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

(Amendment No. 1)

Filed by the Registrant [X]
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))

[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to (S) 240.14a-11(c) or (S) 240.14a-12

REGENCY REALTY CORPORATION
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[ ] $125 per Exchange Act Rules 0-11(c)(1)(ii), 14a-6(i)(1), 14a-6(i)(2) or Item 22(a)(2) of Schedule 14A.

[ ] $500 per each party to the controversy pursuant to Exchange Act Rule 14a-6(i)(3).

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

[X] Fee paid previously with preliminary materials.

[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

REGENCY REALTY CORPORATION

August 2, 1996

Dear Shareholder:

You are cordially invited to attend a Special Meeting of Shareholders of Regency Realty Corporation (the "Company") to be held on Tuesday, September 10, 1996, at 2:00 p.m. local time, at the Company's headquarters at 121 West Forsyth Street, Suite 200, Jacksonville, Florida.

As described in the accompanying Proxy Statement, the Company has entered into a Stock Purchase Agreement with Security Capital U.S. Realty and Security Capital Holdings S.A. (together, "US Realty"), affiliates of Security Capital Group Incorporated, providing for US Realty to invest a total of up to approximately $132 million in the Company. The Board of Directors and management believe that this transaction represents an attractive opportunity to improve long-term shareholder value by providing the Company with access to significant equity capital at an attractive cost and additionally provides strategic resources not otherwise readily available to it, thereby enhancing the Company's short-term and long-term growth prospects and better positioning it to capitalize on shopping center opportunities in the southeastern United States.

At the Special Meeting, you will be asked to approve the transactions contemplated by the Stock Purchase Agreement, including an amendment to the Company's charter expressly authorizing US Realty to own up to 45% of the Company's outstanding common stock, on a fully diluted basis, and making certain other modifications to facilitate the Company's continued qualification as a domestically controlled real estate investment trust. Details of the proposals are set forth in the accompanying Proxy Statement, which I urge you to read carefully.

The matters to be considered and voted upon at the Special Meeting are of great importance to your investment and the future of the Company. YOUR BOARD OF DIRECTORS HAS UNANIMOUSLY APPROVED THE PROPOSALS BEING SUBMITTED FOR APPROVAL BY THE SHAREHOLDERS AT THE SPECIAL MEETING AND HAS DETERMINED THAT THEY ARE IN THE BEST INTERESTS OF THE COMPANY AND ITS SHAREHOLDERS. ACCORDINGLY, YOUR BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR APPROVAL OF THE US REALTY TRANSACTION AND THE RELATED CHARTER AMENDMENT.

Your vote is important. I hope that you will be able to attend the meeting in person. However, whether or not you plan to attend the meeting, please indicate your vote, sign, date and return the enclosed proxy card promptly. A prepaid envelope is provided for this purpose. Your shares will be voted at the meeting in accordance with your proxy, if given.

I look forward to seeing you at the Special Meeting.

Sincerely,

REGENCY REALTY CORPORATION

Martin E. Stein, Jr.
President and Chief Executive Officer

Regency Realty Corporation

NOTICE AND PROXY STATEMENT

[LOGO OF REGENCY REALTY CORP. APPEARS HERE]

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD SEPTEMBER 10, 1996

NOTICE IS HEREBY GIVEN that a Special Meeting of Shareholders (the "Special Meeting") of Regency Realty Corporation, a Florida corporation (the "Company"), will be held on September 10, 1996, at 2:00 p.m. local time, at the Company's headquarters at 121 West Forsyth Street, Suite 200, Jacksonville, Florida, for the following purposes:

1. To consider and vote upon the transactions (collectively, the "Transaction") contemplated by a Stock Purchase Agreement (the "Stock Purchase Agreement") among the Company, Security Capital U.S. Realty and Security Capital Holdings S.A., a wholly-owned subsidiary of Security Capital U.S. Realty (together with Security Capital U.S. Realty, "US Realty"), including (i) the investment of up to an aggregate of approximately $132 million in the Company by US Realty, to be effected through the sale by the Company of up to 7,499,400 shares of common stock, par value $.01 per share ("Common Stock"), at a purchase price of $17.625 per share, plus a purchase price adjustment based on accrued dividends, such investment being comprised of (A) the sale by the Company to US Realty, completed on July 10, 1996, of 934,400 shares of Common Stock, representing an aggregate investment of approximately $16.5 million, (B) the sale by the Company to US Realty, following shareholder approval, of an additional 2,717,400 shares of Common Stock, representing an additional aggregate investment of approximately $47.9 million, and (C) the sale by the Company from time to time following shareholder approval of up to an aggregate of 3,847,600 shares of Common Stock representing an additional aggregate investment of up to $67.8 million, as more fully described in the attached Proxy Statement; (ii) the grant to US Realty, under certain circumstances, of a right to nominate for election by shareholders its proportionate share of the members of the Board of Directors of the Company (but generally not fewer than two nor more than 49% of the directors); (iii) the grant to US Realty of certain rights to information regarding the Company; (iv) provisions that limit the ability of US Realty to acquire additional shares of the Company's capital stock, exercise its voting rights in its own discretion and engage in certain other actions during an initial five-year standstill period, subject to automatic one-year extensions; (v) limitations during the standstill period on the Company's ability to engage in certain corporate transactions without the consent of US Realty; (vi) provisions that restrict US Realty from transferring its shares of the Company's capital stock except in accordance with applicable securities laws and subject to the generally applicable ownership limits in the Company's charter, as amended, and to certain other restrictions; (vii) the grant to US Realty of rights to purchase, under certain circumstances, shares of the Company's capital stock in connection with future issuances by the Company; and (viii) the grant to US Realty of certain registration rights to enable US Realty to resell its shares of the Company's capital stock to the public under certain conditions (Proposal 1); and

2. To consider and vote upon the proposed amendment to the Company's charter to expressly authorize US Realty to acquire up to 45% of the Company's outstanding Common Stock, on a fully diluted basis, to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the Company's outstanding capital stock and to make certain other modifications to facilitate the Company's continued qualification as a domestically controlled real estate investment trust for federal income tax purposes (Proposal 2).

The Company is seeking shareholder approval of the issuance of the shares of Common Stock in connection with the Transaction to comply with certain requirements of the New York Stock Exchange, Inc. The Company is seeking shareholder approval of the proposed amendment to the Company's charter in accordance with

Florida law and the Company's charter. Approval of the Transaction (Proposal 1) and the proposed amendment to the Company's charter (Proposal 2) by the requisite votes of shareholders is a condition to consummation of the Transaction. Proposal 1 and Proposal 2 are each conditioned upon the approval of the other and neither of such proposals may be approved independently.

Pursuant to the Bylaws of the Company, the Company's Board of Directors has fixed the close of business on July 26, 1996 as the record date for the determination of shareholders of the Company entitled to notice of and to vote at the Special Meeting. Therefore, only record holders of Common Stock at the close of business on that date are entitled to notice of and to vote at the Special Meeting.

We urge you to review carefully the enclosed materials. Your vote is important. All shareholders are urged to attend the meeting in person or by proxy. If you receive more than one proxy card because your shares are registered in different names or at different addresses, please indicate your vote, sign, date and return each proxy card so that all of your shares will be represented at the Special Meeting.

By Order of the Board of Directors,

J. Christian Leavitt
Vice President and Treasurer

August 2, 1996

IT IS IMPORTANT THAT ALL PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE INDICATE YOUR VOTE, SIGN, DATE AND RETURN THE ENCLOSED PROXY IN THE ENCLOSED POSTAGE PAID ENVELOPE. YOU MAY, IF YOU WISH, REVOKE YOUR PROXY AT ANY TIME PRIOR TO THE TIME IT IS VOTED, INCLUDING BY VOTING AT THE MEETING.

Regency Realty Corporation

121 West Forsyth Street, Suite 200
Jacksonville, Florida 32202

PROXY STATEMENT FOR SPECIAL MEETING OF
SHAREHOLDERS TO BE HELD SEPTEMBER 10, 1996

This Proxy Statement is being furnished in connection with the solicitation of proxies by the Board of Directors (the "Board") of Regency Realty Corporation, a Florida corporation (the "Company"). The proxies will be used at a Special Meeting of Shareholders of the Company (the "Special Meeting") to be held on Tuesday, September 10, 1996, at 2:00 p.m. local time, at the Company's headquarters at 121 West Forsyth Street, Suite 200, Jacksonville, Florida, and at any adjournment thereof.

At the Special Meeting, and at any adjournments thereof, holders of the common stock of the Company, par value $.01 per share (the "Common Stock"), will be asked to consider and vote upon the transactions (collectively, the "Transaction") contemplated by a Stock Purchase Agreement dated as of June 11, 1996, as amended by Amendment No. 1 dated July 9, 1996 (the "Stock Purchase Agreement"), among the Company, Security Capital U.S. Realty and Security Capital Holdings S.A. ("Holdings"), a wholly-owned subsidiary of Security Capital U.S. Realty (Security Capital U.S. Realty and Holdings being collectively or individually, as the context requires, referred to herein as "US Realty"), including the investment of up to an aggregate of approximately $132 million in the Company by US Realty, to be effected through the sale by the Company of an aggregate of up to 7,499,400 shares of Common Stock at a purchase price of $17.625 per share (plus a purchase price adjustment based on accrued dividends). The investment of up to $132 million is comprised of (i) the sale by the Company to US Realty, completed on July 10, 1996 (the "Initial Closing"), of 934,400 shares, representing an aggregate investment of approximately $16.5 million, (ii) the sale by the Company to US Realty, following shareholder approval, of an additional 2,717,400 shares of Common Stock, representing an additional aggregate investment of approximately $47.9 million (the "Second Closing"), and (iii) the sale by the Company to US Realty of up to an additional 3,847,600 shares of Common Stock, representing an additional aggregate investment of up to approximately $67.8 million (the "Subsequent Closings"), as more fully described in this Proxy Statement. After the Initial Closing, US Realty owned approximately 13.4% of the outstanding Common Stock (9.5% based on the number of shares outstanding as of the record date, the maximum number of shares of Common Stock issuable upon conversion of convertible securities outstanding as of the record date and the number of shares of Common Stock issuable upon exercise of outstanding stock options ("fully-diluted basis")). Following the Second Closing (and assuming no other change in the number of outstanding shares) US Realty will own approximately 27.3% of the outstanding Common Stock on a fully-diluted basis. If US Realty acquires the additional 3,847,600 shares in the Subsequent Closings (and assuming no other change in the number of outstanding shares), US Realty will own approximately 43.2% of the outstanding Common Stock on a fully-diluted basis.

The Transaction also involves a number of additional terms, as more fully described in this Proxy Statement, including, among others: (i) the right of US Realty, under certain circumstances, to nominate for election by shareholders its proportionate share of the members of the Board (but generally not fewer than two nor more than 49% of the directors); (ii) the grant to US Realty of certain rights to information regarding the Company; (iii) provisions that limit the ability of US Realty to acquire additional shares of the Company's capital stock, exercise its voting rights in its own discretion and engage in certain other actions during an initial standstill period of five years, subject to automatic one-year extensions; (iv) limitations during the standstill period on the Company's ability to engage in certain corporate transactions without the consent of US Realty; (v) provisions that restrict US Realty from transferring its shares of the Company's capital stock except in accordance with applicable securities

laws and subject to the generally applicable ownership limits in the Company's charter, as amended, and to certain other restrictions; (vi) the grant to US Realty of rights to purchase, under certain circumstances, shares of the Company's capital stock in connection with future issuances by the Company; and (vii) the grant to US Realty of certain registration rights to enable US Realty to resell its shares of the Company's capital stock to the public under certain conditions. Other than the addition to the Board of US Realty's nominees following receipt of shareholder approval of the Transaction, the Board and management of the Company are not expected to change as a result of the Transaction.

As part of the Transaction, US Realty will make available to the Company certain strategic advice, information and expertise. US Realty has informed the Company that it intends to designate Paul E. Szurek, Managing Director of US Realty and Security Capital (UK) Management, Ltd., and J. Marshall Peck, Managing Director of Security Capital Investment Research Incorporated, as its initial nominees to the Company's Board of Directors.

At the Special Meeting, you will be asked to approve the Transaction and to approve an amendment to the Company's charter, as amended (the "Charter"), to, among other things, expressly authorize US Realty to own up to 45% of the outstanding Common Stock, on a fully diluted basis, and to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the outstanding capital stock. A vote in favor of the Transaction also will constitute a vote in favor of the issuance of shares of Common Stock to US Realty pursuant to the Stock Purchase Agreement and all of the other transactions contemplated thereby and the terms thereof, including each of the additional matters set forth above.

For a discussion of the potential beneficial and adverse effects of the Transaction, see "Approval of the Transaction -- Potential Beneficial Effects of the Transaction" and "-- Potential Adverse Effects of the Transaction."

This Proxy Statement and the accompanying form of proxy are first being mailed to the shareholders of the Company on or about August 2, 1996.

IN DETERMINING WHETHER TO APPROVE THE TRANSACTION AND THE AMENDMENTS TO THE CHARTER DESCRIBED HEREIN, SHAREHOLDERS SHOULD CAREFULLY CONSIDER ALL OF THE INFORMATION INCLUDED OR INCORPORATED BY REFERENCE IN THIS PROXY STATEMENT.

The date of this Proxy Statement is August 2, 1996.

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SUMMARY

The following is a summary of certain information contained in this Proxy Statement. The summary is not intended to be complete and is qualified in its entirety by reference to the more detailed information set forth elsewhere in this Proxy Statement and the appendices attached hereto. Shareholders are urged to read this Proxy Statement in its entirety. As used herein, the term the "Company" means Regency Realty Corporation and/or its subsidiaries and the term "US Realty" means Security Capital U.S. Realty and Security Capital Holdings S.A., collectively or individually, as the context requires. Certain capitalized terms used in this Summary are defined elsewhere in this Proxy Statement.

The Special Meeting

General

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of the Company. The proxies will be used at the Special Meeting to be held on Tuesday, September 10, 1996, at 2:00 p.m. local time, at the Company's headquarters at 121 West Forsyth Street, Suite 200, Jacksonville, Florida, and at any adjournment thereof.

At the Special Meeting, and at any adjournments thereof, shareholders of the Company will be asked to consider and vote upon the transactions contemplated by the Stock Purchase Agreement, including the investment of up to an aggregate of approximately $132 million in the Company by US Realty, to be effected through the sale by the Company of up to 7,499,400 shares of Common Stock at a purchase price of $17.625 per share (plus a purchase price adjustment based on accrued dividends). The investment of approximately $132 million is comprised of (i) the sale by the Company to US Realty, completed on July 10, 1996, of 934,400 shares, representing an aggregate investment of approximately $16.5 million, as more fully described herein, (ii) the sale by the Company to US Realty, following shareholder approval, of an additional 2,717,400 shares, representing an additional aggregate investment of approximately $47.9 million, and (iii) the sale by the Company to US Realty from time to time of up to an additional 3,847,600 shares of Common Stock, representing an additional aggregate investment of up to approximately $67.8 million, as more fully described herein (Proposal 1). As of July 26, 1996, the record date for the Special Meeting (the "Record Date"), US Realty owned approximately 13.4% of the outstanding Common Stock (9.5% on a fully diluted basis). After the Second Closing (assuming no other change in the number of outstanding shares), US Realty will own approximately 27.3% of the outstanding Common Stock on a fully diluted basis, and after the Subsequent Closings (assuming no other changes in the number of outstanding shares and that US Realty purchases all 3,847,600 shares that may be purchased at such Subsequent Closings) US Realty will own approximately 43.2% of the outstanding Common Stock on a fully diluted basis.

The Transaction also involves a number of additional terms established pursuant to the Stock Purchase Agreement and the related Stockholders Agreement, dated as of July 10, 1996, by and among the Company, Security Capital U.S. Realty, Holdings and The Regency Group, Inc. (the "Stockholders Agreement") and Registration Rights Agreement, dated as of July 10, 1996, by and among the Company, Security Capital U.S. Realty and Holdings (the "Registration Rights Agreement"), including, among others: (i) the grant of a right to US Realty, under certain circumstances, to nominate for election by shareholders

its proportionate share of the members of the Board (but generally not fewer than two nor more than 49% of the directors); (ii) the grant to US Realty of certain rights to information regarding the Company; (iii) provisions that limit the ability of US Realty to acquire additional shares of the Company's capital stock, exercise its voting rights in its own discretion and engage in certain other actions during an initial standstill period of five years, subject to automatic one-year extensions; (iv) limitations during the standstill period on the Company's ability to engage in certain corporate transactions without the consent of US Realty; (v) limitations on US Realty's ability to transfer its shares of Company capital stock except in accordance with the securities laws and subject to the generally applicable ownership limitations in the Charter, as amended, and to certain other restrictions; (vi) the grant to US Realty of certain additional rights to purchase, under certain circumstances, shares of the Company's capital stock in connection with future issuances by the Company; and (vii) the grant to US Realty of certain registration rights to enable US Realty to resell its shares of Company capital stock to the public under certain conditions.

As part of the Transaction, US Realty will make available to the Company certain strategic advice, information and expertise. US Realty has informed the Company that it intends to designate Paul E. Szurek, Managing Director of US Realty and Security Capital (UK) Management, Ltd., and J. Marshall Peck, Managing Director of Security Capital Investment Research Incorporated, as its initial nominees to the Company's Board. Other than the addition to the Board of US Realty's nominees following receipt of shareholder approval, the Board and management of the Company are not expected to change as a result of the Transaction. See "Approval of the Transaction -- Terms of the Transaction."

A vote in favor of the Transaction also will constitute a vote in favor of each of the additional matters set forth above. Copies of the Stock Purchase Agreement, the Stockholders Agreement and the Registration Rights Agreement are attached hereto as Appendix A, Appendix B and Appendix C, respectively.

At the Special Meeting, shareholders also will be asked to approve a proposal to amend the Charter (the "Amendment") to expressly authorize US Realty to acquire up to 45% of the outstanding Common Stock, on a fully diluted basis, to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the Company's outstanding capital stock and to make certain other modifications to facilitate the Company's continued qualification as a domestically controlled REIT (as defined herein) for federal income tax purposes. A copy of the Amendment is attached hereto as Appendix D (Proposal 2).

THE BOARD HAS UNANIMOUSLY APPROVED THE TRANSACTION AND THE CHARTER AMENDMENT AND UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR APPROVAL OF THE PROPOSALS.

Vote by Proxy

A proxy card is enclosed for use at the Special Meeting. Unless otherwise instructed, shares represented by proxy will be voted FOR both of the proposals described herein. The proxy may be revoked at any time before it is voted by (i) filing prior to the Special Meeting a written notice of revocation bearing a later date with J. Christian Leavitt, Vice President and Treasurer, Regency Realty Corporation, 121 West Forsyth Street, Suite 200, Jacksonville, Florida, 32202, (ii) delivering to the Company a duly executed proxy bearing a later date, or (iii) attending the Special Meeting and voting in person.

Voting of Shares; Quorum; Appraisal Rights

Only shareholders of record of the Common Stock at the close of business on July 26, 1996, are entitled to notice of and to vote at the Special Meeting or any adjournment thereof. At the close of business on the Record Date, the Company had outstanding 7,882,683 shares of Common Stock. The securities that can be voted at the Special Meeting consist of 7,882,683 shares of issued and outstanding Common Stock, with each share entitling its owner to one vote on all matters. Shareholders on the Record Date are eligible to vote at the Special Meeting, in person or by proxy. The presence, in person or by proxy, at the Special Meeting of shareholders entitled to cast a majority of all votes entitled to be cast at such meeting, shall constitute a quorum.

Shareholders are not entitled under Florida law to appraisal rights with respect to the Transaction.

Reasons for Soliciting Shareholder Approval

The Company is seeking shareholder approval of the issuance of the shares in connection with the Transaction pursuant to certain requirements of the New York Stock Exchange, Inc. regarding the continued listing of the Common Stock on the New York Stock Exchange (the "NYSE"). Approval of the Transaction is not required by Florida law, the Charter or the Company's Bylaws (the "Bylaws"). The Company is seeking shareholder approval of the Amendment in accordance with Florida law and the Charter.

Votes Required

The affirmative vote of a majority of the total votes cast by the shareholders, provided that the number of total votes cast represent over 50% of the shares of Common Stock issued and outstanding on the Record Date, is required to approve the Transaction (Proposal 1). For this purpose, broker non-votes and abstentions will not be counted. Approval of the Transaction by the requisite vote of the shareholders of the Company is a condition to consummation of the Transaction (except for the initial purchase by US Realty of 934,400 shares on July 10, 1996). Approval of Proposal 1 is conditioned upon approval of Proposal 2.

The affirmative vote of a majority of the total votes cast by the shareholders is required to amend the Charter to expressly authorize US Realty to acquire up to 45% of the outstanding Common Stock, on a fully diluted basis, to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the Company's outstanding capital stock and to make certain other modifications to facilitate the Company's qualification as a domestically controlled REIT for federal income tax purposes (Proposal 2). For this purpose, broker non-votes and abstentions will not be counted. Approval of the Amendment by the requisite vote of the shareholders of the Company is a condition to consummation of the Transaction. Approval of Proposal 2 is conditioned upon approval of Proposal 1.

Joan W. Stein, Chairman of the Board of the Company, Martin E. Stein, Jr., President of the Company, Robert L. Stein, a director of the Company, The Regency Group, Inc., a shareholder of the Company, Regency Square II, a shareholder of the Company, Richard W. Stein, a shareholder of The Regency Group, Inc. and a partner of Regency Square II, and Bruce M. Johnson, Executive Vice President

of the Company (the "Stein Group"), who as of the Record Date collectively owned 9.0% of the outstanding shares of Common Stock, have executed letter agreements with US Realty, pursuant to which they have agreed to vote all of their shares in favor of the transactions contemplated by the Stock Purchase Agreement, and they intend to vote in favor of Proposals 1 and 2. US Realty, which as of the Record Date held 1,053,500 shares of Common Stock, representing 13.4% of the total outstanding Common Stock, is expected to vote its shares in favor of both proposals.

The Transaction

Background of the Transaction

The Company believes that the success of a REIT will be largely dependent on its ability to access capital markets consistently on favorable terms and that this access will depend upon the REIT's "critical mass," or asset size, operational sophistication, experience and operational history. Accordingly, the Company, which was aware of the reputation of Security Capital Group Incorporated ("Security Capital Group") in the real estate industry and its investments in other REITs, was interested in exploring an affiliation with Security Capital Group as a means of accessing additional capital. Representatives of the Company had an introductory meeting in May 1995 with officers of Security Capital Investment Research Incorporated ("SCIR"), a subsidiary of Security Capital Group.

SCIR and the Company did not have further discussions until March 1996, when representatives of SCIR, which is an advisor to US Realty's management, contacted the Company and subsequently met with the Company's President at an industry conference on April 16, 1996. During the next several weeks, the parties exchanged information and had a number of telephone discussions concerning strategy, philosophy, and possible structure and price. On April 26, 1996, US Realty outlined a proposed structure modeled on its March 1996 agreement with Storage USA, Inc., a self-storage facilities REIT based in Columbia, Maryland. Over the next several weeks the parties discussed the terms of the proposed transaction, including price.

During the ensuing month, transaction document drafts were prepared and numerous revised drafts circulated, with representatives of the Company and US Realty and their respective counsel conducting detailed negotiations concerning legal and business points in the documentation. On May 31, 1996 US Realty's Board of Directors approved the price and the proposed transaction terms and the approval was communicated to the Company. At a meeting on June 11, 1996, after discussing the advantages of and alternatives to the Transaction and after receiving a written opinion from Prudential Securities Incorporated ("Prudential Securities"), the Board voted unanimously in favor of the Transaction.

On June 11, 1996, the day before the Transaction was publicly announced, the closing sale price for Common Stock as reported on the NYSE Composite Tape was $19.125. For the 60 trading days prior to June 12, 1996, the day the Transaction was announced, the average closing sale price for Common Stock was $17.72, and on July 19, 1996 the closing sale price was $20.375.

Background of the Company

The Company is a Florida-based, fully integrated, self-administered and self-managed real estate investment trust ("REIT") which owns, manages, and develops community and neighborhood shopping centers. The Company's primary focus is grocery-anchored community and neighborhood shopping centers in the southeastern United States. As of July 31, 1996, the Company owns and operates 37 community and neighborhood shopping centers totalling approximately 4.2 million square feet and 4 suburban office complexes totalling approximately 298,000 square feet, located in Florida (72% of GLA), Alabama (12%), Georgia (8%), Mississippi (4%) and North Carolina (4%). The Company also manages and leases approximately 1.1 million square feet of properties for third parties and performs ancillary third party services (including tenant representation, site selection and construction management) on a selective basis.

Background of US Realty

Security Capital U.S. Realty is a Luxembourg corporation that endeavors to become Europe's preeminent publicly-held real estate company with strategic ownership positions in leading "value-added" real estate operating companies in the United States (i.e., real estate operating companies in which opportunities exist to enhance asset cash flow by combining a strategically focused asset portfolio with synergistic marketing and other strategies that meet the special needs of customers). US Realty's wholly-owned subsidiary, Security Capital Holdings S.A., endeavors to acquire 25% to 45% of the common stock of a limited number of U.S. real estate operating companies with specific market niches and the potential to be leaders in their respective peer groups. US Realty endeavors to maximize shareholder returns in each of these companies by investing sufficient capital and, through representation on the board of directors and committees thereof, providing input to management in developing and implementing strategies for long-term growth in per share operating results.

The Company will be the exclusive strategic investment of US Realty in the southeastern United States for the purchase, development or ownership of grocery-store, drugstore or general merchandise discount-store anchored shopping centers having less than 250,000 square feet of leasable area.

Terms of the Transaction

US Realty Investment. Pursuant to the Stock Purchase Agreement, the Company will sell an aggregate of up to 7,499,400 shares of Common Stock to US Realty at a price of $17.625 per share, for an aggregate purchase price of up to approximately $132 million (the "Total Equity Commitment") (plus a purchase price adjustment equal to 85% of dividends accrued on the shares during the quarterly dividend period prior to issuance). The purchase price per share was determined as a result of arm's length negotiations between the Company and its advisors on the one hand and US Realty and its advisors on the other hand and was based upon recent sale prices of the Common Stock at the time that representatives of the Company and US Realty agreed to negotiate the basic terms of the Transaction and agreed to proceed toward the negotiation and execution of definitive written agreements with respect thereto. At the Initial Closing, the Company sold 934,400 shares to US Realty at $17.625 per share (the "Initial Purchase"), for an aggregate purchase price of approximately $16.5 million. As of the Record Date, US Realty owned approximately 13.4% of the outstanding Common Stock.

Subject to shareholder approval, at a time to be selected by the Company but not later than December 1, 1996 (in the case of the Second Closing), and not later than June 1, 1997 (in the case of the Subsequent Closings), the Company may sell 2,717,400 shares of Common Stock to US Realty at a price of $17.625 per share, for an aggregate purchase price of approximately $47.9 million (plus a purchase price adjustment based on accrued dividends), and up to 3,847,600 shares at a price of $17.625 per share, for an aggregate purchase price of up to approximately $67.8 million (plus a purchase price adjustment based on accrued dividends), respectively (the Second Closing and the Subsequent Closings constituting the "Remaining Equity Commitment"). US Realty will have the right, exercisable on a one-time basis in each of December 1996 and June 1997, to purchase from the Company, at a price of $17.625 per share (plus a purchase price adjustment based on accrued dividends), additional shares of Common Stock to the extent that the shares to be acquired at the Second Closing and the Subsequent Closings, respectively, have not yet been purchased. If US Realty acquires all of the shares represented by the Remaining Equity Commitment (and assuming no other change in the number of outstanding shares), US Realty will own approximately 43.2% of the outstanding Common Stock on a fully diluted basis.

Use of Proceeds. The net proceeds of the investment by US Realty will be used (i) to repay certain indebtedness of the Company under its revolving credit agreements, and (ii) to make additional investments in shopping centers.

Management of the Company; Representation on the Board and Certain Board Committees. Other than the addition to the Board of US Realty's nominees following receipt of shareholder approval, the Board and management of the Company are not expected to change as a result of the Transaction.

Under the Stockholders Agreement, two persons identified by US Realty, Paul E. Szurek, Managing Director of US Realty and Security Capital (UK) Management, Ltd., and J. Marshall Peck, Managing Director of Security Capital Investment Research Incorporated, will become directors of the Company immediately after the approval of the Transaction by the shareholders of the Company. Thereafter, US Realty will have the right, until the earlier of (i) the first date on which US Realty's ownership of Common Stock drops below 20% of the outstanding shares of Common Stock on a fully diluted basis for a continuous period of 180 days (upon such occurrence, a "20% Termination Date") or (ii) the termination of the Standstill Period or any Standstill Extension Term (as defined below), to nominate for election by shareholders at each annual or special meeting that number of directors to the Board such that the total number of US Realty nominees (including any directors previously nominated by US Realty whose terms have not expired at such meeting) is equal to the greater of (i) two, and (ii) that number corresponding to the percentage of outstanding Common Stock owned by US Realty, but not more than 49% of the Board. If the Standstill Period or any Standstill Extension Term has expired, but the 20% Termination Date shall not have occurred, US Realty may nominate for election to the Board that number of directors which is equal to the lesser of (i) two and (ii) the number corresponding to the percentage of outstanding Common Stock owned by US Realty. After the expiration of the Standstill Period or any Standstill Extension Term, at the Company's request, US Realty will use its reasonable best efforts to cause such of its nominees to resign from the Board as will reduce the number of its nominees to the number described in the preceding sentence. So long as the Standstill Period or any Standstill Extension Term is in effect, the Stockholders Agreement prohibits US Realty from seeking additional representation on the Board. In addition, so long as US Realty has the right to nominate directors to the Board and at least one director nominated by US Realty is serving thereon, US Realty has the right, subject to certain limitations, to have one of the directors whom it nominated serve on each of the Board's key committees.

Information Rights. Following shareholder approval and until the 20% Termination Date, the Company will have the obligation (i) to provide to US Realty certain financial statements and operating information, generally limited to information provided to the Company's senior management and the Board, and a copy of any filing made by the Company pursuant to any federal or state securities law, and (ii) to consult with the designated representative of US Realty, prior to approval by the Board or entering into any definitive agreement, in connection with proposals relating to certain extraordinary or material transactions, including the acquisition in a single transaction or series of related transactions of any assets or business having a value exceeding $10 million. US Realty will be obligated to comply with the Company's insider trading policy. The Company and US Realty also will afford each other a reasonable opportunity to review in advance any filing by it pursuant to any federal or state securities or other laws or any press release that mentions the other.

Participation Rights. So long as US Realty's ownership of Common Stock on a fully diluted basis does not drop below 15% for more than 180 days, in the event that the Company issues or sells shares of capital stock, US Realty will be entitled (except in certain circumstances) to a participation right to purchase or subscribe for, either as part of such issuance or in a concurrent issuance, that portion of the total number of shares to be issued equal to US Realty's proportionate holdings of Common Stock prior to such issuance (but not to exceed 42.5% of the capital stock issued in the Company's first offering and 37.5% of the capital stock issued in subsequent offerings).

Limitations on Corporate Actions. Until the first to occur of (i) the expiration of the Standstill Period or any Standstill Extension Term and (ii) the 20% Termination Date, the Company will be subject to certain limitations on its operations, including restrictions relating to (a) the incurrence of total indebtedness in an amount exceeding 60% of the gross book value of the Company's total consolidated assets, (b) causing or permitting the sum of (i) securities of any other person, (ii) assets held other than directly by the Company, (iii) loans made by the Company to a subsidiary, or the reverse, and (iv) assets managed by persons other than employees of the Company, to, at any time, exceed 30%, at cost, of the consolidated assets owned by the Company, (c) investment in real estate other than shopping centers, (d) termination of the federal income tax status of the Company as a REIT, and (e) except as permitted or required by agreements existing as of June 11, 1996, owning any interest in any partnership unless the Company is the sole managing general partner of such partnership. In addition, the Company will be subject to certain limitations on the value of assets that it owns indirectly through other entities and the manner in which it conducts business in the future. US Realty requested these conditions because of its belief that REITs with direct and extensive control over the operation of all of their assets operate more effectively, and in order to permit US Realty to comply with certain requirements of the U.S. Internal Revenue Code of 1986, as amended (the "Code"), and other countries' tax laws applicable to foreign investors. The Company believes that these limitations are generally consistent with its operating strategies and does not believe that they will materially restrict its operations or have a material adverse effect on its financial condition or results of operations.

Voting Rights. During the Standstill Period and any Standstill Extension Term, US Realty will vote its shares of Common Stock at its option in accordance with the recommendation of the Company's Board or proportionally in accordance with the votes of the other holders of the Common Stock. However, US Realty may vote all of the shares of Common Stock that it owns, in its sole and absolute discretion, with regard to the election of its nominees to the Board, and may vote shares of Common Stock owned by it representing up to 40% of the outstanding shares, in its sole and absolute discretion, with regard to (i) any amendment to the Charter or Bylaws that would reasonably be expected to materially adversely affect US Realty and (ii) any extraordinary transaction (as defined). If any such extraordinary transaction requires the

affirmative vote of the holders of two-thirds of the outstanding shares of Common Stock, US Realty may vote, in its sole discretion, shares owned by it representing up to 28% of the outstanding Common Stock.

Standstill Provisions. For a period of five years following shareholder approval (the "Standstill Period") and during any Standstill Extension Term (as defined below), US Realty and its affiliates may not (i) acquire beneficial ownership of more than 45% of the outstanding shares of Common Stock, on a fully-diluted basis, (ii) sell, pledge, transfer or otherwise dispose of any shares of Common Stock except in accordance with certain specified limitations (including a requirement that the Company, in its sole and absolute discretion, approve any transfer in a negotiated transaction that would result in the transferee beneficially owning more than 9.8% of the Company's capital stock), (iii) act in concert with any other person or group by becoming a member of any group within the meaning of Section 13(d) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act") (other than such a group comprised exclusively of US Realty and one or more of its affiliates), (iv) solicit, encourage, or propose to effect or negotiate certain business combination transactions other than pursuant to the Stock Purchase Agreement, (v) solicit, encourage, initiate, or participate in any "solicitation" of "proxies" or become a "participant" in any "election contest" (as such terms are defined or used in Regulation 14A under the Exchange Act, disregarding certain provisions thereof), (vi) seek Board representation or a change in the composition or size of the Board, except as permitted by the Stockholders Agreement, (vii) except in certain circumstances, sell or otherwise transfer or pledge any capital stock of Holdings or any affiliate of Holdings that owns Common Stock, (viii) request an amendment or waiver of the foregoing limitations or of the ownership limitations of the Charter, or (ix) assist or encourage any person or entity with respect to any of the foregoing (collectively, the "Standstill Provisions").

After expiration of the Standstill Period, the Standstill Provisions will be extended automatically for successive one-year periods (each a "Standstill Extension Term"), unless US Realty provides written notice at least 270 days prior to the commencement of any Standstill Extension Term that such Standstill Extension Terms and all further Standstill Extension Terms are canceled. The Standstill Period or a Standstill Extension Term, as the case may be, will be automatically terminated upon the occurrence of certain actions taken or not taken by the Company.

Registration Rights. Pursuant to the Registration Rights Agreement, the Company has granted certain registration rights to US Realty that will enable US Realty to resell in registered offerings certain shares of Common Stock and other securities of the Company acquired by it to the public under certain conditions.The shares issued to US Realty pursuant to the Stock Purchase Agreement will be registered under the Securities Act of 1933, as amended (the "Securities Act"). However, because US Realty may be deemed to be an "underwriter" for purposes of the Securities Act, the shares of Common Stock and other securities of the Company owned by it may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available.

Conditions to Closing. Each of the Company's and US Realty's obligations to effect the Second and Subsequent Closings are subject to various mutual and unilateral conditions, including, without limitation, the following: (i) the Company shall continue to qualify as a REIT for federal income tax purposes; (ii) the shareholders shall have approved the Transaction (Proposal 1); (iii) the shareholders shall have approved the Amendment to the Charter to expressly authorize US Realty to own up to 45% of the Common Stock, on a fully diluted basis, to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the Company's outstanding capital stock and to make certain other modifications to facilitate the Company's continued qualification as a domestically controlled REIT for

federal income tax purposes (Proposal 2); (iv) the Company shall continue to qualify as a domestically controlled REIT for federal income tax purposes; (v) there shall have been no change or circumstance that has had or would reasonably be expected to have a material adverse effect on the financial condition, results of operations or business of the Company and its subsidiaries taken as a whole (a "Material Adverse Effect"); and (vi) various other customary conditions shall have been satisfied.

No Solicitation of Competing Transactions. Unless and until the Stock Purchase Agreement is terminated in accordance with its terms, the Company may not solicit proposals or indications of interest from, provide information to, or negotiate with any person, with respect to certain transactions alternative to the Transaction (each a "Competing Transaction"). However, the Board may take such actions as may be required by the Board's fiduciary obligations to the shareholders as determined in good faith by the Board on the written advice of outside counsel.

Expenses; Break-Up Fee. If the Transaction is submitted to a vote of the shareholders and the shareholders fail to approve the Transaction (or in the event that the Company has failed to convene a meeting of shareholders for such purpose on or before October 31, 1996), the Company will pay to US Realty $1 million to reimburse it for its expenses in connection with the transactions (including opportunity costs). If the Transaction is not approved by the shareholders in connection with the emergence and consummation, under certain circumstances, of a proposal for a Competing Transaction, the Company will pay to US Realty a break-up fee of $5 million.

Potential Beneficial Effects of the Transaction

The Company believes that the Transaction, if consummated, represents an attractive opportunity to improve long-term shareholder value by providing the Company with access to significant equity capital at an attractive cost and additionally provides strategic resources not otherwise readily available to it, thereby enhancing the Company's short-term and long-term growth prospects and better positioning it to capitalize on shopping center opportunities in the southeastern United States. In particular, the Company believes that the Transaction may have a number of beneficial effects on the Company and its shareholders, including the following:

Large, Timely Infusion of Capital at Reasonable Cost. The Transaction is expected to enable the Company to accomplish its financing objectives for 1996 and a significant portion of 1997 in a single transaction on favorable terms compared with those that might have been available in the public markets. Because the purchase price for the Common Stock to be acquired by US Realty is fixed, the Transaction protects the Company against the risks of a decline in the stock market as a whole and the market for REIT shares in particular. In addition, the Company will not pay any underwriting discount or commission in connection with the sales to US Realty and expects that its out-of-pocket expenses in connection with such sales will be substantially less than the costs it would have incurred in selling a similar number of shares in one or more firm commitment underwritings. Moreover, the Company is not exposed to the risk of a decline in the market price of its shares that is commonly observed in advance of such offerings. Additionally, the Transaction will enable management to focus on acquisitions and intensively managing the Company's existing properties instead of being required to divert management time and attention to the process of raising capital.

Indirect Affiliation with Security Capital Group. Security Capital Group is highly-regarded as a sophisticated operator of and investor in REITs and owns a substantial minority interest in US Realty. A

subsidiary of Security Capital Group is the operating advisor to US Realty. Paul E. Szurek, Managing Director of US Realty and Security Capital (UK) Management, Ltd., and J. Marshall Peck, Managing Director of Security Capital Investment Research Incorporated, will become directors of the Company immediately after approval by the Company's shareholders of the Transaction. The Company believes that it will benefit significantly from its association with Messrs. Szurek and Peck and their access to the market knowledge, operating experience and research capabilities of Security Capital Group. Additionally, pursuant to the Stockholders Agreement, US Realty is obligated to make available to the Company certain strategic advice and related information and expertise acquired or developed in the ordinary course of its business, including information concerning property acquisition opportunities.

Improved Future Access to Capital. The Company believes that, as a result of the Transaction, it will have greater access to the capital markets and a lower cost of capital because the Transaction will (i) increase its equity market capitalization and total capitalization, (ii) establish an indirect affiliation with the highly-regarded Security Capital Group, which should enhance the Company's access and attractiveness to significant institutional investors; and (iii) through the participation rights granted to US Realty under the Stockholders Agreement, provide a highly-motivated potential buyer for substantial portions of future offerings by the Company of its equity securities or debt securities convertible into equity. Moreover, because of its substantial investment in the Company, in addition to its obligations to provide advice under the Stockholders Agreement, US Realty will have significant incentives to make available its resources, experience and advice regarding access to capital markets and assisting the Company to achieve a lower cost of capital. The Company believes that improved access to the capital markets should enhance its ability to grow and increase shareholder value.

Potential Enhancement of Shareholder Value. The Transaction will not result in any direct return to shareholders of cash or other consideration. The Company, however, believes that the Transaction offers shareholders an opportunity to realize long-term value. Further, the elimination of the Company's need to access the public equity markets in 1996 would remove what the Company believes has been a limiting factor in the continuing appreciation of its stock price, that is, the assumption among institutional investors that the Company will be forced to offer additional Common Stock publicly in 1996. The Company's strategic plan calls for the application of the significant capital to be raised in the Transaction to execute an attractive growth strategy for the purpose of increasing the Company's asset base and cash flow in a controlled but significant fashion over a relatively short period of time. Management's goal is to increase funds from operations and cash available for distribution to shareholders through the strategic deployment of the capital and other resources to be made available to the Company through its affiliation with US Realty.

It should be noted, however, that there is no assurance that the Company will realize any of the potential benefits of the Transaction described above. See "APPROVAL OF THE TRANSACTION (Proposal 1) -- Potential Beneficial Effects of the Transaction."

Potential Adverse Effects of the Transaction

The Company believes that the Transaction, if consummated, could have certain adverse effects on the Company and its shareholders, including the following:

Concentration of Ownership of Common Stock. US Realty will be entitled to own up to 45% of the Company's Common Stock, on a fully diluted basis, and will be the largest single

shareholder of the Company. US Realty will have the right to nominate a proportionate number of the directors of the Company's Board, rounded down to the nearest whole number, based upon its ownership of outstanding shares of Common Stock, but not to exceed 49% of the Board. Although certain Standstill Provisions will preclude US Realty from increasing its percentage interest in the Company for a period of at least five years (subject to certain exceptions), and US Realty will be subject to certain limitations on its voting rights with respect to its shares of Common Stock during that time, US Realty nonetheless will have a substantial influence over the affairs of the Company as a result of the Transaction. This concentration of ownership in one shareholder could be disadvantageous to other shareholders' interests.

US Realty could own as much as 43.2% of the Company's total common equity on a fully diluted basis. If the Standstill Period or any Standstill Extension Term terminates and the Company's Class B Non-Voting Common Stock (the "Class B Stock") is not converted into shares of Common Stock (in which case US Realty's shares would constitute 52.7% of the outstanding Common Stock), US Realty could be in a position to control the election of the Board or the outcome of any corporate transaction or other matter submitted to the shareholders for approval (assuming no other changes in the number of outstanding shares of Common Stock).

Anti-Takeover Effect of the Transaction. US Realty's acquisition of up to 52.7% of the Common Stock (43.2% on a fully diluted basis) and the director nomination, voting and other rights granted to US Realty under the Stockholders Agreement, although subject to certain limitations during the Standstill Period by reason of the Standstill Provisions, may make it more difficult for other shareholders to challenge the Company's director nominees, elect their own nominees as directors, or remove incumbent directors and may render the Company a less attractive target for an unsolicited acquisition by an outsider.

Potential Dilution. While the Company generally has the ability to control the timing of the Second and Subsequent Closings and any additional investments by US Realty, if the proceeds from sales of securities to US Realty are not invested in a timely or accretive manner, there would be dilution of earnings per share and funds from operations per share to the existing shareholders of the Company. The Company does not intend to change its careful acquisition criteria, and it may temporarily have excess cash on its balance sheet if sufficient acquisitions are not completed by June 1997 (unless the Company and US Realty agree to extend this date).

Limitations on Corporate Actions. Pursuant to the Stockholders Agreement, the Company has agreed to certain limitations on its operations during the Standstill Period and any Standstill Extension Term, including restrictions relating to the incurrence of total indebtedness exceeding 60% of the gross book value of the Company's total consolidated assets, investments in properties other than shopping centers in a specified geographic area, the indirect ownership of assets, and certain other matters. Although the Company believes that these limitations are consistent with its operating strategies and does not believe that they will materially restrict its operations or have a material adverse effect on its financial condition or results of operations, there can be no assurance that these limitations will not do so in the future.

Effects on Future Foreign Investment in the Company. The Transaction is not expected to have a material adverse effect on the existing holdings of shares of Common Stock by foreign investors. However, as a result of certain proposed changes to the Charter that are designed to help protect the Company's status as a "domestically controlled REIT" for the primary benefit of US Realty and other existing foreign holders, the acquisition of additional shares of Common Stock in the future by foreign investors (whether or not they currently own an interest in the Company) would be subject to certain limitations and risks to which such investors would not normally be subject. See "Proposal to Amend the Ownership

Restrictions -- Reasons for and Possible Effects of the Amendment." The restriction on new foreign investment in the Company (through market purchases or otherwise) could reduce the demand for the Common Stock, potentially decreasing the market value of the Common Stock, and could hinder the ability of the Company to raise capital in the future through sales to non-U.S. persons of equity or debt securities convertible into equity.

Conflicts of Interest; Interests of Certain Persons

The execution of the Stock Purchase Agreement has accelerated the exercisability of 131,400 options (with an exercise price of $19.25 per share) held by the Company's executive officers (of which 29,200 options were scheduled to vest in October 1996), and 7,000 options (with exercise prices ranging from $16.75 to $18.75 per share) held by the Company's directors (of which all 7,000 were scheduled to vest in December 1996). The Stock Purchase Agreement will not have any other effect on any employment agreement, stock option or other compensatory arrangement for any executive officer or director of the Company.

US Realty will have the right to certain Board representation following shareholder approval of the Transaction. To the extent that any such director nominees are affiliated or associated with US Realty, such persons may thereby be deemed to have interests in the Transaction that are in addition to the interests of the shareholders generally.

Potential Effects of Shareholder Approval or Disapproval of the Transaction

Effects of Shareholder Approval. Approval of the Transaction by the shareholders will constitute approval of all of the various terms set forth in the Stock Purchase Agreement, the Stockholders Agreement and the Registration Rights Agreement and the transactions contemplated thereby.

Such approval also may serve to extinguish potential claims, if any, regarding any conduct of members of the Board in connection with the Transaction, including potential claims alleging violations of the Board's duties to shareholders. Under Florida law, fully informed shareholder approval of a transaction may, in certain circumstances, serve to extinguish certain related fiduciary duty claims against directors.

Opinion of Financial Advisor

The Company engaged Prudential Securities as its financial advisor in connection with the Transaction. On June 11, 1996, Prudential Securities delivered to the Board a written opinion to the effect that, as of such date and based upon and subject to certain matters stated therein, the consideration to be received by the Company pursuant to the Stock Purchase Agreement is fair to the Company from a financial point of view. A copy of Prudential Securities' opinion, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached hereto as Appendix E. SHAREHOLDERS SHOULD READ PRUDENTIAL SECURITIES' OPINION CAREFULLY IN ITS ENTIRETY. The opinion of Prudential Securities does not constitute a recommendation as to how any shareholder should vote at the Special Meeting.

Recommendation of the Board; Factors and Conclusions of the Board Involved in Its Determination

The Board has unanimously approved the Transaction and has determined that the Transaction is in the best interests of the Company and its shareholders. THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR APPROVAL OF THE TRANSACTION.

The recommendation of the Board is based on its belief that the Transaction represents an attractive opportunity to improve long-term shareholder value by providing the Company with access to significant equity capital at an attractive cost and additionally provides strategic resources not otherwise readily available to it, thereby enhancing the Company's short-term and long-term growth prospects and positioning it to better capitalize on shopping center opportunities in the southeastern United States. See "Approval of the Transaction -- Recommendation of the Board; Factors and Conclusions of the Board Involved in its Determination."

Amending the Ownership Limitations (Proposal 2)

The Board has approved and recommends the approval by the shareholders of an amendment to Article 5 of the Charter to expressly authorize US Realty to acquire up to 45% of the outstanding Common Stock, on a fully diluted basis, to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the outstanding shares of capital stock and to make certain other modifications to facilitate the Company's continued qualification as a domestically controlled REIT for federal income tax purposes. Approval of this amendment is a condition to consummation of the Transaction and is conditioned upon approval of the Transaction (Proposal 1). THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE

FOR APPROVAL OF THE AMENDMENT.

Outstanding Shares and Voting Rights

Record Date. Only shareholders of record at the close of business on the Record Date are entitled to notice of and to vote at the Special Meeting or any adjournment thereof.

Quorum. The Company's Bylaws provide that a majority of the issued and outstanding shares of Common Stock, present in person or represented by proxy at the Special Meeting, shall constitute a quorum. Abstentions, but not broker non-votes (i.e., votes not cast by a broker or other record holder in "street" or nominee name solely because such record holder does not have discretionary authority to vote on the matter), will be treated as shares that are present, or represented, and entitled to vote for purposes of determining the presence of a quorum at the Special Meeting.

Voting Rights. The securities that can be voted at the Special Meeting consist of issued and outstanding shares of Common Stock, with each share entitling its owner to one vote on all matters. There is no cumulative voting of shares. At the close of business on the Record Date, the Company had outstanding 7,882,683 shares of Common Stock. Shareholders' votes will be tabulated by the persons appointed by the Chairman of the Special Meeting to act as inspectors of election for the Special Meeting.

No Appraisal Rights. Shareholders are not entitled under Florida law to appraisal rights with respect to the Transaction.

Reasons for Seeking Shareholder Approval. Approval of the Transaction is not required by Florida law or the Charter or Bylaws. Instead, the Company is seeking shareholder approval of the Transaction pursuant to the rules of the NYSE. Paragraph 312.03 of the NYSE Listed Company Manual provides that shareholder approval is required prior to issuance of common stock in certain instances, including when the number of shares of common stock to be issued in a transaction (or series of transactions), other than a public offering for cash, would equal at least 20% of the number of shares of common stock outstanding before such issuance. If the Company were to consummate the Transaction without shareholder approval, the NYSE would have the authority to delist the Common Stock from the NYSE.

The proposed amendment to the Charter requires shareholder approval under Florida law and under the Charter.

Vote Required

Vote Required to Approve the Transaction (Proposal 1). Pursuant to the rules of the NYSE, the affirmative vote of a majority of the total votes cast by the shareholders, provided that the number of total votes cast represents over 50% of the shares of Common Stock issued and outstanding on the Record Date, is required to approve the Transaction (Proposal 1). Abstentions and broker non-votes will have no effect on the result of the vote to approve the Transaction, assuming that the number of votes cast represents over 50% of all outstanding shares of Common Stock. Members of the Stein Group, who as of the Record Date collectively owned 9.0% of the outstanding shares of Common Stock, have executed letter agreements with US Realty, pursuant to which they have agreed to vote all of their shares in favor of the Transaction. US Realty, which as of the Record Date held 1,053,500 shares of Common Stock, representing 13.4% of the total outstanding Common Stock, is expected to vote

its shares in favor of this proposal. Approval of the Transaction by the requisite vote of the shareholders of the Company is a condition to consummation of the Transaction (except for the initial purchase by US Realty of 934,400 shares on July 10, 1996). Approval of the Transaction is conditioned upon approval of the proposed amendment to Article 5 of the Charter.

