANSACTIONS (B)	OTHER OFFERINGS (C)	ACP PORTFOLIO (D)	1997 PENDING ACQUISITIONS (E)	USE OF PREFERRED STOCK OFFERING PROCEEDS
REVENUE:						
Rental property.....	\$177,246	\$ 1,047	\$ --	\$52,411	\$ 10,560	\$ --
Other Income.....	5,968	--	--	1,880	123	--
	183,214	1,047	--	54,291	10,683	--
OPERATING EXPENSES:						
Rental property.....	48,995	317	--	23,956	4,396	--
Depreciation and amortization.....	31,051	715	--	9,019	--	--
INTEREST EXPENSE:						
Contractual.....	33,082	1,358	(1,077)	25,746	--	(8,604) (f)
Amortization of deferred financing costs.....	1,689	--	--	--	--	--
	34,771	1,358	(1,077)	25,746	--	(8,604)
General and administrative.....	6,694	--	--	--	--	--
Income before minority interest....	61,703	(1,343)	1,077	(4,430)	6,287	8,604
Minority interest.....	(9,872)	--	--	--	--	(1,540) (g)
Income before extraordinary item and dividends on preferred shares.....	51,831	(1,343)	1,077	(4,430)	6,287	7,064
Dividends on preferred shares.....	(6,972)	--	(1,289)	--	--	(10,175) (h)
Net income available for common shareholders before extraordinary item.....	\$ 44,859	\$ (1,343)	\$ (212)	\$ (4,430)	\$ 6,287	\$ (3,111)
Net income per common share.....	\$ 1.25					
Weighted average shares.....	35,777					

	COMMON STOCK OFFERING	ACQUIRED PROPERTIES (J)	OTHER ACQUIRED PROPERTIES (K)	MOPPRS AND DEBT OFFERING	1998 STOCK OFFERING	COMMON OFFERING	PRO FORMA ADJUSTMENTS	PRO FORMA
REVENUE:								
Rental property.....	\$ --	\$9,332	\$ 13,255	\$ --	\$ --	\$ --	\$ --	\$263,851
Other Income.....	--	--	--	--	--	--	--	7,971
	--	9,332	13,255	--	--	--	--	271,822
OPERATING EXPENSES:								
Rental property.....	--	1,727	6,474	--	--	--	188(o)	86,053
Depreciation and amortization.....	--	--	--	--	--	--	3,369(p)	44,154
INTEREST EXPENSE:								
Contractual.....	(14,075) (i)	--	--	(685))	(1,588) (n)	13,245 (q)	47,402
Amortization of deferred financing costs.....	--	--	--	178(m)	--	--	--	1,867
	(14,075)	--	--	(507)	(1,588)	13,245	--	49,269
General and administrative.....	--	--	--	--	--	--	--	6,694
Income before minority interest....	14,075	7,605	6,781	507	1,588	(16,802)	--	85,652
Minority interest.....	(2,519) (g)	--	--	(91) (g)	(284) (g)	(1,026)	(15,332)	(15,332)
Income before extraordinary item and dividends on preferred shares.....	11,556	7,605	6,781	416	1,304	(17,828)	--	70,320
Dividends on preferred shares.....	--	--	--	--	--	--	--	(18,436)
Net income available for common shareholders before extraordinary item.....	\$ 11,556	\$7,605	\$ 6,781	\$ 416	\$ 1,304	\$ (17,828)	--	\$ 51,884
Net income per common share.....								\$ 1.07
Weighted average shares.....								48,566

HIGHWOODS PROPERTIES, INC.

NOTES TO PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS (UNAUDITED)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combining statement of operations is presented as if the following transactions had been consummated on January 1, 1996: (a) the completion of the business combination with Anderson Properties, Inc. ("Anderson Properties") and the purchase of a portfolio of properties from affiliates of Anderson Properties (the "Anderson Transaction") and the purchase of Century Center Office Park and an affiliated property portfolio (the "Century Center Transaction"), (b) the completion of the issuance of 125,000 8 5/8% Series A Cumulative Redeemable Preferred Shares (the "Series A Preferred Shares") and of \$100,000,000 of Exercisable Put Option Notes (collectively the "Other Offerings"), (c) the completion of the Merger (d) the completion of the 1997 Pending Acquisitions, (e) the issuance of 6.9 million Series B Preferred Shares at a price of \$25 per share (the "Preferred Stock Offering"), (f) the completion of the Common Stock Offering, (g) the completion of the Acquired Properties, (h) the completion of the Other Acquired Properties, (i) the completion of the MOPPRS and Debt Offering and (j) the completion of the 1998 Common Stock Offering.

This unaudited pro forma condensed combining statement of operations should be read in conjunction with the pro forma condensed combining balance sheet of the Company as of September 30, 1997, the consolidated financial statements and related notes of the Company included in its Annual Report on Form 10-K for the year ended December 31, 1996, the unaudited financial statements and related notes of the Company included in its Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997, and the financial statements and related notes of Associated Capital Properties Portfolio and 1997 Pending Acquisitions included in the Company's Current Report on Form 8-K dated October 1, 1997 (as filed with the Securities and Exchange Commission on October 16, 1997).

The pro forma condensed combining statement of operations is unaudited and is not necessarily indicative of what the Company's actual results would have been had the aforementioned transactions actually occurred on January 1, 1996 nor does it purport to represent the future operating results of the Company.

2. ADJUSTMENTS TO THE UNAUDITED PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS

(a.) Represents the Company's historical statement of operations contained in its Quarterly Report on Form 10-Q for the nine months ended September 30, 1997.

(b.) Reflects the historical statement of operations of Century Center Office Park and an affiliated portfolio ("Century Center") and the properties acquired in the Anderson Transaction for the period from January 1, 1997 through the respective dates of their acquisition, adjusted on a pro forma basis for interest expense and depreciation expense.

(c.) Reflects the estimated interest expense savings on \$127.5 million of the Lines of Credit and \$63.1 million of other loans repaid with the proceeds of the Other Offerings and the dividends incurred on the Company's Series A Cumulative Redeemable Preferred Shares from January 1, 1997 through the date of the offering of the Series A Cumulative Redeemable Preferred Shares.

