

COUSINS PROPERTIES INC

Form 10-Q

May 12, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 0-3576

COUSINS PROPERTIES INCORPORATED

(Exact name of registrant as specified in its charter)

GEORGIA

(State or other jurisdiction of incorporation or organization)

58-0869052

(I.R.S. Employer Identification No.)

191 Peachtree Street, Suite 3600, Atlanta, Georgia

(Address of principal executive offices)

30303-1740

(Zip Code)

(404) 407-1000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer", "large accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 6, 2008
Common Stock, \$1 par value per share	54,875,617 shares

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FORWARD-LOOKING STATEMENTS

Certain matters contained in this report are forward-looking statements within the meaning of the federal securities laws and are subject to uncertainties and risks. These include, but are not limited to, general and local economic conditions, local real estate conditions (including the overall condition of the residential markets), the activity of others developing competitive projects, the risks associated with development projects (such as delay, cost overruns and leasing/sales risk of new properties), the cyclical nature of the real estate industry, the financial condition of existing tenants, interest rates, the Company's ability to obtain favorable financing or zoning, environmental matters, the effects of terrorism, the ability of the Company to close properties under contract and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including the risks identified in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2007. The words believes, expects, anticipates, estimates and similar expressions are intended to identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in any forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. Such forward-looking statements are based on current expectations and speak as of the date of such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

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CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited, in thousands, except share and per share amounts)

	March 31, 2008	December 31, 2007
ASSETS		
PROPERTIES:		
Operating properties, net of accumulated depreciation of \$152,137 and \$142,955 in 2008 and 2007, respectively	\$ 684,400	\$ 654,633
Land held for investment or future development	114,928	105,117
Projects under development	372,468	358,925
Residential lots under development	49,244	44,690
Total properties	1,221,040	1,163,365
CASH AND CASH EQUIVALENTS	58,908	17,825
RESTRICTED CASH	2,468	3,587
NOTES AND OTHER RECEIVABLES, net of allowance for doubtful accounts of \$1,073 and \$883 in 2008 and 2007, respectively	56,718	44,414
INVESTMENT IN UNCONSOLIDATED JOINT VENTURES	207,534	209,477
OTHER ASSETS	76,332	70,943
TOTAL ASSETS	\$ 1,623,000	\$ 1,509,611
LIABILITIES AND STOCKHOLDERS INVESTMENT		
NOTES PAYABLE	\$ 793,882	\$ 676,189
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	72,650	57,208
DEFERRED GAIN	171,783	171,931
DEPOSITS AND DEFERRED INCOME	5,988	5,997
TOTAL LIABILITIES	1,044,303	911,325
MINORITY INTERESTS	45,860	45,783
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS INVESTMENT:		
Preferred stock, 20,000,000 shares authorized, \$1 par value:		
7.75% Series A cumulative redeemable preferred stock, \$25 liquidation preference; 4,000,000 shares issued and outstanding	100,000	100,000
7.50% Series B cumulative redeemable preferred stock, \$25 liquidation preference; 4,000,000 shares issued and outstanding	100,000	100,000

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Common stock, \$1 par value, 150,000,000 shares authorized, 54,862,481 and 54,850,505 shares issued in 2008 and 2007, respectively	54,862	54,851
Additional paid-in capital	349,835	348,508
Treasury stock at cost, 3,570,082 shares in 2008 and 2007	(86,840)	(86,840)
Accumulated other comprehensive income	(8,171)	(4,302)
Cumulative undistributed net income	23,151	40,286
TOTAL STOCKHOLDERS INVESTMENT	532,837	552,503
TOTAL LIABILITIES AND STOCKHOLDERS INVESTMENT	\$ 1,623,000	\$ 1,509,611

See notes to condensed consolidated financial statements.