Vote Required to Approve the Amendment to Article 5 of the Charter (Proposal 2). The affirmative vote of a majority of the total votes cast by the shareholders is required to amend the Charter to expressly authorize US Realty to acquire up to 45% of the outstanding Common Stock, on a fully diluted basis, to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the Company's outstanding capital stock and to make certain other modifications to facilitate the Company's continued qualification as a domestically controlled REIT for federal income tax purposes (Proposal 2). Abstentions and broker non-votes will have no effect on the result of the vote to approve the proposed amendment to the Charter. Members of the Stein Group, who as of the Record Date collectively owned 9.0% of the outstanding shares of Common Stock, have executed letter agreements with US Realty, pursuant to which they have agreed to vote all of their shares in favor of the proposed amendment to the Charter. US Realty, which as of the Record Date held 1,053,500 shares of Common Stock, representing 13.4% of the total outstanding Common Stock, is expected to vote its shares in favor of this proposal. Approval of the proposed amendment to Article 5 of the Charter by the requisite vote of shareholders of the Company is a condition to consummation of the Transaction (except for the initial purchase by US Realty of 934,400 shares on July 10, 1996). Approval of the proposed amendment to Article 5 is conditioned upon approval of the Transaction.

Proxies

The shares represented by each properly executed proxy not subsequently revoked will be voted at the Special Meeting in accordance with the instructions contained therein. If no specification is made, the proxy will be voted (i) FOR Proposal 1 to approve the Transaction and (ii) FOR Proposal 2 to approve and adopt the Amendment to the Charter to expressly authorize US Realty to acquire up to 45% of the outstanding Common Stock, on a fully diluted basis, to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the Company's outstanding capital stock and to make certain other modifications to facilitate the Company's continued qualification as a domestically controlled REIT for federal income tax purposes.

A shareholder giving a proxy in the form accompanying this Proxy Statement has the power to revoke the proxy prior to its exercise by (i) prior to the Special Meeting filing a written notice of revocation bearing a later date with J. Christian Leavitt, Vice President and Treasurer, Regency Realty Corporation, 121 West Forsyth Street, Suite 200, Jacksonville, Florida 32202, (ii) delivering to the Company a duly executed proxy bearing a later date, or (iii) attending the Special Meeting and voting in person.

If necessary, the holders of the proxies may vote in favor of a proposal to adjourn the Special Meeting to permit further solicitation of proxies in order to obtain sufficient votes to approve any of the matters being considered at the Special Meeting. If the Special Meeting is adjourned for any reason, at any subsequent reconvening of the Special Meeting all proxies may be voted in the same manner as such proxies would have been voted at the original convening of the Special Meeting (except for any proxies that have theretofore effectively been revoked or withdrawn).

The cost of soliciting proxies will be borne by the Company. In addition to the use of the mails, proxies may be solicited personally or by telephone or facsimile transmission by officers, directors, and employees of the Company, who will not be specifically compensated for such solicitation activities, and/or by

Georgeson & Company, Inc., a third party solicitor who the Company intends to engage for this purpose and who will receive a fee estimated to be between $7,500 and $10,000 (plus out-of-pocket expenses) for its services for soliciting such proxies. Arrangements also will be made with brokerage houses and other custodians, nominees and fiduciaries for forwarding solicitation materials to the beneficial owners of shares of Common Stock held of record by such persons, and the Company will reimburse such persons for their reasonable expenses incurred in that connection.

SHAREHOLDERS ARE REQUESTED TO INDICATE THEIR VOTE, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT PROMPTLY TO THE COMPANY IN THE POSTAGE-PAID ENVELOPE THAT HAS BEEN PROVIDED.

THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR APPROVAL OF THE TRANSACTION AND FOR THE PROPOSED AMENDMENT TO ARTICLE 5 OF THE COMPANY'S CHARTER SET FORTH IN THIS PROXY STATEMENT.

APPROVAL OF THE TRANSACTION
(Proposal 1)

The following discussion summarizes the material aspects of the Transaction, as set forth in the Stock Purchase Agreement and the various exhibits thereto, including the Stockholders Agreement and the Registration Rights Agreement. This summary is not intended to be a complete description of the Stock Purchase Agreement or the exhibits thereto and is subject to, and qualified in its entirety by, reference to the Stock Purchase Agreement, the form of Stockholders Agreement and the form of Registration Rights Agreement, copies of which are attached hereto as appendices and incorporated herein by reference.

Information About the Company

The Company is a Florida-based, fully integrated, self-administered and self-managed real estate investment trust ("REIT") which owns, manages, and develops community and neighborhood shopping centers. The Company's primary focus is grocery-anchored community and neighborhood shopping centers in the southeastern United States. As of July 31, 1996, the Company owns and operates 37 community and neighborhood shopping centers totalling approximately 4.2 million square feet and 4 suburban office complexes totalling approximately 298,000 square feet, located in Florida (72% of GLA), Alabama (12%), Georgia (8%), Mississippi (4%) and North Carolina (4%). The Company also manages and leases approximately 1.1 million square feet of properties for third parties and performs ancillary third party services (including tenant representation, site selection and construction management) on a selective basis.

The Company is incorporated in Florida. Its executive offices are located at 121 West Forsyth Street, Suite 200, Jacksonville, Florida 32202, and its telephone number is (904) 356-7000. The Company operates additional offices in Ft. Lauderdale, Tampa and Stuart, Florida and in Atlanta, Georgia.

Information About US Realty

Security Capital U.S. Realty is a Luxembourg corporation that endeavors to become Europe's preeminent publicly-held real estate company with strategic ownership positions in leading "value-added" real estate operating companies in the United States (i.e. real estate operating companies in which opportunities exist to enhance asset cash flow by combining a strategically focused asset portfolio with synergistic marketing and other strategies that meet the special needs of customers). US Realty's shares are listed on the Amsterdam Stock Exchange and the Luxembourg Stock Exchange. It does not intend to become publicly held within the United States. US Realty believes its shares are owned by approximately 400 different investors, primarily financial institutions and similar investors who have substantial international investments. Security Capital Group owns 39.8% of the outstanding shares of US Realty and no other shareholder is permitted to own more than 9.5% thereof. There are no shareholder agreements or other agreements pursuant to which any shareholder has special voting rights or control rights with respect to US Realty.

US Realty endeavors to acquire 25% to 45% of the common stock of a limited number of U.S. real estate operating companies with specific market niches and the potential to be leaders in their respective peer groups. US Realty endeavors to maximize shareholder value in each of these companies by investing sufficient capital and, through representation on the board of directors and committees thereof, providing input to management with respect to development and implementation strategies for long-term growth in per share operating results.

The Company will be the exclusive strategic investment of US Realty in the business of acquiring, developing and owning Shopping Center Properties, as defined, in that portion of the southern and eastern United States defined in the Stockholders Agreement as the "Geographic Region." "Shopping Center Properties" are defined in the Stockholders Agreement as any shopping center under 250,000 square feet of leasable area anchored by a grocery store, drugstore or general merchandise discount store (such as Wal-Mart, K-Mart, Target, TJ Maxx, Stein Mart or similar store), but excluding any enclosed regional or urban mall or other similar shopping facility, and "Geographic Region" means Florida, Alabama, Mississippi, Georgia, North Carolina, South Carolina, Tennessee, Kentucky, Virginia, West Virginia, Maryland and the District of Columbia and the southern regions of Indiana and Ohio (including Indianapolis and Columbus, respectively). Neither US Realty nor any of its affiliates currently has a direct investment in any Shopping Center Property in the Geographic Region or owns any material interest in any company that owns assets that currently compete with the Company's investments or properties.

US Realty has over $800 million of equity capital, of which a minimum of $132.2 million has been reserved for its investment in the Company. US Realty consummated an equity offering in October 1995 pursuant to which it received $509 million of subscriptions, all of which has been called and funded. On July 2, 1996, US Realty completed an underwritten public offering of its shares in Europe and realized gross proceeds of $250 million.

Security Capital Group, through its subsidiaries, is the principal shareholder of three REITs (described below) that focus on industrial and multifamily properties. As of June 30, 1996, these REITs had combined total assets of $4.53 billion. Two of these REITs are traded on the NYSE. Security Capital Group provides REIT management and other services to these REITs through its wholly-owned subsidiaries.

Security Capital Industrial Trust ("SCI") (NYSE Symbol: SCN) is the largest publicly held owner and operator of industrial properties in the United States. As of June 30, 1996, SCI had industrial properties operating or under development in 36 metropolitan areas, totaling 80.3 million square feet. SCI creates value for its shareholders through the "SCI National Operating System," a unique system that provides exceptional customer service, marketing and development to SCI customers at the local, regional and national levels.

Security Capital Pacific Trust ("PTR") (NYSE Symbol: PTR) is a preeminent real estate operating company focusing on the development, acquisition, operation and long-term ownership of multifamily properties in the growing markets of the western United States. As of June 30, 1996, PTR's portfolio included 59,736 units in operation or under development. PTR's research capability and development expertise are important in designing new properties to match the submarkets in which they are located. Service-oriented management and operating efficiencies have helped PTR achieve consistent growth in per share operating results.

Security Capital Atlantic Incorporated is a private REIT that focuses on the development, acquisition, operation and long-term ownership of income-producing multifamily properties in the southeastern United States. It expects to follow the operating and investment strategies that have been successfully implemented by PTR.

US Realty, of which Security Capital Group is a 39.8% shareholder, is the principal shareholder in three REITs with specific market niches described below. As of March 31, 1996, these REITs had combined total assets of $1.3 billion. Two of these REITs are traded on the NYSE.

CarrAmerica Realty Corporation ("CarrAmerica") (NYSE Symbol: CRE), based in Washington, D.C., focuses on identifying office properties in growing or protected markets. Its strategy is to meet multiple-location office needs of corporate clients with cost-effective space through a national base of properties and development in growing suburban markets. In November, 1995, US Realty agreed to invest $250 million in newly-

issued CarrAmerica stock at $21.47 per share. Following CarrAmerica's shareholder approval the investment was consummated on April 30, 1996.

Storage USA, Inc. ("Storage USA") (NYSE Symbol: SUS), based in Columbia, Maryland, with operations in 25 states, focuses on flexible, cost-efficient self-storage facilities for businesses and consumers. Its strategy is to continue to acquire well-located properties in what is presently a fragmented sector, increase occupancies and rents with its national operating system, and create a national franchise for servicing customers. In February, 1996 US Realty agreed to invest $220 million in newly-issued Storage USA stock at $31.30 per share. $61 million was invested on March 19, 1996 and the balance is expected to be invested in the third quarter of 1996. Storage USA's shareholders approved the transaction on June 5, 1996.

Pacific Retail Trust ("Pacific Retail"), based in Dallas, Texas, is a privately-held REIT formed with US Realty's assistance. It focuses on shopping centers in the western United States in residential neighborhoods where opportunities for competing developments are limited ("infill locations"). Its strategy, which is similar to that which the Company will pursue (but in a different geographic area), is to acquire a large base of well-located grocery- or drugstore-anchored shopping centers that cater to the basic needs of consumers and achieve growth in operating revenue through intensive remarketing and remerchandising of the shopping centers, improving the mix and quality of the tenants. In October, 1995, US Realty agreed to invest $200 million in Pacific Retail at $10 per share.

Background of the Transaction

The Company believes that commercial real estate in the United States will increasingly be held by publicly held REITs that are fully integrated operating companies. During 1993 and 1994, a record volume of capital was invested in the initial public offerings of REITS. It is the Company's view that, as the real estate securitization process continues, the success of a REIT will be largely dependent on its ability to access capital markets consistently on favorable terms and that this access will depend upon the REIT's "critical mass," or asset size, operational sophistication, experience and performance history.

During the spring of 1995, representatives of SCIR and the Company held preliminary discussions concerning the possibility of an SCIR affiliate making an investment in the Company. Representatives of the Company had an introductory meeting with officers of SCIR in May 1995. However, the discussions never progressed beyond the preliminary stage.

In March 1996, representatives of SCIR contacted Martin E. Stein, the Company's President, and expressed an interest in renewing discussions. The Company was aware of US Realty's reputation in the real estate industry and its investments in other REITs and was interested in further exploring a relationship as a means of accessing additional capital.

Following SCIR's initial contact, William D. Sanders, Chairman of Security Capital Group, and Anthony R. Manno, Jr., Managing Director of SCIR, met with Mr. Stein at an industry conference on April 16, 1996, where they updated each other on the progress, strategy and philosophy of each company. The parties believed that, given the compatibility of their philosophies and visions and the potential mutual benefits from a financial relationship, the parties should explore a possible strategic investment by US Realty in the Company. Over the course of the next several weeks, the Company and advisors to US Realty exchanged information and continued discussions. At the end of April 1996, Regency's senior management contacted Prudential Securities with respect to a possible US Realty proposal, as a result of which the Company retained Prudential Securities to serve as financial advisor in connection with evaluating any proposed transaction.

On April 26, 1996, Paul E. Szurek, Managing Director of US Realty and its operating advisor, outlined a proposed structure modeled on US Realty's March 1996 agreement with Storage USA, a self-storage facilities REIT based in Columbia, Maryland. Over the next several weeks, the parties discussed the terms of the proposed transaction, including price. Management briefed the Board of Directors concerning the status of the negotiations at a special meeting held on April 29 to approve the Company's quarterly dividend. On May 5, 1996, Mr. Stein visited representatives of SCIR in Santa Fe, New Mexico, where they reviewed philosophy, goals and certain operating strategies as well as the Company's and US Realty's respective positions on price. On May 9, 1996, SCIR, with the concurrence of US Realty's management, proposed a price of $17.625 per share, which was higher than the $17.375 closing sale price of the Company's Common Stock on the NYSE on the same day and higher than the $17.25 average closing sale price during the preceding 30 days. On May 10, 1996, Mr. Stein advised SCIR that the Company would be prepared to proceed to negotiate a transaction on that basis, subject to Board approval.

On May 13, 1996, US Realty's management prepared a discussion outline of the principal terms of the proposed transaction, which was the subject of a telephone conference call between representatives of the Company and US Realty that day. At a meeting on May 14, 1996, the Board authorized management to proceed with the negotiation of a transaction consistent with the discussion outline. The initial transaction document drafts were distributed on May 16, based on the discussion outline and changes negotiated thereto, and detailed negotiations continued during the following two and one-half weeks between representatives of the Company and US Realty and their respective counsel concerning legal and business points in the draft documentation, with numerous revised drafts being circulated. Officers of SCIR also made tours of certain of the Company's properties and performed due diligence during this period.

Management kept members of the Board of Directors apprised of the status of the negotiations and documentation during this period and distributed for their review a report setting forth the financial analysis underlying the Prudential Securities opinion referred to below, a summary term sheet prepared by Prudential Securities and a complete draft of the Stock Purchase Agreement, Stockholders Agreement and Registration Rights Agreement. On May 31, US Realty's Board of Directors approved the price and the proposed transaction terms, and the approval was communicated to the Company. On the morning of June 11, 1996, the Board of Directors held a special meeting to discuss the US Realty transaction. Management discussed the potential advantages of, and alternatives to, the transaction, emphasizing the opportunity to raise a large amount of capital in a single transaction at reasonable cost, the certainty of amount but flexibility as to timing, the accretion to earnings and increase in shareholder value expected by management to result from the transaction, and the ability to obtain continuing access to US Realty's strategic advice and capital markets expertise. Prudential Securities made a presentation to the Board of Prudential Securities' financial analysis underlying its opinion referred to below. Among other things, the Board discussed with Prudential Securities the fact that although the per share price of $17.625 was higher than the 30-day average closing sale price when initially agreed upon, it was lower than the $19.00 closing price of the Common Stock on the NYSE on June 10. It was noted that the US Realty price per share compared favorably with alternative means of raising the same capital because of the significant underwriting commissions and other transaction costs of a public offering and the lack of certainty that any comparable negotiated transactions of similar size would be available over the time period that US Realty would be funding its Total Equity Commitment. Prudential Securities also delivered its written opinion to the Board at the meeting. See "--Opinion of the Company's Financial Advisor."

After a discussion concerning the advantages of and alternatives to the transaction and a summary by Company counsel of the status of the documentation, the Board voted unanimously in favor of the Stock Purchase Agreement and the transactions contemplated thereby, including the Amendment to the Charter, and authorized management to negotiate final changes and execute definitive agreements. After final negotiations and redrafting, the Stock Purchase Agreement was executed late on June 11, 1996.

On June 11, 1996, the day before the Transaction was publicly announced, the closing sale price for Common Stock as reported on the NYSE Composite Tape was $19.125. For the 60 trading days prior to June 12, 1996, the average closing sale price for Common Stock was $17.72, and on July 19, 1996, the closing sale price was $20.375.

Terms of the Transaction

Parties. Holdings, a wholly-owned subsidiary of Security Capital U.S. Realty, will acquire the shares issued in connection with the Transaction. Security Capital U.S. Realty has a contractual obligation to advance to Holdings the funds to purchase the shares as required pursuant to the Stock Purchase Agreement, and has guaranteed the performance by Holdings of its obligations under the Stock Purchase Agreement.

US Realty Investment. Pursuant to the Stock Purchase Agreement, the Company will sell an aggregate of up to 7,499,400 shares of Common Stock to US Realty at a price of $17.625 per share, for an aggregate purchase price of up to approximately $132 million (plus a purchase price adjustment equal to 85% of dividends accrued on the shares sold during the quarterly dividend period prior to issuance). The purchase price per share was determined as a result of arm's length negotiations between the Company on the one hand and US Realty on the other hand and was based upon recent sales prices of the Common Stock at the time that representatives of the Company and US Realty agreed to negotiate the basic terms of the Transaction and agreed to proceed toward the negotiation and executive of definitive written agreements with respect thereto. At the Initial Closing, the Company sold 934,400 shares to US Realty at $17.625 per share, for an aggregate purchase price of approximately $16.5 million (plus a purchase price adjustment based on accrued dividends). As of the Record Date, US Realty owned approximately 13.4% of the outstanding Common Stock (including 119,100 shares held by it at the time of execution of the Stock Purchase Agreement).

If shareholder approval is obtained, at a time to be selected by the Company but not later than December 1, 1996, in the case of the Second Closing, and not later than June 1, 1997 in the case of the Subsequent Closings, the Company may sell 2,717,400 shares of Common Stock to US Realty at a price of $17.625 per share, for an aggregate purchase price of approximately $47.9 million (plus a purchase price adjustment based on accrued dividends), and up to 3,847,600 shares at a price of $17.625 per share, for an aggregate purchase price of up to approximately $67.8 million (plus a purchase price adjustment based on accrued dividends), respectively (the Second Closing and the Subsequent Closings constituting the "Remaining Equity Commitment"). US Realty will have the right, exercisable on a one-time basis in each of December 1996 and June 1997, to purchase from the Company, at a price of $17.625 per share (plus a purchase price adjustment based on accrued dividends), additional shares of Common Stock to the extent that the shares to be acquired at the Second Closing and the Subsequent Closings, respectively, have not yet been purchased. If US Realty acquires all of the shares represented by the Remaining Equity Commitment (and assuming no other change in the number of outstanding shares), US Realty will own approximately 43.2% of the outstanding Common Stock on a fully diluted basis.

Use of Proceeds. The net proceeds of the investment by US Realty will be used (i) to repay certain indebtedness of the Company under its revolving credit agreements, and (ii) to make additional investments in Shopping Center Properties in the Geographic Region.

Stockholders Agreement. At the Initial Closing, US Realty and the Company entered into the Stockholders Agreement, which grants certain rights to and imposes certain restrictions on US Realty with respect to the shares purchased by it pursuant to the Stock Purchase Agreement. Many of these rights terminate on the 20% Termination Date. These rights and restrictions include the following:

. Strategic and Other Advice. Following shareholder approval and until the 20% Termination Date, US Realty, at the Company's request, is obligated to use its reasonable efforts to make available to the Company the benefit of US Realty's market expertise, operating experience and research acquired or

developed in the ordinary course of its business and to consult with and advise the Company from time to time, as reasonably requested by the Company, with respect to matters concerning: (i) business and operating strategy, (ii) financing and capital formation (including advice regarding capital markets and the structure, method and timing of capital-raising efforts), (iii) property acquisition strategy and acquisition opportunities with respect to the Shopping Center Properties in the Geographic Region of which US Realty becomes aware, (iv) investor relations, and (v) market or economic research in its possession that is not readily available from third parties. US Realty will be entitled to customary fees and expense reimbursement for its services, but is not expected to require payment of such fees unless an unusual commitment of resources is requested by the Company.

. Management of the Company; Representation on the Board and Certain Board Committees. Other than the addition to the Board of US Realty's nominees following receipt of shareholder approval, the Board and management of the Company will not change as a result of the Transaction.

Under the Stockholders Agreement, two individuals identified by US Realty, Paul E. Szurek, Managing Director of US Realty and Security Capital (UK) Management, Ltd., and J. Marshall Peck, Managing Director of Security Capital Investment Research Incorporated, will become directors of the Company immediately after the approval of the Transaction by the shareholders of the Company. The Board of Directors has voted to expand the number of directors from eight to ten, subject to shareholder approval of the Transaction, and to elect Messrs. Szurek and Peck to fill the vacancies. Messrs. Szurek and Peck will be Class I and III directors, respectively. Under Florida law directors elected by the Board to fill vacancies will be required to stand for re-election at the next annual meeting of the Company's shareholders, at which time their terms of office will be made the same as those of the other directors of the relevant class (i.e., expiring at the 1999 annual meeting in the case of Class III directors and at the 2000 annual meeting in the case of Class I directors).

Additionally, US Realty will have the right, until the earlier of (i) the 20% Termination Date and (ii) the termination of the Standstill Period or any Standstill Extension Term, to nominate for election by shareholders at each annual or special meeting that number of directors to the Board such that the total number of US Realty nominees (including any directors nominated previously by US Realty whose terms have not expired) is equal to the greater of (i) two, and (ii) that number corresponding to the percentage of Common Stock owned by US Realty, but not more than 49% of the Board. If the Standstill Period or any Standstill Extension Term has expired, but the 20% Termination Date has not occurred, US Realty may nominate for election to the Board pursuant to the terms of the Stockholders Agreement that number of directors which is equal to the lesser of (i) two and (ii) the number corresponding to the percentage of Common Stock owned by US Realty. After the expiration of the Standstill Period or any Standstill Extension Term, at the Company's request, US Realty will use its reasonable efforts to cause such of its nominees to resign from the Board as will reduce the number of its nominees to the number described in the previous sentence. At any time that US Realty has the right to nominate its proportionate share of nominees for election to the Board, the total number of members of the Board will not be less than eleven without US Realty's consent. Because the number of US Realty nominees calculated as described above is rounded down to the nearest whole number, US Realty will be entitled to five nominees (assuming it has invested its Total Equity Commitment) if the size of the Board is increased to 11, and to six nominees if the size of the Board is increased to 14 from its present size of eight. So long as the Standstill Period or any Standstill Extension Term is in effect, the Stockholders Agreement prohibits US Realty from seeking additional representation on the Board. In addition, so long as US Realty has the right to nominate directors to the Board and at least one director nominated by US Realty is serving thereon, US Realty has the right, subject to certain limitations, to have one of its nominees on each of the Board's audit committee, nominating committee, compensation committee, and executive committee, as well as any other key committees. US Realty also has the right to name an individual to serve on the board of directors or comparable governing body of each subsidiary of the Company so long as US Realty has the right to nominate at least one director to the Board.

. Information Rights. Following shareholder approval and until the 20% Termination Date, the Company will have the obligation (i) to provide to US Realty certain financial statements and operating

information, generally limited to information provided to the Company's senior management and the Board, and a copy of any filing made by the Company pursuant to any federal or state securities law, and (ii) to consult with the designated representative of US Realty, prior to approval by the Board or entering into any definitive agreement, in connection with proposals relating to (a) any acquisition or business combination having a value in excess of $10 million, (b) any sale or disposition of assets, whether by sale of stock or assets or by any business combination, having a value in excess of $20 million, (c) the incurrence or issuance of indebtedness, or the entering into a guaranty or any other financing arrangement, in excess of $20 million, (d) the annual operating budget of the Company, (e) material changes in executive management of the Company, (f) new material agreements with members of the executive management of the Company, and (g) except in certain circumstances, any issuance by the Company or any subsidiary of any capital stock or other equity interests. In circumstances in which the Company is required under the Stockholders Agreement to consult with the designated representatives of US Realty, management of the Company will discuss with such representatives the proposal at issue prior to presenting it to the Board. In its subsequent presentation to the Board, management of the Company expects to advise the Board of US Realty's views and recommendations, if any, on the proposal at issue. The Board will have no obligation to accept or comply with the views of, or follow the recommendations of, US Realty. The Company and US Realty also will afford each other a reasonable opportunity to review in advance any filing by it pursuant to any federal or state securities or other law or any press release that describes or mentions the other. US Realty will be obligated to comply with the Company's insider trading policy and to keep confidential all information obtained from the Company.

. Participation Rights. So long as US Realty's ownership of Common Stock on fully diluted basis does not drop below 15% for more than 180 days (subject to certain conditions) (upon such occurrence, the "15% Termination Date"), in the event that the Company issues or sells shares of capital stock (including securities convertible into or exchangeable or redeemable for capital stock of the Company and including capital stock to be issued pursuant to the conversion, exchange or redemption of other securities), US Realty will be entitled to a participation right to purchase or subscribe for that proportion of the total number of shares to be issued, including shares to be issued to US Realty pursuant to the rights described in this paragraph, equal to US Realty's proportionate holdings of Common Stock outstanding prior to such issuance (but not to exceed 42.5% of the capital stock issued in the Company's first offering and 37.5% of the capital stock issued in subsequent offerings). Notwithstanding the foregoing, US Realty shall have no right to participate in (i) the issuance or sale by the Company of any of its capital stock issued to the Company or any of its subsidiaries or pursuant to options, rights or warrants or other commitments or securities in effect or outstanding on the date of the Stock Purchase Agreement, or (ii) the issuance of capital stock pursuant to the conversion, exchange or redemption of any other capital stock with respect to the original issuance of which US Realty had and fully exercised participation rights. US Realty will be entitled to participate in the issuance of capital stock by the Company pursuant to benefit, option, stock purchase or similar plans, including upon the exercise of options, rights, warrants or other securities, as if the price at which such capital stock is issued were the market price on the date of issuance. All purchases pursuant to such participation rights will be at the same price and on the same terms and conditions as are applicable to other purchasers.

. Limitations on Corporate Actions. Until the first to occur of (y) the expiration of the Standstill Period or any Standstill Extension Term and (z) the 20% Termination Date, the Company may not (a) incur total indebtedness in an amount in excess of 60% of the gross book value of the Company's total consolidated assets, (b) cause or permit the sum of (i) securities of any other person, (ii) assets held other than directly by the Company, (iii) loans made by the Company to a subsidiary, or the reverse, and (iv) assets managed by persons other than employees of the Company, to, at any time, exceed 30%, at cost, of the consolidated assets owned by the Company, (c) own real property other than Shopping Center Properties or land suitable for the development of Shopping Center Properties (which for purposes of this limitation include any such property having less than 350,000 square feet of leasable area in the Geographic Region) whose value exceeds 10% (15% before June 1997) of the aggregate value of the Company's real estate assets at cost, (d) terminate its eligibility for treatment as a REIT for federal income tax purposes, or (e) except as permitted or required by agreements existing as of June 11,

1996, own any interest in any partnership unless the Company is the sole managing general partner of such partnership (collectively, together with the covenants described in the following paragraph and certain covenants with respect to arrangements with affiliates, the "Corporate Action Covenants"). The Company has certain specified rights to cure certain failures to comply with the Corporate Action Covenants.

In addition, the Company has agreed to certain limitations, effective following shareholder approval of the Transaction and continuing until US Realty's ownership of Common Stock shall have been below 20% by value of the actually outstanding shares of Common Stock for a continuous period of 180 days (subject to certain conditions), on the amount of assets that it owns indirectly through other entities and the manner in which it conducts its business. US Realty requested these conditions because of its belief that REITs with direct and extensive control over the operation of all of their assets operate more effectively and in order to permit US Realty to comply with certain requirements of the Code and other countries' tax laws applicable to foreign investors. The Company, during the same period, has agreed not to take actions in the future that would result in more than 30% of its gross income, or more than 30% of the Company's assets by value (subject to certain adjustments), being attributable to properties that are indirectly owned and are not managed by employees of the Company.

The Company believes that these limitations are generally consistent with its operating strategies and does not believe that they will materially restrict its operations or have a material adverse effect on its financial condition or results of operations, though there can be no assurance that they will not do so in the future.

. Voting Rights. During the Standstill Period and any Standstill Extension Term, US Realty will vote its shares of Common Stock at its option in accordance with the recommendation of the Company's Board or proportionally in accordance with the votes of the other holders of the Common Stock. However, US Realty may vote all of the shares of Common Stock that it owns, in its sole and absolute discretion, with regard to the election of its nominees to the Board and may vote shares of Common Stock owned by it representing up to 40% of the outstanding shares, in it sole and absolute discretion, with regard to (i) any amendment to the Charter or Bylaws that would reasonably be expected to materially adversely affect US Realty and (ii) any extraordinary transaction (as defined). If any such extraordinary transaction requires the affirmative vote of the holders of two-thirds of the outstanding shares of Common Stock, US Realty may vote, in its sole discretion, shares owned by it representing up to 28% of the outstanding Common Stock.

. Standstill Provisions. For a period of five years after the shareholder approval date and during any Standstill Extension Term, subject to earlier termination as described below, US Realty may not: (i) acquire more than 45% of the outstanding shares of Common Stock, on a fully-diluted basis; (ii) sell, pledge, transfer or otherwise dispose of any shares of Common Stock except in certain circumstances (such as sales in certain limited amounts, privately negotiated sales, and sales under the Registration Rights Agreement, and transfers to a bona fide financial institution for the purpose of securing bona fide indebtedness, subject to certain obligations under the Stockholders Agreement), and in no event may any transfers be made in a negotiated transaction which would result in any transferee beneficially owning more than 9.8% of the Company's capital stock unless the Company approves the transfer, in its sole and absolute discretion; (iii) act in concert with any other person or group by becoming a member of any group acquiring, holding, voting, or disposing of voting securities pursuant to Section 13(d) of the Exchange Act (other than such a group comprised exclusively of US Realty and one or more of its affiliates); (iv) solicit or propose to effect or negotiate certain business combination transactions other than pursuant to the Stock Purchase Agreement; (v) solicit, initiate, or participate in any "solicitation" of "proxies" or become a "participant" in any "election contest" (as such terms are defined or used in Regulation 14A under the Exchange Act, disregarding certain provisions thereof); call, or participate in a call for, any special meeting of shareholders; request, or take any action to obtain any list of holders of any securities of the Company; or initiate, propose, participate in the making of, or solicit shareholders for the approval of any shareholder proposal; (vi) seek Board representation or a change in the composition or size of the Board, except as permitted by the Stockholders Agreement; (vii) except in certain circumstances, sell or otherwise transfer, or pledge or otherwise hypothecate, any capital stock of Holdings or any affiliate of Holdings that owns Common Stock; (viii)

request an amendment or waiver of the foregoing limitations or of the ownership limitations in the amended Charter; or (ix) assist or encourage any person with respect to any of the foregoing.

Exclusive Investment Vehicle for Shopping Center Properties and Shopping Center Companies. Until the earlier of the 20% Termination Date and the date on which shareholders fail to approve the Transaction, US Realty and its controlled affiliates will not, directly or indirectly, own, purchase, develop, or otherwise acquire any Shopping Center Property in the Geographic Region. If US Realty acquires any Shopping Center Properties as an incidental part of a portfolio investment, the Company will have the opportunity to acquire such properties as part of the portfolio acquisition or later if any such properties are proposed to be sold. In addition, US Realty and its affiliates will not purchase equity securities of any Shopping Center Company (as defined in the Stockholders Agreement) other than the Company (except that US Realty may purchase less than 9% of other Shopping Center Companies so long as US Realty is not represented on the board of directors and does not participate in the management of such other company).

Extension and Termination of Stockholders Agreement. The Standstill Period will be extended automatically for successive one-year periods, unless US Realty provides written notice at least 270 days prior to the commencement of any Standstill Extension Term that such Standstill Extension Term and all further Standstill Extension Terms are canceled. However, the Standstill Period will be automatically terminated, during the Standstill Period or any Standstill Extension Term, if any of the following events occurs: (i) the occurrence of a default under any debt agreement that would reasonably be expected to result in a Material Adverse Effect (as defined in the Stockholders Agreement) and which cannot be cured by the Company within the applicable cure period under such debt agreement; (ii) the acquisition by any other person or group of 9.8% or more of the voting power of the outstanding voting securities of the Company unless the shares representing in excess of such 9.8% ("Excess Shares") are deprived of voting rights pursuant to any applicable ownership limitations in the Charter, as amended, or any other enforceable agreement, or if the Excess Shares do not constitute more than 5.2% of the voting power of the outstanding voting securities, unless the transferee does not divest itself of the Excess Shares within the applicable cure period; (iii) any person or group having, or having the right to elect, a number of directors on the Board equal to or greater than the number of directors which US Realty is entitled to nominate; (iv) the authorization by the Company or the Board, with all US Realty nominees abstaining or voting against, of the solicitation of offers, proposals, or indications of interest with respect to certain mergers, sales of assets, or other similar extraordinary transactions (each a "Covered Transaction"); (v) the written submission by any person or group of a proposal with respect to a Covered Transaction (unless as soon as practicable after receipt of such proposal the Board determines that such proposal is not in the best interests of the Company and its shareholders, and the Board continues to reject such proposal as a result of such determination); (vi) in connection with an actual or proposed Covered Transaction, the removal of any rights plan, staggered board provisions, supermajority vote provisions, excess share provisions, or similar impediments to the consummation thereof, or, whether or not in connection with an actual or proposed Covered Transaction, any modification or waiver of the ownership restrictions contained in Article 5 of the Charter (except under certain circumstances); (vii) the failure of the Company to timely cure any breach of the Stock Purchase Agreement or the Stockholders Agreement which would reasonably be expected to materially adversely affect US Realty or have a Material Adverse Effect; (viii) the occurrence of any violation of any of the Corporate Action Covenants described above; or (ix) the occurrence of any event (including certain changes in management) entitling the holder of the Company's Class B Stock to convert its shares into Common Stock without regard to certain percentage limits otherwise applicable thereto.

Registration Rights. At the Initial Closing, the Company and US Realty entered into the Registration Rights Agreement, pursuant to which the Company is obligated to file a minimum of one registration statement under the Securities Act, plus an additional registration statement for each $50 million of shares of capital stock purchased by US Realty after the Initial Closing, for the resale by US Realty of all or a portion of the Company securities owned by it. Because US Realty may be deemed to be an "underwriter" for purposes of the Securities Act, the shares of Common Stock and other securities of the Company owned by it may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available.

The Registration Rights Agreement provides, among other things, that, at any time after the Total Equity Commitment has been invested or the time for investment thereof has expired, US Realty will have the right to require the Company to file a registration statement (such filing, the "Shelf Registration") under the Securities Act for any or all shares acquired by US Realty pursuant to the Stock Purchase Agreement and the Stockholders Agreement, and any securities issued or issuable with respect to any such shares ("Registrable Securities"). The right to a Shelf Registration is limited, however, in that (i) it may be invoked in each instance only with respect to 1,000,000 or more shares, (ii) the Company is not required to effect more than three Shelf Registrations, and (iii) the Company will have the right from time to time to require US Realty not to sell under the Shelf Registration or to postpone or suspend the effectiveness thereof for up to approximately 90 days in certain circumstances, and US Realty will have the right to require the Company on not more than two occasions not to sell any common equity securities for up to 75 days in certain circumstances and subject to certain limitations. US Realty also will have the right, with respect to most registrations of Common Stock by the Company for its own account, to require the Company to include Registrable Securities in such registration. The Registration Rights Agreement provides that the Company and US Realty each will pay certain expenses relating to registrations. The Registration Rights Agreement otherwise contains terms that are generally customary for registration rights agreements of its type.

In addition, as long as US Realty owns at least 9.8% of the outstanding Common Stock on a fully-diluted basis and the Standstill Period (or any Standstill Extension) is in effect, in the event that the Company directly or indirectly sells or otherwise disposes of shares of Common Stock solely for cash to a third party in connection with certain extraordinary transactions such as a merger or the sale, issuance, or other disposition of capital stock of the Company representing, in the aggregate, at least 30% of the then outstanding capital stock of the Company, US Realty will have the right to include in such sale or distribution Registrable Securities owned by US Realty at such time on a pro rata basis (but not greater than 20%).

Conditions to Closing. Each of the Company's and US Realty's obligations to effect the Second Closing and each Subsequent Closing are subject to various mutual and unilateral conditions, including, without limitation, the following: (i) the Company shall continue to qualify as a REIT for federal income tax purposes; (ii) the shareholders shall have approved the Transaction (Proposal 1); (iii) the shareholders shall have approved the Amendment to the Charter to expressly authorize US Realty to acquire up to 45% of the outstanding Common Stock, on a fully diluted basis, to permit individuals (and entities treated as individuals) who are treated as owning shares of Company capital stock as a result of the ownership of shares by US Realty and its affiliates to own up to 9.8% of the Company's outstanding capital stock and to make certain other modifications to facilitate the Company's continued qualification as a domestically controlled REIT for federal income tax purposes (Proposal 2); (iv) the Company shall continue to qualify as a domestically controlled REIT for federal income tax purposes; (v) there shall have been no change or circumstance that has had or would reasonably be expected to have a Material Adverse Effect; and (vi) various other customary conditions shall have been satisfied.

No Solicitation of Competing Transactions. Unless and until the Stock Purchase Agreement is terminated in accordance with its terms, the Company may not solicit proposals or indications of interest from, provide information to, or negotiate with any person, with respect to certain transactions alternative to the Transaction. However, the Board may take such actions as may be required by the Board's fiduciary obligations to the shareholders as determined in good faith by the Board on the written advice of outside counsel.

Expenses; Break-Up Fee. If the Transaction is submitted to a vote of the shareholders and the shareholders fail to approve the Transaction (or in the event that the Company has failed to convene a meeting of shareholders for such purpose on or before October 31, 1996), the Company will pay to US Realty $1 million to reimburse it for its expenses in connection with the transactions (including opportunity costs). If the Transaction is not approved by the shareholders in connection with the emergence and consummation, under certain circumstances, of a proposal for a Competing Transaction, the Company will pay to US Realty a break-up fee of $5 million. No expenses or break-up fee, as the case may be, will be owed if US Realty is in material default with respect to its obligations under the Stock Purchase Agreement.

Amendment or Termination of the Stock Purchase Agreement. Although the Board reserves the right to amend the provisions of the Stock Purchase Agreement without approval of the shareholders, either before or after approval by the shareholders of the Transaction and the transactions contemplated thereby, the Company intends to solicit further approval of the shareholders in the event that any such amendment would change the Transaction in a way that would be materially adverse to shareholders. In addition, any amendment would require the consent of US Realty. The Board also reserves the right to terminate the Stock Purchase Agreement without obtaining further approval of the shareholders. The Board does not anticipate either the amendment of the terms of, or the termination of, the Stock Purchase Agreement.

Potential Beneficial Effects of the Transaction

The Company believes that the Transaction, if consummated, represents an attractive opportunity to improve long-term shareholder value by providing the Company with access to significant equity capital at an attractive cost and additionally provides strategic resources not otherwise readily available to it, thereby enhancing the Company's short-term and long-term growth prospects and better positioning it to capitalize on shopping center opportunities in the southeastern United States. In particular, the Company believes that the Transaction may have a number of beneficial effects on the Company and its shareholders, including the following:

Large, Timely Infusion of Capital at Reasonable Cost. The consummation of the Transaction is expected to enable the Company to accomplish its financing objectives for 1996 and a significant portion of 1997 in a single transaction on favorable terms compared with those that might have been available in the public markets. Because the purchase price for the Common Stock to be acquired by US Realty is fixed, the Transaction protects the Company against the risks of having to sell shares following a decline in the stock market as a whole and the market for REIT shares in particular. In addition, the Company will not pay any underwriting discount or commission in connection with the sales to US Realty and expects that its out-of-pocket expenses in connection with such sales will be substantially less than the costs it would have incurred in selling a similar number of shares in one or more firm commitment underwritings. Moreover, the Company is not exposed to the risk of a decline in the market price of its shares that is commonly observed in advance of such offerings. Additionally, the Transaction will enable management to focus on acquisitions and intensively managing the Company's existing properties instead of being required to divert management time and attention to the process of raising capital.

Indirect Affiliation with Security Capital Group. Security Capital Group is highly regarded as a sophisticated operator of and investor in REITs and owns a substantial minority interest in US Realty. A subsidiary of Security Capital Group is the operating advisor to US Realty. Paul E. Szurek, Managing Director of US Realty and Security Capital (UK) Management, Ltd., and J. Marshall Peck, Managing Director of Security Capital Investment Research Incorporated, will become directors of the Company immediately after approval by the Company's shareholders of the Transaction. The Company believes that it will benefit significantly from its association with Messrs. Szurek and Peck and their access to the market knowledge, operating experience and research capabilities of Security Capital Group. Additionally, pursuant to the Stockholders Agreement, US Realty is obligated to make available to the Company certain strategic advice and related information and expertise acquired or developed in the ordinary course of its business, including information concerning property acquisition opportunities.

Improved Future Access to Capital. The Company believes that, as a result of the Transaction, it will have greater access to the capital markets and a lower cost of capital, particularly debt, because the Transaction will (i) increase its total equity market capitalization from $209.0 million to $366.5 million and its total market capitalization from $347.1 million to $504.6 million on a pro forma basis as of June 30, 1996; (ii) establish an indirect affiliation with the highly-regarded Security Capital Group, which should enhance the Company's access and attractiveness to significant institutional investors; and (iii) through the participation rights granted to US Realty under the Stockholders Agreement, provide a highly-

motivated potential buyer for substantial portions of future offerings by the Company of its equity securities or debt securities convertible into equity. Moreover, because of its substantial investment in the Company, in addition to its obligations to provide advice under the Stockholders Agreement, US Realty will have significant incentives to make available its resources, experience and advice regarding access to the capital markets and assisting the Company to achieve a lower cost of capital. The Company believes that improved access to the capital markets should enhance its ability to grow in ways that increase shareholder value.

Potential Enhancement of Shareholder Value. The Transaction will not result in any direct return to shareholders of cash or other consideration. The Company, however, believes that the Transaction offers shareholders an opportunity to realize long-term value. Further, the elimination of the Company's need to access the public equity markets in 1996 would remove what the Company believes has been a limiting factor in the continuing appreciation of its stock price, that is, the assumption among institutional investors that the Company will be forced to offer additional Common Stock publicly in 1996. The Company's strategic plan calls for the application of the significant capital to be raised in the Transaction to execute an attractive growth strategy for the purpose of increasing the Company's asset base and cash flow in a controlled but significant fashion over a relatively short period of time. Management's goal is to increase funds from operations and cash available for distribution to shareholders through the strategic deployment of the capital and other resources to be made available to the Company through its affiliation with US Realty.

It should be noted, however, that there is no assurance that the Company will realize all or any of the potential benefits described above, which are forward looking statements that are subject to numerous risks and uncertainty. The Company's ability to enhance shareholder value will depend upon a number of circumstances, many of which are outside the control of management, including the availability of attractive acquisition and development opportunities; the Company's continuing ability to identify, perform due diligence with respect to, acquire and effectively manage a large number of shopping center properties; the state of the capital markets generally and prevailing interest rates; uncertainty concerning the Company's ability to refinance its indebtedness at favorable interest rates as it becomes due; and risks relating to the ownership of real estate generally, including the risks of bankruptcy, insolvency or the downturn in business of or failure to renew leases by the Company's anchor tenants, potential liability for unknown environmental matters, and the risk of uninsured losses.

Potential Adverse Effects of the Transaction

The Company believes that the Transaction, if consummated, will have certain potential adverse effects on the Company and its shareholders, including the following:

Concentration of Ownership of Common Stock. US Realty will be entitled to own up to 45% of the Company's capital stock on a fully diluted basis and will be the largest single shareholder of the Company. US Realty will have the right to nominate a proportionate number of the directors of the Company's Board, rounded down to the nearest whole number, based upon its ownership of outstanding shares of Common Stock, but not to exceed 49% of the Board. Although certain Standstill Provisions will preclude US Realty from increasing its percentage interest in the Company for a period of at least five years (subject to certain exceptions), and US Realty will be subject to certain limitations on its voting rights with respect to its shares of Common Stock, US Realty nonetheless will have a substantial influence over the affairs of the Company as a result of the Transaction. This concentration of ownership in one shareholder could be disadvantageous to other shareholders' interests.

The Standstill Period or any Standstill Extension Term will be terminated automatically in the event that a third party acquires beneficial ownership of more than 9.8% of the Company's outstanding Common Stock unless the Excess Shares are deprived of voting rights pursuant to any applicable ownership limitations in the Charter, as amended, or any other enforceable agreement. However, the Stockholders Agreement contains a grace period to enable the Company to attempt to cause a divestiture if the Excess Shares represent no more than 5.2%

of the outstanding voting securities i.e., if the holder acquires beneficial ownership of no more than 15% of the outstanding voting securities. This grace period is intended to allow the Company to attempt to cure an inadvertent acquisition of Excess Shares. The Standstill Period or any Standstill Extension Term also will terminate on the occurrence of certain other events, including a material event of default under any indebtedness of the Company or any of its subsidiaries or the written submission by a third party of a proposal for, or expressing an interest in, an extraordinary transaction such as a business combination or change of control (unless rejected by the Board). If the Standstill Period or any Standstill Extension Term terminates, US Realty could own as much as 52.7% of the outstanding Common Stock, representing approximately 45.0% of the Company's total common equity on a fully diluted basis, and would be in a position to control the election of the Board or the outcome of any corporate transaction or other matter submitted to the shareholders for approval (assuming no other changes in the number of outstanding shares of Common Stock), unless the holder of the Company's Class B Stock elected to convert its shares in full to Common Stock, which it would have the right to do under certain circumstances, in which case such holder would own approximately 16.9% of the outstanding Common Stock on a fully diluted basis and US Realty would own 43.2%.

Anti-Takeover Effect of the Transaction. The Company did not seek US Realty's investment as an "anti-takeover measure." However, US Realty's acquisition of up to 52.7% of the Common Stock (43.2% on a fully diluted basis) and the director nomination, voting and other rights granted to US Realty under the Stockholders Agreement, although subject to certain limitations by reason of the Standstill Provisions, may make it more difficult for other shareholders to challenge the Company's director nominees, elect their own nominees as directors, or remove incumbent directors, even if a significant number of the shareholders believe that such action would be beneficial. In addition, the Transaction and the transactions contemplated thereby may render the Company a less attractive target for an unsolicited acquisition by an outsider because the Standstill Period will terminate if a third party acquires beneficial ownership of more than 9.8% of the voting power of the Company's outstanding voting securities, thereby allowing US Realty to vote its Common Stock without restriction, which Common Stock may constitute a majority of the outstanding Common Stock.

Potential Dilution. While the Company generally has the ability to control the timing of the Second and Subsequent Closings and any additional investments by US Realty, if the proceeds from sales of securities to US Realty are not invested in a timely or accretive manner, there likely would be dilution of earnings per share and funds from operations per share to the existing shareholders of the Company. The Company does not intend to change its careful acquisition criteria, and may temporarily have excess cash on its balance sheet if sufficient acquisitions are not completed by June 1997 (unless the Company and US Realty agree to extend this date).

Limitations on Corporate Actions. Pursuant to the Stockholders Agreement, the Company has agreed to certain limitations on its operations during the Standstill Period and any Standstill Extension Term, including restrictions relating to the incurrence of total indebtedness exceeding 60% of the gross book value of the Company's total consolidated assets, investments in properties other than Shopping Center Properties in the Geographic Region, the indirect ownership of assets, and certain other matters. Although the Company believes that these limitations are consistent with its operating strategies and does not believe they will materially restrict its operations or have a material adverse effect on its financial condition or results of operations, there can be no assurance that these limitations will not do so in the future.

Effects on Future Foreign Investment in the Company. The Transaction is not expected to have a material adverse effect on the existing holdings of shares of Common Stock by foreign investors. However, as a result of certain proposed changes to the Charter that are designed to help protect the Company's status as a domestically controlled REIT for the primary benefit of US Realty and other existing foreign holders, the acquisition of additional shares of Common Stock in the future by foreign investors (whether or not they currently own an interest in the Company) would be subject to certain limitations and risks to which such investors would not normally be subject. See "Proposal to Amend the Ownership Restrictions -- Reasons for and Possible Effects of

the Amendment." The restriction of new foreign investment in the Company (through market purchases or otherwise) could reduce the demand for the Common Stock, potentially decreasing the market value of the Common Stock, and could hinder the ability of the Company to raise capital in the future through sales to non-U.S. persons of equity or debt securities convertible into equity.

Conflicts of Interest; Interests of Certain Persons

The execution of the Stock Purchase Agreement has accelerated the exercisability of options to purchase 155,500 shares of Common Stock outstanding under the Company's 1993 Long-Term Omnibus Plan (the "Plan"). As of the Record Date, there were outstanding options to purchase a total of 187,000 shares of Common Stock. Of the accelerated options, 131,400 (with an exercise price of $19.25 per share) are held by the Company's executive officers (of which 29,200 options were scheduled to vest in October 1996), and 7,000 (with exercise prices ranging from $16.75 to $18.75 per share) options are held by the Company's directors (of which all 7,000 were scheduled to vest in December 1996).

Prior to the negotiation of the Stock Purchase Agreement, the compensation committee of the Board had approved the execution by the Company of severance compensation agreements with each of the Company's executive officers who presently do not have employment agreements providing for each officer to receive a lump sum payment computed as a certain multiple of his annual compensation (but in any event not to exceed one dollar less than the amount that would otherwise constitute an "excess parachute payment" under Section 280G of the Code) in the event that his employment was terminated without cause (as defined) or the officer terminated his employment with good reason (as defined) in either case following a change of control of the Company. The agreements are intended to enable the Company to retain the services of its executive officers under circumstances in which the Company might potentially face a change of control (as defined), including any acquisition of control by US Realty following the termination of the Standstill Period or any Standstill Extension Term, and in which it might otherwise be difficult for the Company to retain key personnel. While the consummation of the transactions contemplated by the Stock Purchase Agreement does not constitute a change of control under such agreement, a change of control as defined therein could occur if the Standstill Period is terminated and US Realty takes any action that otherwise falls within such definition.

Except as set forth above, the Stock Purchase Agreement will not have any effect on any employment agreement, stock option or other compensatory arrangement for any executive officer or director of the Company.

US Realty will have the right to certain Board representation following shareholder approval of the Transaction. See "-- Terms of the Transaction -- Stockholders Agreement" above. As discussed above, Paul E. Szurek, Managing Director of US Realty and Security Capital (UK) Management, Ltd., and J. Marshall Peck, Managing Director of Security Capital Investment Research Incorporated, will become directors of the Company immediately after the shareholder approval date. As of the date hereof, US Realty has not informed the Company as to the identity of any additional director nominee to which it may be entitled in the future, and neither the Company nor the Board has any approval rights with respect thereto. To the extent that any such director nominees are affiliated or associated with US Realty, such persons may thereby be deemed to have interests in the Transaction that are in addition to the interests of the shareholders generally. If and when such director nominees become directors, they also will be entitled to receive normal compensation and benefits customarily given by the Company to non-employee members of the Board.

