FORM 10-K/A

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT TO APPLICATION OR REPORT
Filed Pursuant to Section 12, 13 or 15(d) of
THE SECURITIES EXCHANGE ACT OF 1934

PARKWAY PROPERTIES, INC.

(Exact name of registrant as specified in its charter)

AMENDMENT NO. 2

The undersigned registrant hereby amends Item 1 of its Annual Report on Form 10-K for the year ended December 31, 2000 as set forth in the pages attached hereto.

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

Dated: May 10, 2001 PARKWAY PROPERTIES, INC.

By: /s/ Marshall A. Loeb

Marshall A. Loeb
Chief Financial Officer

PART I

ITEM 1. *Business*.

General Development of Business

Parkway Properties, Inc. ("Parkway" or the "Company") is a real estate investment trust ("REIT") specializing in the operations, acquisition, ownership, management, and leasing of office properties. The Company is self-administered, in that it provides its own investment and administrative services internally through its own employees. The Company is also self-managed, as it internally provides the management and maintenance services that its properties require through its own employees, such as property managers and engineers and in some cases, leasing professionals. The Company is geographically focused on the Southeastern and Southwestern United States. Parkway and its predecessors have been public companies engaged in the real estate business since 1971, and its present senior management has been with Parkway since the 1980's. The management team has had experience managing a public real estate company through all phases of the real estate business cycle. At March 16, 2001, Parkway owned or had an interest in 49 office properties located in eleven states with an aggregate of approximately 7.2 million square feet of leasable space.

The purchase of the SkyTel Centre in Jackson, Mississippi in July 1995 marked the implementation of the Company's business strategy of focused investment in office properties. The Company had extensive office operating experience prior to this time. To determine the private market value of a company Parkway evaluates each individual asset considering a number of factors such as current market rents, vacancy rates and capitalization rates. The estimate of private market evaluation derived from this analysis is then compared to the public market valuation for those assets as indicated by the company's stock price. As part of this strategy, the Company has (i) completed the acquisition of 54 office properties, encompassing approximately 7.7 million net rentable square feet, for a total investment of more than $649 million; (ii) sold or is in the process of selling all of its non-office assets; (iii) sold nine office properties, encompassing approximately 892,000 net rentable square feet primarily in markets that posed increasing risks and redeployed these funds; and (iv) implemented self-management and self-leasing at most of its properties to promote a focus on tenant retention and superior service in meeting the needs of its tenants. Total investment is defined as purchase price plus estimated closing costs and anticipated capital expenditures during the first 12 months of ownership for tenant improvements, commissions, upgrades and capital improvements to bring the building up to the Company's standards

In addition to direct real estate acquisitions, Parkway's investment strategy includes the consummation of business combination transactions with other public real estate and financial companies which Parkway deems to be undervalued. In evaluating a company to determine if it is undervalued, Parkway traditionally looks at the value the public market is placing on its assets versus what value the private market would pay for those same assets. Our preference is for office companies or those with a strong office component. We then pursue these acquisitions by acquiring common stock, which is typically listed on one of the major national stock exchanges. Since 1979, Parkway has completed eight such business combinations. Management may pursue similar business combination transactions on a selected basis in order to enhance stockholder value. Additionally, Parkway intends to form joint ventures or partnerships with selected investors. During 2000, the Company formed a venture partnership with a division of Investcorp International, Inc. for the purposes of acquiring approximately $100 million in Central Business District (downtown) assets in the Southeast and Southwest United States. Under the terms of the joint venture agreement, Parkway will operate, manage, and lease the properties on a day-to-day basis, provide acquisition and construction management services to the venture, and receive fees for providing these services. The venture will arrange first mortgage financing which will approximate 70% of the value of each office asset purchased. This debt will be non-recourse, property specific debt. Investcorp will provide 75% of the joint venture capital, and Parkway will provide 25%, with distributions being made pro rata. As of March of 2001, no investments had been purchased through the arrangement.

Parkway has managed its properties in Jackson since 1990 and expanded its self-management program to office properties that it owns in Houston, Atlanta, St. Petersburg, Deerfield Beach, Richmond, Hampton Roads, Charlotte, Winston-Salem, Columbia, Knoxville and Memphis. The Company currently self-manages approximately 97% of its current portfolio on a net rentable square footage basis. In addition, the Company implemented self-leasing for renewals and currently self-leases approximately 82% of its current portfolio on a net rentable square footage basis. For new tenant leasing, which is a small portion of our business, we fully cooperate with the third party brokerage community. The Company benefits from a fully integrated management infrastructure, provided by its wholly-owned management subsidiary, Parkway Realty Services LLC ("Parkway Realty"). The Company believes self-management results in better customer service, higher tenant retention and allows the Company to enhance stockholder value through the application of its hands-on operating style. The Company believes that its focus on tenant retention will benefit the Company and its stockholders by maintaining a stabilized revenue stream and avoiding higher capital expenditures and leasing commissions associated with new leases. In order to self-manage properties, the Company seeks to reach critical mass in terms of square footage. Critical mass varies from market to market, but can generally be defined as owning or managing a minimum of 250,000 square feet. The Company is considering the sale of its properties that are not self-managed because the inability to self-manage these properties limits the Company's ability to apply its hands-on operating strategy. In addition to its owned properties, Parkway Realty currently manages and/or leases approximately one million net rentable square feet for third-party owners. The Company also intends to expand its third party fee business.

