COUSINS PROPERTIES INC
Form 10-Q
August 03, 2011

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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 June 30, 2011

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: 001-11312

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.)
191 Peachtree Street, Suite 500, Atlanta, Georgia	**30303-1740**
(Address of principal executive offices)	(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 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o	Smaller reporting company o
		(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 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 August 1, 2011
Common Stock, $1 par value per share	103,717,435 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, as itemized in Item 1A included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. These forward-looking statements include information about possible or assumed future results of the Company s business and the Company s financial condition, liquidity, results of operations, plans and objectives. They also include, among other things, statements regarding subjects that are forward-looking by their nature, such as:

- the Company s business and financial strategy;
- the Company s ability to obtain future financing arrangements;
- the Company s understanding of its competition and its ability to compete effectively;
- potential acquisitions, new investments and/or dispositions;
- projected operating results;
- market and industry trends;
- estimates relating to future distributions;
- projected capital expenditures; and
- interest rates.

The forward-looking statements are based upon management s beliefs, assumptions and expectations of the Company s future performance, taking into account information currently available. These beliefs, assumptions and expectations may change as a result of many possible events or factors, not all of which are known. If a change occurs, the Company s business, financial condition, liquidity and results of operations may vary materially from those expressed in forward-looking statements. Actual results may vary from forward-looking statements due to, but not limited to, the following:

- availability and terms of capital and financing, both to fund operations and to refinance indebtedness as it matures;
- risks and uncertainties related to national and local economic conditions, the real estate industry in general and in specific markets, and the commercial and residential markets in particular;
- continued adverse market and economic conditions requiring the recognition of additional impairment losses;
- leasing risks, including an inability to obtain new tenants or renew tenants on favorable terms, or at all, upon the expiration of existing leases and the ability to lease newly developed or currently unleased space;
- financial condition of existing tenants;
- rising interest rates and insurance rates;
- the availability of sufficient development or investment opportunities;
- competition from other developers or investors;
- the risks associated with development projects (such as construction delay, cost overruns and leasing/sales risk of new properties);
- potential liability for uninsured losses, condemnation or environmental issues;
- potential liability for a failure to meet regulatory requirements;
- the financial condition and liquidity of, or disputes with, joint venture partners;
- any failure to comply with debt covenants under credit agreements; and
- any failure to continue to qualify for taxation as a real estate investment trust.

The words believes, expects, anticipates, estimates, plans, may, intend, will, or similar expressions identify forward-looking statements. Although the Company believes 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. 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, except as required under U.S. federal securities laws.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	June 30, 2011 (Unaudited)	December 31, 2010
ASSETS		
PROPERTIES:		
Operating properties, net of accumulated depreciation of $298,085 and $274,925 in 2011 and 2010, respectively	**$ 868,155**	$ 898,119
Land held for investment or future development	**120,557**	123,879
Residential lots	**63,725**	63,403
Other	**738**	2,994
Total properties	**1,053,175**	1,088,395
CASH AND CASH EQUIVALENTS	**4,349**	7,599
RESTRICTED CASH	**14,544**	15,521
NOTES AND OTHER RECEIVABLES, net of allowance for doubtful accounts of $5,646 and $6,287 in 2011 and 2010, respectively	**50,405**	48,395
INVESTMENT IN UNCONSOLIDATED JOINT VENTURES	**179,149**	167,108
OTHER ASSETS	**35,510**	44,264
TOTAL ASSETS	**$ 1,337,132**	$ 1,371,282
LIABILITIES AND EQUITY		
NOTES PAYABLE	**$ 498,034**	$ 509,509
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	**35,710**	32,388
DEFERRED GAIN	**4,098**	4,216
DEPOSITS AND DEFERRED INCOME	**17,419**	18,029
TOTAL LIABILITIES	**555,261**	564,142
COMMITMENTS AND CONTINGENT LIABILITIES		
REDEEMABLE NONCONTROLLING INTERESTS	**9,444**	14,289
STOCKHOLDERS INVESTMENT:		
Preferred stock, 20,000,000 shares authorized, $1 par value:		
7.75% Series A cumulative redeemable preferred stock, $25 liquidation preference; 2,993,090 shares issued and outstanding in 2011 and 2010	**74,827**	74,827
7.50% Series B cumulative redeemable preferred stock, $25 liquidation preference; 3,791,000 shares issued and outstanding in 2011 and 2010	**94,775**	94,775
	107,284	106,962