Potential Effects of Shareholder Approval or Disapproval of the Transaction

Effects of Shareholder Approval. Approval of the Transaction by the shareholders will constitute approval of all of the various terms of the Transaction set forth in the Stock Purchase Agreement, the Stockholders Agreement and the Registration Rights Agreement and the transactions contemplated thereby.

Such approval also may serve to extinguish potential claims, if any, regarding any conduct of members of the Board in connection with the Transaction, including potential claims, if any, alleging violations of the Board's duties to shareholders. Under Florida law, the fully informed shareholder approval of a transaction may, in certain circumstances, serve to extinguish certain related fiduciary duty claims against directors.

As described in "-- Terms of the Transaction --Conditions to Closing" above, approval of the Transaction is a condition to consummation of the Transaction, but there also are numerous other conditions that must be satisfied in order for the Transaction to be consummated. There can be no assurance that all of these conditions will be satisfied, or that the Transaction will be consummated.

Certain Federal Income Tax Considerations

The following discussion summarizes the material federal income tax considerations resulting from the Transaction that may be relevant to the Company and the Company's current shareholders. This discussion does not address the federal income tax considerations resulting from the Transaction that may be relevant to US Realty or its shareholders, and does not address the state, local, or foreign tax considerations resulting from the Transaction that may be relevant to the Company, US Realty, or their respective shareholders. Foley & Lardner, counsel to the Company, has reviewed the following discussion and is of the opinion that the discussion fairly summarizes the federal income tax considerations that are material to a current shareholder of the Company as a result of the Transaction; however, the Company has not sought an opinion of counsel that the Company will qualify as a REIT following the Transaction, since such an opinion inevitably would be premised exclusively on representations by the Company as to future events. The discussion and the opinion of Foley & Lardner regarding the discussion are based on the current provisions of the Code, the applicable Treasury regulations promulgated thereunder, administrative rulings, court decisions, certain factual assumptions related to the ownership and operation of the Company, and certain representations made by the Company and US Realty. No assurance can be given that the legal authorities on which this discussion is based will not change, perhaps retroactively, that the factual assumptions and representations underlying this discussion will continue to be accurate, or that there will not be a change in the future in the circumstances of the Company that would affect this discussion.

No Recognition of Taxable Gain. The Company believes that neither the Company nor any of the Company's current shareholders will recognize taxable gain as a result of the Transaction.

Taxation of the Company as a REIT. The Company made an election to be taxed as a REIT under sections 856 through 860 of the Code, effective for its short taxable year ended December 31, 1993. The Company believes that, commencing with such taxable year, it has been organized and has operated in such a manner as to qualify for taxation as a REIT under the Code, and the Company intends to continue to operate in such a manner. The Company does not expect the Transaction to affect the Company's ability to continue to qualify for taxation as a REIT. No assurance, however, can be given that the Company has operated in a manner so as to qualify, or will operate in a manner so as to continue to qualify, as a REIT. Qualification and taxation as a REIT depends upon the Company's ability to meet on a continuing basis, through actual annual operating results, distribution levels and diversity of share ownership, the various qualification tests imposed under the Code.

Possible Impact of the Transaction on Subsequent Sales of Stock by Non-U.S. Shareholders. Generally, a sale of stock in the Company by a "Non-U.S. Holder" will not be subject to United States taxation under the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA") unless such stock constitutes a United States Real Property Interest ("USRPI"). A Non-U.S. Holder is any person or entity other than (i) a citizen or

resident of the United States, (ii) a corporation or partnership created or organized in the United States or under the laws of the United States or of any state thereof, or (iii) an estate or trust whose income is includable in gross income for United States federal income tax purposes regardless of its source. Stock in the Company will not constitute a USRPI if the Company is a "domestically controlled REIT," defined generally as a REIT in which, at all times during a specified testing period, less than 50% in value of its stock was held directly or indirectly by Non-U.S. Holders. US Realty, a Luxembourg corporation, may acquire up to 45% of the outstanding Common Stock of the Company, on a fully diluted basis, following approval of the Transaction. In the event that, either at the time of the Transaction or at any time thereafter, US Realty and other shareholders of the Company who are Non-U.S. Holders own collectively 50% or more, in value, of the outstanding capital stock of the Company, the Company would cease to be a domestically controlled REIT. Thus, no assurance can be given that the Company will continue to qualify as a domestically controlled REIT.

If the Company does not qualify as a domestically controlled REIT, a Non-U.S. Holder's sale of stock in the Company generally still will not be subject to United States tax under FIRPTA, provided that (i) the stock is "regularly traded" (as defined by applicable Treasury regulations) on an established securities market, and (ii) the selling Non-U.S. Holder held 5% or less of the Company's outstanding stock at all times during a specified testing period. The Company believes the Common Stock would be considered to be "regularly traded" for this purpose, and the Company has no actual knowledge of any Non-U.S. Holder (other than US Realty) that has previously held, or will hold immediately following the Transaction, in excess of 5% of the Company's stock. Thus, the Company does not believe these considerations will directly affect any of its existing shareholders who are Non-U.S. Holders.

If gain on the sale of stock in the Company were subject to taxation under FIRPTA, a Non-U.S. Holder would be subject to the same treatment as a United States shareholder with respect to such gain (subject to applicable alternative minimum tax, a special alternative minimum tax in the case of nonresident alien individuals, and the possible application of the 30% branch profits tax in the case of non-U.S. corporations), and the purchaser of the stock could be required to withhold 10% of the purchase price and remit such amount to the Internal Revenue Service.

The Company has not sought an opinion of counsel as to whether it will qualify as a domestically controlled REIT following the Transaction because the Company is not aware that any Non-U.S. Holder (other than US Realty) will own more than 5% of its stock after the Transaction and, therefore, no current shareholder is expected to be adversely affected if the Company does not qualify as a domestically controlled REIT following the Transaction.

Effect of Amendments to Charter on Additional Purchases by Non-U.S. Holders. In order to assist the Company to continue to qualify as a domestically controlled REIT following the Transaction, the Charter will be amended to prevent any Non-U.S. Holder (other than US Realty and its affiliates) from acquiring additional shares of the Company's capital stock if, as a result of such acquisition, the Company would fail to qualify as a domestically controlled REIT (computed until the 15% Termination Date by assuming that US Realty owns 45% of the Company's outstanding Common Stock). If a Non-U.S. Holder other than US Realty were to acquire shares of stock in violation of this prohibition, the Non-U.S. Holder would forfeit any dividends with respect to such stock and any appreciation in the value of the stock following such acquisition. The Company is unlikely to be able to advise any prospective non-U.S. investor that its purchase of capital stock of the Company would not violate this prohibition, thereby subjecting such prospective non-U.S. investor to potential adverse consequences. Accordingly, an acquisition of shares of capital stock of the Company in the future may not be a suitable investment for non-United States investors (whether or not they currently own an interest in the Company).

Opinion of the Company's Financial Advisor

On June 11, 1996, Prudential Securities delivered its written opinion (the "Opinion") to the Board that, as of such date, the consideration to be received by the Company pursuant to the Transaction is fair to the Company from a financial point of view. Prudential Securities made a presentation of the Opinion and the underlying financial analysis to the Board on June 11, 1996 and, in addition, provided to each director, several days prior to the meeting, a detailed report setting forth the analysis underlying the Opinion. This analysis, as presented to the Board, is summarized herein. All of the members of the Board were present at the meeting (either in person or via teleconference) and had an opportunity to ask questions of Prudential Securities. Prudential Securities discussed with the Board the information in the report, and the financial data and other factors considered by Prudential Securities, in conducting its analysis, all of which are summarized herein.

In requesting the Opinion, the Board did not give any special instructions to Prudential Securities or impose any limitations upon the scope of the investigation that Prudential Securities deemed necessary to enable it to deliver the Opinion. A copy of the Opinion, which sets forth the assumptions made, matters considered and limits on the review undertaken, is attached to this Proxy Statement as Appendix E and is incorporated herein by reference. The summary of the Opinion set forth below is qualified in its entirety by reference to the full text of the Opinion. Shareholders are urged to read the Opinion in its entirety. The Opinion is directed only to the fairness of the consideration to be received by the Company from a financial point of view and does not constitute a recommendation to any shareholder as to how such shareholder should vote at the Special Meeting.

In conducting its analysis and arriving at the Opinion, Prudential Securities reviewed such information and considered such financial data and other factors as Prudential Securities deemed relevant under the circumstances, including: (i) the Company's Annual Report on Form 10-K and the related financial information for the fiscal year ended December 31, 1995 and the Company's Quarterly Report on Form 10-Q and the related unaudited financial information for the quarterly period ended March 31, 1996; (ii) certain information, including financial forecasts, relating to the business, earnings, cash flow, assets and prospects of the Company (including the Company's acquisition program), furnished to Prudential Securities by the Company's management; (iii) the historical market prices and trading volume for the Common Stock and certain publicly traded companies which Prudential Securities deemed to be reasonably similar to the Company; (iv) the historical and projected results of operations of the Company and those of certain companies which Prudential Securities deemed to be reasonably similar to the Company; (v) the terms and conditions of certain recent transactions Prudential Securities deemed relevant; (vi) drafts, dated June 7, 1996, of the Stock Purchase Agreement, Stockholders Agreement and Registration Rights Agreement; and (vii) such other financial studies, analyses and investigations as Prudential Securities deemed relevant. Prudential Securities discussed with senior management of the Company: (i) the prospects for their business, (ii) their estimate of such business' future financial performance, (iii) the potential financial impact of the Transaction on the Company, and (iv) such other matters as Prudential Securities deemed relevant. Prudential Securities had also visited selected properties owned by the Company. The Opinion is necessarily based on economic, financial and market conditions as they existed and could be evaluated as of the date of the Opinion.

In connection with its review and analysis and in arriving at the Opinion, Prudential Securities assumed and relied upon the accuracy and completeness of the financial and other information provided to Prudential Securities or which was publicly available, and did not undertake to verify independently any such information. Prudential Securities neither made nor obtained any independent valuations or appraisals of any of the Company's assets. With respect to certain financial projections of the Company provided to Prudential Securities by the Company, Prudential Securities assumed that the information was reasonably prepared and that the projections represented management's best currently available estimate as to the future financial performance of the Company.

Prudential Securities expressed no opinion as to what the value of the Company's Common Stock will be when issued to US Realty or the prices at which the Common Stock will trade after the Transaction. In addition, the Opinion does not evaluate the relative merits of the Transaction as compared to any other business plan

or opportunity which might be presented to the Company or the effect of any other arrangement which the Company might pursue.

With regard to the Transaction, Prudential Securities observed that the Transaction compares favorably to various funding alternatives (including public and private equity offerings) with respect to timing, amount, certainty of completion and cost. Prudential Securities concluded that the Transaction would give the Company immediate access to significant capital at a price which was reasonable relative to the current market price for its Common Stock, would strengthen the Company's balance sheet and should increase the Company's asset base and funds from operations ("FFO") (assuming effective deployment of capital), which should improve the Company's access to capital in the future. Prudential Securities considered management's beliefs that the Company should benefit from its association with US Realty and that a strategic partnership arrangement with US Realty (including the benefit of US Realty's market knowledge, real estate operating experience and research capabilities) will enhance the Company's ability to pursue its growth and operating strategies.

In arriving at the Opinion, Prudential Securities performed a variety of financial analyses, including those summarized herein. The summary set forth herein of the analyses presented to the Board at the June 11, 1996 meeting does not purport to be a complete description of the analyses performed. The preparation of a fairness opinion is a complex process that involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of these methods to the particular circumstances and, therefore, such an opinion is not necessarily susceptible to partial analysis or summary description. Prudential Securities believes that its analysis must be considered as a whole and that selecting portions thereof or portions of the factors considered by it, without considering all the analyses and factors, could create an incomplete view of the evaluation process underlying the Opinion. Prudential Securities made numerous assumptions with respect to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of the Company. Any estimates contained in Prudential Securities' analyses are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by such analyses. Additionally, estimates of the values of businesses and securities do not purport to be appraisals or necessarily reflect the prices at which securities actually may be sold. Accordingly, such analyses and estimates are inherently subject to substantial uncertainty.

Subject to the foregoing, the following is a summary of the material financial analyses performed by Prudential Securities in arriving at the Opinion.

Comparable Transactions Analysis. Prudential Securities compared the purchase price per share of the Common Stock to selected historical trading prices of the Company's Common Stock. Prudential Securities analyzed the percentage difference between the purchase price of $17.625 per share and the closing price of the Common Stock one day, one week, one month and two months prior to June 6, 1996. The purchase price pursuant to the Transaction represented a (9.6%), (6.0%), 0.0% and 4.4% (discount)/premium to the Common Stock price one day, one week, one month and two months prior to June 6, 1996, respectively. Prudential Securities compared these (discounts)/premiums with a group of six pending or completed strategic investments (generally, 15.0% to 50% ownership positions) which Prudential Securities considered to be reasonably comparable to the Transaction for the purpose of its analysis. The transactions considered were strategic investments in: (i) Storage USA, Inc.; (ii) Carr Realty Corporation; (iii) Felcor Suite Hotels, Inc.; (iv) Crocker Realty Trust, Inc.; (v) Bay Apartment Communities, Inc.; and (vi) Regency Realty Corporation (previous transaction). Such transactions were found to have the following ranges of percentage difference between the transaction purchase price and the historical trading price one day, one week, one month and two months prior to announcement of the transactions: (10.2%) to 4.2%; (9.4%) to 13.2%, (5.1%) to 13.2% and (4.1%) to 9.6%, respectively.

Comparable Company Analysis. Prudential Securities compared selected financial ratios for the Company with a group of seven publicly traded companies engaged in the acquisition, operation and management of retail properties which Prudential Securities considered to be reasonably comparable to the Company for purposes

of its analysis. The companies considered were: (i) Developers Diversified Realty Corporation; (ii) Federal Realty Investment Trust; (iii) IRT Property Company; (iv) JDN Realty Corporation; (v) Kimco Realty Corporation; (vi) New Plan Realty Trust; and (vii) Weingarten Realty Investors (collectively, the "Comparable Companies").

The Comparable Companies were found to have an equity market capitalization of between $228.5 million and $1.2 billion (with the Company at $191.8 million). Such equity market values were estimated to be equal to 9.0x to 12.7x estimated calendar 1996 FFO (with the Company at 9.7x) and 8.6x to 11.7x estimated calendar 1997 FFO (with the Company at 9.1x). The FFO estimates utilized in this analysis were from First Call, an online data service available to subscribers which compiles estimates developed by equity research analysts. The estimates published by First Call were not prepared in connection with the Transaction or at Prudential Securities' request. Prudential Securities calculated that the Comparable Companies had a range of debt as of March 31, 1996 as a percentage of total market capitalization of 16.0% to 48.6% (with the Company at 39.5%). Prudential Securities noted that the Company's equity market value and ratios of equity market value to estimated 1996 and 1997 FFO were in the low end of the ranges for the Comparable Companies and that the Company's ratio of debt to total market capitalization was in the high end of the range for the Comparable Companies. Prudential Securities also observed (i) a positive correlation between equity market valuations and total market capitalizations and (ii) a negative correlation between equity market valuations and the ratio of debt to total market capitalization.

Pro Forma Funds From Operations Per Share Analysis. Prudential Securities also analyzed the pro forma effect of the Transaction on the Company's FFO per share. An analysis of the anticipated future results based on projections provided by the Company's management (assuming anticipated acquisition opportunities which can be pursued using the proceeds of the Transaction and a future equity offering) indicated that the Transaction results in an increase in the Company's 1997 FFO per share on a fully-diluted basis. Projected financial and other information concerning the Company and the anticipated impact of the Transaction upon the shareholders of the Company is not necessarily indicative of future results. All projected financial information is subject to numerous contingencies beyond the control of the Company's management.

The Company retained Prudential Securities to render a fairness opinion and to provide other financial advisory services in connection with the Transaction because it is an internationally recognized investment banking firm engaged in the valuation of businesses and their securities in connection with mergers, acquisitions and other purposes, and has substantial experience in transactions similar to the Transaction. The engagement letter with Prudential Securities provides that the Company will pay Prudential Securities an advisory fee equal to $500,000 payable as follows: (i) $300,000 upon delivery of the Opinion and (ii) $200,000 upon the Company's receipt of shareholder approval in connection with the Transaction. In addition, the engagement letter with Prudential Securities provides that the Company will reimburse Prudential Securities for its out-of-pocket expenses and will indemnify Prudential Securities and certain related persons against certain liabilities, including liabilities under securities laws, arising out of the Transaction or its engagement.

In the ordinary course of business, Prudential Securities may actively trade the Company's Common Stock for its own account and for the accounts of customers, and accordingly, may at any time hold a long or short position in such securities. Prudential Securities also provides equity research coverage of the Company.

Recommendation of the Board; Factors and Conclusions of the Board Involved in Its Determination

The Board has unanimously approved the Transaction and has determined that the Transaction is in the best interests of the Company and its shareholders. THE BOARD UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE "FOR" APPROVAL OF THE TRANSACTION.

The Board believes that the Transaction is in the best interests of the Company and its shareholders because, if consummated, it represents an attractive opportunity to improve long-term shareholder value by providing the Company with access to significant equity capital at an attractive cost and additionally provides

strategic resources not otherwise readily available to it, thereby enhancing the Company's short-term and long-term growth prospects and positioning it to better capitalize on shopping center opportunities in the southeastern United States. See "-- Potential Beneficial Effects of the Transaction" above.

While the Board believes that the Transaction is in the best interests of the Company and its shareholders, the consummation of the Transaction may have certain adverse effects that shareholders should consider. These considerations include (i) the substantial amount of stock that will be concentrated in one shareholder of the Company, as well as certain rights being granted to US Realty in connection with the Transaction (including rights with respect to Board representation and information), which rights will allow US Realty to exercise substantial influence over the affairs of the Company even during the Standstill Period and might discourage other persons from offering to acquire a significant interest in the Company, (ii) the possibility that US Realty will gain control of the Company if the Standstill Period or any Standstill Extension Term terminates, (iii) the possible restriction of investment in the capital stock by foreign investors as a result of the proposed changes to the Charter designed to help protect the Company's status as a domestically controlled REIT for the primary benefit of US Realty and other existing foreign holders, and (iv) the possible dilution of earnings per share to shareholders as a result of the Transaction. See "-- Potential Adverse Effects of the Transaction" above.

In reaching its determination that the Transaction is in the best interests of the Company and its shareholders, the Board considered the following material factors in addition to those discussed above under "Potential Beneficial Effects of the Transaction" and "Potential Adverse Effects of the Transaction."

. Substantial Shareholder. The Board considered that, as a result of the Transaction, US Realty will be the largest single shareholder of the Company, owning as much as 43.2% of the outstanding Common Stock on a fully diluted basis, while the Charter will continue to prohibit certain persons from owning more than 7.0% by value of the Company's capital stock (subject to certain exceptions set forth in the Charter or approved by the Board) in order to facilitate the Company's continued qualification as a REIT. The Board considered that US Realty also will have substantial information rights, the right to nominate Board members, and numerous other rights as set forth above in "-- Terms of the Transaction." Although the Board believes that this concentration of ownership in one shareholder could potentially be disadvantageous to the other shareholders' interests, the Board also believes that certain provisions of the Stockholders Agreement should reduce, to some extent, the impact of such concentration of ownership by imposing various limitations on US Realty with regard to its ownership, transfer and voting of Common Stock, including (i) provisions that prohibit US Realty from acquiring greater than 45% of the Company's Common Stock on a fully diluted basis, (ii) provisions that prohibit US Realty from electing more than 49% of the directors of the Company during the Standstill Period or any Standstill Extension Term, and (iii) provisions that restrict US Realty from transferring shares of Common Stock except in accordance with applicable securities laws and the generally applicable ownership limitations in the Charter, as amended, and subject to the requirement that the Company approve, in its sole and absolute discretion, any transfer in a negotiated transaction that would result in the transferee beneficially owning more than 9.8% of the Company's capital stock. While the Board recognized the potentially negative aspects of the concentration of substantial ownership in a single shareholder, the Board believes that, on balance, the potentially negative aspects are outweighed by the potential benefits of obtaining in a timely way such a large amount of capital at a reasonable cost, the indirect affiliation with Security Capital Group and the other potential benefits of the Transaction.

. Impact on Other Investments. The Board believes that the limitations on the Company's ability to engage in certain corporate actions without the consent of US Realty, the composition of the Board following the shareholder approval of the Transaction (and thereafter) and the likelihood that the size of US Realty's investment (notwithstanding related restrictions on US Realty, as discussed above), certain provisions of the Code limiting ownership of REITs and certain provisions of the Code and other countries' tax laws applicable to foreign investors, might discourage other persons (especially other foreign persons) from offering to acquire a significant interest in the Company (or all or a significant interest in the assets of the Company). As a result, the Board considers this

to be a negative factor. However, the Board believes that this factor is outweighed by the positive factors outlined above.

The members of the Board evaluated the factors referred to above in light of their knowledge of the business and operations of the Company, their business judgment and the advice of Prudential Securities. In view of the wide variety of factors considered in connection with the Board's evaluation of the Transaction, the Board did not find it practicable to, and did not, quantify or attempt to assign relative weights to the specific factors considered in reaching its determination.

Beneficial Ownership of Common Stock Prior to and After the Transaction

The following table sets forth information regarding the beneficial ownership of shares of Common Stock outstanding as of the Record Date and immediately following the Second Closing and the final Subsequent Closing of the Transaction (assuming that 6,565,000 shares are issued pursuant to the Second Closing and the Subsequent Closings), by (i) each person or group known to the Company who owns or who will own more than 5% of the outstanding shares of Common Stock immediately following the final Subsequent Closing, and (ii) each of the directors and the executive officers of the Company immediately following the final Subsequent Closing. Unless otherwise indicated in the footnotes, all of such interests are owned directly, and the indicated person has sole voting and investment power. The number of shares represents the number of shares of Common Stock the person holds, including shares that may be issued upon the exercise of options that are exercisable within 60 days of the Record Date. Information presented in the table and related notes has been obtained from the beneficial owner and/or from reports filed by the beneficial owner with the Securities and Exchange Commission pursuant to Section 13 of the Securities Exchange Act of 1934.

		Percent of Common Stock		
Beneficial Owner	Amount and Nature of Beneficial Ownership	At Record Date/(1)/	Following the Second Closing/(1)/	Following the Final Subsequent Closing/(1)/
Security Capital U.S. Realty) Security Capital Holdings S.A./(2)/)	1,053,500	13.4%	35.6%/(3)/	45.4%/(3)/
AXA Assurances I.A.R.D.) Mutuelle/(4)/)				
AXA Assurances Vie) Mutuelle/(4)/)				
Alpha Assurances) I.A.R.D. Mutuelle/(5)/)	838,700/(6)/	10.6%	7.9%	*
Alpha Assurances) Vie Mutuelle/(5)/)				
Uni Europe Assurance) Mutuelle/(7)/)				
AXA/(8)/)				
The Equitable Companies) Incorporated/(9)/)				

Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Stock At Record Date/(1)/	Following the Second Closing/(1)/	Following the Final Subsequent Closing/(1)/
Public Employees Retirement System of Ohio/(10)/	440,000	5.6%	4.2%	*
Joan W. Stein/(11)/ Martin E. Stein/(11)/ Richard Stein/(12)/ Robert L. Stein/(14)/ John D. Baker II/(15)/	714,836/(13)/	9.0%	6.7%	*
Edward L. Baker	9,673	*	*	*
A.R. Carpenter	7,344	*	*	*
J. Dix Druce, Jr.	7,845	*	*	*
Albert Ernest, Jr.	8,129	*	*	*
Douglas S. Luke	8,775	*	*	*
Paul E. Szurek/(16)/	0	*	*	*
J. Marshall Peck/(16)/	0	*	*	*
Bruce M. Johnson	51,949/(17)/	*	*	*
Robert C. Gillander, Jr.	49,115/(17)/	*	*	*
James D. Thompson	42,283/(17)/	*	*	*
Richard E. Cook	46,677/(17)/	*	*	*
A. Chester Skinner, III	36,119/(17)/	*	*	*
Norman A. Hofheimer, Jr.	29,060/(17)/	*	*	*
J. Christian Leavitt	28,742/(17)/	*	*	*
Robert L. Miller, Jr.	29,621/(17)/	*	*	*
All directors and executive officers as a group (a total of 14 persons) (16 persons after the Second Closing)	1,070,168	13.3%	9.9%	*

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* Less than 1%

Footnotes begin on page 38.

/(1)/ The percentages shown on the above table do not take into account the shares of Common Stock issuable upon conversion of the Company's Class B Stock. The Company has outstanding a total of 2,500,000 shares of Class B Stock held by a single institutional investor which are convertible into Common Stock at the holder's option beginning December 20, 1998, subject to certain numerical limitations, including a requirement that conversion not result in the holder being the beneficial owner of more than 4.9% of the Company's outstanding Common Stock. The Class B Stock will be immediately convertible into Common Stock in full upon the occurrence of certain extraordinary events or defaults, including certain changes in management. A total of 2,975,468 shares of Common Stock are issuable upon conversion of the Class B Stock. Based on the number of shares of Common Stock outstanding on the Record Date (assuming no other changes and without giving effect to the Second Closing or any Subsequent Closing), the 2,975,468 shares of Common Stock issuable upon conversion of the Class B Stock would constitute approximately 27.4% of the Common Stock outstanding immediately following conversion.

/(2)/ The business address of Security Capital U.S. Realty and Security Capital Holdings S.A. is 69, route d'Esch, L-1470 Luxembourg.

/(3)/ Percent interest is calculated based on 3,770,900 shares owned following the Second Closing and 7,618,500 shares owned following the final Subsequent Closing.

/(4)/ The business address of AXA Assurances I.A.R.D. Mutuelle and AXA Assurances Vie Mutuelle is La Grande Arche, Pardi Nord, 92044 Paris La Defense France.

/(5)/ The business address of Alpha Assurances I.A.R.D. Mutuelle and Alpha Assurances Vie Mutuelle is 101-100 Terrasse Boieldieu, 92042 Paris La Defense France.

/(6)/ AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, Alpha Assurances I.A.R.D. Mutuelle, Alpha Assurances Vie Mutuelle, Uni Europe Assurance Mutuelle and AXA, as a group, disclaim any beneficial ownership of these shares which include 64,000 shares over which the reporting parties exercise shared voting power.

/(7)/ The business address of Uni Europe Assurance Mutuelle is 24 Rue Drouot, 75009 Paris France.

/(8)/ The business address of AXA is 23 Avenue Matignon, 75008 Paris France.

/(9)/ The business address of The Equitable Companies Incorporated is 787 Seventh Avenue, New York, New York 10019.

/(10)/ The business address of the Public Employees Retirement System of Ohio is 277 East Town Street, Columbus, Ohio 43215-4642.

/(11)/ The business address of Joan W. Stein and Martin E. Stein, Jr. is 121 West Forsyth Street, Suite 200, Jacksonville, Florida 32202.

/(12)/ The business address of Richard W. Stein is 1650 Prudential Drive, Suite 304, Jacksonville, Florida 32207.

/(13)/ Includes 160,263 shares held through The Regency Group, Inc. The named individual is deemed to have shared voting and instrument power over these shares by virtue of testamentary trusts and a voting trust of which the Steins and John D. Baker, II are trustees, which trusts own 100% of the voting stock of The Regency Group, Inc. Also includes: 307,147 shares and 108,235 shares owned through two family partnerships, The Regency Group II and Regency Square II, respectively. The general partners of The Regency Group II and Regency Square II are the Steins and a testamentary trust of which the Steins and Mr. Baker are trustees. Also includes: 9,029 shares owned by Joan W. Stein, individually; 75,291 shares owned by Martin E. Stein, Jr., individually; 4,000 shares held by a trust of which Martin E. Stein, Jr. is the beneficiary; 1,305 shares held for the benefit of Martin E. Stein, Jr.'s minor children over which he has sole voting and dispositive power; 2,501 shares owned by Richard W. Stein, individually; 1,063 shares owned by Robert L. Stein, individually; and 2,500 shares held for the benefit of Robert L. Stein's minor children, over which he has sole voting and dispositive power; and the following shares subject to presently exercisable options: Joan W. Stein, 1,000 shares; Martin E. Stein, Jr., 40,000 shares; and Robert L. Stein, 1,000 shares.

/(14)/ The business address of Robert L. Stein is 1610 Independent Square, Jacksonville, Florida 32202.

/(15)/ Mr. Baker's business address is 155 E. 21st Street, Jacksonville, Florida 32206.

/(16)/ Messrs. Szurek and Peck will become directors of the Company immediately after receipt of shareholder approval of the Trans-action.

/(17)/ Includes the following shares covered by presently exercisable options: Mr. Johnson, 16,000 shares; Mr. Gillander, 16,000 shares; Mr. Thompson, 14,000 shares; Mr. Cook, 16,000 shares; Mr. Skinner, 12,000 shares; Mr. Hofheimer, 12,000 shares; Mr. Leavitt, 10,000 shares; and Mr. Miller, 10,000 shares.

Information Regarding Directors to be Nominated by US Realty

Set forth below is certain information concerning Paul E. Szurek and J. Marshall Peck, the individuals identified by US Realty who will become directors of the Company immediately after the receipt of shareholder approval of the Transaction:

Paul E. Szurek, age 36, is a managing director of Security Capital U.S. Realty, Security Capital Holdings S.A. and Security Capital (UK) Management, Ltd. where he is responsible for operations, corporate finance and mergers and acquisitions. From April 1991 to December 1995, Mr. Szurek was a Senior Vice President of Security Capital Group, where he supervised corporate finance and corporate acquisitions. Prior to joining Security Capital Group, Mr. Szurek was a shareholder and attorney in the law firm of Kemp, Smith, Duncan & Hammond in El Paso, Texas, where he practiced securities and mergers and acquisitions law. Mr. Szurek received his law degree from the Harvard University Law School and his B.A. degree from the University of Texas at Austin.

J. Marshall Peck, age 44, is a managing director of Security Capital Investment Research Incorporated ("Investment Research") and is responsible for the operations and oversight of strategic investment activities on behalf of clients of Investment Research. Prior to joining Investment Research in May 1996, Mr. Peck was a Managing Director of LaSalle Partners Limited ("LaSalle"), an institutional real estate investment and management services company headquartered in Chicago, Illinois, and a member of its Management Committee. During his 14-year tenure at LaSalle, Mr. Peck was responsible for operating groups within both LaSalle's investment and services businesses. Prior to joining LaSalle, Mr. Peck held various marketing and management positions in the Data Processing Division of IBM. Mr. Peck is a director of CarrAmerica Realty Corporation and Storage USA, Inc. Mr. Peck received his B.A. degree from the University of North Carolina at Chapel Hill.

In addition, at the request of the Company, William D. Sanders, the founder and Chairman of Security Capital Group, has agreed to serve as an advisory director. In his capacity as an advisory director, Mr. Sanders will attend meetings of the Board of Directors but will not have a vote. Mr. Sanders founded and served as Chairman of the Board and Chief Executive Officer from 1968 to January 1990 of LaSalle Partners Limited, an institutional real estate investment and management services company headquartered in Chicago, Illinois. Mr. Sanders, age 54, is a director of R.R. Donnelley & Sons Company, CarrAmerica Realty Corporation and Storage USA, Inc. Mr. Sanders received his B.S. degree from Cornell University.

As of the date hereof, US Realty has not informed the Company as to the identity of any additional director nominee that it may be entitled to nominate in the future, and neither the Company nor the Board has any approval rights with respect thereto.

Required Vote and Related Matters

The affirmative vote of a majority of the total votes cast, provided that the number of total votes cast represents over 50% of the shares of Common Stock issued and outstanding, is required to approve the Transaction.

Approval of the Transaction by the requisite vote of the shareholders of the Company is a condition to consummation of the Transaction (except for the initial purchase by US Realty of 934,400 shares on July 10, 1996) and a condition to approval of Proposal 2.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL 1.

PROPOSAL TO AMEND THE OWNERSHIP RESTRICTIONS
(Proposal 2)

The Board has approved and recommends the approval by the shareholders of an amendment to Article 5 of the Charter to expressly authorize US Realty to acquire shares of Common Stock as contemplated by the Stock Purchase Agreement and to make certain other modifications to facilitate the Company's continued qualification as a domestically controlled REIT for federal income tax purposes. The proposed amendments to Article 5 of the Charter also contain certain other minor amendments which the Company desires to make in order to better assist the Company in maintaining its status as a REIT under the Code following the acquisition by US Realty of the shares of Common Stock under the Stock Purchase Agreement (including revising the minimum 100-owner requirement in Section 5.2(f) to more closely conform to the language of the Code), none of which the Company deems to be material. Set forth below is a summary of the proposed amendment. The full text of the amendment to Article 5 is attached hereto as Appendix D.

Summary of Current Article 5

For the Company to qualify as a REIT under the Code, no more than 50% in value of its outstanding shares of capital stock may be owned, directly or constructively under the applicable attribution rules of the Code, by five or fewer "individuals" (as defined in the Code to include certain entities) during the last half of each taxable year (the "5/50 Rule"). In order to assist the Company in satisfying the 5/50 Rule, Article 5 of the Charter, as presently in effect, provides that subject to certain exceptions specified in the Charter and the application of certain attribution rules, certain holders (other than Existing Holders, as defined) may not own, or be deemed to own by virtue of the attribution provisions of the Code, more than 7.0% (the "Ownership Limit") by value of the Company's issued and outstanding shares of the capital stock. If any shareholder purports to transfer shares of the Company's capital stock to a person and either (i) the transfer would result in the Company's failing to qualify as a REIT, or (ii) the transfer would cause the transferee to violate the applicable Ownership Limit, the purported transfer will be considered null and void, and the intended transferee will be deemed not to have acquired any rights in such shares. In addition, if any person acquires shares of the Company's capital stock in excess of the applicable Ownership Limit, such person will be deemed to hold the shares of capital stock that exceed the Ownership Limit in trust for the Company. Such person will not receive dividends or distributions with respect to the shares of capital stock that exceed the Ownership Limit and will not be entitled to vote such shares. In addition, such person will be required to sell the excess shares (i) to the Company for the lesser of the amount paid for the shares or the average closing price for the ten trading days before the sale, or (ii) at the direction of the Company for the amount paid for the shares with any excess proceeds being paid to the Company.

Reasons for and Possible Effects of the Amendment

At the request of US Realty, the Company proposes to amend Article 5 of the Charter to expressly provide a special ownership limit of 45% of the outstanding shares of the Company's Common Stock, on a fully diluted basis ("Special Shareholder Limit"), for US Realty and its affiliates in order to specifically authorize US Realty to acquire shares of Common Stock as contemplated by the Stock Purchase Agreement. The Special Shareholder Limit will be subject to reduction (in order to ensure satisfaction of the 5/50 Rule) if an individual (or entity treated as an individual) which owns an interest in US Realty and its affiliates is treated as owning, after application of certain constructive ownership rules, more than 9.8% of the outstanding shares of the Company's capital stock. The Special Shareholder Limit also would be subject to reduction in the future under certain circumstances if US Realty were to transfer all or a portion of such shares in a privately negotiated transaction.

In order to assist the Company to qualify as a domestically controlled REIT following the Transaction, the Company proposes to amend Article 5 to prevent any Non-U.S. Holder (other than US Realty and

its affiliates) from acquiring additional shares of the Company's capital stock if, as a result of such acquisition, the Company would fail to qualify as a domestically controlled REIT (computed until the 15% Termination Date by assuming that US Realty owns 45% of the Company's outstanding Common Stock). The Company is unlikely to be able to advise a prospective non-U.S. investor that its purchase of any shares of the Company's capital stock would not violate this prohibition, thereby subjecting such prospective non-U.S. investor to the adverse consequences described above (See "APPROVAL OF THE TRANSACTION (Proposal 1)--Certain Federal Income Tax Considerations"). Accordingly, an acquisition of Common Stock in the future may not be a suitable investment for non-U.S. investors other than US Realty (whether or not such non-U.S. investor currently owns an interest in the Company). Article 5 in its current form does not contain any restrictions on acquisitions of the Company's capital stock by non-U.S. investors.

Required Vote and Related Matters

The affirmative vote of a majority of the total votes cast by the shareholders is required to approve the Amendment to the Charter.

Approval of this Proposal 2 is a condition to the approval and consummation of the Transaction (except for the initial purchase by US Realty of 934,400 shares on July 10, 1996) and is a condition to approval of Proposal 1.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL 2.

SHAREHOLDER PROPOSALS

Any qualified shareholder willing to make a proposal to be acted upon at the Annual Meeting of Shareholders in 1997 must submit such proposal to be considered by the Company for inclusion in the Company's proxy statement, to the Secretary of the Company at its principal office in Jacksonville, Florida, no later than December 14, 1996.

APPENDIX A

[EXECUTION COPY]

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STOCK PURCHASE AGREEMENT

by and among

REGENCY REALTY CORPORATION

SECURITY CAPITAL HOLDINGS S.A.

and

SECURITY CAPITAL U.S. REALTY

dated as of

June 11, 1996

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Exhibit A	Voting Agreement
Exhibit B	Registration Rights Agreement
Exhibit C	Stockholders Agreement
Exhibit D	Employment Agreement
Exhibit E	Amended Company Charter

THIS STOCK PURCHASE AGREEMENT (the "Agreement"), dated as of June 11, 1996, is made by and among Regency Realty Corporation, a Florida corporation (the "Company"), Security Capital U.S. Realty, a Luxembourg corporation (the "Advancing Party"), and Security Capital Holdings S.A., a Luxembourg corporation and a wholly owned subsidiary of the Advancing Party ("Buyer").

RECITALS:

WHEREAS, Buyer wishes to purchase from the Company, and the Company wishes to sell to Buyer, up to an aggregate of 7,499,400 shares (as such number may be adjusted as set forth below) of the Company's common stock, par value $0.01 per share (the "Company Common Stock") at a price of $17.625 per share; and

WHEREAS, Buyer and the Company are entering into this Agreement to provide for such purchase and sale and to establish various rights and obligations in connection therewith; and

WHEREAS, in consideration for the rights to be granted to it in the Stockholders Agreement (as defined below), the Advancing Party has agreed to advance to Buyer all funds for any and all purchases of Company Common Stock pursuant hereto and otherwise guarantee Buyer's obligations hereunder; and

WHEREAS, the Company and Buyer believe that the combination in a strategic partnership of the leadership, expertise and experience in the retail shopping center industry of the Company and the unique market knowledge, operating experience, research capabilities and access to capital of Buyer and its affiliates will significantly enhance the Company's ability to pursue its growth and operating strategies; and

WHEREAS, by separate agreement (the "Voting Agreements"), certain shareholders of the Company have agreed to support and vote in favor of this Agreement;

NOW, THEREFORE, in consideration of the premises and the representations, warranties, covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE 1

Definitions

As used in this Agreement, the following terms shall have the following respective meanings:

Section 1.1 "Action" shall mean any action, suit, arbitration, inquiry, proceeding or investigation by or before any Government Authority.

Section 1.2 "ADA" shall have the meaning set forth in Section 3.11(e).

Section 1.3 "Advancing Party" shall have the meaning set forth in the first paragraph hereof.

Section 1.4 "Affiliate" shall have the meaning ascribed thereto in Rule 12b-2 promulgated under the Exchange Act, and as in effect on the date hereof.

Section 1.5 "Agreement" shall have the meaning set forth in the first paragraph hereof.

Section 1.6 "Amended Company Charter" shall have the meaning set forth in Section 7.2(c).

Section 1.7 "Army Corps of Engineers" shall have the meaning set forth in Section 3.11(d).

Section 1.8 "Articles of Amendment" shall mean the Articles of Amendment to Articles of Incorporation of the Company, filed on December 20, 1995 with respect to the Class B Common Stock.

Section 1.9 "Benefit Arrangements" shall have the meaning set forth in Section 3.13(h).

Section 1.10 "Blue Sky Laws" shall have the meaning set forth in Section 3.4(e).

Section 1.11 "Breaching Matters" shall have the meaning set forth in Section 2.8(a).

Section 1.12 "Breakup Fee" shall have the meaning set forth in Section 9.3(c).

Section 1.13 "Business Day" shall mean any day other than a Saturday, a Sunday or a bank holiday in New York, N.Y.

Section 1.14 "Buyer" shall have the meaning set forth in the first paragraph hereof.

Section 1.15 "Capital Expenditure Budget and Schedule" shall have the meaning set forth in Section 3.11(i).

Section 1.16 "CERCLA" shall have the meaning set forth in Section 3.12(e).

Section 1.17 "Claim" shall have the meaning set forth in Section 3.12(g)(i).

Section 1.18 "Class B Common Stock" shall have the meaning set forth in Section 3.3(a).

Section 1.19 "Closing" shall mean the consummation of any Stock Purchase.

Section 1.20 "Closing Date" shall mean, with respect to the consummation of any Stock Purchase, three Business Days after the date on which the conditions set forth herein with respect thereto shall be satisfied or duly waived, or if the Company and Buyer mutually agree on a different date, the date upon which they have mutually agreed.

Section 1.21 "Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor thereto, including all of the rules and regulations promulgated thereunder.

Section 1.22 "Commitment" shall have the meaning set forth in Section 3.7.

Section 1.23 "Company" shall have the meaning set forth in the first paragraph hereof.

Section 1.24 "Company Charter" shall mean the Articles of Amendment to the Charter of the Company, as in effect on the date hereof.

Section 1.25 "Company Common Stock" shall have the meaning set forth in the second paragraph hereof.

Section 1.26 "Company Environmental Reports" shall have the meaning set forth in Section 3.12(f).

Section 1.27 "Company Leases" shall have the meaning set forth in Section 3.11(f).

Section 1.28 "Company Plans" shall have the meaning set forth in Section 3.13(b).

Section 1.29 "Company Preferred Stock" shall have the meaning set forth in Section 3.3(a).

Section 1.30 "Company Properties" shall have the meaning set forth in Section 3.11(a).

Section 1.31 "Company Registration Statement" shall have the meaning set forth in Section 3.5(a).

Section 1.32 "Company Reports" shall have the meaning set forth in Section 3.5(a).

Section 1.33 "Company Stock" shall mean, collectively, the Company Common Stock and any other shares of capital stock of the Company.

Section 1.34 "Competing Transaction" shall mean (i) any acquisition in any manner, directly or indirectly (including through any option, right to acquire or other beneficial ownership), of more than 15% of the equity securities, on a fully diluted basis, of the Company, or assets representing a material portion of the assets of the Company, other than any of the transactions contemplated by this Agreement, (ii) any merger, consolidation, sale of assets, share exchange, recapitalization, other business combination, liquidation, or other action out of the ordinary course of business of the Company, other than any of the transactions contemplated by this Agreement, or (iii) any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing.

Section 1.35 "Controlled Group Liability" shall have the meaning set forth in Section 3.13(h).

Section 1.36 "Cure Notice" shall have the meaning set forth in Section 2.8(b).

Section 1.37 "Debt Instruments" shall mean all notes, loan agreements, mortgages, deeds of trust or similar instruments which evidence or secure any indebtedness owing by the Company or any of its Subsidiaries.

Section 1.38 "Development Budget and Schedule" shall have the meaning set forth in Section 3.11(j).

Section 1.39 "Development Properties" shall have the meaning set forth in Section 3.11(j).

Section 1.40 "Employee Benefit Plans" shall have the meaning set forth in Section 3.13(h).

Section 1.41 "Employees" shall have the meaning set forth in Section 3.13(h).

Section 1.42 "Employment Agreements" shall have the meaning set forth in Section 3.7.

Section 1.43 "Environmental Claim" shall have the meaning set forth in Section 3.12(g)(ii).

Section 1.44 "Environmental Laws" shall have the meaning set forth in Section 3.12(g)(iii).

Section 1.45 "Environmental Permits" shall have the meaning set forth in Section 3.12(a).

Section 1.46 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended, and any successor thereto.

Section 1.47 "ERISA Affiliates" shall mean, with respect to any entity, trade or business, any other entity, trade or business that is a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes the first entity, trade or business, or that is a member of the same "controlled group" as the first entity, trade or business pursuant to Section 4001(a)(14) of ERISA.

Section 1.48 "Exchange Act" shall have the meaning set forth in Section 3.4(e).

Section 1.49 "Executive Summaries of the Company Environmental Reports" shall have the meaning set forth in Section 3.12(f).
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Section 1.50 "GAAP" shall have the meaning set forth in Section 3.5(b).

Section 1.51 "Government Authority" shall mean any government or state (or any subdivision thereof) of or in the United States, or any agency, authority, bureau, commission, department or similar body or instrumentality thereof, or any governmental court or tribunal.

Section 1.52 "HSR Act" shall have the meaning set forth in Section 3.4(e).

Section 1.53 "Indemnified Party" shall mean Buyer or the Company, as the context may require.

Section 1.54 "Initial Closing" shall mean the first Closing.

Section 1.55 "Initial Number of Shares" shall mean 934,400 shares of Company Common Stock.

Section 1.56 "Initial Purchase Price" shall mean $16,468,800.

Section 1.57 "Insurance Policies" shall have the meaning set forth in Section 3.16.

Section 1.58 "IRS" shall mean the Internal Revenue Service.

Section 1.59 "Lease Summaries" shall have the meaning set forth in Section 3.11(f).

Section 1.60 "Liabilities" shall mean, as to any person, all debts, adverse claims, liabilities and obligations, direct, indirect, absolute or contingent of such person, whether known or unknown, accrued, vested or otherwise, whether in contract, tort, strict liability or otherwise and whether or not actually reflected, or required by GAAP to be reflected, in such person's or entity's balance sheets or other books and records, including (i) obligations arising from non-compliance with any law, rule or regulation of any Government Authority or imposed by any court or any arbitrator of any kind, (ii) all indebtedness or liability of such person for borrowed money, or for the purchase price of property or services (including trade obligations), (iii) all obligations of such person as lessee under leases, capital or other, (iv) liabilities of such person in respect of plans covered by Title IV of ERISA, or otherwise arising in respect of plans for Employees or former Employees or their respective families or beneficiaries, (v) reimbursement obligations of such person in respect of letters of credit, (vi) all obligations of such person arising under acceptance facilities, (vii) all liabilities of other persons or entities, directly or indirectly, guaranteed, endorsed (other than for collection or deposit in the ordinary course of business) or discounted with recourse by such person or with respect to which the person in question is otherwise directly or indirectly liable, (viii) all obligations secured by any Lien on property of such person, whether or not the obligations have been assumed, and (ix) all other items which have been, or in accordance with GAAP would be, included in determining total liabilities on the liability side of the balance sheet.

Section 1.61 "Liens" shall mean all liens, mortgages, deeds of trust, deeds to secure debt, security interests, pledges, claims, charges, easements and other encumbrances of any nature whatsoever.

Section 1.62 "Loss and Expenses" shall have the meaning set forth in Section 8.2(a).

Section 1.63 "Material Adverse Effect" shall mean a material adverse effect on the financial condition, results of operations or business of the Company and its Subsidiaries (to the extent of the Company's interests therein) taken as a whole.

Section 1.64 "Material Company Leases" shall have the meaning set forth in Section 3.11(f).

Section 1.65 "Materials of Environmental Concern" shall have the meaning set forth in Section 3.12(g)(iv).

Section 1.66 "Next Dividend" shall mean, with respect to each Closing, the first dividend paid by the Company after such Closing.

Section 1.67 "1997 and 1998 Preliminary Capital Expenditure Budgets and Schedules" shall have the meaning set forth in Section 3.11(i).

Section 1.68 "Other Filings" shall have the meaning set forth in Section 5.1(b).

Section 1.69 "Pension Plans" shall have the meaning set forth in Section 3.13(h).

Section 1.70 "Per Share Purchase Price" shall mean the price of $17.625 per share for the Company Common Stock.

Section 1.71 "Per Share Additional Purchase Price" shall mean, with respect to each share of Company Common Stock purchased by Buyer at any Closing, an amount equal to 85% of the product of (i) the per share amount of the Next Dividend multiplied by (ii) a fraction, the numerator of which is the number of days during the period commencing the day after the dividend payment date for the last dividend paid by the Company prior to the date of such Closing (the "Prior Dividend") and running through the day immediately prior to the date of such Closing (inclusive), and the denominator of which is the number of days during the period commencing the day after the dividend payment date for the Prior Dividend and running through the dividend payment date for the Next Dividend (inclusive).

Section 1.72 "Permitted Liens" shall mean (i) Liens (other than Liens imposed under ERISA or any Environmental Law or

in connection with any Environmental Claim) for taxes or other assessments or charges of Governmental Authorities that are not yet delinquent or that are being contested in good faith by appropriate proceedings, in each case, with respect to which adequate reserves are being maintained by the Company or its Subsidiaries to the extent required by GAAP, (ii) statutory Liens of landlords, carriers, warehousemen, mechanics, materialmen and other Liens (other than Liens imposed under ERISA or any Environmental Law or in connection with any Environmental Claim) imposed by law and created in the ordinary course of business for amounts not yet overdue or which are being contested in good faith by appropriate proceedings, in each case, with respect to which adequate reserves or other appropriate provisions are being maintained by the Company or its Subsidiaries to the extent required by GAAP and which, to the extent same do not relate to work or materials provided for in the Capital Expenditure Budget and Schedule, the 1997 and 1998 Preliminary Capital Expenditure Budgets and Schedules or the Development Budget and Schedule, do not exceed $200,000 in the aggregate (excluding from such calculation, any amounts disclosed in writing by the Company to Buyer which (a) are fully covered by insurance held by the Company under which the Company reasonably expects full recovery of such amounts, or (b) for which an adequate escrow has been established and is, at the relevant time, maintained), (iii) the Company Leases, (iv) easements, rights-of-way, covenants and restrictions which are customary and typical for properties similar to the Company Properties and which do not (x) interfere materially with the ordinary conduct of any Company Property or the business of the Company and its Subsidiaries as a whole or (y) detract materially from the value or usefulness of the Company Properties to which they apply, (v) the Liens which were granted by the Company or any of its Subsidiaries to lenders pursuant to credit agreements in existence on the date hereof which are described in Schedule 3.9(c), (vi) the other Liens, if any, described in Schedule 1.70, and (vii) such imperfections of title and encumbrances, if any, as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 1.73 "person" shall mean any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, other form of business or legal entity or Government Authority.

Section 1.74 "Prior Dividend" shall have the meaning set forth in Section 1.65.

Section 1.75 "Projects" shall have the meaning set forth in Section 3.11(j).

Section 1.76 "Property Restrictions" shall have the meaning set forth in Section 3.11(a).

Section 1.77 "Proxy Statement" shall have the meaning set forth in Section 5.1(b).

Section 1.78 "Purchase Price" shall mean the Per Share Purchase Price multiplied by the number of shares of Company Common Stock to be purchased and sold at a particular Closing.

Section 1.79 "Purchased Shares" shall have the meaning set forth in Section 2.1.

Section 1.80 "Registration Rights Agreement" shall have the meaning set forth in Section 2.5(a).

Section 1.81 "Regulatory Filings" shall have the meaning set forth in Section 3.4(e).

Section 1.82 "REIT" shall have the meaning set forth in Section 3.8(b).

Section 1.83 "Release" shall have the meaning set forth in Section 3.12(g)(v).

