

HIGHWOODS PROPERTIES INC
Form DEF 14A
March 31, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

HIGHWOODS PROPERTIES, INC.
(Name of Registrant as Specified in its Charter)

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No fee required.

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- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held On May 13, 2010

You are cordially invited to attend the annual meeting of stockholders of Highwoods Properties, Inc. on Thursday, May 13, 2010, at 11:00 a.m., on the 2nd floor of our corporate headquarters building located at 3100 Smoketree Court, Raleigh, North Carolina 27604. The principal purposes of this meeting are to elect six directors, ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2010, act on a proposal to amend our employee stock purchase plan and transact such other business as may properly come before the meeting or any adjournments, assuming the presence of a quorum. Only stockholders of record at the close of business on March 2, 2010 will be entitled to vote at the meeting and any adjournments or postponements.

On April 2, 2010, we expect to mail our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials, including our 2009 Annual Report, and how to vote online.

Whether or not you plan to attend the meeting, your vote is very important, and we encourage you to vote promptly. You may vote via a toll-free telephone number or over the Internet. If you received a paper copy of the proxy card by mail, you may sign, date and mail the proxy card in the envelope provided. Instructions regarding all three methods offered for voting will be contained in the proxy card or Notice of Internet Availability of Proxy Materials. If you execute a proxy by telephone, over the Internet or by mailing in a proxy card, but later decide to attend the meeting in person, or for any other reason desire to revoke your proxy, you may do so at any time before your proxy is voted.

BY ORDER OF THE BOARD OF DIRECTORS
JEFFREY D. MILLER
Vice President, General Counsel and Secretary

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HIGHWOODS PROPERTIES, INC.
3100 Smoketree Court, Suite 600
Raleigh, North Carolina 27604

PROXY STATEMENT FOR
ANNUAL MEETING OF STOCKHOLDERS
To Be Held on May 13, 2010

This proxy statement is being furnished to stockholders of Highwoods Properties, Inc. in connection with the solicitation of proxies for use at our annual meeting of stockholders on Thursday, May 13, 2010, at 11:00 a.m., on the 2nd floor of our corporate headquarters building located at 3100 Smoketree Court, Raleigh, North Carolina 27604. The purposes of the meeting are set forth in the notice of meeting. This solicitation is made on behalf of our Board of Directors.

Holders of record of shares of our common stock as of the close of business on the record date, March 2, 2010, are entitled to vote at the meeting. The outstanding common stock constitutes the only class of securities entitled to vote at the meeting and each share of common stock entitles the holder to one vote. At the close of business on the record date, there were 71,486,409 shares of common stock issued and outstanding.

On April 2, 2010, we expect to mail our stockholders a Notice of Internet Availability of Proxy Materials, which will indicate how to access our proxy materials on the Internet, in connection with the solicitation of proxies by our Board for use at the meeting and any adjournments or postponements. On the date of mailing, we will make our proxy statement and 2009 Annual Report publicly available on the Internet according to the instructions provided in the Notice of Internet Availability of Proxy Materials.

If you received a Notice of Internet Availability of Proxy Materials by mail, you will not receive a printed copy of the proxy materials except upon request. Instead, the notice will instruct you how to access and review all of the important information contained in the proxy materials online. The notice will also instruct you as to how you may submit your proxy over the Internet or by telephone. If you would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting such materials included in the notice.

The presence, in person or by proxy, of holders of at least a majority of the total number of shares of common stock entitled to vote is necessary to constitute a quorum for the transaction of business at the annual meeting. Abstentions and broker non-votes will count toward the presence of a quorum. Proposal One, the election of each of the nominees for director, requires the vote of a plurality of all of the votes cast at the meeting. Proposal Two, the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2010, requires the affirmative vote of a majority of the votes cast on the proposal. With respect to Proposals One and Two, abstentions and broker non-votes will not be counted as votes cast and will have no effect on the result of the vote. Proposal Three, a proposal to amend our employee stock purchase plan, requires the affirmative vote of the holders of a majority of our outstanding common stock. With respect to Proposal Three, abstentions and broker non-votes will have the same effect as votes against the proposal.

Under a rule amendment adopted by the New York Stock Exchange for stockholder meetings held on or after January 1, 2010, brokerage firms and nominees are no longer allowed to vote shares held in their clients' accounts on uncontested elections of directors unless you have provided voting instructions (it will continue to be the case that brokers and nominees cannot vote their clients' shares in contested director elections). Consequently, if you want your shares voted on your behalf with respect to the election of directors, you must provide voting instructions. Voting on

matters presented at stockholder meetings, particularly the election of directors, is the primary method for stockholders to influence the direction taken by a publicly-traded company.

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Please vote by telephone or over the Internet as indicated in the Notice of Internet Availability of Proxy Materials. Alternatively, you may complete, sign, date and return the proxy card available on the Internet or in the accompanying proxy materials. If you hold your shares through a bank, broker or other nominee, they will give you separate voting instructions. Shares of common stock represented by a properly executed proxy received prior to the vote at the meeting and not revoked will be voted at the meeting as directed on the proxy. Where no specification is made on a properly executed form of proxy, the shares will be voted FOR the election of all nominees for director, FOR the proposal to ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2010, FOR the proposal to amend our employee stock purchase plan and FOR authorization of the proxy to vote upon such other business as may properly come before the meeting and any adjournments or postponements.

PROPOSAL ONE:

ELECTION OF DIRECTORS

The Board currently consists of eight members. At our 2008 annual meeting of stockholders, our stockholders approved a Board-proposed amendment to our charter to declassify the Board and provide for the annual election of directors commencing with the annual meeting of stockholders to be held in 2009. This amendment did not affect the unexpired three-year term of directors elected in 2008. The terms of office for Gene H. Anderson, Edward J. Fritsch, David J. Hartzell, Lawrence S. Kaplan, Sherry A. Kellett and L. Glenn Orr, Jr. will expire at this meeting. Messrs. Anderson, Fritsch, Hartzell, Kaplan and Orr and Ms. Kellett have been nominated as directors to hold office until the 2011 annual meeting of stockholders and until their successors are elected and qualified. The Board recommends a vote FOR each of the nominees as directors to hold office until the expiration of the term for which they have been nominated and until their successors are elected and qualified. Should any one or more of these nominees become unable to serve for any reason, the Board may designate substitute nominees, in which event the person named in the enclosed proxy will vote for the election of such substitute nominee or nominees, or reduce the number of directors on the Board.

