

FOR IMMEDIATE RELEASE

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Highwoods Reports Third Quarter 2016 Results

\$0.32 Net Income per Share

\$0.82 FFO per Share

(Including \$0.03 Net Impact from Land Sale Gains and Property Acquisition Costs)

Grew Same Property Cash NOI 6.6%

Achieved 3.1% Cash Rent Growth on 2nd Gen Office Leases Signed

Issued 1.5M Shares for \$80.5M in Net Proceeds

Ended Quarter with 4.8x Debt/EBITDA Ratio

Announced 100% Pre-Leased Build-to-Suit in Richmond

87,000 Square Foot Headquarters/MOB

\$29.1M Total Investment

Acquired Charter Square in CBD Raleigh

243,000 Square Feet, 70% Leased

\$83.5M Total Investment

Updates 2016 FFO Outlook to \$3.26 to \$3.28 per Share

Previously \$3.20 to \$3.28 per Share

RALEIGH, NC – October 25, 2016 – Highwoods Properties, Inc. (NYSE:HIW) today reported its third quarter 2016 financial and operating results.

Ed Fritsch, President and CEO, stated, “*We had another solid quarter, generating 2.8% year-over-year growth in net income per share and 7.7% year-over-year growth in FFO per share. This solid FFO growth comes atop an even further fortified balance sheet. Specifically, when compared to June 30 of last year (before we announced our plan to exit Country Club Plaza), we have driven leverage down from 42% to 35% and driven our debt-to-EBITDA from 5.5 times to 4.8 times.*”

Mr. Fritsch said, “*We continue to see sound business conditions. Compared to the third quarter of 2015, same property cash NOI was up 6.6% and same property average occupancy was up 80 basis points. We leased 867,000 square feet of second generation office space with robust GAAP rent growth of 20.7% and positive cash rent growth of 3.1%.*”



Mr. Fritsch added, “During the quarter, we also announced a 100% pre-leased build-to-suit in Richmond for \$29.1 million, acquired Charter Square in CBD Raleigh for \$83.5 million and raised \$80.5 million of equity under our ATM program, demonstrating our commitment to being a conservative and disciplined allocator of our shareholders’ capital.”

Third Quarter 2016 Highlights

Operations:

- Earned net income of \$0.32 per share
- Earned FFO of \$0.82 per share
- Grew same property cash NOI by 6.6% year-over-year

Leasing Activity:

- Leased 867,000 square feet of second generation office at a dollar weighted average term of 7.2 years
- Achieved GAAP rent growth of +20.7% and cash rent growth of +3.1% on second generation office leases signed
- Grew average in-place office cash rents per square foot by 3.7% year-over-year

Investment Activity:

- Acquired Charter Square, a 243,000 square foot office tower in CBD Raleigh, for a total investment of \$83.5M
- Announced \$29.1M, 100% pre-leased build-to-suit for Virginia Urology in Richmond
- Acquired fee simple title to the land beneath the Company’s EQT Plaza building in Pittsburgh for \$18.5M, which eliminates \$1.1M of annual ground lease payments
- Acquired a 0.6-acre development parcel in CBD Raleigh for \$5.8M (will support up to 300,000 square feet)
- Sold 14.8 acres of non-core land in Tampa for \$6.8M, generating a gain of \$3.9M (included in FFO)

Financing Activity:

- Reduced credit facility balance from \$283M to \$28M at the end of the third quarter
- Issued 1,547,000 shares of common stock through the Company’s ATM program at an average gross sales price of \$52.79 per share, raising net proceeds of \$80.5M
- Drew \$75M under term loan facility at an interest rate of LIBOR plus 110 bps, and the Company plans to draw the remaining \$75M during the fourth quarter
- Ended the quarter with a debt-to-EBITDA ratio of 4.8x and a leverage ratio (including preferred stock) of 34.6%

Special Cash Dividend

The Company continues to anticipate paying a special cash dividend of \$0.75 to \$1.00 per share no later than January 31, 2017 to stockholders of record no later than December 31, 2016. The exact amount of the special dividend, which depends upon a variety of factors such as the amount and characterization of cash receipts and outlays throughout the remainder of the year, will be finalized by the end of 2016.