Section 1.84 "Remaining Equity Commitment" shall mean, on any given date after the Initial Closing, the Total Equity Commitment minus the sum of the Initial Purchase Price and, if any Subsequent Purchases shall have occurred, minus the Subsequent Purchase Prices. The Remaining Equity Commitment shall be deemed to be zero on the earlier of (i) the date that the Remaining Equity Commitment equals zero pursuant to the previous sentence, or (ii) the later of (A) June 30, 1997 (unless otherwise extended by Buyer and the Company in their sole discretion) or (B) if Buyer timely notifies the Company that it is, pursuant to Section 2.4(b) or 2.4(c), exercising its right to make the Second Purchase and/or part or all of any remaining Subsequent Purchase, then, the date as soon thereafter as (x) all conditions to Buyer's obligations to effect such purchase(s) shall have been satisfied or waived, and (y) such purchase(s) shall have been effected.

Section 1.85 "Rent Roll" shall have the meaning set forth in Section 3.11(f).

Section 1.86 "SEC" shall have the meaning set forth in Section 3.5(a).

Section 1.87 "Second Closing" shall mean the Closing of the Second Purchase pursuant to Section 2.4(a) or (b) after the Initial Purchase.

Section 1.88 "Second Purchase" shall have the meaning set forth in Section 2.4(a).

Section 1.89 "Securities Act" shall have the meaning set forth in Section 3.4(e).

Section 1.90 "Securities Laws" shall have the meaning set forth in Section 3.5(a).

Section 1.91 "Stock Purchase" shall have the meaning set forth in Section 2.1.

Section 1.92 "Stockholders Agreement" shall have the meaning set forth in Section 2.5(a).

Section 1.93 "Subsequent Purchase Price" shall mean the Per Share Purchase Price multiplied by the number of Purchased Shares purchased by Buyer in a Subsequent Purchase.

Section 1.94 "Subsequent Purchases" shall have the meaning set forth in Section 2.4(a).

Section 1.95 "Subsidiaries" shall mean with respect to any person, any corporation, partnership, joint venture, business trust or other entity, of which such person, directly or indirectly, owns or controls at least 50% of the securities or other interests entitled to vote in the election of directors or others performing similar functions with respect to such corporation or other organization, or to otherwise control such corporation, partnership, joint venture, business trust or other entity. Without limiting the generality of the foregoing, the Company's Subsidiaries include each of the entities set forth on Schedule 3.1(d).

Section 1.96 "Tax" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not. The term "Tax" also includes any amounts payable pursuant to any tax sharing agreement to which any

relevant entity is liable as a successor or pursuant to contract.

Section 1.97 "Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

Section 1.98 "Tenancy Leases" shall have the meaning set forth in Section 3.11(l).

Section 1.99 "Total Equity Commitment" shall mean the amount of $132,176,925.00 or, if the total number of Purchased Shares shall have been reduced pursuant to Section 2.1 of this Agreement, the number of Purchased Shares, as so reduced, multiplied by the Per Share Purchase Price.

Section 1.100 "Voting Agreements" shall have the meaning set forth in the fifth paragraph hereof, and shall be in the form set forth in Exhibit A.

Section 1.101 "Welfare Plans" shall have the meaning set forth in Section 3.13(h).

ARTICLE 2

Purchase and Sale of Shares; Closing

Section 2.1 Purchase and Sale. Subject to the terms and conditions hereof, from time to time after the date hereof, at each Closing, the Company will sell, convey, assign, transfer, and deliver, and Buyer will purchase and acquire from the Company, an aggregate of up to 7,499,400 shares of Company Common Stock (the "Purchased Shares"); provided, however, that if at any Closing following such time as Buyer shall have purchased 6,845,000 Purchased Shares or at which Buyer shall acquire in the aggregate (at such Closing together with all prior Closings) in excess of 6,845,000 Purchased Shares the purchase by Buyer of Purchased Shares in excess of 6,845,000 Purchased Shares would result in any holder of Class B Common Stock having the right to convert shares of Class B Common Stock into more than 9.8% of the Voting Securities (as defined in the Stockholders Agreement), then, unless any such conversion right has been waived, the number of Purchased Shares shall be reduced to 6,845,000 or such greater number as would not result in such conversion right (and the number of Purchased Shares to be purchased at such Closing and any Subsequent Closing shall be reduced accordingly). Each Closing at which Buyer

purchases any Purchased Shares is herein referred to as a "Stock Purchase."

Section 2.2 Consideration. Subject to the terms and conditions
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hereof, at each Closing, Buyer shall deliver to the Company the relevant Purchase Price with respect to the number of shares of Company Common Stock to be purchased and sold at such Closing by wire transfer of immediately available funds in U.S. dollars to the account or accounts specified by the Company.

Section 2.3 Initial Closing. Subject to the terms and conditions
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hereof, at a mutually agreeable time promptly following the date on which the applicable conditions set forth in Sections 7.1, 7.3 and 7.4 shall have been satisfied or duly waived (but, in any event, no sooner than 20 days after the date hereof), Buyer will purchase and acquire (and the Advancing Party shall advance sufficient funds for such purchase) from the Company, and the Company will sell, convey, assign, transfer and deliver to Buyer, the Initial Number of Shares of Company Common Stock, and Buyer will pay to the Company the Initial Purchase Price for such shares of Company Common Stock.

Section 2.4 Subsequent Purchases and Sales. (a) Subject to the
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terms and conditions hereof, following the Initial Closing, the Company shall have the right to require, subject to satisfaction or waiver of the applicable conditions set forth in Sections 7.2 and 7.3, Buyer to purchase (and to require the Advancing Party to advance sufficient funds for such purchase) from the Company (i) at the Second Closing, 2,717,400 Purchased Shares (the "Second
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Purchase"), and (ii) from time to time at one or more Subseqent Closings, up to
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an aggregate of 3,847,600 (as such number may be reduced pursuant to Section 2.1) Purchased Shares; provided that the Subsequent Purchase Price at each Subseqent Closing shall be not less than $30 million (or a minimum of 1,702,128 Purchased Shares) (each, and individually and the Second Purchase referred to as a "Subsequent Purchase" and, together, the "Subsequent Purchases"). Subject to
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the terms and conditions hereof, the Closing of any Subsequent Purchase shall occur as soon as possible following the date on which the applicable conditions set forth in Sections 7.2, 7.3 and 7.4 shall have been satisfied or duly waived.

(b) If the Second Purchase shall not have occurred on or before December 1, 1996, then Buyer shall have the right, subject to the satisfaction or waiver of the applicable conditions set forth in Sections 7.2, 7.3 and 7.4, to make the Second Purchase from the Company on or before December 31, 1996, or as soon thereafter as all conditions to Buyer's obligation to effect the Second Purchase hereunder shall have been satisfied or waived.

(c) If less than 3,847,600 (as such number may be reduced pursuant to Section 2.1) Purchased Shares shall have been issued and sold at any and all Subsequent Purchases other than at the Second Purchase on or before June 1, 1997, then Buyer shall have the right, subject to the satisfaction or waiver of the applicable conditions set forth in Sections 7.2, 7.3 and 7.4, to make a Subsequent Purchase from the Company on or before June 30, 1997, or as soon thereafter as all conditions to Buyer's obligation to effect the Subsequent Purchase hereunder shall have been satisfied or waived.

(d) If the condition set forth in Section 7.3(f) is not satisfied (which determination shall be made by Buyer, in its sole discretion) or waived at any time when a Closing would otherwise occur, the relevant Closing will be effected as to the number of Purchased Shares, if any, as will not result in such condition failing to be satisfied, and Buyer shall acquire any remaining Purchased Shares as soon thereafter as such condition to Buyer's obligation to effect the Subsequent Purchase shall have been, as determined in Buyer's sole discretion, satisfied or waived.

Section 2.5 Additional Agreements and Closing Deliveries. (a) At the Initial Closing, and as a condition to the parties' obligations hereunder to effect the transactions contemplated hereby at the Initial Closing, the Company and Buyer shall enter into a registration rights agreement substantially in the form attached as Exhibit B (the "Registration Rights Agreement"), and the Company, Buyer and the Advancing Party shall enter into a shareholders agreement substantially in the form attached as Exhibit C (the "Stockholders Agreement").

(b) In addition to the other things required to be done hereby, at each Closing, the Company shall deliver, or cause to be delivered, to Buyer the following: (i) certificates representing the number of shares of Company Common Stock to be issued and delivered at such Closing, free and clear of all Liens (unless created by Buyer or any of its Affiliates), with all necessary share transfer and other documentary stamps attached, (ii) a certificate, dated the relevant Closing Date and validly executed on behalf of the Company, as contemplated by Section 7.1(a), as to the Initial Closing only, by Section 7.2(a), as to each Subsequent Closing, and by Section 7.3(a) as to all Closings, (iii) evidence or copies of any consents, approvals, orders, qualifications or waivers required pursuant to Section 7.1, as to the Initial Closing only, pursuant to Section 7.2, as to each Subsequent Closing, and pursuant to Section 7.3, as to all Closings, (iv) all certificates and other instruments and documents required by this Agreement to

be delivered by the Company to Buyer at or prior to each Closing, and (v) such other instruments reasonably requested by Buyer, as may be necessary or appropriate to confirm or carry out the provisions of this Agreement.

(c) In addition to the delivery of the Purchase Price and the other things required to be done hereby, at each Closing, Buyer shall deliver, or cause to be delivered, to the Company the following: (i) a certificate, dated the relevant Closing Date and validly executed by Buyer, as contemplated by Section 7.4(a), (ii) if not previously delivered to the Company, all other certificates, documents, instruments and writings required pursuant hereto to be delivered by or on behalf of Buyer at or before each Closing, and (iii) such other instruments reasonably requested by the Company, as may be necessary or appropriate to confirm or carry out the provisions of this Agreement.

Section 2.6 Time and Place of Closings. Each Closing shall take place on the relevant Closing Date at such place and time as the Company and Buyer shall mutually agree.

Section 2.7 Right to Assign. Buyer may assign its rights and delegate its obligations created hereby to purchase Company Common Stock in accordance with the provisions of Section 10.5.

Section 2.8 Company's Right to Cure. (a) From the date hereof until the date that is four weeks from the date hereof, Buyer may conduct such investigation as it deems appropriate to confirm the accuracy ofthe representations and warranties of the Company contained herein. No later than the second Business Day after the last day of such four-week period, Buyer shall deliver to the Company a written notice setting forth in reasonable detail any matters as to which Buyer has knowledge (if any) and that render any of the Company's representations and warranties contained herein untrue or incorrect in such a way as would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect (the "Breaching Matters").

(b) If Buyer shall have set forth one or more Breaching Matters in any notice delivered pursuant to Section 2.8(a), within 30 Business Days after receipt of such notice the Company shall attempt, to the extent commercially reasonable and practicable, to cause the Breaching Matters identified by Buyer in such notice to be true or correct so as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect and, if so, shall deliver to Buyer written notice (the "Cure Notice") stating that all Breaching Matters identified by Buyer in Buyer's notice have been cured to the extent required and describ-

ing the manner in which such Breaching Matters were so cured. If the Company fails to deliver the Cure Notice within 30 Business Days after its receipt of Buyer's notice, Buyer shall have 10 Business Days to terminate this Agreement without liability to any party. If Buyer does not timely terminate this Agreement pursuant to the preceding sentence, Buyer shall be deemed to have waived the relevant Breaching Matters as conditions to any Closing or as a basis for indemnification hereunder. If Buyer obtains actual knowledge of any Breaching Matter during the four-week period from the date hereof, but fails to include such Breaching Matter in its notice pursuant to Section 2.8(a), Buyer shall also be deemed to have waived such Breaching Matter.

Section 2.9 Additional Purchase Price. As additional consideration from Buyer to the Company for the shares of Company Common Stock purchased at each Closing, Buyer agrees that, simultaneously with its receipt of the Next Dividend payable with respect to each such share of Company Common Stock purchased at such Closing, Buyer shall pay to the Company the amount of the Per Share Additional Purchase Price applicable to each such share of Company Common Stock.

ARTICLE 3

Representations and Warranties of the Company

The Company hereby represents and warrants to Buyer as follows:

Section 3.1 Organization and Qualification; Subsidiaries. (a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Florida. The Company has all requisite corporate power and authority to own, operate, lease and encumber its properties and carry on its business as now conducted, and to enter into this Agreement, the Registration Rights Agreement, and the Stockholders Agreement and to perform its obligations hereunder and thereunder.

(b) Each of the Subsidiaries of the Company is a corporation, partnership or limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, and has the corporate or partnership power and authority to own its properties and to carry on its business as it is now being conducted.

(c) Each of the Company and its Subsidiaries is duly

qualified to do business and in good standing in each jurisdiction in which the ownership of its property or the conduct of its business requires such qualification, except for any failures to be so qualified or to be in good standing as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(d) Schedule 3.1(d) sets forth the name of each Subsidiary of the Company (whether owned, directly or indirectly, through one or more intermediaries). All of the outstanding shares of capital stock of, or other equity interest in, each of the Subsidiaries owned by the Company are duly authorized, validly issued, fully paid and nonassessable, and are owned, directly or indirectly, by the Company free and clear of all Liens, except as set forth in Schedule 3.1(d). The following information for each Subsidiary is set forth in Schedule 3.1(d), if applicable: (i) its name and jurisdiction of incorporation or organization, (ii) the type of and percentage interest held by the Company in the Subsidiary and the names of and percentage interest held by the other interest holders, if any, in the Subsidiary, and (iii) any loans from the Company to, or priority payments due to the Company from, the Subsidiary, and the rate of return thereon. Except as contemplated hereby, there are no existing options, warrants, calls, subscriptions, convertible securities or other rights, agreements or commitments which obligate the Company or any of the Subsidiaries to issue, transfer or sell any shares of capital stock or equity interests in any of the Subsidiaries except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 3.2 Authority Relative to Agreements; Board Approval. (a)

The execution, delivery and performance of this Agreement, the Registration Rights Agreement and the Stockholders Agreement have been duly and validly authorized by all necessary corporate action on the part of the Company, subject only to the approval of the issuance of Company Common Stock pursuant to this Agreement and of the Amended Company Charter by the Company's shareholders. This Agreement has been duly executed and delivered by the Company for itself and constitutes the valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights or general principles of equity.

(b) The Board of Directors of the Company has, as of the date hereof, approved this Agreement, the Registration Rights Agreement, the Stockholders Agreement and the transactions contemplated hereby and thereby, and determined to recommend that the shareholders of the Company vote in favor of and approve the

issuance of Company Common Stock pursuant to this Agreement.

(c) The shares of Company Common Stock to be acquired pursuant to this Agreement have been duly authorized for issuance, and upon issuance will be duly and validly issued, fully paid and nonassessable.

(d) The issue and sale of the shares of Company Common Stock hereunder will not give any shareholder of the Company the right to demand payment for its shares under Florida law or give rise to any preemptive or similar rights. Neither the entry into or announcement of this Agreement nor the consummation of the transactions contemplated hereby will result in any holder of Class B Common Stock having the right to convert any shares of Class B Common Stock into shares of Company Common Stock pursuant to Section 4(a) of the Articles of Amendment.

(e) The Board of Directors of the Company has adopted a resolution authorizing the placement of the Investor Nominees (as defined in the Stockholders Agreement) on the Board of Directors of the Company in accordance with the terms of the Stockholders Agreement, and approving any necessary expansion of the number of directors constituting the Board of Directors, all in accordance with the requirements of the Company Charter.

Section 3.3 Capital Stock. (a) The authorized capital stock of the Company as of the date hereof consists of 25,000,000 shares of Company Common Stock, par value $0.01 per share, 10,000,000 shares of Special Common Stock, par value $0.01 per share, and 10,000,000 shares of Preferred Stock, par value $0.01 per share. As of May 31, 1996, there are 6,848,699 shares of Company Common Stock issued and outstanding, 1,916 shares of Series A 8% Cumulative Preferred Stock, par value $.01 per share ("Company Preferred Stock"), issued and outstanding and 2,500,000 shares of Class B Non-voting Common Stock, par value $0.01 per share ("Class B Common Stock"), issued and outstanding. All such issued and outstanding shares of Company Common Stock are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. The Company has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or which are convertible into or exercisable for securities the holders of which have the right to vote) with the shareholders of the Company on any matter. As of the date hereof, except as set forth in Schedule 3.3(a) to this Agreement, there are no existing options, warrants, calls, subscriptions, convertible securities, or other rights, agreements or commitments which obligate the Company to issue, transfer or sell any shares of capital stock or other

equity interests of the Company.

(b) Except for interests in the Subsidiaries of the Companyand except as set forth in Schedule 3.3(b), none of the Company or any of its Subsidiaries owns directly or indirectly any interest or investment (whether equity or debt) in any corporation, partnership, joint venture, business, trust or entity (other than investments in short-term investment securities).

Section 3.4 No Conflicts; No Defaults; Required Filings and Consents.

Except as contemplated hereby, neither the execution and delivery by the Company hereof nor the consummation by the Company of the transactions contemplated hereby in accordance with the terms hereof, will:

(a) conflict with or result in a breach of any provisions of the Company Charter or by-laws of the Company;

(b) result in a breach or violation of, a default under, or the triggering of any payment or other obligations pursuant to, or, except as set forth in Schedule 3.9(g), accelerate vesting under, any of the Regency Realty Corporation 1993 Long Term Omnibus Plan or similar compensation plan or any grant or award made under any of the foregoing;

(c) violate or conflict with any statute, regulation, judgment, order, writ, decree or injunction applicable to the Company or its Subsidiaries, except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect;

(d) subject to the Company obtaining the third party consents set forth in Schedule 3.4(d)-A (with respect to the Initial Closing), Schedule 3.4(d)-B (with respect to the Second Closing), and Schedule 3.4(d)-C (with respect to each other Subsequent Closing), violate or conflict with or result in a breach of any provision of, or constitute a default (or any event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, or accelerate the performance required by, or result in the creation of any Lien upon any of the properties of the Company or its Subsidiaries under, or result in being declared void, voidable or without further binding effect, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust or any license, franchise, permit, lease, contract, agreement or other instrument, commitment or obligation to which the Company or its Subsidiaries is a party, or by which the Company or its Subsidiaries or any of their properties is

bound or affected, except for any of the foregoing matters which would not reasonably be expected to, individually or in the aggregate, result in a Material Adverse Effect; or

(e) require any consent, approval or authorization of, or declaration, filing or registration with, any Government Authority, other than any filings required under the Securities Act of 1933, as amended (the "Securities Act"), the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), state securities laws ("Blue Sky Laws") (collectively, the "Regulatory Filings"), and any filings required to be made with the Secretary of State of Florida or any national securities exchange on which the Company Common Stock is listed, except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 3.5 SEC and Other Documents; Financial Statements; Undisclosed Liabilities. (a) The Company has delivered or made available to Buyer the registration statement of the Company filed with the Securities and Exchange Commission ("SEC") in connection with the Company's initial public offering of Company Common Stock, and all exhibits, amendments and supplements thereto (collectively, the "Company Registration Statement"), and each registration statement, report, proxy statement or information statement and all exhibits thereto prepared by it or relating to its properties since the effective date of the Company Registration Statement, which are set forth in Schedule 3.5(a), each in the form (including exhibits and any amendments thereto) filed with the SEC (collectively, the "Company Reports"). The Company Reports were filed with the SEC in a timely manner and constitute all forms, reports and documents required to be filed by the Company under the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder (the "Securities Laws"). As of their respective dates, the Company Reports (i) complied as to form in all material respects with the applicable requirements of the Securities Laws and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. There is no unresolved violation asserted by any Government Authority with respect to any of the Company Reports.

(b) Each of the balance sheets included in or incorporated by reference into the Company Reports (including the related notes and schedules) fairly presented the financial position of the

entity or entities to which it relates as of its date and each of the statements of operations, shareholders' equity (deficit) and cash flows included in or incorporated by reference into the Company Reports (including any related notes and schedules) fairly presented the results of operations, retained earnings or cash flows, as the case may be, of the entity or entities to which it relates for the periods set forth therein, in each case in accordance with United States generally accepted accounting principles ("GAAP") consistently applied during the periods involved, except as may be noted therein and except, in the case of the unaudited statements, normal recurring year-end adjustments which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The projections set forth in the Regency Realty Corporation 1996 Consolidated Operating Reproject dated May 30, 1996 which has previously been delivered by the Company to Buyer represent the Company's good faith expectations and estimates with respect to the matters set forth therein.

(c) Except as and to the extent set forth in the Company Reports or any Schedule hereto, to the Company's knowledge, none of the Company or any of its Subsidiaries has any Liabilities (nor do there exist any circumstances) that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 3.6 Litigation; Compliance With Law. (a) There are no Actions pending or, to the Company's knowledge, threatened against the Company or any of its Subsidiaries that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, or which question the validity hereof or any action taken or to be taken in connection herewith. Except as disclosed in Schedule 3.6(a), there are no continuing orders, injunctions or decrees of any Government Authority to which the Company or any of its Subsidiaries is a party or by which any of its properties or assets are bound.

(b) None of the Company or its Subsidiaries is in violation of any statute, rule, regulation, order, writ, decree or injunction of any Government Authority or any body having jurisdiction over them or any of their respective properties which, if enforced, would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 3.7 Absence of Certain Changes or Events. Except as disclosed in the Company Reports filed with the SEC prior to the date hereof or in Schedule 3.7 and except for the entering into employment agreements in the form attached as Exhibit D (the "Employment Agreements") with the employees listed on Schedule 3.7,

since December 31, 1994, the Company and each of its Subsidiaries has conducted its business only in the ordinary course and has acquired real estate and entered into financing arrangements in connection therewith only in the ordinary course of such business, and there has not been (a) any change, circumstance or event that would reasonably be expected to result in a Material Adverse Effect, (b) any declaration, setting aside or payment of any dividend or other distribution with respect to the Company Common Stock, except in accordance with Section 5.5, (c) any commitment, contractual obligation, borrowing, capital expenditure or transaction (each, a "Commitment") entered into by the Company or any of its Subsidiaries, other than Commitments which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, or (d) any change in the Company's accounting principles, practices or methods which would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 3.8 Tax Matters; REIT and Partnership Status. (a) The Company and each of its Subsidiaries has timely filed with the appropriate taxing authority all Tax Returns required to be filed by it or has timely requested extensions and any such request has been granted and has not expired. Each such Tax Return is complete and accurate in all respects. All Taxes shown as owed by the Company or any of its Subsidiaries on any Tax Return have been paid or accrued, except for Taxes being contested in good faith and for which adequate reserves have been taken. The Company and each of its Subsidiaries has properly accrued all Taxes for such periods subsequent to the periods covered by such Tax Returns as required by GAAP. None of the Company or any of its Subsidiaries has executed or filed with the IRS or any other taxing authority any agreement now in effect extending the period for assessment or collection of any Tax. Except as set forth in Schedule 3.8(a), none of the Company or any of its Subsidiaries is being audited or examined by any taxing authority with respect to any Tax or is a party to any pending action or proceedings by any taxing authority for assessment or collection of any Tax, and no claim for assessment or collection of any Tax has been asserted against it. True and complete copies of all federal, state and local income or franchise Tax Returns filed by the Company and each of its Subsidiaries for 1993, 1994 and 1995 and all communications relating thereto have been delivered to Buyer or made available to representatives of Buyer prior to the date hereof. No claim has been made in writing or, to the Company's knowledge, otherwise by an authority in a jurisdiction where the Company or any of its Subsidiaries does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. Except as set forth in Schedule 3.8(a), there

is no dispute or claim concerning any Tax liability of the Company or any of its Subsidiaries, (i) claimed or raised by any taxing authority in writing or (ii) as to which the Company or any of its Subsidiaries has knowledge. To the Company's knowledge, as of the date hereof, (i) the Company is a "domestically-controlled" REIT within the meaning of Code Section 897(h)(4)(B), and (ii) all non-domestic beneficial owners (whether direct or indirect) of Company Common Stock are set forth in Schedule 3.8(a). To the Company's knowledge, except as set forth in Schedule 3.8(a), no person or entity which would be treated as an "individual" for purposes of Section 542(a)(2) of the Code (as modified by Section 856(h) of the Code) owns or would be considered to own (taking into account the ownership attribution rules under Section 544 of the Code, as modified by Section 856(h) of the Code) in excess of 9.8% of the value of the outstanding equity interest in the Company. Except as contemplated by this Agreement or as set forth in Schedule 3.8(a), the Board of Directors has not exempted any Person from the Ownership Limit, the Related Tenant Limit or the Existing Holder Limit or otherwise waived any of the provisions of Article 5 of the Company Charter (as all capitalized terms used in this sentence are defined in the Company Charter). The Exiting Holder Limit and the Ownership Limit (as such terms are defined in the Company Charter) have not been modified pursuant to Section 5.8 or 5.9 of the Company Charter or otherwise. Each ownership interest that the Company and each of its Subsidiaries has in an entity formed as a partnership (or which files federal income tax returns as a partnership) qualified, and since the date of its formation qualified, to be treated as a partnership for federal income tax purposes or as a "qualified REIT subsidiary" within the meaning of Section 856(i)(2) of the Code.

(b) The Company (i) intends in its federal income tax return for the tax year ended December 31, 1995 and for the tax year that will end on December 31, 1996 to be taxed as a real estate investment trust within the meaning of Section 856 of the Code ("REIT") and has complied (or will comply) with all
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applicable provisions of the Code relating to a REIT, for 1995 and 1996, (ii) has operated, and intends to continue to operate, in such a manner as to qualify as a REIT for 1995 and 1996, (iii) has not taken or omitted to take any action which would reasonably be expected to result in a challenge to its status as a REIT, and, to the Company's knowledge, no such challenge is pending or threatened, and (iv) to the Company's knowledge, and assuming the accuracy of Buyer's representation in Section 4.7, will not be rendered unable to qualify as a REIT for federal income tax purposes as a consequence of the transactions contemplated hereby.

(c) Any amount or other entitlement that could be received (whether in cash or property or the vesting of property)

as a result of any of the transactions contemplated hereby by any Employee, officer, or director of the Company or any of their Affiliates who is a "disqualified individual" (as such term is defined in proposed Treasury Regulation Section 1.280G-1) under any employment, severance or termination agreement, other compensation arrangement or plan currently in effect would not be characterized as an "excess parachute payment" (as such term is defined in Section 280G(b)(1) of the Code).

(d) The disallowance of a deduction under Section 162(m) of the Code for employee remuneration will not apply to any amount paid or payable by the Company or any of its Subsidiaries under any contract, stock plan, program, arrangement or understanding currently in effect.

(e) The Company was eligible to and did validly elect to be taxed as a REIT for federal income tax purposes for calendar year 1993 and all subsequent taxable periods. Each Subsidiary of the Company organized as a partnership (and any other Subsidiary that files Tax Returns as a partnership for federal income tax purposes) was and continues to be classified as a partnership for federal income tax purposes or as a "qualified REIT subsidiary" within the meaning of Section 856(i)(2) of the Code.

(f) For purposes of this Section 3.8, no representation set forth in Section 3.8 shall be deemed to be untrue or incorrect unless such untruths or inaccuracies would, individually or in the aggregate, be reasonably expected to result in a Material Adverse Effect.

Section 3.9 Compliance with Agreements; Material Agreements. (a)

Neither the Company nor any of its Subsidiaries is in default under or in violation of any provision of the Company Charter or the By-laws of the Company (or equivalent documents), except for such defaults or violations which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The Company and each of its Subsidiaries have filed all material reports, registrations and statements, together with any amendments required to be made with respect thereto, that they were required to file with any Government Authority and all other material reports and statements required to be filed by them, including any report or statement required to be filed pursuant to the laws, rules or regulations of the United States, and have paid all fees or assessments due and payable in connection therewith, except for such failures to file or pay which would not,

individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. There is no unresolved violation asserted by any regulatory agency of which the Company has received written notice with respect to any report or statement relating to an examination of the Company or any of its Subsidiaries which, if resolved in a manner unfavorable to the Company or such Subsidiary, would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(c) The Company Reports or Schedule 3.9(c) set forth (i) a description of all material indebtedness of the Company and each of its Subsidiaries, whether unsecured, or secured or collateralized by mortgages, deeds of trust or other security interests in the Company Properties or any other assets of the Company and each of its Subsidiaries, or otherwise and (ii) each Commitment entered into by the Company or any of its Subsidiaries (including any guarantees of any third party's debt or any obligations in respect of letters of credit issued for the Company's or any Subsidiary's account) which may result in total payments or liability in excess of $200,000, excluding Commitments made in the ordinary course of business with a maturity of less than one year or that are terminable on 30 days or less notice, and excluding Commitments the breach of which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. True and complete copies of the documents relating to the foregoing have been delivered or made available to Buyer prior to the date hereof. Neither the Company nor any of its Subsidiaries is in default, and, to the Company's knowledge, no event has occurred which, with the giving of notice or the lapse of time or both, would constitute a default, under any of the documents described in clause (i) or (ii) of this paragraph or in respect of any payment obligations thereunder except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. All joint venture and partnership agreements to which the Company or any of its Subsidiaries is a party as of the date hereof are set forth in Schedule 3.9(c), all of which are in full force and effect as against the Company or such Subsidiary and, to the Company's knowledge, as against the other parties thereto, and none of the Company or any of its Subsidiaries is in default, and, to the Company's knowledge, no event has occurred which, with the giving of notice or the lapse of time or both, would constitute a default, with respect to any obligations thereunder, except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. To the Company's knowledge, the other parties to such agreements are not in breach of any of their respective obligations thereunder, except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. To the Company's knowledge, there is no condition with respect to the Company's Subsidiaries (including

with respect to the partnership agreements for the Company's Subsidiaries that are partnerships) that would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(d) Except as disclosed in the Company Reports or any other Schedule hereto, Schedule 3.9(d) sets forth a complete and accurate list of all material agreements entered into by the Company or any of its Subsidiaries as of the date hereof relating to the development or construction of, additions or expansions to, or management or leasing services for retail shopping centers and suburban office properties or other real properties which are currently in effect and under which the Company or any of its Subsidiaries currently has, or expects to incur, any material obligation. True and complete copies of such agreements have been delivered or made available to Buyer prior to the date hereof.

(e) Except as disclosed in the Company Reports and except for (i) agreements made in the ordinary course of business with a maturity of less than one year or that are terminable on 30 days or less notice, and (ii) agreements the breach or non-fulfillment of which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect, Schedule 3.9(e) sets forth a complete and accurate list of all material agreements entered into by the Company as of the date hereof which are not listed in any other Schedule hereto, including the material Debt Instruments. Each agreement set forth in Schedule 3.9(e) is in full force and effect as against the Company and, to the Company's knowledge, as against the other parties thereto, no payments, if any, thereunder are delinquent, the Company is not in default thereunder, and no notice of default thereunder has been sent or received by the Company or any of its Subsidiaries, except where the same would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. To the Company's knowledge, no event has occurred which, with notice or lapse of time or both, would constitute a default by the Company under any agreement set forth in Schedule 3.9(e), except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. To the Company's knowledge, the other parties to such agreements are not in breach of their respective obligations thereunder, except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. True and complete copies of each such agreement have been delivered or made available to Buyer prior to the date hereof. The representations and warranties of the Company and its Affiliates set forth in the agreements listed under Items 6 and 7 of Schedule 3.9(e) have not been breached.

(f) Schedule 3.9(f) sets forth a complete and accurate list of all agreements and policies of the Company in effect on the date hereof relating to transactions with affiliates and potential conflicts of interest. Each agreement or policy set forth in Schedule 3.9(f) is in full force and effect, and the Company, each of its Subsidiaries, and, to the Company's knowledge, the other parties thereto are in compliance with such agreements and policies, or such compliance has been waived by the Company's Board of Directors as set forth in Schedule 3.9(f). True and complete copies of each such agreement or policy have been delivered to Buyer.

(g) Except as set forth on Schedule 3.9(g), there are no change of control or similar provisions in any employment, severance, stock option, stock incentive, or similar agreement or arrangement which would be triggered by the transactions contemplated by this Agreement. Schedule 3.9(g) identifies the obligations (including any payment or other obligation, forgiveness of debt, other release from obligations, or acceleration of vesting) which are created, accelerated or triggered by the execution, delivery or performance of this Agreement or the consummation of the transactions contemplated hereby.

Section 3.10 Financial Records; Company Charter and By-laws; Corporate Records. (a) The books of account and other financial records of the Company and each of its Subsidiaries are in all respects true and complete, have been maintained in accordance with good business practices, and are accurately reflected in all respects in the financial statements included in the Company Reports, except, in each case, as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(b) The Company has previously delivered or made available to Buyer true and complete copies of the Company Charter and the By-laws of the Company, as amended to date, and the charter, by-laws, organization documents, partnership agreements and joint venture agreements of its Subsidiaries, and all amendments thereto. All such documents are listed in Schedule 3.10(b).

(c) The minute books and other records of corporate or partnership proceedings of the Company and each of its Subsidiaries have been made available to Buyer, contain in all material respects accurate records of all meetings and accurately reflect in all material respects all other corporate action of the shareholders and directors and any committees of the Board of Directors of the Company and their Subsidiaries which are corporations and all actions of the partners of the Subsidiaries which are partnerships, except for documentation of discussions relating to or in con-

nection with the transactions contemplated hereby or matters related hereto, and except as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

Section 3.11 Properties. (a) Schedule 3.11(a) sets forth a complete and accurate list and the address of all real property owned or leased by the Company or any of its Subsidiaries or otherwise used by the Company or its Subsidiaries in the conduct of their business or operations (collectively, and together with the land at each address referenced in Schedule 3.11(a) and all buildings, structures and other improvements and fixtures located on or under such land and all easements, rights and other appurtenances to such land, the

"Company Properties"). The Company, or in the case of Company Properties owned by Subsidiaries that are not wholly owned Subsidiaries of the Company, to the Company's knowledge, such Subsidiaries, owns or own, as the case may be, good and marketable fee simple title (or, if so indicated in Schedule 3.11(a), leasehold title) to each of the Company Properties, in each case free and clear of any Liens, title defects, contractual restrictions or covenants, laws, ordinances or regulations affecting use or occupancy (including zoning regulations and building codes) or reservations of interests in title (collectively, "Property Restrictions"), except for (i) Permitted Liens and (ii) Property Restrictions imposed or promulgated by law or by any Government Authoritywhich are customary and typical for similar properties. To the Company's knowledge, none of the matters described in clauses (i) and (ii) of the immediately preceding sentence materially interferes with, impairs, or is violated by, the existence of any building or other structure or improvement which constitutes a part of, or the present use, occupancy or operation (or, if applicable, development) of, the Company Properties taken as a whole, and such matters do not, individually or in the aggregate, have a Material Adverse Effect. American Land Title Association policies of title insurance (or marked title insurance commitments having the same force and effect as title insurance policies) have been issued by national title insurance companies insuring the fee simple or leasehold, as applicable, title of the Company or its Subsidiaries, as applicable, to each of the Company Properties in amounts at least equal to the original cost thereof, subject only to Permitted Liens, and, to the Company's knowledge, such policies are valid and in full force and effect and no claim has been made under any such policy. The Company has delivered or made available to Buyer true and complete copies of all such policies and of the most recent surveys of the Company Properties, and true and complete copies of all material exceptions referenced in such policies and the most recent title reports for and surveys (to

the extent not previously delivered or made available to Buyer) of each of the Company Properties available to the Company or any of its Subsidiaries will be provided or made available by the Company for inspection by Buyer or its representatives within five Business Days of Buyer's request therefor.

(b) Except as set forth in Schedule 3.11(b), and except for matters which would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or to materially and adversely affect the use or occupancy (or, if applicable, development) of the Company Properties taken as a whole, the Company has no knowledge (i) that any currently required certificate, permit or license (including building permits and certificates of occupancy for tenant spaces) from any Government Authority having jurisdiction over any Company Property or any agreement, easement or other right which is necessary to permit the lawful use, occupancy or operation of the existing buildings, structures or other improvements which constitute a part of any of the Company Properties or which are necessary to permit the lawful use and operation of utility service to any Company Property or of any existing driveways, roads or other means of egress and ingress to and from any of the Company Properties has not been obtained or is not in full force and effect, or of any pending threat of modification or cancellation of any of same, or (ii) of any violation by any Company Property of any federal, state or municipal law, ordinance, order, regulation or requirement, including any applicable zoning law or building code, as a result of the use or occupancy of such Company Property or otherwise. Except as set forth in Schedule 3.11(b), the Company has no knowledge of uninsured physical damage to any Company Property in excess of $200,000 in the aggregate. To the Company's knowledge, except for repairs identified in the Capital Expenditure Budget and Schedule, each Company Property, (i) is in good operating condition and repair and is structurally sound and free of defects, with no material alterations or repairs being required thereto under applicable law or insurance company requirements, and (ii) consists of sufficient land, parking areas, driveways and other improvements and lawful means of access and utility service and capacity to permit the use thereof in the manner and for the purposes to which it is presently devoted (or, in the case of the Development Property, for the development and operation thereon of the applicable Project), except, in each such case, to the extent that failure to meet such standards would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or to materially and adversely affect the use or occupancy of the Company Properties taken as a whole (or, in the case of the Development Property, the development and operation thereon of the applicable Project). The Company has delivered or made available to Buyer true and complete copies of all engineering reports, inspection reports, maintenance

plans and other documents relating to the condition of any Company Property prepared for the Company or otherwise in the Company's or any Subsidiary's possession.

(c) The Company has no knowledge (i) that any condemnation, eminent domain or rezoning proceedings are pending or threatened with respect to any of the Company Properties, (ii) that any road widening or change of grade of any road adjacent to any Company Property is underway or has been proposed, (iii) of any proposed change in the assessed valuation of any Company Property other than customarily scheduled revaluations, (iv) of any special assessment made or threatened against any Company Property, or (v) that any of the Company Properties is subject to any so-called "impact fee" or to any agreement with any Government Authority to pay for sewer extension, oversizing utilities, lighting or like expenses or charges for work or services by such Government Authority, except, in the case of each of the foregoing, to the extent that same would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect or to materially and adversely affect the use or occupancy (or, if applicable, development) of the Company Properties taken as a whole.

(d) To the Company's knowledge, each of the Company Properties is an independent unit which does not rely on any facilities located on any property not included in such Company Property to fulfill any municipal or governmental requirement or for the furnishing to such Company Property of any essential building systems or utilities, other than facilities the benefit of which inures to the Company Properties pursuant to one or more valid easements. Each of the Company Properties is served by public water and sanitary systems and all other utilities, and, to the Company's knowledge, each of the Company Properties has lawful access to public roads, in all cases sufficient for the current use and occupancy of each Company Property (or, in the case of the Development Property, for the development and operation thereon of the applicable Project). To the Company's knowledge, all parcels of land included in each Company Property that purport to be contiguous are contiguous and are not separated by strips or gores. Except as set forth in Schedule 3.11(d), to the Company's knowledge, no portion of any Company Property lies in any flood plain area (as defined, as of the date hereof, by the U.S. Army Corps of Engineers (the "Army Corps of Engineers") or otherwise) or includes any wetlands or vegetation or species protected by any applicable laws. Except as set forth on Schedule 3.11(d), none of the Company Properties lies in any 100-year flood plain area, as established by the Army Corps of Engineers. Schedule 3.11(d) ac-

curately describes the Army Corps of Engineers' flood-plain designation for each flood plain area in which any Company Property listed in such Schedule 3.11(d) is located. The improvements on each Company Property which lies in a flood plain area comply with applicable building codes and other relevant laws and regulations, and the Company or its Subsidiaries carry and presently maintain in full force and effect flood insurance in connection with such Company Properties as required by applicable law and as accurately described in Schedule 3.11(d). To the Company's knowledge, no improvements constituting a part of any Company Property encroach on real property not constituting a part of such Company Property. No representation set forth in this subsection (d) shall be deemed to be untrue unless such untruths are, individually or in the aggregate, reasonably expected to have a Material Adverse Effect or to materially and adversely affect the use or occupancy (or, if applicable, development) of the Company Properties taken as a whole.

(e) Schedule 3.11(e) contains a complete and accurate list of each survey, study or report prepared by or for the Company or any Subsidiary in connection with any Company Property's compliance or non-compliance with the requirements of the Americans with Disabilities Act (the "ADA"), other than routine correspondence or memoranda. Except for matters addressed in the Capital Expenditure Budget and Schedule, to the knowledge of the Company, no Company Property fails to comply with the requirements of the ADA except for such non-compliance as the Company believes will not, individually or in the aggregate, have a material adverse effect on the financial condition, results of operations or business of the Company and its Subsidiaries (to the extent of the Company's interest therein) taken as a whole.

(f) The Company has provided to Buyer an accurate rent roll for each Company Property as of May 31, 1996 (the "Rent Roll"), which identifies and accurately describes each lease of space in each Company Property (collectively, the "Company Leases"). The Company has delivered to Buyer a summary of each Company Lease (the "Lease Summaries") which accurately describes the material terms thereof. The Company has delivered or will make available to Buyer a true and complete copy of each Company Lease, including all amendments and modifications thereto. With respect to each Company Lease for premises larger than 10,000 square feet of rentable space (collectively, the "Material Company Leases"), except as set forth in Schedule 3.11(f) and except for matters which are not, individually or in the aggregate, reasonably expected to have a Material Adverse Effect, (i) each of the Material Company Leases is valid and subsisting and in full force and effect as against the Company or the Subsidiary, as applicable, and, to the Company's knowledge, as against the tenant, and has not been amended, modified or supplemented, (ii) the tenant under each

of the Material Company Leases is in actual possession of the premises leased thereunder, (iii) no tenant under any Material Company Lease is more than 30 days in arrears in the payment of rent, (iv) none of the Company or any of its Subsidiaries has received any written notice from any tenant under any Material Company Lease of its intention to vacate, (v) none of the Company or any of its Subsidiaries has collected payment of rent under any Material Company Lease (other than security deposits) accruing for a period which is more than one month in advance, (vi) no notice of default has been sent or received by the landlord under any Material Company Lease which remains uncured as of the date hereof, no default has occurred under any Material Company Lease and, to the Company's knowledge, no event has occurred and is continuing which, with notice or lapse of time or both, would constitute a default under any Material Company Lease, (vii) no tenant under any of the Material Company Leases has any purchase options or kick-out rights or is entitled to any concessions, allowances, abatements, set-offs, rebates or refunds, (viii) none of the Material Company Leases and none of the rents or other amounts payable thereunder has been mortgaged, assigned, pledged or encumbered by any party thereto or otherwise, except in connection with financing secured by the applicable Company Property which is described in Schedule 3.9(c), (ix) (A) as of the date hereof, except as set forth in Schedule 3.11(f), no brokerage or leasing commission or other compensation is due or payable to any person with respect to or on account of any of the Material Company Leases or any extensions or renewals thereof incurred after the date hereof, and (B) any brokerage or leasing commission or other compensation due or payable to any person with respect to or on account of any of the Material Company Leases or any extensions or renewals thereof have been incurred in the ordinary course of business of the Company consistent with past practice and market terms, (x) except as set forth in the Lease Summaries, no space of a material size in any Company Property is occupied by a tenant rent-free, (xi) no tenant under any of the Material Company Leases has asserted any claim which is likely to affect the collection of rent from such tenant, (xii) no tenant under any of the Material Company Leases has any right to remove material improvements or fixtures that have at any time been affixed to the premises leased thereunder, (xiii) each tenant under the Material Company Leases is required thereunder to maintain, at its cost and expenses, public liability and property damage insurance with liability limits which reasonably relate to the value of the contingent liabilities being insured thereby, and (xiv) the landlord under each Material Company Lease has fulfilled all of its obligations thereunder in respect of tenant improvements and capital expenditures. Other than the tenants identified in the Rent Roll and Lease Summaries and parties to easement agreements

which constitute Permitted Liens, no third party has any right to occupy or use any portion of any Company Property. The Rent Roll or Lease Summaries include a budget for all material tenant improvement and similar material work required to be made by the lessor under each of the Material Company Leases. None of the matters disclosed in Schedule 3.11(f) has or could have, individually or in the aggregate, a Material Adverse Effect.

(g) Schedule 3.11(g) sets forth a complete and accuratelist of all material commitments, letters of intent or similar written understandings made or entered into by the Company or any of its Subsidiaries as of the date hereof (x) to lease any space larger than 10,000 rentable square feet at any of the Company Properties, (y) to sell, mortgage, pledge or hypothecate any Company Property or Properties, which, individually or in the aggregate, are material, or to otherwise enter into a material transaction in respect of the ownership or financing of any Company Property, or (z) to purchase or to acquire an option, right of first refusal or similar right in respect of any real property, which, individually or in the aggregate, are material, which, in any such case, has not yet been reduced to a written lease or contract, and sets forth with respect to each such commitment, letter of intent or other understanding the principal terms thereof. The Company has previously delivered or made available to Buyer a true and complete copy of each such commitment, letter of intent or other understanding. Schedule 3.11(g) also sets forth a complete and accurate list of all agreements to purchase real property to which the Company or any Subsidiary is a party.

(h) Except as set forth in Schedule 3.11(h), none of the Company or any of its Subsidiaries has granted any outstanding options or has entered into any outstanding contracts with others for the sale, mortgage, pledge, hypothecation, assignment, sublease, lease or other transfer of all or any part of any Company Property, and no person has any right or option to acquire, or right of first refusal with respect to, the Company's or any of its Subsidiaries' interest in any Company Property or any part thereof. Except as set forth in Schedule 3.11(h) or 3.11(g), none of the Company or any of its Subsidiaries has any outstanding options or rights of first refusal or has entered into any outstanding contracts with others for the purchase of any real property.

(i) Schedule 3.11(i) contains a complete and accurate description of any non-compliance by any Company Property, to the Company's knowledge, with any law, ordinance, code, health and safety regulation or insurance requirement (except for the ADA, which is addressed in this respect in Section 3.11(e) above), other than such non-compliance as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse

Effect. Schedule 3.11(i) also sets forth the Company's or any Subsidiary's capital expenditure budget and schedule for each Company Property, which describes the capital expenditures which the Company or any Subsidiary has budgeted for such Company Property for the period running through December 31, 1996 (the "Capital Expenditure Budget and Schedule"), and the Company's or any Subsidiary's preliminary capital expenditure budget and schedule for each Company Property, which describes the capital expenditures which the Company or any Subsidiary has budgeted for such Company Property for the period commencing January 1, 1997 and running through December 31, 1998 (the "1997 and 1998 Preliminary Capital Expenditure Budgets and Schedules"). Each of the Capital Expenditure Budget and the 1997 and 1998 Preliminary Capital Expenditure Budgets and Schedules also describes other capital expenditures as are necessary, to the Company's knowledge, in order to bring such Company Property into compliance with applicable laws, ordinances, codes, health and safety regulations and insurance requirements (including in respect of fire sprinklers, compliance with the ADA (except to the extent that (x) a tenant under any Company Lease is contractually responsible and liable for such ADA compliance under its Company Lease or (y) with respect to shopping center properties, any work required to cause such compliance is not material and the related expenditures are, in the aggregate with all other such expenditures, less than $200,000) and asbestos containing material) or which the Company otherwise plans or expects to make in order to cure or remedy any construction, electrical, mechanical or other defects, to renovate, rehabilitate or modernize such Company Property, or otherwise, excluding, however, any tenant improvements required to be made under any Company Lease. To the Company's knowledge, the costs and time schedules for 1996 set forth in the Capital Expenditure Budget and Schedule are reasonable estimates and projections. To the Company's knowledge, the costs and time schedules for 1997 and 1998 set forth in the 1997 and 1998 Preliminary Capital Expenditure Budgets and Schedules are reasonable estimates and projections based upon information available to the Company at the time that the 1997 and 1998 Preliminary Capital Expenditure Budgets and Schedules were prepared, and, nothing has come to the attention of the Company since such time which would indicate that the 1997 and 1998 Preliminary Capital Expenditure Budgets and Schedules are inaccurate or misleading in any material respect. Except as set forth in Schedule 3.11(i), there are no outstanding or, to the Company's knowledge, threatened requirements by any insurance company which has issued an insurance policy covering any Company Property, or by any board of fire underwriters or other body exercising similar functions, requiring any repairs or alterations to be made to any Company Property that would, individually or in the

aggregate, reasonably be expected to result in a Material Adverse Effect.

(j) Schedule 3.11(j) contains a list of each Company Property which consists of or includes undeveloped land or which is in the process of being developed or rehabilitated (collectively, the "Development Properties") and a brief description of the development or rehabilitation intended by the Company or any Subsidiary to be carried out or completed thereon (collectively, the "Projects"), including any budget and development or rehabilitation schedule therefor prepared by or for the Company or any Subsidiary (collectively, the "Development Budget and Schedule"). Except as disclosed in Schedule 3.11(j), each Development Property is zoned for the lawful development thereon of the applicable Project, and the Company or its Subsidiaries have obtained all permits, licenses, consents and authorizations required for the lawful development or rehabilitation thereon of such Project, except only for such failure to meet the foregoing standards as would not, individually or in the aggregate, be reasonably expected to have a Material Adverse Effect. Except as set forth in Schedule 3.11(j), to the Company's knowledge, there are no material impediments to or constraints on the development or rehabilitation of any Project in all material respects within the time frame and for the cost set forth in the Development Budget and Schedule applicable thereto. In the case of each Project the development of which has commenced, to the Company's knowledge, the costs and expenses incurred in connection with such Project and the progress thereof are, except as set forth in Schedule 3.11(j), consistent and in compliance in all material respects with all aspects of the Development Budget and Schedule applicable thereto. The Company has delivered to Buyer all feasibility studies, soil tests, due diligence reports and other studies, tests or reports performed by or for the Company, or otherwise in the possession of the Company, which relate to the Development Properties or the Projects.

(k) The Company has disclosed to Buyer all adverse matters known to the Company with respect to or in connection with the Company Properties (including the Company Leases and the Tenancy Leases), which would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) The ground leases underlying the leased Company Properties referenced in Schedule 3.11(a) (collectively, the "Tenancy Leases") are accurately described in Schedule 3.11(l). Each of the Tenancy Leases is valid, binding and in full force and effect as against the Subsidiary and, to the Company's knowledge, as against the other party thereto. Except as indicated in Schedule 3.11(l), none of the Tenancy Leases is subject to any

mortgage, pledge, Lien, sublease, assignment, license or other agreement granting to any third party any interest therein, collateral or otherwise, or any right to the use or occupancy of any premises leased thereunder. True and complete copies of the Tenancy Leases (including all amendments, modifications and supplements thereto) have been delivered to Buyer prior to the date hereof. To the Company's knowledge, except as set forth in Schedule 3.11(l), there is no pending or threatened proceeding which is reasonably likely to interfere with the quiet enjoyment of the tenant under any of the Tenancy Leases. Except as set forth in Schedule 3.11(l), as of the last day of the month preceding the date hereof and as of the last day of the month preceding the date of the Initial Closing, no payments under any Tenancy Lease are delinquent and no notice of default thereunder has been sent or received by the Company or any of its Subsidiaries, and, as of the date of each Subsequent Closing, there will be no material deterioration with respect to such matters from the Company's perspective. There does not exist under any of the Tenancy Leases any default, and, to the Company's knowledge, no event has occurred which, with notice or lapse of time or both, would constitute such a default, except as would not, individually or in the aggregate, be reasonably expected to result in a Material Adverse Effect.