Nominees for Election to Term Expiring 2011

Gene H. Anderson, 64, has been a director and senior vice president since our combination with Anderson Properties, Inc. in February 1997 and served as regional manager for our Atlanta and Triad operations until his retirement on June 30, 2009. Mr. Anderson was president of Anderson Properties, Inc. from 1978 to February 1997. Mr. Anderson is a past president of the Georgia chapter of the National Association of Industrial and Office Properties and is a past national board member of the National Association of Industrial and Office Properties. The Board recommends a vote FOR Mr. Anderson given his in-depth experience in acquiring, developing and operating real estate assets, his knowledge of our operations resulting from serving as an executive officer of our company for more than 10 years and the breadth of his contacts throughout the real estate industry.

Edward J. Fritsch, 51, has been a director since January 2001. Mr. Fritsch became our Chief Executive Officer in July 2004 and our President in December 2003. Prior to that, Mr. Fritsch was our Chief Operating Officer from January 1998 to July 2004 and was a Vice President and Secretary from June 1994 to January 1998. Mr. Fritsch joined our predecessor company in 1982 and was a partner of that entity at the time of our initial public offering in June 1994. Mr. Fritsch is a member of the NAREIT board of governors, and its audit committee, director and president of the YMCA of the Triangle, trustee of the North Carolina Symphony, director of Capital Associated Industries, Inc., member of Wachovia Bank's central region advisory board and past chair of the University of North Carolina board of visitors. The Board recommends a vote FOR Mr. Fritsch given his strategic leadership skills, his experience in acquiring, developing and operating real estate assets and his role as our Chief Executive Officer.

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David J. Hartzell, Ph.D., 54, has been a director since February 2009. Dr. Hartzell is a Distinguished Professor in Real Estate at the University of North Carolina's Kenan-Flagler Business School. Prior to joining the University of North Carolina in 1988, Dr. Hartzell was a vice president at Salomon Brothers Inc., a research associate for The Urban Institute and a financial economist for the U.S. Office of the Comptroller of Currency. He is a former president of the American Real Estate and Urban Economics Association. The Board recommends a vote FOR Mr. Hartzell given his expertise related to the construction of institutional real estate portfolios, real estate finance and mortgage-backed securities and his experience in real estate investment banking.

Lawrence S. Kaplan, 67, has been a director since November 2000. Mr. Kaplan is a certified public accountant and retired in 2000 as a partner from Ernst & Young LLP where he was the national director of that firm's REIT Advisory Services group. Mr. Kaplan has served on the NAREIT board of governors and has been actively involved in REIT legislative and regulatory matters. Mr. Kaplan is a director and audit committee chairman of Feldman Mall Properties, Inc., a publicly-traded mall REIT. Mr. Kaplan previously served as a director of Maguire Properties, Inc., a publicly-traded office REIT. The Board recommends a vote FOR Mr. Kaplan given his expertise in tax and accounting matters affecting REITs, his background as a certified public accountant and his experience serving on the boards of a variety of publicly-traded REITs.

Sherry A. Kellett, 65, has been a director since November 2005. Ms. Kellett is a certified public accountant and served as senior executive vice president and corporate controller of BB&T Corporation from 1995 until her retirement in August 2003. Ms. Kellett served as corporate controller of Southern National Corporation from 1991 until 1995 when it merged with BB&T Corporation. Ms. Kellett previously held several positions at Arthur Andersen & Co. Ms. Kellett is a director of MidCountry Financial Corp., a private financial services holding company based in Macon, GA, and is a director of Medical Properties Trust, Inc., a publicly-traded medical office REIT. The Board recommends a vote FOR Ms. Kellett given her experience leading the accounting department of a major financial institution, her background as a certified public accountant, her experience serving on the boards of a financial services company and another publicly-traded REIT and her risk assessment and financial reporting expertise.

L. Glenn Orr, Jr., 69, has been a director since February 1995. Mr. Orr has been president and chief executive officer of Orr Holdings, LLC since 2007 and was the managing director of The Orr Group from 1995 to 2007. Mr. Orr had served as president and chief executive officer of The Orr Group from 1995 to 2006. Mr. Orr was chairman of the board of directors, president and chief executive officer of Southern National Corporation from 1990 until its merger with BB&T Corporation in 1995. He previously served as president and chief executive officer of Forsyth Bank and Trust Co., president of Community Bank in Greenville, S.C. and president of the North Carolina Bankers Association. Mr. Orr is a member of the boards of directors of Medical Properties Trust, Inc., a publicly-traded medical office REIT, General Parts International, Inc., a national auto parts distributor, and Broyhill Management Fund, an investment firm, and he is a past chairman of the Wake Forest University board of trustees. The Board recommends a vote FOR Mr. Orr given his expertise in finance, capital markets and strategic transactions, his experience as chief executive officer and board chairman of a major financial institution and his experience serving on the boards of a variety of publicly-traded REITs.

Incumbent Directors—Term Expiring 2011

Thomas W. Adler, 69, has been a director since June 1994. Mr. Adler is chairman of Playhouse Square Real Estate Services in Cleveland, Ohio. Mr. Adler formerly served on the board of directors of the National Association of Realtors and the boards of governors of the American Society of Real Estate Counselors and NAREIT. Mr. Adler is a trustee of Cleveland State University, past national president of the Society of Industrial and Office Realtors, was actively involved in the Urban Land Institute and serves on several non-profit boards in the Cleveland area. The Board recommended Mr. Adler to serve as a director given his expertise in buying, selling and leasing real estate assets, his

background as a certified real estate broker and the depth of his contacts throughout the real estate industry.

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O. Temple Sloan, Jr., 71, is Chair of the Board, a position he has held since March 1994. Mr. Sloan is chairman of General Parts International, Inc. and Trail Creek Investments, Inc. He is also the lead independent director of Lowe's Companies, Inc., is a director of Golden Corral Corporation and serves on the national executive board of the Boy Scouts of America. Mr. Sloan retired as lead independent director of Bank of America Corporation in May 2009. The Board recommended Mr. Sloan to serve as a director given his expertise in real estate, finance, capital markets and strategic transactions, his experience as founder, chief executive officer and board chairman of one of the largest privately-owned companies in North Carolina, his knowledge of our operations resulting from serving as a director of our company and its predecessors for more than 30 years and his experience serving on the boards of a variety of major, publicly-traded institutions.

