COUSINS PROPERTIES INC
Form 10-Q
November 09, 2006

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

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

**For the quarterly period ended September 30, 2006**

**OR**

o **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** | **58-0869052** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **2500 Windy Ridge Parkway, Suite 1600, Atlanta, Georgia** | **30339** |
| (Address of principal executive offices) | (Zip Code) |

**(770) 955-2200**

(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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

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 October 30, 2006 |
|---|---|
| Common Stock, $1 par value per share | 51,553,772 shares |

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## FORWARD-LOOKING STATEMENTS

Certain matters discussed in this report are forward-looking statements within the meaning of the federal securities laws and are subject to uncertainties and risks, including, but not limited to, general and local economic conditions, local real estate conditions, the activity of others developing competitive projects, 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 failure of assets under contract for purchase and sale to ultimately close and additional risks detailed from time to time in the Company s filings with the Securities and Exchange Commission, including the Company s Annual Report on Form 10-K for the year ended December 31, 2005. The words believes, expects, anticipates, estimates, would 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 statement are reasonable, the Company can give no assurance that these 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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**PART I FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
(Unaudited, in thousands, except share and per share amounts)

| | **September 30, 2006** | December 31, 2005 |
|---|---|---|
| **ASSETS** | | |
| **PROPERTIES:** | | |
| Operating properties, net of accumulated depreciation of $128,681 in 2006 and $158,700 in 2005 | **$ 446,716** | $ 572,466 |
| Operating properties held-for-sale, net of accumulated depreciation of $257 in 2006 | **3,194** | |
| Land held for investment or future development | **104,659** | 62,059 |
| Projects under development | **361,106** | 241,711 |
| Residential lots under development | **24,001** | 11,577 |
| Total properties | **939,676** | 887,813 |
| **CASH AND CASH EQUIVALENTS** | **66,150** | 9,336 |
| **RESTRICTED CASH** | **2,780** | 3,806 |
| **RECEIVABLE FROM VENTURE PARTNER** | **66,688** | |
| **NOTES AND OTHER RECEIVABLES, net of allowance for doubtful accounts of $1,235 and $781 in 2006 and 2005, respectively** | **26,963** | 40,014 |
| **INVESTMENT IN UNCONSOLIDATED JOINT VENTURES** | **169,404** | 217,232 |
| **OTHER ASSETS, including goodwill of $5,602 in 2006 and $8,324 in 2005** | **62,223** | 30,073 |
| **TOTAL ASSETS** | **$ 1,333,884** | $ 1,188,274 |
| **LIABILITIES AND STOCKHOLDERS INVESTMENT** | | |
| **NOTES PAYABLE** | **$ 287,036** | $ 467,516 |
| **ACCOUNTS PAYABLE AND ACCRUED LIABILITIES** | **69,543** | 55,791 |
| **DEFERRED GAIN** | **157,493** | 5,951 |
| **DEPOSITS AND DEFERRED INCOME** | **2,405** | 2,551 |
| **TOTAL LIABILITIES** | **516,477** | 531,809 |
| **MINORITY INTERESTS** | **43,564** | 24,185 |
| **COMMITMENTS AND CONTINGENT LIABILITIES** | | |
| **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 |
| Common stock, $1 par value, 150,000,000 shares authorized, 54,210,132 and 53,357,151 shares issued in 2006 and 2005, respectively | **54,210** | 53,357 |
| Additional paid-in capital | **330,982** | 321,747 |
| Treasury stock at cost, 2,691,582 shares | **(64,894)** | (64,894) |
| Unearned compensation | | (8,495) |
| Cumulative undistributed net income | **253,545** | 130,565 |
| **TOTAL STOCKHOLDERS INVESTMENT** | **773,843** | 632,280 |
| **TOTAL LIABILITIES AND STOCKHOLDERS INVESTMENT** | **$ 1,333,884** | $ 1,188,274 |

*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 September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| **REVENUES:** | | | | |
| Rental property revenues | **$ 21,772** | $ 21,476 | **$ 72,420** | $ 63,533 |
| Fee income | **3,431** | 4,801 | **12,353** | 12,622 |
| Multi-family residential unit sales | **1,026** | 4,986 | **22,741** | 4,986 |
| Residential lot and outparcel sales | **4,572** | 10,946 | **12,206** | 17,006 |
| Interest and other | **400** | 883 | **3,944** | 2,036 |
| | **31,201** | 43,092 | **123,664** | 100,183 |
| **COSTS AND EXPENSES:** | | | | |
| Rental property operating expenses | **9,167** | 8,502 | **28,255** | 24,569 |
| General and administrative expenses | **9,095** | 8,943 | **28,932** | 25,836 |
| Depreciation and amortization | **7,834** | 7,238 | **29,479** | 23,581 |
| Multi-family residential unit cost of sales | **1,346** | 4,274 | **19,081** | 4,274 |
| Residential lot and outparcel cost of sales | **3,425** | 8,350 | **8,926** | 12,492 |
| Interest expense | **2,625** | 1,675 | **11,119** | 6,559 |
| Loss on extinguishment of debt | **15,443** | | **18,207** | |
| Other | **414** | 266 | **1,349** | 694 |
| | **49,349** | 39,248 | **145,348** | 98,005 |
| **INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES AND INCOME FROM UNCONSOLIDATED JOINT VENTURES** | **(18,148)** | 3,844 | **(21,684)** | 2,178 |
| **PROVISION FOR INCOME TAXES FROM OPERATIONS** | **(7)** | (2,021) | **(4,301)** | (3,947) |
| **MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES** | **(899)** | (560) | **(3,290)** | (1,349) |
| **INCOME FROM UNCONSOLIDATED JOINT VENTURES** | **142,355** | 10,008 | **162,882** | 20,791 |
| **INCOME FROM CONTINUING OPERATIONS BEFORE GAIN ON SALE OF INVESTMENT PROPERTIES** | **123,301** | 11,271 | **133,607** | 17,673 |
| **GAIN ON SALE OF INVESTMENT PROPERTIES, NET OF APPLICABLE INCOME TAX PROVISION** | **244** | 796 | **1,110** | 13,201 |

| | | | | |
|---|---|---|---|---|
| **INCOME FROM CONTINUING OPERATIONS** | **123,545** | 12,067 | **134,717** | 30,874 |
| **DISCONTINUED OPERATIONS, NET OF APPLICABLE INCOME TAX PROVISION:** | | | | |
| Income from discontinued operations | **654** | 598 | **1,693** | 1,370 |
| Gain on sale of investment properties | **54,068** | 1,070 | **54,394** | 1,107 |
| | **54,722** | 1,668 | **56,087** | 2,477 |
| **NET INCOME** | **178,267** | 13,735 | **190,804** | 33,351 |
| **DIVIDENDS TO PREFERRED STOCKHOLDERS** | **(3,812)** | (3,812) | **(11,437)** | (11,437) |
| **NET INCOME AVAILABLE TO COMMON STOCKHOLDERS** | **$ 174,455** | $ 9,923 | **$ 179,367** | $ 21,914 |
| **PER SHARE INFORMATION BASIC:** | | | | |
| Income from continuing operations | **$ 2.37** | $ 0.17 | **$ 2.45** | $ 0.39 |
| Income from discontinued operations | **1.08** | 0.03 | **1.11** | 0.05 |
| Net income available to common stockholders | **$ 3.45** | $ 0.20 | **$ 3.56** | $ 0.44 |
| **PER SHARE INFORMATION DILUTED:** | | | | |
| Income from continuing operations | **$ 2.29** | $ 0.16 | **$ 2.36** | $ 0.37 |
| Income from discontinued operations | **1.04** | 0.03 | **1.08** | 0.05 |
| Net income available to common stockholders | **$ 3.33** | $ 0.19 | **$ 3.44** | $ 0.42 |
| **CASH DIVIDENDS DECLARED PER COMMON SHARE** | **$ 0.37** | $ 0.37 | **$ 1.11** | $ 1.11 |
| **WEIGHTED AVERAGE SHARES BASIC** | **50,630** | 50,079 | **50,436** | 49,932 |
| **WEIGHTED AVERAGE SHARES DILUTED** | **52,428** | 52,013 | **52,106** | 51,759 |