(m) The Company and each of its Subsidiaries have good and sufficient title to all the personal and non-real properties and assets reflected in their books and records as being owned by them (including those reflected in the balance sheets of the Company and its Subsidiaries as of March 31, 1996, except as since sold or otherwise disposed of in the ordinary course of business), free and clear of all Liens, except for Permitted Liens which are not, individually or in the aggregate, reasonably expected to have a Material Adverse Effect.

Section 3.12 Environmental Matters. (a) To the Company's knowledge, each of the Company and its Subsidiaries has obtained, and now maintains as currently valid and effective, all permits, certificates of financial responsibility and other governmental authorizations required under the Environmental Laws (the "Environmental Permits") in connection with the operation of its businesses and properties, all of which are listed in Schedule 3.12(a). To the Company's knowledge, except as disclosed in the Executive Summaries of the Company Environmental Reports, each of the Company and its Subsidiaries, and each Company Property is and has been in compliance with all terms and conditions of the Environmental Permits and all Environmental Laws, except only to an extent which would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect. The

Company has no knowledge of any circumstances or conditions that may prevent or interfere with such compliance in the future.

(b) Each of the Company and its Subsidiaries has provided to Buyer all formal communications, oral or written (whether from a Government Authority, citizens' group, employee or other person), which the Company has received regarding (x) alleged or suspected noncompliance of any of the Company Properties with any Environmental Laws or Environmental Permits or (y) alleged or suspected Liability of the Company or its Subsidiaries under any Environmental Law, which noncompliance or Liability would, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(c) There are no liens or encumbrances on any of the Company Properties which arose pursuant to or in connection with any Environmental Law or Environmental Claim and, to the Company's knowledge, no government actions have been taken or threatened to be taken or are in process which are reasonably likely to subject any Company Property to such liens or other encumbrances.

(d) No Environmental Claim with respect to the operations or the businesses of the Company or its Subsidiaries, or with respect to the Company Properties, has been asserted or, to the Company's knowledge, threatened, and, to the Company's knowledge, no circumstances, past or present actions, conditions, events or incidents which exist with respect to the Company or its Subsidiaries or the Company Properties that would reasonably be expected to result in any Environmental Claim being asserted, in any such case, against (i) the Company or its Subsidiaries, or (ii) to the Company's knowledge, any person whose liability for any Environmental Claims the Company or its Subsidiaries has or may have retained or assumed either contractually or by operation of law.

(e) Except as disclosed in Schedule 3.12(e) (none of which matters would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect), or set forth in the Executive Summaries of the Company Environmental Reports, (i) none of the Company or its Subsidiaries has been notified or anticipates being notified of potential responsibility in connection with any site that has been placed on, or proposed to be placed on, the National Priorities List or its state or foreign equivalents pursuant to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), ------
42 U.S.C. (S) 9601 et seq., or analogous state or foreign laws, (ii) to the Company's knowledge, no Materials of Environmental Concern are present on, in or under any Company Property in a manner or condition that is reasonably likely to give rise to an Environmental Claim which would reasonably be expected to result in a Material Adverse Effect, (iii) to the

Company's knowledge, none of the Company or its Subsidiaries has Released or arranged for the Release of any Materials of Environmental Concern at any location to an extent or in a manner which would reasonably be expected to result in a Material Adverse Effect, (iv) to the Company's knowledge, no underground storage tanks, surface impoundments, disposal areas, pits, ponds, lagoons, open trenches or disused industrial equipment is present at any Company Property in a manner or condition that is reasonably likely to give rise to an Environmental Claim which would reasonably be expected to result in a Material Adverse Effect, (v) to the Company's knowledge, no transformers, capacitors or other equipment containing fluid with more than 50 parts per million polychlorinated biphenyls are present at any Company Property in a manner or condition that is reasonably likely to give rise to an Environmental Claim which would reasonably be expected to result in a Material Adverse Effect, except for any such transformers, capacitors or other equipment owned by any utility company, and (vi) to the Company's knowledge, no asbestos or asbestos-containing material is present at any Company Property other than floor tiles that do not contain any friable asbestos and no Employee, agent, contractor or subcontractor of the Company or its Subsidiaries or any other person is now or has in the past been exposed to friable asbestos or asbestos-containing material at any Company Property, except, in the case of each of the matters set forth in this subpart (vi), for such matters as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(f) Schedule 3.12(f) contains a list of each environmental report prepared for the Company or its Subsidiaries or otherwise in the possession of any of them with respect to the environmental condition of any Company Property (collectively, the "Company Environmental Reports"). The Company has previously
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delivered or made available to Buyer true and complete copies of (i) the executive summary or conclusion included in each Company Environmental Report (collectively, the "Executive Summaries of the Company Environmental Reports")
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and (ii) each Company Environmental Report which constitutes a "Phase II" (or higher) environmental report or which is otherwise more detailed or in-depth than a typical "Phase I" environmental report. The Executive Summaries of the Company Environmental Reports disclose all materially adverse matters known to the Company in respect of the environmental condition (including violations of Environmental Laws, Environmental Claims and the presence or Release of any Materials of Environmental Concern) of the Company Properties (it being understood, however, that reference in the Executive Summaries of the Company Environmental Reports to other environmental reports, in-

vestigations, assessments or other documents shall not constitute disclosure of the contents thereof except to the extent such contents are fully discussed in the Executive Summaries of the Company Environmental Reports). To the Company's knowledge, none of the matters disclosed by the Executive Summaries of the Company Environmental Reports would, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect. The Company has no knowledge of any facts or circumstances relating to the environmental condition of any property owned, leased or otherwise held by the Company that is not a Company Property that are reasonably likely to result in a Material Adverse Effect.

(g) For purposes hereof, the terms listed below shall have the following meanings:

(i) "Claim" shall mean all actions, causes of action, suits, debts, dues, accounts, reckonings, bonds, bills, covenants, contracts, controversies, promises, trespasses, damages, judgments, executions, claims, liabilities and demands whatsoever, in law or equity.

(ii) "Environmental Claim" shall mean any Claim investigation or notice (written or oral) by any person alleging potential liability (including potential liability for investigatory costs, cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries or fatalities, or penalties) arising out of, based on or resulting from (A) the presence, generation, transportation, treatment, use, storage, disposal or Release of Materials of Environmental Concern or the threatened Release of Materials of Environmental Concern at any location, or (B) activities or conditions forming the basis of any violation, or alleged violation of, or liability or alleged liability under, any Environmental Law.

(iii) "Environmental Laws" shall mean federal, state, local, provincial, municipal and foreign laws, ordinances, principles of common law, rules, by-laws, orders, governmental policies, statutes, regulations, agreements, treaties, customary law, and international principles relating to the pollution or protection of the environment or of flora or fauna or their habitat or of human health and safety, or to the cleanup or restoration of the environment, including, but not limited to, any laws or regulations relating to (A) generation, treatment, storage, disposal or transportation of Materials of Environmental Concern, emissions or discharges or protection of the environment from the same,

(B) exposure of persons to, or Release or threat of Release of, Materials of Environmental Concern, and (C) noise.

(iv) "Materials of Environmental Concern" shall mean all chemicals, pollutants, contaminants, wastes, toxic substances, petroleum or any fraction thereof, petroleum products and hazardous substances (as defined in Section 101(14) of CERCLA, 42 U.S.C. (S) 6601(14)), or solid or hazardous wastes as now defined and regulated under any Environmental Laws.

(v) "Release" shall mean any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, leaching or migration

Section 3.13 Employees and Employee Benefit Plans. (a) Schedule 3.13(a) sets forth a complete and accurate list of all employment agreements with employees of the Company or any of its Subsidiaries. Except for the employees who are parties to such employment agreements, all of the employees of the Company and each of its Subsidiaries are employed on an at-will basis (except for restrictions or limitations on the at-will basis of such employees imposed by general principles of law or equity).

(b) The Company Reports or Schedule 3.13(b) sets forth a complete and accurate list of all Employee Benefit Plans and all material Benefit Arrangements which affect Employees of the Company or any of its Subsidiaries (the "Company Plans"). With respect to each Company Plan, the Company has delivered or made available to Buyer true and complete copies of: (i) the plans and related trust documents and amendments thereto, (ii) the most recent summary plan descriptions, if any, and the most recent annual report, if any, and (iii) the most recent actuarial valuation (to the extent applicable).

(c) With respect to each Company Plan, (i) the Company and each of its Subsidiaries is in compliance in all material respects with the terms of each Company Plan and with the requirements prescribed by all applicable statutes, orders or governmental rules or regulations, (ii) the Company and each of its Subsidiaries has contributed to each Pension Plan included in the Company Plans not less than the amounts accrued for such plan for all plan periods for which payment is due, and (iii) none of the Company or any of its Subsidiaries has any funding commitment or other liabilities except as reserved for in the financial statements in or incorporated by reference into the Company Reports, and, in the case of clause (i) through (iii), except for

such matters as would not, individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

(d) None of the Company or any of its Subsidiaries has made any commitment to establish any new Employee Benefit Plan, to modify any Employee Benefit Plan, or to increase benefits or compensation of Employees of the Company or any of its Subsidiaries (except for normal increases in compensation consistent with past practices), and to the Company's knowledge, no intention to do so has been communicated to Employees of the Company or any of its Subsidiaries.

(e) There are no pending or, to the Company's knowledge, anticipated claims against or otherwise involving any of the Company Plans or any fiduciaries thereof with respect to their duties to the Plans and no suit, action or other litigation (excluding claims for benefits incurred in the ordinary course of Company Plan activities) has been brought against or with respect to any such Company Plans.

(f) Neither the Company or any entity under "common control" with the Company within the meaning of Section 4001 of ERISA has contributed to, or been required to contribute to, any "multiemployer plan" (as defined in Sections 3(37) and 4001(a)(3) of ERISA).

(g) Except as set forth on Schedule 3.13(g), the Company and its Subsidiaries do not maintain or contribute to any plan or arrangement which provides or has any liability to provide life insurance, medical or other employee welfare benefits to any Employee or former Employee upon his retirement or termination of employment and, to the Company's knowledge, the Company and its Subsidiaries have never represented, promised or contracted (whether in oral or written form) to any Employee or former Employee that such benefits would be provided.

(h) For purposes hereof, "Employee Benefit Plans" means each and all
"employee benefit plans" as defined in Section 3(3) of ERISA maintained or contributed to by a party hereto or in which a party hereto participates or participated and which provides benefits to Employees, including (i) any such plan that are "employee welfare benefit plans" as defined in Section 3(1) of ERISA, including retiree medical and life insurance plans ("Welfare Plans"), and
(ii) any such plans that constitute "employee pension benefit plans" as defined in Section 3(2) of ERISA ("Pension Plans"). "Benefit Arrangements" means life and health insurance, hospitalization, savings, bonus, deferred compensation, incentive compensation, holiday, vacation, severance pay, sick pay, sick leave, disability, tuition refund, service award, company car,

scholarship, relocation, patent award, fringe benefit, individual employment, consultancy or severance contracts and other polices or practices of a party hereto providing employee or executive compensation or benefits to Employees, other than Employee Benefit Plans. "Employees" mean all current employees, former employees and retired employees of a party hereto or any of its Subsidiaries, including employees on disability, layoff or leave status.

"Controlled Group Liability" means any and all liabilities under (i) Title IV of ERISA, (ii) Section 302 of ERISA, (iii) Sections 412 and 4971 of the Code, (iv) the continuation coverage requirements of Section 601 et seq. of ERISA and Section 4980B of the Code, and (v) corresponding or similar provisions of foreign laws or regulations, other than such liabilities that arise solely out of, or relate solely to, the Plans.

(i) To the Company's knowledge, with respect to each plan that is subject to Title IV or Section 302 of ERISA or Section 412 or 4971 of the Code: (i) there does not exist any accumulated funding deficiency within the meaning of Section 412 of the Code or Section 302 of ERISA, whether or not waived, (ii) the fair market value of the assets of such plan equals or exceeds the actuarial present value of all accrued benefits under plan (whether or not vested), on a termination basis, (iii) no reportable event within the meaning of Section 4043(c) of ERISA has occurred, and the consummation of the transactions contemplated by this agreement will not result in the occurrence of any such reportable event, and (iv) all premiums to the Pension Benefit Guaranty Corporation have been timely paid in full.

(j) There does not now exist, nor do any circumstances exist that could result in, any Controlled Group Liability that would be a liability of the Company following the Closing. Without limiting the generality of the foregoing, neither the Company nor any ERISA Affiliate has engaged in any transaction described in Section 4069 or Section 4204 of ERISA.

(k) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (either alone or in conjunction with any other event) result in, cause the accelerated vesting (except as set forth in Schedule 3.9(g)) or delivery of, or increase the amount or value of, any payment or benefit to any employee of the Company.

Section 3.14 Labor Matters. Except as set forth in Schedule 3.14, none of the Company or any of its Subsidiaries is a party to, or bound by, any collective bargaining agreement, contract or other agreement or understanding with a labor union or

labor union organization. Except for the matters set forth in Schedule 3.14 (none of which matters would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect), there is no unfair labor practice or labor arbitration proceeding pending or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries. To the knowledge of the Company, there are no organizational efforts with respect to the formation of a collective bargaining unit presently being made or threatened involving employees of the Company or any of its Subsidiaries.

Section 3.15 Affiliate Transactions. Schedule 3.15 sets forth a complete and accurate list of all transactions, series of related transactions or currently proposed transactions or series of related transactions entered into by the Company or any of its Subsidiaries since January 1, 1996 which are of the type required to be disclosed by the Company pursuant to Item 404 of Regulation S-K of the Securities Laws. A true and complete copy of all agreements or contracts relating to any such transaction has been delivered or made available to Buyer prior to the date hereof.

Section 3.16 Insurance. The Company maintains insurance policies, including liability policies, covering the assets, business, equipment, properties, operations, employees, officers and directors of the Company and each of its Subsidiaries (collectively, the "Insurance Policies"), which are of a type and in amounts customarily carried by persons conducting businesses similar to those of the Company. There is no material claim by the Company or any of its Subsidiaries pending under any of the material Insurance Policies as to which coverage has been questioned, denied or disputed by the underwriters of such policies.

Section 3.17 Proxy Statement. The Proxy Statement and all of the information included or incorporated by reference therein (other than any information supplied or to be supplied by Buyer for inclusion or incorporation by reference therein) will not, as of the date such Proxy Statement is first mailed to the shareholders of the Company and as of the time of the meeting of the shareholders of the Company in connection with the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement will comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations promulgated by the SEC thereunder.

Section 3.18 Florida Takeover Law. The terms of Sections 607.0901 and 607.0902 of the Florida 1989 Business

Corporation Act will not apply to Buyer, any Stock Purchase or any other transaction contemplated hereby.

Section 3.19 Vote Required. The affirmative vote of the holders of a majority of the outstanding shares of Company Common Stock and Company Preferred Stock voting together as a single class and entitled to vote hereon and duly present in person or by proxy at a meeting duly called to vote hereon (and with each share of Company Common Stock entitled to one vote per share and each share of Company Preferred Stock being entitled to 50 votes per share) is the only vote of the holders of any class or series of Company Stock necessary to approve this Agreement, the Registration Rights Agreement, the Stockholders Agreement and the transactions contemplated hereby and thereby, except that adoption of the Amended Company Charter requires only that the vote of the outstanding shares of the combined class of Company Common Stock and Company Preferred Stock entitled to vote thereon (and with each share of Company Common Stock entitled to one vote per share and each share of Company Preferred Stock being entitled to 50 votes per share) which vote for such adoption is greater than the number of such outstanding shares who vote against such adoption.

Section 3.20 Brokers or Finders. No agent, broker, investment banker or other firm or person, including any of the foregoing that is an Affiliate of the Company, is or will be entitled to any broker's or finder's fee or any other commission or similar fee from the Company in connection with this Agreement or any of the transactions contemplated hereby for which Buyer or any of its Affiliates will be responsible.

Section 3.21 Stockholders Agreement. If the Stockholders Agreement were in effect as of the date hereof, the Company would be in compliance with each of the covenants set forth in Section 6.1 thereof (subject to the consummation of the reorganization described in Schedule 6.5(a)).

Section 3.22 Knowledge Defined. As used herein, the phrase "to the Company's knowledge" (or words of similar import) means the actual knowledge of any of Martin E. Stein, Jr., Bruce M. Johnson, Richard E. Cook, Robert C. Gillander, Jr., James D. Thompson, J. Christian Leavitt or Robert L. Miller, Jr. and includes any facts, matters or circumstances set forth in any written notice from any Government Authority or any other material written notice received by the Company or any of its Subsidiaries, and also including any matter of which Buyer informs the Company in writing.

ARTICLE 4

Representations and Warranties of Buyer and the Advancing Party

Buyer and the Advancing Party hereby jointly and severally represent and warrant to the Company as follows:

Section 4.1 Organization. (a) Buyer is a corporation duly incorporated, validly existing and in good standing under the laws of Luxembourg. Buyer has all requisite corporate power and authority to own, operate, lease and encumber its properties and to carry on its business as now conducted, and to enter into this Agreement, the Registration Rights Agreement and the Stockholders Agreement and to perform its obligations hereunder and thereunder.

(b) The Advancing Party is a corporation duly incorporated, validly existing and in good standing under the laws of Luxembourg. The Advancing Party has all requisite corporate power and authority to own, operate, lease and encumber its properties and to carry on its business as now conducted, and to enter into this Agreement, the Registration Rights Agreement and the Stockholders Agreement and to perform its obligations hereunder and thereunder.

Section 4.2 Due Authorization. The execution, delivery and performance of this Agreement, the Registration Rights Agreement, and the Stockholders Agreement have been duly and validly authorized by all necessary corporate action on the part of Buyer and the Advancing Party. This Agreement has been duly executed and delivered by each of Buyer and the Advancing Party for itself and constitutes the valid and legally binding obligations of Buyer and the Advancing Party, enforceable against Buyer or the Advancing Party, as the case may be, in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights or general principles of equity.

Section 4.3 Conflicting Agreements and Other Matters. Neither the execution and delivery of this Agreement nor the performance by Buyer or the Advancing Party, as the case may be, of its obligations hereunder will conflict with, result in a breach of the terms, conditions or provisions of, constitute a default under, result in the creation of any mortgage, security interest, encumbrance, lien or charge of any kind upon any of the properties or assets of Buyer or the Advancing Party, as the case may be, pursuant to, or require any consent, approval or other action by or any notice to or filing with any Government Authority pursuant to, the organizational documents or agreements of Buyer or the Advancing Party, as the case may be, or any agreement, instrument, order, judgment, decree, statute, law, rule or regulation by which

Buyer or the Advancing Party, as the case may be, is bound, except for filings after any Closing under Section 13(d) or Section 16 of the Exchange Act.

Section 4.4 Acquisition for Investment; Sophistication; Source of Funds. (a) Buyer is acquiring the Company Common Stock being purchased by it for its own account for the purpose of investment and not with a view to or for sale in connection with any distribution thereof, and Buyer has no present intention or plan to effect any distribution of shares of Company Common Stock,

provided that the disposition of Company Common Stock owned by Buyer shall at all times be and remain within its control, subject to the provisions of this Agreement and the Registration Rights Agreement. Buyer is able to bear the economic risk of the acquisition of Company Common Stock pursuant hereto and can afford to sustain a total loss on such investment, and has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of the proposed investment, and therefore has the capacity to protect its own interests in connection with the acquisition of Company Common Stock pursuant hereto.

(b) At the Initial Closing and at each subsequent Closing, the Advancing Party shall have available and shall advance to Buyer all of the funds necessary to satisfy Buyer's obligations hereunder and to pay any related fees and expenses in connection with the foregoing. The Advancing Party has, and at each Closing will have either cash, written, enforceable subscriptions from its investors or line of credit commitments sufficient, in any such case, to advance the necessary funds to Buyer as will enable Buyer to purchase the requisite Purchased Shares at each Closing, in accordance with this Agreement. The Advancing Party has provided to the Company a true and correct copy of the form of the subscription agreement executed by the Advancing Party's investors.

(c) The Advancing Party has previously delivered to the Company (i) an audited balance sheet for the Advancing Party as of December 31, 1995, and (ii) an unaudited balance sheet for the Advancing Party as of April 30, 1996, each balance sheet which was certified by an officer of the Advancing Party and which fairly presented the financial position of the Advancing Party as of its date in accordance with GAAP. Each such balance sheet discloses either on its face or by footnote, all material liabilities of the Advancing Party required to be disclosed under GAAP.

Section 4.5 Proxy Statement. None of the information supplied or to be supplied by Buyer for inclusion or incorporation by reference in the Proxy Statement will, as of the date the Proxy

Statement is first mailed to the shareholders of the Company and as of the time of the meeting of the shareholders of the Company in connection with the transactions contemplated hereby, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

Section 4.6 Brokers or Finders. No agent, broker, investment banker or other firm or person, including any of the foregoing that is an Affiliate of Buyer or the Advancing Party, is or will be entitled to any broker's or finder's fee or any other commission or similar fee from Buyer or the Advancing Party in connection with this Agreement or any of the transactions contemplated hereby for which the Company or any of its Affiliates will be responsible.

Section 4.7 REIT Qualification Matters. To Buyer's knowledge, no person which would be treated as an "individual" for purposes of Section 542(a)(2) of the Code (as modified by Section 856(h) of the Code) owns or would be considered to own (taking into account the ownership attribution rules under Section 544 of the Code, as modified by Section 856(h) of the Code) in excess of 9.8% of the value of the outstanding equity interest in Buyer or the Advancing Party.

Section 4.8 Investment Company Matters. Neither the Advancing Party nor Buyer is, and after giving effect to the purchase of Company Common Stock contemplated hereby neither will be, an "investment company" or an entity "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

Section 4.9 Ownership of Tenants. Buyer does not own, directly or indirectly, an interest in a Tenant listed on Schedule 4.9, which interest is equal to or greater than (i) 10% of the combined voting power of all classes of stock of such Tenant, (ii) 10% of the total number of shares in all classes of stock of such Tenant, or (iii) if such Tenant is not a corporation, 10% of the assets or net profits of such Tenant. For purposes of this Section, the rules prescribed by Section 318(a) of the Code, for determining the ownership of stock, as modified by Section 856(d)(5) of the Code, shall apply in determining direct and indirect ownership of stock, assets, or net profits. Capitalized terms used but not defined in this Section 4.9 shall have the meaning assigned to them in the Company Charter. The Company shall advise Buyer within a reasonable period of time before the Closing of any material changes to Schedule 4.9.

ARTICLE 5

Covenants Relating to Closings

Section 5.1 Taking of Necessary Action. (a) Each party hereto agrees to use its commercially reasonable best efforts promptly to take or cause to be taken all action and promptly to do or cause to be done all things necessary, proper or advisable under applicable laws and regulations to consummate and make effective the transactions contemplated by this Agreement, the Registration Rights Agreement and the Stockholders Agreement, subject to the terms and conditions hereof and thereof, including all actions and things necessary to cause all conditions precedent set forth in Article 7 to be satisfied.

(b) As promptly as practicable after the date hereof, the Company shall prepare and file with the SEC a preliminary proxy statement (the "Proxy Statement") by which the Company's shareholders will be asked to approve the Amended Company Charter and the issuance of shares of Company Common Stock contemplated hereby. The Proxy Statement as initially filed with the SEC, as it may be amended and refiled with the SEC and as it may be mailed to the Company's shareholders, shall be in form and substance reasonably satisfactory to Buyer. The Company shall use its reasonable efforts to respond to any comments of the SEC, and to cause the Proxy Statement to be mailed to the Company's shareholders at the earliest practicable time. As promptly as practicable after the date hereof, the Company shall prepare and file any other filings required of the Company or its Subsidiaries under the Exchange Act, the Securities Act or any other federal, state or local laws relating to this Agreement and the transactions contemplated hereby, including under the HSR Act and state takeover laws (the "Other Filings"), and Buyer shall prepare and file any filings required of Buyer by the HSR Act. The Company and Buyer will notify each other promptly of the receipt of any comments from the SEC or its staff and of any request by the SEC or its staff or any other government officials for amendments or supplements to the Proxy Statement or any Other Filing or for additional information and will supply each other with copies of all correspondence between each of them or any of their respective representatives, on the one hand, and the SEC, or its staff or any other government officials, on the other hand, with respect to the Proxy Statement or any Other Filing. The Proxy Statement and any Other Filing shall comply in all material respects with all applicable requirements of law. Buyer shall provide the Company all information about Buyer required to be included or incorporated by reference in the Proxy Statement or any Other Filing and shall otherwise cooperate with

the Company in taking the actions described in this paragraph. Whenever any event occurs which is required to be set forth in an amendment or supplement to the Proxy Statement or any Other Filing, the Company or Buyer, as the case may be, shall promptly inform the other party of such occurrence and cooperate in filing with the SEC or its staff or any other government officials, and/or mailing to shareholders of the Company, such amendment or supplement. Subject to the provisions of Section 5.6, the Proxy Statement shall include the recommendation of the Board of Directors of the Company that the shareholders of the Company vote in favor of and approve the Amended Company Charter and the issuance of Company Common Stock pursuant to this Agreement.

(c) The Company shall call a meeting of its shareholders to be held as promptly as practicable for the purpose of voting upon the transactions (including the issuance of Company Common Stock and the amendments to the Company Charter) contemplated hereby; provided that should a quorum not be obtained at such meeting of the shareholders, or if fewer shares of Company Common Stock than the number required therefor are voted in favor of approval and adoption of the transactions (including the issuance of Company Common Stock and the amendments to the Company Charter) contemplated hereby, the meeting of the shareholders shall be postponed or adjourned in order to permit additional time for soliciting and obtaining additional proxies or votes. In no event shall the record date for determining shareholders entitled to notice of and to vote at such shareholders' meeting to be held in accordance with the terms hereof be earlier than the date following the date of the Initial Closing.

(d) The Company shall use its commercially reasonable best efforts to obtain the consents set forth in each of Schedules 3.4(d)-A, 3.4(d)-B and 3.4(d)-C.

(e) From and after the date hereof, (i) no grant or award of options or other similar equity-related or incentive compensation shall be made pursuant to or by amendment to the agreements listed on Schedule 3.9(g), and (ii) any employment, stock option or other agreement entered into and which contains a change-of-control or similar provision shall contain only a change-of-control provision in the form included in the form of employment agreement attached hereto as Exhibit D.

Section 5.2 Registration Rights Agreement. At the Initial Closing, the Company, Buyer and the Advancing Party shall enter into the Registration Rights Agreement.

Section 5.3 Stockholders Agreement. At the Initial Closing, the Company, the Advancing Party and Buyer shall enter

into the Stockholders Agreement.

Section 5.4 Public Announcements; Confidentiality. (a) Subject to each party's disclosure obligations imposed by law and any stock exchange or similar rules and the confidentiality provisions contained in Section 5.4(b), the Company and Buyer (or Buyer's U.S. representatives) will cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement, the Registration Rights Agreement the Stockholders Agreement and any of the transactions contemplated hereby or thereby.

(b) Buyer agrees that all information provided to Buyer or any of its representatives pursuant to this Agreement shall be kept confidential, and Buyer shall not (x) disclose such information to any persons other than the directors, officers, employees, financial advisors, legal advisors, accountants, consultants and affiliates of Buyer who reasonably need to have access to the confidential information and who are advised of the confidential nature of such information or (y) use such information in a manner which would be detrimental to the Company; provided, however, the foregoing obligation of Buyer shall not (i) relate to any information that (1) is or becomes generally available other than as a result of unauthorized disclosure by Buyer or by persons to whom Buyer has made such information available, (2) is or becomes available to Buyer on a non-confidential basis from a third party that is not, to Buyer's knowledge, bound by any other confidentiality agreement with the Company, or (ii) prohibit disclosure of any information if required by law, rule, regulation, court order or other legal or governmental process.

Section 5.5 Conduct of the Business. Except for transactions contemplated hereby, during the period from the date hereof (and with respect to transactions or conduct relating to the number of shares of Company Stock outstanding, from May 31, 1996) to the sooner to occur of (A) the date on which the Remaining Equity Commitment shall be zero, and (B) if approval for the issuance of the Company Common Stock required to effect a Subsequent Purchase shall, in accordance with the terms hereof, have been sought from the shareholders of the Company but the requisite approval of the Company's shareholders shall not have been obtained, the date of the shareholder meeting at which such shareholder approval shall not have been obtained, the Company, except as otherwise consented to or approved by Buyer in writing or as permitted or required hereby (x) has conducted or will conduct the business of the Company and its Subsidiaries and has engaged or will engage in transactions only in the ordinary course, and (y)

will not:

(i) change any provision of the Amended Company Charter or the By-laws of the Company in a manner that would be adverse to Buyer;

(ii) except for (A) issuances of shares of Company Common Stock in consideration for the acquisition of assets by the Company in bona fide arm's length transactions and subject to the limitations set forth in the Company Charter (and which issuances in any event shall not exceed 10% of the shares of Company Common Stock outstanding, on a pro forma basis, assuming the consummation of each of the Subsequent Closings contemplated by this Agreement), (B) grants of options or the issuance of shares of Company Common Stock pursuant to the agreements listed and up to the amounts set forth in Schedule 3.3(a), change the number of shares of the authorized or issued capital stock of the Company or issue or grant any option, warrant, call, commitment, subscription, right to purchase or agreement of any character relating to the authorized or issued capital stock of the Company, or any securities convertible into shares of such stock (including Company Preferred Stock or Class B Common Stock), or split, combine or reclassify any shares of the capital stock of the Company or declare, set aside or pay any extraordinary dividend (except as may be required to comply with the requirements of Section 6.3), other distribution (whether in cash, stock or property or any combination thereof) in respect of the capital stock of the Company, or redeem or otherwise acquire any shares of such capital stock (provided, however, that
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in connection with any transaction described in clauses (A) and (B), Buyer shall be entitled, to the extent so provided in Section 4.2 of the Stockholders Agreement, to a participation right on the terms set forth in Section 4.2 of the Stockholders Agreement as if all of the Purchased Shares were issued and owned by Buyer at the time of such transaction, with any additional shares of capital stock (as such term is used in Section 4.2 of the Stockholders Agreement) which Buyer shall have the right to purchase by virtue of such participation right to be issued and purchased only at the time of the Subsequent Closing, and subject to the satisfaction or waiver of the conditions applicable to the purchase of Purchased Shares thereat);

(iii) take any action or permit any of its Subsidiaries to take any action which would violate any

of the Corporate Action Covenants under (and as defined in) the Stockholders Agreement if the Stockholders Agreement were then in effect;

(iv) purchase or enter into a binding agreement to purchase any real property without Investor's prior written consent, including the purchase of any of the properties which are the subject of the purchase agreements, letters of intent or other arrangements described in Schedule 3.11(g) or the other Schedules hereto; or

(v) enter into any employment agreement, or permit any of its Subsidiaries to enter into any employment agreement with any officer or other employee except for entry into the Employment Agreements pursuant to Section 3.7 of this Agreement.

Section 5.6 No Solicitation of Transactions. Unless and until this Agreement is terminated in accordance with its terms, none of the Company or its Subsidiaries shall, directly or indirectly, through any officer, director, agent or otherwise, initiate, solicit or knowingly encourage (including by way of furnishing non-public information or assistance), or take any other action to facilitate knowingly, any inquiries or the making of any proposal that constitutes, or may reasonably be expected to lead to, any Competing Transaction, or enter into or maintain or continue discussions or negotiate with any person or entity in furtherance of such inquiries or to obtain a Competing Transaction, or agree to or endorse any Competing Transaction, or authorize or knowingly permit any of the officers, directors or employees of such party or any of its subsidiaries or any investment banker, financial advisor, attorney, accountant or other representative retained by such party or any of such party's subsidiaries to take any such action, and the Company shall notify Buyer orally (within one Business Day) and in writing (as promptly as practicable) of all of the relevant details relating to all inquiries and proposals which it or any of its Subsidiaries or any such officer, director, employee, investment banker, financial advisor, attorney, accountant or other representative may receive relating to any of such matters and if such inquiry or proposal is in writing, the Company shall deliver to Buyer a copy of such inquiry or proposal; provided, however, that nothing contained in this Section shall prohibit the Board of Directors of the Company from complying with Rule 14e-2 promulgated under the Exchange Act with regard to a tender

or exchange offer or prohibit the Board from taking such other actions as may be required to comply with the fiduciary obligations of the Board of Directors of the Company, as determined in good faith by the Board of Directors of the Company based on the written advice of outside counsel.

Section 5.7 Information and Access. From the date hereof until the date on which the Remaining Equity Commitment shall be zero, (i) the Company and its Subsidiaries shall afford to Buyer and Buyer's accountants, counsel and other representatives full and reasonable access during normal business hours (and at such other times as the parties may mutually agree) to its properties, books, contracts, commitments, records and personnel and, during such period, shall furnish promptly to Buyer (1) a copy of each report, schedule and other document filed or received by it pursuant to the requirements of the Securities Laws, and (2) all other information concerning their businesses, personnel and the Company Properties as Buyer may reasonably request, and (ii) without limiting the generality of the foregoing, Buyer shall have the right to conduct or cause to be conducted an environmental, physical, structural, electrical, mechanical and other inspection and review of any Company Properties or request that the Company update, at Buyer's expense, any existing reports, reviews or inspections thereof, in which case the Company shall promptly so update its reports, reviews and inspections and cause them to be certified to Buyer by the firm or person who prepared such report or conducted such review or inspection. Buyer and its accountants, counsel and other representatives shall, in the exercise of the rights described in this Section, not unduly interfere with the operation of the businesses of the Company or its Subsidiaries.

Section 5.8 Notification of Certain Matters. Each of Buyer and the Company shall use its good faith efforts to notify the other party in writing of its discovery of any matter that would render any of such party's or the other party's representations and warranties contained herein untrue or incorrect in any material respect, but the failure of either party to so notify the other party shall not be deemed a breach of this Agreement.

Section 5.9 Issuance Pursuant to Shelf Registration. The Company shall cause the Purchased Shares to be issued pursuant to and registered under the Company's shelf registration statement which is in effect as of the date hereof (or another shelf registration statement in effect as of the date of the relevant Closing) and, in connection with each such issuance and registration, will prepare and cause to be filed a prospectus supplement to such shelf registration statement.

ARTICLE 6

Certain Additional Covenants

Section 6.1 Resale. Buyer acknowledges and agrees that even though the Company Common Stock that Buyer will acquire in any Stock Purchase will be, as of the relevant Closing thereof, registered under the Securities Act, it may, to the extent Buyer is an affiliate of the Company for purposes of the Securities Act, only be sold or otherwise disposed of in one or more transactions registered under the Securities Act and, where applicable, relevant state securities laws or as to which an exemption from the registration requirements of the Securities Act and, where applicable, such state securities laws is available, and Buyer agrees that the certificates representing such Common Stock may bear a legend as to its possible affiliate status to that effect.

Section 6.2 Use of Funds. The Company shall use the funds received from Stock Purchases for the repayment of debt of the Company and/or the acquisition or development of assets by the Company.

Section 6.3 REIT Status. From and after the date hereof and so long as Buyer owns 10% or more of the outstanding Company Common Stock, the Company will elect to be taxed as a REIT in its federal income tax returns, will comply with all applicable laws, rules and regulations ofthe Code relating to a REIT, and will not take any action or fail to take any action which would reasonably be expected to, alone or in conjunction with any other factors, result in the loss of its status as a REIT for federal income tax purposes.

Section 6.4 Guarantee. The Advancing Party hereby unconditionally and irrevocably guarantees and agrees to be responsible for the payment and performance of all of Buyer's obligations hereunder.

Section 6.5 Property Management Activities and Reorganizational Matters. (a) The Company will cause at or prior to the Second Closing, (i) the transfer of employees as set forth in Schedule 6.5(a), and (ii) the restructuring and consolidation of certain Subsidiaries, the terms and conditions of which are set forth in Schedule 6.5(a), and in form and substance reasonably satisfactory to the Company and Buyer.

(b) The Company shall request all consents listed in Schedule 3.4(d)-B which are required in connection with the matters contemplated in this Section 6.5(b) within one Business Day after the date hereof, and shall use its best efforts to obtain such consents prior to the Initial Closing.

(c) The Company will use all reasonable efforts to phase out and terminate the administrative services arrangement described in Paragraph D of Schedule 3.9(f) within one year of the date hereof or as soon as possible thereafter, and, prior to such termination, will not expand or increase, or permit to be expanded or increased, the scope, type or quantity of services provided or the amount of office space leased pursuant thereto or otherwise with the parties thereto.

ARTICLE 7

Conditions to Closings

Section 7.1 Conditions of Purchase at Initial Closing. The obligation of Buyer to purchase and pay for the Purchased Shares at the Initial Closing is subject to satisfaction or waiver of each of the following conditions precedent:

(a) Representations and Warranties; Covenants. The representations and warranties of the Company contained herein shall have been true and correct in all respects on and as of the date hereof, and shall be true and correct in all respects on and as of the date of such Initial Closing, with the same effect as though such representations and warranties had been made on and as of the date of such Initial Closing (except for representations and warranties that speak as of a specific date or time other than the date of the Initial Closing (which need only be true and correct in all respects as of such date or time)), other than, in all such cases, such failures to be true and/or correct as would not in the aggregate reasonably be expected to have a Material Adverse Effect;

provided, however, that if any of the representations and warranties is already qualified in any respect by materiality or as to Material Adverse Effect for purposes of this Section 7.1(a) such materiality or Material Adverse Effect qualification will be in all respects ignored (but subject to the overall standard as to Material Adverse Effect set forth immediately prior to this proviso). The covenants and agreements of the Company to be performed on or before the date of the Initial Closing in accordance with this Agreement shall have been duly performed in all respects, other than (except for the Company's obligation to deliver the relevant shares of Company Common Stock at the Ini-

tial Closing, and for the covenants set forth in Sections 5.1(e), 5.2 and 5.3, as to which the proviso set forth in this other-than clause shall not apply) for such failures to have been performed as would not in the aggregate reasonably be expected to have a Material Adverse Effect (provided, however, that if any such covenant or agreement is already qualified in any respect by materiality or as to Material Adverse Effect for purposes of determining whether this condition has been satisfied, such materiality or Material Adverse Effect qualification will be in all respects ignored and such covenant or agreement shall have been performed in all respects without regard to such qualification (but subject to the overall exception as to Material Adverse Effect set forth immediately prior to this proviso)). The Company shall have delivered to Buyer at the Initial Closing a certificate of an appropriate officer in form and substance reasonably satisfactory to Buyer dated the date of the Initial Closing to such effect.

For purposes of the foregoing condition, any Breaching Matters waived by Buyer or cured by the Company in accordance with the provisions of Section 2.8(b) shall not be taken into account.

In making any determination as to Material Adverse Effect under this Section 7.1(a) or under Section 7.2(a) or 7.3(a), the matters set forth in each such Section shall be aggregated and considered together.

(b) No Material Adverse Change. Since March 31, 1996 there shall not have been any change, circumstance or event which has had or would reasonably be expected to have a Material Adverse Effect.

(c) HSR Act. Any waiting period applicable to the consummation of the transactions contemplated hereby under the HSR Act shall have expired or been terminated, and no action shall have been instituted by the United States Department of Justice or the United States Federal Trade Commission challenging or seeking to enjoin the consummation of the transactions contemplated hereby, which action shall not have been withdrawn or terminated, or the Company and Buyer shall have mutually concluded that no filing under the HSR Act is required with respect to the transactions contemplated hereby.

(d) Consents. The Company shall have obtained the consents set forth in Schedule 3.4(d)-A.

(e) Ownership Limit Waiver. Buyer's ownership of up to the Initial Number of Shares plus the 119,000 shares of Company Common Stock owned by Buyer or its Affiliates as of the date hereof shall have been irrevocably exempted from the ownership limit provisions of Article 5 of the Company Charter and the Board of Directors of the Company shall have taken such other action provided for under Article 5 of the Company Charter as Buyer shall have requested to irrevocably waive the application of said Article 5 to Buyer's acquisition and holding of up to the Initial Number of Shares and to establish an "Ownership Limit" as defined in said Article 5 in respect of Buyer which permits Buyer's ownership of the Initial Number of Shares plus the 119,000 shares of Company Common Stock owned by Buyer or its Affiliates as of the date hereof. For purposes of this paragraph (e), references to Buyer, shall also be deemed to be references to any Person who would be an Investor within the meaning of the Stockholders Agreement.

(f) Related Tenant Limit Waiver. The Board of Directors of the Company shall have granted a waiver of the Related Tenant Limit (as such term in defined in the Company Charter) to Buyer (or other exemption with the same effect) in form and substance reasonably satisfactory to Buyer.

Section 7.2 Conditions to Purchase at Subsequent Closings. The obligations of Buyer to purchase and pay for the Purchased Shares at any Subsequent Closing are subject to satisfaction or waiver of each of the following conditions precedent:

(a) Representations and Warranties; Covenants. The representations and warranties of the Company contained herein shall have been true and correct in all respects on and as of the date hereof, and shall be true and correct in all respects on and as of the date of the Subsequent Closing, with the same effect as though such representations and warranties had been made on and as of the date of the Subsequent Closing (except for representations and warranties that speak as of a specific date or time other than the date of the Subsequent Closing (which need only be true and correct in all respects as of such date or time)), other than, in all such cases, such failures to be true and/or correct as would not in the aggregate reasonably be expected to have a Material Adverse Effect; provided, however, that if any of the representations and warranties is already qualified in any respect by materiality or as to Material Adverse Effect for purposes of this Section 7.2(a) such materiality or Material Adverse Effect qualification will be in all respects ignored (but subject to the overall standard as to Material Adverse Effect set forth immediately prior to this pro-

viso). The covenants and agreements of the Company to be performed on or before the date of the Subsequent Closing in accordance with this Agreement shall have been duly performed in all respects, other than (except for the Company's obligation to deliver the relevant shares of Company Common Stock at the Subsequent Closing, and, with respect to the Second Closing, for the covenants set forth in Section 6.5(a), as to which the proviso set forth in this other-than clause shall not apply) for such failures to have been performed as would not in the aggregate reasonably be expected to have a Material Adverse Effect

(provided, however, that if any such covenant or agreement is already qualified in any respect by materiality or as to Material Adverse Effect for purposes of determining whether this condition has been satisfied, such materiality or Material Adverse Effect qualification will be in all respects ignored and such covenant or agreement shall have been performed in all respects without regard to such qualification (but subject to the overall exception as to Material Adverse Effect set forth immediately prior to this proviso)). The Company shall have delivered to Buyer at the Subsequent Closing a certificate of an appropriate officer in form and substance reasonably satisfactory to Buyer dated the date of the Subsequent Closing to such effect.

(b) Shareholder Approval. The issuance of Company Common Stock pursuant to this Agreement shall have been approved by the requisite vote of the Company's shareholders.

(c) Amended Company Charter; Modification of Ownership Limit. With respect to the Second Closing, the amendment to the Company Charter in the form attached as Exhibit E (the "Amended Company Charter") shall have been approved by the requisite vote of holders of Company Common Stock, all as required by and in accordance with the Company Charter, and duly filed with the Secretary of State of Florida and shall be in full force and effect, and a resolution related to the Amended Company Charter, which shall have been approved by Buyer, shall have been adopted by the Board of Directors of the Company.

(d) Consents. The Company shall have obtained the consents set forth in Schedule 3.4(d)-B with respect to the Second Closing and in Schedule 3.4(d)-C with respect to each other Subsequent Closing.

(e) Certain Conditions Still True. The conditions precedent set forth in Sections 7.1(b), (c), (d) and (f) shall continue to be satisfied or waived in all respects on and as of

the date of the Subsequent Closing.

Section 7.3 Conditions of Purchase at All Closings. The obligations of Buyer to purchase and pay for the Purchased Shares at each Closing (including the Initial Closing and any Subsequent Closing, except where otherwise indicated) are subject to satisfaction or waiver of each of the following conditions precedent:

(a) Representations and Warranties; Covenants. The representations and warranties of the Company contained in Sections 3.1(a), 3.1(b), 3.1(c), 3.1(d), 3.2, the second and third sentences of 3.3(a), 3.4, 3.5, 3.8(b), 3.8(e), 3.18, 3.19, and 3.20 shall have been true and correct in all respects on and as of the date hereof, and shall be true and correct in all respects on and as of the relevant Closing Date with the same effect as though such representations and warranties had been made on and as of the Closing Date (except for representations and warranties that speak as of a specific date or time other than such Closing Date (which need only be true and correct in all respects as of such date or time)), other than, in all such cases, such failures to be true and/or correct as would not in the aggregate reasonably be expected to have a Material Adverse Effect; provided, however, that if any of the representations and warranties is already qualified in any respect by materiality or as to Material Adverse Effect for purposes of this Section 7.3(a) such materiality or Material Adverse Effect qualification will be in all respects ignored (but subject to the overall standard as to Material Adverse Effect set forth immediately prior to this proviso). The covenants and agreements of the Company to be performed on or before the relevant Closing Date in accordance with this Agreement shall have been duly performed in all respects, other than (except for the Company's obligation to deliver the relevant shares of Company Common Stock at the relevant Closing, as to which the proviso set forth in this other-than clause shall not apply) for such failures to have been performed as would not in the aggregate reasonably be expected to have a Material Adverse Effect

(provided, however, that if any such covenant or agreement is already qualified in any respect by materiality or as to Material Adverse Effect for purposes of determining whether this condition has been satisfied, such materiality or Material Adverse Effect or qualification will be in all respects ignored and such covenant or agreement shall have been performed in all respects without regard to such qualification (but subject to the overall exception as to Material Adverse Effect set forth immediately prior to this proviso)). As to each Closing other than the Initial Closing, no condition to the obligations of Buyer to purchase and pay for the Purchased Shares at the Initial Closing, and

that was not duly waived by Buyer, shall have failed to be satisfied as of the Initial Closing. The Company shall have delivered to Buyer at the relevant Closing a certificate of an appropriate officer in form and substance reasonably satisfactory to Buyer dated the relevant Closing Date to such effect.

For purposes of the foregoing condition, any Breaching Matters waived in accordance with the provisions of Section 2.8(b) shall not be taken into account.

(b) No Injunction. There shall not be in effect any order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits consummation of the transactions contemplated hereby and there shall be no pending Actions which would reasonably be expected to have a material adverse effect on the ability of the Company to consummate the transactions contemplated hereby or to issue the Purchased Shares.

(c) Proceedings. All corporate and other proceedings to be taken by the Company in connection with the transactions contemplated hereby and all documents incident thereto shall be reasonably satisfactory in form and substance to Buyer and Buyer shall have received all such counterpart originals or certified or other copies of such documents as they may reasonably request.

(d) REIT Status. The Company shall have elected to be taxed as a REIT in its most recent federal income tax return, and shall be in compliance with all applicable laws, rules and regulations, including the Code, necessary to permit it to be taxed as a REIT. The Company shall not have taken any action or have failed to take any action which would reasonably be expected to, alone or in conjunction with any other factors, result in the loss of its status as a REIT for federal income tax purposes.

(e) Opinion of Counsel. Buyer shall have received an opinion from Foley & Lardner in form and substance reasonably satisfactory to Buyer.

(f) Domestically-Controlled REIT. The Company is, and after giving effect to the relevant Closing will be, a "domestically-controlled" REIT within the meaning of Code Section 897(h)(4)(B).

Section 7.4 Conditions of Sale. The obligation of

the Company to issue and sell any Purchased Shares at any Closing (including the Initial Closing and each Subsequent Closing, except where otherwise indicated below) is subject to satisfaction or waiver of each of the following conditions precedent:

(a) Representations and Warranties; Covenants. The representations and warranties of Buyer and the Advancing Party contained herein shall have been true and correct in all respects on and as of the date hereof, and shall be true and correct in all respects on and as of the relevant Closing Date with the same effect as though such representations and warranties had been made on and as of the relevant Closing Date (except for representations and warranties that speak as of a specific date or time other than such Closing Date (which need only be true and correct in all respects as of such date or time)), other than, in all such cases, such failures to be true and/or correct as would not in the aggregate reasonably be expected to have a Material Adverse Effect on the Company or Buyer's ability to consummate the transactions contemplated hereby;

provided, however, that if any of the representations and warranties is already qualified in any respect by materiality or as to Material Adverse Effect for purposes of this Section 7.4(a) such materiality or Material Adverse Effect qualification will be in all respects ignored (but subject to the overall standard as to Material Adverse Effect set forth immediately prior to this proviso). The covenants and agreements of Buyer to be performed on or before the relevant Closing Date in accordance with this Agreement shall have been duly performed in all respects, other than (except for Buyer's obligation to pay the relevant Purchase Price at the relevant Closing, and, as to the Initial Closing, except for Buyer's covenants set forth in Sections 5.2 and 5.3, as to which the proviso set forth in this other-than clause shall not apply) for such failures to have been performed as would not in the aggregate reasonably be expected to have a Material Adverse Effect on the Company or Buyer's ability to consummate the transactions contemplated hereby (provided, however, that if any such covenant or agreement is already qualified in any respect by materiality or as to Material Adverse Effect for purposes of determining whether this condition has been satisfied, such materiality or Material Adverse Effect qualification will be in all respects ignored and such covenant or agreement shall have been performed in all respects without regard to such qualification (but subject to the overall exception as to Material Adverse Effect set forth immediately prior to this proviso)). Buyer shall have delivered to the Company at the relevant Closing a certificate of an appropriate officer in form and substance reasonably satisfactory to the Company dated the relevant Closing Date to such effect.

(b) HSR Act. Any waiting period applicable to the consummation of the transactions contemplated hereby under the HSR Act shall have expired or been terminated, and no action shall have been instituted by the United States Department of Justice or the United States Federal Trade Commission challenging or seeking to enjoin the consummation of the transactions contemplated hereby, which action shall not have been withdrawn or terminated, or the Company and Buyer shall have mutually concluded that no filing under the HSR Act is required with respect to the transactions contemplated hereby.

(c) Shareholder Approval. Except in the case of the Initial Closing, the issuance of the Company Common Stock pursuant to this Agreement shall have been approved by the requisite vote of the Company's shareholders.

(d) No Injunction. There shall not be in effect any order, decree or injunction of a court or agency of competent jurisdiction which enjoins or prohibits consummation of the transactions contemplated hereby and there shall be no pending Actions which would reasonably be expected to have a material adverse effect on the ability of Buyer to consummate the transactions contemplated hereby or to acquire the Purchased Shares.

(e) Consents. The Company shall have obtained the consents set forth in Schedule 3.4(d)-A in the case of the Initial Closing, in Schedule 3.4(d)-B in the case of the Second Closing, and in Schedule 3.4(d)-C in the case of each other Subsequent Closing.

(f) Proceedings. All corporate and other proceedings to be taken by Buyer in connection with the transactions contemplated hereby and all documents incident thereto shall be reasonably satisfactory in form and substance to the Company and the Company shall have received all such counterpart originals or certified or other copies of such documents as it may reasonably request.

(g) Opinion of Counsel. The Company shall have received an opinion from counsel to Buyer reasonably acceptable to the Company in form and substance reasonably satisfactory to the Company.