(d.) Represents the historical revenues and operating expenses of the ACP Portfolio for the nine months ended September 30, 1997 and the historical operations of properties acquired by ACP during 1997 from January 1, 1997 to the respective dates of their acquisition adjusted on a pro forma basis for incremental revenue related to owner-occupied buildings, interest expense and depreciation expense related to the ACP Portfolio and the 1997 Pending Acquisitions.

(e.) Reflects the historical revenues and operating expenses of the 1997 Pending Acquisitions for the nine months ended September 30, 1997.

HIGHWOODS PROPERTIES, INC.

NOTES TO PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS
(UNAUDITED) -- CONTINUED

2. ADJUSTMENTS TO THE UNAUDITED PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS -- Continued

- (f.) Reflects the estimated interest expense savings on \$166.9 million of the Lines of Credit repaid with the proceeds of the Preferred Stock Offering.
- (g.) Represents the net adjustment to minority interest to reflect the pro forma minority interest percentage of 17.9%.
- (h.) Represents the 8% dividend on the Series B Preferred Shares issued in the Preferred Stock Offering.
- (i.) Represents the estimated interest expense savings on \$273.1 million of the Lines of Credit repaid with the proceeds of the Common Stock Offering.
- (j.) Reflects the historical revenues and operating expenses of Acquired Properties for the nine months ended September 30, 1997
- (k.) Reflects the historical revenues and operating expenses of Other Acquired Properties for the nine months ended September 30, 1997.
- (l.) Represents the estimated interest expense on \$100 million of MOPPRS due 2013 at an assumed interest rate of 6.6% and \$100 million in debt securities, due 2008 (at an assumed rate of 6.92%) offset by the interest expense savings on the \$201.4 million of the Lines of Credit repaid with the proceeds of the MOPPRS and Debt Offering.
- (m.) Represents the amortization of the deferred financing costs associated with the MOPPRS and Debt Offering, straight-line over the terms of the securities offset by the amortization of the \$3.0 million MOPPRS premium paid by the remarketing dealer, using the effective interest method over the term of the securities.
- (n.) Represents the estimated interest expense savings on \$30.8 million of the Lines of Credit repaid with a portion of the net proceeds of the 1998 Common Stock Offering.
- (o.) Represents the incremental operating expenses to be incurred by the Company upon completion of the Acquired Properties and the Other Acquired Properties.
- (p.) Represents the net adjustment of depreciation expense for Acquired Properties and the Other Acquired Properties based upon an assumed allocation of the purchase price to land, buildings and development in process. Building depreciation is computed on a straight-line basis using an estimated life of 40 years.
- (q.) Represents the net adjustment to interest expense to reflect interest costs on \$219.4 million in borrowings under the Lines of Credit at an assumed rate of 6.87% (the capped interest rate based on a 30-day LIBOR rate of 5.87% plus 100 basis points) and \$31.0 million in assumed debt at a weighted average interest rate of 8.33%.

HIGHWOODS PROPERTIES, INC
PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 1996
(IN THOUSANDS, EXCEPT PER SHARE)

	HISTORICAL (A)	CROCKER TRANSACTION (B)	EAKIN & SMITH (C)	1996 OFFERINGS (D)	CENTURY CENTER AND ANDERSON TRANSACTIONS(E)	OTHER OFFERINGS (F)	ACP PORTFOLIO HISTORICAL (G)	
REVENUE:								
Rental property....	\$130,848	\$47,892	\$ 3,000	\$ --	\$ 27,128	\$ --	\$ 63,118	
Other Income.....	7,078	(1,424)	512	--	--	--	1,615	
	137,926	46,468	3,512	--	27,128		64,733	
OPERATING EXPENSES:								
Rental property....	35,313	15,709	957	--	18,218	--	32,195	
Depreciation and amortization.....	22,095	9,048	453	--	5,722	--	12,025	
INTEREST EXPENSE								
Contractual.....	24,699	13,048	1,207	(4,504)	10,861	(7,421)	34,328	
Amortization of deferred financing costs.....	1,911	374	--	1,059	--	--	--	
	26,610	13,422	1,207	(3,445)	10,861	(7,421)	34,328	
General and administrative....	5,666	271	200	--	--	--	--	
Income before minority interest.....	48,242	8,018	695	3,445	(7,673)	7,421	(13,815)	
Minority interest.....	(6,782)	--	--	--	--	--	--	
Income before extraordinary item and dividends on preferred shares.....	41,460	8,018	695	3,445	(7,673)	7,421	(13,815)	
Dividends on preferred shares.....	--	--	--	--	--	(10,781)	--	
Net Income available for common shareholders before extraordinary item.....	\$ 41,460	\$ 8,018	\$ 695	\$ 3,445	\$ (7,673)	\$ (3,360)	\$ (13,815)	
Net income per common share....	\$ 1.59							
Weighted average shares.....	26,111							
		USE OF PREFERRED STOCK OFFERING PROCEEDS	COMMON STOCK OFFERING	ACQUIRED PROPERTIES (M)	OTHER ACQUIRED PROPERTIES (N)	MOPPRS AND DEBT OFFERING	1998 COMMON STOCK OFFERING	PRO FORMA ADJUSTMENTS
REVENUE:	1997 PENDING ACQUISITIONS (H)							
Rental property....	\$ 13,689	\$ --	\$ --	\$ 12,925	\$ 13,996	\$ --	\$ --	\$ --
Other Income.....	300	--	--	--	--	--	--	--
	13,989	--	--	12,925	13,996		--	
OPERATING EXPENSES:								
Rental property....	6,388	--	--	2,755	7,989	--	--	250(r)
Depreciation and amortization.....	--	--	--	--	--	--	--	4,492(s)
INTEREST EXPENSE								
Contractual.....	--	(11,472)	(i) (18,767	(1) --	--	(914)	(o) (2,117) 17,660
(t) Amortization of deferred financing costs.....	--	--	--	--	--	238 (p)	--	--
	--	(11,472)	(18,767)	--	--	(676)	(2,117)	17,660
General and administrative....	--	--	--	--	--	--	--	--
Income before minority interest.....	7,601	11,472	18,767	10,170	6,007	676	2,117	(22,402)
Minority interest.....	--	(2,053)	(j) (3,359	(j) --	--	(121)	(j) (379) (1,759)(
j) Income before extraordinary item and dividends on preferred shares.....	7,601	9,419	15,408	10,170	6,007	555	1,738	(24,161)
Dividends on preferred shares.....	--	(13,800)	(k) --	--	--	--	--	--
Net Income available for								

common shareholders before extraordinary item.....	\$ 7,601	\$ (4,381)	\$15,408	\$ 10,170	\$ 6,007	\$ 555	\$1,738	\$ (24,161)
Net income per common share.....								
Weighed average shares.....								