Common stock, $1 par value, 250,000,000 shares authorized, 107,283,901 and 106,961,959 shares issued in 2011 and 2010, respectively				
Additional paid-in capital		**685,577**		684,551
Treasury stock at cost, 3,570,082 shares in 2011 and 2010		**(86,840)**		(86,840)
Distributions in excess of cumulative net income		**(136,075)**		(114,196)
TOTAL STOCKHOLDERS INVESTMENT		**739,548**		760,079
Nonredeemable noncontrolling interests		**32,879**		32,772
TOTAL EQUITY		**772,427**		792,851
TOTAL LIABILITIES AND EQUITY	**$**	**1,337,132**	$	1,371,282

See notes to condensed consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except share and per share amounts)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
REVENUES:				
Rental property revenues	**$ 36,736**	$ 35,969	**$ 72,884**	$ 70,742
Fee income	**3,435**	3,728	**6,820**	7,272
Third party management and leasing revenues	**4,605**	4,485	**8,693**	9,279
Multi-family residential unit sales	**7**	7,943	**4,664**	18,089
Residential lot and outparcel sales	**80**	316	**245**	14,135
Other	**556**	171	**1,069**	295
	45,419	52,612	**94,375**	119,812
COSTS AND EXPENSES:				
Rental property operating expenses	**15,472**	15,246	**29,720**	29,777
Third party management and leasing expenses	**4,080**	4,214	**8,173**	9,172
Multi-family residential unit cost of sales	**(13)**	6,108	**2,487**	14,078
Residential lot and outparcel cost of sales	**76**	275	**145**	9,371
General and administrative expenses	**6,133**	6,763	**13,533**	14,780
Interest expense	**7,358**	10,286	**14,902**	20,067
Reimbursed expenses	**1,371**	1,398	**2,883**	3,257
Depreciation and amortization	**13,375**	14,231	**26,850**	27,407
Impairment loss		586	**3,508**	586
Separation expenses	**77**	33	**178**	101
Other	**672**	3,002	**1,534**	3,864
	48,601	62,142	**103,913**	132,460
LOSS ON EXTINGUISHMENT OF DEBT				(592)
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES, UNCONSOLIDATED JOINT VENTURES AND SALE OF INVESTMENT PROPERTIES	**(3,182)**	(9,530)	**(9,538)**	(13,240)
(PROVISION) BENEFIT FOR INCOME TAXES FROM OPERATIONS	**(27)**	(14)	**37**	1,132
INCOME FROM UNCONSOLIDATED JOINT VENTURES	**2,312**	2,394	**4,808**	5,314