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**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(Unaudited, in thousands, except per share amounts)

	Three Months Ended March	
	2008	31, 2007
REVENUES:		
Rental property revenues	\$ 34,313	\$ 24,130
Fee income	7,558	8,066
Residential lot and outparcel sales	1,744	1,426
Interest and other	1,360	3,667
	44,975	37,289
COSTS AND EXPENSES:		
Rental property operating expenses	13,678	10,017
General and administrative expenses	14,385	14,690
Depreciation and amortization	11,439	9,355
Residential lot and outparcel cost of sales	946	1,208
Interest expense	6,275	
Other	1,755	360
	48,478	35,630
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES, MINORITY INTEREST AND INCOME FROM UNCONSOLIDATED JOINT VENTURES	(3,503)	1,659
BENEFIT FOR INCOME TAXES FROM OPERATIONS	3,217	1,027
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES	(671)	(862)
INCOME FROM UNCONSOLIDATED JOINT VENTURES	2,817	3,708
INCOME FROM CONTINUING OPERATIONS BEFORE GAIN ON SALE OF INVESTMENT PROPERTIES	1,860	5,532
GAIN ON SALE OF INVESTMENT PROPERTIES, NET OF APPLICABLE INCOME TAX PROVISION	3,792	4,440
INCOME FROM CONTINUING OPERATIONS	5,652	9,972

DISCONTINUED OPERATIONS, NET OF APPLICABLE INCOME**TAX PROVISION:**

Income from discontinued operations		84
Gain on sale of investment properties		8,164
		8,248
NET INCOME	5,652	18,220
DIVIDENDS TO PREFERRED STOCKHOLDERS	(3,813)	(3,813)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 1,839	\$ 14,407
PER COMMON SHARE INFORMATION BASIC:		
Income from continuing operations	\$ 0.04	\$ 0.12
Income from discontinued operations		0.16
Basic net income available to common stockholders	\$ 0.04	\$ 0.28
PER COMMON SHARE INFORMATION DILUTED:		
Income from continuing operations	\$ 0.04	\$ 0.12
Income from discontinued operations		0.15
Diluted net income available to common stockholders	\$ 0.04	\$ 0.27
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.37	\$ 0.37
WEIGHTED AVERAGE SHARES	51,148	51,719
DILUTED WEIGHTED AVERAGE SHARES	51,670	53,596

See notes to condensed consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands, except per share amounts)

	Three Months Ended March	
	31,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 5,652	\$ 18,220
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Gain on sale of investment properties, net of income tax provision	(3,792)	(12,604)
Depreciation and amortization	11,439	9,520
Amortization of deferred financing costs	386	260
Stock-based compensation	998	1,486
Effect of recognizing rental revenues on a straight-line or market basis	(1,219)	425
Income from unconsolidated joint ventures less than (in excess of) operating distributions	8,364	(1,617)
Residential lot, outparcel and multi-family cost of sales, net of closing costs paid	874	1,192
Residential lot, outparcel and multi-family acquisition and development expenditures	(4,918)	(4,203)
Income tax benefit from stock options		(728)
Minority interest in income of consolidated entities	671	862
Changes in other operating assets and liabilities:		
Change in other receivables and other assets	(6,131)	(1,820)
Change in accounts payable and accrued liabilities	(1,462)	(1,867)
Net cash provided by operating activities	10,862	9,126
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment property sales	1,273	21,280
Proceeds from venture formation		15,752
Property acquisition and development expenditures	(58,250)	(77,616)
Investment in unconsolidated joint ventures	(8,616)	(2,325)
Distributions from unconsolidated joint ventures in excess of income	625	1,447
Investment in notes receivable, net	(19)	2,007
Change in other assets, net	(538)	(5,978)
Change in restricted cash	1,119	(113)
Net cash used in investing activities	(64,406)	(45,546)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from credit, term loan, and construction facilities	140,425	688,200
Repayment of credit facilities	(22,225)	(635,700)
Payment of loan issuance costs	(25)	(269)
Proceeds from other notes payable or construction loans	12	660

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Repayment of other notes payable or construction loans	(519)	(628)
Common stock issued, net of expenses	340	4,074
Income tax benefit from stock options		728
Common dividends paid	(18,974)	(19,194)
Preferred dividends paid	(3,813)	(3,813)
Contributions from minority partners		116
Distributions to minority partners	(594)	(651)
Net cash provided by financing activities	94,627	33,523
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,083	(2,897)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	17,825	11,538
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 58,908	\$ 8,641

See notes to condensed consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2008
(UNAUDITED)

1. BASIS OF PRESENTATION AND NEW ACCOUNTING PRONOUNCEMENTS

Basis of Presentation

The condensed consolidated financial statements included herein include the accounts of Cousins Properties Incorporated (Cousins) and its consolidated subsidiaries, including Cousins Real Estate Corporation and its subsidiaries (CREC). All of the entities included in the condensed consolidated financial statements are hereinafter referred to collectively as the Company.

