

PARKWAY PROPERTIES, INC.
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

(Revised and Adopted March 1, 2005)

I. Purpose

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the Corporation's financial statements, the Corporation's compliance with legal and regulatory requirements, the independent accountants' qualifications and independence and the performance of the Corporation's internal audit function and independent accountants. The Committee will review: the financial reports and other financial information provided by the Corporation to any governmental body or the public; the Corporation's systems of internal controls regarding finance and accounting that management and the Board has established; and the Corporation's auditing, accounting and financial reporting processes generally. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation's policies, procedures and practices at all levels.

II. Composition

The Audit Committee shall be comprised of three or more directors as determined by the Board. Each member must qualify as an independent director under the listing standards of the New York Stock Exchange and applicable federal law. Each member shall have a working familiarity with basic finance and accounting practices and be able to read and understand fundamental financial statements. At least one member must have accounting or related financial management expertise. Additionally, the Board shall designate at least one member as an "audit committee financial expert" as such term is defined in rules promulgated by the SEC.

If any Committee member simultaneously serves on the audit committee of more than three public companies, the Board must determine that such simultaneous services will not impair the ability of such member to effectively serve on the Corporation's Audit Committee.

The members shall be nominated by the Corporate Governance and Nominating Committee and elected by the Board at the annual organizational meeting of the Board or until their successors shall be duly elected and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Audit Committee membership.

III. Meetings

The Audit Committee shall meet at least quarterly, or more frequently as circumstances dictate. The timing of the meetings shall be determined by the Committee, however the Committee will meet at any time that the independent accountants believe communication with

the Committee is required. As part of its job to foster open communication, the Audit Committee should meet at least quarterly with management and the independent accountants in separate executive sessions to discuss any matters that the Audit Committee, management or the independent accountants believe should be discussed privately. Minutes shall be kept of each meeting of the Committee.

IV. **Education**

The Corporation is responsible for providing the Committee with educational resources related to accounting principles and procedures, current accounting topics pertinent to the Corporation and other material as may be requested by the Committee. The Corporation shall assist the Committee in maintaining appropriate financial literacy.

V. **Funding**

The Committee will determine the appropriate funding to be provided by the Corporation for payment of compensation to the independent accountants and any professional consultants or other advisers employed by the Committee as authorized by this Charter and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

VI. **Responsibilities and Duties**

The Committee shall have the following duties and responsibilities:

GENERAL RESPONSIBILITIES:

- To report Committee actions to the full Board of Directors and make appropriate recommendations.
- To inquire as to the independence of the independent public accountant. As part of this responsibility, the Committee will direct the independent accountants to submit to the Committee, at least annually, a formal written statement delineating all relationships between such accountants and the Corporation. The Committee is responsible for actively engaging in a dialogue with the independent accountants with respect to any disclosed relationships or services that may impact the objectivity and independence of the independent accountants and for recommending that the Board of Directors take appropriate action in response to the independent accountants' report to satisfy itself of the independent accountants' independence.
- To conduct or authorize investigations into matters within the Committee's scope of responsibility. The Committee is authorized, with or without Board approval, to retain independent counsel, accountants or other advisors as may be necessary or appropriate to assist the Committee in fulfilling its duties.
- To review and approve, specifically and in advance, all audit and non-audit services proposed to be provided to the Corporation by its independent accountants, and seek to

ensure that such services do not interfere with the independence of such auditors, and do not give rise to an appearance of impropriety.

- To consider policies and procedures for audit partner rotation on a five-year cycle, and if required or appropriate, audit firm rotation.
- To establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of concerns regarding accounting, auditing or internal control issues.
- To meet separately and periodically, with management, with internal auditors and with independent accountants.
- To review and establish hiring policies regulating the hiring by the Corporation of employees or former employees of the Corporation's independent accountants.
- To establish and recommend Board approval performance standards for Committee members, and the procedures and timing of an annual performance evaluation.