*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)

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2006 | 2005 |
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Net income | $ 190,804 | $ 33,351 |
| Adjustments to reconcile net income to net cash flows provided by operating activities: | | |
| Gain on sale of investment properties, net of income tax provision | (55,504) | (14,308) |
| Loss on extinguishment of debt | 18,207 | |
| Depreciation and amortization | 33,567 | 27,535 |
| Amortization of deferred financing costs | 851 | 991 |
| Stock-based compensation expense | 4,615 | 2,329 |
| Effect of recognizing rental revenues on a straight-line or market basis | (2,431) | (2,873) |
| Operating distributions from unconsolidated joint ventures in excess of income | (1,795) | (2,676) |
| Residential lot, outparcel and multi-family cost of sales | 27,579 | 15,022 |
| Residential lot, outparcel and multi-family acquisition and development expenditures | (27,749) | (9,083) |
| Income tax benefit from stock options | | 945 |
| Changes in other operating assets and liabilities: | | |
| Change in other receivables | 10,461 | (9,228) |
| Change in accounts payable and accrued liabilities | 12,830 | 7,101 |
| Net cash provided by operating activities | 211,435 | 49,106 |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Proceeds from investment property sales | 188,470 | 32,808 |
| Proceeds from venture formation accounted for as a sale | 230,027 | |
| Property acquisition and development expenditures | (387,293) | (183,726) |
| Investment in unconsolidated joint ventures | (19,988) | (20,319) |
| Distributions from unconsolidated joint ventures in excess of income | 82,143 | 32,503 |
| Investment in notes receivable | (1,237) | 5,059 |
| Change in other assets, net | (12,721) | 3,443 |
| Change in restricted cash | 1,026 | (1,315) |
| Net cash provided by (used in) investing activities | 80,427 | (131,547) |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Repayment of credit and construction facilities | (953,836) | (276,635) |
| Borrowings from credit and construction facilities | 961,301 | 354,420 |
| Payment of loan issuance costs | (2,024) | (80) |
| Defeasance costs paid | (15,443) | |
| Proceeds from other notes payable or construction loans | 10,262 | 3,941 |

| | | |
|---|---|---|
| Repayment of other notes payable or construction loans | (161,380) | (22,883) |
| Common stock issued, net of expenses | 12,653 | 6,728 |
| Income tax benefit from stock options | 862 | |
| Common dividends paid | (56,387) | (55,921) |
| Preferred dividends paid | (11,437) | (10,798) |
| Contributions from minority partners | 955 | |
| Distributions to minority partners | (20,574) | |
| Net cash used in financing activities | (235,048) | (1,228) |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | 56,814 | (83,669) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | 9,336 | 89,490 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | $ 66,150 | $ 5,821 |

*See notes to condensed consolidated financial statements.*

**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**September 30, 2006**
**(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 or the Company ) 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. 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 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 September 30, 2006 and results of operations for the three and nine month periods ended September 30, 2006 and 2005. Results of operations for the nine months ended September 30, 2006 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, 2005. The accounting policies employed are the same as those shown in Note 1 to the consolidated financial statements included in such Form 10-K. Certain 2005 amounts have been reclassified to conform to the 2006 presentation.

**New Accounting Pronouncements**

In June 2006, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 48, Accounting for Income Tax Uncertainties ( FIN 48 ). FIN 48 defines the threshold for recognizing tax return positions in the financial statements as those which are more-likely-than-not to be sustained upon examination by the taxing authority. FIN 48 also provides guidance on derecognition, measurement and classification of income tax uncertainties, along with any related interest and penalties, accounting for income tax uncertainties in interim periods and the level of disclosures associated with any recorded income tax uncertainties. FIN 48 is effective January 1, 2007 for the Company. The Company is currently evaluating the impact of adopting the provisions of FIN 48, but does not anticipate the effect will be material on its financial position and results of operations.

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In September 2006, the SEC issued Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements. This statement requires that registrants analyze the effect of financial statement misstatements on both their balance sheet and their income statement and contains guidance on correcting errors under this approach. This rule is effective for the Company on January 1, 2007 and earlier adoption is permitted. The Company does not anticipate the impact of adopting SAB 108 to have a material effect on its financial position or results of operations.

**2. CASH FLOWS SUPPLEMENTAL INFORMATION**

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

| | Nine Months Ended September 30, | |
|---|---|---|
| | **2006** | **2005** |
| Interest paid, including defeasance costs, net of amounts capitalized | **$ 43,887** | $ 6,279 |
| Income taxes paid, net of refunds | **7,701** | 6,556 |
| **Non-Cash Transactions** | | |
| Transfer from operating properties to land | **7,250** | |
| Transfer from land to projects under development | **4,783** | 18,538 |
| Transfer from projects under development to land | **2,524** | 2,188 |
| SAB 51 gain, net of tax, recorded in investment in joint ventures and additional paid-in capital | **453** | 649 |
| Transfer from other assets to land | **228** | |
| Transfer from other assets to investment in joint venture | **1,439** | |
| Transfer to other assets from investment in joint venture | **9,636** | |
| Transfer from operating properties to held-for-sale properties | **3,194** | |
| Transfer from notes and other receivables to accounts payable | **696** | |
| Transfer from unearned compensation to additional paid in capital | **8,495** | |
| Transfers related to venture formation (see Note 6 herein): | | |
| Projects under development to investment in joint venture | **3,980** | |
| Operating properties to investment in joint venture | **16,019** | |
| Accrued capital expenditures excluded from development and acquisition expenditures | **371** | 8,648 |
| Forfeitures of restricted stock | **17** | 198 |
| Receipt of promissory note for expense reimbursement | | 500 |
| Transfer from land to investment in joint venture | | 14,198 |
| Transfer from projects under development to operating properties | | 6,387 |
| Transfer from investment in joint venture upon consolidation of 905 Juniper to: | | |
| Projects under construction | | (8,940) |
| Restricted cash | | (1,098) |
| Notes and other receivables | | (2,077) |
| Notes payable | | 2,548 |
| Accounts payable and accrued liabilities | | 1,619 |
| Minority interest | | 875 |
| Investment in unconsolidated joint venture | | 7,073 |