LOSS FROM CONTINUING OPERATIONS BEFORE GAIN ON SALE OF INVESTMENT PROPERTIES		**(897)**		(7,150)		**(4,693)**		(6,794)
GAIN ON SALE OF INVESTMENT PROPERTIES		**59**		1,061		**118**		1,817
LOSS FROM CONTINUING OPERATIONS		**(838)**		(6,089)		**(4,575)**		(4,977)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS:								
Income from discontinued operations		**40**		1,305		**112**		2,373
Loss on sale of investment properties						**(384)**		
		40		1,305		**(272)**		2,373
NET LOSS		**(798)**		(4,784)		**(4,847)**		(2,604)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		**(681)**		(584)		**(1,262)**		(1,110)
NET LOSS ATTRIBUTABLE TO CONTROLLING INTEREST		**(1,479)**		(5,368)		**(6,109)**		(3,714)
DIVIDENDS TO PREFERRED STOCKHOLDERS		**(3,227)**		(3,227)		**(6,454)**		(6,454)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	**$**	**(4,706)**	$	(8,595)	**$**	**(12,563)**	$	(10,168)
PER COMMON SHARE INFORMATION BASIC AND DILUTED:								
Loss from continuing operations attributable to controlling interest	**$**	**(0.05)**	$	(0.10)	**$**	**(0.12)**	$	(0.12)
Income from discontinued operations				0.01				0.02
Net loss available to common stockholders basic and diluted	**$**	**(0.05)**	$	(0.09)	**$**	**(0.12)**	$	(0.10)
WEIGHTED AVERAGE SHARES BASIC AND DILUTED		**103,659**		101,001		**103,588**		100,538
	$	**0.045**	$	0.09	**$**	**0.09**	$	0.18

DIVIDENDS DECLARED PER COMMON SHARE

See notes to condensed consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
Six Months Ended June 30, 2011 and 2010
(Unaudited, in thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Loss on Derivative Instruments	Distributions in Excess of Net Income	Stockholders Investment	Nonredeemable Noncontrolling Interests	Total Equity
Balance December 31, 2010	**$ 169,602**	**$ 106,962**	**$ 684,551**	**$ (86,840)**	**$**	**$ (114,196)**	**$ 760,079**	**$ 32,772**	**$ 792,851**
Net income (loss)						(6,109)	(6,109)	1,233	(4,876)
Other comprehensive income									
Total comprehensive income (loss)						(6,109)	(6,109)	1,233	(4,876)
Common stock issued pursuant to:									
Director stock grants		82	625				707		707
Restricted stock grants, net of amounts withheld for income taxes		244	(247)				(3)		(3)
Stock issuance costs			(16)				(16)		(16)
Amortization of stock options and restricted stock, net of forfeitures		(4)	1,190				1,186		1,186
Distributions to noncontrolling interests								(1,126)	(1,126)

Change in fair value of redeemable noncontrolling interests			(526)				(526)		(526)
Cash preferred dividends paid						(6,454)	(6,454)		(6,454)
Cash common dividends paid						(9,316)	(9,316)		(9,316)
Balance June 30, 2011	**$ 169,602**	**$ 107,284**	**$ 685,577**	**$ (86,840)**	**$**	**$ (136,075)**	**$ 739,548**	**$ 32,879**	**$ 772,427**
Balance December 31, 2009	**$ 169,602**	**$ 103,352**	**$ 662,216**	**$ (86,840)**	**$ (9,517)**	**$ (51,402)**	**$ 787,411**	**$ 32,848**	**$ 820,259**
Net income (loss)						(3,714)	(3,714)	1,140	(2,574)
Other comprehensive income					141		141		141
Total comprehensive income (loss)					141	(3,714)	(3,573)	1,140	(2,433)
Common stock issued pursuant to:									
Stock dividend, net of issuance costs		1,686	10,284			(12,030)	(60)		(60)
Grants under director stock plan		35	215				250		250
Restricted stock grants		264	(264)						
Amortization of stock options and restricted stock, net of forfeitures			1,212				1,212		1,212
Change in fair value of redeemable noncontrolling interests						1,144	1,144		1,144

Distributions to noncontrolling interests								(1,186)	(1,186)
Cash preferred dividends paid						(6,454)	(6,454)		(6,454)
Cash common dividends paid						(6,031)	(6,031)		(6,031)
Balance June 30, 2010	**$ 169,602**	**$ 105,337**	**$ 673,663**	**$ (86,840)**	**$ (9,376)**	**$ (78,487)**	**$ 773,899**	**$ 32,802**	**$ 806,701**

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)