PRO FORMA

REVENUE:	
Rental property....	\$312,596
Other Income.....	8,081
	320,677
OPERATING EXPENSES:	
Rental property....	119,774
Depreciation and amortization.....	53,835
INTEREST EXPENSE	
Contractual.....	56,608
Amortization of deferred financing costs.....	3,582
	60,190
General and administrative...	6,137
Income before minority interest.....	80,741
Minority interest.....	(14,453)
Income before extraordinary item and dividends on preferred shares.....	66,288
Dividends on preferred shares.....	(24,581)
Net Income available for common shareholders before extraordinary item.....	\$ 41,707
Net income per common share.....	\$ 0.86
Weighed average shares.....	48,566

HIGHWOODS PROPERTIES, INC.

NOTES TO PRO FORMA CONDENSED COMBINING STATEMENTS OF OPERATIONS (UNAUDITED)

FOR THE YEAR ENDED DECEMBER 31, 1996

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combining statement of operations is presented as if the following transactions had been consummated on January 1, 1996:

- (a.) the acquisition of 70 properties and the business operations of Crocker Realty Trust, Inc. and its affiliates (the "Crocker Transaction");
- (b.) the acquisition of seven properties and 18 acres of development land, a 103,000-square foot suburban office development project and the business operations of Eakin & Smith, Inc. (collectively, the "Eakin & Smith Transaction");
- (c.) the Company's 1996 offerings including: (i) \$100 million of 6 3/4% Notes due December 1, 2003 and \$110 million of 7% Notes due December 1, 2006, (ii) \$125 million of 8 5/8% Series A Cumulative Redeemable Preferred Shares, (iii) 2,250,000 shares of Common Stock at \$29.50 per share and (iv) 1,093,577 shares of Common Stock at prices of \$29.16, \$29.01, and \$28.86 for 137,198, 344,753 and 611,626 shares, respectively (collectively, the "1996 Offerings");
- (d.) the completion of the Anderson and Century Center Transactions,
- (e.) the completion of the Other Offerings;
- (f.) the completion of the Merger;
- (g.) the completion of the 1997 Pending Acquisitions;
- (h.) the completion of the Preferred Stock Offering;
- (i.) the completion of the Common Stock Offering;
- (j.) the completion of the Acquired Properties;
- (k.) the completion of the Other Acquired Properties;
- (l.) the completion of the MOPPRS and Debt Offering; and
- (m.) the completion of the 1998 Common Stock Offering.

This unaudited pro forma condensed combining statement of operations should be read in conjunction with the pro forma condensed combining balance sheet of the Company as of September 30, 1997, the consolidated financial statements and related notes of the Company included in its Annual Report on Form 10-K for the year ended December 31, 1996, the unaudited financial statements and related notes of the Company included in its Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997, June 30, 1997 and September 30, 1997 and the financial statements and related notes of Associated Capital Properties Portfolio and 1997 Pending Acquisitions included in the Company's Current Report on Form 8-K dated October 1, 1997 (as filed with the Securities and Exchange Commission on October 16, 1997).

The pro forma condensed combining statement of operations is unaudited and is not necessarily indicative of what the Company's actual results would have been had the aforementioned transactions actually occurred on January 1, 1996 nor does it purport to represent the future operating results of the Company.

2. ADJUSTMENTS TO THE UNAUDITED PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS

- (a.) Represents the Company's historical statement of operations contained in its Annual Report on Form 10-K for the year ended December 31, 1996.
- (b.) Reflects the historical operations of Crocker Realty Trust, Inc. adjusted on a pro forma basis for interest expense, depreciation expense and other items, for the period of time during 1996 prior to its acquisition by the Company.
- (c.) Reflects the historical operations of Eakin & Smith, adjusted on a pro forma basis for interest expense, depreciation expense and other

items, for the period of time during 1996 prior to its acquisition by the Company.

(d.) Reflects the pro forma effects of the 1996 Offerings.

(e.) Reflects the historical statement of operations of Century Center and Anderson Properties for the year ended December 31, 1996, adjusted on a pro forma basis for interest expense, depreciation expense and other items.

HIGHWOODS PROPERTIES, INC.

NOTES TO PRO FORMA CONDENSED COMBINING STATEMENTS OF OPERATIONS
(UNAUDITED) -- CONTINUED

2. ADJUSTMENTS TO THE UNAUDITED PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS -- Continued

(f.) Reflects the estimated interest expense savings on \$127.5 million of the Lines of Credit and \$63.1 million of other loans repaid with the proceeds of the Other Offerings and the dividends incurred on the Company's Series A Preferred Shares.

(g.) Represents the historical revenues and operating expenses of the ACP Portfolio, for the year ended December 31, 1996, the historical statement of operations from January 1, 1996 to the date of acquisition of the properties that were acquired by ACP in 1996 and the historical statement of operations for the 12 months ended December 31, 1996 of the properties that were acquired by ACP in 1997. These amounts have been adjusted on a pro forma basis for incremental revenue related to owner-occupied buildings, interest expense and depreciation expense related to the ACP Portfolio and the 1997 Pending Acquisitions.

(h.) Reflects the historical revenues and operating expenses of 1997 Pending Acquisitions for the year ended December 1996.

(i.) Represents the estimated interest expense savings on \$166.9 million of the Lines of Credit repaid with the proceeds of the Preferred Stock Offering.

(j.) Represents the net adjustment to minority interest to reflect the pro forma minority interest percentage of 17.9%.

(k.) Represents the 8% dividend on Series B Cumulative Redeemable Preferred Shares sold by the Company in the Preferred Stock Offering.

(l.) Represents the estimated interest expense savings on \$273.1 million of the Lines of Credit repaid with the proceeds of the Common Stock Offering.