Until December 31, 1996, Parkway operated as a real estate operating company. For the taxable years 1995 and 1996, Parkway paid virtually no federal income taxes ($64,000 in 1995 and none in 1996) primarily because Parkway had certain net operating losses ("NOLs") to shelter most of Parkway's income from such taxes. However, the increase in the number of outstanding shares of Common Stock which resulted from a common stock private placement in June 1996 and certain business combination transactions in 1994 and 1995 caused the use of Parkway's NOLs to be significantly limited in any one year. The Company anticipated that its taxable income would increase significantly following the implementation of its strategy of focused investment in office properties. Accordingly, Parkway's Board of Directors determined that it was in the best interests of Parkway and its stockholders to elect to qualify Parkway as a REIT under the Internal Revenue Code for the taxable year beginning January 1, 1997, which allows Parkway to be generally exempt from federal income taxes even if its NOLs are limited or exhausted, provided it meets various REIT requirements. The Company's taxable income increased from $8.9 million in 1997 to approximately $31.4 million in 2000, offset by $.1 million of NOLs in 1997 and $2.7 million of NOLs in 1998, 1999 and 2000 respectively. For each year from 1997 through 2000, the remaining taxable income was distributed in the form of dividends.

Business Objectives and Strategy of the Company

Parkway's business objective is to maximize total return to stockholders over time primarily through increases in distributions and share price appreciation. During 2000, Parkway distributed $2.12 per share in dividends to common stockholders, representing an 11.58% increase over the 1999 dividends distributed of $1.90 per common share. Distributions in 2000 of $2.12 per share represent a payout of 52.9% of the Company's funds from operations ("FFO") for the year. The Company's dividend increase in 2000 was determined by the minimum distribution requirements of the REIT rules. To maintain qualification as a REIT, the Company must distribute to stockholders at least 95% of taxable income, excluding net capital gains (90% for taxable years beginning after December 31, 2000). See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operation" for discussion of FFO.

Parkway's operating philosophy is based on the premise that we are in the customer retention business. Parkway retains its customers by continually focusing on operations at its office properties. We believe in providing superior customer service; hiring, training, retaining and empowering each employee; creating an environment of open communication both internally and with our stockholders; and simplicity. We will strive to maximize our stockholders returns by setting, implementing and achieving goals, which increase profitability, dividends and stock prices while managing risks. The Company seeks investments where our operational expertise can add value through direct management, a hands-on, service oriented operating philosophy and innovation. The company will invest directly in properties in the form of equity ownership. In some instances the Company may take a minority interest in the ownership structure, such as a joint venture format, but will maintain control of the operations, as we believe this is where real estate value is created. These investments may additionally include acquiring equity positions in private or publicly-traded real estate companies.

For many years, Parkway has been engaged in a process of strategic planning and goal setting. The material goals and objectives of Parkway's earlier strategic plans have been achieved, and have benefited Parkway's stockholders through increased FFO and dividend payments per share. In 1998, Parkway adopted a strategic plan that sets as its goal to increase Parkway's FFO per basic share without the issuance of new equity. The review, accountability and reward of the plan align management and stockholder interest. The goal of the strategic plan is to increase Parkway's FFO per basic share to $5.00 (before expense accruals for restricted share grants tied to its accomplishment) in 50 months (i.e., the end of 2002); hence the plan is referred to as the "***5 in 50 Plan***." However, in 2000, the benchmark was raised to the new basic FFO per share of $5.23, a 5% increase over the previously disclosed goal of $5.00. This change was due to the inadvertent benefit of the Rothschild Realty Convertible Preferred Stock Offering (see Management's Discussion and Analysis-Liquidity). The Plan sets goals, assigns responsibility for the attainment of such goals to specific Parkway officers, and provides for follow up evaluations to determine whether the officers responsible for the attainment of each goal are moving toward success. The major goals include realizing the embedded rental rate growth in Parkway's existing portfolio of office properties, making net new investments of $50 million per year (for a total of $200 million) at a positive spread of 250 basis points over the long-term cost of debt, selling Parkway's non-earning assets and re-deploying the proceeds in higher yielding assets, increasing the overall occupancy of Parkway's office portfolio to 97%, and taking numerous other actions to generate additional cash flow from Parkway's properties. The ***5 in 50 Plan*** is aggressive, but Parkway believes that its goals are attainable. Parkway believes that the assumptions on which the anticipated increases in FFO per basic share are based (e.g. anticipated rental rates, interest rates and capitalization rates on newly acquired office properties) are reasonable, but they are obviously subject to risk and uncertainties, many of which are beyond Parkway's control. See Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations--Forward Looking Statements."