Cousins has elected to be taxed as a real estate investment trust (REIT) and intends to, among other things, distribute 100% of its federal taxable income to stockholders, thereby eliminating any liability for federal income taxes under current law. Therefore, the results included herein do not include a federal income tax provision for Cousins. CREC operates as a taxable REIT subsidiary and is taxed separately from Cousins as a C-Corporation. Accordingly, the condensed consolidated statements of income include a provision for, or benefit from, CREC s income taxes.

The condensed consolidated financial statements are unaudited and were prepared by the Company in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC). In the opinion of management, these financial statements reflect all adjustments necessary (which adjustments are of a normal and recurring nature) for the fair presentation of the Company s financial position as of March 31, 2008 and results of operations for the three month periods ended March 31, 2008 and 2007. Results of operations for the three months ended March 31, 2008 are not necessarily indicative of results expected for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. These condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. The accounting policies employed are materially the same as those shown in Note 2 to the consolidated financial statements included in such Form 10-K, with the addition of the following new accounting pronouncements.

On January 1, 2008, the Company adopted Emerging Issues Task Force (EITF) No. 06-8, *Applicability of the Assessment of a Buyer s Continuing Investment under FASB Statement No. 66, Accounting for Sales of Real Estate, for Sales of Condominiums*, which is discussed in Note 2 of the Company s Annual Report on Form 10-K for the year ended December 31, 2007. This adoption had no effect on financial position or results of operations in the first quarter of 2008, but the Company anticipates that the accounting under EITF 06-8 will have a material effect on the timing of revenue recognition for future multi-family residential projects.

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. In accordance with SFAS No. 157, the Company applied the following fair value hierarchy:

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Level 1 Assets or liabilities for which the identical item is traded on an active exchange, such as publicly-traded instruments or futures contracts.

Level 2 Assets and liabilities valued based on observable market data for similar instruments.

Level 3 Assets or liabilities for which significant valuation assumptions are not readily observable in the market; instruments valued based on the best available data, some of which is internally-developed, and considers risk premiums that a market participant would require.

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at and/or marked to fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Company looks to market observable data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Company must use alternative valuation techniques to derive a fair value measurement.

The Company applied the provisions of SFAS No. 157 in recording its interest rate swap at fair value (Level 2; swap is discussed further in Note 2 herein) and in its annual disclosures of the fair value of notes payable and receivable (Level 2). Additionally, fair value is used to evaluate assets for impairment purposes, for example, long-lived assets and goodwill (Level 3). The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations or financial condition.

2. NOTES PAYABLE, INTEREST EXPENSE AND COMMITMENTS AND CONTINGENCIES

The following table summarizes the terms and amounts of the notes payable outstanding at March 31, 2008 and December 31, 2007 (\$ in thousands):

Description	Interest Rate	Term/ Amortization Period (Years)	Maturity	Outstanding at	
				March 31, 2008	December 31, 2007
Credit facility (a maximum of \$500,000), unsecured	LIBOR + 0.75% to 1.25%	4/N/A	8/29/11	\$ 170,800	\$ 52,600
Term facility (a maximum of \$100,000), unsecured	Swapped rate of 5.01% + 0.70% to 1.20%	5/N/A	8/29/12	100,000	100,000
Terminus 100 mortgage note (interest only)	6.13%	5/N/A	10/1/12	180,000	180,000
The American Cancer Society Center mortgage note (interest only until October 1, 2011)	6.4515%	5/30	9/1/17	136,000	136,000
San Jose MarketCenter mortgage note (interest only)	5.60%	3/N/A	12/1/10	83,300	83,300
333/555 North Point Center East mortgage note	7.00%	10/25	11/1/11	28,677	28,862
Meridian Mark Plaza mortgage note	8.27%	10/28	9/1/10	23,090	23,196
100/200 North Point Center East mortgage note (interest only until July 1, 2010)	5.39%	5/30	6/1/12	25,000	25,000
The Points at Waterview mortgage note	5.66%	10/25	1/1/16	17,724	17,818
	7.38%	10/30	8/10/11	12,922	12,973