CORPORATE GOVERNANCE

Board Independence, Leadership and Other Activities

Under New York Stock Exchange rules, a majority of our directors and all of the members of the audit committee and the compensation and governance committee must be independent. For a director to qualify as independent, in addition to satisfying certain bright-line criteria established by the New York Stock Exchange, the Board must affirmatively determine that the director has no material relationship with us (either directly or as a partner, shareholder or officer of an organization that has a relationship with us). The Board has determined that Ms. Kellett and Messrs. Adler, Hartzell, Kaplan, Orr and Sloan each satisfies the bright-line criteria and that none has a relationship with us that would interfere with such person's ability to exercise independent judgment as a member of the Board. The Board does not believe a lease of office space to a family business controlled by Mr. Sloan entered into in May 2008 for total over-the-term base rent of \$850,000 impairs Mr. Sloan's independence since both parties were represented by licensed real estate brokers and the terms and conditions of the lease were comparable to terms and conditions then prevailing in the competitive marketplace. In addition, none of these directors has ever served as (or is related to) an employee of our company or any of our predecessors or acquired companies or received any compensation from us or any such other entities except for compensation directly related to service as a director. Therefore, we believe that all of these directors, or three-fourths of the Board, are independent.

While Mr. Sloan, an independent director, has served as Chair of the Board since our initial public offering in 1994, the Board has no policy with respect to the separation of the positions of Chair and Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in our best interests for the Board to make a determination at such time in the future when Mr. Sloan is no longer a director.

The principal responsibility of the directors on our Board is to exercise their business judgment to act in what they reasonably believe to be in the best interests of our company and our stockholders. The Board oversees our company's overall strategic planning process, including the implementation and effectiveness of our Strategic Plan. As part of this process, our Board regularly evaluates internal attributes and external threats that could hinder us from achieving our strategic goals and adversely affect the long-term outlook for our stockholders. While the Board oversees management's overall processes to identify and mitigate enterprise risks and capitalize on strategic opportunities, the audit committee is responsible for overseeing the steps management takes to monitor and control financial risk exposures, including management's risk assessment and risk management policies.

Board Meetings and Committees; Annual Meeting Attendance

The Board held four in-person meetings and three conference call meetings in 2009. At each in-person meeting of the Board, our non-management directors meet in executive session. The Chair of the Board (or, in the Chair's absence, another independent director designated by the Chair) presides over such executive sessions. In 2009, each of the

directors attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings of all committees of the Board on which the director served. The Board encourages its members to attend each annual meeting of stockholders. All of our directors attended our 2009 annual meeting.

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Compensation and Governance Committee

Our compensation and governance committee currently consists of Messrs. Orr and Sloan. Mr. Orr serves as chair of the compensation and governance committee. Both members are independent directors.

The compensation and governance committee determines compensation for our executive officers and implements our non-equity and equity incentive plans. In 2009 and 2010, grants of awards to directors and executive officers under our long-term equity incentive plan were also pre-approved by the full Board based on the recommendations of the compensation and governance committee.

The committee also makes recommendations concerning Board member qualification standards, director nominees, director responsibilities and compensation, director access to management and independent advisors and management succession. Our corporate governance guidelines provide that the compensation and governance committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics of Board members as well as the composition of the Board as a whole. This assessment includes consideration as to the members' independence, age, skills and experience in the context of the needs of the Board. The Board also seeks diversity among directors in terms of the factors listed in the preceding sentence. The same criteria are used by the compensation and governance committee in evaluating nominees for directorship. See also "—Director Qualifications, Nominations and Evaluations." The "Investor Relations/Governance Documents" section of our website includes an online version of the compensation and governance committee charter. Our website is located at www.highwoods.com.

The Board is responsible for reviewing any transactions that involve potential conflicts of interest involving executive officers, directors and their immediate family members. Our corporate governance guidelines provide that each director will disclose any potential conflicts of interest to the Chief Executive Officer, who will then address the matter with the Board. In that situation, the potentially conflicted director would recuse himself or herself from all discussions of the Board or any committee related to the conflict, except to the extent the Board or a committee requests the conflicted director to participate. Any vote by the Board or a committee to approve the matter or transaction giving rise to the conflict would be made only upon the approval of a majority of the disinterested directors. Our code of business conduct and ethics expressly prohibits the continuation of any conflict of interest by an employee, officer or director except under guidelines approved by the Board. Because the facts and circumstances regarding potential conflicts cannot be predicted, the Board has not adopted a written policy for evaluating conflicts of interest. In the event a conflict of interest arises, the Board will review, among other things, the facts and circumstances of the conflict, our corporate governance policies, the effects of any potential waivers of those policies, applicable state law, and New York Stock Exchange rules and regulations, and will consider the advice of counsel, before making any decisions regarding the conflict.

During 2009, the compensation and governance committee held three in-person meetings and one conference call meeting.

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Director Qualifications, Nominations and Evaluations. In making any nominee recommendations to the Board, the compensation and governance committee will consider persons recommended by our stockholders so long as the recommendation is submitted to the committee prior to the date that is 120 days before the anniversary of the mailing of the prior year's proxy statement. Nominee recommendations, together with appropriate biographical information, should be submitted to the Chair of the Compensation and Governance Committee, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604. The compensation and governance committee may, in its sole discretion, reject or accept any such recommendation for any reason.

The Board believes that directors who change the professional responsibilities and/or positions they held outside our company when they were elected should offer to resign from the Board. However, the Board does not believe that in every instance directors who retire or change from the positions they held when they were elected to the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, through the compensation and governance committee, to review the continued appropriateness of director membership under the changed circumstances, including the anticipated ongoing value and contribution of the individual director. The Board also believes that it is in our best interests that a director offer to resign at the end of the term after such director's 72nd birthday. Upon receipt of any such offer to resign, the compensation and governance committee will evaluate whether to accept such offer at its next regularly-scheduled meeting and provide its recommendation to the full Board, together with its recommendation for a potential replacement, if applicable. The Board further believes that each director should be generally available to respond to reasonable requests and commitments related to our company and that there is a limit to the number of public company boards of directors upon which a director may serve and meet such an availability requirement. As a result, our corporate governance guidelines provide that none of our directors may serve on more than four other public company boards of directors while serving on our Board.

The Board conducts an annual self-evaluation to determine whether it and its committees are functioning effectively. As part of this process, the compensation and governance committee receives comments from all directors and reports annually to the Board with an assessment of the Board's performance. This assessment is discussed with the full Board following the end of each fiscal year. The assessment focuses on the Board's contribution to our overall success and specifically focuses on areas in which the Board believes that its performance could improve.