Third Quarter and Nine Month 2016 Financial Results

For the third quarter of 2016, net income available for common stockholders (“net income”) was \$32.0 million, or \$0.32 per diluted share, compared to net income of \$29.7 million, or \$0.31 per diluted share, for the third quarter of 2015. For the first nine months of 2016, net income was \$496.4 million, or \$5.08 per diluted share, which included \$4.28 per share of gains on land sales and sales of depreciable properties. For the first nine months of 2015, net income was \$74.2 million, or \$0.79 per diluted share.



For the third quarter of 2016, funds from operations available for common stockholders (“FFO”) was \$84.1 million, or \$0.82 per diluted share, compared to FFO of \$74.8 million, or \$0.77 per diluted share, for the third quarter of 2015. For the first nine months of 2016, FFO was \$247.7 million, or \$2.46 per diluted share, compared to FFO of \$218.9 million, or \$2.26 per diluted share, for the first nine months of 2015.

Except as noted below, the following items were included in the determination of net income and FFO for the three and nine months ended September 30, 2016 and 2015:

	Three Months Ended 9/30/2016		Three Months Ended 9/30/2015	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 350	\$ 0.003	\$ 965	\$ 0.010
Straight-Line Rental Income (1)	5,140	0.050	5,688	0.058
Capitalized Interest	2,003	0.020	1,515	0.016
Property Acquisition Costs	(751)	(0.007)	(946)	(0.010)
Land Sale Gains	3,902	0.038	491	0.005
Gains on Disposition of Depreciable Properties (2)	-	-	6,521	0.067
Our Share of Unconsolidated Affiliate Gains on Disposition of Depreciable Properties (2)	1,842	0.018	-	-
Gain on Disposition of Investment in Unconsolidated Affiliate (2)	-	-	4,155	0.043

	Nine Months Ended 9/30/2016		Nine Months Ended 9/30/2015	
	(000)	Per Share	(000)	Per Share
Lease Termination Income, Net (1)	\$ 2,308	\$ 0.023	\$ 1,221	\$ 0.013
Straight-Line Rental Income (1)	18,518	0.184	16,495	0.170
Capitalized Interest	5,731	0.057	4,947	0.051
Property Acquisition Costs	(751)	(0.007)	(1,004)	(0.010)
Losses on Debt Extinguishment	-	-	(220)	(0.002)
Land Sale Gains	5,245	0.052	1,434	0.015
Our Share of Unconsolidated Affiliates Land Sale Gains	170	0.002	1,066	0.011
Gains on Disposition of Depreciable Properties (2)	423,411	4.207	9,147	0.094
Our Share of Unconsolidated Affiliates Gains on Disposition of Depreciable Properties (2)	2,173	0.022	946	0.010
Gain on Disposition of Investment in Unconsolidated Affiliate (2)	-	-	4,155	0.043

(1) Straight-line rental write-offs related to lease terminations are reflected as a reduction of lease termination income.

(2) Not included in the determination of FFO.

2016 Outlook

The Company has updated its 2016 FFO outlook to \$3.26 to \$3.28 per share from \$3.20 to \$3.28 per share. The Company noted its updated outlook includes the impact of land sale gains (+\$0.04) and acquisition costs (-\$0.01) recorded in the third quarter.

This outlook reflects management’s view of current and future market conditions, including assumptions such as rental rates, occupancy levels, operating and general and administrative expenses, weighted average diluted shares outstanding and interest rates. This outlook does not include any effects related to potential acquisitions and dispositions that may occur after the date of this release. Factors that could cause actual 2016 FFO results to differ materially from Highwoods



current expectations are discussed below and are also detailed in the Company's 2015 Annual Report on Form 10-K and subsequent SEC reports.