(m.) Reflects the historical revenues and operating expenses of Acquired Properties for the year ended December 31, 1996.

(n.) Reflects the historical revenues and operating expenses of the Other Acquired Properties for the year ended December 31, 1996.

(o.) Represents the estimated interest expense on the \$100 million of MOPPRS due 2013 at an assumed interest rate of 6.6% and \$100 million in debt securities, due 2008 (at an assumed rate of 6.92%) offset by the interest expense savings on the \$201.4 million of the Lines of Credit repaid with the proceeds of the MOPPRS and Debt Offering.

(p.) Represents the amortization of the deferred financing costs associated with the MOPPRS and Debt Offering, straight-line over the terms of the securities offset by the amortization of the \$3.0 million premium paid by the remarketing dealer, using the effective interest method over the term of the securities.

(q.) Represents the estimated interest expense savings on \$30.8 million of the Lines of Credit repaid with a portion of the net proceeds of the 1998 Common Stock Offering.

(r.) Represents the incremental operating expenses to be incurred by the Company upon completion of the Acquired Properties and the Other Acquired Properties.

(s.) Represents the net adjustment of depreciation expense for Acquired Properties and Other Acquired Properties based upon an assumed allocation of the purchase price to land, buildings and development in process. Building depreciation is computed on a straight-line basis using an estimated life of 40 years.

(t.) Represents the net adjustment to interest expense to reflect interest costs on \$219.4 million in borrowings under the Lines of Credit at an assumed rate of 6.87% capped (the effective interest rate based on a 30-day LIBOR rate of 5.87% plus 100 basis points) and \$31.0 million in assumed debt at a weighted average interest rate of 8.33%.

EXHIBIT 8

ALSTON & BIRD LLP

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Pinney L. Allen

Direct Dial: 404-881-7485

January 22, 1998

Highwoods Properties, Inc.
3100 Smoketree Court, Suite 600
Raleigh, North Carolina 27604

Re: \$1,250,000,000 Aggregate Offering Price of Securities of Highwoods Properties, Inc. and Highwoods/Forsyth Limited Partnership

Ladies and Gentlemen:

In connection with the registration statement on Form S-3 File No. 333-31181, as in the form filed as of September 18, 1997, and updated on September 23, 1997, and January 22, 1998, (Registration Statement), you have requested our opinion concerning certain of the federal income tax consequences to the Company of its election to be taxed as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code").

This opinion is based solely on various assumptions and facts as set forth in the Registration Statement and is conditioned upon certain representations made by the Company as factual matters through a certificate of an officer of the Company (the "Officer's Certificate") attached hereto and made a part hereof. We have made no independent inquiry as to the factual matters set forth herein. In addition, we have examined no documents other than the Registration Statement for purposes of this opinion and, therefore, our opinion is limited to matters determined through an examination of such document and the factual matters set forth in the Officer's Certificate.

In rendering the opinions set forth herein, we have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures thereon, the legal capacity of natural persons executing such documents and the conformity to authentic original documents of all documents submitted to us as copies.

We are opining herein as to the effect on the subject transaction only of the federal income tax laws of the United States and we express no opinion with respect to the applicability thereto, or the effect thereon, of other federal laws, the laws of any other

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704-331-6000
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919-420-2200
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601 Pennsylvania Avenue, N.W.
North Building, Suite 250
Washington, DC 20004-2601
202-508-3300
Fax: 202-508-3333

jurisdiction, the laws of any state or as to any matters of municipal law or the laws of any other local agencies within any state.

Based solely on the facts in the Registration Statement and the Officer's Certificate, we are of the opinion that the Company has been organized and has operated in conformity with the requirements for qualification and taxation as a REIT under the Code for its taxable years ended December 31, 1994 through 1996, and that the Company is in a position to continue its qualification and taxation as a REIT within the definition of Section 856(a) of the Code for the taxable year that ended December 31, 1997 and the taxable year that will end December 31, 1998. With respect to 1997 and 1998, we note that the Company's status as a REIT at any time during such years is dependent, among other things, upon the Company meeting the requirements of Sections 856 through 860 of the Code throughout each of such years and for each year as a whole. Accordingly, because the Company's satisfaction of such requirements will depend upon future events, including the precise terms and conditions of proposed transactions, and the final determination of operational results, it is not possible to assure that the Company will satisfy the requirements to be a REIT during the taxable year that ended December 31, 1997, or the taxable year that will end December 31, 1998.

In addition, we have participated in the preparation of the material under the heading "Federal Income Tax Considerations" of the Registration Statement and we are of the opinion that the federal income tax treatment described therein is accurate in all material respects.

This opinion is based on various statutory provisions, regulations promulgated thereunder and interpretations thereof by the Internal Revenue Service and the courts having jurisdiction over such matters, all of which are subject to change either prospectively or retroactively. Also, any variation or difference in the facts from those set forth in the Registration Statement or the Officer's Certificate may affect the opinions stated herein.

This opinion is furnished only to you, is solely for your use in connection with the Registration Statement, and is limited to the specific matters covered hereby and should not be interpreted to imply that the undersigned has offered its opinion on any other matter. This opinion may be relied upon only by the party to whom it is addressed and may not be quoted, circulated, or used for any other purpose without our prior written

consent. We, however, hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the use of our name under the caption "Legal Matters" in the Registration Statement.