Parkway generally seeks to acquire well-located Class A, A- or B+ (as classified within their respective markets) multi-story office buildings which are located in primary or secondary markets in the Southeastern and Southwestern United States, ranging in size from 100,000 to 750,000 net rentable square feet and which have current and projected occupancy levels in excess of 70% and adequate parking to accommodate full occupancy. Office properties are designated Class A, A- or B based on a combination of factors including rent, building finishes, system standards and efficiency, building amenities, location/accessibility and market perception. Class A properties represent the most prestigious buildings competing for premier office users with rents above average for the area. These buildings generally have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence. Class B office buildings compete for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building does not compete with Class A at the same price. The Company targets buildings which are occupied by a major tenant (or tenants) (e.g., a tenant that accounts for at least 30% of the building's total rental revenue and has at least five years remaining on its lease). Parkway expects to focus any new property acquisitions in central business districts rather than suburban markets due to management's belief that the potential exists for greater returns in these sub-markets. Parkway strives to purchase office buildings at minimum initial unleveraged annual yields on its total investment of 9.5% for urban assets. The Company defines initial unleveraged yield as net operating income ("NOI") divided by total investment (as previously defined), where net operating income represents budgeted cash operating income for the current year at current occupancy rates and at rental rates currently in place with no adjustments for anticipated expense savings, increases in rental rates, additional leasing or straight line rent. Leases that expire during the year are assumed to renew at market rates unless interviews with tenants during pre-purchase due diligence indicate a likelihood that a tenant will not renew. In markets where the Company self-manages its properties, NOI also includes the net management fee expected to be earned during the year. The Company also generally seeks to acquire properties whose total investment per net rentable square foot is at least 20% below estimated replacement cost and whose current rental rates are at or below market rental rates. While the Company seeks to acquire properties which meet all of the acquisition criteria, specific property acquisitions are evaluated individually and may fail to meet one or more of the acquisition criteria at the date of purchase. Since January 1, 2000, the Company has acquired one office property with approximately 133,000 net rentable square feet for a total investment of $16.5 million, or approximately $124 per net rentable square foot. The office property is located in the central business district of St. Petersburg, Florida. In 2000, the Company completed construction of the 770-space Toyota Garage (adjacent to the Toyota Center discussed later) at a total construction cost of $8.4 million. Consistent with the qualification requirements of a REIT, the Company intends to hold and operate its portfolio of office buildings for investment purposes, but may determine to sell properties that no longer meet its investment criteria.

In addition to investing in office properties, Parkway seeks to purchase common stock of other REITs that meet certain criteria. This program is referred to as the REIT Significant Value Program or "RSVP". The Company views the purchase of publicly-traded real estate equity securities to be an alternative to "fee simple" transactions for purchasing quality assets at attractive prices. The existence of a sustainable dividend provides a yield on the investment while the Company positions itself for direct involvement.

The general criteria for purchase includes, but is not limited to the following:

(a) Strategic fit with Parkway with a preference to office, mixed office/industrial, diversified or special situations with office.

(b) Situations where Parkway's direct involvement would add value to the REIT.

(c) A significant discount to net asset value (NAV), generally 20% or greater.

(d) Sustainable dividend yield of 8% or greater.

(e) An acceptable debt level as measured by interest and fixed charge coverage ratios.

(f) The investment economics have a positive impact on Parkway's ***5 in 50 Plan***.

(g) All REITs in which Parkway makes an investment will be approved by the Parkway Board of Directors.

During 2000, the Company invested $32,588,000 in the common equity of other REITs. As of March 2001, all of the holdings had been liquidated generating a net gain of $2,183,000 excluding dividends. Although we currently have no investments, we will continue to actively pursue opportunities in the public market in accordance to the RSVP plan.

The Company has been actively engaged in the purchase of its outstanding common stock since June 1998. Given the fluctuations in price of the Company's public equity without a corresponding change in valuation of the underlying real estate assets, the Company believes a well-executed repurchase program can add significant stockholder value. During 2000, the Company repurchased 199,281 shares of common stock at an average cost of $27.99 per share and an additional 485,000 shares have been purchased in 2001, through March 16, 2001, at an average price of $28.95. Since June 1998, the Company has purchased a total of 1,999,293 shares of its common stock, which represents approximately 18.1% of the Company stock outstanding when the buyback program was initiated on June 30, 1998. When considering repurchasing shares, the Company evaluates the following items: impact on the Company's ***5 in 50 Plan***; discount to net asset value; implied capitalization rate; implied value per square foot; impact on liquidity of common stock; and other investment alternatives that are available with a similar risk profile (capital allocation).