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600 University Park Place mortgage note					
Lakeshore Park Plaza mortgage note	6.78%	10/25	11/1/08	8,707	8,785
King Mill Project I member loan (a maximum of \$2,849)	9.00%	3/N/A	8/30/08	2,703	2,703
King Mill Project I second member loan (a maximum of \$2,349)	9.00%	3/N/A	6/26/09	2,047	2,046
Jefferson Mill Project member loan (a maximum of \$3,156)	9.00%	3/N/A	9/13/09	2,613	2,601
Other miscellaneous notes	Various	Various	Various	299	305
				\$ 793,882	\$ 676,189

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The Company maintains an interest rate swap agreement with a notional amount of \$100 million in order to manage its interest rate risk under the Term Facility. This swap was designated as a cash flow hedge and effectively fixes the underlying LIBOR rate of the Term Facility at 5.01%. The interest rate on the Term Facility is equal to LIBOR plus a spread, as defined by the term loan agreement. At March 31, 2008 the spread over LIBOR was 0.80%. The fair value of the interest rate swap agreement at March 31, 2008 was a liability of approximately \$8.2 million and is recorded in accounts payable and accrued liabilities on the Condensed Consolidated Balance Sheet. The change in value of the interest rate swap, which was approximately a \$3.9 million increase in the liability, is recorded in Other Comprehensive Income, which is included in the equity section of the Condensed Consolidated Balance Sheet. Ineffectiveness is analyzed on a quarterly basis and is recorded in the Condensed Consolidated Statements of Income. There was no ineffectiveness in the first quarter 2008.

The real estate and other assets of the American Cancer Society Center (the ACS Center) are restricted under the ACS Center loan agreement in that they are not available to settle debts of the Company. However, provided that the ACS Center loan has not incurred any uncured event of default, as defined in the loan agreement, the cash flows from the ACS Center, after payments of debt service, operating expenses and reserves, are available for distribution to the Company.

For the three months ended March 31, 2008 and 2007, interest expense was as follows (\$ in thousands):

	Three Months Ended March 31,	
	2008	2007
Interest incurred	\$ 11,243	\$ 6,091
Interest capitalized	(4,968)	(6,091)
Interest expense	\$ 6,275	\$

At March 31, 2008, the Company had outstanding letters of credit and performance bonds of \$24.9 million. The Company has projects under development and redevelopment for which it estimates total future funding commitments of \$158.3 million at March 31, 2008. Additionally, the Company has future obligations as a lessor under numerous leases to fund approximately \$7.5 million of tenant improvements as of March 31, 2008. As a lessee, the Company has future obligations under ground and office leases of approximately \$16.3 million at March 31, 2008.

3. EARNINGS PER SHARE

Net income per share-basic is calculated as net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Net income per share-diluted is calculated as net income available to common stockholders divided by the diluted weighted average number of common shares outstanding during the period. Diluted weighted average number of common shares is calculated to reflect the potential dilution under the treasury stock method that would occur if stock options, restricted stock or other contracts to issue common stock were exercised and resulted in additional common shares outstanding. The numerator used in the Company's per share calculations is the same for both basic and diluted net income per share.

Weighted average shares-basic and weighted average shares-diluted were as follows (in thousands):

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	Three Months Ended March 31,	
	2008	2007
Weighted average shares-basic	51,148	51,719
Dilutive potential common shares:		
Stock options	522	1,841
Restricted stock		36
Weighted average shares-diluted	51,670	53,596
Anti-dilutive options not included	3,486	

4. STOCK-BASED COMPENSATION

SFAS No. 123(R), *Share-Based Payment*, requires that companies recognize as compensation expense the grant date fair value of share-based awards over the required service period of the awards. The Company has several types of stock-based compensation—stock options, restricted stock and restricted stock units—which are described in Note 6 of Notes to Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. The Company uses the Black-Scholes option-pricing model to value its new stock option grants under SFAS 123(R) and recognizes compensation expense in general and administrative expense in the Condensed Consolidated Statements of Income over the related awards' vesting period. A portion of share-based payment expense is capitalized to projects under development in accordance with SFAS No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*. SFAS 123(R) also requires the Company to estimate forfeitures in calculating the expense related to stock-based compensation, and to reflect the benefits of tax deductions in excess of recognized compensation cost to be reported as both a financing cash inflow and an operating cash outflow.