Very truly yours,

By: /s/ Pinney L. Allen

Pinney L. Allen

CERTIFICATE

I, MACK D. PRIDGEN, III, in my capacity as Vice-President and General Counsel of Highwoods Properties, Inc. (the "Company"), do hereby certify, to the best of my knowledge and belief after making appropriate inquiries with respect to all matters set forth below, as follows:

1. That I am a Vice-President and the General Counsel of the Company in the state of North Carolina;
2. That in such capacity, I have access to relevant information regarding each of the factual matters set forth below;
3. That for purposes of this Certificate,

(a) "Affiliated Partnerships" means AP-GP Southeast Portfolio Partners, L.P., Highwoods/Tennessee Holdings, L.P., AP Southeast Portfolio Partners, L.P., and Highwoods/Florida Holdings, L.P., collectively;

(b) "Code" means the Internal Revenue Code of 1986, as amended;

(c) "Foreclosure Property" means real property (including interests in real property), and any personal property incident to such real property, acquired by the real estate investment trust as a result of such trust having bid in such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was default (or default was imminent) on a lease of such property or on an indebtedness that such property secured;

(d) "Garcia Transaction" means the transaction that will close in 1998 pursuant to the terms and conditions set forth in the Master Acquisition Agreement, dated December 21, 1997, by and among Highwoods Properties, Inc., Highwoods/Forsyth Limited Partnership, Martin L. Garcia, the Garcia Partnerships (i.e., Pinellas Bay Vista Partners, Ltd., BDBP, Ltd., Downtown Clearwater Tower, Ltd., Cross Bayou, Ltd., Interstate Business Park, Ltd., Pinellas Northside Partners, Ltd., Pinellas Pinebrook Partners, Ltd., and Sisbros, Ltd.), and the Garcia Corporations (i.e., Westshore Square, Inc., Garcia Property Management, Inc., Garcia, Meyers Co., and Garcia Enterprises of Tampa, Inc.), which provides that (1) the Garcia Partners (as defined in the Master Acquisition Agreement) will sell their interests in the Garcia Partnerships to Highwoods/Forsyth Limited Partnership; (2) Garcia Enterprises of Tampa, Inc. will sell its ownership interest in the Properties (as defined in the Master Acquisition Agreement) to Highwoods/Forsyth Limited Partnership; and (3) Highwoods/Forsyth Limited Partnership, Martin L. Garcia, the Garcia Partnerships, and the Garcia Corporations will combine business operations;

(e) "Highwoods Services" means Highwoods Services, Inc., a North Carolina corporation, the equity ownership of which is owned 99% by Highwoods/Forsyth Limited Partnership and .5% each by Ronald P. Gibson and Edward J. Fritsch;

(f) "Independent Contractor" means any person who does not own, directly or indirectly, more than 35% of the shares in the REIT, and, if such person is a corporation, not more than 35% of the total combined voting power of whose stock (or 35% of the total shares of all classes of whose stock), or, if such person is not a corporation, not more than 35% of the interest in whose assets or net profits is owned, directly or indirectly, by one or more persons owning 35% or more of the shares in the REIT;

(g) "Operating Partnership" means Highwoods/Forsyth Limited Partnership, a North Carolina partnership of which the Company is the sole general partner with an approximate 82% ownership interest, including a 1% general partnership interest and an 81% limited partnership interest, and various others (including officers and directors of the Company) are the remaining limited partners with an approximate 18% aggregate interest;

(h) "Operating Partnership Agreement" means the First Amended and Restated Agreement of Limited Partnership of Highwoods/Forsyth Limited Partnership, dated June 14, 1994, as amended;

(i) "Prohibited Transaction" means a sale or other disposition of property, other than foreclosure property, that is stock in trade of the taxpayer or other property of a kind which would properly be included in the inventory of the taxpayer if on hand at the close of the taxable year, or property held by the taxpayer primarily for sale to customers in the ordinary course of trade or business;

(j) "Qualified REIT Subsidiary" means (1) any corporation in which a real estate investment trust owned stock during any taxable year ended on or before December 31, 1997, if 100% of the stock of such corporation was held by the real estate investment trust at all times during the period such corporation was in existence and (2) any corporation in which a real estate investment trust may own stock after the taxable year ended December 31, 1997, if 100% of the stock of such corporation is held by the real estate investment trust;

(k) "Real Estate Assets" means real property (including interests in real property and interests in mortgages on real property) and shares (or transferable certificates of beneficial interest) in other real estate investment trusts that meet the requirements of Code Sections 856 through 860;

(l) "Registration Statement" means the Form S-3, File No. 333-31183, as in the form filed as of September 18, 1997, and updated on September 28, 1997, and January 22, 1998;

(m) "REIT" means a real estate investment trust;

(n) "REIT Election" means an election to be taxed as a REIT under Code Section 856(c)(1);

(o) "Service" means the Internal Revenue Service; and

(p) "Subsequent ACP Mergers" means (1) the merger of Associated Capital Equities Corp. II with and into Highwoods Properties, Inc. pursuant to Articles of Merger, dated October 7, 1997; (2) the merger of Euro II, Inc., with and into Highwoods/Florida GP Corp. pursuant to Articles of Merger, dated November 20, 1997; (3) the merger of Comeau Building, Inc., ACP-Atrium CG, Inc., ACP-Dadeland, Inc., ACP-F, Inc., ACP-Lakeview, Inc., ACP-Lee Road, Inc., ACP-L, Inc., ACP Pine Street GP, Inc., ACP-Tampa Bay, Inc., ACP-W, Inc., ACP-Eastpointe, Inc., JH Property Investments, Inc., ACP-5400, Inc., ACP-C, Inc., ACP-Grand, Inc., ACP-I, Inc., ACP-Southpoint, Inc., ACP Florida Office Properties, Inc., ACP-Fireman, Inc., and ACP Venture Corp. with and into Highwoods Properties, Inc. pursuant to Articles of Merger, dated November 20, 1997; (4) the merger of 319 Clematis Associates, Ltd., ACP-Atrium CG, Limited Partnership, ACP-Dadeland, Limited Partnership, ACP-F, Limited Partnership, ACP-Lakeview, Limited Partnership, ACP-Lee Road, Limited Partnership, ACP-L, Limited Partnership, ACP Pine Street, Limited Partnership, ACP-Tampa Bay, Limited Partnership, ACP-W, Limited Partnership, Eastpointe Towers Associates, Ltd., Eller Drive Limited Partnership, ACP Venture I Limited Partnership, SCG-ACP Master Limited Partnership, SCG-ACP I Limited Partnership, SOFI-IV Tampa Office Limited Partnership, ACP-5400, Limited Partnership, ACP-C, Limited Partnership, ACP-Grand, Limited Partnership, ACP-I, Limited Partnership, SOFI-IV Tallahassee Office Limited Partnership, ACP-Southpoint Limited Partnership, ACP-Reflections, Limited Partnership, and One Winter Park Associates with and into Highwoods/Florida Holdings, LP, pursuant to Articles of Merger, dated December 5, 1997; and (5) the merger of The Shoppes of Interlachen, Inc. with and into Florida Transition Co. II;