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### 3. NOTES PAYABLE, INTEREST EXPENSE AND COMMITMENTS AND CONTINGENCIES

The following table summarizes the terms and amounts of the notes payable outstanding at September 30, 2006 and December 31, 2005 ($ in thousands):

| Description | Rate | Term/ Amortization Period (Years) | Final Maturity | Balance Outstanding at September 30, 2006 | Balance Outstanding at December 31, 2005 |
|---|---|---|---|---|---|
| Credit facility (a maximum of $400,000), unsecured | LIBOR + 0.8% to 1.3% | 4/N/A | 3/07/10 | **$ 110,100** | $ |
| Construction facility (a maximum of $100,000), unsecured | LIBOR + 0.8% to 1.3% | 4/N/A | 3/07/10 | **55,400** | |
| Credit facility (a maximum of $325,000 at 12/31/05), unsecured | LIBOR + 0.9% to 1.5% | 3/N/A | 9/14/07 | | 158,035 |
| Note secured by Company s interest in CSC Associates, L.P. | 6.96% | 10/20 | 3/01/12 | | 141,125 |
| The Avenue East Cobb mortgage note | 8.39% | 10/30 | 8/01/10 | | 37,058 |
| 333/555 North Point Center East mortgage note | 7.00% | 10/25 | 11/01/11 | **29,741** | 30,232 |
| Meridian Mark Plaza mortgage note | 8.27% | 10/28 | 9/01/10 | **23,698** | 23,975 |
| 100/200 North Point Center East mortgage note (interest only until 12/31/06) | 7.86% | 10/25 | 8/01/07 | **22,365** | 22,365 |
| The Points at Waterview mortgage note | 5.66% | 10/25 | 1/01/16 | **18,271** | 18,500 |
| 600 University Park Place mortgage note | 7.38% | 10/30 | 8/10/11 | **13,215** | 13,350 |
| 905 Juniper construction loan (a maximum of $20,500) | LIBOR + 2.0% | 3/N/A | 12/01/07 | | 11,252 |
| Lakeshore Park Plaza mortgage note | 6.78% | 10/20 | 11/01/08 | **9,153** | 9,359 |
| King Mill Project I member loan (a maximum of $2,839) | 9.00% | 3/N/A | 8/30/08 | **2,608** | 1,715 |
| King Mill Project I second member loan (a maximum of $2,349) | 9.00% | 3/N/A | 6/26/09 | **1,511** | |
| Jefferson Mill Project member loan (a maximum of $3,156) | 9.00% | 3/N/A | 9/13/09 | **533** | |

| | | | | | |
|---|---|---|---|---|---|
| Other miscellaneous notes | Various | Various | Various | **441** | 550 |
| **Notes payable** | | | | **$ 287,036** | $ 467,516 |

The Company had $110.1 million drawn on its unsecured credit facility as of September 30, 2006 and, net of $8.0 million reserved for outstanding letters of credit, the Company had $281.9 million available for future borrowings under this facility. The Company had $55.4 million drawn on its construction facility as of September 30, 2006, with $44.6 million available for future borrowings under this facility.

In conjunction with the venture formation on June 29, 2006, as described in Note 6 herein, The Avenue East Cobb mortgage note payable was assumed by CP Venture Five LLC. The Company recognized a loss on extinguishment of debt of approximately $2.8 million in the second quarter of 2006 in conjunction with The Avenue East Cobb loan assumption.

In conjunction with the sale of Bank of America Plaza in September 2006 discussed in Note 7 herein, the Company repaid the note secured by its interest in CSC Associates, L.P. ( CSC ). In 2002, CSC closed a $150 million non-recourse mortgage note payable with a third party and loaned the proceeds to the Company (see Note 3 to the Company s Annual Report on Form 10-K for the year ended December 31, 2005). Because CSC loaned the proceeds of the note to the Company, the note and its related interest expense and maturities are disclosed as obligations of the Company and are not included in the unconsolidated joint venture balances disclosed in Note 8. In conjunction with the Bank of America Plaza sale, CSC repaid the mortgage note payable in full. The Company funded this repayment, by repaying in full its loan to CSC. The Company was also required to fund the payment of defeasance costs on the CSC loan. The defeasance costs and the unamortized balance of deferred loan costs totaled approximately $15.4 million and were recorded as a loss on extinguishment of debt in the third quarter of 2006 in the accompanying Condensed Consolidated Statements of Income.

For the three and nine months ended September 30, 2006 and 2005, interest expense was recorded as follows ($ in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| Incurred | **$ 8,208** | $ 6,569 | **$ 26,637** | $ 19,158 |
| Capitalized | **(5,583)** | (4,894) | **(15,518)** | (12,599) |
| Expensed | **$ 2,625** | $ 1,675 | **$ 11,119** | $ 6,559 |

At September 30, 2006, the Company had outstanding letters of credit and performance bonds of $27.0 million. The Company has several projects under development for which it estimates development commitments of $213.7 million at September 30, 2006. Additionally, the Company has obligations as a lessor of office and retail space to fund approximately $20.0 million of tenant improvements as of September 30, 2006. As a lessee, the Company has obligations under ground and office leases of approximately $17.2 million at September 30, 2006.

## 4. 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):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| Weighted-average shares-basic | **50,630** | 50,079 | **50,436** | 49,932 |
| Dilutive potential common shares: | | | | |
| Stock options | **1,589** | 1,750 | **1,498** | 1,656 |
| Restricted stock | **209** | 184 | **172** | 171 |
| Weighted-average shares-diluted | **52,428** | 52,013 | **52,106** | 51,759 |
| Weighted-average anti-dilutive options not included | **36** | 872 | **24** | 872 |

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## 5. STOCK-BASED COMPENSATION

The Company adopted Statement of Financial Accounting Standard ( SFAS ) No. 123(R), Share-Based Payment, in the quarter beginning January 1, 2006. SFAS 123(R) 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 that 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, 2005. For periods prior to 2006, the Company accounted for its stock-based compensation under Accounting Principles Board ( APB ) No. 25, Accounting for Stock Issued to Employees, and related interpretations as permitted by SFAS No. 123, Accounting for Stock-Based Compensation. APB No. 25 required the recording of compensation expense for some stock-based compensation, including restricted stock, but did not require companies to record compensation expense on stock options where the exercise price was equal to the market value of the underlying stock on the date of grant. Accordingly, the Company did not record compensation expense for stock options in the consolidated statements of income prior to January 1, 2006, as all stock options granted had an exercise price equal to the market value of the underlying common stock on the date of grant.

SFAS 123(R) applies to new awards and to awards modified, repurchased or cancelled after the required effective date, as well as to the unvested portion of awards outstanding as of the required effective date. The Company uses the Black-Scholes model to value its new stock option grants under SFAS 123(R), applying the modified prospective method for existing grants which requires the Company to value stock options prior to its adoption of SFAS 123(R) under the fair value method and expense the unvested portion over the remaining vesting period. Results of prior periods have not been restated. SFAS 123(R) also requires the Company to estimate forfeitures in calculating the expense related to stock-based compensation. In addition, SFAS 123(R) requires the Company 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 upon adoption.