The Company recognized compensation expense of \$1.4 million and \$1.6 million for each of the three months ended March 31, 2008 and 2007, respectively, for stock-based compensation, after the effect of capitalization to projects under development and income tax benefit. As of March 31, 2008, the Company had \$15.9 million of estimated total unrecognized compensation cost related to stock-based compensation, which will be recognized over a weighted average period of 1.8 years.

The Black-Scholes option-pricing model requires the Company to provide inputs in calculating the fair value of options on the date of grant. The risk free interest rate utilized is the interest rate on U.S. Government Bonds and Notes having the same life as the estimated life of the Company's option awards. Expected life of the options granted was estimated based on historical data reflecting actual hold periods plus an estimated hold period for unexercised options outstanding. Expected volatility is based on the historical volatility of the Company's stock over a period relevant to the related stock option grant. The assumed dividend yield is based on the annual dividend rate for regular dividends at the time of grant. Below are the Black-Scholes inputs used to calculate the weighted-average fair value of the 2008 option grant:

Assumptions:

Risk free interest rate	2.62%
Expected life	5.76 years
Expected volatility	0.27%
Expected dividend yield	5.04%

Result:

Weighted-average fair value of options granted	\$3.74
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The following table summarizes stock option activity during the three months ended March 31, 2008:

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	Number of Options (in thousands)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted- Average Remaining Contractual Life (years)
Outstanding at December 31, 2007	6,732	\$ 23.79		
Granted	48	24.71		
Exercised	(5)	22.19		
Forfeited	(60)	28.84		
Outstanding at March 31, 2008	6,715	\$ 23.75	\$ 21,012	6.29
Exercisable at March 31, 2008	4,579	\$ 21.55	\$ 20,585	5.11

The total intrinsic value of options exercised during the three months ended March 31, 2008 was approximately \$18,000.

The following table summarizes restricted stock activity during the three months ended March 31, 2008:

	Number of Shares (in thousands)	Weighted- Average Grant Date Fair Value
Non-vested stock at December 31, 2007	134	\$ 26.77
Granted	7	24.71
Forfeited	(2)	31.28
Non-vested stock at March 31, 2008	139	\$ 26.62

Restricted stock units (RSU) are accounted for as liability awards under SFAS 123(R) and employees are paid cash based upon the value of the Company's stock upon vesting. The following table summarizes RSU activity for the three months ended March 31, 2008 (in thousands):

Outstanding at December 31, 2007	469
Vested	(2)
Forfeited	(9)
Outstanding at March 31, 2008	458

5. PROPERTY TRANSACTIONS

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, requires that the gains and losses from the disposition of certain real estate assets and the related historical results of operations of certain disposed of or held-for-sale assets be included in a separate section, discontinued operations, in the statements of income for all periods presented. SFAS No. 144 also requires that assets and liabilities of held-for-sale properties, as

defined, be separately categorized on the balance sheet in the period that they are deemed held-for-sale.

In 2007, the Company sold 3301 Windy Ridge Parkway, a 107,000 square foot office building in Atlanta, Georgia, and five ground leased sites at the Company's North Point project.

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The operations of these projects are included in discontinued operations in the accompanying Condensed Consolidated Statements of Income (there was no activity in 2008). The following details the components of income from discontinued operations for the three months ended March 31, 2007 (\$ in thousands):

	2007
Rental property revenues	\$ 411
Other revenues	47
Rental property operating expenses	(209)
Depreciation and amortization	(165)
	\$ 84

The gain on sale of the applicable properties included in Discontinued Operations for the three months ended March 31, 2007 of \$8.2 million related to the sale of the ground leased sites at North Point.

6. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The Company describes its investments in unconsolidated joint ventures in Note 5 to its Annual Report on Form 10-K for the year ended December 31, 2007. The following table summarizes balance sheet data of the Company's unconsolidated joint ventures as of March 31, 2008 and December 31, 2007 (\$ in thousands):

	Total Assets		Total Debt		Total Equity		Company's Investment	
	2008	2007	2008	2007	2008	2007	2008	2007
CP Venture IV LLC entities	\$ 356,128	\$ 359,058	\$ 37,818	\$ 38,137	\$ 297,878	\$ 302,679	\$ 17,533	\$ 17,764
TRG Columbus Development Venture, Ltd. Charlotte Gateway Village, LLC	55,630	108,448		5,128	53,762	63,945	20,450	28,081
CP Venture LLC entities	172,249	172,781	131,057	133,864	38,549	37,409	10,460	10,468
CL Realty, L.L.C.	105,793	107,384			104,686	105,615	3,928	3,944
CF Murfreesboro Associates	124,431	124,422	6,378	6,350	115,242	114,490	71,975	71,195
Temco Associates, LLC	125,648	120,579	98,778	88,127	21,387	21,366	12,475	12,383
Palisades West LLC	61,822	63,504	3,349	3,397	57,316	59,042	29,251	30,508
Crawford Long CPI, LLC	61,184	44,526			52,025	37,429	26,643	19,106
Terminus 200 LLC	40,764	39,847	51,339	51,558	(12,404)	(12,830)	(4,950)	(5,171)
	41,673	34,040	4,573	1,073	34,063	30,568	19,385	19,163
	25,482	25,502	28,250	28,373	(3,467)	(3,279)	(3,228)	(3,136)

Ten Peachtree Place Associates Wildwood Associates	21,614	21,640			21,510	21,552	(1,495)	(1,474)
Handy Road Associates, LLC	5,347	5,407	3,204	3,204	2,123	2,173	2,175	2,202
Pine Mountain Builders, LLC	6,398	7,569	2,186	2,347	2,594	2,553	1,616	1,551
Glenmore Garden Villas LLC	5,174	3,197	2,723	1,596	1,200	1,200	1,011	874
CPI/FSP I, L.P.	7	3,188			(2)	3,137	33	1,600
CSC Associates, LP	1,875	2,150			141	414	64	207
Other	673	686			649	650	208	212
	\$ 1,211,892	\$ 1,243,928	\$ 369,655	\$ 363,154	\$ 787,252	\$ 788,113	\$ 207,534	\$ 209,477

The following table summarizes income statement data of the Company's unconsolidated joint ventures for the three months ended March 31, 2008 and 2007 (\$ in thousands):

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	Total Revenues		Net Income (Loss)		Company's Share of Net Income (Loss)	
	2008	2007	2008	2007	2008	2007
CP Venture IV LLC entities	\$ 8,128	\$ 8,130	\$ 745	\$ 1,257	\$ 345	\$ 311
TRG Columbus Development Venture, Ltd.	9,244	23,471	1,734	7,945	650	2,424
Charlotte Gateway Village, LLC	7,673	7,643	1,504	1,361	294	294
CP Venture LLC entities	4,973	5,341	2,783	3,011	288	313
CL Realty, L.L.C.	3,085	3,799	2,312	1,988	1,167	277
CF Murfreesboro Associates	2,386		20		(37)	
Temco Associates	677	1,094	(279)	(42)	(141)	(28)
Palisades West, LLC	60	88	53	50	27	25
Crawford Long CPI, LLC	2,846	2,638	426	360	212	168
Terminus 200 LLC	81		(51)		(25)	
Ten Peachtree Place Associates	1,890	1,594	112	43	59	25
Wildwood Associates			(42)	(48)	(21)	(24)
Handy Road Associates, LLC			(50)	(75)	(30)	(43)
Pine Mountain Builders, LLC	1,832	939	41	46	6	(5)
CPI/FSP I, L.P.	4,448		1,015	(1)		(1)
CSC Associates, L.P.	13	(15)	13	(50)	6	(25)
Other			(27)	2	17	(3)
	\$ 47,336	\$ 54,722	\$ 10,309	\$ 15,847	\$ 2,817	\$ 3,708

7. OTHER ASSETS

Other Assets on the Condensed Consolidated Balance Sheets included the following (\$ in thousands):