Management's outlook for 2016 includes the following assumptions:

	Low	High
Growth in Same Property Cash NOI	4.75%	5.25%
Straight-Line Rental Income	\$23M	\$25M
G&A Expenses (1)	\$38.5M	\$39.5M
Year-End Occupancy (2)	92.3%	93.0%
Weighted Average Diluted Shares and Units Outstanding (3)	101.3M	101.4M
Dispositions (4) (5)	\$702M	\$702M
Acquisitions (5)	\$117M	\$117M
Development Announcements	\$70M	\$200M

- (1) Includes (a) \$0.8 million of acquisition costs recorded during the third quarter and (b) \$1.4 million of severance and related costs recorded during the first quarter due to the closure of the Company's Kansas City division office that are reflected in income from discontinued operations.
- (2) Reduced projected year-end occupancy by 20 basis points due to the impact of acquiring Charter Square, which is 65% occupied.
- (3) There were 103.1 million diluted shares and units outstanding at September 30, 2016.
- (4) Includes our share of gross proceeds from the sale of certain joint venture-owned properties of \$10 million.
- (5) Includes land.

Supplemental Information

The Company's third quarter 2016 Supplemental Information, which includes financial, leasing and operational statistics, is available in the "Investors/Financials" section of the Company's website at www.highwoods.com. You may also obtain the Supplemental Information by contacting Highwoods Investor Relations at 800-256-2963 or by e-mail to HIW-IR@highwoods.com.

Conference Call

Tomorrow, Wednesday, October 26th, at 11:00 a.m. Eastern time, Highwoods will host a teleconference call to discuss the matters highlighted in this release. For US/Canada callers, dial (800) 756-3565. A live, listen-only webcast and a subsequent replay can be accessed through the Company's website at www.highwoods.com under the "Investors" section.

Planned Dates for Financial Releases and Conference Calls in 2017

The Company has set the following dates for the release of its 2017 financial results. Quarterly financial releases will be distributed after the market closes and conference calls will be held at 11:00 a.m. Eastern time.

Quarter	Tuesday Release	Wednesday Call
Fourth	February 7	February 8
First	April 25	April 26
Second	July 25	July 26
Third	October 24	October 25

Non-GAAP Information

FFO: We believe that FFO and FFO per share are beneficial to management and investors and are important indicators of the performance of any equity REIT. Because FFO and FFO per share calculations exclude such factors as depreciation, amortization and impairments of real estate assets and gains or losses from sales of operating real estate assets, which can vary among owners of identical assets in similar conditions based on historical cost accounting and useful life estimates, they



facilitate comparisons of operating performance between periods and between other REITs. Management believes that historical cost accounting for real estate assets in accordance with GAAP implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, management believes that the use of FFO and FFO per share, together with the required GAAP presentations, provide a more complete understanding of our performance relative to our competitors and a more informed and appropriate basis on which to make decisions involving operating, financing and investing activities.

FFO and FFO per share are non-GAAP financial measures and therefore do not represent net income or net income per share as defined by GAAP. Net income and net income per share as defined by GAAP are the most relevant measures in determining our operating performance because FFO and FFO per share include adjustments that investors may deem subjective, such as adding back expenses such as depreciation, amortization and impairment. Furthermore, FFO per share does not depict the amount that accrues directly to the stockholders' benefit. Accordingly, FFO and FFO per share should never be considered as alternatives to net income or net income per share as indicators of our operating performance.

Our presentation of FFO is consistent with FFO as defined by NAREIT, which is calculated as follows:

- Net income/(loss) computed in accordance with GAAP;
- Less net income attributable to noncontrolling interests in consolidated affiliates;
- Plus depreciation and amortization of depreciable operating properties;
- Less gains, or plus losses, from sales of depreciable operating properties, plus impairments on depreciable operating properties and excluding items that are classified as extraordinary items under GAAP;
- Plus or minus our share of adjustments, including depreciation and amortization of depreciable operating properties, for unconsolidated partnerships and joint ventures (to reflect funds from operations on the same basis); and
- Plus or minus adjustments for depreciation and amortization and gains/(losses) on sales of depreciable operating properties, plus impairments on depreciable operating properties, and noncontrolling interests in consolidated affiliates related to discontinued operations.

In calculating FFO, the Company includes net income attributable to noncontrolling interests in its operating partnership, which we believe is consistent with standard industry practice for REITs that operate through an UPREIT structure. We believe that it is important to present FFO on an as-converted basis since all of the operating partnership units not owned by the Company are redeemable on a one-for-one basis for shares of the Company's common stock. In calculating FFO available for common stockholders and FFO per diluted share, the Company further deducts dividends on preferred stock. The Company's FFO calculations are reconciled to net income in a table included with this release.