	Six Months Ended June 30, 2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	**$ (4,847)**	$ (2,604)
Adjustments to reconcile net loss to net cash flows provided by operating activities:		
Loss (gain) on sale of investment properties, net	**266**	(1,817)
Loss on extinguishment of debt		592
Impairment loss	**3,508**	586
Losses on abandoned predevelopment projects		1,949
Depreciation and amortization	**26,914**	28,459
Amortization of deferred financing costs	**1,079**	911
Stock-based compensation	**1,186**	1,462
Effect of recognizing rental revenues on a straight-line or market basis	**(3,705)**	(2,225)
Income from unconsolidated joint ventures	**(4,808)**	(5,314)
Operating distributions from unconsolidated joint ventures	**4,692**	4,838
Residential lot, outparcel and multi-family cost of sales, net of closing costs paid	**2,390**	21,581
Residential lot acquisition and development expenditures	**(563)**	(894)
Changes in other operating assets and liabilities:		
Change in other receivables and other assets	**1,114**	(1,647)
Change in accounts payable and accrued liabilities	**(140)**	3,297
Net cash provided by operating activities	**27,086**	49,174
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment property sales	**21,543**	14,788
Property acquisition and development and tenant asset expenditures	**(14,915)**	(12,185)
Investment in unconsolidated joint ventures	**(9,841)**	(3,624)
Distributions from unconsolidated joint ventures	**4,696**	3,685
Payment of debt guarantee of unconsolidated joint venture		(17,250)
Collection of notes receivable	**98**	88
Change in other assets	**(2,386)**	(1,629)
Change in restricted cash	**882**	(1,359)
Net cash provided by (used in) investing activities	**77**	(17,486)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from credit facility	**52,900**	
Repayment of credit facility	**(32,900)**	
Payment of loan issuance costs		(1,723)
Repayment of notes payable	**(28,101)**	(9,830)
Common stock issuance costs	**(16)**	(60)
Cash common dividends paid	**(9,316)**	(6,031)

Cash preferred dividends paid		**(6,454)**		(6,454)
Contributions from noncontrolling interests				1,269
Distributions to noncontrolling interests		**(6,526)**		(1,186)
Net cash used in financing activities		**(30,413)**		(24,015)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(3,250)**		7,673
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		**7,599**		9,464
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$**	**4,349**	$	17,137
SIGNIFICANT NON-CASH TRANSACTIONS:				
Transfer from other assets to investment in unconsolidated joint ventures	**$**	**6,050**	$	

See notes to condensed consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2011
(UNAUDITED)

1. 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, if applicable, the Statements of Operations 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 June 30, 2011 and the results of operations for the three and six months ended June 30, 2011 and 2010. The results of operations for the three and six months ended June 30, 2011 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 consolidated 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, 2010. The accounting policies employed are substantially the same as those shown in Note 2 to the consolidated financial statements included in such Form 10-K.

The Company earns fees and incurs expenses related to the management, development and leasing of properties owned both by third parties and by joint ventures in which the Company has an ownership interest. In the first quarter of 2011, the Company began separately stating on the Statements of Operations the third party management and leasing revenues, including reimbursements, for Cousins Properties Services (CPS), a wholly-owned subsidiary that performs management and leasing services for third-party owned office properties. The Company also began separately stating expenses associated with CPS which were previously recognized in the General and Administrative and Other expense line items. The amounts remaining in Fee Income on the Statements of Operations relate to management, leasing and development fees, including reimbursements, earned by the Company from certain other third party owners and joint ventures. Prior periods have been revised to conform to this new presentation.