	March 31, 2008	December 31, 2007
Investment in Verde	\$ 9,376	\$ 9,376
FF&E and leasehold improvements, net of accumulated depreciation of \$11,770 and \$10,977 as of March 31, 2008 and December 31, 2007, respectively	11,039	11,352
Predevelopment costs and earnest money	12,038	16,692
Lease inducements, net of accumulated amortization of \$358 and \$235 as of March 31, 2008 and December 31, 2007, respectively	14,256	3,735
Loan closing costs, net of accumulated amortization of \$1,834 and \$1,448 as of March 31, 2008 and December 31, 2007, respectively	6,136	6,497
Deposits	9,191	9,180
Prepaid expenses and other assets	4,308	2,575
Intangible Assets:		
Goodwill	5,529	5,529
Above market leases, net of accumulated amortization of \$7,049 and \$6,028 as of March 31, 2008 and December 31, 2007, respectively	3,324	4,598
	1,135	1,409

In-place leases, net of accumulated amortization of \$1,819 and \$1,589 as of as of March 31, 2008 and December 31, 2007, respectively

\$ **76,332** \$ 70,943

Goodwill relates entirely to the Office/Multi-Family reportable segment. Above and below market leases are amortized into rental revenues over the remaining lease terms. In-place leases are amortized into depreciation and amortization expense also over remaining lease terms. Amortization expense for intangibles totaled \$1.3 million and \$1.7 million in the three months ended March 31, 2008 and 2007, respectively. Future aggregate amortization of these intangible assets and liabilities is anticipated to be as follows (\$ in thousands):

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	Below Market Rents	Below Market Ground Lease	Above Market Rents	In-Place Leases	Total
Remainder of 2008	\$(112)	\$ (7)	\$ 2,589	\$ 591	\$3,061
2009	(127)	(9)	197	120	181
2010	(125)	(9)	197	97	160
2011	(116)	(9)	152	79	106
2012	(48)	(9)	16	60	19
Thereafter	(77)	(670)	173	188	(386)
	\$(605)	\$ (713)	\$ 3,324	\$ 1,135	\$3,141

8. SUPPLEMENTAL CASH FLOWS INFORMATION

The following table summarizes supplemental information related to cash flows (\$ in thousands):

	Three Months Ended March 31,	
	2008	2007
Interest paid, net of amounts capitalized	\$ 5,674	\$
Income taxes refunded	392	
Non-Cash Transactions		
Transfer from projects under development to operating properties	27,014	80,730
Transfer from other assets to land	5,694	11,785
Issuance of note receivable for sale of land	5,050	
Change in accruals excluded from development, leasing and acquisition expenditures	12,948	3,881
Transfer from investment in joint venture to land held for investment	1,570	
Change in accumulated other comprehensive income	3,869	
Transfer from operating properties to land		2,392
Transfer from land held for investment to projects under development		323

9. REPORTABLE SEGMENTS

The Company has four reportable segments: Office/Multi-Family, Retail, Land, and Industrial. The Office/Multi-family division develops, leases and manages owned and third-party owned office buildings and, through CREC and its affiliates, invests in and/or develops for-sale multi-family real estate products. The Retail and Industrial divisions develop, lease and manage retail and industrial centers, respectively. The Land division owns various tracts of land that are held for investment or future development, and also develops single-family residential communities that are parceled into lots and sold to various homebuilders or sold as undeveloped tracts of land. The Company's reportable segments are categorized based on the type of product the division provides. The divisions are managed separately because each product they provide has separate and distinct development issues, leasing and/or sales strategies and management issues. The divisions also match the manner in which the chief operating decision maker reviews results and information and allocates resources. The unallocated and other category in the following table includes general corporate overhead costs not specific to any segment, interest expense, as financing decisions are not generally made at the reportable segment level, income taxes, depreciation, and preferred dividends.

Company management evaluates the performance of its reportable segments in part based on funds from operations available to common stockholders (FFO). FFO is a supplemental operating performance measure used in the real estate industry. The Company calculated FFO using the National Association of Real Estate Investment Trusts (NAREIT) definition of FFO, which is net income available to common stockholders (computed in accordance with GAAP), excluding

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extraordinary items, cumulative effect of change in accounting principle and gains or losses from sales of depreciable property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures to reflect FFO on the same basis.