The Company recognizes compensation expense arising from share-based payment arrangements granted to employees in general and administrative expense in the 2006 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. Compensation expense related to the adoption of SFAS 123(R) is shown in the stock options only column below. The expense for the Company s share-based payment arrangements are as follows ($ in thousands, except per share amounts):

| | Stock Options Only | | All Share-Based Compensation | |
|---|---|---|---|---|
| | Three Months Ended September 30, 2006 | Nine Months Ended September 30, 2006 | Three Months Ended September 30, 2006 | Nine Months Ended September 30, 2006 |
| Expensed | $ 476 | $ 2,285 | $ 1,708 | $ 5,952 |
| Amounts capitalized | (156) | (661) | (559) | (1,837) |
| Effect on provision for income taxes | (34) | (103) | (83) | (242) |
| Effect on income from continuing operations and net income | $ 286 | $ 1,521 | $ 1,066 | $ 3,873 |
| Effect on basic earnings per share | $ 0.01 | $ 0.03 | $ 0.02 | $ 0.08 |
| Effect on diluted earnings per share | $ 0.01 | $ 0.03 | $ 0.02 | $ 0.07 |
| Effect on cash flows from operating activities | $ (576) | $ (862) | $ (576) | $ (862) |
| | $ 576 | $ 862 | $ 576 | $ 862 |

Effect on cash flows from financing activities

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Upon adoption of SFAS 123(R), $8.5 million of unearned compensation related to the Company s restricted stock, which was previously accounted for under APB No. 25 as a separate component of Stockholders Investment, was reclassified to additional paid-in capital. As of September 30, 2006, there was $8.4 million of total unrecognized compensation cost included in additional paid-in capital related to restricted stock and stock options, which will be recognized over a weighted average period of 1.4 years.

The Company estimates the fair value of each option grant on the date of grant using the Black-Scholes option-pricing model. The risk free interest rate utilized in the Black-Scholes calculation is the interest rate on U.S. Treasury Strips having the same life as the estimated life of the Company s option awards. Expected life of the options granted was computed using historical data reflecting actual hold periods plus an estimated hold period for unexercised options outstanding using the mid-point between 2006 and the expiration date. Expected volatility is based on the historical volatility of the Company s stock over a period relevant to the related stock option grant. Below are the Black-Scholes inputs used to calculate the weighted-average fair value of option grants made during the nine months ended September 30, 2006:

| | |
|---|---|
| Risk free interest rate | 4.91% |
| Expected life | 6.74 years |
| Expected volatility | 20.50% |
| Expected dividend yield | 5.00% |
| Weighted-average fair value of options | $ 4.71 |

If the Company had applied the fair value recognition provisions of SFAS No. 123 to options granted under the Company s stock option plans prior to January 1, 2006, pro forma results would have been as follows ($ in thousands, except per share amounts):

| | Three Months Ended September 30, 2005 | Nine Months Ended September 30, 2005 |
|---|---|---|
| Net income available to common stockholders, as reported | $ 9,923 | $ 21,914 |
| Add: Stock-based employee compensation expense included in reported net income, net of related tax effect | 716 | 2,184 |
| Deduct: Total stock-based employee compensation expense determined under fair-value-based method for all awards, net of related tax effect | (1,374) | (4,388) |
| Pro forma net income available to common stockholders | $ 9,265 | $ 19,710 |
| Net income per common share: | | |
| Basic as reported | $ 0.20 | $ 0.44 |
| Basic pro forma | $ 0.19 | $ 0.39 |
| Diluted as reported | $ 0.19 | $ 0.42 |
| Diluted pro forma | $ 0.18 | $ 0.38 |

The following table summarizes stock option activity during the nine months ended September 30, 2006:

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| | Number of Shares (in thousands) | Weighted- Average Exercise Price | Aggregate Intrinsic Value (in thousands) | Weighted- Average Remaining Contractual Life (years) |
|---|---|---|---|---|
| Outstanding at December 31, 2005 | 6,177 | $ 22.01 | | |
| Granted | 48 | 33.05 | | |
| Exercised | (1,055) | 17.88 | | |
| Forfeited | (97) | 26.92 | | |
| Outstanding at September 30, 2006 | 5,073 | $ 22.88 | $ 57,467 | 6.3 |
| Exercisable at September 30, 2006 | 3,127 | $ 20.34 | $ 43,360 | 5.2 |

The total intrinsic value of options exercised during the three and nine months ended September 30, 2006 was $12.7 million and $16.2 million, respectively.

The following table summarizes restricted stock activity during the nine months ended September 30, 2006:

| | Number of Shares (in thousands) | Weighted- Average Grant Date Fair Value |
|---|---|---|
| Non-vested stock at December 31, 2005 | 413 | $ 29.44 |
| Granted | | |
| Vested | | |
| Forfeited | (16) | 30.11 |
| Non-vested stock at September 30, 2006 | 397 | $ 29.44 |

The Company also has a restricted stock unit ( RSU ) plan whereby employees are paid cash based on the value of the Company s common stock on future vesting dates. Some of the Company s RSUs provide for the payment of dividends equal to the Company s dividends, while others do not. All RSUs are accounted for as liability awards under SFAS No. 123(R). The value of the liability related to the RSUs is remeasured each reporting period based upon the fair value calculated using the Black-Scholes option pricing model at period end. The Company recognized expense related to RSUs in the three and nine months ended September 30, 2006 of approximately $0.3 million and $0.8 million, respectively, after capitalization to projects under development and income taxes. As of September 30, 2006, there was approximately $7.2 million of unrecognized compensation cost related to RSUs, which will be recognized over a weighted average period of 3.6 years. The following table summarizes RSU activity for the nine months ended September 30, 2006 (in thousands):

| | |
|---|---|
| Outstanding at December 31, 2005 | 87 |
| Granted | 205 |
| Vested | |
| Forfeited | (7) |

| | |
|---|---|
| Outstanding at September 30, 2006 | 285 |

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## 6. FORMATION OF JOINT VENTURE

On June 29, 2006, the Company formed a venture (the Venture ) with The Prudential Insurance Company of America on behalf of a separate account managed for institutional investors by Prudential Real Estate Investors ( PREI ).

In accordance with the venture documents, upon formation, the Company contributed its interests in five properties (the Properties ) to the Venture. The Properties were valued by the Company and PREI based on arms length negotiations at an initial gross fair value, before contingent value as described below, of $340,890,074. The Properties and the values allocated to each property under the Venture agreements were as follows:

| | Rentable SF | Allocated Value | Contingent Value | Mortgage* | Total Net Value |
|---|---|---|---|---|---|
| The Avenue East Cobb, Cobb County, GA | 231,373 | $ 98,250,000 | | $40,827,327 | $ 57,422,673 |
| The Avenue West Cobb, Cobb County, GA | 251,186 | $ 81,253,639 | $ 6,978,811 | | $ 88,232,450 |
| The Avenue Peachtree City, Peachtree City, GA | 182,215 | $ 57,250,000 | | | $ 57,250,000 |
| The Avenue Viera, Viera, FL | 331,989 | $ 87,061,279 | | | $ 87,061,279 |
| Viera MarketCenter, Viera, FL | 178,339 | $ 17,075,156 | $13,571,115 | | $ 30,646,271 |
| **TOTALS** | **1,175,102** | **$340,890,074** | **$20,549,926** | **$40,827,327** | **$320,612,673** |

* Based on balance of mortgage as of June 29, 2006 plus a $4,000,000 defeasance amount to reflect current market interest rates.