For information about our stock ownership guidelines, see “—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Stock Ownership Guidelines.”

Compensation and Governance Committee Interlocks and Insider Participation. Neither of the members of our compensation and governance committee is a current or past employee of our company or any of our predecessors or acquired companies and each was and is an independent director. None of our executive officers currently serves, or in the past three years has served, as a member of the board of directors or compensation committee of another entity that has one or more executive officers serving on our Board or compensation and governance committee.

Compensation and Governance Committee Report. The compensation and governance committee has reviewed and discussed the Compensation Discussion and Analysis included herein with our management. Based on such review and discussions, the compensation and governance committee recommended to our Board that the Compensation Discussion and Analysis be included in this proxy statement for filing with the SEC.

Compensation and Governance Committee

L. Glenn Orr, Jr. (chair)

O. Temple Sloan, Jr.

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Audit Committee

Our audit committee currently consists of Ms. Kellett and Messrs. Kaplan and Hartzell. Mr. Kaplan serves as chair of the audit committee. Each member is an independent director and none has accepted any consulting, advisory or other compensatory fee from us other than as set forth below under “Compensation of Directors and Executive Officers – Director Compensation in 2009.” Further, the Board has determined that each of the foregoing directors is financially literate and two members, Mr. Kaplan and Ms. Kellett, both of whom are certified public accountants, are financial experts.

The audit committee approves the engagement of our independent registered public accounting firm, reviews the plans and results of the audit engagement with such firm, approves professional services provided by such firm, reviews the independence of such firm, approves audit and non-audit fees and reviews the adequacy of our internal control over financial reporting. The audit committee also oversees our internal audit and risk management functions. The “Investor Relations/Governance Documents” section of our website includes an online version of the audit committee charter.

During 2009, the audit committee held four in-person meetings and eight conference call meetings.

Audit Committee Report. The audit committee oversees the financial reporting process on behalf of the Board. Management is responsible for the company’s financial statements and the financial reporting process, including implementing and maintaining effective internal control over financial reporting and for the assessment of, and reporting on, the effectiveness of internal control over financial reporting. The company’s independent registered public accounting firm, Deloitte & Touche LLP, is responsible for expressing opinions on the conformity of the audited financial statements with accounting principles generally accepted in the United States of America and on the effectiveness of the company’s internal control over financial reporting.

In fulfilling its oversight responsibilities, the audit committee has reviewed with management and Deloitte & Touche LLP the company’s audited financial statements for the year ended December 31, 2009 and the reports on the effectiveness of the company’s internal control over financial reporting as of December 31, 2009 contained in the 2009 Annual Report. This review included a discussion of the reasonableness of significant estimates and judgments, the clarity of disclosures in the financial statements and such other matters as are required to be discussed with the committee under generally accepted auditing standards, including, but not limited to, those matters under Statement on Auditing Standards No. 61 (Codification of Statements on Auditing Standards). The audit committee also reviewed and discussed with management and Deloitte & Touche LLP the disclosures made in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Controls and Procedures” included in the 2009 Annual Report.

In addition, the audit committee received written disclosures from Deloitte & Touche LLP that are required by the applicable requirements of the Public Company Accounting Oversight Board regarding the firm’s independence, discussed with Deloitte & Touche LLP the firm’s independence from management and the audit committee and considered the compatibility of any non-audit services rendered by Deloitte & Touche LLP on the firm’s independence.

In reliance on the reviews and discussions referred to above, prior to the filing of the company’s 2009 Annual Report with the SEC, the audit committee recommended to the Board (and the Board approved) that the audited financial statements be included in the Annual Report.

Audit Committee

Lawrence S. Kaplan (chair)

David J. Hartzell

Sherry A. Kellett

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Investment Committee

Our investment committee currently consists of Messrs. Adler, Anderson, Fritsch, Hartzell and Sloan. Mr. Fritsch serves as chair of the investment committee. Pursuant to delegated authority from the Board, the investment committee has overall responsibility for acquisitions, developments, redevelopments and dispositions. The investment committee, which held six conference call meetings in 2009, generally meets on call to review and approve investment transactions.

Hedge Policy Committee

Our hedge policy committee currently consists of Messrs. Kaplan and Orr. Pursuant to delegated authority from the Board, the hedge policy committee establishes policies regarding our interest rate risk management and reviews and approves interest rate hedge contracts. Both members are independent. The hedge policy committee held no meetings in 2009.

Executive Committee

Our executive committee currently consists of Messrs. Adler, Orr, and Sloan. Mr. Fritsch, as our Chief Executive Officer, serves as an ex-officio member of the committee. The executive committee meets on call by the Chair of the Board and may exercise all of the powers of the Board, subject to the limitations imposed by applicable law, the bylaws or the Board. Each member (other than the Chief Executive Officer) is independent. During 2009, the executive committee held four in-person meetings and eight conference call meetings.

Other Stockholder Information

The Board, in its role as primary governing body, provides oversight of our affairs and strives to maintain and improve our corporate governance practices. To this end, we have corporate governance guidelines and a code of business conduct and ethics applicable to directors, officers and employees. We also have a separate code of ethics for our chief executive officer and our senior financial officers. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any amendment to, or any waiver from, a provision of these codes of ethics by posting such information on our website.

The Board has established a process for interested parties, including employees and stockholders, to communicate directly with our independent directors. Written communications may be addressed to the Chair of the Board, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604. The audit committee has also adopted a process for interested parties, including employees and stockholders, to send communications to the audit committee concerning our regulatory compliance, accounting, audit or internal controls issues. Written communications may be addressed to the Chair of the Audit Committee, Highwoods Properties, Inc., 3100 Smoketree Court, Suite 600, Raleigh, North Carolina 27604. Interested parties may also use the toll-free hotline that we have established as part of our code of business conduct and ethics by calling (800) 677-9884.

The “Investor Relations/Governance Documents” section of our website includes online versions of our corporate governance guidelines, code of business conduct and ethics, code of ethics for our Chief Executive Officer and senior financial officers, audit committee charter and compensation and governance committee charter.

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Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Stock Ownership Guidelines. Our compensation and governance committee has established the following stock ownership guidelines:

Position	Multiple (in dollars)
Corporate Executive Officers	5x Base Salary
Divisional Vice Presidents and Other Officers	2x Base Salary
Directors	3x Base Annual Retainer

Pursuant to a policy adopted by our Board effective January 1, 2009, our directors and officers may not directly or indirectly engage in any transactions pursuant to which shares of common stock or units of limited partnership interest in Highwoods Realty Limited Partnership, our operating partnership, are held in margin accounts or otherwise pledged to secure personal loans or lines of credit or similar forms of indebtedness without the prior consent of the compensation and governance committee. None of our officers or directors has pledged shares of common stock as collateral, except that Mr. Anderson pledged 400,000 operating partnership units and 65,000 shares of common stock to secure a personal line of credit prior to adoption of this policy.