Parkway's management team consists of experienced office property specialists with proven capabilities in office property (i) operations; (ii) leasing; (iii) management; (iv) acquisition/disposition; (v) financing; (vi) capital allocation; and (vii) re-positioning. The management team also has considerable experience in evaluating and completing mergers and/or acquisitions of other REITs. Since 1979, the Company has completed eight such business combinations. The Company believes these capabilities will allow Parkway to continue to create office property value in all phases of the real estate cycle. Parkway's nine senior officers have an average of over 19 years of real estate industry experience, and have worked together at Parkway for an average of over 13 years. Management has developed a highly service-oriented operating culture and believes that its focus on operations, proactive leasing, property management and asset management activities will result in higher tenant retention and will continue to translate into enhanced stockholder value.

The Company expects to continue seeking fixed rate, non-recourse mortgage financing at terms ranging from ten to thirty years on select office building investments as additional capital is needed. The Company plans to maintain a ratio of debt to total market capitalization from 25% to 45% although such ratio may from time to time temporarily exceed 45% especially when the Company has incurred significant amounts of short-term debt in connection with acquisitions. In addition, volatility in the price of the Company's common stock may result in a debt to total market capitalization ratio exceeding 45% from time to time. The Company monitors interest and fixed charge coverage ratios. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Financial Condition." Other than the issuance of Series B Convertible Cumulative Preferred Stock to Five Arrows Realty Securities III L.L.C., Parkway has no present plans to issue senior securities.

Parkway may, in appropriate circumstances, acquire one or more properties in exchange for Parkway's equity securities. Parkway may provide financing in connection with sales of property if market conditions so require, but it does not presently intend to make other loans. Parkway has no set policy as to the amount or percentage of its assets which may be invested in any specific property. Rather than a specific policy Parkway evaluates each property in terms of whether and to what extent the property meets Parkway's investment criteria and strategic objectives. Parkway has no present intentions of underwriting securities of other issuers. The strategies and policies set forth above were determined, and are subject to review by, Parkway's Board of Directors which may change such strategies or policies based upon their evaluation of the state of the real estate market, the performance of Parkway's assets, capital and credit market conditions, and other relevant factors. Parkway provides annual reports to its stockholders that contain financial statements audited by Parkway's independent public accountants.

Dispositions

Parkway has also pursued a strategy of liquidating its non-office assets and office building investments that no longer meet the Company's investment criteria and/or the Company has determined value will be maximized by selling and redeploying the proceeds.

Since January 1, 1995, Parkway has sold non-core assets with a book value of approximately $44 million for approximately $67 million, resulting in an aggregate gain for financial reporting purposes of approximately $23 million. The book value of all remaining non-office building real estate assets and mortgage loans, all of which are for sale, was approximately $5.2 million as of December 31, 2000.

Since January 1, 1998, the Company has sold nine office properties, encompassing approximately 892,000 net rentable square feet for net proceeds of $92.5 million. The Company recorded gains for financial reporting purposes of $12.6 million on the sales. Four of the properties were sold on July 1, 1998 and consisted of the Company's investment portfolio located in Dallas, Texas. The decision to sell the Company's four office buildings in Dallas was based on management's belief that the significant amount of development and proposed development of office properties in the Dallas market may have the effect of depressing the growth in rental rates. On November 30, 1999, one single-story office building in Houston, Texas was sold. The Company routinely evaluates changes in market conditions that indicate an opportunity or need to sell properties within those markets in order to maximize shareholder value and allocate capital judiciously.

During 2000, three office properties in Northern Virginia and one office property in Little Rock, Arkansas were sold. The decision to sell these assets was based on the fact that they were suburban and were neither self-managed nor self-leased. Currently, the Company is also considering the sale of its properties in Birmingham, Alabama; Greenville, South Carolina and Indianapolis, Indiana, primarily because the Company does not own sufficient office space in these markets to justify self-management and self-leasing. These investment decisions will be based upon the Company's analysis of existing markets and competing investment opportunities.

Administration

The Company is self-administered and self-managed and maintains its principal executive offices in Jackson, Mississippi. As of March 16, 2001, the Company had 172 employees.

The operations of the Company are conducted from approximately 13,000 square feet of office space located at 188 East Capitol Street, One Jackson Place Suite 1000, Jackson, Mississippi. The building is owned by Parkway and is leased by Parkway at market rental rates. The Company maintains a website at www.pky.com.