Pursuant to Venture documents, PREI is obligated to contribute cash to the Venture equal to the initial agreed upon net value of the Properties, which was approximately $300,062,747 (the Base Contribution Amount ). The Base Contribution Amount will be contributed in three installments in the amounts and on or about the dates shown below. Also shown below are the percentages the Company and PREI will have, respectively, in the cash flow and capital proceeds from the Properties following the cash contributions on the indicated dates:

| Date | Current Contribution Amount | Total Expected Cumulative Contribution Amount | Cousins Percentage | PREI Percentage |
|---|---|---|---|---|
| 6/29/06 | $166,687,582 | $166,687,582 | 51% | 49% |
| 9/29/06 | $ 66,687,582 | $233,375,164 | 31% | 69% |
| 12/29/06 | $ 66,687,582 | $300,062,747 | 11.5% | 88.5% |

On June 29, 2006 and September 29, 2006, PREI made its required contributions to the Venture. In addition, PREI will contribute to the Venture up to an additional $20,549,926 (the Contingent Contribution Amounts ) if certain conditions are satisfied with respect to the expansions of the The Avenue West Cobb and Viera MarketCenter, both of which are still under construction. The Contingent Contribution Amounts would be made on or about December 29, 2006, June 30, 2007 and December 31, 2007.

The Company also agreed to master lease a portion of the unleased space at The Avenue Viera during 2007. The maximum amount of rent payable to the Venture under the master lease would be $1,633,299 for rent, plus tenant improvement costs and commissions of up to $2,552,512. To the extent that any space subject to the master lease is actually leased to third parties pursuant to a qualifying lease, the Company would no longer be obligated under the master lease with respect to such space.

The structure of the Venture is as follows: CP Venture IV Holdings LLC ( Parent ) is the parent entity. Parent owns a 100% interest in each of CP Venture Five LLC ( Property Activity LLC ) and CP Venture Six LLC ( Development Activity LLC ). Property Activity LLC holds the Properties and Development Activity LLC holds rights to the contributed cash.

Following the final contribution of the Base Contribution Amount by PREI, the Company, through its interest in Parent and Parent s interest in Property Activity LLC, will have an 11.5% interest in the cash flow and capital proceeds of the Properties, and PREI will have an 88.5% interest therein. Unless both parties agree otherwise, the Venture is not permitted to sell the Properties until the end of a four-year lock-out period.

The parties expect that the cash contributed by PREI will be used by Development Activity LLC primarily to develop commercial real estate projects or to make acquisitions of real estate, in all cases as directed by the Company ( Developments ). In addition, Development Activity LLC has the right to make loans to the Company with any excess cash that it may hold from time to time. The parties anticipate that some of the projects currently under consideration for acquisitions or development by the Company will be undertaken by the Venture, although the Company has no obligation to make any particular opportunity available to the Venture. Prior to any other distributions with respect to the Developments from Development Activity LLC, PREI will receive a priority current return of 6.5% per annum on an amount equal to 11.5% of its capital contributions to the Venture. PREI may also receive a liquidation preference whereby it would be entitled to receive a distribution sufficient to allow it to achieve an overall 8.5% internal rate of return on an amount equal to 11.5% of its capital contributions to the Venture, subject to capital account limitations. After these preferences to PREI, the Company will be entitled to certain priority distributions related to the Developments. After such priority distributions, the Company and PREI will share residual distributions, if any, with respect to the Developments, 88.5% to the Company and 11.5% to PREI.

The Company manages the Developments and the Properties on a day-to-day basis. In particular, the Venture engaged the Company to provide property management and leasing services with respect to each of the Properties. The management and leasing agreements for each Property have an initial term of four years. The Company and PREI have certain discretionary decision rights and approval rights with respect to the Developments and the Properties. The Company serves as Administrative Manager of the Venture.

The Company is accounting for its interest in Property Activity LLC under the equity method of accounting in accordance with APB No. 18 and consolidating the assets and results of operations of Development Activity LLC, with PREI s share in this entity recorded as minority interest. Development Activity LLC loaned the first two contributions from PREI of $234 million to the Company, which utilized the loans to either reduce amounts outstanding under its credit facility or invest in short-term securities. The remaining contribution of $67 million is recorded as a receivable from venture partner on the September 30, 2006 Condensed Consolidated Balance Sheet. The net book value of the Properties was removed from operating properties and projects under development as of the Closing Date, and an investment in unconsolidated joint venture was recorded using 11.5% of the Company s original basis in the Properties. The Company recognized 51% of the operations of the Properties from the closing date until the second contribution was received in September 2006, from which point it will recognize 31% of the operations until December 29, 2006, at which time it will reach its ultimate ownership percentage of 11.5%.

The contribution of the Properties was treated as a sale for accounting purposes using guidance outlined in SFAS No. 66, Accounting for Sales of Real Estate. However, the Company did not recognize any gain in the income statement related to the Venture formation as the consideration received did not meet the rules in SFAS No. 66 for income statement gain recognition. The gain was included in Deferred Gain on the Company s Condensed Consolidated Balance Sheet and was calculated as 88.5% of the difference between the book value of the Properties and the fair value as detailed above. The Avenue East Cobb was contributed to the Venture encumbered by a mortgage note payable. As discussed above, the Base Contribution amount was adjusted for an estimate of the difference between the stated interest rate per the mortgage note payable and current interest rates. The Company calculated a mark-to-market debt adjustment upon closing and recorded 88.5% of this adjustment, or $2.8 million, as a loss on extinguishment of debt in the Condensed Consolidated Statement of Income in the second quarter of 2006.

**7. PROPERTY TRANSACTIONS**

**Property Sales and Held-for Sale Property**

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 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 the third quarter of 2006, the Company sold Frost Bank Tower, a 531,000 square foot office building in Austin, Texas. Also in the third quarter of 2006, the Company entered into a contract to sell 12 stand-alone retail sites under ground leases on approximately 23 acres near North Point Mall in suburban Atlanta, Georgia. Seven of these sites are anticipated to close in the fourth quarter of 2006, with the remainder closing in the first quarter of 2007. The Company s basis in these sites is separately classified as an operating property held-for-sale on the balance sheet, and there are no significant liabilities associated with this project. The Company anticipates recognizing a gain from the sale of the retail sites near North Point Mall. In the third quarter of 2005, the Company sold Hanover Square South, a 193,000 square foot retail center, of which the Company owned 69,000 square feet. The operations of these three projects are included in discontinued operations in the accompanying Condensed Consolidated Statements of Income. The following details the components of income from discontinued operations ($ in thousands):

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| Rental property revenues | **$ 3,304** | $ 3,519 | **$ 10,898** | $ 9,750 |
| Rental property operating expenses | **(1,429)** | (1,485) | **(5,115)** | (4,300) |
| Depreciation and amortization | **(1,221)** | (1,334) | **(4,088)** | (3,954) |
| Provision for income taxes | | (102) | **(2)** | (126) |
| | **$ 654** | $ 598 | **$ 1,693** | $ 1,370 |

The gain on sale of the applicable properties included in Discontinued Operations is as follows ($ in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2006** | **2005** | **2006** | **2005** |
| Frost Bank Tower | **$ 54,080** | $ | **$ 54,080** | $ |
| Hanover Square South | **(12)** | 1,070 | **174** | 1,070 |
| Other (a) | | | **140** | 37 |
| | **$ 54,068** | $ 1,070 | **$ 54,394** | $ 1,107 |

(a) Represents gain on sale adjustments related to 2004 property sales.