Beneficial Ownership Table. The following table sets forth the beneficial ownership of our common stock as of March 2, 2010 for each person serving as a director or executive officer as of December 31, 2009 and such directors and executive officers as a group. The table also sets forth the beneficial ownership of our common stock as of December 31, 2009 for each person or group known to us to be holding more than 5% of our common stock.

Name of Beneficial Owner	Number of Shares Beneficially Owned	Percent of All Shares (1)
O. Temple Sloan, Jr.	275,513	*
Edward J. Fritsch	796,782	1.1%
Thomas W. Adler	57,797	*
Gene H. Anderson	953,084	1.3%
David J. Hartzell	6,801	*
Lawrence S. Kaplan	25,900	*
Sherry A. Kellett	20,012	*
L. Glenn Orr, Jr.	25,472	*
Terry L. Stevens	195,104	*
Michael E. Harris	215,824	*
Jeffrey D. Miller	83,019	*
W. Brian Reames	73,805	*
BlackRock, Inc. (2)	6,304,197	8.9%
FMR LLC (3)	5,810,971	8.2%
ING Clarion Real Estate Securities, L.P. (4)	8,179,095	11.5%
Nomura Asset Management Co. Ltd. (5)	4,667,019	6.6%
Stichting Pensioenfonds ABP (6)	5,483,913	7.7%
The Vanguard Group, Inc. (7)	6,882,040	9.7%
All executive officers and directors as a group (12 persons)	2,729,113	3.7%

* Less than 1%

(1) The total number of shares outstanding used in calculating this percentage assumes that no operating partnership units or stock options held by other persons are exchanged for shares of common stock.

- (2) BlackRock, Inc. is located at 40 East 52nd Street, New York, NY 10022. According to Schedule 13G filed with the SEC, BlackRock, Inc. announced on December 1, 2009 that it had completed its acquisition of Barclays Global Investors from Barclays Bank PLC.

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- (3) FMR LLC is located at 82 Devonshire Street, Boston, MA 02109. FMR LLC is the parent holding company of Fidelity Management & Research Company, Real Estate Investment Portfolio, FIL Limited, Pyramis Global Advisors Trust Company and Pyramis Global Advisors, LLC, which are investment advisers for a variety of segregated Fidelity mutual funds and indices.
- (4) ING Clarion Real Estate Securities, L.P. is located at 201 King of Prussia Rd. Suite 600, Radnor, PA 19087. To ensure that such holder and its affiliates do not violate the 9.8% ownership limit under our charter, the executive committee of the Board has agreed, subject to limitations, to permit such holder and its affiliates to acquire up to an aggregate of 12% of our outstanding common stock without further Board approval.
- (5) Nomura Asset Management Co., Ltd. is located at 1-12-1, Nihonbashi, Chuo-ku, Tokyo, Japan 103-8260.
- (6) Stichting Pensioenfonds ABP is located at Oude Lindestraat 70, Postbus 2889, 6401 DL Heerlen, The Netherlands.
- (7) The Vanguard Group, Inc. is located at 100 Vanguard, Blvd., Malvern, PA 19355.

Equity Compensation Plans. The table set forth below provides information as of December 31, 2009 with respect to shares of common stock that may be issued under our existing equity compensation plans.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options	Weighted Average Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (1)
Equity Compensation Plans Approved by Stockholders	1,467,773	\$ 27.15	3,000,000
Equity Compensation Plans Not Approved by Stockholders (2)	--	--	48,775

(1) Excluding securities reflected in the column entitled "Number of Securities to be Issued upon Exercise of Outstanding Options."

(2) Consists of our employee stock purchase plan, under which all employees may contribute a portion of their compensation to acquire shares of our common stock at a 15% discount. See Proposal Three for a proposal to approve an increase in the number of shares available for purchase thereunder.

Section 16(a) Beneficial Ownership Reporting Compliance

Each director and executive officer is required to file with the SEC, by a specified date, reports regarding his or her transactions involving our common stock. To our knowledge, based solely on the information furnished to us and written representations that no other reports were required, our current directors and executive officers complied with all such filing requirements during 2009, with the exception of a sale by Mr. Fritsch, where the required information was timely submitted but the Form 4 was not made available on the SEC's website until one day after the required due date because of the technological difficulties of a third party vendor.

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COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Compensation Discussion and Analysis

The following is a discussion and analysis of the compensation of our principal executive officer, our principal financial officer and the next three most highly compensated executive officers during 2009, which we collectively refer to as the “Named Executive Officers”:

Edward J. Fritsch	President and Chief Executive Officer
Terry L. Stevens	Senior Vice President and Chief Financial Officer
Michael E. Harris	Executive Vice President and Chief Operating Officer
Jeffrey D. Miller	Vice President, General Counsel and Secretary
W. Brian Reames	Senior Vice President

Compensation Decision-Making. Our compensation and governance committee generally sets our compensation philosophy with respect to all of our officers, including Named Executive Officers. For additional information about our compensation and governance committee, see “Corporate Governance—Compensation and Governance Committee.” Actual compensation decisions with respect to Mr. Fritsch are made solely by the committee generally at the beginning of each year. Actual compensation decisions with respect to our other Named Executive Officers are made by the committee generally at the beginning of each year after receiving input from Mr. Fritsch. In 2009, grants of awards to directors and executive officers under our long-term equity incentive plan were also pre-approved by the full Board based on the recommendations of the compensation and governance committee.

Our current executive compensation program is based upon extensive input from Mercer Human Resource Consulting, which the compensation and governance committee retained in 1999, 2004 and 2007 to review our existing compensation practices and suggest changes based on recent trends and developments impacting executive officer compensation and its best practices knowledge. Neither the compensation and governance committee nor management has engaged a compensation consultant since 2007.

Other than Mr. Harris, none of our Named Executive Officers has an employment agreement with us. We entered into a three-year employment contract with Mr. Harris on July 1, 2004. The contract is thereafter extended automatically for additional three-year periods unless we give notice to Mr. Harris during the 60-day period ending one year prior to expiration of the contract. Mr. Harris may terminate the contract at any time upon 30 days’ prior written notice to us. The contract provides for a minimum annual base salary of \$305,000 for Mr. Harris, which may be increased by the committee.