FFO is used by industry analysts, investors and the Company as a supplemental measure of an equity REIT's operating performance. Historical cost accounting for real estate assets implicitly assumes that the value of real estate assets diminishes predictably over time. Since real estate values instead have historically risen or fallen with market conditions, many industry investors and analysts have considered presentation of operating results for real estate companies that use historical cost accounting to be insufficient by themselves. Thus, NAREIT created FFO as a supplemental measure of a REIT's operating performance that excludes historical cost depreciation, among other items, from GAAP net income. Management believes that the use of FFO, combined with the required primary GAAP presentations, has been fundamentally beneficial, improving the understanding of operating results of REITs among the investing public and making comparisons of REIT operating results more meaningful. In addition to Company management evaluating the operating performance of its reportable segments based on FFO results, management uses FFO and FFO per share, along with other measures, to assess performance in connection with evaluating and granting incentive compensation to its officers and other key employees.

In reports filed for periods prior to the second quarter of 2007, the Company presented segment net income in its segment footnote, as well as a breakout of assets, investment in joint ventures and capital expenditures made. Management does not utilize these measures when analyzing its segments or when making resource allocation decisions, and therefore this information is no longer provided by segment. FFO is reconciled to net income on a total company basis.

The following tables summarize the operations of the Company's reportable segments for the three months ended March 31, 2008 and 2007.

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Three Months Ended March 31, 2008 (in thousands)	Unallocated					Total
	Office/Multi-Family Division	Retail Division	Land Division	Industrial Division	and Other	
Rental property revenues	\$ 26,210	\$ 7,383	\$ 720	\$ 7	\$ 12	\$ 34,313
Fee income	6,200	1,193	146	7	12	7,558
Residential lot and outparcel sales		1,600	144			1,744
Other income	566	65	52	183	494	1,360
Total revenues from consolidated entities	32,976	10,241	342	910	506	44,975
Rental property operating expenses	(11,082)	(2,341)		(255)		(13,678)
General and administrative expenses	(1,165)	(592)	(484)	(166)	(7,923)	(10,330)
Third party leasing and management direct operating expenses	(3,955)	(100)				(4,055)
Residential lot and outparcel cost of sales		(845)	(101)			(946)
Other expenses	(87)	(1,253)	(346)	(69)	(7,052)	(8,807)
Total costs and expenses	(16,289)	(5,131)	(931)	(490)	(14,975)	(37,816)
Benefit for income taxes from operations					3,217	3,217
Minority interest in income from consolidated subsidiaries	(71)	(626)	(100)	126		(671)
Funds from operations from unconsolidated joint ventures:						
Unconsolidated joint venture revenue less operating expenses	1,763	1,741				3,504
Residential lot and outparcel sales, net			121			121
Multi-family residential sales, net	650					650
Other joint venture income, net		7	993		(1,092)	(92)
Total funds from operations from unconsolidated joint ventures	2,413	1,748	1,114		(1,092)	4,183
Gain on sale of undepreciated investment properties			3,736			3,736
Preferred stock dividends					(3,813)	(3,813)
Funds from operations available to common stockholders	\$ 19,029	\$ 6,232	\$ 4,161	\$ 546	\$ (16,157)	\$ 13,811
Real estate depreciation and amortization:						
Continuing						(10,662)
Unconsolidated joint ventures						(1,366)

Total real estate depreciation and amortization	(12,028)
Gain on sale of depreciated investment properties	56
Net income available to common stockholders	\$ 1,839

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Three Months Ended March 31, 2007 (in thousands)	Office/Multi-	Retail	Land Industrial	Unallocated	Total
	Family	Division	Division	and Other	
Rental property revenues continuing	\$ 17,437	\$ 6,307	\$	\$ 386	\$ 24,130
Rental property revenues discontinued	308	103			411
Residential lot and outparcel sales			1,426		1,426
Fee income	6,700	1,252	111	3	8,066
Other income continuing	3,414	137	6	41	3,667
Other income discontinued	12	35			47
Total revenues from consolidated entities	27,871	7,834	1,543	427	37,747
Rental property operating expenses continuing	(8,103)	(1,864)		(50)	(10,017)
Rental property operating expenses discontinued	(205)	(4)			(209)
General and administrative expenses	(607)	(1,426)	(833)	(119)	(9,993)
Third party leasing and management direct operating expenses	(4,620)	(77)			(4,697)
Residential lot and outparcel cost of sales			(1,208)		(1,208)
Other expenses continuing	(145)	(74)	(92)	(65)	(861)
Total costs and expenses	(13,680)	(3,445)			