Property sales at unconsolidated joint ventures do not qualify for discontinued operations treatment under SFAS No. 144. CSC, owned 50% by the Company, sold its single asset, Bank of America Plaza, a 1.25 million square foot office building in Atlanta, Georgia, in September 2006. The Company recognized $133.2 million in gain from this sale, which is recorded in income from unconsolidated joint ventures in the accompanying statement of income.

The Company allocated goodwill, which relates to the office reporting unit, to the Frost Bank Tower and Bank of America Plaza sales in the third quarter of 2006 totaling approximately $2.7 million.

**Purchases of Property**

On September 13, 2006, the Company purchased the remaining interests in 191 Peachtree Tower ( 191 Peachtree ), a 1.2 million square foot office building in downtown Atlanta, Georgia, for $153.2 million. The Company allocated the purchase price based on the fair value of assets and liabilities acquired. Assets are categorized for 191 Peachtree as land, building, tenant improvements and identifiable intangible assets in accordance with SFAS No. 141, Accounting for Business Combinations. The following table summarizes the fair value of the assets and liabilities acquired ($ in thousands):

| | |
|---|---|
| Land | $ 5,080 |
| Building | 128,976 |
| Tenant Improvements and FF&E | 7,480 |
| Intangible Assets | |
| Above market leases | 10,644 |
| In-place leases | 2,494 |
| Total intangible assets | 13,138 |
| Liabilities: | |
| Below market leases | (747) |
| Above market ground lease | (727) |
| Total net assets acquired | $ 153,200 |

Intangible assets related to 191 Peachtree totaled approximately $13.1 million and consisted of above market leases and the value of in-place leases. Intangible liabilities related to 191 Peachtree were $1.5 million and represent the value of below market leases and the above market ground lease obligation. Above and below market leases are amortized into rental revenues over the individual remaining lease terms. The value associated with in-place leases is amortized into depreciation and amortization expense, also over individual remaining lease terms. At the purchase date, the aggregate weighted average amortization period of the intangible assets and liabilities was 11 years. Aggregate amortization expense related to these intangible assets and liabilities is anticipated to be approximately $745,000 for the year ended December 31, 2006 and approximately $2.5 million for

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each of the years ended December 31, 2007, 2008, 2009 and 2010. Actual amortization expense for the three and nine months ended September 30, 2006 was not significant.

The following supplemental pro forma financial information is presented for the three and nine months ended September 30, 2006 and 2005. The pro forma financial information is based upon the Company s historical Condensed Consolidated Statements of Income, adjusted as if the acquisition of the remaining interests in 191 Peachtree occurred at the beginning of each of the periods presented. The supplemental pro forma financial information is not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the remaining interests in 191 Peachtree been consummated at the beginning of each period.

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| (in thousands, except per share) | **2006** | **2005** | **2006** | **2005** |
| Pro Forma | | | | |
| Revenues | $ 34,022 | $53,791 | $140,695 | $132,280 |
| Income from continuing operations | 123,317 | 18,381 | 140,697 | 49,815 |
| Income from discontinued operations | 54,722 | 1,668 | 56,087 | 2,477 |
| Net income available to common shareholders | 174,227 | 16,237 | 185,347 | 40,855 |
| Per share information: | | | | |
| Basic | $ 3.44 | $ 0.32 | $ 3.67 | $ 0.82 |
| Diluted | $ 3.32 | $ 0.31 | $ 3.56 | $ 0.79 |

**8. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES**

The Company describes its investments in unconsolidated joint ventures in Note 4 to its Annual Report on Form 10-K for the year ended December 31, 2005. All of the descriptions of the ventures are current with the exception of the following:

The Company entered into CP Venture IV on June 29, 2006, which is discussed in Note 6 of this Form 10-Q.

In September 2006, CSC sold its single asset, as discussed in Note 7 of this Form 10-Q.

In July 2006, the Company formed CF Murfreesboro Associates, a 50% joint venture between the Company and an affiliate of Faison Associates, to develop The Avenue Murfreesboro, an approximately 805,000 square foot retail center in Murfreesboro, Tennessee.

The Company was accounting for its investment in Verde Group, L.L.C. ( Verde ) under the equity method of accounting, and Verde was included in the other row in the following tables. In the third quarter of 2006, the Company began accounting for Verde on the cost method and therefore transferred its basis in Verde from investment in joint ventures to other assets.

The following table summarizes balance sheet financial data of unconsolidated joint ventures in which the Company had ownership interests. Information is as of September 30, 2006 and December 31, 2005 ($ in thousands):

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| | Total Assets | | Total Debt | | Total Equity | | Company s Investment | |
|---|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **MMARY OF FINANCIAL POSITION:** | | | | | | | | |
| Venture IV LLC entities | **$ 342,338** | $ | **$ 39,659** | $ | **$ 299,758** | $ | **$ 19,445** | $ |
| Venture LLC entities | **136,291** | **138,832** | **23,537** | **24,187** | **110,871** | **112,792** | **6,965** | **7,2** |
| arlotte Gateway Village, LLC | **181,954** | **184,469** | **147,245** | **154,775** | **31,890** | **29,072** | **10,510** | **10,5** |
| G Columbus Development Venture, Ltd. | **164,646** | **60,921** | **49,337** | **29,086** | **49,046** | **28,207** | **24,517** | **16,6** |
| Realty, L.L.C. | **150,756** | **108,611** | **41,470** | **45,174** | **106,055** | **105,828** | **64,106** | **59,4** |
| mco Associates | **62,920** | **68,178** | **3,894** | **4,631** | **57,749** | **61,163** | **29,694** | **35,1** |
| awford Long CPI, LLC | **42,848** | **45,630** | **52,607** | **53,201** | **(10,957)** | **(8,838)** | **(4,173)** | **(3,0** |
| Murfreesboro Associates | **34,222** | | **8,238** | | **22,151** | | **12,171** | |
| n Peachtree Place Associates | **27,793** | **29,213** | **28,964** | **29,300** | **(1,379)** | **360** | **(2,205)** | **(1,7** |
| ldwood Associates | **21,957** | **22,242** | | | **21,752** | **21,917** | **(1,374)** | **(1,2** |
| C Associates, L.P. | **12,222** | **151,931** | | | **9,712** | **145,883** | **4,784** | **74,7** |
| e Mountain Builders, LLC | **5,999** | **8,386** | **831** | **1,628** | **2,000** | **1,126** | **1,040** | **7** |
| ndy Road Associates, LLC | **5,402** | **5,335** | **3,204** | **3,017** | **2,104** | **2,282** | **2,248** | **2,3** |
| I/FSP I, L.P. | **3,307** | **3,236** | | | **3,187** | **3,236** | **1,644** | **1,6** |
| d Cous Golf Venture, Ltd. | **121** | **9,916** | | | **(111)** | **9,880** | **56** | **5,2** |
| 5 Venture, LLC | | **137** | | | | **52** | **28** | |
| -JM II Associates | | **4** | | | | **4** | | |
| usins LORET Venture, L.L.C. | | | | | | **101** | | |
| her | | | | | | | **(52)** | **9,5** |
| | **$ 1,192,776** | **$ 837,041** | **$ 398,986** | **$ 344,999** | **$ 703,828** | **$ 513,065** | **$ 169,404** | **$ 217,2** |