RESPONSIBILITIES FOR ENGAGING INDEPENDENT ACCOUNTANTS AND REVIEWING INTERNAL AUDIT FUNCTION:

- To select and evaluate the independent accountants for the annual audit and quarterly reviews, and to approve any replacement of the independent accountants if circumstances warrant such action. The Committee's actions in these areas of responsibility may be subject to ratification by the Corporation's shareholders. The Audit Committee also will review and approve fees paid to the independent accountants.
- To confirm and seek to assure the objectivity of the internal audit function and the independence of the independent accountants, including a review of management consulting services provided by the independent accountants.

RESPONSIBILITIES REGARDING THE ANNUAL EXTERNAL AUDIT, INTERNAL AUDITS AND QUARTERLY AND ANNUAL FINANCIAL STATEMENTS:

- At least annually, the Audit Committee will obtain and review a report by the independent accountants describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all relationships between the independent accountants and the Corporation.
- The Audit Committee will strive to ensure that the independent accountants provide the Committee with a timely notification and analysis of significant financial reporting issues.

- The Audit Committee will discuss with management and the independent accountants the independent accountants' annual report on the Corporation's financial statements and will consider and recommend to the board whether the financial statements be included in the Corporation's annual report on Form 10-K.
- The Audit Committee will discuss with management and the independent accountants each quarterly financial report (Form 10-Q) before those interim reports are released to the public or filed with the SEC or other regulators.

THE AUDIT COMMITTEE WILL DISCUSS THE FOLLOWING WITH THE INDEPENDENT ACCOUNTANTS AND THE INTERNAL AUDITORS:

- The planned arrangements and scope of the annual audit.
- The adequacy of the Corporation's internal controls, including computerized information systems controls and security.
- Any significant findings and recommendations made by the independent accountants or internal auditors together with management's response.
- The need for the internal auditor and the independent accountants to assess their responsibility for detecting accounting and financial reporting errors, fraud, and defalcations, illegal acts and noncompliance with the Corporation's Code of Business Conduct and Ethics and regulating requirements.
- The need for changes or improvements, including improvements in efficiency, in financial or accounting practices or controls.

THE AUDIT COMMITTEE WILL DISCUSS WITH MANAGEMENT AND THE INDEPENDENT ACCOUNTANTS:

- The Corporation's annual financial statements and related notes and quarterly financial statements, including all of the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- The independent accountants' qualitative judgment about the quality, not just the acceptability, of the accounting principles and financial disclosures.
- The matters required to be discussed by Statement on Auditing Standards No. 61, as it may be amended, including but not limited to:
 - Methods used to account for significant unusual transactions.
 - Effect of significant accounting policies in controversial or emerging areas.
 - Process and basis for sensitive accounting estimates.

- Disagreements between independent accountants and management over accounting or disclosure matters.
- Any serious difficulties or disputes with management encountered during the course of the audit. The Committee is directly responsible for the resolution of disagreements between management and the Corporation's independent accountants regarding financial reporting.
- The Corporation's significant risks and exposures and the steps management has taken to monitor and control such exposures, including the Corporation's risk assessment and risk management policies or guidelines, if any.

THE AUDIT COMMITTEE WILL CONSIDER AND DISCUSS WITH MANAGEMENT AND THE INTERNAL AUDITORS:

- The budget and staffing for internal auditing.
- Activities, organizational structure, and qualifications of the internal auditors.

PERIODIC RESPONSIBILITIES:

- Review and reassess the Committee's charter and responsibilities at least annually.
- Review the Committee's methodology and functions at least annually; evaluate its performance and institute appropriate changes to improve performance or reflect changes in the business environment.
- Prepare an annual Committee Report or other proxy statement disclosure about the Committee in accordance with regulations of the Securities and Exchange Commission and other applicable law.
- Include a copy of the Committee charter as an appendix to the proxy statement at least once every three years.
- Review and update periodically the Corporation's policies and procedures that pertain to the Corporation's financial reporting process, system of internal control, and compliance and ensure that management has established a system to enforce these policies.
- Discuss with management the Corporation's earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies.

LIMITATION OF AUDIT COMMITTEE'S ROLE:

- Although the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Corporation's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent accountants.

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