ARTICLE 8

Survival; Indemnification

Section 8.1 Survival. All representations, warranties and (except as provided by the last sentence of this Section 8.1) covenants and agreements of the parties contained herein, including indemnity or indemnification agreements contained herein, or in any Schedule or Exhibit hereto, or any certificate, document or other instrument delivered in connection herewith shall survive the Initial Closing and any Subsequent Closing until the first anniversary of the latest of the Initial Closing and any Subsequent Closing. No Action or proceeding may be brought with respect to any of the representations and warranties, or any of the covenants or agreements which survive until such first anniversary, unless written notice thereof, setting forth in reasonable detail the claimed misrepresentation or breach of warranty or breach of covenant or agreement, shall have been delivered to the party alleged to have breached such representation or warranty or such covenant or agreement prior to such first anniversary; provided, however, that, if Buyer shall have complied with this Section 8.1, the damages for breach by the Company of any of the representations and warranties, or any of the covenants or agreements which survive until such first anniversary, shall be measured with respect to all of Buyer's purchases of Company Common Stock hereunder and not with respect only to Buyer's purchases hereunder made prior to such first anniversary, but such measurement shall not in any event include any shares of Company Stock that Buyer may have purchased other than from the Company. Those covenants or agreements that contemplate or may involve actions to be taken or obligations in effect after the Initial Closing shall survive in accordance with their terms.

Section 8.2 Indemnification by Buyer or the Company. (a) Subject to Section 8.1, from and after any Closing Date, Buyer shall indemnify and hold harmless the Company, its successors and assigns, from and against any and all damages, claims, losses, expenses, costs, obligations, and liabilities, including liabilities for all reasonable attorneys' fees and expenses (including attorney and expert fees and expenses incurred to enforce the terms of this Agreement) (collectively, "Loss and Expenses") suffered, directly or indirectly, by the Company by reason of, or arising out of, (i) any breach as of the date made or deemed made or required to be true of any representation or warranty made by Buyer in or pursuant to this Agreement, or (ii) any failure by Buyer or the Advancing Party to perform or fulfill any of its covenants or agreements set forth herein. Notwithstanding any other provision of this

Agreement to the contrary, in no event shall Loss and Expenses include a party's incidental or consequential damages.

(b) Subject to Section 8.1, from and after any Closing Date, the Company shall indemnify and hold harmless Buyer, its successors and assigns, from and against any and all Loss and Expenses, suffered, directly or indirectly, by Buyer by reason of, or arising out of, (i) any breach as of the date made or deemed made or required to be true of any representation or warranty made by the Company in or pursuant to this Agreement and any statements made in any certificate delivered pursuant to this Agreement, or (ii) any failure by the Company to perform or fulfill any of its covenants or agreements set forth herein. Notwithstanding any other provision of this Agreement to the contrary, in no event shall Loss and Expenses include a party's incidental or consequential damages.

(c) Notwithstanding the foregoing, (i) neither Buyer nor the Company shall be responsible for any Loss and Expenses as provided by paragraphs (a) and (b), respectively, of this Section 8.2, until the cumulative aggregate amount of such Loss and Expenses suffered by Buyeror the Company, as the case may be, exceeds $250,000, in which case Buyer or the Company, as the case may be, shall then be liable for all such Loss and Expenses, and (ii) the cumulative aggregate indemnity obligation of each of Buyer and the Company under this Section 8.2 shall in no event exceed the actual aggregate amount paid by Buyer for the shares of Company Common Stock purchased by it from the Company pursuant to this Agreement. Except with respect to third-party claims being defended in good faith or claims for indemnification with respect to which there exists a good faith dispute, the indemnifying party shall satisfy its obligations hereunder within 30 days of receipt of a notice of claim under this Article 8.

Section 8.3 Third-Party Claims. If a claim by a third party is made against an Indemnified Party and if such Indemnified Party intends to seek indemnity with respect thereto under this Article, such Indemnified Party shall promptly notify the indemnifying party in writing of such claims setting forth such claims in reasonable detail; provided, however, the foregoing notwithstanding, the failure of any Indemnified Party to give any notice required to be given hereunder shall not affect such Indemnified Party's right to indemnification hereunder except to the extent the indemnifying party from whom such indemnity is sought shall have been prejudiced in its ability to defend the claim or action for which such indemnification is

sought by reason of such failure. The indemnifying party shall have 20 days after receipt of such notice to undertake, through counsel of its own choosing and at its own expense, the settlement or defense thereof, and the Indemnified Party shall cooperate with it in connection therewith; provided, however, that the Indemnified Party may participate in such settlement or defense through counsel chosen by such Indemnified Party, provided that the fees and expenses of such counsel shall be borne by such Indemnified Party. The Indemnified Party shall not pay or settle any claim which the indemnifying party is contesting. Notwithstanding the foregoing, the Indemnified Party shall have the right to pay or settle any such claim, provided that in such event it shall waive any right to indemnity therefor by the indemnifying party. If the indemnifying party does not notify the Indemnified Party within 20 days after the receipt of the Indemnified Party's notice of a claim of indemnity hereunder that it elects to undertake the defense thereof, the Indemnified Party shall have the right to contest, settle or compromise the claim but shall not thereby waive any right to indemnity therefor pursuant to this Agreement.

ARTICLE 9

Termination

Section 9.1 Termination. (a) This Agreement may be terminated at any time prior to the Initial Closing by:

(i) the mutual consent of the Company and Buyer;

(ii) Buyer (if it is not in breach of any of its material obligations hereunder) in the event of a breach or failure by the Company that is material in the context of the transactions contemplated hereby of any representation, warranty, covenant or agreement by the Company contained herein which has not been, or cannot be, cured within 30 Business Days after written notice of such breach is given to the Company;

(iii) the Company (if it is not in breach of any of its material obligations hereunder) in the event of a breach or failure by Buyer that is material in the context of the transactions contemplated hereby of any representation, warranty, covenant or agreement by Buyer contained herein which has not been, or cannot be, cured within 30 Business Days after written notice of such breach is given to Buyer; or

(iv) either the Company or Buyer, if the Initial Closing shall not have occurred on or prior to October 31, 1996,

unless the failure of such occurrence shall be due to the failure of the party seeking to terminate this Agreement to perform or observe any material covenant or agreement set forth herein required to be performed or observed by such party on or before the date of the Initial Closing.

(b) This Agreement may be terminated at any time by:

(i) Buyer, in the event that the shareholders of the Company vote upon and fail to approve either (1) the issuance of Company Common Stock contemplated hereby, or (2) the Amended Company Charter (it being understood that the Initial Closing shall have occurred prior to the date of the meeting of holders of shares of Company Stock to so approve); or

(ii) Buyer, (1) if the Board of Directors of the Company shall have withdrawn, modified or failed to make or refrained from making its recommendation that the shareholders of the Company approve the issuance of Company Common Stock pursuant to this Agreement as provided for in Section 3.2(b) and Section 5.1(b), or (2) if the Board of Directors of the Company at any time refuses to reaffirm, at Buyer's request, such recommendation and its determination to make such recommendation to the shareholders of the Company, except, in each case, as permitted by Section 5.6, or (3) if no meeting at which the shareholders of the Company are asked to vote upon the transactions contemplated by this Agreement shall have duly occurred on or prior to the six-month anniversary of the date of the Stockholders Agreement.

Section 9.2 Procedure and Effect of Termination. In the event of termination of this Agreement by either or both of the Company and Buyer pursuant to Section 9.1, written notice thereof shall forthwith be given by the terminating party to the other party hereto, and this Agreement shall thereupon terminate and become void and have no effect, and the transactions contemplated hereby shall be abandoned without further action by the parties hereto, except that the provisions of Sections 5.4 (Public Announcements; Confidentiality), 9.3 (Expenses), 10.2 (Governing Law), and 10.4 (Notices), and, in the event of any termination following any Closing hereunder, the provisions of Article 8 (Survival; Indemnification), and any related definitional, interpretive or other provisions necessary for the logical interpretation of such provisions, shall survive the termination of this Agreement; provided, however, that such termination shall not relieve any party hereto of any liability for any breach of this Agreement.

Section 9.3 Expenses. (a) Except as set forth in this Agreement, whether or not any Stock Purchase is consummated, all legal and other costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses (which in the case of the Company, shall include shareholder solicitation costs), except that Buyer and the Company shall share equally the filing fees for the filing under the HSR Act which is to be made in connection with the transactions contemplated hereby.

(b) In the event that the Company's shareholders shall have failed for any reason (other than as a result of Buyer's breach of any of its material obligations hereunder) to approve this Agreement and the transactions contemplated hereby by the requisite vote at the Company's shareholders' meeting held in accordance with the terms hereof, or the Company shall have failed to duly convene such shareholders' meeting on or prior to October 31, 1996 provided that Buyer is not in material default under this Agreement, that Buyer has not breached any of its representations and warranties in any material respect, and that Buyer has satisfied in all material respects its covenants relating to the Second Closing and contemplated by the terms hereof to be performed at or prior to the time of the Company's shareholders' meeting, the Company shall immediately make payment to Buyer (by wire transfer) of the amount of $1.0 million, as reimbursement and compensation for Buyer's costs and expenses (including opportunity costs) incurred in connection with this Agreement and the transactions contemplated hereby.

(c) In the event that (i) this Agreement and the transactions contemplated hereby shall have been submitted to a vote of the Company's shareholders (or in the event the Company shall fail to submit such matters to a vote of its shareholders in violation of its obligations hereunder), (ii) a Competing Transaction shall have been proposed prior to such submission to a vote of the Company's shareholders (or such time as such submission would have occurred had the Company not so failed to so submit such matters), and (iii) the shareholders shall not, for any reason (other than as a result of Buyer's breach of any of its material obligations hereunder), have approved this Agreement and the transactions contemplated hereby by the requisite vote, then, provided that Buyer is not in material default under this Agreement, that Buyer has not breached any of its representations and warranties in any material respect, and that Buyer has satisfied in all material respects its covenants relating to the Initial Closing and contemplated by the terms hereof to be performed at or prior to the time of the Company's shareholders' meeting, the Company shall immediately make pay-

ment to Buyer (by wire transfer) of a fee in the amount of $5.0 million (the "Breakup Fee"); provided, however, that if the Competing Transaction was not solicited, initiated or encouraged directly or indirectly by the Company or any of its Subsidiaries through any officer, director, agent or otherwise, the Company shall not be required to pay the Breakup Fee unless a Competing Transaction has been consummated or agreed to within six months after the occurrence of the events described in clauses (i), (ii) and (iii) above. Upon payment to the Buyer of the Breakup Fee, the Company shall have no further liability to Buyer arising out of any Competing Transaction.

ARTICLE 10

Miscellaneous

Section 10.1 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other party. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service shall be considered original executed counterparts for purposes of this Section, provided receipt of copies of such counterparts is confirmed.

Section 10.2 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA WITHOUT REFERENCE TO THE CHOICE OF LAW PRINCIPLES THEREOF.

Section 10.3 Entire Agreement. This Agreement (including agreements incorporated herein) and the Schedules and Exhibits hereto contain the entire agreement between the parties with respect to the subject matter hereof and there are no agreements, understandings, representations or warranties between the parties other than those set forth or referred to herein. This Agreement is not intended to confer upon any person not a party hereto (and their successors and assigns) any rights or remedies hereunder.

Section 10.4 Notices. All notices and other communications hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally, sent by documented overnight delivery service or, to the extent receipt is confirmed, telecopy, telefax or other electronic transmission

service to the appropriate address or number as set forth below. Notices to the Company shall be addressed to:

Regency Realty Corporation
121 W. Forsyth Street, Suite 200
Jacksonville, Florida 32202
Attention: Martin E. Stein, Jr.
Telecopy Number: (904) 634-3428

with a copy to:

Foley & Lardner
Greenleaf Building
200 Laura Street
Jacksonville, Florida 32202
Attention: Charles E. Commander III, Esq.
Telecopy Number: (904) 359-8700

or at such other address and to the attention of such other person as the Company may designate by written notice to Buyer. Notices to Buyer shall be addressed to:

Security Capital Holdings S.A.
69, route d'Esch
L-2953 Luxembourg
Attention: Paul E. Szurek
Telecopy Number: (352) 4590-3331

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Adam O. Emmerich, Esq.
Telecopy Number: (212) 403-2000

Section 10.5 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. Except as specifically provided hereby, Buyer shall not be permitted to assign any of its rights hereunder to any third party, other than to one or more Affiliates of Buyer or the Advancing Party of which Buyer and the Advancing Party collectively, directly or indirectly, Beneficially Own (as that term is defined in the Stockholders Agreement) 98% or more of the voting power and the economic interests, provided that such Affiliates agree to be bound hereby and by the Stockholders Agreement, and provided that Buyer and the Advancing Party shall remain liable hereunder, and provided that any bona fide financial institution to which any

Buyer, the Advancing Party or any permitted transferee has Transferred (as that term is used in the Stockholders Agreement) (including upon foreclosure of a pledge) shares of Company Stock for the purpose of securing bona fide indebtedness of any Buyer and which has agreed to be bound by this Agreement and the Stockholders Agreement shall also be entitled to enforce the rights of Buyer and the Advancing Party hereunder.

Section 10.6 Headings. The Section, Article and other headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. All references to Sections or Articles contained herein mean Sections or Articles of this Agreement unless otherwise stated.

Section 10.7 Amendments and Waivers. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the party against whom enforcement of any such modification or amendment is sought. Either party hereto may, only by an instrument in writing, waive compliance by the other party hereto with any term or provision hereof on the part of such other party hereto to be performed or complied with. The waiver by any party hereto of a breach of any term or provision hereof shall not be construed as a waiver of any subsequent breach.

Section 10.8 Interpretation; Absence of Presumption. (a) For the purposes hereof, (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) the terms "hereof", "herein", and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules and Exhibits hereto) and not to any particular provision of this Agreement, and Article, Section, paragraph, Exhibit and Schedule references are to the Articles, Sections, paragraphs, Exhibits and Schedules to this Agreement unless otherwise specified, (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified, (iv) the word "or" shall not be exclusive, and (v) provisions shall apply, when appropriate, to successive events and transactions.

(b) This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to

be drafted.

Section 10.9 Severability. Any provision hereof which is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability, without affecting in any way the remaining provisions hereof.

Section 10.10 Further Assurances. The Company and Buyer agree that, from time to time, whether before, at or after any Closing Date, each of them will execute and deliver such further instruments of conveyance and transfer and take such other action as may be necessary to carry out the purposes and intents hereof.

Section 10.11 Specific Performance. Buyer and the Company each acknowledge that, in view of the uniqueness of the parties hereto, the parties hereto would not have an adequate remedy at law for money damages in the event that this Agreement were not performed in accordance with its terms, and therefore agree that the parties hereto shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which the parties hereto may be entitled at law or in equity.

Section 10.12 Joint and Several Liability. The obligations and liabilities of Buyer and the Advancing Party under or in connection with this Agreement are joint and several.

Section 10.13 Interpretation of Schedules. Any matter set forth on any Schedule shall be deemed to be referred to on all other Schedules to which such matter logically relates and where such reference would be appropriate and can reasonably be inferred from the matters disclosed on the first Schedule as if set forth on such other Schedules.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto as of the day first above written.

REGENCY REALTY CORPORATION

By:
Name: Martin E. Stein, Jr.
Title: President

SECURITY CAPITAL HOLDINGS S.A.

By:
Name: Paul E. Szurek
Title: Managing Director

SECURITY CAPITAL U.S. REALTY

By:
Name: Paul E. Szurek
Title: Managing Director

STOCKHOLDERS AGREEMENT

by and among

REGENCY REALTY CORPORATION

SECURITY CAPITAL HOLDINGS S.A.

SECURITY CAPITAL U.S. REALTY

and

THE REGENCY GROUP, INC.

dated as of

_____ __, 1996

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THIS STOCKHOLDERS AGREEMENT (the "Agreement"), dated as of _____, 1996, is made by and among Regency Realty Corporation, a Florida corporation (the "Company"), Security Capital U.S. Realty, a Luxembourg corporation ("USREALTY"), Security Capital Holdings S.A., a Luxembourg corporation and a wholly owned subsidiary of USREALTY ("Buyer"), and The Regency Group, Inc., a Florida corporation ("TRG"). Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Stock Purchase Agreement (as hereinafter defined).

RECITALS:

WHEREAS, the Company, USREALTY and Buyer have entered into a Stock Purchase Agreement, dated as of June 11, 1996 (the "Stock Purchase Agreement"), pursuant to which the Company is selling, conveying, assigning and transferring, and Buyer is purchasing, certain shares of the common stock, par value $.01 per share, of the Company (the "Company Common Stock") on the date hereof, and pursuant to which the Company has agreed to sell, and Buyer has agreed to purchase, certain additional shares of Company Common Stock, upon the terms and subject to the conditions set forth therein; and

WHEREAS, it is a condition to the transactions contemplated by the Stock Purchase Agreement and the parties believe it to be in their best interests that they enter into this Agreement and provide for certain rights and restrictions with respect to the investment by Investor (as hereinafter defined) in the Company and the corporate governance of the Company; and

WHEREAS, the Company and Buyer believe that the combination in a strategic partnership of the leadership, expertise and experience in the retail shopping center industry of the Company and the unique market knowledge, operating experience, research capabilities and access to capital of Buyer and its Affiliates will significantly enhance the Company's ability to pursue its growth and operating strategies;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE 1

Definitions

As used in this Agreement, the following terms shall have the following respective meanings:

Section 1.1 "Affiliate" shall have the meaning ascribed thereto in Rule 12b-2 promulgated under the 1934 Act, and as in effect on the date hereof.

Section 1.2 "Affiliate Arrangements" shall mean the agreements and arrangements described in Schedule 3.9(f) of the Stock Purchase Agreement or which are disclosed in public filings of the Company.

Section 1.3 "Agreement" shall have the meaning set forth in the first paragraph hereof.

Section 1.4 "Beneficially Own" shall mean, with respect to any security, having direct or indirect (including through any Subsidiary or Affiliate) "beneficial ownership" of such security, as determined pursuant to Rule 13d-3 under the 1934 Act, including pursuant to any agreement, arrangement or understanding, whether or not in writing.

Section 1.5 "Board" shall mean the board of directors of the Company.

Section 1.6 "Buyer" shall have the meaning set forth in the first paragraph hereof.

Section 1.7 "Code" shall mean the Internal Revenue Code of 1986, as amended, and any successor thereto, including all of the rules and regulations promulgated thereunder.

Section 1.8 "Company" shall have the meaning set forth in the first paragraph hereof.

Section 1.9 "Company Common Stock" shall have the meaning set forth in the second paragraph hereof.

Section 1.10 "Conflict of Interest Policies" shall have the meaning set forth in Section 6.3.

Section 1.11 "Corporate Action Covenants" shall have the meaning set forth in Section 6.1.

Section 1.12 "Covered Transaction" shall have the meaning set forth in Section 5.1(a)(iv).

Section 1.13 "Director" shall mean a member of the Board.

Section 1.14 "Early Termination Event" shall have the meaning set forth in Section 5.1(a).

Section 1.15 "Excess Shares" shall have the meaning set forth in Section 5.1(a)(ii).

Section 1.16 "Exercise Notice" shall have the meaning set forth in Section 4.2(b).

Section 1.17 "Extraordinary Transaction" shall mean (a) any merger, consolidation, sale of a material portion of the Company's assets, recapitalization, other business combination, liquidation, or other similar action out of the ordinary course of business of the Company, or (b) any issuance of securities to any person or Group requiring shareholder approval in accordance with the guidelines of the New York Stock Exchange as to such matters, as in effect as of the date of the Stock Purchase Agreement.

Section 1.18 "15% Termination Date" shall mean the first date, if any, following the date on which the Remaining Equity Commitment shall have been reduced to zero on which Investor's ownership of Company Common Stock, on a fully diluted basis, shall have been below 15% of the outstanding shares of Company Common Stock for a continuous period of 180 days; provided, that, if Investor's ownership of Company Common Stock shall, following the date on which the Remaining Equity Commitment shall have been reduced to zero, have fallen below 15% by number of the outstanding shares of Company Stock, on a fully diluted basis, as a result of the redemption of limited partnership or other interests in partnerships or other entities for shares of Company Common Stock, then the 15% Termination Date shall mean the first date, if any, following the date on which Investor's ownership of Company Common Stock shall have been below 15% by number of the outstanding shares of Company Stock, on a fully diluted basis, for a continuous period of 450 days; provided, however, that if Investor's ownership of Company Common Stock shall, following the date on which the Remaining Equity Commitment shall have been reduced to zero, have fallen below 15% of the outstanding shares of Company Common Stock as a result of a Transfer by Investor of Company Common Stock or a failure of Investor to exercise its rights under Section 4.2 during the 60 days immediately prior to the expiration of such 180-day period, if any such rights are exercisable during such period, to the extent necessary to (and provided that it shall be possible by such exercise to) raise its ownership of the outstanding Company Common Stock above such 15% threshold, then the 15% Termination Date shall occur immediately upon such Transfer or failure to exercise its rights under Section 4.2, as the case may be.

Section 1.19 "fully diluted" shall mean, with respect

to the Company Stock, the total number of outstanding shares of Company Stock (for such purposes, treating as Company Stock all shares of Company Preferred Stock and Class B Common Stock and all options or warrants to purchase and securities convertible into (or exchangeable or redeemable for) Company Common Stock, in each case outstanding as of the date of the Stock Purchase Agreement and that remain outstanding as of the relevant measurement date, assuming conversion of all such shares of Company Preferred Stock and Class B Common Stock and assuming exercise, conversion, exchange or redemption of such other securities).

Section 1.20 "Geographic Region" shall mean the states of Florida, Alabama, Mississippi, Georgia, North Carolina, South Carolina, Tennessee, Kentucky, Virginia, West Virginia, Maryland and the District of Columbia, and the southern regions of the states of Indiana and Ohio (including the cities of Indianapolis and Columbus, respectively).

Section 1.21 "Government Authority" shall mean any government or state (or any subdivision thereof) of or in the United States, or any agency, authority, bureau, commission, department or similar body or instrumentality thereof, or any governmental court or tribunal.

Section 1.22 "Group" shall mean a "group" as such term is used in Section 13(d)(3) of the 1934 Act.

Section 1.23 "Investor" shall mean, collectively, as the context may require, USREALTY and Buyer, and shall also include any Affiliate of USREALTY or Buyer of which USREALTY and/or Buyer collectively, directly or indirectly, Beneficially Own 98% or more of the voting power and economic interests, or, for purposes only of (i) Section 5.8 with regard to ownership of shares of Company Common Stock by such Person and (ii) the provisions of the Registration Rights Agreement, any bona fide financial institution to which any Investor has Transferred (including upon foreclosure of a pledge) shares of Company Stock for the purpose of securing bona fide indebtedness of any Investor and which has agreed to be bound by this Agreement.

Section 1.24 "Investor Nominees" shall have the meaning set forth in Section 2.1(a).

Section 1.25 "Investor Restricted Person" shall have the meaning set forth in Section 5.3(a).

Section 1.26 "Key Committees" shall have the meaning set forth in Section 2.2(a).

Section 1.27 "1933 Act" shall mean the Securities Act of 1933, as amended.

Section 1.28 "1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

Section 1.29 "Participation Notice" shall have the meaning set forth in Section 4.2(b).

Section 1.30 "person" shall mean any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, other form of business or legal entity or Government Authority.

Section 1.31 "SCGI" shall have the meaning set forth in Section 5.3(a).

Section 1.32 "SCGI Restricted Person" shall have the meaning set forth in Section 5.3(a).

Section 1.33 "Securities Filings" shall have the meaning set forth in Section 3.1(b)(iii).

Section 1.34 "Shareholder Approval" shall have the meaning set forth in Section 5.3(d).

Section 1.35 "Shareholder Approval Date" shall mean the date on which a duly called and held meeting of shareholders of the Company is held at which meeting (i) a quorum is present and (ii) the transactions (including the issuance of the Company Common Stock and the amendments to the Company Charter) contemplated by the Stock Purchase Agreement are approved by the affirmative vote of the holders of the requisite number of shares of Company Stock.

Section 1.36 "Shopping Center Company" shall have the meaning set forth in Section 5.3(b).

Section 1.37 "Shopping Center Property" shall have the meaning set forth in Section 5.3(a).

Section 1.38 "Standstill Extension Term" shall have the meaning set forth in Section 5.1(b).

Section 1.39 "Standstill Period" shall have the meaning set forth in Section 5.1(a).

Section 1.40 "Stock Purchase Agreement" shall have the meaning set forth in the second paragraph hereof.

Section 1.41 "13D Group" shall mean any group of persons acquiring, holding, voting or disposing of Voting Securities which would be required under Section 13(d) of the 1934 Act and the rules and regulations thereunder (as in effect, and based on legal interpretations thereof existing, on the date hereof) to file a statement on Schedule 13D with the Securities and Exchange Commission as a "person" within the meaning of Section 13(d)(3) of the 1934 Act if such group beneficially owned Voting Securities representing more than 5% of any class of Voting Securities then outstanding.

Section 1.42 "Transfer" shall have the meaning set forth in Section 5.2(a)(ii).

Section 1.43 "TRG" shall have the meaning set forth in the first paragraph hereof.

Section 1.44 "TRG Restricted Person" shall have the meaning set forth in Section 6.6.

Section 1.45 "20% Termination Date" shall mean the first date, if any, following the date on which the Remaining Equity Commitment shall have been reduced to zero on which Investor's ownership of Company Common Stock, on a fully diluted basis, shall have been below 20% of the outstanding shares of Company Common Stock for a continuous period of 180 days; provided, that, if Investor's ownership of Company Common Stock shall, following the date on which the Remaining Equity Commitment shall have been reduced to zero, have fallen below 20% by number of the outstanding shares of Company Stock, on a fully diluted basis, as a result of the redemption of limited partnership or other interests in partnerships or other entities for shares of Company Common Stock, then the 20% Termination Date shall mean the first date, if any, following the date on which Investor's ownership of Company Common Stock shall have been below 20% by number of the outstanding shares of Company Stock, on a fully diluted basis, for a continuous period of 450 days; provided, however, that if Investor's ownership of Company Common Stock shall, following the date on which the Remaining Equity Commitment shall have been reduced to zero, have fallen below 20% of the outstanding shares of Company Common Stock as a result of a Transfer by Investor of Company Common Stock or a failure of Investor to exercise its rights under Section 4.2 during the 60 days immediately prior to the expiration of such 180-day period, if any such rights are exercisable during such period, to the extent necessary to (and provided that it shall be possible by such exercise to) raise its ownership of the outstanding Company Common Stock above such 20% threshold, then the 20% Termination Date shall occur immediately upon such Transfer

or failure to exercise its rights under Section 4.2, as the case may be.

Section 1.46 "USREALTY" shall have the meaning set forth in the first paragraph hereof.

Section 1.47 "Voting Securities" shall mean at any time shares of any class of capital stock of the Company which are then entitled to vote generally in the election of Directors.

ARTICLE 2

Board of Directors

Section 2.1 Investor Nominees. (a) From and after the Shareholder Approval Date, if any, and until the next annual or special meeting of shareholders of the Company at, or the next taking of action by written consent of shareholders of the Company with respect to, which any Directors are to be elected, the Investor shall have the right (but not the obligation) to have on the Board two Directors (such Directors, the "Investor Nominees"), and the Company shall cause such Investor Nominees to become members of the Board. If necessary to effectuate the placement of such Investor Nominees on the Board, the Company shall, at its sole option, (i) expand the size of the Board or (ii) solicit the resignations of the appropriate number of Directors, in either case, to the extent necessary to permit the Investor Nominees to serve. Thereafter and until the earlier of the 20% Termination Date, if any, and the expiration of the Standstill Period or any Standstill Extension Term (other, in either case, as a result of an Early Termination Event), at each annual or special meeting of shareholders of the Company at, or the taking of action by written consent of shareholders of the Company with respect to, which any Directors are to be elected, Investor shall have the right (but not the obligation) pursuant to this Agreement (i) to nominate for election to the Board that number of Directors which, when added to the number of Directors (such Directors also, "Investor Nominees") who are then Investor Nominees and who will continue to serve as Directors without regard to the outcome of the election at such meeting or by such consent, represent the greater of (x) two and (y) the same proportion of the total number of Directors as is represented by the number of shares of Company Common Stock which Investor then owns relative to the outstanding Company Common Stock (but in no event more than 49% of the Board), and (ii) to be entitled to the benefits of the agreements of the Company contained in Subsection 2.1(c) with respect to the Investor Nominees

described in clause (i) of this sentence. Following the expiration of the Standstill Period or any Standstill Extension Term (other, in either case, as a result of an Early Termination Event), if such expiration of the Standstill Period or any Standstill Extension Term shall be prior to the 20% Termination Date, and until the 20% Termination Date, at each annual or special meeting of shareholders of the Company at, or the taking of action by written consent of shareholders of the Company with respect to, which any Directors are to be elected, Investor shall have the right (but not the obligation) pursuant to this Agreement (i) to nominate for election to the Board that number of Directors which, when added to the number of Directors who are then Investor Nominees and who will continue to serve as Directors without regard to the outcome of the election at such meeting or by such consent, represent the lesser of (x) two and (y) the same proportion of the total number of Directors as is represented by the number of shares of Company Common Stock which Investor then owns relative to the outstanding Company Common Stock (such Directors also, "Investor Nominees") and (ii) to be entitled to the benefits of the agreements of the Company contained in Subsection 2.1(c) with respect to the Investor Nominees described in clause (i) of this sentence. In computing the number of Investor Nominees, any fraction is to be rounded down to the nearest whole number. At the time of the expiration of the Standstill Period or any Standstill Extension Term, if the Company shall so request, Investor shall use its reasonable efforts to cause one or more then-serving Investor Nominees to resign from the Board such that there shall be no more Investor Nominees on the Board than the lesser of (x) two and (y) the same proportion of the total number of Directors as is represented by the number of shares of Company Common Stock which Investor then owns relative to the outstanding Company Common Stock.

(b) Investor will not name any person as an Investor Nominee if (i) such person is not reasonably experienced in business, financial or real estate matters, (ii) such person has been convicted of, or has pled nolo contendere to, a felony, (iii) the election of such person would violate any law, or (iv) any event required to be disclosed pursuant to Item 401(f) of Regulation S-K of the 1934 Act has occurred with respect to such person. Investor shall use its reasonable efforts to afford the independent directors of the Company a reasonable opportunity to meet any individual that Investor is considering naming as an Investor Nominee.

(c) The Company will support the nomination of, and the Company's nominating committee (or any other committee exercising a similar function) shall recommend to the Board, the

election of each Investor Nominee to the Board, and the Company will exercise all authority under applicable law to cause each Investor Nominee to be elected to the Board. Without limiting the generality of the foregoing, with respect to each meeting of shareholders of the Company at which Directors are to be elected, the Company shall use its reasonable efforts to solicit from the shareholders of the Company eligible to vote in the election of Directors proxies in favor of any Investor Nominees.

(d) From and after the Shareholder Approval Date, if any, untilthe earlier of the 20% Termination Date, if any, and the expiration of the Standstill Period or any Standstill Extension Term (other, in either case, as a result of an Early Termination Event), the total number of members of the Board shall not be less than eleven without the prior written consent of Investor, in its sole discretion.

Section 2.2 Committee Representation; Subsidiary Boards. (a) During such time as Investor is entitled pursuant to Section 2.1(a) to have at least one Investor Nominee on the Board, unless Investor chooses not to exercise its rights under this Section 2.2(a), at least one Director who is an Investor Nominee shall serve on each of the audit committee, the nominating committee, the compensation committee, the executive committee, any special committee(s) of the Board, and any other committees which shall be charged with exercising substantial authority on behalf of the Board (the foregoing, the "Key Committees"). Notwithstanding the foregoing, if none of the Directors who are Investor Nominees would be considered "independent" of the Company or "disinterested" (i) for purposes of any applicable rule of the New York Stock Exchange or any other securities exchange or other self-regulating organization (such as the National Association of Securities Dealers) requiring that members of the audit committee of the Board be independent of the Company, (ii) for purposes of any law or regulation that requires, in order to obtain or maintain favorable tax, securities, corporate law or other material legal benefits with respect to any plan or arrangement for employee compensation or benefits, that the members of the committee of the Board charged with responsibility for such plan or arrangement be "independent" of the Company or "disinterested", or (iii) for purposes of any special committee formed in connection with any transaction or potential transaction involving the Company and any of Investor, its Affiliates or any Group of which Investor is a member or such other transaction or potential transaction which would involve an actual or potential conflict of interest on the part of the Directors who are Investor Nominees, then a Director who is an Investor Nominee shall not be required to be

appointed to any such committee; provided, however, that the committees of the
Board shall be organized such that, to the extent practicable, the only items to be considered by a Key Committee on which no Director who is an Investor Nominee may serve will be those items which prevent the Director who is an Investor Nominee from serving on such Key Committee. Any members of any Key Committee who are Investor Nominees shall, in the event of any vacancy in such membership, be replaced by a Director who is an Investor Nominee elected by a majority of the Directors who are Investor Nominees.

(b) During such time as Investor is entitled pursuant to Section 2.1(a) to have at least one Investor Nominee on the Board, unless Investor chooses not to exercise its rights under this Section 2.2(b), one individual designated by Investor shall serve as a member of the board of directors or comparable governing body of each Subsidiary of the Company, if any, that is a corporation or other person with a board of directors or board of trustees.

Section 2.3 Vacancies. In the event that any Investor Nominee shall cease to serve as a Director for any reason other than the fact that Investor no longer has a right to nominate a Director, as provided in Section 2.1(a), the vacancy resulting thereby shall be filled by an Investor Nominee designated by Investor; provided, however, that any Investor Nominee so designated shall satisfy the qualification requirements set forth in Section 2.1(b).

ARTICLE 3

Information Rights

Section 3.1 Strategic Advice; Operating Statements; Public Company Status. (a) From and after the Shareholder Approval Date, if any, until the 20% Termination Date, Buyer will from time to time, as reasonably requested by the Company, use reasonable efforts to make reasonably available to the Company the benefit of Buyer's market expertise, operating experience and research capabilities and will from time to time, as reasonably requested by the Company, consult with and advise the Company on matters concerning:

(i) business and operating strategy;

(ii) financing and capital formation (including advice regarding capital markets and structure, method and timing of capital-rasing

efforts);

(iii) property acquisition strategy and acquisition opportunities with respect to Shopping Center Properties in the Geographic Region of which Buyer becomes aware; and

(iv) investor relations;

provided, however, that nothing herein shall require Buyer to provide the Company with any information that may be subject to any obligation of confidentiality on Buyer's part. Upon the reasonable request of the Company, Buyer further will provide to the Company any relevant market or economic research in its possession which is not readily available from third parties and which is not subject to any obligation of confidentiality on Buyer's part. Buyer will be entitled to receive customary fees and expense reimbursement for its undertaking of any actions contemplated by this Section 3.1(a), which fees and expenses will be agreed upon by Buyer and the Company in each instance.

(b) From and after the Shareholder Approval Date, if any, until the 20% Termination Date, if any, the Company will:

(i) deliver to Investor, as soon as practicable after the end of each month or other reporting period, any operating and financial statements and management reports (x) of the Company, and (y) of each Subsidiary not consolidated with the Company, which are regularly provided to the senior management of the Company, each as, at and for the end of such month or other reporting period, and such other statements or reports as are reasonably requested by Investor, all in such form as are prepared by the Company for internal use by management (including, as applicable, by e-mail);

(ii) deliver to Investor copies of all other information distributed by the Company to the Board;

(iii) deliver to Investor, as promptly as practicable following filing, a copy of each report, schedule or other document filed by the Company pursuant to the requirements of any federal or state securities laws (collectively, the "Securities Filings"); and

(iv) continue to comply in all material

respects with the reporting requirements of Section 13 or 15(d) of the 1934 Act.

(c) The Company and Investor will afford one another a reasonable opportunity to review any Securities Filing, any other filing with a Government Authority and any press release or similar public announcement which refers to, describes or mentions such other party or any Affiliate of such other party prior to the time that such filing is filed with or sent to the applicable Government Authority or such announcement is disseminated.

Section 3.2 Advice of Actions. From and after the Shareholder Approval Date, if any, until the 20% Termination Date, if any, without first having consulted with the representative of Investor designated by Investor pursuant to this Section 3.2, the Company will not seek approval by the Board of any proposal, or enter into any definitive agreement, relating to:

(a) the acquisition in a single transaction or group of related transactions, whether by merger, consolidation, purchase of stock or assets or other business combination, of any business or assets having a value in excess of $10,000,000;

(b) the sale or disposal in a single transaction or group of related transactions of any assets, whether by merger, consolidation, sale of stock or assets or other business combination having a value in excess of $20,000,000;

(c) the incurrence or issuance of indebtedness in a single transaction or group of related transactions, the entering into a guaranty, or the engagement in any other financing arrangement in excess of $20,000,000;

(d) the annual operating budget for the Company;

(e) a material change in the executive management of the Company;

(f) any new material agreements or arrangements with any members of the executive management of the Company; or

(g) the issuance by the Company of capital stock of the Company or of options, rights or warrants or other commitments to purchase or securities convertible into (or exchangeable or redeemable for) shares of capital stock of

the Company, or the issuance by a Subsidiary of any equity interests, other than, (i) to the Company or a wholly owned Subsidiary thereof, and (ii) to directors or employees of the Company or a Subsidiary in connection with any employee benefit plan approved by the shareholders of the Company.

Notwithstanding the foregoing, the Company shall have no obligation to accept or comply with any advice offered by Investor or its designated representative in any consultation referred to in this Section 3.2. The designated representative of Investor, for purposes of this Section 3.2, initially shall be Paul E. Szurek. Investor shall provide the company with ten days prior written notice of any replacement of the designated representative.

ARTICLE 4

Voting and Participation Rights

Section 4.1 Voting Rights. Subject to the provisions of this Section 4.1, Investor may vote the shares of Company Stock which it owns in its sole and absolute discretion. During the Standstill Period, if any, and any Standstill Extension Term, Investor will vote all shares of Company Common Stock which it owns in one of the following two manners, at its option: (a) in accordance with the recommendation of the Board or (b) proportionally, in accordance with the votes of the other holders of Company Common Stock; provided, however, that Investor may vote all of the shares of Company Common Stock that it owns, in its sole and absolute discretion, with regard to (x) the election of the Investor Nominee(s) to the Board, (y) any amendment to the Company Charter or the By-laws of the Company which would reasonably be expected to materially adversely affect Investor, and (z) any Extraordinary Transaction submitted to a vote of the shareholders of the Company. With regard to (i) any amendment to the Company Charter or the By-laws of the Company which would reasonably be expected to materially adversely affect Investor, and (ii) any Extraordinary Transaction submitted to a vote of the stockholders of the Company, Investor will vote all shares of Company Common Stock owned by it that represent ownership of in excess of 40% of the outstanding shares of Company Common Stock, in one of the following two manners, at its option: (x) in accordance with the recommendation of the Board, or (y) proportionally in accordance with the votes of the other holders of Company Common Stock. With regard to any Extraordinary Transaction submitted to a vote of the stockholders of the Company which requires the affirmative vote of holders of two-thirds of the shares of Company Common Stock,

Investor will vote all shares of Company Common Stock owned by it that represent ownership of in excess of 28% of the outstanding shares of Company Common Stock, in one of the following two manners, at its option: (x) in accordance with the recommendation of the Board, or (y) proportionally in accordance with the votes of the other holders of Company Common Stock.

Section 4.2 Participation Rights. (a) Right to Participate. From and after the date hereof until the 15% Termination Date, if any, Investor shall be entitled to a participation right to purchase or subscribe for up to that number of additional shares of capital stock (including as "capital stock" for purposes of this Section 4.2, any security, option, warrant, call, commitment, subscription, right to purchase or other agreement of any character that is convertible into or exchangeable or redeemable for shares of capital stock of the Company or any Subsidiary (and all references in this Section 4.2 to capital stock shall, as appropriate, be deemed to be references to any such securities), and also including additional shares of capital stock to be issued pursuant to the conversion, exchange or redemption of any security, option, warrant, call, commitment, subscription, right to purchase or other agreement of any character that is convertible into or exchangeable or redeemable for shares of capital stock, as if the price at which such additional shares of capital stock is issued pursuant to any such conversion, exchange or redemption were the market price on the date of such issuance) to be issued or sold by the Company which represents the same proportion of the total number of shares of capital stock to be issued or sold by the Company (including the shares of capital stock to be issued to Investor upon exercise of its participation rights hereunder; it being understood and agreed that the Company will accordingly be required to either increase the number of shares of capital stock to be issued or sold so that Investor may purchase additional shares to maintain its proportionate interest, or to reduce the number of shares of capital stock to be issued or sold to Persons other than Investor) as is represented by the number of shares of Company Common Stock owned by Investor prior to such sale or issuance (and including for this purpose any shares of Company Common Stock to be acquired pursuant to the Stock Purchase Agreement, but not yet issued) relative to the number of shares of Company Common Stock outstanding prior to such sale or issuance (and including for this purpose any shares of Company Common Stock to be acquired pursuant to the Stock Purchase Agreement, but not yet issued) (but in no event, (i) more than 42.5% of the total number of shares of capital stock to be issued or sold by the Company at the first offering of shares of capital stock by the Company following the date on which the Remaining Equity Com-

mitment (as such term is defined in the Stock Purchase Agreement) shall be zero, or, (ii) more than 37.5% of the total number of shares of capital stock to be issued or sold by the Company at all subsequent offerings); provided, however, -------- -------
that the provisions of this Section 4.2 shall not apply to (i) the issuance or sale by the Company of any of its capital stock issued to the Company or any of its Subsidiaries or pursuant to options, rights or warrants or other commitments or securities in effect or outstanding on the date of the Stock Purchase Agreement, or (ii) the issuance of capital stock pursuant to the conversion, exchange or redemption of any other capital stock, and with respect to the original issuance of which other capital stock Investor had and fully exercised participation rights pursuant to this Section 4.2, but shall, without limitation, apply to the issuance by the Company of any of its capital stock pursuant to benefit, option, stock purchase, or other similar plans or arrangements, including pursuant to or upon the exercise of options, rights, warrants, or other securities or agreements (including those issued pursuant to the Company's benefit plans), as if the price at which such capital stock is issued were the market price on the date of such issuance.

(b) Notice. In the event the Company proposes to issue or sell any ------
shares of capital stock in a transaction giving rise to the participation rights provided for in this Section, the Company shall send a written notice (the

"Participation Notice") to Investor setting forth the number of shares of such - ----------
capital stock of the Company that the Company proposes to sell or issue, the price (before any commission or discount) at which such shares are proposed to be issued (or, in the case of an underwritten or privately placed offering in which the price is not known at the time the Participation Notice is given, the method of determining such price and an estimate thereof), and all other relevant information as to such proposed transaction as may be necessary for Investor to determine whether or not to exercise the rights granted in this Section. At any time within 20 days after its receipt of the Participation Notice, Investor may exercise its participation rights to purchase or subscribe for shares of such shares of capital stock, as provided for in this Section, by so informing the Company in writing (an "Exercise Notice"). Each Exercise ---------- Notice shall state the percentage of the proposed sale or issuance that the Investor elects to purchase. Each Exercise Notice shall be irrevocable, subject to the conditions to the closing of the transaction giving rise to the participation right provided for in this Section.

(c) Abandonment of Sale or Issuance. The Company shall have the ----------
right, in its sole discretion, at all times prior to consummation of any proposed sale or issuance giving rise to

the participation right granted by this Section, to abandon, rescind, annul, withdraw or otherwise terminate such sale or issuance, whereupon all participation rights in respect of such proposed sale or issuance pursuant to this Section shall become null and void, and the Company shall have no liability or obligation to Investor or any Affiliate thereof who has acquired shares of Company Stock pursuant to the Stock Purchase Agreement or from Investor with respect thereto by virtue of such abandonment, rescission, annulment, withdrawal or termination.

(d) Terms of Sale. The purchase or subscription by Investor or an Affiliate thereof, as the case may be, pursuant to this Section shall be on the same price and other terms and conditions, including the date of sale or issuance, as are applicable to the purchasers or subscribers of the additional shares of capital stock of the Company whose purchases or subscriptions give rise to the participation rights, which price and other terms and conditions shall be substantially as stated in the relevant Participation Notice (which standard shall be satisfied if the price, in the case of a negotiated transaction, is not greater than 110% of the estimated price set forth in the relevant Participation Notice or, in the case of an underwritten or privately placed offering, is not greater than the greater of (i) 110% of the estimated price set forth in the relevant Participation Notice, and (ii) the most recent closing price on or prior to the date of the pricing of the offering); provided, however, that in the event the consideration to be received by the Company in connection with the issuance of shares of capital stock giving rise to participation rights hereunder is other than cash or cash equivalents, the price per share at which the participation rights may be exercised shall be the price per share set forth in the Participation Notice or determined in the manner set forth in the Participation Notice (which shall in either event be the price as set forth in the agreement pursuant to which such shares are to be issued, provided that the consideration to be received therefor is valued based upon the fair market value thereof, as determined in good faith by the Company's independent directors, after consultation with appropriate financial and legal advisors, or the price determined in accordance with paragraph (a) of this Section 4.2); provided, further, however, that in the event the consideration to be received by the Company in connection with the issuance of shares of capital stock giving rise to participation rights hereunder is other than cash or cash equivalents, and the fair market value of the consideration to be received is not determinable, the price per share at which the participation rights may be exercised shall, (i) in the event that shares of capital stock with an established trading market are being issued or sold, be the average ten-day trailing market price of

such shares as of the date of receipt of the Participation Notice, and (ii) in the event any other shares of capital stock are being issued or sold, be determined by reference to the amount set forth above, adjusted as may be appropriate to reflect the relationship between those shares of capital stock with an established trading market and those shares of capital stock to be issued in the relevant transaction; provided, however, that if the consideration
otherwise covered by the second proviso of this Section 4.2(d) is received in connection with a merger or consolidation by the Company, the price per share at which the participation rights may be exercised shall be the market value per share of Company Common Stock issued in respect of such merger or consolidation as of the date of the merger or consolidation agreement; and provided, finally,
that in the event the purchases or subscriptions giving rise to the participation rights are effected by an offering of securities registered under the 1933 Act and in which offering it is not legally permissible for the securities to be purchased by Investor to be included, such securities to be purchased by Investor will be purchased in a concurrent private placement.

(e) Timing of Sale. If, with respect to any Participation Notice, Investor fails to deliver an Exercise Notice within the requisite time period, the Company shall have 120 days after the expiration of the time in which the Exercise Notice is required to be delivered in which to sell not more than 110% of the number of shares of capital stock of the Company described in the Participation Notice (plus, in the event such shares are to be sold in an underwritten public offering, an additional number of shares of capital stock of the Company, not in excess of 15% of 110% of the number of shares of capital stock of the Company described in the Participation Notice, in respect of any underwriters overallotment option) and not less than 90% of the number of shares of capital stock of the Company described in the Participation Notice on terms not more favorable to the purchaser than were set forth in the Participation Notice. If, at the end of 120 days following the expiration of the time in which the Exercise Notice is required to be delivered, the Company has not completed the sale or issuance of capital stock of the Company in accordance with the terms described in the Participation Notice (or at a price which is at least 90% of the estimated price set forth in the Participation Notice), or in the event of any contemplated sale or issuance within such 120-day period but outside such price parameters, the Company shall again be obligated to comply with the provisions of this Section with respect to, and provide the opportunity to participate in, any proposed sale or issuance of shares of capital stock of the Company; provided, however, that notwithstanding the foregoing, if the price at which such capi-

tal stock is to be sold in an underwritten offering (or a privately placed offering in which the price is not less than 97% of the most recent closing price at the time of the pricing of the offering) is not at least 90% of the estimated price set forth in the Participation Notice, the Company may inform Investor of such fact and Investor shall be entitled to elect, by written notice delivered within two Business Days following such notice from the Company, to participate in such offering in accordance with the provisions of this Section 4.2.

ARTICLE 5

Standstill Provisions

Section 5.1 Standstill Periods. (a) Subject to the provisions of the following sentence, the "Standstill Period" shall be the period commencing on the Shareholder Approval Date, if any, and ending on the earlier of (x) the fifth anniversary of the date thereof, and (y) the earliest of:

(i) the occurrence of any event of default on the part of the Company or any Subsidiary under any debt agreements, instruments, or arrangements which event of default would reasonably be expected to result in a Material Adverse Effect and, in the case of a non-monetary event of default, which event of default cannot be, or is not, cured by the Company within the applicable cure period under such debt agreement, instrument or arrangement;

(ii) the acquisition by any person or Group other than Investor or any Affiliate thereof or any person or Group acting in concert with or at the direction or request of the Investor or any Affiliate thereof of Beneficial Ownership of more than 9.8% of the voting power of the outstanding shares of Voting Securities (any such shares acquired in excess of such 9.8%, the "Excess Shares"), unless (x) the Excess Shares are at or immediately following their acquisition deprived of all voting rights pursuant to limitations on ownership of shares contained in the Company Charter, as in effect at the relevant time, or in any other legal, valid and enforceable agreement, plan or other right in effect as such time, or (y) provided the Excess Shares represent no more than 5.2% of the voting power of the outstanding Voting Securities, the Company, no later than the earlier of (aa) sixty days after the date of such acquisition, and (bb) the record date for the first meeting of shareholders after such record date, has caused such person or Group to cease, or such person or Group

otherwise ceases, having Beneficial Ownership of the Excess Shares;

(iii) any person or Group having a number of Directors on the Board, or having the right or power to elect a number of Directors on the Board, equal to or greater than the number of Directors to which Investor is entitled;

(iv) the authorization by the Company or the Board or any committee thereof (with all Investor Nominees abstaining or voting against) of the solicitation of offers or proposals or indications of interest with respect to any merger, consolidation, other business combination, liquidation, sale of the Company or all or substantially all of the assets of the Company or any other change of control of the Company or similar extraordinary transaction, but excluding any merger, consolidation or other business combination in which the Company is the surviving and acquiring corporation and in which the businesses or assets so acquired do not, or would not reasonably be expected to, have a value greater than 50% of the assets of the Company prior to such merger, consolidation or other business combination (any of the foregoing, a "Covered Transaction");

(v) the written submission by any person or Group other than Investor or any Affiliate thereof of a proposal to the Company (including to the Board or any agent, representative or Affiliate of the Company) with respect to, or otherwise expressing an interest in pursuing, a Covered Transaction; provided, however, that the Standstill Period shall not
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terminate pursuant to this Section 5.1(a)(v) if, as soon as practicable after receipt of any such proposal, the Board determines that such proposal is not in the best interest of the Company and its shareholders and for so long as the Board continues to reject such proposal as a result of such determination;

(vi) in connection with any actual or proposed Covered Transaction, the removal of any rights plan, provisions of the Company Charter relating to staggered terms of office for directors, provisions of the Company Charter or the By-laws of the Company relating to supermajority voting of the Company's shareholders, "excess share" provisions of the Company Charter or the By-laws of the Company, or any other similar arrangements, agreements, commitments or provisions in the Company Charter or the By-laws of the Company which would reasonably be expected to impede the consummation of such actual or proposed Covered Transaction by action of any Government Authority, the Board, the shareholders of

the Company or otherwise, or, whether or not in connection with any actual or proposed Covered Transaction, any modification, amendment, waiver or repeal of the ownership restrictions in Article 5of the Company Charter (except as may be necessary to allow any acquisition of Company Stock that would not constitute an Early Termination Event under Section 5.1(a)(ii));

(vii) any breach by the Company of the Stock Purchase Agreement which is neither cured nor desisted from within 30 days of receipt of written notice of such breach and which would reasonably be expected to materially adversely affect Investor or cause a Material Adverse Effect;

(viii) any breach of this Agreement by the Company which is neither cured nor desisted from within 30 days of receipt of written notice of such breach and which would reasonably be expected to materially adversely affect Investor or cause a Material Adverse Effect;

(ix) any violation of any Corporate Action Covenant; or

(x) any exercise of a conversion right with respect to shares of Class B Common Stock effected at a time or in circumstances in which the Percentage Limit (as such term is defined in the Articles of Amendment to Articles of Incorporation of the Company, filed on December 20, 1995) is for any reason not applicable, ineffective or waived.