The following table summarizes income statement financial data of unconsolidated joint ventures in which the Company had ownership interests. Information is for the nine months ended September 30, 2006 and 2005 ($ in thousands):

| | Total Revenues | | Net Income (Loss) | | Company s Share of Net Income (Loss) | |
|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| **SUMMARY OF OPERATIONS:** | | | | | | |
| CP Venture IV LLC entities | **$ 6,081** | $ | **$ (917)** | $ | **$ 1,395** | $ |
| CP Venture LLC entities | **17,389** | 17,496 | **6,586** | 6,608 | **775** | 804 |
| Charlotte Gateway Village, LLC | **23,022** | 22,749 | **3,726** | 3,293 | **882** | 864 |
| TRG Columbus Development Venture, Ltd. | **68,637** | | **19,664** | | **7,413** | |
| CL Realty, L.L.C. | **27,182** | 31,580 | **9,248** | 8,820 | **4,623** | 5,042 |
| Temco Associates | **34,015** | 20,358 | **10,404** | 6,493 | **4,897** | 2,990 |
| Crawford Long CPI, LLC | **7,968** | 7,309 | **881** | 728 | **404** | 327 |
| Ten Peachtree Place Associates | **5,248** | 5,187 | **557** | 546 | **316** | 280 |
| Wildwood Associates | | 83 | **(164)** | (176) | **(83)** | (88) |
| CSC Associates, L.P. | **37,283** | 36,271 | **289,199** | 16,420 | **141,344** | 8,155 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Pine Mountain Builders, LLC | **14,668** | 11,340 | **1,676** | 1,120 | **615** | 560 |
| Handy Road Associates, LLC | **187** | | **(208)** | | **(223)** | |
| CPI/FSP I, L.P. | | 3 | | 4 | | 1 |
| Brad Cous Golf Venture, Ltd. | **178** | 1,000 | **3,127** | 167 | **1,107** | 84 |
| 285 Venture, LLC | **5** | 2,787 | **4** | 2,972 | **2** | 1,403 |
| CC-JM II Associates | | | **(1)** | 661 | **6** | 330 |
| Cousins LORET Venture, L.L.C. | | (1) | | (102) | | (50) |
| 905 Juniper Venture, LLC | | 2,856 | | 714 | | 513 |
| Other | | | **90** | | **(591)** | (424) |
| | **$ 241,863** | $ 159,018 | **$ 343,872** | $ 48,268 | **$ 162,882** | $ 20,791 |

**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 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. The Land Division 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 and preferred dividends.

Company management evaluates the performance of its reportable segments 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 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. The Company has presented both the NAREIT-defined calculation and an adjusted NAREIT-defined calculation of FFO in 2006. The Company adjusted the NAREIT-defined FFO to add back the losses on extinguishment of debt recognized in the second and third quarters of 2006 related to the Venture formation described in Note 6 herein and the Bank of America Plaza sale described in Note 7 herein. The Company presented this additional measure of FFO because the loss on extinguishment of debt that the Company recognized related to a sale or an exchange of real estate, and all other amounts related to a sale or an exchange of real estate are excluded from FFO.

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 employees.

The following tables summarize the operations of the Company s reportable segments for the three and nine months ended September 30, 2006 and 2005. The notations (100%) and (JV) used in the following tables indicate wholly-owned and unconsolidated joint ventures, respectively, and all amounts are in thousands.

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| Three Months Ended September 30, 2006 | Office/Multi-Family Division | Retail Division | Land Division | Industrial Division | Unallocated and Other | Total |
|---|---|---|---|---|---|---|
| Rental property revenues continuing (100%) | $ 14,631 | $ 6,875 | $ | $ 266 | $ | $ 21,772 |
| Rental property revenues discontinued (100%) | 2,929 | 375 | | | | 3,304 |
| Fee income (100%) | 2,506 | 683 | 242 | | | 3,431 |
| Other income (100%) | 1,258 | 3,261 | 1,407 | 15 | 57 | 5,998 |
| Total revenues from consolidated entities | 21,324 | 11,194 | 1,649 | 281 | 57 | 34,505 |
| Rental property operating expenses continuing (100%) | (6,637) | (2,445) | | (85) | | (9,167) |
| Rental property operating expenses discontinued (100%) | (1,418) | (11) | | | | (1,429) |
| Other expenses continuing (100%) | (3,736) | (2,992) | (1,677) | (27) | (9,175) | (17,607) |
| Provision for income taxes from operations continuing (100%) | | | | | (7) | (7) |
| Total expenses from consolidated entities | (11,791) | (5,448) | (1,677) | (112) | (9,182) | (28,210) |
| Rental property revenues less operating expenses (JV) | 5,508 | 3,125 | | | | 8,633 |
| Other, net (JV) | 2,953 | | 1,547 | | (1,042) | 3,458 |
| Funds from operations from unconsolidated joint ventures | 8,461 | 3,125 | 1,547 | | (1,042) | 12,091 |
| Minority interest | (395) | (531) | | 27 | | (899) |
| Gain on sale of undepreciated investment properties | | | 179 | | | 179 |
| Preferred stock dividends | | | | | (3,812) | (3,812) |
| **Funds from operations available to common stockholders, excluding loss on extinguishment of debt** | **17,599** | **8,340** | **1,698** | **196** | **(13,979)** | **13,854** |
| Loss on extinguishment of debt | (15,443) | | | | | (15,443) |
| **Funds from operations available to common stockholders, as defined** | **2,156** | **8,340** | **1,698** | **196** | **(13,979)** | **(1,589)** |
| | (4,174) | (2,821) | | (137) | | (7,132) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Depreciation and amortization continuing (100%) | | | | | | |
| Depreciation and amortization discontinued (100%) | (1,215) | (6) | | | | (1,221) |
| Depreciation and amortization (JV) | (1,686) | (1,099) | (143) | | | (2,928) |
| Gain on sale of investment properties, net of applicable income tax provision continuing (100%) | 12 | 53 | | | | 65 |
| Gain on sale of investment properties, net of applicable income tax provision discontinued (100%) | 54,080 | (12) | | | | 54,068 |
| Gain on sale of investment properties, net of applicable income tax provision (JV) | 133,185 | 7 | | | | 133,192 |
| **Net income (loss) available to common stockholders** | **$182,358** | **$ 4,462** | **$ 1,555** | **$ 59** | **$(13,979)** | **$ 174,455** |
| **Total Assets** | **$596,693** | **$443,986** | **$141,412** | **$63,997** | **$ 87,796** | **$1,333,884** |
| **Investment in unconsolidated joint ventures** | **$ 39,588** | **$ 32,728** | **$ 97,088** | **$** | **$** | **$ 169,404** |