Net operating income ("NOI"): We define NOI as "Rental and other revenues" from continuing operations less "Rental property and other expenses" from continuing operations. We define cash NOI as NOI less lease termination fees, straight-line rental income, amortization of lease incentives and amortization of acquired above and below market leases. Management believes that NOI and cash NOI are useful supplemental measures of the Company's property operating performance because they provide performance measures of the revenues and expenses directly involved in owning real estate assets and a perspective not immediately apparent from net income or FFO. Other REITs may use different methodologies to calculate NOI and accordingly the Company's NOI may not be comparable to other REITs. The Company's NOI calculations are reconciled to "Income



from continuing operations before disposition of investment properties and activity in unconsolidated affiliates” in a table included with this release.

Same property NOI: We define same property NOI as NOI for in-service properties included in continuing operations that were wholly-owned during the entirety of the periods presented (from January 1, 2015 to September 30, 2016). The Company’s same property NOI from continuing operations calculations are reconciled to NOI in a table included with this release.

About Highwoods

Highwoods Properties, Inc., headquartered in Raleigh, is a publicly-traded (NYSE:HIW) real estate investment trust (“REIT”) and a member of the S&P MidCap 400 Index. The Company is a fully-integrated office REIT that owns, develops, acquires, leases and manages properties primarily in the best business districts (BBDs) of Atlanta, Greensboro, Memphis, Nashville, Orlando, Pittsburgh, Raleigh, Richmond and Tampa. For more information about Highwoods, please visit our website at www.highwoods.com.

Certain matters discussed in this press release are forward-looking statements within the meaning of the federal securities laws, such as the following: the expected financial and operational results and the related assumptions underlying our expected results; the tax impact of the sales of the Plaza assets and the expected payment of a special cash dividend from the remaining proceeds therefrom; and anticipated total investment, projected leasing activity, estimated replacement cost and expected net operating income of acquired properties and properties to be developed. These statements are distinguished by use of the words "will", "expect", "intend" and words of similar meaning. Although Highwoods believes the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved.

Factors that could cause actual results to differ materially from the Company’s current expectations include, among others, the following: development activity by our competitors in our existing markets could result in excessive supply of properties relative to customer demand; development, acquisition, reinvestment, disposition or joint venture projects may not be completed as quickly or on as favorable terms as anticipated; we may not be able to lease or re-lease second generation space quickly or on as favorable terms as old leases; our markets may suffer declines in economic growth; we may not be able to lease our newly constructed buildings as quickly or on as favorable terms as originally anticipated; unanticipated increases in interest rates could increase our debt service costs; unanticipated increases in operating expenses could negatively impact our NOI; we may not be able to meet our liquidity requirements or obtain capital on favorable terms to fund our working capital needs and growth initiatives or to repay or refinance outstanding debt upon maturity; the Company could lose key executive officers; and others detailed in the Company’s 2015 Annual Report on Form 10-K and subsequent SEC reports.