Any event set forth in subsection (i), (ii), (iii), (iv), (v), (vi), (vii), (viii), (ix) or (x) of this Section 5.1(a) shall be an "Early Termination Event."

(b) If the Standstill Period shall not have been terminated prior to the fifth anniversary of the date hereof, the Standstill Period and any Standstill Extension Term shall automatically be extended for successive one-year periods (each such period, a "Standstill Extension Term"), unless, in the case of each Standstill Extension Term, Investor provides to the Company written notice at least 270 days prior to the commencement of such Standstill Extension Term, that such Standstill Extension Term and all further Standstill Extension Terms are cancelled. Any Standstill Extension Term will be terminated upon the earlier of (i) the first anniversary thereof, and (ii) the occurrence of an Early Termination Event.

Section 5.2 Restrictions During Standstill Period and Standstill Extension Term. (a) During the Standstill Period,

if any, and any Standstill Extension Term (and, with respect only to the provisions of subsection (ii) hereof, also at any other time when Investor owns more than 15% of the then outstanding shares of Company Common Stock, on a fully diluted basis), Investor will not, will cause each of its controlled Affiliates not to, and will use its reasonable best efforts to cause each of its other Affiliates not to, directly or indirectly:

(i) act in concert with any other person or Group by becoming a member of a 13D Group, other than any 13D Group comprised exclusively of Investor and one or more of its Affiliates;

(ii) sell, transfer, pledge or otherwise dispose of (collectively, "Transfer") any shares of Company Common Stock except for: (v) Transfers made in compliance with the requirements of Rule 144 of the 1933 Act, (w) Transfers pursuant to negotiated transactions with third parties, provided, however, that no such Transfer which would result in the applicable transferee having beneficial ownership of more than 9.8% of the Company Stock shall occur unless (A) the Company, in its sole discretion, approves such Transfer, and (B) the transferee acknowledges that it is subject to the provisions of Article 5 of this Agreement to which Investor is subject, (x) Transfers pursuant to or in accordance with the Registration Rights Agreement or otherwise in a public offering, (y) Transfers to one or more Affiliates of Investor who agree to be bound by the terms and conditions of this Agreement and who satisfy the ownership criteria in the definition of "Investor", and (z) Transfers to a bona fide financial institution for the purpose of securing bona fide indebtedness of any Investor; provided, that no such Transfer shall result in the bona fide financial institution having beneficial ownership of more than 9.8% of the Company Stock unless such bona fide financial institution acknowledges that it is subject to the provisions of Article 5 of this Agreement to which Investor is subject;

(iii) purchase or otherwise acquire shares of Company Common Stock (or options, rights or warrants or other commitments to purchase and securities convertible into (or exchangeable or redeemable for) shares of Company Common Stock) as a result of which, after giving effect to such purchase or acquisition, Investor and its Affiliates will Beneficially Own more than 45% of the outstanding shares of Company Common Stock, on a fully diluted basis;

(iv) solicit, encourage or propose to effect or negotiate any Covered Transaction other than pursuant to the Stock Purchase Agreement;

(v) solicit, initiate, encourage or participate in any "solicitation" of "proxies" or become a "participant" in any "election contest" (as such terms are defined or used in Regulation 14A under the 1934 Act, disregarding clause (iv) of Rule 14a-1(l)(2) and including an exempt solicitation pursuant to Rule 14a-2(b)(1)); call, or in any way encourage or participate in a call for, any special meeting of shareholders of the Company (or take any action with respect to acting by written consent of the shareholders of the Company); request, or take any action to obtain or retain any list of holders of any securities of the Company; or initiate or propose any shareholder proposal or participate in or encourage the making of, or solicit shareholders of the Company for the approval of, one or more shareholder proposals; provided, however, that Investor shall
not be prohibited from communicating with a securityholder who is engaged in any "solicitation" of "proxies" or who is a "participant" in any "election contest";

(vi) seek representation on the Board or a change in the composition or size of the Board other than as permitted by Article 2;

(vii) Transfer any capital stock of Buyer or any capital stock of any Affiliate of Buyer that owns Company Common Stock, or cause Buyer or any such Affiliate thereof to Transfer any options, warrants, convertible securities or other similar rights to acquire any capital stock of Buyer or any such Affiliate thereof; provided, however, that no such Transfer shall
be prohibited if after giving effect thereto the Beneficial Owner of such shares of Company Common Stock satisfies the ownership criteria in the definition of "Investor"; and provided, further, that no Transfers to a
bona fide financial institution for the purpose of securing bona fide indebtedness of any Investor shall be prohibited hereby;

(viii) request the Company or any of its directors, officers, employees or agents to amend or waive any provisions of this Section 5.2 or Section 5.2 of the Company Charter or seek to challenge the legality or effect thereof; or

(ix) assist, advise, encourage or act in concert with

any person with respect to, or seek to do, any of the foregoing.

(b) At such time as the restrictions on the activities of Investor contained in Section 5.2(a), 5.2(b) or 5.4 take effect, such restrictions shall supercede any restrictions on the activities of Investor contained in the Confidentiality Agreement, dated May 10, 1995, by and between Investor and the Company whereupon all such restrictions set forth in said Confidentiality Agreement shall cease to apply.

Section 5.3 Investments in Shopping Center Properties and Purchases of Interests in Shopping Center Companies. (a) Subject to the provisions of the following sentence, and excluding transactions which are the subject of paragraph (b) of this Section, from and after the date hereof until the earlier of (i) the date, if any, on which shareholders of the Company vote upon and fail to approve the transactions contemplated by the Stock Purchase Agreement, (ii) the six-month anniversary of the date hereof if a meeting at which the shareholders of the Company are asked to vote upon the transactions contemplated by the Stock Purchase Agreement shall not have occurred on or prior to such six-month anniversary date, and (iii) the 20% Termination Date, if any, Investor and any other person of which Investor is the direct or indirect general partner or as to which Investor has the direct or indirect right or power to elect a majority of the board of directors or other governing body or otherwise controls (but subject, in the case of any person other than Investor, to the fiduciary duties of such person or its general partner, board of directors or other governing body) (any such person, an "Investor Restricted Person") shall not, and Investor shall use its reasonable best efforts to cause Security Capital Group Incorporated ("SCGI") and any person of which SCGI is the direct or indirect general partner or as to which SCGI has the direct or indirect right or power to elect a majority of the board of directors or other governing bodyor otherwise controls (but subject, in the case of any person other than Investor, to the fiduciary duties of such person or its general partner, board of directors or other governing body) (SCGI and any such person, an "SCGI Restricted Person") not to, directly or indirectly, own, purchase, develop or otherwise acquire, directly or indirectly, any grocery-store, drugstore, or general merchandise discount-store (such as Wal-Mart, K-Mart, Target, TJ Maxx, Steinmart or similar store) anchored shopping center under 250,000 square feet of leasable area located in the Geographic Region (a "Shopping Center Property", and not including within the meaning of such defined term any enclosed regional or urban mall or other similar shopping facility).

Notwithstanding the foregoing, Investor, any Investor Restricted Person or any SCGI Restricted Person may own, purchase, or otherwise acquire, directly or indirectly, any Shopping Center Properties if the investment in the Shopping Center Properties is incidental to an investment made by Investor, such Investor Restricted Person or such SCGI Restricted Person which investment is not primarily related to Shopping Center Properties; it being understood and agreed that any acquisition of real estate properties in which Shopping Center Properties constitute 30% or less of the purchase price of all of the real estate properties acquired shall be considered an investment in which the Shopping Center Properties acquired are incidental to an investment which is not primarily related to Shopping Center Properties; provided, however, that if

Investor, any Investor Restricted Person or any SCGI Restricted Person determines to make such a permitted investment, Investor, such Investor Restricted Person or such SCGI Restricted Person shall afford the Company a period of 20 day after receipt of written notice from Investor describing the material terms of the proposed investment, in which to provide Investor, such Investor Restricted Person or such SCGI Restricted Person, as applicable, written notice that it elects to purchase the Shopping Center Properties constituting a part of such investment (subject to customary due diligence and other closing conditions); in the event Investor, such Investor Restricted Person or such SCGI Restricted Person thereafter makes such investment and the price and other terms are not less favorable to the Company than those set forth in the notice of material terms delivered to the Company, the Company shall promptly acquire the Shopping Center Properties included therein, at the price allocated to such Shopping Center Properties in the purchase agreement entered into by Investor, the Investor Restricted Person or the SCGI Restricted Person, as the case may be, in respect of such acquisition and otherwise on terms substantially similar to the terms of Investor's, the Investor Restricted Person's or SCGI Restricted Person's acquisition of such properties; provided, further, that if Investor, an Investor Restricted Person or an SCGI Restricted Person shall have made such a purchase, including the Shopping

Center Properties therein, and if Investor, an Investor Restricted or an SCGI Restricted Person should thereafter, but prior to the 20% Termination Date, determine to sell any Shopping Center Properties so purchased, Investor, such Investor Restricted Person or such SCGI Restricted Person shall inform the Company of such fact, and the Company shall have 20 days in which to give Investor, such Investor Restricted Person or such SCGI Restricted Person written notice that it desires to purchase such Shopping Center Properties; such notice shall set forth the terms on which the Company is prepared to effect such purchase; Investor, such Investor Restricted Person or such SCGI Re-

stricted Person shall be free to accept such offer, or to otherwise dispose of such Shopping Center Properties, but shall in no event dispose of such Shopping Center Properties on terms materially less favorable to Investor, such Investor Restricted Person or such SCGI Restricted Person without first again affording the Company the opportunity to purchase such Shopping Center Properties.

(b) From and after the date hereof until the earlier of (i) the date, if any, on which shareholders of the Company vote upon and fail to approve the transactions contemplated by the Stock Purchase Agreement, (ii) the six-month anniversary of the date hereof if a meeting at which the shareholders of the Company are asked to vote upon the transactions contemplated by the Stock Purchase Agreement shall not have occurred on or prior to such six-month anniversary date, and (iii) the 20% Termination Date, if any, Investor and any Investor Restricted Person shall not, and Investor shall use its reasonable best efforts to cause all SCGI Restricted Persons not to, purchase or otherwise acquire equity securities, or options, warrants, calls, purchase rights, subscription rights, conversion rights, exchange rights or similar rights to purchase or otherwise acquire equity securities, representing 9% or more of the equity interest of any person, other than the Company, if (i) such person's principal business activity is the acquisition, development or ownership for rental purposes of Shopping Center Properties, (ii) more than 25% of such person's assets are Shopping Center Properties (but not including as Shopping Center Property assets for such purpose any indebtedness secured directly or indirectly by Shopping Center Properties), or (iii) more than 25% of such person's revenues are derived from the purchase, development or ownership of Shopping Center Properties (any such person, a "Shopping Center Company"); ----------

provided, however, that Investor, any Investor Restricted Person or any SCGI - -------- -------

Restricted Person shall be entitled to purchase or otherwise acquire less than 9% of the equity interest of a Shopping Center Company only if no Investor, Investor Restricted Person or SCGI Restricted Person shall be represented on (or have the right to nominate representatives to) the board of directors or similar governing body or shall participate in the management, of such Shopping Center Company.

(c) The provisions of this Section 5.3 shall not restrict Investor, any Investor Restricted Person or any SCGI Restricted Person from, directly or indirectly, (w) providing debt financing for Shopping Center Properties or investing in, owning or acquiring a mortgage REIT or other person substantially all of whose business consists of making mortgage loans on Shopping Center Properties and other real estate assets, (x)

in connection with the activities described in clause (w), acquiring or owning any Shopping Center Properties through foreclosure on mortgages or similar instruments or other realization on security, or (y) the ownership of any REIT convertible debt which is passively held and unaccompanied by representation on the board of directors or participation in management and which is held by a person of which none of Investor, any Investor Restricted Person or any SCGI Restricted Person directly or indirectly Beneficially Owns 20% or more of the outstanding economic or voting interest.

(d) Notwithstanding any contrary provision herein, the provisions of this Section 5.3 shall not go into effect unless and until the transactions contemplated by the Stock Purchase Agreement shall have been approved by the holders of the requisite number of shares of Company Stock at a duly called and held meeting of shareholders of the Company at which meeting a quorum is present (such approval, the "Shareholder Approval").

Section 5.4 Notice to Company. From and after the Shareholder Approval Date, if any, until the expiration of the Standstill Period or any Standstill Extension Period, if Investor wishes to sell pursuant to subsection 5.2(a)(ii)(v), (w) or (x) any shares of Company Common Stock, Investor shall give the Company 15 days' prior written notice of such proposed sale, setting forth the number of shares of Company Common Stock that Investor proposes to sell, the expected timing of the proposed sale, and the expected selling price of such sale, in order to enable the Company to make an offer to purchase such shares. During the period described in the preceding sentence, Investor shall also notify the Company if Investor reaches a formal board-level decision to sell shares of Company Common Stock representing more than 2% of the then outstanding shares of Company Common Stock.

Section 5.5 Compliance with Insider Trading Policy. For as long as Investor Beneficially Owns any shares of Company Common Stock, Investor will, and will use its commercially reasonable efforts to cause its directors, officers, employees, agents, and representatives to, comply with the written policy of the Company reasonably designed to prevent violations of insider trading and similar laws. It is understood and agreed that no such policy existed as of the date of the Stock Purchase Agreement, and that prior to the adoption or amendment of any such policy to which Investor will be subject (including any such policy proposed to be adopted following the date of the Stock Purchase Agreement and prior to the date hereof, and to which Investor would become subject by virtue hereof), the Company will consult with Investor, and will not adopt or amend any such policy, nor will Investor be subject to any such

policy, without the written consent of Investor, which consent will not be unreasonably withheld.

Section 5.6 Compliance with Section 5.2 of the Company Charter. For as long as Investor Beneficially Owns any shares of Company Common Stock (unless the Standstill Period or any Standstill Extension Term is terminated by any of the actions set forth in Section 5.1(a)(iv), (v) or (vi) (or unless any such action occurs following the termination of the Standstill Period or any Standstill Extension Term) or by any other willful action by the Company which constitutes an Early Termination Event (or would constitute an Early Termination Event during the Standstill Period or any Standstill Extension Term)), Investor and each Investor Restricted Person will, and Investor will use its reasonable best efforts to cause the SCGI Restricted Persons to, comply with Section 5.2 of the Company Charter and will not seek to challenge the legality or effect thereof.

Section 5.7 Investment Company Matters. From and after the Shareholder Approval Date, if any, until the 20% Termination Date, if any, Investor shall use its reasonable best efforts to not be or become an "investment company" or an entity "controlled" by an "investment company", as such terms are defined in the Investment Company Act of 1940, as amended.

Section 5.8 Waiver of Restrictions and Limits. Provided that Shareholder Approval is obtained, subject to the provisions of the third sentence of this Section 5.8, the Company shall take all actions, including by providing any necessary exemptions from or amendments to (A) any restrictions or limits contained in Article 5 of the Company Charter or (B) any agreement or instrument which governs ownership of shares of Company Stock by any person, necessary to permit Investor to Beneficially Own up to and including the greater of (i) 45% of the outstanding shares of Company Common Stock and (ii) the percentage which represents the number of shares of Company Common Stock purchased pursuant to the Stock Purchase Agreement relative to the outstanding shares of Company Common Stock. If any third party shall be given the right to Beneficially Own more than 45% of the outstanding shares of Company Common Stock, the Company shall take all actions (including by providing the foregoing exemptions and amendments) to waive any and all restrictions or limits on Investor provided that such waiver does not result in the disqualification of the Company as a REIT. From and after the 15% Termination Date, if any, the Company shall take all actions, including by providing any necessary exemptions from or amendments to (A) any restrictions or limits contained in Article 5 of the Company Charter or (B) any agree-

ment or instrument which governs ownership of shares of Company Stock by any person, necessary to permit Investor to Beneficially Own up to and including 15% of the outstanding shares of Company Common Stock, but shall not be required to take any action to permit Investor to Beneficially Own more than 15% of the outstanding shares of Company Common Stock. From and after the first date on which Investor does not own at least 9.8% of the outstanding shares of Company Common Stock, if any, the Company shall take all actions, including by providing any necessary exemptions from or amendments to (A) the ownership limits contained in Article 5 of the Company Charter or (B) any agreement or instrument which governs ownership of shares of Company Stock by any person, necessary to permit Investor to Beneficially Own up to and including 9.8% of the outstanding shares of Company Common Stock, but shall not be required to take any action to permit Investor to Beneficially Own more than 9.8% of the outstanding shares of Company Common Stock. Notwithstanding the foregoing, Investor or the Company may at any time acquire Beneficial Ownership of the securities of such other party or its Affiliates to the extent permitted by applicable law and the provisions of the organizational documents of such party or its Affiliates, as applicable, and other agreements from time to time governing the ownership of such securities.

Section 5.9 REIT Qualification. From and after the Shareholder Approval Date until the 15% Termination Date, Investor shall annually inform the Company whether Investor believes, and shall otherwise from time to time, as reasonably requested by the Company, reasonably cooperate (including by providing such information and documentation as may be reasonably requested by the Company) with the Company to enable the Company to determine whether, any person which would be treated as an "individual" for purposes of Section 542(a)(2) of the Code (as modified by Section 856(h) of the Code) owns or would be considered to own (taking into account the ownership attribution rules under Section 544 of the Code, as modified by Section 856(h) of the Code) in excess of 9.8% of the value of the outstanding equity interest in Investor.

ARTICLE 6

Limitations on Corporate Actions, Etc.

Section 6.1 Limitations on Corporate Actions. (a) The Company agrees that from and after the Shareholder Approval Date, until the earlier of (i) the termination of the Standstill Period or any Standstill Extension Term or (ii) the 20%

Termination Date, if any, it will not, and will not permit any of its Subsidiaries to:

(A) incur total consolidated indebtedness for money borrowed (including for this purpose any indebtedness evidenced by notes, debentures, bonds or other similar instruments, or secured by any lien on any property or asset, all obligations issued or assumed as the deferred purchase price of property, conditional sale obligations, obligations under any title retention agreement (but excluding trade accounts payable and other accrued current liabilities arising in the ordinary course of business), obligations under letters of credit, or similar credit transactions, and obligations which are required to be accounted for as capital leases) in an amount in excess of 60% of the gross book value of the consolidated book assets of the Company (excluding any minority interests not convertible into interests in the Company) before depreciationand amortization, unless the violation of such ratio is cured within 30 days of its occurrence;

(B) cause or permit the sum of (w) stocks, securities, partnership interests or any similar investments or instruments of or in any other Person, (x) assets held other than directly by the Company, (y) loans made by the Company to a Subsidiary, or loans made by a Subsidiary to the Company, and (z) assets managed by Persons other than employees of the Company (excluding retention of a third party manager that is desisted prior to the fifth day immediately preceding the end of the calendar quarter in which it arises and provided that any asset managed by a third party shall be considered a passive asset to be included in the calculations pursuant to Section 6.1(b)), to, at any time constitute more than 30%, at cost, of the consolidated assets owned by the Company;

(C) have at any time prior to June 1, 1997, more than 15%, and at all other times, more than 10%, at cost, of its consolidated assets in property types other than Shopping Center Properties or land suitable and intended for development of Shopping Center Properties;

provided, however, that for purposes of this subsection (C) of Section 6.1(a), Shopping Center Properties shall include any grocery-, drug- or general merchandise discount-store anchored shopping center under 350,000 square feet of leasable area located in the Geographic Region;

(D) in the case of the Company, (1) terminate its eligibility for treatment as a real estate investment trust, as defined in the Code, or (2) take any action or fail to take any action which would reasonably be expected to, alone or in conjunction with any other factors, result in the loss of such eligibility, unless in the case of a failure to take action, such action is taken within thirty days; or

(E) except as permitted or required by any agreements or commitments existing as of the date of the Stock Purchase Agreement and disclosed to Investor pursuant thereto, own any interest in any partnership unless the Company is the sole managing general partner of such partnership.

(b) from and after Shareholder Approval Date, until the first date, if any, following the date on which the Remaining Equity Commitment shall have been reduced to zero on which Investor's ownership of Company Common Stock shall have been below 20% by value of the actually outstanding shares of Company Common Stock for a continuous period of 180 days (or if Investor's ownership of Company Common Stock shall, following the date on which the Remaining Equity Commitment shall have been reduced to zero, have fallen below 20% by value of the actually outstanding shares of Company Common Stock as a result of a Transfer by Investor of Company Common Stock or a failure of Investor to exercise its rights under Section 4.2 during the 60 days immediately prior to the expiration of such 180-day period, if any such rights are exercisable during such period, to the extent necessary to (and provided that it shall be possible by such exercise to) raise its ownership of the actually outstanding Company Common Stock above such 20% threshold, then until such Transfer or failure to exercise its rights under Section 4.2, as the case may be), the Company

(i) will not, without the prior written consent of Investor, either take any action that would cause, or fail to take any action which failure would cause, (A) the percentage of the Company's consolidated gross income that is considered "pas-

sive income" (within the meaning of Section 1296(a)(1) of the Code, and computed using the assumptions and conventions set forth in Schedule 6.1(c) hereto, together with such modifications thereto as Investor shall advise the Company in writing are necessary as a result of the promulgation of regulations, rulings, or other formal or informal administrative guidance clarifying existing law or a change in existing law or interpretations thereof) to exceed 30%, or (B) the average percentage of the Company's assets (by value, computed as of the end of every calendar quarter) held during any taxable year which produce passive income or which are held for the production of passive income (as such terms are used in Section 1296(a)(2) of the Code and computed using the assumptions and conventions set forth in Schedule 6.1(c) hereto, together with such modifications thereto as Investor shall advise the Company in writing are necessary as a result of the promulgation of regulations, rulings, or other formal or informal administrative guidance clarifying existing law or a change in existing law or interpretations thereof) to exceed 30%; and

(ii) will otherwise consider in good faith suggestions made by Investor as to the structure of the operations of the Company and its Subsidiaries in order to permit Investor or any shareholder of Investor to avoid being classified as a "passive foreign investment company" under the Code.

The agreements of the Company set forth in subsections (a) and (b) of this Section 6.1, and Sections 6.3, 6.4 and 6.6 shall be the "Corporate Action Covenants."

Section 6.2 Provision of Information. For as long as Investor Beneficially Owns any shares of Company Stock, the Company will provide to Investor all information and documentation requested by Investor, and will cooperate with Investor as requested, as may be necessary for Investor to perform the calculations to be made in connection with and to meet the documentation requirements pursuant to Sections 1291 through 1297 of the Code, as may be amended from time to time, and any successor provisions thereto, and as may otherwise be reasonably necessary in connection with any other record keeping or reporting laws, rules or regulations (including all such information, documentation and cooperation as is necessary to enable Investor to (1) file any Tax Returns it is required to file and (2) to

determine and document its status, income, asset mix and other relevant items with respect to the Passive Foreign Investment Company provisions of the Code).

Section 6.3 Compliance with Conflicts of Interest Policy. Promptly following the date hereof, the Company shall, subject to the reasonable consent and approval of Investor, adopt policies typical of publicly traded companies relating to transactions with affiliates and potential conflicts of interest (such policies, together with the Affiliate Arrangements, as modified or amended from time to time with the consent of Investor, collectively, the "Conflict of Interest Policies"). From and after the date of adoption of such Conflict of Interest Policies until the 20% Termination Date, (x) the Company will, and will cause its Subsidiaries to, comply with and enforce such Conflict of Interest Policies, and (y) Investor will comply with the Conflict of Interest Policies;

provided, however, that the provisions of this Agreement, the Stock Purchase Agreement and the Registration Rights Agreement and the transactions contemplated hereby and thereby shall not be limited, amended or modified in any way by, and shall govern in the event of a conflict with, the Conflict of Interest Policies; provided further that no Conflict of Interest Policy shall in any way discriminate or differentiate among any Affiliates of the Company.

Section 6.4 Maintenance of Affiliate and Joint Venture Arrangements. From and after the date hereof until the 20% Termination Date, if any, (x) the Company will, and will cause its Subsidiaries to, comply with, enforce and keep in effect each of the Affiliate Arrangements, and (y) the Company will not, and will cause its Subsidiaries not to, (A) modify, amend or waive any provision contained in any Affiliate Arrangement without the prior written consent of Investor, in its sole discretion, or (B) materially expand or increase, or permit to be materially expanded or increased, the scope, type or quantity of activities performed, or transactions entered into, by Village Common Shopping Center, a Florida limited partnership, Regency Ocean East Partnership, Ltd., a Florida limited partnership, or RRC Operating Partnership of Georgia, L.P., a Georgia limited partnership, or (C) enter into new joint venture, partnership or similar arrangements with third parties, or (D) directly or indirectly, own, purchase, develop, or otherwise acquire or finance any Shopping Center Property in conjunction with any Affiliate which is not a wholly owned Subsidiary of the Company or otherwise in a joint venture with any such party, in each case, without the prior written consent of Investor, in its sole discretion, provided that in the case of the proposed joint venture arrangement with WLD Enterprises, Ltd. regarding the Deerfield Beach shopping center, Investor shall not unreasonably

withhold its consent.

Section 6.5 Sales of Assets. From and after the date hereof until the 15% Termination Date, if any, the Company will, and will cause its Subsidiaries to, use its reasonable efforts, consistent with prudent management of the Company's properties and assets in the interest of the Company's shareholders, to dispose of properties or assets through tax deferred exchanges which exchanges will defer any capital gains distributions to shareholders of the Company. In the event it is expected that any capital gains distributions are to be made, the Company will endeavor to provide Investor with such advance notice thereof as may be practicable.

Section 6.6 Investments in Shopping Center Properties and Purchases of Interests in Shopping Center Companies. (a) Subject to the provisions of the following sentence, and excluding transactions which are the subject of paragraph (b) of this Section, from and after the date hereof until the earlier of (i) the date, if any, on which shareholders of the Company vote upon and fail to approve the transactions contemplated by the Stock Purchase Agreement, and (ii) the 20% Termination Date, if any, TRG and any other person of which TRG is the direct or indirect general partner or as to which TRG has the direct or indirect right or power to elect a majority of the board of directors or other governing body or otherwise controls (any such person, a "TRG Restricted Person") shall not, directly or indirectly, own, purchase, develop or otherwise acquire, directly or indirectly, any Shopping Center Property. Notwithstanding the foregoing, TRG or any TRG Restricted Person may own, purchase, or otherwise acquire, directly or indirectly, any Shopping Center Properties if the investment in the Shopping Center Properties is incidental to an investment made by TRG orsuch TRG Restricted Person which investment is not primarily related to Shopping Center Properties; it being understood and agreed that any acquisition of real estate properties in which Shopping Center Properties constitute 30% or less of the purchase price of all of the real estate properties acquired shall be considered an investment in which the Shopping Center Properties acquired are incidental to an investment which is not primarily related to Shopping Center Properties; provided, however, that if TRG or any TRG Restricted Person determines to make such a permitted investment, TRG or such TRG Restricted Person shall afford the Company a period of 20 day after receipt of written notice from TRG describing the material terms of the proposed investment, in which to provide TRG or such TRG Restricted Person, as applicable, written notice that it elects to purchase the Shopping Center Properties constituting a part of such investment (subject to customary due diligence and other

closing conditions); in the event TRG or such TRG Restricted Person thereafter makes such investment and the price and other terms are not less favorable to the Company than those set forth in the notice of material terms delivered to the Company, the Company shall promptly acquire the Shopping Center Properties included therein, at the price allocated to such Shopping Center Properties in the purchase agreement entered into by TRG or the TRG Restricted Person, as the case may be, in respect of such acquisition and otherwise on terms substantially similar to the terms of TRG's or the TRG Restricted Person's acquisition of such properties; provided, further, that if TRG or a TRG Restricted Person shall have
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made such a purchase, including the Shopping Center Properties therein, and if TRG or a TRG Restricted Person should thereafter, but prior to the 20% Termination Date, determine to sell any Shopping Center Properties so purchased, TRG or such TRG Restricted Person shall inform the Company of such fact, and the Company shall have 20 days in which to give TRG or such TRG Restricted Personwritten notice that it desires to purchase such Shopping Center Properties; such notice shall set forth the terms on which the Company is prepared to effect such purchase; TRG or such TRG Restricted Person shall be free to accept such offer, or to otherwise dispose of such Shopping Center Properties, but shall in no event dispose of such Shopping Center Properties on terms materially less favorable to TRG or such TRG Restricted Person without first again affording the Company the opportunity to purchase such Shopping Center Properties.

(b) From and after the date hereof until the earlier of (i) the date, if any, on which shareholders of the Company vote upon and fail to approve the transactions contemplated by the Stock Purchase Agreement, and (ii) the 20% Termination Date, if any, TRG and any TRG Restricted Person shall not purchase or otherwise acquire equity securities, or options, warrants, calls, purchase rights, subscription rights, conversion rights, exchange rights or similar rights to purchase or otherwise acquire equity securities, representing 9% or more of the equity interest of any person, other than the Company, if such person is a Shopping Center Company; provided, however, that TRG or any TRG
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Restricted Person shall be entitled to purchase or otherwise acquire less than 9% of the equity interest of a Shopping Center Company only if no TRG or TRG Restricted Person shall be represented on (or have the right to nominate representatives to) the board of directors or similar governing body or shall participate in the management, of such Shopping Center Company.

(c) The provisions of this Section 6.6 shall not restrict TRG or any TRG Restricted Person from, directly or indirectly, (w) providing debt financing for Shopping Center

Properties or investing in, owning or acquiring a mortgage REIT or other person substantially all of whose business consists of making mortgage loans on Shopping Center Properties and other real estate assets, (x) in connection with the activities described in clause (w), acquiring or owning any Shopping Center Properties through foreclosure on mortgages or similar instruments or other realization on security, or (y) the ownership of any REIT convertible debt which is passively held and unaccompanied by representation on the board of directors or participation in management and which is held by a person of which none of TRG or any TRG Restricted Person directly or indirectly Beneficially Owns 20% or more of the outstanding economic or voting interest.

(d) Each of the Company and Investor shall be entitled to the benefits of the provisions contained in this Section 6.6.

ARTICLE 7

Miscellaneous

Section 7.1 Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service shall be considered original executed counterparts for purposes of this Section, provided receipt of copies of such counterparts is confirmed.

Section 7.2 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA WITHOUT REFERENCE TO THE CHOICE OF LAW PRINCIPLES THEREOF.

Section 7.3 Entire Agreement. This Agreement (including agreements incorporated herein) and the Schedules and Exhibits hereto contain the entire agreement between the parties with respect to the subject matter hereof and there are no agreements, understandings, representations or warranties between the parties other than those set forth or referred to herein. This Agreement is not intended to confer upon any person not a party hereto (and their successors and assigns) any rights or remedies hereunder.

Section 7.4 Expenses. Except as set forth in the Stock Purchase Agreement, all legal and other costs and expenses

incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses. Without limiting the foregoing, the Company shall pay all costs and expenses incurred in connection with the solicitation of votes of shareholders of the Company to approve the transactions contemplated by the Stock Purchase Agreement.

Section 7.5 Notices. All notices and other communications hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally, sent by documented overnight delivery service or, to the extent receipt is confirmed, telecopy, telefax or other electronic transmission service to the appropriate address or number as set forth below. Notices to the Company shall be addressed to:

Regency Realty Corporation
121 West Forsyth Street, Suite 200
Jacksonville, Florida 32202
Attention: Martin E. Stein, Jr.
Telecopy Number: (904) 634-3428

with a copy to:

Foley & Lardner
Greenleaf Building
200 Laura Street
Jacksonville, Florida 32202
Attention: Charles E. Commander III, Esq.
Telecopy Number: (904) 359-8700

or at such other address and to the attention of such other person as the Company may designate by written notice to Investor. Notices to Investor shall be addressed to:

Security Capital Holdings S.A.
69, route d'Esch
L-2953 Luxembourg
Attention: Paul E. Szurek
Telecopy Number: (352) 4590-3331

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Adam O. Emmerich, Esq.
Telecopy Number: (212) 403-2000

Section 7.6 Successors and Assigns. This Agreement

shall be binding upon and inure to the benefit of the parties hereto and their respective successors. Neither party shall be permitted to assign any of its rights hereunder to any third party, except that any Investor shall be permitted to assign its rights hereunder to any other person who would satisfy the criteria in the definition of "Investor" which agrees to be bound by this Agreement.

Section 7.7 Headings. The Section, Article and other headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. All references to Sections or Articles contained herein mean Sections or Articles of this Agreement unless otherwise stated.

Section 7.8 Amendments and Waivers. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the party against whom enforcement of any such modification or amendment is sought. Any party hereto may, only by an instrument in writing, waive compliance by another party hereto with any term or provision hereof on the part of such other party hereto to be performed or complied with. The waiver by any party hereto of a breach of any term or provision hereof shall not be construed as a waiver of any subsequent breach.

Section 7.9 Interpretation; Absence of Presumption. (a) For the purposes hereof, (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) the terms "hereof", "herein", and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole (including all of the Schedules and Exhibits hereto) and not to any particular provision of this Agreement, and Article, Section, paragraph, Schedule and Exhibit references are to the Articles, Sections, paragraphs, Schedules and Exhibits to this Agreement unless otherwise specified, (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified, (iv) the word "or" shall not be exclusive, and (v) provisions shall apply, when appropriate, to successive events and transactions.

(b) This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

Section 7.10 Severability. Any provision hereof which is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability, without affecting in any way the remaining provisions hereof.

Section 7.11 Further Assurances. The Company and Investor agree that, from time to time, each of them will, and will cause their respective Affiliates to, execute and deliver such further instruments and take such other action as may be necessary to carry out the purposes and intents hereof.

Section 7.12 Specific Performance. The Company and Investor each acknowledge that, in view of the uniqueness of arrangements contemplated by this Agreement, the parties hereto would not have an adequate remedy at law for money damages in the event that this Agreement were not performed in accordance with its terms, and therefore agree that the parties hereto shall be entitled to specific enforcement of the terms hereof in addition to any other remedy to which the parties hereto may be entitled at law or in equity.

Section 7.13 Investor Breach. In the event Investor shall have breached (i) its obligation to effect a purchase of Company Common Stock pursuant to the Stock Purchase Agreement which breach is neither cured nor desisted from within 30 days of receipt of written notice of such breach, or (ii) any of its obligations under this Agreement which breach is neither cured nor desisted from within 30 days of receipt of written notice of such breach and which would reasonably be expected to materially adversely affect the Company, the Company shall no longer be required to perform any of its obligations hereunder.

Section 7.14 Confidentiality. Investor agrees that all information provided to Investor or any of its representatives pursuant to this Agreement shall be kept confidential, and Investor shall not (x) disclose such information to any persons other than the directors, officers, employees, financial advisors, legal advisors, accountants, consultants and affiliates of Investor who reasonably need to have access to the confidential information and who are advised of the confidential nature of such information or (y) use such information in a manner which would be detrimental to the Company; provided, however, the foregoing obligation of Investor shall not (a) relate to any information that (i) is or becomes generally available other than as a result of unauthorized disclosure by Investor or by persons to whom Investor has made such information available, (ii) is or becomes available to Investor on a non-confidential basis from a third party that is not, to Investor's knowledge, bound by any other confidentiality agreement with the Company,

or (b) prohibit disclosure of any information if required by law, rule, regulation, court order or other legal or governmental process.

Section 7.15 Public Releases and Announcements. The Company agrees that until the 20% Termination Date, it shall endeavor to provide to Investor advance copies of, or, in the case of oral announcements, advance notice of, any public release or announcement concerning the Company to be issued, released or made by the Company or any of its Affiliates, in each case, if possible, at least one Business Day prior to such release or announcement.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto as of the day first above written.

REGENCY REALTY CORPORATION

By:

Name: Martin E. Stein, Jr.
Title: President

SECURITY CAPITAL HOLDINGS S.A.

By:

Name: Paul E. Szurek
Title: Managing Director

SECURITY CAPITAL U.S. REALTY

By:

Name: Paul E. Szurek
Title: Managing Director

THE REGENCY GROUP, INC.

By:

Name: Martin E. Stein, Jr.
Title:

REGISTRATION RIGHTS AGREEMENT

by and among

REGENCY REALTY CORPORATION

SECURITY CAPITAL HOLDINGS S.A.

and

SECURITY CAPITAL U.S. REALTY

dated as of

_____ __, 1996

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REGISTRATION RIGHTS AGREEMENT (the "Agreement"), dated as of _____, 1996, by and among Regency Realty Corporation, a Florida corporation (the "Company"), Security Capital U.S. Realty, a Luxembourg corporation ("USREALTY"), and Security Capital Holdings S.A., a Luxembourg corporation ("Holdings") and a wholly owned subsidiary of USREALTY. Capitalized terms not otherwise defined herein have the meaning ascribed to them in the Stock Purchase Agreement (as hereinafter defined).

WHEREAS, the Company, Holdings and USREALTY have entered into a Stock Purchase Agreement, dated as of June 11, 1996 (the "Stock Purchase Agreement"), that provides for the purchase by Holdings and sale by the Company to Holdings of shares of Company Common Stock; and

WHEREAS, in order to induce Buyer to enter into the Stock Purchase Agreement, the Company has agreed to provide the registration rights set forth herein;

NOW, THEREFORE, in consideration of the premises and the covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

Section 1. Definitions. As used herein, the following terms shall have the following meanings:

(a) "Agreement" shall have the meaning set forth in the first paragraph hereof.

(b) "Buyer" shall mean, collectively, as the context may require, USREALTY and Holdings, and shall also include any Affiliate of USREALTY or Holdings of which USREALTY and/or Holdings collectively, directly or indirectly, Beneficially Own 98% or more of the voting power and of the economic interests, or any bona fide financial institution to which any Buyer has Transferred (including upon foreclosure of a pledge) shares of Company Stock for the purpose of securing bona fide indebtedness of any Buyer. (Capitalized terms used in this definition and not defined herein shall have the meanings ascribed to them in the Stockholders Agreement.)

(c) "Commencement Date" shall mean the first anniversary of the date of this Agreement, except that, in the case of any Buyer which is a bona fide financial institution to which any other Buyer has Transferred (including upon foreclosure of a pledge) shares of Company Stock for the purpose of securing bona fide indebtedness, the Commencement Date shall be the date of this Agreement.

(d) "Company" shall have the meaning set forth in the first paragraph hereof.

(e) "Company Registration Expenses" shall mean the fees and disbursements of counsel and independent public accountants for the Company incurred in connection with the Company's performance of or compliance with this Agreement, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, and any premiums and other costs of policies of insurance obtained by the Company against liabilities arising out of the sale of any securities.

(f) "Commission" shall mean the Securities and Exchange Commission, and any successor thereto.

(g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and any successor thereto, and the rules and regulations thereunder.

(h) "Exercise Notice" shall have the meaning set forth in Section 7(a).

(i) "Extraordinary Transaction" shall mean (i) any merger, consolidation, sale or acquisition of assets, recapitalization, other business combination, liquidation, or other action out of the ordinary course of business of the Company, or (ii) any sale, issuance or other disposition of capital stock of the Company representing, in the aggregate, at least 30% of the then outstanding capital stock of the Company.

(j) "Extraordinary Transaction Shares" shall have the meaning set forth in Section 7(a).

(k) "Holdings" shall have the meaning set forth in the first paragraph hereof.

(l) "NASD" shall mean the National Association of Securities Dealers, Inc.

(m) "Registrable Securities" shall mean (i) any and all shares of Company Stock acquired by Buyer pursuant to the Stock Purchase Agreement, (ii) any and all securities acquired by Buyer pursuant to Section 4.2 of the Stockholders Agreement, and (iii) any securities issued or issuable with respect to any Company Stock or other securities referred to in clause (i) or (ii) by way of conversion, exchange, stock dividend or stock split or in connection with a combination of shares, recapitalization, merger, consolidation or other reorganization or otherwise. As to any particular Registrable Securities, once issued such securities shall cease to be Registrable Securities when (A) a registration statement with respect to the sale of such securities shall have become effective under the Securities Act and such securities shall have been disposed of in accordance with such registration state-

ment, or (B) such securities shall have been sold in accordance with Rule 144 (or any successor provision) under the Securities Act.

(n) "Registration Expenses" shall mean all registration, filing and stock exchange or NASD fees, all fees and expenses of complying with securities or blue sky laws, all printing expenses, messenger and delivery expenses, any fees and disbursements of any separate counsel retained by Buyer, any fees and disbursements of underwriters customarily paid by sellers of securities who are not the issuers of such securities and all underwriting discounts and commissions and transfer taxes, if any, and any premiums and other costs of policies of insurance obtained by Buyer against liabilities arising out of the public offering of securities.

(o) "Registration Suspension Period" shall have the meaning set forth in Section 2(b).

(p) "Securities Act" shall mean the Securities Act of 1933, as amended, and any successor thereto, and the rules and regulations thereunder.

(q) "Shelf Registration" shall have the meaning set forth in Section 2(a).

(r) "Stockholders Agreement" shall have the meaning set forth in Section 2(c).

(s) "Stock Purchase Agreement" shall have the meaning set forth in the second paragraph hereof.

(t) "Suspension Notice" shall have the meaning set forth in Section 2(b).

(u) "Tag-Along Notice" shall have the meaning set forth in Section 7(a).

(v) "Tag-Along Shares" shall have the meaning set forth in Section 7(a).

(w) "Third Party" shall have the meaning set forth in Section 7(a).

(x) "Underwritten/Placed Offering" shall mean a sale of securities of the Company to an underwriter or underwriters for reoffering to the public or on behalf of a person other than the Company through an agent for sale to the public.

(y) "USREALTY" shall have the meaning set forth in the first paragraph hereof.

Section 2. Shelf Registration. (a) Obligation to File and Maintain. At any time following the Commencement Date, promptly upon the written request of Buyer, the Company will use its reasonable best efforts to file with the Commission a registration statement under the Securities Act for the offering on a continuous or delayed basis in the future of all of the Registrable Securities (the "Shelf Registration"). The Shelf Registration shall be on an appropriate form and the Shelf Registration and any form of prospectus included therein or prospectus supplement relating thereto shall reflect such plan of distribution or method of sale as Buyer may from time to time notify the Company, including the sale of some or all of the Registrable Securities in a public offering or, if requested by Buyer, subject to receipt by the Company of such information (including information relating to purchasers) as the Company reasonably may require, (i) in a transaction constituting an offering outside the United States which is exempt from the registration requirements of the Securities Act in which the seller undertakes to effect registration after the completion of such offering in order to permit such shares to be freely tradeable in the United States, (ii) in a transaction constituting a private placement under Section 4(2) of the Securities Act in connection with which the seller undertakes to effect a registration after the conclusion of such placement to permit such shares to be freely tradeable by the purchasers thereof, or (iii) in a transaction under Rule 144A of the Securities Act in connection with which the seller undertakes to effect a registration after the conclusion of such transaction to permit such shares to be freely tradeable by the purchasers thereof. The Company shall use its reasonable best efforts to keep the Shelf Registration continuously effective for the period beginning on the date on which the Shelf Registration is declared effective and ending on the first date that there are no Registrable Securities. During the period during which the Shelf Registration is effective, the Company shall supplement or make amendments to the Shelf Registration, if required by the Securities Act or if reasonably requested by Buyer or an underwriter of Registrable Securities, including to reflect any specific plan of distribution or method of sale, and shall use its reasonable best efforts to have such supplements and amendments declared effective, if required, as soon as practicable after filing.

(b) Black-Out Periods of Buyer. Notwithstanding anything herein to the contrary, (i) the Company shall have the right from time to time to require Buyer not to sell under the Shelf Registration or to suspend the effectiveness thereof during the period starting with the date 30 days prior to the Company's good faith estimate, as certified in writing by an executive officer of the Company to Buyer, of the proposed date of filing of a registration statement or a preliminary prospectus supplement relating to an existing shelf registration statement, in either case,

pertaining to an underwritten public offering of equity securities of the Company for the account of the Company, and ending on the date 90 days following the effective date of such registration statement or the date of filing of such prospectus supplement, and (ii) the Company shall be entitled to require Buyer not to sell under the Shelf Registration or to suspend the effectiveness thereof (but not for a period exceeding 90 days) if the Company determines, in its good faith judgment, that such offering or continued effectiveness would interfere with any material financing, acquisition, disposition, corporate reorganization or other material transaction involving the Company or any of its subsidiaries or public disclosure thereof would be required prior to the time such disclosure might otherwise be required, or when the Company is in possession of material information that it deems advisable not to disclose in a registration statement.

Once any registration statement filed pursuant to this Section 2 or in which Registrable Securities are included pursuant to Section 3 has been declared effective, any period during which the Company fails to keep such registration statement effective and usable for resale of Registrable Securities for the period required by Section 4(b) shall be referred to as a "Registration Suspension Period". A Registration Suspension Period shall commence on and include the date that the Company gives written notice to Buyer of its determination that such registration statement is no longer effective or usable for resale of Registrable Securities (the "Suspension Notice") to and including the date when the Company notifies Buyer that the use of the prospectus included in such registration statement may be resumed for the disposition of Registrable Securities.

(c) Black-Out Periods of the Company. Subject to the conditions of this Section 2(c), Buyer shall have the right, exercisable on not more than two occasions, to require the Company not to sell, and to use its good faith efforts to cause any other holder of common equity securities or securities convertible into common equity securities of the Company not to sell, any common equity securities of the Company or any securities convertible into common equity securities of the Company under any registration statement or prospectus supplement relating to an existing shelf registration statement (other than sales of shares of Common Stock upon the redemption of limited partnership units of any Subsidiary of the Company and sales of equity securities issued or granted pursuant to any employee benefit or similar plan or any dividend reinvestment plan), or to suspend the effectiveness thereof, during the period starting with the date 15 days prior to Buyer's good faith estimate, as certified in writing by an executive officer of Buyer to the Company, of the proposed date of filing of a preliminary prospectus supplement relating to a Shelf Registration filed pursuant to Section 2(a), pertaining to an underwritten pub-

lic offering of Registrable Securities, and ending on the date 60 days following the date of filing of the final prospectus supplement, but in no event on a date later than 75 days following the date of filing of the preliminary prospectus supplement. The Company's obligations under this Section 2(c) are subject to the continuing satisfaction of the following conditions: (a) the Registrable Securities to be offered by Buyer in such underwritten public offering shall represent (i) in the case of Buyer's first exercise of its rights under this Section 2(c), the greater of (A) at least 20% of the then outstanding shares of Company Common Stock and (B) at least that number of shares of Registrable Securities having a market value, based on the most recent closing price, of $50 million, in each case determined at the time Buyer exercises its rights under this Section 2(c); and (ii) in the case of Buyer's second exercise of its rights under this Section 2(c), the greater of (A) at least 40% of the total number of shares of Registrable Securities then Beneficially Owned by Buyer and its Affiliates and (B) at least that number of shares of Registrable Securities having a market value, based on the most recent closing price, of $60 million, in each case determined at the time Buyer exercises its rights under this Section 2(c); (b) no black-out period pursuant to Section 2(b)(i) shall be in effect at the time of Buyer's exercise of its rights under this Section 2(c); (c) the Company shall not have suspended sales of Registrable Securities pursuant to Section 2(b)(ii); (d) the Company shall not have delivered to Buyer a written notice to the effect that the Board of Directors has determined in good faith that compliance with this Section 2(c) would reasonably be expected to have a Material Adverse Effect on the Company; and (e) Buyer shall not be in default of any of its material obligations under the Stock Purchase Agreement, the Stockholders Agreement, dated as of the date hereof, by and among the Company, Holdings and USREALTY (the "Stockholders Agreement"), or this

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Agreement. In no event may the Company include in any preliminary prospectus supplement under which Buyer is offering Registrable Securities covered by this Section 2(c) any equity securities of the Company or any securities convertible into equity securities of the Company.

(d) Number of Shelf Registrations. The Company shall be obligated to

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effect, under this Section 2, a minimum of one Shelf Registration, plus an additional Shelf Registration for each $50,000,000 of shares of Company Stock purchased by Buyer from the Company subsequent to the Initial Closing. A Shelf Registration shall not be deemed to have been effected, nor shall it be sufficient to reduce the number of Shelf Registrations available to Buyer under this Section 2, unless such registration becomes effective pursuant to the Securities Act and is kept continuously effective for a period of at least two years (other than any periods during such period of effectiveness which are Registration Suspension Periods, and provided that no such Registration Suspension

Periods shall count towards such two-year period); provided, however, that no Shelf Registration shall be deemed to have been effected, nor shall it reduce the number of Shelf Registrations available under this Section 2, if such registration cannot be used by Buyer for more than 60 days as a result of any stop order, injunction or other order of the Commission or other Government Authority for any reason other than an act or omission of Buyer.

(e) Size of Shelf Registration. The Company shall not be required to effect a Shelf Registration of fewer than 1,000,000 shares or other units of Registrable Securities (as adjusted for any stock splits, reverse stock splits or similar events which occur after the date hereof), except that if there are less than 1,000,000 (as adjusted for any stock splits, reverse stock splits or similar events which occur after the date hereof) shares of Registrable Securities outstanding, then the Company shall be required to effect a Shelf Registration of all of the remaining shares or other units of Registrable Securities outstanding.

(f) Notice. The Company shall give Buyer prompt notice in the event that the Company has suspended sales of Registrable Securities under Section 2(b).

(g) Expenses. All Registration Expenses incurred in connection with any Shelf Registration which may be requested under this Section 2 shall be borne by Buyer, and all Company Registration Expenses incurred in connection with any such Shelf Registration shall be borne by the Company; provided that Buyer shall reimburse the Company for the first $25,000 of fees and disbursements of counsel and independent public accountants for the Company included in Company Registration Expenses and relating to each such Shelf Registration.

(h) Selection of Underwriters. Any and all underwriters or other agents involved in any sale of Registrable Securities pursuant to a registration statement contemplated by this Section 2 shall include such underwriter(s) or other agent(s) as selected by Buyer and approved of by the Company, which approval shall not be unreasonably withheld; provided that Security Capital Markets Group Incorporated or any other Affiliate of Buyer shall in all events be approved by the Company.

Section 3. Incidental Registrations. (a) Notification and Inclusion. If the Company proposes to register for its own account any common equity securities of the Company or any securities convertible into common equity securities of the Company under the Securities Act (other than a registration relating solely to the sale of securities to participants in a dividend reinvestment plan, a registration on Form S-4 relating to a business combination or similar transaction permitted to be registered on such Form S-4,

a registration on Form S-8 relating solely to the sale of securities to participants in a stock or employee benefit plan, a registration permitted under Rule 462 under the Securities Act registering additional securities of the same class as were included in an earlier registration statement for the same offering, and declared effective), the Company shall, at each such time after the Commencement Date, promptly give written notice of such registration to Buyer. Upon the written request of Buyer given within 10 days after receipt of such notice by Buyer, the Company shall seek to include in such proposed registration such Registrable Securities as Buyer shall request be so included and shall use its reasonable best efforts to cause a registration statement covering all of the Registrable Securities that Buyer has requested to be registered to become effective under the Securities Act. The Company shall be under no obligation to complete any offering of securities it proposes to make under this Section 3 and shall incur no liability to Buyer for its failure to do so. If, at any time after giving written notice of its intention to register any securities and prior to the effective date of the registration statement filed in connection with such registration, the Company shall determine for any reason not to register or to delay registration of such securities, the Company may, at its election, give written notice of such determination to Buyer and, thereupon, (i) in the case of a determination not to register, the Company shall be relieved of its obligation to register any Registrable Securities in connection with such registration (but not from its obligation to pay the Registration Expenses incurred in connection therewith) and (ii) in the case of a determination to delay registering, the Company shall be permitted to delay registering any Registrable Securities for the same period as the delay in registering such other securities.