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| Nine Months Ended September 30, 2006 | Office/Multi-Family Division | Retail Division | Land Division | Industrial Division | Unallocated and Other | Total |
|---|---|---|---|---|---|---|
| Rental property revenues continuing (100%) | $ 42,455 | $ 29,699 | $ | $ 266 | $ | $ 72,420 |
| Rental property revenues discontinued (100%) | 9,741 | 1,157 | | | | 10,898 |
| Fee income (100%) | 9,487 | 1,272 | 1,594 | | | 12,353 |
| Other income (100%) | 25,069 | 4,684 | 8,713 | 288 | 137 | 38,891 |
| Total revenues from consolidated entities | 86,752 | 36,812 | 10,307 | 554 | 137 | 134,562 |
| Rental property operating expenses continuing (100%) | (18,277) | (9,893) | | (85) | | (28,255) |
| Rental property operating expenses discontinued (100%) | (5,092) | (23) | | | | (5,115) |
| Other expenses continuing (100%) | (26,314) | (5,078) | (8,248) | (284) | (31,874) | (71,798) |
| Provision for income taxes from operations continuing (100%) | | | | | (4,301) | (4,301) |
| Provision for income taxes from operations discontinued (100%) | | (2) | | | | (2) |
| Total expenses from consolidated entities | (49,683) | (14,996) | (8,248) | (369) | (36,175) | (109,471) |
| Rental property revenues less operating expenses (JV) | 16,707 | 4,098 | | | | 20,805 |
| Other, net (JV) | 7,371 | 90 | 9,785 | | (2,417) | 14,829 |
| Funds from operations from unconsolidated joint ventures | 24,078 | 4,188 | 9,785 | | (2,417) | 35,634 |
| Minority interest | (2,327) | (990) | | 27 | | (3,290) |
| Gain on sale of undepreciated investment properties | | | 914 | | | 914 |
| Preferred stock dividends | | | | | (11,437) | (11,437) |
| **Funds from operations available to common stockholders, excluding loss on extinguishment of debt** | **58,820** | **25,014** | **12,758** | **212** | **(49,892)** | **46,912** |
| Loss on extinguishment of debt | (15,443) | (2,764) | | | | (18,207) |
| **Funds from operations available to common stockholders, as defined** | **43,377** | **22,250** | **12,758** | **212** | **(49,892)** | **28,705** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Depreciation and amortization continuing (100%) | (11,671) | (15,280) | | (137) | | (27,088) |
| Depreciation and amortization discontinued (100%) | (4,070) | (18) | | | | (4,088) |
| Depreciation and amortization (JV) | (5,022) | (1,423) | (553) | | | (6,998) |
| Gain on sale of investment properties, net of applicable income tax provision continuing (100%) | 32 | 164 | | | | 196 |
| Gain on sale of investment properties, net of applicable income tax provision discontinued (100%) | 54,220 | 174 | | | | 54,394 |
| Gain on sale of investment properties, net of applicable income tax provision (JV) | 133,193 | 1,053 | | | | 134,246 |
| **Net income (loss) available to common stockholders** | **$210,059** | **$ 6,920** | **$ 12,205** | **$ 75** | **$(49,892)** | **$ 179,367** |
| **Total Assets** | **$596,693** | **$443,986** | **$141,412** | **$63,997** | **$ 87,796** | **$1,333,884** |

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Reconciliation to Consolidated Revenues** | **2006** | **2005** | **2006** | **2005** |
| Total revenues from consolidated entities for segment reporting | $ 34,505 | $ 46,611 | $ 134,562 | $ 109,933 |
| Less: rental property revenues from discontinued operations | (3,304) | (3,519) | (10,898) | (9,750) |
| Total consolidated revenues | $ 31,201 | $ 43,092 | $ 123,664 | $ 100,183 |

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| Three Months Ended September 30, 2005 | Office/Multi-Family Division | Retail Division | Land Division | Industrial Division | Unallocated and Other | Total |
|---|---|---|---|---|---|---|
| Rental property revenues continuing (100%) | $ 13,762 | $ 7,714 | $ | $ | $ | $ 21,476 |
| Rental property revenues discontinued (100%) | 2,876 | 643 | | | | 3,519 |
| Fee income (100%) | 4,358 | 201 | 242 | | | 4,801 |
| Other income (100%) | 5,620 | 7,152 | 3,961 | | 82 | 16,815 |
| Total revenues from consolidated entities | 26,616 | 15,710 | 4,203 | | 82 | 46,611 |
| Rental property operating expenses continuing (100%) | (5,833) | (2,669) | | | | (8,502) |
| Rental property operating expenses discontinued (100%) | (1,462) | (23) | | | | (1,485) |
| Other expenses continuing (100%) | (6,359) | (6,260) | (3,300) | (36) | (8,283) | (24,238) |
| Provision for income taxes from operations continuing (100%) | | | | | (2,021) | (2,021) |
| Provision for income taxes from operations discontinued (100%) | | (102) | | | | (102) |
| Total expenses from consolidated entities | (13,654) | (9,054) | (3,300) | (36) | (10,304) | (36,348) |
| Rental property revenues less rental property operating expenses, net of consolidating entry (JV) | 5,633 | 472 | | | | 6,105 |
| Other, net (JV) | (25) | 310 | 4,691 | | (665) | 4,311 |
| Funds from operations from unconsolidated joint ventures | 5,608 | 782 | 4,691 | | (665) | 10,416 |
| Minority interest | (560) | | | | | (560) |
| Gain on sale of undepreciated investment properties | 590 | | 142 | | | 732 |
| Preferred stock dividends | | | | | (3,812) | (3,812) |
| **Funds from operations available to common stockholders** | **18,600** | **7,438** | **5,736** | **(36)** | **(14,699)** | **17,039** |
| Depreciation and amortization continuing (100%) | (3,587) | (2,921) | | | | (6,508) |
| Depreciation and amortization discontinued (100%) | (1,324) | (10) | | | | (1,334) |
| Depreciation and amortization (JV) | (1,682) | (209) | (150) | | | (2,041) |
| Gain on sale of investment properties, net of applicable income tax provision continuing | 13 | 51 | | | | 64 |

| | | | | | | |
|---|---|---|---|---|---|---|
| (100%) | | | | | | |
| Gain on sale of investment properties, net of applicable income tax provision discontinued (100%) | | 1,070 | | | | 1,070 |
| Gain on sale of investment properties, net of applicable income tax provision (JV) | 1,633 | | | | | 1,633 |
| **Net income (loss) available to common stockholders** | **$ 13,653** | **$ 5,419** | **$ 5,586** | **$ (36)** | **$ (14,699)** | **$ 9,923** |

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| Nine Months Ended September 30, 2005 | Office/Multi-Family Division | Retail Division | Land Division | Industrial Division | Unallocated and Other | Total |
|---|---|---|---|---|---|---|
| Rental property revenues continuing (100%) | $ 40,800 | $ 22,733 | $ | $ | $ | $ 63,533 |
| Rental property revenues discontinued (100%) | 8,152 | 1,598 | | | | |