We have change in control contracts with each of Messrs. Fritsch, Stevens, Harris and Miller that provide for payments and benefits to such officers upon an actual or constructive termination within 36 months from the date of a change in control. Mr. Reames would also be eligible to receive certain payments and benefits upon an actual or constructive termination within 12 months from the date of a change in control pursuant to an arrangement we have in place covering other employees. For additional information, see “Change in Control Arrangements” in this Compensation Discussion and Analysis and “—Post-Employment Compensation.”

Section 162(m) of the Internal Revenue Code generally denies a deduction for compensation in excess of \$1 million paid to certain executive officers, unless certain performance, disclosure and stockholder approval requirements are met. Option grants and certain other awards are intended to qualify as “performance-based” compensation not subject to the Section 162(m) deduction limitation. The committee believes that a substantial portion of compensation earned

under our compensation program would be exempted from the \$1 million deduction limitation. The committee's intention is to qualify, to the extent reasonable, a substantial portion of each executive officer's compensation for deductibility under applicable tax laws.

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Compensation Objectives and Components. Compensation for our officers, including Named Executive Officers, is based largely on the following principles:

- variable compensation is a significant part of compensation with the percentage at-risk increasing at higher levels of responsibility;
- differences in executive compensation should reflect differing levels of responsibility and performance within our organization;
- employee stock ownership aligns the interests of officers and stockholders and results in officers sharing financially in the successes and shortcomings of our company based in part upon their responsibility, overall impact and assessed contribution;
- performance-based compensation focuses officers on strategic business objectives and aligns pay with performance through performance-leveraged incentive opportunities; and
- compensation must be competitive with that offered by other companies that compete with us to attract and retain the best possible executive talent.

A key factor in determining levels of compensation is the pay practices of publicly-traded, suburban office REITs with comparable revenues. Our peer group consists of the following REITs, which our Board and management believe to be most comparable to our company in terms of property type, class and condition of buildings, types of geographic markets and capital structure:

- Brandywine Realty Trust;
- Corporate Office Properties Trust;
 - Duke Realty Corp.;
 - Kilroy Realty Corp.;
 - Liberty Property Trust;
- Mack-Cali Realty Corp.; and
- Parkway Properties, Inc.

Publicly-available data from the peer group was considered in determining the proportions of base salary, bonuses, annual non-equity incentive compensation and equity incentive compensation, as well as targeted total compensation. Differences in market capitalization between the peer group companies and our company are considered. Overall compensation is intended to be at, above or below competitive levels depending upon our performance relative to our targeted performance and the performance of our peer group.

Our compensation and governance committee does not believe that we have compensation policies or practices that create risks that are reasonably likely to have a material adverse effect on our company. Other than as described below, we have no compensation policy or program that rewards employees solely on a transaction-specific basis. As discussed under “—Development Incentive Plan,” we have a development cash incentive plan pursuant to which certain of

our regional and division managers and other regional and division operations personnel can receive a cash payout from a development incentive pool. The amount of funds available to be earned under the plan depends upon the timing and cash yields of a qualifying development project, but can be up to \$100,000 per speculative development and \$150,000 per build-to-suit development (which such funds would be included in the pro forma budget for the project if applicable). The program does not create an inappropriate risk because all development projects must be approved in advance by our senior management and the investment committee of our Board, whose members are not eligible to receive such incentives. We also pay our in-house leasing representatives commissions for signed leases in accordance with customary market practices. The payment of leasing commissions does not create an inappropriate risk because leases must be executed by an officer of our company, none of whom are eligible to receive any such commissions. Generally, lease transactions of a particular size or that contain certain terms or conditions that are inconsistent with certain guidelines also must be approved in advance by our senior management. Additionally, we have an internal guideline whereby the Board must approve in advance any customer who would account for more than 3% of our annualized revenues on a pro forma basis. Currently, no customer accounts for more than 3% of our annualized revenues other than the federal government, which accounts for 8.9% of our annualized revenues, and AT&T, which accounts for 3.4% of our annualized revenues.

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Base Salary. Base salaries for all of our employees are determined by position, which takes into consideration the scope of job responsibilities and competitive market compensation paid by other companies for similar positions. Base salaries are also driven by market competition to attract and retain high quality employees. Our overall approach to setting base salaries is to create and sustain long-term stockholder value by balancing our need to retain high-quality professionals while controlling the annual growth of our general and administrative expenses. Under guidelines established by our compensation and governance committee, the target for total cash compensation of Named Executive Officers is approximately the 50th percentile compared to our peer group.

Given the challenging U.S. economic environment, relatively high unemployment rates and a lack of significant inflationary pressures on cost of living and other relevant metrics in our markets, the compensation and governance committee approved management's recommendation that officer base salaries not be increased for 2009 or 2010.

Annual Non-Equity Incentive Program. In 2009, all of our officers, including Named Executive Officers, participated in our annual non-equity incentive program pursuant to which they were eligible to earn cash payments (which were paid in March 2010) based on a percentage of their annual base salary in effect for December 2009. Under this component of our executive compensation program, officers are eligible to earn additional cash compensation to the extent specific performance-based metrics are achieved during the most recently completed year. The position held by each officer has a target annual incentive percentage. For 2009, the target annual incentive percentage was 130% for Mr. Fritsch, 95% for Mr. Harris, 90% for Mr. Stevens, 75% for Mr. Miller and 65% for Mr. Reames. In addition to considering the pay practices of our peer group in determining each officer's annual incentive percentage, the committee also considers the individual officer's ability to influence our overall performance. The more senior the position within the company, the greater the portion of compensation that varies with performance.

The amount an officer may earn under the annual non-equity incentive compensation program is the product of the target annual incentive percentage times an "actual performance factor," which can range from zero to 200%. The actual performance factor depends upon the relationship between actual performance in specific areas at each of our divisions and predetermined goals. For Messrs. Fritsch, Harris, Stevens and Miller, who served as corporate executives during 2009, the actual performance factor was based on the goals and criteria applied to our performance as a whole. For Mr. Reames, who serves as regional manager for our Nashville and Greenville operations, his actual performance factor depends upon the performance of our Nashville operations and our performance as a whole. Participants in our annual non-equity incentive program receive quarterly statements throughout the year that illustrate our forecasted performance under the varying criteria, which we believe is an important tool in keeping our employees focused on achieving our strategic goals.