Tables Follow



Highwoods Properties, Inc.
Consolidated Statements of Income
(Unaudited and in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Rental and other revenues	\$ 166,269	\$ 150,766	\$ 497,988	\$ 444,545
Operating expenses:				
Rental property and other expenses	58,620	54,430	173,715	159,314
Depreciation and amortization	52,923	50,963	161,734	145,758
General and administrative	9,863	8,990	29,327	28,898
Total operating expenses	<u>121,406</u>	<u>114,383</u>	<u>364,776</u>	<u>333,970</u>
Interest expense:				
Contractual	17,722	20,484	56,111	61,783
Amortization of debt issuance costs	844	873	2,645	2,501
Financing obligation	-	-	-	162
	<u>18,566</u>	<u>21,357</u>	<u>58,756</u>	<u>64,446</u>
Other income:				
Interest and other income	833	379	1,884	1,481
Losses on debt extinguishment	-	-	-	(220)
	<u>833</u>	<u>379</u>	<u>1,884</u>	<u>1,261</u>
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	27,130	15,405	76,340	47,390
Gains on disposition of property	3,902	7,012	14,160	10,581
Gain on disposition of investment in unconsolidated affiliate	-	4,155	-	4,155
Equity in earnings of unconsolidated affiliates	2,808	780	5,010	4,367
Income from continuing operations	<u>33,840</u>	<u>27,352</u>	<u>95,510</u>	<u>66,493</u>
Discontinued operations:				
Income from discontinued operations	-	4,265	4,097	12,850
Net gains on disposition of discontinued operations	-	-	414,496	-
	<u>-</u>	<u>4,265</u>	<u>418,593</u>	<u>12,850</u>
Net income	33,840	31,617	514,103	79,343
Net (income) attributable to noncontrolling interests in the Operating Partnership	(926)	(918)	(14,876)	(2,296)
Net (income) attributable to noncontrolling interests in consolidated affiliates	(319)	(324)	(941)	(948)
Dividends on Preferred Stock	(624)	(626)	(1,877)	(1,879)
Net income available for common stockholders	<u>\$ 31,971</u>	<u>\$ 29,749</u>	<u>\$ 496,409</u>	<u>\$ 74,220</u>
Earnings per Common Share - basic:				
Income from continuing operations available for common stockholders	\$ 0.32	\$ 0.27	\$ 0.92	\$ 0.66
Income from discontinued operations available for common stockholders	-	0.04	4.16	0.13
Net income available for common stockholders	<u>\$ 0.32</u>	<u>\$ 0.31</u>	<u>\$ 5.08</u>	<u>\$ 0.79</u>
Weighted average Common Shares outstanding - basic	<u>98,973</u>	<u>94,693</u>	<u>97,669</u>	<u>93,996</u>
Earnings per Common Share - diluted:				
Income from continuing operations available for common stockholders	\$ 0.32	\$ 0.27	\$ 0.92	\$ 0.66
Income from discontinued operations available for common stockholders	-	0.04	4.16	0.13
Net income available for common stockholders	<u>\$ 0.32</u>	<u>\$ 0.31</u>	<u>\$ 5.08</u>	<u>\$ 0.79</u>
Weighted average Common Shares outstanding - diluted	<u>101,939</u>	<u>97,661</u>	<u>100,645</u>	<u>97,003</u>
Dividends declared per Common Share	<u>\$ 0.425</u>	<u>\$ 0.425</u>	<u>\$ 1.275</u>	<u>\$ 1.275</u>
Net income available for common stockholders:				
Income from continuing operations available for common stockholders	\$ 31,971	\$ 25,612	\$ 90,081	\$ 61,759
Income from discontinued operations available for common stockholders	-	4,137	406,328	12,461
Net income available for common stockholders	<u>\$ 31,971</u>	<u>\$ 29,749</u>	<u>\$ 496,409</u>	<u>\$ 74,220</u>

Highwoods Properties, Inc.
Consolidated Balance Sheets
(Unaudited and in thousands, except share and per share data)