(b) Cut-back Provisions. If a registration pursuant to this Section 3 involves an Underwritten/Placed Offering of the securities so being registered, whether or not solely for sale for the account of the Company, which securities are to be distributed by or through one or more underwriters of recognized standing under underwriting terms customary for such transaction, and the underwriter or the managing underwriter, as the case may be, of such Underwritten/Placed Offering shall inform the Company of its belief that the amount of securities requested to be included in such registration or offering exceeds the amount which can be sold in (or during the time of) such offering without delaying or jeopardizing the success of the offering (including the price per share of the securities to be sold), then the Company will include in such registration (i) first, all the securities of the Company which the Company proposes to sell for its own account or the account of others (other than Buyer) requesting inclusion in such registration pursuant to rights to registration on request, and (b) second, to the extent of the amount which the Company is so advised can be

sold in (or during the time of) such offering, Registrable Securities and other securities requested to be included in such registration, pro rata among Buyer and others exercising incidental registration rights, on the basis of the shares of Company Stock requested to be included by all such persons.

(c) Expenses. The Company shall bear and pay all Company Registration Expenses incurred in connection with any registration of Registrable Securities pursuant to this Section 3 for Buyer, and all Registration Expenses incurred in connection with any registration of any other securities referred to in the first sentence of Section 3(a), and Buyer shall bear and pay all Registration Expenses incurred in connection with any registration of Registrable Securities pursuant to this Section 3 for Buyer.

(d) Duration of Effectiveness. At the request of Buyer, the Company shall, subject to Section 2(b), use its reasonable best efforts to keep any registration statement for which Registrable Securities are included under this Section 3 effective and usable for up to 90 days (subject to extension for the length of any Registration Suspension Period), unless the distribution of securities registered thereunder has been earlier completed; provided, however, that in no event will the Company be required to prepare or file audited financial statements with respect to any fiscal year by a date prior to the date on which the Company would be so required to prepare and file such audited financial statements if such registration statement were no longer effective and usable.

Section 4. Registration Procedures. In connection with the filing of any registration statement as provided in Section 2 or 3, the Company shall use its reasonable best efforts to, as expeditiously as reasonably practicable:

(a) prepare and file with the Commission the requisite registration statement (including a prospectus therein) to effect such registration and use its reasonable best efforts to cause such registration statement to become effective, provided that before filing such registration statement or any amendments or supplements thereto, the Company will furnish to the counsel selected by Buyer copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel before any such filing is made, and the Company will comply with any reasonable request made by such counsel to make changes in any information contained in such documents relating to Buyer;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to maintain the effectiveness of such registration and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until, in the case of Section 2, the termination of the period during which the Shelf Registration is required to be kept effective, or, in the case of Section 3, the earlier of such time as all of such securities have been disposed of and the date which is 90 days after the date of initial effectiveness of such registration statement;

(c) furnish to Buyer such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits), such number of copies of the prospectus contained in such registration statements (including each complete prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents, including documents incorporated by reference, as Buyer may reasonably request;

(d) register or qualify all Registrable Securities under such other securities or blue sky laws of such jurisdictions as Buyer shall reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect, and take any other action which may be reasonably necessary or advisable to enable Buyer to consummate the disposition in such jurisdictions of the securities owned by Buyer, except that the Company shall not for any such purpose be required to qualify generally to do business as a foreign corporation in any jurisdiction wherein it would not but for the requirements of this paragraph be obligated to be so qualified, or to consent to general service of process in any such jurisdiction, or to subject the Company to any material tax in any such jurisdiction where it is not then so subject;

(e) cause all Registrable Securities covered by such registration statement to be registered

with or approved by such other Government Authority as may be reasonably necessary to enable Buyer to consummate the disposition of such Registrable Securities;

(f) furnish to Buyer a signed counterpart, addressed to Buyer (and the underwriters, if any), of

(i) an opinion of counsel for the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), reasonably satisfactory in form and substance to Buyer, and

(ii) to the extent permitted by then applicable rules of professional conduct, a "comfort" letter, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, dated the date of the closing under the underwriting agreement), signed by the independent public accountants who have certified the Company's financial statements included in such registration statement,

covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of the accountants' letter, with respect to events subsequent to the date of such financial statements, all as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to the underwriters in underwritten public offerings of securities;

(g) immediately notify Buyer at any time when the Company becomes aware that a prospectus relating thereto is required to be delivered under the Securities Act, of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of Buyer promptly prepare and furnish to Buyer a rea-

sonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made;

(h) comply or continue to comply in all material respects with the Securities Act and the Exchange Act and with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering the period of at least 12 months, but not more than 18 months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the Securities Act, and not file any amendment or supplement to such registration statement or prospectus to which Buyer shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act, having been furnished with a copy thereof at least five Business Days prior to the filing thereof;

(i) provide a transfer agent and registrar for all Registrable Securities covered by such registration statement not later than the effective date of such registration statement; and

(j) list all Company Stock covered by such registration statement on any securities exchange on which any of the Company Stock is then listed.

Buyer shall furnish in writing to the Company such information regarding Buyer (and any of its affiliates), the Registrable Securities to be sold, the intended method of distribution of such Registrable Securities, and such other information requested by the Company as is necessary for inclusion in the registration statement relating to such offering pursuant to the Securities Act and the rules of the Commission thereunder. Such writing shall expressly state that it is being furnished to the Company for use in the preparation of a registration statement, preliminary prospectus, supplementary prospectus, final prospectus or amendment or supplement thereto, as the

case may be.

Buyer agrees by acquisition of the Registrable Securities that upon receipt of any notice from the Company of the happening of any event of the kind described in paragraph (g) of this Section 4, Buyer will forthwith discontinue its disposition of Registrable Securities pursuant to the registration statement relating to such Registrable Securities until Buyer's receipt of the copies of the supplemented or amended prospectus contemplated by paragraph (g) of this Section 4.

Section 5. Requested Underwritten Offerings. If requested by the underwriters for any underwritten offerings by Buyer, under a registration requested pursuant to Section 2(a), the Company will enter into a customary underwriting agreement with such underwriters for such offering, to contain such representations and warranties by the Company and such other terms as are customarily contained in agreements of this type, including indemnities to the effect and to the extent provided in Section 6. Buyer shall be a party to such underwriting agreement and may, at its option, require that any or all of the conditions precedent to the obligations of such underwriters under such underwriting agreement be conditions precedent to the obligations of Buyer. Buyer shall not be required to make any representations or warranties to or agreement with the Company or the underwriters other than representations, warranties or agreements regarding Buyer and Buyer's intended method of distribution and any other representation or warranty required by law.

Section 6. Preparation; Reasonable Investigation. In connection with the preparation and filing of the registration statement under the Securities Act, the Company will give Buyer, its underwriters, if any, and their respective counsel, the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers, its counsel and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of Buyer's and such underwriters' respective counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

Section 7. Tag-Along Rights. From and after the date hereof until the earlier of (i) the date on which Buyer shall own shares of Company Common Stock representing less

than 9.8% of the then outstanding shares of Company Common Stock on a fully diluted basis, or (ii) the date on which Buyer shall no longer be subject to the standstill restrictions set forth in Section 5.2(a) of the Stockholders Agreement (unless Buyer is not subject to such restrictions as a result of an Early Termination Event (as that term is defined in the Stockholders Agreement)), Buyer shall be entitled to the rights set forth in this Section 7.

(a) Rights and Notice. The Company shall not directly or indirectly sell or otherwise dispose of shares of Company Stock to any person (a "Third Party") in connection with an Extraordinary Transaction in which the consideration for some or all of the shares of Company Stock is cash or cash equivalents (as determined under GAAP), unless the terms and conditions of such sale or other disposition shall include an offer to Buyer to include, at the option of Buyer, in such sale or other disposition the Registrable Securities owned by Buyer at the time of such sale or other disposition determined in accordance with Section 7(b) (the "Tag-Along Shares"). The Company shall send a written notice (the "Tag-Along Notice") to Buyer setting forth the number of shares of Company Stock proposed to be sold or otherwise disposed of in the Extraordinary Transaction (the "Extraordinary Transaction Shares"), and the price at which such shares are proposed to be sold (or the method by which such price is proposed to be determined). At any time within 15 days after its receipt of the Tag-Along Notice, Buyer may exercise its option to sell the Tag-Along Shares by furnishing written notice of such exercise (the "Exercise Notice") to the Company.

(b) Number of Shares to be Included. If the proposed sale or other disposition by the Company in connection with an Extraordinary Transaction is consummated, Buyer shall have the right to sell to the Third Party as part of such proposed sale or other disposition such number of Registrable Securities owned by Buyer equal to the product of (i) the ratio (which in no event shall exceed 20% for purposes of this Section 7) of the total number of Registrable Securities owned by Buyer at the time that Buyer receives the Tag-Along Notice to the total number of outstanding shares of Company Stock, on a fully diluted basis, at the time that Buyer receives the Tag-Along Notice, and (ii) the number of Extraordinary Transaction Shares; provided, however, that if the number of Tag-Along Shares is greater than the number of Registrable Securities owned by Buyer at the time that Buyer receives the Tag-Along Notice, then Buyer shall have the right to sell to the Third Party as part of the proposed sale or other disposition to the Third Party by the Company in connection with an Extraordinary Transaction the total number of Regis-

trable Securities owned by Buyer at the time that Buyer receives the Tag-Along Notice. All calculations pursuant to this paragraph shall exclude and ignore any unissued shares of Company Stock issuable pursuant to stock options, warrants and other rights to acquire shares of Company Stock and pursuant to convertible or exchangeable securities.

(c) Abandonment of Sale. Each of the Company and the Third Party shall have the right, in its sole discretion, at all times prior to consummation of the proposed sale or other disposition giving rise to the tag-along right granted by this Section 7 to abandon, rescind, annul, withdraw or otherwise terminate such sale or other disposition, whereupon all tag-along rights in respect of such sale or other disposition pursuant to this Section 7 shall become null and void, and neither the Company nor the Third Party shall have any liability or obligation to Buyer with respect thereto by virtue of such abandonment, rescission, annulment, withdrawal or termination.

(d) Terms of Sale. The purchase from Buyer pursuant to this Section 7 shall be on the same terms and conditions, including the per share price and the date of sale or other disposition, as are applicable to the Company, and which shall be consistent with the relevant Tag-Along Notice.

(e) Timing of Sale. If, with respect to any Tag-Along Notice, Buyer fails to deliver an Exercise Notice within the requisite time period, the Company shall have 120 days after the expiration of the time in which the Exercise Notice is required to be delivered in which to sell or otherwise dispose of not more than the number of shares of Company Stock described in the Tag-Along Notice on terms not more favorable to the Company than were set forth in the Tag-Along Notice. If, at the end of 120 days following the receipt of the Tag-Along Notice, the Company has not completed the sale or other disposition of Company Stock in accordance with the terms described in the Tag-Along Notice, the Company shall again be obligated to comply with the provisions of this Section 7 with respect to, and provide Buyer with the opportunity to participate in, any proposed sale or other disposition of shares of Company Stock in connection with an Extraordinary Transaction.

Section 8. Indemnification. (a) Indemnification by the Company. In the event of any registration of any Registrable Securities of the Company under the Securities Act, the Company will, and hereby does, indemnify and hold harmless Buyer, each other person who participates as an underwriter in the offering or sale of such securities and each other person who controls any such underwriter within the meaning of the

Securities Act, against any losses, claims, damages or liabilities, joint or several, to which Buyer or any such underwriter or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the registration statement under which such Registrable Securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and the Company will reimburse Buyer and each such underwriter and controlling person for any reasonable legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceedings; provided, however, that the Company shall not be liable in any such
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case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company by Buyer or any other person who participates as an underwriter in the offering or sale of such securities, in either case, specifically stating that it is for use in the preparation thereof, and provided, further, that the Company shall not be liable
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to any person who participates as an underwriter in the offering or sale of Registrable Securities or any other person, if any, who controls such underwriter within the meaning of the Securities Act in any such case to the extent that any such loss, claim, damage, liability (or action or proceeding in respect thereof) or expense arises out of such person's failure to send or give a copy of the final prospectus or supplement to the persons asserting an untrue statement or alleged untrue statement or omission or alleged omission at or prior to the written confirmation of the sale of Registrable Securities to such person if such statement or omission was corrected in such final prospectus or supplement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of Buyer or any such underwriter or controlling person and shall survive the transfer of such securities by Buyer.

(b) Indemnification by Buyer. The Company may re-
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quire, as a condition to including any Registrable Securities in any registration statement pursuant to Section 2 or Section 3, that the Company shall have received an undertaking satisfactory to it from Buyer to indemnify and hold harmless (in the same manner and to the same extent as set forth in paragraph (a) of this Section 8) the Company, each director of the Company, each officer of the Company and each other person, if any, who controls the Company within the meaning of the Securities Act, and each other person who participates as an underwriter in the offering or sale of such securities and each other person who controls any such underwriter within the meaning of the Securities Act, with respect to any untrue statement or alleged untrue statement of a material fact in or omission or alleged omission to state a material fact from such registration statement, any preliminary prospectus, final prospectus or summary prospectus contained therein, or any amendment or supplement thereto, if such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company by Buyer specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer, or controlling person and shall survive the transfer of such securities by Buyer.

(c) Notices of Claims, etc. Promptly after receipt by an indemnified party of notice of the commencement of any action or proceeding involving a claim referred to in the preceding paragraphs of this Section 8, such indemnified party will, if a claim in respect thereof is to be made against an indemnifying party, give written notice to the latter of the commencement of such action; provided, however, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its obligations under the preceding paragraphs of this Section 8, except to the extent that the indemnifying party is actually prejudiced by such failure to give notice. In case any such action is brought against an indemnified party, unless in such indemnified party's reasonable judgment a conflict of interest between such indemnified and indemnifying parties may exist in respect of such claim, the indemnifying party shall be entitled to participate in and to assume the defense thereof, jointly with any other indemnifying party similarly notified to the extent that it may wish, with counsel reasonably satisfactory to such indemnified party, and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying

party shall not be liable to the indemnified party for any legal or other expenses subsequently incurred by the latter in connection with the defense thereof other than reasonable costs of investigation.

(d) Other Indemnification. Indemnification similar to that specified in the preceding paragraphs of this Section 8 (with appropriate modifications) shall be given by the Company and Buyer with respect to any required registration or other qualification of securities under any federal or state law or regulation of Governmental Authority other than the Securities Act.

(e) Indemnification Payments. The indemnification required by this Section 8 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or expense, loss, damage or liability is incurred.

(f) Contribution. If, for any reason, the foregoing indemnity is unavailable, or is insufficient to hold harmless an indemnified party, then the indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of the expense, loss, damage or liability, (i) in such proportion as is appropriate to reflect the relative fault of the indemnifying party on the one hand and the indemnified party on the other (determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or omission relates to information supplied by the indemnifying party or the indemnified party and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such untrue statement or omission), or (ii) if the allocation provided by clause (i) above is not permitted by applicable law or provides a lesser sum to the indemnified party than the amount hereinafter calculated, in the proportion as is appropriate to reflect not only the relative fault of the indemnifying party and the indemnified party, but also the relative benefits received by the indemnifying party on the one hand and the indemnified party on the other, as well as any other relevant equitable considerations. No indemnified party guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any indemnifying party who was not guilty of such fraudulent misrepresentation.

Section 9. Covenants Relating to Rule 144. The Company will file in a timely manner (taking into account any extensions granted by the Commission), information, documents and reports in compliance with the Exchange Act and will, at

its expense, forthwith upon the request of Buyer, deliver to Buyer a certificate, signed by the Company's principal financial officer, stating (a) the Company's name, address and telephone number (including area code), (b) the Company's Internal Revenue Service identification number, (c) the Company's Commission file number, (d) the number of shares of Company Common Stock and the number of shares of Company Preferred Stock outstanding as shown by the most recent report or statement published by the Company, and (e) whether the Company has filed the reports required to be filed under the Exchange Act for a period of at least 90 days prior to the date of such certificate and in addition has filed the most recent annual report required to be filed thereunder. If at any time the Company is not required to file reports in compliance with either Section 13 or Section 15(d) of the Exchange Act, the Company will, at its expense, forthwith upon the written request of Buyer, make available adequate current public information with respect to the Company within the meaning of paragraph (c)(2) of Rule 144 of the General Rules and Regulations promulgated under the Securities Act.

Section 10. Miscellaneous. (a) Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party. Copies of executed counterparts transmitted by telecopy, telefax or other electronic transmission service shall be considered original executed counterparts for purposes of this Section 10, provided receipt of copies of such counterparts is confirmed.

(b) Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA WITHOUT REFERENCE TO THE CHOICE OF LAW PRINCIPLES THEREOF.

(c) Entire Agreement. This Agreement (including agreements incorporated herein) contains the entire agreement between the parties with respect to the subject matter hereof and there are no agreements or understandings between the parties other than those set forth or referred to herein. This Agreement is not intended to confer upon any person not a party hereto (and their successors and assigns) any rights or remedies hereunder.

(d) Notices. All notices and other communications hereunder shall be sufficiently given for all purposes hereunder if in writing and delivered personally, sent by documented overnight delivery service or, to the extent receipt is

confirmed, telecopy, telefax or other electronic transmission service to the appropriate address or number as set forth below. Notices to the Company shall be addressed to:

Regency Realty Corporation
121 W. Forsyth Street, Suite 200
Jacksonville, Florida 32202
Attention: Martin E. Stein, Jr.
Telecopy Number: (904) 634-3428

with a copy to:

Foley & Lardner
Greenleaf Building
200 Laura Street
Jacksonville, Florida 32202
Attention: Charles E. Commander III, Esq.
Telecopy Number: (904) 359-8700

or at such other address and to the attention of such other person as the Company may designate by written notice to Buyer. Notices to Buyer shall be addressed to:

Security Capital Holdings S.A.
69, route d'Esch
L-2953 Luxembourg
Attention: Paul E. Szurek
Telecopy Number: (352) 4590-3331

with a copy to:

Wachtell, Lipton, Rosen & Katz
51 West 52nd Street
New York, New York 10019
Attention: Adam O. Emmerich, Esq.
Telecopy Number: (212) 403-2000

(e) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors. Neither party shall be permitted to assign any of its rights hereunder to any third party, except that if (i) Buyer transfers or pledges any or all Registrable Securities to a bona fide financial institution as security for any bona fide indebtedness of any Buyer and such financial institution agrees to be bound by the Stockholders Agreement, the pledgee of the Registrable Securities shall be considered an intended beneficiary hereof and may exercise all rights of Buyer hereunder, and (ii) any person included within the definition of the term Buyer shall be permitted to assign its rights hereunder to any other person

included within such definition.

(f) Headings. The Section and other headings contained in this Agreement are inserted for convenience of reference only and will not affect the meaning or interpretation of this Agreement. All references to Sections or other headings contained herein mean Sections or other headings of this Agreement unless otherwise stated.

(g) Amendments and Waivers. This Agreement may not be modified or amended except by an instrument or instruments in writing signed by the party against whom enforcement of any such modification or amendment is sought. Either party hereto may, only by an instrument in writing, waive compliance by the other party hereto with any term or provision hereof on the part of such other party hereto to be performed or complied with. The waiver by any party hereto of a breach of any term or provision hereof shall not be construed as a waiver of any subsequent breach.

(h) Interpretation; Absence of Presumption. For the purposes hereof, (i) words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other gender as the context requires, (ii) the terms "hereof", "herein", and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, paragraph or other references are to the Sections, paragraphs, or other references to this Agreement unless otherwise specified, (iii) the word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified, (iv) the word "or" shall not be exclusive, and (v) provisions shall apply, when appropriate, to successive events and transactions.

This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting or causing any instrument to be drafted.

(i) Severability. Any provision hereof which is invalid or unenforceable shall be ineffective to the extent of such invalidity or unenforceability, without affecting in any way the remaining provisions hereof.

IN WITNESS WHEREOF, this Agreement has been signed by or on behalf of each of the parties hereto as of the day first above written.

REGENCY REALTY CORPORATION

By:

Name: Martin E. Stein, Jr.
Title: President

SECURITY CAPITAL U.S. REALTY

By:

Name: Paul E. Szurek
Title: Managing Director

SECURITY CAPITAL HOLDINGS S.A.

By:

Name: Paul E. Szurek
Title: Managing Director

APPENDIX D

PROPOSED AMENDMENT TO COMPANY CHARTER

The Amended and Restated Articles of Incorporation of the Company are hereby amended by deleting Article 5 thereof in its entirety, and inserting in lieu thereof the following:

"ARTICLE 5

REIT PROVISIONS

Section 5.1. Definitions. For the purposes of this Article 5, the following terms shall have the following meanings:

(a) "Acquire" shall mean the acquisition of Beneficial Ownership of shares of Capital Stock by any means including, without limitation, acquisition pursuant to the exercise of any option, warrant, pledge or other security interest or similar right to acquire shares, but shall not include the acquisition of any such rights, unless, as a result, the acquirer would be considered a Beneficial Owner as defined below. The term "Acquisition" shall have the correlative meaning.

(b) "Actual Owner" shall mean, with respect to any Capital Stock, that Person who is required to include in its gross income any dividends paid with respect to such Capital Stock.

(c) "Beneficial Ownership" shall mean ownership of Capital Stock by a Person who would be treated as an owner of such shares of Capital Stock, either directly or indirectly, under Section 542(a)(2) of the Code, taking into account for this purpose (i) constructive ownership determined under Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code (except where expressly provided otherwise); and (ii) any future amendment to the Code which has the effect of modifying the ownership rules under Section 542(a)(2) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended. In the event of any future amendments to the Code involving the renumbering of Code sections, the Board of Directors may, in its sole discretion, determine that any reference to a Code section herein shall mean the successor Code section pursuant to such amendment.

(e) "Constructive Ownership" shall mean ownership of Capital Stock by a Person who would be treated as an owner of such Capital Stock, either directly or constructively, through

the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner', "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

(f) "Existing Holder" shall mean any of The Regency Group, Inc., MEP, Ltd., and The Regency Group II, Ltd. (and any Person who is a Beneficial Owner of Capital Stock as a result of attribution of the Beneficial Ownership from any of the Persons previously identified) who at the opening of business on the date after the Initial Public Offering was the Beneficial Owner of Capital Stock in excess of the Ownership Limit; and any Person who Acquires Beneficial Ownership from another Existing Holder, except by Acquisition on the open market, so long as, but only so long as, such Person Beneficially Owns Capital Stock in excess of the Ownership Limit.

(g) "Existing Holder Limit" for an Existing Holder shall mean, initially, the percentage by value of the outstanding Capital Stock Beneficially Owned by such Existing Holder at the opening of business on the date after the Initial Public Offering, and after any adjustment pursuant to Section 5.8 hereof, shall mean such percentage of the outstanding Capital Stock as so adjusted; provided, however, that the Existing Holder Limit shall not be a percentage which is less than the Ownership Limit or in excess of 9.8%. Beginning with the date after the Initial Public Offering, the Secretary of the Corporation shall maintain and, upon request, make available to each Existing Holder, a schedule which sets forth the then current Existing Holder Limits for each Existing Holder.

(h) "Initial Public Offering" means the closing of the sale of shares of Common Stock pursuant to the Corporation's first effective registration statement for such Common Stock filed under the Securities Act of 1933, as amended.

(i) "Non-U.S. Person" shall mean any Person who is not (i) a citizen or resident of the United States, (ii) a partnership created or organized in the United States or under the laws of the United States or any state therein (including the District of Columbia), (iii) a corporation created or organized in the United States or under the laws of the United States or any state therein (including the District of Columbia), or (iv) any estate or trust (other than a foreign estate or foreign trust, within the meaning of Section 7701(a)(31) of the Code).

(j) "Ownership Limit" shall initially mean 7% by value of the outstanding Capital Stock of the Corporation, and after

any adjustment as set forth in Section 5.9, shall mean such greater percentage (but not greater than 9.8%) by value of the outstanding Capital Stock as so adjusted.

(k) "Person" shall mean an individual, corporation, partnership, estate, trust (including a trust qualified under Section 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity, and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; but does not include an underwriter retained by the Company which participates in a public offering of the Capital Stock for a period of 90 days following the purchase by such underwriter of the Capital Stock, provided that ownership of Capital Stock by such underwriter would not result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code and would not otherwise result in the Corporation failing to quality as a REIT.

(l) "REIT" shall mean a real estate investment trust under Section 856 of the Code.

(m) "Redemption Price" shall mean the lower of (i) the price paid by the transferee from whom shares are being redeemed and (ii) the average of the last reported sales price, regular way, on the New York Stock Exchange of the relevant class of Capital Stock on the ten trading days immediately preceding the date fixed for redemption by the Board of Directors, or if the relevant class of Capital Stock is not then traded on the New York Stock Exchange, the average of the last reported sales prices, regular way, of such class of Capital Stock (or, if sales prices, regular way, are not reported, the average of the closing bid and asked prices) on the ten trading days immediately preceding the relevant date as reported on any exchange or quotation system over which the Capital Stock may be traded, or if such class of Capital Stock is not then traded over any exchange or quotation system, then the price determined in good faith by the Board of Directors of the Corporation as the fair market value of such class of Capital Stock on the relevant date.

(n) "Related Tenant Owner" shall mean any Constructive Owner who also owns, directly or indirectly, an interest in a Tenant, which interest is equal to or greater than (i) 10% of the combined voting power of all classes of stock of such Tenant, (ii) 10% of the total number of shares of all classes

of stock of such Tenant, or (iii) if such Tenant is not a corporation, 10% of the assets or net profits of such Tenant.

(o) "Related Tenant Limit" shall mean 9.8% by value of the outstanding Capital Stock of the Corporation.

(p) "Restriction Termination Date" shall mean the first day after the date of the Initial Public Offering on which the Corporation determines pursuant to Section 5.13 that it is no longer in the best interest of the Corporation to attempt to, or continue to, qualify as a REIT.

(q) "Special Shareholder" shall mean any of (i) Security Capital U.S. Realty, Security Capital Holdings S.A. and any Affiliate (as such term is defined in the Stockholders Agreement) of Security Capital U.S. Realty or Security Capital Holdings S.A., (ii) any Investor (as such term is defined in Section 5.2 of the Stockholders Agreement), (iii) any bona fide financial institution to whom Capital Stock is Transferred in connection with any bona fide indebtedness of any Investor or any Person previously identified, (iv) any Person who is considered a Beneficial Owner of Capital Stock as a result of the attribution of Beneficial Ownership from any of the Persons previously identified and (v) any one or more Persons who Acquire Beneficial Ownership from a Special Shareholder, except by Acquisition on the open market.

(r) "Special Shareholder Limit" for a Special Shareholder shall mean, initially, 45% of the outstanding shares of Common Stock of the Corporation, on a fully diluted basis, and after any adjustment pursuant to Section 5.8 shall mean the percentage of the outstanding Capital Stock as so adjusted; provided, however, that if any Person and its Affiliates
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(taken as a whole), other than the Special Shareholder, shall directly or indirectly own in the aggregate more than 45% of the outstanding shares of Common Stock of the Corporation, on a fully diluted basis, the definition of "Special Shareholder Limit" shall be revised in accordance with Section 5.8 of the Stockholders Agreement. Notwithstanding the foregoing provisions of this definition, if, as the result of any Special Shareholder's ownership (taking into account for this purpose constructive ownership under Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code) of shares of Capital Stock, any Person who is an individual within the meaning of Section 542(a)(2) of the Code (taking into account the ownership attribution rules under Section 544 of the Code, as modified by Section 856(h) of the Code) and who is the Beneficial Owner of any interest in a Special Shareholder would be considered to Beneficially Own more than 9.8% of the outstanding shares of Capital Stock, then unless such

individual reduces his or her interest in the Special Shareholder so that such Person no longer Beneficially Owns more than 9.8% of the outstanding shares of Capital Stock, the Special Shareholder Limit shall be reduced to such percentage as would result in such Person not being considered to Beneficially Own more than 9.8% of the outstanding Shares of Capital Stock. Notwithstanding anything contained herein to the contrary, in no event shall the Special Shareholder Limit be reduced below the Ownership Limit. At the request of the Special Shareholders, the Secretary of the Corporation shall maintain and, upon request, make available to each Special Shareholder a schedule which sets forth the then current Special Shareholder Limits for each Special Shareholder.

(s) "Stock Purchase Agreement" shall mean that Stock Purchase Agreement dated as of June 11, 1996, by and among the Corporation, Security Capital Holdings S.A., and Security Capital U.S. Realty, as the same may be amended from time to time.

(t) "Stockholders Agreement" shall mean that Stockholders Agreement dated as of July 10, 1996, by and among the Corporation, Security Capital Holdings S.A., and Security Capital U.S. Realty, as the same may be amended from time to time.

(u) "Tenant" shall mean any tenant of (i) the Corporation, (ii) a subsidiary of the Corporation which is deemed to be a "qualified REIT subsidiary" under Section 856(i)(2) of the Code, or (iii) a partnership in which the Corporation or one or more of its qualified REIT subsidiaries is a partner.

(v) "Transfer" shall mean any sale, transfer, gift, assignment, devise, or other disposition of Capital Stock or the right to vote or receive dividends on Capital Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Capital Stock or the right to vote or receive dividends on the Capital Stock or (ii) the sale, transfer, assignment or other disposition or grant of any securities or rights convertible or exchangeable for Capital Stock), whether voluntarily or involuntarily, whether of record or Beneficially, and whether by operation of law or otherwise; provided, however, that any bona fide pledge of Capital Stock shall not be deemed a Transfer until such time as the pledgee effects an actual change in ownership of the pledged shares of Capital Stock.

Section 5.2. Restrictions on Transfer. Except as provided in Section 5.11 and Section 5.16, during the period commencing at the Initial Public Offering:

(a) No Person (other than an Existing Holder or a Special Shareholder) shall Beneficially Own Capital Stock in excess of the Ownership Limit, no Existing Holder shall Beneficially Own Capital Stock in excess of the Existing Holder Limit for such Existing Holder and no Special Shareholder shall Beneficially Own Capital Stock in excess of the Special Shareholder Limit.

(b) No Person shall Constructively Own Capital Stock in excess of the Related Tenant Limit for more than thirty (30) days following the date such Person becomes a Related Tenant Owner.

(c) Any Transfer that, if effective, would result in any Person (other than an Existing Holder or a Special Shareholder) Beneficially Owning Capital Stock in excess of the Ownership Limit shall be void ab initio as to the Transfer of such Capital Stock which would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit, and the intended transferee shall Acquire no rights in such Capital Stock.

(d) Any Transfer that, if effective, would result in any Existing Holder Beneficially Owning Capital Stock in excess of the applicable Existing Holder Limit shall be void ab initio as to the Transfer of such Capital Stock which would be otherwise Beneficially Owned by such Existing Holder in excess of the applicable Existing Holder Limit, and such Existing Holder shall Acquire no rights in such Capital Stock.

(e) Any Transfer that, if effective, would result in any Special Shareholder Beneficially Owning Capital Stock in excess of the applicable Special Shareholder Limit shall be void ab initio as to the Transfer of such Capital Stock which would be otherwise Beneficially Owned by such Special Shareholder in excess of the applicable Special Shareholder Limit, and such Special Shareholder shall Acquire no rights in such Capital Stock.

(f) Any Transfer that, if effective, would result in any Related Tenant Owner Constructively Owning Capital Stock in excess of the Related Tenant Limit shall be void ab initio as to the Transfer of such Capital Stock which would be otherwise Constructively Owned by such Related Tenant Owner in excess of the Related Tenant Limit, and the intended transferee shall Acquire no rights in such Capital Stock.

(g) Any Transfer that, if effective, would result in the Capital Stock being beneficially owned by less than 100 Persons (within the meaning of Section 856(a)(5) of the Code)

shall be void ab initio as to the Transfer of such Capital Stock which
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would be otherwise beneficially owned by the transferee, and the intended transferee shall Acquire no rights in such Capital Stock.

(h) Any Transfer that, if effective, would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code shall be void ab initio as to the portion of any Transfer of the Capital Stock
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which would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code, and the intended transferee shall Acquire no rights in such Capital Stock.

(i) Any other Transfer that, if effective, would result in the disqualification of the Corporation as a REIT by virtue of actual, Beneficial or Constructive Ownership of Capital Stock shall be void ab
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initio as to such portion of the Transfer resulting in the
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disqualification, and the intended transferee shall Acquire no rights in such Capital Stock.

Section 5.3. Remedies for Breach.

(a) If the Board of Directors or a committee thereof shall at any time determine in good faith that a Transfer has taken place that falls within the scope of Section 5.2 or that a Person intends to Acquire Beneficial Ownership of any shares of the Corporation that would result in a violation of Section 5.2 (whether or not such violation is intended), the Board of Directors or a committee thereof shall take such action as it or they deem advisable to refuse to give effect to or to prevent such Transfer, including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer, subject, however, in all cases to the provisions of Section 5.16.

(b) Without limitation to Sections 5.2 and 5.3(a), any purported transferee of shares Acquired in violation of Section 5.2 and any Person retaining shares in violation of Section 5.2(b) shall be deemed to have acted as agent on behalf of the Corporation in holding those shares Acquired or retained in violation of Section 5.2 and shall be deemed to hold such shares in trust on behalf of and for the benefit of the Corporation. Such shares shall be deemed a separate class of stock until such time as the shares are sold or redeemed as provided in Section 5.3(c). The holder shall have no right to receive dividends or other distributions with respect to such shares, and shall have no right to vote such shares. Such holder shall have no claim, cause of action or any other recourse whatsoever against any transferor of shares Acquired in violation of Section 5.2. The holder's sole right with respect to such shares shall be to receive, at the

Corporation's sole and absolute discretion, either (i) consideration for such shares upon the resale of the shares as directed by the Corporation pursuant to Section 5.3(c) or (ii) the Redemption Price pursuant to Section 5.3(c). Any distribution by the Corporation in respect of such shares Acquired or retained in violation of Section 5.2 shall be repaid to the Corporation upon demand.

(c) The Board of Directors shall, within six months after receiving notice of a Transfer or Acquisition that violates Section 5.2 or a retention of shares in violation of Section 5.2(b), either (in its sole and absolute discretion, subject to the requirements of Florida law applicable to redemption) (i) direct the holder of such shares to sell all shares held in trust for the Corporation pursuant to Section 5.3(b) for cash in such manner as the Board of Directors directs or (ii) redeem such shares for the Redemption Price in cash on such date within such six month period as the Board of Directors may determine. If the Board of Directors directs the holder to sell the shares, the holder shall receive such proceeds as the trustee for the Corporation and pay the Corporation out of the proceeds of such sale (i) all expenses incurred by the Corporation in connection with such sale, plus (ii) any remaining amount of such proceeds that exceeds the amount paid by the holder for the shares, and the holder shall be entitled to retain only the amount of such proceeds in excess of the amount required to be paid to the Corporation.

Section 5.4. Notice of Restricted Transfer. Any Person who Acquires, attempts or intends to Acquire, or retains shares in violation of Section 5.2 shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer, attempted or intended Transfer, or retention, on the Corporation's status as a REIT.

Section 5.5. Owners Required to Provide Information. From the date of the Initial Public Offering and prior to the Restriction Termination Date:

(a) Every shareholder of record of more than 5% by value (or such lower percentage as required by the Code or the regulations promulgated thereunder) of the outstanding Capital Stock of the Corporation shall, within 30 days after December 31 of each year, give written notice to the Corporation stating the name and address of such record shareholder, the number and class of shares of Capital Stock Beneficially Owned by it, and a description of how such shares are held; provided that a shareholder of record who holds outstanding Capital Stock of the Corporation as nominee for another Person, which

Person is required to include in its gross income the dividends received on such Capital Stock (an "Actual Owner"), shall give written notice to the Corporation stating the name and address of such Actual Owner and the number and class of shares of such Actual Owner with respect to which the shareholder of record is nominee. Each such shareholder of record shall provide to the Corporation such additional information as the Corporation may request in order to determine the effect, if any, of such Beneficial Ownership on the Corporation's status as a REIT.

(b) Every Actual Owner of more than 5% by value (or such lower percentage as required by the Code or Regulations promulgated thereunder) of the outstanding Capital Stock of the Corporation who is not a shareholder of record of the Corporation, shall within 30 days after December 31 of each year, give written notice to the Corporation stating the name and address of such Actual Owner, the number and class of shares Beneficially Owned, and a description of how such shares are held.

(c) Each Person who is a Beneficial Owner of Capital Stock and each Person (including the shareholder of record) who is holding Capital Stock for a Beneficial Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

(d) Nothing in this Section 5.5 or any request pursuant hereto shall be deemed to waive any limitation in Section 5.2.

Section 5.6. Remedies Not Limited. Except as provided in Section 5.15, nothing contained in this Article shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its shareholders in preserving the Corporation's status as a REIT.

Section 5.7. Ambiguity. In the case of an ambiguity in the application of any of the provisions of this Article 5, including without limitation any definition contained in Section 5.1 and any determination of Beneficial Ownership, the Board of Directors in its sole discretion shall have the power to determine the application of the provisions of this Article 5 with respect to any situation based on the facts known to it.

Section 5.8. Modification of Existing Holder Limits and Special Shareholder Limits. Subject to the provisions of Section 5.10, the Existing Holder Limits may or shall, as provided below, be modified as follows:

(a) Any Existing Holder or Special Shareholder may Transfer Capital Stock to another Person, and, so long as such Transfer is not on the open market, any such Transfer will decrease the Existing Holder Limit or Special Shareholder Limit, as applicable, for such transferor (but not below the Ownership Limit) and increase the Existing Holder Limit or Special Shareholder Limit, as applicable, for such transferee by the percentage of the outstanding Capital Stock so transferred. The transferor Existing Holder or Special Shareholder, as applicable, shall give the Board of Directors of the Corporation prompt written notice of any such transfer. Any Transfer by an Existing Holder or Special Shareholder on the open market shall neither reduce its Existing Holder Limit or Special Shareholder Limit, as applicable, nor increase the Ownership Limit, Existing Holder Limit or Special Shareholder Limit of the transferee.

(b) Any grant of Capital Stock or a stock option pursuant to any benefit plan for directors or employees shall increase the Existing Holder Limit or Special Shareholder Limit for the affected Existing Holder or Special Shareholder, as the case may be, to the maximum extent possible under Section 5.10 to permit the Beneficial Ownership of the Capital Stock granted or issuable under such employee benefit plan.

(c) The Board of Directors may reduce the Existing Holder Limit of any Existing Holder, with the written consent of such Existing Holder, after any Transfer permitted in this Article 5 by such Existing Holder on the open market.

(d) Any Capital Stock issued to an Existing Holder or Special Shareholder pursuant to a dividend reinvestment plan adopted by the Corporation shall increase the Existing Holder Limit or Special Shareholder Limit, as the case may be, for the Existing Holder or Special Shareholder to the maximum extent possible under Section 5.10 to permit the Beneficial Ownership of such Capital Stock.

(e) Any Capital Stock issued to an Existing Holder or Special Shareholder in exchange for the contribution or sale to the Corporation of real property, including Capital Stock issued pursuant to an "earn-out" provision in connection with any such sale, shall increase the Existing Holder Limit or Special Shareholder Limit, as the case may be, for the Existing Holder or Special Shareholder to the maximum extent possible under Section 5.10 to permit the Beneficial Ownership of such Capital Stock.

(f) The Special Shareholder Limit shall be increased, from time to time, whenever there is an increase in Special

Shareholders' percentage ownership (taking into account for this purpose constructive ownership under Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code) of the Capital Stock (or any other capital stock) of the Corporation due to any event other than the purchase of Capital Stock (or any other capital stock) of the Corporation by a Special Shareholder, by an amount equal to such percentage increase multiplied by the Special Shareholder Limit.

(g) The Board of Directors may reduce the Special Shareholder Limit for any Special Shareholder and the Existing Holder Limit for any Existing Holder, as applicable, after the lapse (without exercise) of an option described in Clause (b) of this Section 5.8 by the percentage of Capital Stock that the option, if exercised, would have represented, but in either case no Existing Holder Limit or Special Shareholder Limit shall be reduced to a percentage which is less than the Ownership Limit.

Section 5.9. Modification of Ownership Limit. Subject to the limitations provided in Section 5.10, the Board of Directors may from time to time increase or decrease the Ownership Limit; provided, however, that any decrease may only be made prospectively as to subsequent holders (other than a decrease as a result of a retroactive change in existing law that would require a decrease to retain REIT status, in which case such decrease shall be effective immediately).

Section 5.10. Limitations on Modifications. Notwithstanding any other provision of this Article 5:

(a) Neither the Ownership Limit, the Special Shareholder Limit nor any Existing Holder Limit may be increased if, after giving effect to such increase, five Persons who are considered individuals pursuant to Section 542(a)(2) of the Code (taking into account all of the then Existing Holders and Special Shareholders) could Beneficially Own, in the aggregate, more than 49.5% by value of the outstanding Capital Stock.

(b) Prior to the modification of any Existing Holder Limit or Ownership Limit pursuant to Section 5.8 or 5.9, the Board of Directors of the Corporation may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or insure the Corporation's status as a REIT.

(c) No Existing Holder Limit or Special Shareholder Limit may be a percentage which is less than the Ownership Limit.

(d) The Ownership Limit may not be increased to a percentage which is greater than 9.8%.

Section 5.11. Exceptions. The Board of Directors may, upon receipt of either a certified copy of a ruling of the Internal Revenue Service, an opinion of counsel satisfactory to the Board of Directors or such other evidence as the Board of Directors deems appropriate, but shall in no case be required to, exempt a Person (the "Exempted Holder") from the Ownership Limit, the Special Shareholder Limit, the Existing Holder Limit or the Related Tenant Limit, as the case may be, if the ruling or opinion concludes or the other evidence shows (A) that no Person who is an individual as defined in Section 542(a)(2) of the Code will, as the result of the ownership of the shares by the Exempted Holder, be considered to have Beneficial Ownership of an amount of Capital Stock that will violate the Ownership Limit, the Special Shareholder Limit or the applicable Existing Holder Limit, as the case may be, or (B) in the case of an exception of a Person from the Related Tenant Limit that the exemption from the Related Tenant Limit would not cause the Corporation to fail to qualify as a REIT. The Board of Directors may condition its granting of a waiver on the Exempted Holder's agreeing to such terms and conditions as the Board of Directors determines to be appropriate in the circumstances.

Section 5.12. Legend. All certificates representing shares of Capital Stock of the Corporation shall bear a legend referencing the restrictions on ownership and transfer as set forth in these Articles. The form and content of such legend shall be determined by the Board of Directors.

Section 5.13. Termination of REIT Status. The Board of Directors may revoke the Corporation's election of REIT status as provided in Section 856(g)(2) of the Code if, in its discretion, the qualification of the Corporation as a REIT is no longer in the best interests of the Corporation. Notwithstanding any such revocation or other termination of REIT status, the provisions of this Article 5 shall remain in effect unless amended pursuant to the provisions of Article 10.

Section 5.14. Certain Transfers to Non-U.S. Persons Void. Any Transfer of shares of Capital Stock of the Corporation to any Person (other than a Special Shareholder) that results in the fair market value of the shares of Capital Stock of the Corporation owned directly and indirectly by Non-U.S. Persons to comprise 50% or more of the fair market value of the issued and outstanding shares of Capital Stock of the Corporation (determined, until the 15% Termination Date (as defined in the Stockholders Agreement), if any, by assuming that the Special Shareholders are Non-U.S. Persons, and own a percentage of the outstanding shares of Common

Stock of the Corporation equal to 45%, on a fully diluted basis), shall be void ab initio to the fullest extent permitted under applicable law and the intended transferee shall be deemed never to have had an interest therein. If the foregoing provision is determined to be void or invalid by virtue of any legal decision, statute, rule or regulation, then the shares held or purported to be held by the transferee shall, automatically and without the necessity of any action by the Board of Directors or otherwise, (i) be prohibited from being voted at any time such securities result in the fair market value of the shares of Capital Stock of the Corporation owned directly and indirectly by Non-U.S. Persons to comprise 50% or more of the fair market value of the issued and outstanding shares of Capital Stock of the Corporation (determined, until the 15% Termination Date, if any, assuming that the Special Shareholders are Non-U.S. Persons, and own a percentage of the outstanding shares of Common Stock of the Corporation equal to 45%, on a fully diluted basis), (ii) not be entitled to dividends with respect thereto, (iii) be considered held in trust by the transferee for the benefit of the Corporation and shall be subject to the provisions of Section 5.3(c) as if such shares of Capital Stock were the subject of a Transfer that violates Section 5.2, and (iv) not be considered outstanding for the purpose of determining a quorum at any meeting of shareholders.

Section 5.15. Severability. If any provision of this Article or any application of any such provision is determined to be invalid by any federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and the application of such provisions shall be affected only to the extent necessary to comply with the determination of such court.

Section 5.16. New York Stock Exchange Transactions. Nothing in this Article 5 shall preclude the settlement of any transaction entered into through the facilities of the New York Stock Exchange."

Appendix E

[LETTERHEAD OF PRUDENTIAL SECURITIES
INCORPORATED APPEARS HERE]

JUNE 11, 1996

PRIVATE AND CONFIDENTIAL

Board of Directors
Regency Realty Corporation
121 West Forsyth Street
Suite 200
Jacksonville, FL 32202

Gentlemen:

We understand that Regency Realty Corporation, a Florida corporation (the "Company"), Security Capital U.S. Realty, a Luxembourg corporation (the "Investor"), and a wholly-owned subsidiary of the Investor (the "Investment Sub"), propose to enter into a Stock Purchase Agreement (the "Stock Purchase Agreement") pursuant to which, among other things, the Investment Sub would invest in the Company $132.177 million (the "Investment") by purchasing from the Company, by June 30, 1997, 7,499,400 newly issued shares of the Company's Common Stock, par value $0.01, at a price of $17.625 per share, net to the Company in cash (the "Consideration").

You have asked us whether, in our opinion, the proposed Consideration to be received by the Company pursuant to the Investment is fair to the Company from a financial point of view.

In conducting our analysis and arriving at the opinion set forth below, we have received such materials, and considered such financial and other factors, as we deemed relevant under the circumstances, including:

1. the Company's Annual Report on Form 10-K and the related financial information for the fiscal year ended December 31, 1995 and the Company's Quarterly Report on Form 10-Q and the related unaudited financial information for the quarterly period ended March 31, 1996;

2. certain information, including financial forecasts, relating to the business, earnings, cash flow, assets and prospects of the Company (including the Company's acquisition program), furnished to us by the management of the Company;

3. the historical market prices and trading volume for the Company's Common Stock and certain publicly traded companies which we deemed to be reasonably similar to the Company;

4. the historical and projected results of operations of the Company and those of certain companies which we deemed to be reasonably similar to the Company;

5. the financial terms of certain recent transactions we deemed relevant;

6. drafts, dated June 7, 1996, of the Stock Purchase Agreement, Stockholders Agreement and Registration Rights Agreement; and

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7. such other financial studies, analyses and investigations we deemed appropriate.

We have had discussions with senior management of the Company regarding: (i) the prospects for their business, (ii) their estimate of such business' future financial performance, (iii) the financial impact of the Investment on the Company, and (iv) such other matters as we deemed relevant. We have also visited selected Company properties.

In connection with our review and analysis and in arriving at our opinion, we have relied on the accuracy and completeness of publicly available information and all of the information supplied or otherwise made available to us by the Company, and we have not independently verified such information or undertaken an appraisal of the

assets of the Company. With respect to the financial forecasts furnished by the Company, we have assumed that they have been reasonably prepared and reflect the best currently available estimates and judgment of the Company's management as to the expected future financial performance of the Company. Further, our opinion is based on economic, financial and market conditions as they exist and can be evaluated as of the date hereof.

As you know, we have been retained be the Company to render this opinion and other financial advisory services in connection with the Investment and will receive a fee for such services, a portion of which fee is contingent upon the stockholders of the Company approving the Investment. We may actively trade the Company's Common Stock for our own account and for the accounts of customers and accordingly, may at any time hold a long or short position in such securities. We also provide equity research coverage of the Company.

This letter and the opinion expressed herein may not be reproduced, summarized, excerpted from or otherwise publicly referred to or disclosed in any manner, without our prior written consent; provided, the Company may set forth in full this letter in any proxy statement relating to the Investment and, provided this opinion is set forth in full, may quote from or refer to this letter in any such proxy statement.

The opinion expressed herein is provided for the use of the Board of Directors of the Company in their evaluation of the Investment, and our opinion is not intended to be, and does not, constitute a recommendation to any stockholder of the Company as to how such stockholder should vote at the stockholders' meeting held in connection with the Investment.

On the basis of, and subject to, the foregoing, we are of the opinion that, as of the date hereof, the Consideration to be received by the Company pursuant to the Investment is fair to the Company from a financial point of view.

Very truly yours,

/s/ Prudential Securities Incorporated
Prudential Securities Incorporated

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REGENCY REALTY CORPORATION
PROXY SOLICITED ON BEHALF OF BOARD OF DIRECTORS
FOR SPECIAL MEETING OF SHAREHOLDERS
SEPTEMBER 10, 1996

The undersigned, having received the Notice of Special Meeting of Shareholders and Proxy Statement appoints Joan W. Stein and Martin E. Stein, Jr., and each or either of them, as proxies, with full power of substitution and resubstitution, to represent the undersigned and to vote all shares of common stock of Regency Realty Corporation which the undersigned is entitled to vote at a Special Meeting of Shareholders of the Company to be held on Tuesday, September 10, 1996, and any and all adjournments thereof, in the manner specified.

THIS PROXY WILL BE VOTED AS DIRECTED, OR IF NO DIRECTION IS INDICATED, WILL BE VOTED "FOR" EACH OF THE PROPOSALS.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS.

Proposal 1: Approval of the Transaction contemplated by the Stock Purchase Agreement.

[_] FOR [_] AGAINST [_] ABSTAIN

Proposal 2: Approval and adoption of the Amendment to the Company's Charter to expressly authorize US Realty to acquire the shares contemplated by the Stock Purchase Agreement and facilitate the Company's continued qualification as a domestically controlled REIT.

[_] FOR [_] AGAINST [_] ABSTAIN

(Continued and to be SIGNED and dated on the reverse side)

Should any other matters requiring a vote of the shareholders arise, the above named proxies are authorized to vote the same in accordance with their best judgment in the interest of the Company. The Board of Directors is aware of any matter which is to be presented for action at the meeting other than the matters set forth herein.

Dated: ,1996

--- (SEAL)

--- (SEAL)
(Please sign exactly as name or names appear hereon. Executors, administrators, trustees or other representatives should so indicate when signing.)