The components and weighting of each year's metrics, which are set by the compensation and governance committee prior to or near the beginning of each year as part of our budgeting and strategic planning process, are intended to closely match our company's overall operating and financial goals and provide our officers with direct "line of sight" to focus their individual efforts on the achievement of the metrics. The performance criteria for officers during 2009, which were equally weighted, were the following:

- per share FFO excluding any gains or impairments associated with depreciable properties or joint venture interests and any unusual charges or credits that may occur and excluding the impact of financing activities and building dispositions closed in 2009 (given the volatility in the capital markets during the year);
 - net operating income; and
 - average occupancy.

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At the beginning of 2009, the compensation and governance committee set the following threshold, target and maximum levels with respect to each of the factors:

Factor	Threshold (50%)	Target (100%)	Maximum (200%)
Per Share FFO	97% of Budget	100% of Budget	103% of Budget
Net Operating Income	97% of Budgeted Net Operating Income	100% of Budgeted Net Operating Income	104% of Budgeted Net Operating Income
Average Occupancy	99% of Budgeted Average Occupancy	100% of Budgeted Average Occupancy	101% of Budgeted Average Occupancy

If the threshold level is not satisfied with respect to a particular factor, the actual performance factor would be zero with respect to that factor. If performance exceeds the threshold level but does not satisfy the target level, the actual performance factor would range on a sliding scale between 50% and 100% with respect to that factor. If performance is between the target level and the maximum level, the actual performance factor would range on a sliding scale between 100% and 200% with respect to that factor. The performance factor used to determine the amount an executive could earn in 2009 under the annual non-equity incentive program was the average of the three factors. Notwithstanding the formulas described above, our compensation and governance committee has retained the discretion and flexibility to increase or decrease the actual performance factor with respect to any particular year and/or any particular officer to more appropriately reflect, in the committee's sole judgment, actual performance, market conditions, unanticipated circumstances and other factors. While the actual performance factor under the 2009 non-equity incentive program was 157% for corporate executives, including Messrs. Fritsch, Stevens, Harris and Miller, the compensation and governance committee approved management's recommendation that payouts be capped for such officers at 150%. For 2009, the actual performance factor under the non-equity incentive program was 158% for Mr. Reames.

The performance criteria for officers during 2010, which are equally weighted, are the following:

- per share FFO excluding any gains or impairments associated with depreciable properties or joint venture interests and any unusual charges or credits that may occur;
- net operating income (on a division-by-division basis) excluding any unusual charges or credits that may occur and including a capital charge/credit applied with respect to any investment activity; and
- average occupancy.

The compensation and governance committee has set threshold, target and maximum levels with respect to each of the factors. The following table sets forth information about the metrics and actual performance factors under our annual non-equity incentive program for 2010:

Factor	Threshold (50%)	Target (100%)	Maximum (200%)
Per Share FFO	\$ 2.33	\$ 2.45	\$ 2.69
Net Operating Income	1% Growth	3% Growth	7% Growth
Average Occupancy	85.6 %	91.5 %	94.0 %

For 2010, the compensation and governance committee is basing net operating income on year-over-year growth rather than a comparison to budget in order to incentivize and reward year-over-year growth in actual net operating income. With respect to average occupancy, the committee decided that officers should not be eligible to earn the target level in 2010 unless average occupancy is at least 91.5%, which the committee believes is a par level for normalized average occupancy based on historical performance.

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Equity Incentive Compensation—Overview. Our officers, including our Named Executive Officers, are eligible to receive equity incentive compensation that promotes our long-term success by aligning their interests with the interests of our stockholders. The equity incentive awards provide the executive officers with an ownership interest in our company and a direct and demonstrable stake in our success to the extent of their position, responsibility, overall impact and assessed contribution. We have adopted stock ownership guidelines for all of our officers. For additional information, see “Corporate Governance – Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.”

Our compensation and governance committee authorizes a mix of stock options and restricted stock awards to Named Executive Officers valued at amounts generally ranging in the aggregate from 85% to 295% of their annual base salary depending upon position within our company. Such values are determined using the fair market value of our common stock as of the grant date and, with respect to performance-based awards, assume achievement of targeted levels of performance. The mix consists of 20% in stock options, 40% in time-based restricted stock and 40% in restricted stock that vests after a three-year period only to the extent we achieve pre-determined strategic targets and/or total return of our common stock. Dividends received on restricted stock are non-forfeitable and are paid at the same rate and on the same date as on shares of our common stock. For the past 10 years, such percentage amount has generally remained constant at 295% for our Chief Executive Officer, 180% for our Chief Operating Officer, Chief Financial Officer and General Counsel and 85% for our regional Senior Vice President. Such awards are generally issued on or about March 1 of each year.

Equity Incentive Compensation—Stock Options. The compensation and governance committee believes that stock option awards are an important and useful component of our equity incentive compensation program. Like restricted stock, stock options offer the potential to realize additional compensation in the future upon increases in the price of our common stock. Stock options differ from restricted stock in several key areas. First, the receipt of stock options is generally not taxable to holders until exercise, at which time there is typically cash available to the holder as a result of the sale of shares acquired upon exercise to pay the tax. Second, stock option exercises generally have a positive impact on our cash flows from financing activities. Third, holders of stock options, unlike restricted stock, are not entitled to receive dividends. Stock options issued in 2009 and 2010, which expire after seven years, vest ratably on an annual basis over four years. If an officer dies or becomes disabled, except as provided under our retirement plan, unexercised stock options generally are forfeited within six months. If an officer otherwise leaves our employ for any reason other than for cause, except as provided under our retirement plan, unexercised stock options generally are forfeited three months after termination of employment. If an officer’s employment is terminated for cause, unexercised stock options are forfeited upon termination of employment.

Equity Incentive Compensation—Time-Based Restricted Stock. The compensation and governance committee believes that the issuance of time-based restricted stock is an important retention device and serves to deter our officers from seeking other employment opportunities. Time-based restricted stock vests ratably on an annual basis over a four-year term. If an officer leaves our employ at any time before the fourth anniversary of the date of grant, unvested shares generally are forfeited except in the event of death, disability or as otherwise provided under our retirement plan.

Equity Incentive Compensation—Total Return-Based Restricted Stock. The compensation and governance committee believes the issuance of total return-based restricted stock directly aligns the interests of our officers with stockholder interests. One of our principal goals is to provide our stockholders with attractive risk-adjusted returns on their investment through the consistent payment of quarterly dividends and stock price appreciation. Total return is defined as the sum of stock price appreciation plus reinvested dividends over the stock value at the beginning of the applicable period.