4. That I have consulted with other employees and officers of the Company regarding the matters set forth below and such persons have agreed in all respects with the representations made below;

5. That, except as otherwise noted, all representations made below are true and complete for each of the taxable years ended December 31, 1994 through December 31, 1997, and through the date hereof; and that I have no reason to believe that such representations will not continue to be true for the taxable year that will end December 31, 1998;

6. That the Company has operated and will continue to operate in accordance with Maryland law, its articles of incorporation, and its bylaws and in accordance with the statements and representations made in the Registration Statement;

7. That the Operating Partnership has operated and will continue to operate in accordance with North Carolina law, the Operating Partnership Agreement, and the statements and representations made in the Registration Statement;
8. That I am a licensed attorney familiar with the requirements for qualification as a REIT under applicable provisions of the Code, that all such requirements have been satisfied for the Company's taxable years ended December 31, 1994 through December 31, 1997 (except for the election to be taxed as a REIT for the taxable year ended December 31, 1997, which will be made on the federal income tax return for such taxable year as noted in Item 9 below); that I have no reason to believe that such requirements will not continue to be satisfied in the taxable year that will end December 31, 1998; and that I have exercised ordinary business care and prudence to attempt to satisfy such requirements and I have advised Alston & Bird LLP of any matter of which I am aware that could cause reason for concern as to whether those requirements have been or will be satisfied;
9. That the Company has filed an election, in accordance with applicable Code requirements, to be taxed as a REIT with each of its tax returns for the periods ended December 31, 1994 through December 31, 1996, and has not taken any action to terminate such election; that the Company will file an election, in accordance with applicable Code requirements, to be taxed as a REIT with its tax return for the period ended December 31, 1997, and has not taken any action to prevent such election; that I have no reason to believe that the Company will not continue to file such election or that it will take any action to terminate such election for the period that will end December 31, 1998; and that the Company has received no notification formally or informally from the Service or any other person that such election may not be valid or has been revoked or withdrawn in any respect;
10. That the Company is and will continue to be managed by one or more of its directors who have exclusive authority over the management of the Company, the management of its officers, and the management and disposition of the Company's property;
11. That the beneficial ownership of the Company is and will continue to be evidenced by transferable shares; and that there are no restrictions on the transferability of such shares either in the Articles of Incorporation or in any agreement to which the Company is a party, other than the restrictions set forth in the Article of Incorporation that permit the directors to redeem shares or refuse to transfer shares in any case where such directors, in good faith, believe that a failure to redeem or that a transfer of shares would result in the loss of the Company's REIT status;
12. That the Company has been a domestic corporation during its entire existence;

13. That the Company has not been, is not, and will not be (i) a bank, a mutual savings bank, a cooperative bank, a domestic building and loan association or other savings institution, a small business investment company operating under the Small Business Investment Act of 1958, or a corporation created under state law for the purpose of promoting, maintaining, and assisting the economy within a state by making loans, or (ii) an insurance company;

14. That at no time during the last half of any taxable year for which a REIT election has been made or during the taxable year ended December 31, 1997, for which a REIT election will be made has more than 50% of the value of the Company's outstanding stock been beneficially owned by five or fewer individuals; and that the Company will take all measures within its control to ensure that, at no time during the last half of any taxable year for which a REIT election will be made will more than 50% of the value of the Company's outstanding stock be beneficially owned by or for five or fewer individuals;

15. That the record and beneficial ownership of the Company has been and will held by 100 or more persons;

16. That at least 95% of the gross income derived by the Company (including the income derived through its ownership of the Operating Partnership and the Affiliated Partnerships) in all taxable years consisted of: (i) amounts derived from rental of real property, including rents attributable to personal property as described in representation (20) below and including charges for services customarily furnished or rendered in connection with the rental of such real property, whether or not such charges are separately stated, but excluding rents received from parties in which the Company owns 10% or more of the vote or value of equity ownership of such party and excluding amounts received or accrued with respect to any real or personal property if the Company furnishes noncustomary services to the tenants or manages or operates such property other than through an independent contractor from which neither the Company nor the Partnership derives any form of income; (ii) interest; (iii) gain realized upon the sale of all or a portion of a Real Estate Asset that is not a Prohibited Transaction; (iv) dividends; (v) abatements and refunds of tax; (vi) income and gain from Foreclosure Property; and (vii) amounts for making loans by secured properties or to purchase or lease real property; and that I have no reason to believe that such 95% gross income test will not continue to be met for the taxable year that will end December 31, 1998;

17. That at least 75% of the gross income derived by the Company (including the income derived through its ownership of the Operating Partnership and the Affiliated Partnerships) in all taxable years consisted of: (i) amounts derived from rental of real property, including rents attributable to personal property as described in representation (20) below and including charges for services customarily furnished or rendered in connection with the rental of such real property, whether or not such charges are separately stated, but excluding rents received from parties in which the Company owns 10% or more of the vote or value of equity ownership of such party and excluding amounts received or accrued with respect to any real or personal property if the Company

furnishes noncustomary services to the tenants or manages or operates such property other than through an independent contractor from which neither the Company nor the Partnership derives any form of income; (ii) interest on obligations secured by mortgages on real property or on interests in real property; (iii) gain realized upon the sale of all or a portion of the real property; (iv) abatements and refunds of property tax; (v) income and gain derived from Foreclosure Property; (vi) amounts for agreeing to make loans secured by real property or to purchase or lease real property; and (vii) gain from the sale or disposition of a Real Estate Asset that is not a Prohibited Transaction; and that I have no reason to believe that such 75% gross income test will not continue to be met for the taxable year that will end December 31, 1998;

18. That less than 30% of the gross income of the Company (including the income derived through its ownership of the Operating Partnership and the Affiliated Partnerships) in all taxable years was derived from (i) the sale or other disposition of stock or securities held for less than one year; (ii) property in a transaction that is a Prohibited Transaction; and (iii) real property (including interests in real property and interests in mortgages on real property) held for less than four years other than property compulsorily or involuntarily converted and property that is Foreclosure Property;