	September 30, 2016	December 31, 2015
Assets:		
Real estate assets, at cost:		
Land	\$ 474,375	\$ 443,705
Buildings and tenant improvements	4,278,303	4,063,328
Development in-process	227,573	194,050
Land held for development	79,603	68,244
	5,059,854	4,769,327
Less-accumulated depreciation	(1,098,492)	(1,007,104)
Net real estate assets	3,961,362	3,762,223
Real estate and other assets, net, held for sale	260	240,948
Cash and cash equivalents	6,387	5,036
Restricted cash	37,763	16,769
Accounts receivable, net of allowance of \$791 and \$928, respectively	26,756	29,077
Mortgages and notes receivable, net of allowance of \$0 and \$287, respectively	9,525	2,096
Accrued straight-line rents receivable, net of allowance of \$703 and \$257, respectively	167,503	150,392
Investments in and advances to unconsolidated affiliates	18,697	20,676
Deferred leasing costs, net of accumulated amortization of \$136,292 and \$115,172, respectively	218,976	231,765
Prepaid expenses and other assets, net of accumulated amortization of \$20,008 and \$17,830, respectively	28,581	26,649
Total Assets	\$ 4,475,810	\$ 4,485,631
Liabilities, Noncontrolling Interests in the Operating Partnership and Equity:		
Mortgages and notes payable, net	\$ 1,901,066	\$ 2,491,813
Accounts payable, accrued expenses and other liabilities	258,638	233,988
Liabilities held for sale	-	14,119
Total Liabilities	2,159,704	2,739,920
Commitments and contingencies		
Noncontrolling interests in the Operating Partnership	148,005	126,429
Equity:		
Preferred Stock, \$.01 par value, 50,000,000 authorized shares; 8.625% Series A Cumulative Redeemable Preferred Shares (liquidation preference \$1,000 per share), 28,920 and 29,050 shares issued and outstanding, respectively	28,920	29,050
Common Stock, \$.01 par value, 200,000,000 authorized shares; 100,204,106 and 96,091,932 shares issued and outstanding, respectively	1,002	961
Additional paid-in capital	2,780,443	2,598,242
Distributions in excess of net income available for common stockholders	(650,954)	(1,023,135)
Accumulated other comprehensive loss	(9,260)	(3,811)
Total Stockholders' Equity	2,150,151	1,601,307
Noncontrolling interests in consolidated affiliates	17,950	17,975
Total Equity	2,168,101	1,619,282
Total Liabilities, Noncontrolling Interests in the Operating Partnership and Equity	\$ 4,475,810	\$ 4,485,631

Highwoods Properties, Inc.
Funds from Operations
(Unaudited and in thousands, except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Funds from operations:				
Net income	\$ 33,840	\$ 31,617	\$ 514,103	\$ 79,343
Net (income) attributable to noncontrolling interests in consolidated affiliates	(319)	(324)	(941)	(948)
Depreciation and amortization of real estate assets	52,303	50,342	159,780	143,973
(Gains) on disposition of depreciable properties	-	(6,521)	(8,915)	(9,147)
(Gain) on disposition of investment in unconsolidated affiliate	-	(4,155)	-	(4,155)
Unconsolidated affiliates:				
Depreciation and amortization of real estate assets	736	835	2,227	2,412
(Gains) on disposition of depreciable properties	(1,842)	-	(2,173)	(946)
Discontinued operations:				
Depreciation and amortization of real estate assets	-	3,636	-	10,277
(Gains) on disposition of depreciable properties	-	-	(414,496)	-
Funds from operations	84,718	75,430	249,585	220,809
Dividends on Preferred Stock	(624)	(626)	(1,877)	(1,879)
Funds from operations available for common stockholders	\$ 84,094	\$ 74,804	\$ 247,708	\$ 218,930
Funds from operations available for common stockholders per share	\$ 0.82	\$ 0.77	\$ 2.46	\$ 2.26
Weighted average shares outstanding (1)	101,939	97,661	100,645	97,003

(1) Includes assumed conversion of all potentially dilutive Common Stock equivalents.

Highwoods Properties, Inc.
Net Operating Income Reconciliation
(Unaudited and in thousands)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Income from continuing operations before disposition of investment properties and activity in unconsolidated affiliates	\$ 27,130	\$ 15,405	\$ 76,340	\$ 47,390
Other income	(833)	(379)	(1,884)	(1,261)
Interest expense	18,566	21,357	58,756	64,446
General and administrative expenses	9,863	8,990	29,327	28,898
Depreciation and amortization	52,923	50,963	161,734	145,758
Net operating income from continuing operations	<u>107,649</u>	<u>96,336</u>	<u>324,273</u>	<u>285,231</u>
Less - non same property and other net operating income	(14,403)	(5,773)	(43,546)	(15,431)
Same property net operating income from continuing operations	<u>\$ 93,246</u>	<u>\$ 90,563</u>	<u>\$ 280,727</u>	<u>\$ 269,800</u>
Same property net operating income from continuing operations	\$ 93,246	\$ 90,563	\$ 280,727	\$ 269,800
Less - lease termination fees, straight-line rent and other non-cash adjustments	(2,366)	(5,313)	(11,291)	(13,330)
Same property cash net operating income from continuing operations	<u>\$ 90,880</u>	<u>\$ 85,250</u>	<u>\$ 269,436</u>	<u>\$ 256,470</u>