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Shares of total return-based restricted stock issued in 2009 and 2010 will generally vest only to the extent our absolute total return for the applicable three-year period ending December 31st is at least 22%. Accordingly, if our absolute total return is not at least 22%, all of the total return-based restricted stock will be forfeited at the end of the period, except as otherwise described below. If our absolute total return ranges between 22% and 44%, the percentage of total return-based restricted stock that vests will range between 50% and 100%. If our absolute total return ranges between 44% and 88%, all of the total-return based restricted stock will vest and we will issue an amount of additional shares up to 150% of the original total return-based restricted stock award. These additional shares, if any, would be fully vested when issued. Notwithstanding the foregoing, if our total return is not at least 22% but our total return index exceeds 100% of the peer group total return index, then 50% of the total return-based restricted stock will vest at the end of the applicable period. If an officer leaves our employ at any time before the end of the three-year cycle, all of the total return-based restricted stock generally will be forfeited except as provided under our retirement plan.

Employee Benefits and Perquisites. Each officer receives the same company-wide benefits as are generally available to all other salaried employees, such as short- and long-term disability insurance, basic life insurance and eligibility for supplemental health and life insurance, access to flexible health care reimbursement accounts and 401(k) matching. Officers participate in the same company-wide health insurance program, except that we pay an officer's family premium. Additionally, officers are entitled to receive additional annual perquisites not widely available to all salaried employees, typically items such as a car allowance and, subject to limitations, reimbursement for personal financial consulting services and the costs of a physical exam not otherwise covered by our health insurance. We also reimbursed Mr. Fritsch on a tax grossed-up basis for supplemental life insurance coverage during 2009.

In 2009, each officer could elect to defer all or a portion of his base salary, bonus and/or amounts paid under our annual non-equity incentive plan, which was then invested in unrelated mutual funds under our non-qualified deferred compensation plan. The investment options under the deferred compensation plan are identical to the investment options available to all employees under our Salary Deferral and Profit Sharing Plan, except that the funds remain assets of our company until payout. Payout elections, which are made at the discretion of each participant, must be made during or prior to the year in which the deferral occurs, as required by applicable income tax regulations. We indefinitely suspended this option to defer compensation earned beginning January 1, 2010.

Change in Control Arrangements. We have change in control agreements with Messrs. Fritsch, Stevens, Harris and Miller that provide benefits to such officers in the event of actual or constructive termination of employment within a three-year period after a change in control involving our company. Mr. Reames would also be eligible to receive certain payments and benefits upon an actual or constructive termination within a one-year period after a change in control pursuant to an arrangement we have in place covering other employees. Our compensation and governance committee believes the benefits payable upon a termination of employment following a change in control are reasonable relative to similar arrangements involving executive officers of our peer companies and are important to ensure the retention and focus of key employees in the event our Board determines that pursuing a potential change in control is in our stockholders' best interest.

Retirement Plan. We have a retirement plan applicable to all employees who, at the time of retirement, have at least 30 years of continuous qualified service or are at least 55 years old and have at least 10 years of continuous qualified service. Subject to one-year advance written notice and execution of a non-compete agreement with us, eligible retirees would be entitled to receive a pro rata amount of the annual non-equity incentive compensation earned during the year of retirement. Stock options and time-based restricted stock granted to such eligible retiree during his or her employment would be non-forfeitable and vest according to the terms of their original grants. Eligible retirees would also be entitled to retain any performance-based and total return-based restricted stock originally granted to such eligible retiree during his or her employment that subsequently vests after the retirement date according to the terms of

their original grants. Mr. Harris is currently eligible to receive benefits under this plan in the event of retirement.

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Development Incentive Plan. We have a development cash incentive plan pursuant to which certain of our regional and divisional managers, such as Mr. Reames, and other regional and divisional operations personnel can receive a cash payout from a development incentive pool. The purpose of this plan is to motivate such employees to pursue accretive development opportunities that would create long-term value for our stockholders. The amount of funds available to be earned under the plan depends upon the timing and cash yields of a qualifying development project, but can be up to \$100,000 per speculative development and \$150,000 per build-to-suit development. Our Executive Vice President and Chief Operating Officer, Mr. Harris, is authorized to determine actual payouts made to individual employees under this plan based on the contribution of employees in securing new, accretive development projects. The plan only applies to new development projects approved by our investment committee on or after January 1, 2006. Mr. Reames did not earn any payouts under this plan in 2009.

Summary Compensation

The following table sets forth information concerning the compensation of the Named Executive Officers:

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Nonqualified Non-Equity Deferred Incentive Option Compensation Plan			All Other Compensation	Total
					Awards (1)	Earnings (2)	Compensation (3)		
Edward J. Fritsch President and CEO	2009	\$ 540,750	--	\$ 937,882	\$ 227,887	\$ 191	\$ 1,054,461	\$ 669,476	\$ 3,430,647
	2008	\$ 538,391	--	\$ 1,279,995	\$ 319,043	\$ 617	\$ 1,179,994	\$ 679,741	\$ 3,997,781
	2007	\$ 478,312	--	\$ 5,040,083	\$ 263,953	\$ 581	\$ 877,859	\$ 655,532	\$ 7,316,320
Terry L. Stevens Senior Vice President and CFO	2009	\$ 339,900	--	\$ 359,728	\$ 87,403	\$ 1,278	\$ 458,865	\$ 104,426	\$ 1,351,600
	2008	\$ 338,417	--	\$ 490,908	\$ 122,363	\$ 1,180	\$ 513,492	\$ 86,234	\$ 1,552,594
	2007	\$ 293,345	--	\$ 360,911	\$ 96,406	\$ 1,112	\$ 382,013	\$ 74,720	\$ 1,208,507
Michael E. Harris Executive Vice President and COO	2009	\$ 360,500	--	\$ 381,519	\$ 92,700	\$ 466	\$ 513,712	\$ 141,896	\$ 1,490,793
	2008	\$ 358,927	--	\$ 520,665	\$ 129,779	\$ 762	\$ 574,869	\$ 145,044	\$ 1,730,046
	2007	\$ 340,628	\$ 50,000	\$ 1,711,851	\$ 121,741	\$ 1,042	\$ 427,675	\$ 145,408	\$ 2,798,345
Jeffrey D. Miller Vice President, General Counsel and Secretary	2009	\$ 258,788							
	2008	\$ 257,659							