19. That the Company, the Operating Partnership and the Affiliated Partnerships, have not entered into and will not enter into any lease, agreement, or other arrangement in connection with the rental of real property under which any amount payable to the Company, the Operating Partnership, or the Affiliated Partnerships depends or will depend in whole or in part on the income or profits derived from any tenant (or sub-tenant) of such real property (except that such an amount may be based on a fixed percentage or percentages of gross receipts or sales);

20. That (i) less than 15% of the rent received or accrued from any lease of real property has been and will be attributable to personal property; (ii) any such personal property has been and will be leased under or in connection with a lease of the real property; and (iii) no personal property owned by the Company or the Operating Partnership at any time has had or will have significant value in excess of its adjusted basis for federal income tax purposes;

21. That for purposes of Items 16 and 17 above, "rent" does not include rent received for any real property directly or indirectly from any person in which the Company owns (i) in the case of a corporation, 10% or more of the total combined voting power of all classes of stock entitled to vote, or 10% or more of the total combined voting power of all classes of stock entitled to vote, or 10% or more of the total number of shares of all classes of stock; or (ii) in the case of an entity other than a corporation, an interest of 10% or more in the assets or net profits of such entity; (for purposes of this representation, ownership is determined by taking into account the attribution rules, which generally apply a look-through provision to determine constructive stock ownership);

22. That the fair market value of any real property (or, with respect to any construction loan, the fair market value of the land plus the reasonably estimated cost of the improvements other than personal property) securing a note, determined at the time the Company became bound to make the loan, is equal to or exceeds the amount of the loan;
23. That the Company has reviewed and will continue to review all leases for each property to ensure that such leases conform with all REIT requirements;
24. That neither the Company, the Operating Partnership, nor the Affiliated Partnerships, have provided or will provide any services to any tenant other than services that would be considered customarily furnished or rendered in connection with the rental of real property, such as the furnishing of water, heat, lights, trash collection, and maintenance of common areas;
25. That no Independent Contractor providing management and operating functions for either the Company, the Operating Partnership, or the Affiliated Partnerships, or any of their properties has any ownership interest in the Company in excess of 35%;
26. That at the close of each quarter of any taxable year that the Company has made or will make a REIT election, at least 75% of the total combined value of its assets, including its proportionate share of the assets of the Operating Partnership and the Affiliated Partnerships, has or will consist of Real Estate Assets, cash and cash items (including receivables), and government securities;
27. That at the close of each quarter of any taxable year that the Company has made or will make a REIT election not more than 25% of the value of the Company's total assets (including those assets owned indirectly through the Operating Partnership or the Affiliated Partnerships) has been or will be represented by securities (other than government securities) for purposes of this calculation limited in respect of any one issuer to an amount not greater in value than 5% of the value of the total assets of the Company and to not more than 10% of the outstanding voting securities of such issuer;
28. That the Company's pro rata share of the value of the securities of Highwoods Services has not exceeded 5% of the total value of the Company's assets at the end of any calendar quarter; that 1% of the voting stock of Highwoods Services is owned by Ronald P. Gibson and Edward J. Fritsch; that the Company has no informal or formal agreement with Highwoods Services or the other shareholders of Highwoods Services regarding the voting of the Highwoods Services stock; and that the stock owned by Ronald P. Gibson and Edward J. Fritsch is not subject to any voting or purchase agreement that effectively would deny such individuals of the economic rights of such stock;

29. That at the close of each quarter of any taxable year that the Company has made or will make a REIT election the Company has not owned and will not own directly or indirectly securities in any one issuer, including mutual funds, having an aggregated value in excess of 5% of the value of the total assets of the Company;

30. That the Company, the Operating Partnership, and the Affiliated Partnerships have held and hold all real property and all other assets for investment purposes and not as (i) stock in trade or other property of a kind which would properly be includible in inventory if on hand at the close of the taxable year, or (ii) property held primarily for sale to customers in the ordinary course of the trade or business of the Operating Partnership or the Company;

31. That for each taxable year for which a REIT election has been or will be made the Company has distributed or will distribute an amount equal to or exceeding the sum of 95% of the Company's real estate investment trust taxable income for such taxable year, determined without regard for the deduction for dividends paid and by excluding any net capital gain, and 95% of the excess of the net income from Foreclosure Property over the tax imposed on such income, reduced by, any excess noncash income;

32. That for each taxable year for which a REIT election has been or will be made the Company has and will (i) maintain stock records that disclose actual ownership of the Company's outstanding stock, and (ii) within 30 days of each taxable year end, demand a written statement from shareholders of record, including holders of the Company's stock warrants, for the purpose of disclosing actual ownership as required by Treas. Reg. Section 1.857-8;

33. That the Company has at all times adopted and will continue to use a calendar year accounting period;

34. That other than the direct ownership of the stock in Highwoods/Florida GP Corp., Highwoods Realty GP Corp., Highwoods/Tennessee Properties, Inc., Jackson Acquisition Corporation, and Florida Transition Co. II, each of which is a Qualified REIT Subsidiary, and the indirect ownership of stock in Highwoods Services and its subsidiaries, Southeast Realty Options Corp. and PSC Acquisition Corporation (which is owned through RC One LLC), the Company has owned no stock or other voting securities in any corporation at the close of any quarter of any taxable year ended on or before December 31, 1997, or as of the date hereof;

35. That Highwoods Properties Company was merged with and into the Company; that such merger was intended to qualify as a tax-free reorganization within the meaning of Section 368 of the Code; that I have no reason to believe such merger did not so qualify and, for purposes hereof, you may assume that it did so qualify; and that, at the time of such merger, neither Highwoods Properties Company nor any corporation that it directly or indirectly owned had any earnings and profits accumulated from a year when it was taxable as a "C" corporation;

36. That Eakin & Smith, Inc. was merged with and into the Company; and that, at the time of such merger, neither Eakin & Smith, Inc. nor any corporation that it directly or indirectly owned had any earnings and profits accumulated from a year when it was taxable as a "C" corporation;

37. That Crocker Realty Trust, Inc. was merged with and into the Company; that, at the time of such merger, Crocker Realty Trust, Inc. qualified as a REIT; that during the course of the due diligence conducted in connection with such merger, I had no reason to believe that Crocker Realty Trust, Inc. did not so qualify; and that neither Crocker Realty Trust, Inc., nor any corporation that it directly or indirectly owned had any Subchapter C earnings and profits;

