

Highwoods rejects Capital's buyout offer

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Capital Partners Inc.'s buyout offer for **Highwoods Properties** has been rejected, but it has created a flurry of interest in a potential deal among analysts and Highwoods shareholders.

Orlando-based Capital Partners, which is the eighth-largest commercial property manager in Jacksonville, offered \$36 per share for Highwoods for a proposed purchase price of about \$4.4 billion, including slightly more than \$2 billion in debt.

Highwoods (NYSE: HIW) shares hit a 52-week high of \$34.96 Thursday, then topped it in early trading Friday when they hit \$36.40.

Bill Evans, Capital's Jacksonville-based chief operating officer, said there has been no contact between Capital and Highwoods since the Highwoods board rejected the offer and ruled out further discussions. But Capital has heard from both industry analysts and Highwoods shareholders.

"Most analysts and shareholders think it should at least be pursued further -- if not directly with us, then with other potential buyers," Evans said. "They should be open to cash offers."

Capital Partners President Jim Heistand is no stranger to Highwoods. Heistand sold his company, Associated Capital Partners, and his portfolio of Florida office properties to Highwoods for \$622 million about nine years ago. The deal,

essentially a merger, ranks among the largest the Raleigh, N.C., real estate investment trust has ever put together.

As part of the transaction, Highwoods hired Heistand to oversee its Florida operations and gave him a seat on the company's board of directors, where he served on the investment committee.

Heistand resigned from the post after only 18 months, attributing his departure to a desire to run his own company.

Heistand later repurchased a number of his Jacksonville properties from Highwoods, then moved on to develop medical properties across the U.S., turning his Dasco Cos. into a profitable venture. He sold that company for \$232 million in 2004 to **CNL Retirement Properties Inc.**

Capital Partners, Heistand's latest venture, bought Highwoods' Charlotte, N.C., office buildings along with 15 other office buildings in Tampa for \$228 million in July, followed in November by a \$143 million purchase of noncore Highwoods properties in Georgia, South Carolina and Florida.