38. That Associated Capital Properties, Inc. was merged with and into the Company; that such merger was intended to qualify as a tax-free reorganization within the meaning of Section 368 of the Code; that I have no reason to believe such merger did not so qualify and, for purposes hereof, you may assume that it did so qualify; and that, at the time of such merger, neither Associated Capital Properties, Inc., nor any corporation that it directly or indirectly owned had any earnings and profits accumulated from a year when it was taxable as a "C" corporation;

39. That the Operating Partnership, AP-GP Southeast Portfolio Partners, L.P., Highwoods/Tennessee Holdings, L.P., AP Southeast Portfolio Partners, L.P., and Highwoods/Florida Holdings, L.P. were formed as partnerships under the laws of the applicable states; that Shockoe Plaza LLC, which is owned 99% by the Operating Partnership and 1% by Highwoods Services, was formed as a limited liability company under the laws of Virginia and elected to be treated as a partnership for federal income tax purposes; and that such partnerships (including Shockoe Plaza LLC) have made no election to be treated as a corporation or any other type of entity for federal income tax purposes;

40. That I have no reason to believe that the Garcia Transaction will cause the Company to fail to satisfy any of the matters set forth in this certificate or to fail to qualify as a REIT in the taxable year that will end December 31, 1998;

41. That the acquisition by the Company of the membership interest in RC One LLC, which owns 100% of the stock of PSC Acquisition Corporation, from Riparius Development Corporation ("Riparius") was consummated pursuant to the terms and conditions of the Master Agreement of Merger and Acquisition by and among the Company, the Operating Partnership, Highwoods Services, Riparius, Michael J. McCarthy, and James K. Flannery, Jr., and the Purchase Agreement by and among the Company and Riparius occurred on January 8, 1998; and that the membership interest in RC One LLC was transferred to Highwoods Services on January 22, 1998;

42. That the Company has filed timely tax returns in each year of its existence and has not included any information in such returns due to fraud with an intent to evade taxes;

43. That no proceedings are pending or, to the knowledge of the undersigned, threatened against the Operating Partnership, the Company, any of their subsidiaries (including corporations, limited and general partnerships, joint ventures and other entities, whether directly or indirectly controlled) or any of their properties, before or by any Federal state or other commission, board, court, or administrative agency wherein an unfavorable decision, ruling, or finding would materially and adversely affect the business, property, financial condition, or income of the Company, the Operating Partnership, and their subsidiaries considered as one enterprise or any of their properties.

44. That the Company's ownership interests in the Operating Partnership and its other directly or indirectly held subsidiaries (the "Subsidiaries") are held free and clear of any security interest, mortgage, pledge, lien, encumbrance, claim or equity, except for security interests granted in respect to indebtedness of the Company or the Subsidiaries as described in the Registration Statement.

45. That the description of the Company, its properties, and its method of operation contained in the Registration Statement is accurate and complete in all material aspects with respect to this opinion; and

46. That the Company will undertake to advise you of any change in the representations made herein for so long as the Registration Statement referred to above remains in effect.

The foregoing Certification is provided to Alston & Bird LLP in connection with rendering an opinion regarding the qualification of the Company as a REIT and may not be relied upon for any other purpose or by any other party. It is understood that such opinion is limited to the factual matters revealed pursuant hereto and other materials provided to them and that to the extent required, I have asked questions of the appropriate individuals to confirm the foregoing answers, and to the best of my knowledge and belief such answers are true, correct, and complete and in no way are misleading.

January 22, 1998

/s/ Mack D. Pridgen, III

MACK D. PRIDGEN, III
Vice-President and General Counsel
Highwoods Properties, Inc.

EXHIBIT 12

HIGHWOODS PROPERTIES, INC.

NOTES TO PRO FORMA STATEMENTS OF OPERATIONS (UNAUDITED) -- CONTINUED

2. ADJUSTMENTS TO THE UNAUDITED PRO FORMA CONDENSED COMBINING STATEMENT OF OPERATIONS

RATIO OF EARNINGS TO COMBINED FIXED CHARGES AND PREFERRED STOCK DIVIDENDS

	NINE MONTHS ENDED SEPTEMBER 31,			PERIOD FROM JUNE 14, 1994 TO DECEMBER 31,		
	1997	1996	1995	1994	1993	1992
Earnings(1)(2)						
Income (loss) from continuing operations.....	\$61,703	\$48,242	\$28,934	\$ 8,159	\$ (155)	\$ (239)
Interest.....	33,082	24,699	12,101	4,955	5,185	5,059
Amortization of loan costs.....	1,689	1,911	1,619	738	--	--
Total Earnings.....	\$96,474	\$74,852	\$42,654	\$13,852	\$5,030	\$4,820
Fixed charges and preferred stock dividends (2)						
Interest.....	\$33,082	\$24,699	\$12,101	\$ 4,955	\$5,185	\$5,059
Interest capitalized.....	3,779	2,935	507	17	16	--
Amortization of loan costs expensed.....	1,689	1,911	1,619	738	--	--
Amortization of loan costs capitalized.....	--	--	--	--	--	--
Total fixed charges.....	\$38,550	\$29,545	\$14,227	\$ 5,710	\$5,201	\$5,059
Preferred stock dividends.....	6,972	--	--	--	--	--
Ratio of earnings to fixed charges.....	2.50x	2.53x	3.00x	2.43x	--(3)	--(4)
Ratio of earnings to combined fixed charges and preferred stock dividends.....	2.12x	2.53x	3.00x	2.43x	--(3)	--(4)

(1) The calculation does not include amortization of previously capitalized interest.

(2) On February 12, 1997, the Company issued 125,000 8 5/8% Series A Preferred Shares, which was its first issuance of preferred stock. On September 25, 1997, the Company issued 6,900,000 8% Series B Preferred Shares, which was its second issuance of preferred stock.

(3) Earnings were inadequate to cover fixed charges by \$171,000 for the year ended December 31, 1993.

(4) Earnings were inadequate to cover fixed charges by \$239,000 for the year ended December 31, 1992.

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