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2. NOTES PAYABLE, INTEREST EXPENSE AND COMMITMENTS AND CONTINGENCIES

The following table summarizes the terms and amounts of the Company s notes payable outstanding at June 30, 2011 and December 31, 2010 (in thousands):

Description	Interest Rate	Term/ Amortization Period (Years)	Maturity	June 30, 2011	December 31, 2010
Terminus 100 mortgage note	5.25%	12/30	1/1/23	**$ 139,190**	$ 140,000
The American Cancer Society Center mortgage note (interest only until October 1, 2011)	6.45%	10/30	9/1/17	**136,000**	136,000
Credit Facility, unsecured (see note)	LIBOR + 1.75% to 2.25%	5/N/A	8/29/12	**125,400**	105,400
Meridian Mark Plaza mortgage note	6.00%	10/30	8/1/20	**26,725**	26,892
100/200 North Point Center East mortgage note	5.39%	5/30	6/1/12	**24,656**	24,830
Lakeshore Park Plaza mortgage note (see note)	5.89%	4/25	8/1/12	**17,356**	17,544
The Points at Waterview mortgage note	5.66%	10/25	1/1/16	**16,367**	16,592
600 University Park Place mortgage note	7.38%	10/30	8/10/11	**12,163**	12,292
Callaway Gardens	4.13%	N/A	11/18/13	**177**	173
333/555 North Point Center East mortgage note (see note)	7.00%	10/25	11/1/11		26,412
Handy Road Associates, LLC (see note)	Prime + 1%, but not < 6%	5/N/A	3/30/2011		3,374
				$ 498,034	$ 509,509

The Company s Credit Facility bears interest at the London Interbank Offered Rate (LIBOR) plus a spread, based on the Company s leverage ratio, as defined in the Credit Facility. At June 30, 2011, the spread over LIBOR under the Credit Facility was 2.0%. The amount that the Company may draw under the Credit Facility is a defined calculation based on the Company s unencumbered assets and other factors. Total borrowing capacity under the Credit Facility was $345.4 million at June 30, 2011. In June 2011, the Company notified the bank of its intention to exercise a one-year extension option under the Credit Facility, which will change the maturity date to August 29, 2012.

On June 1, 2011, the Company prepaid, without penalty, the 333/555 North Point Center East mortgage note. On July 1, 2011, the Company prepaid, without penalty, the Lakeshore Park Plaza mortgage note.

The Company was released of its obligation under the Handy Road Associates, LLC (Handy Road) mortgage note through foreclosure in May 2011.

Fair Value

At June 30, 2011 and December 31, 2010, the estimated fair values of the Company s notes payable were approximately $509.5 million and $521.8 million, respectively, calculated by discounting future cash flows at estimated rates at which similar loans could have been obtained at June 30, 2011 and December 31, 2010. This fair value calculation is considered to be a Level 2 calculation under the guidelines as set forth in ASC 820, Fair Value Measurements and Disclosures, as the Company utilizes market rates for similar type loans from third party brokers.

Interest Rate Swap Agreements

In 2010, the Company had an interest rate swap agreement to manage its interest rate risk associated with its floating-rate, LIBOR-based borrowings. This swap expired in October 2010. Also during 2010, the Company had an interest rate swap agreement to manage interest rate risk under its former Term Facility, which swap was terminated in July 2010. The changes in fair value of the interest rate swap agreements were recorded in Accumulated Other Comprehensive Loss on the Balance Sheets.

Other Debt Information

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.

At June 30, 2011, the Company had outstanding letters of credit and performance bonds of $6.1 million. As a lessor, the Company has $15.2 million in future obligations under leases to fund tenant improvements and other funding commitments as of June 30, 2011. As a lessee, the Company has future obligations under ground and office leases of approximately $16.4 million at June 30, 2011.

Litigation

The Company is subject to various legal proceedings, claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters using the latest information available. The Company records a liability for litigation if an unfavorable outcome is probable and the amount of loss or range of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, the Company accrues the best estimate within the range. If no amount within the range is a better estimate than any other amount, the Company accrues the minimum amount within the range. If an unfavorable outcome is probable but the amount of the loss cannot be reasonably estimated, the Company discloses the nature of the litigation and indicates that an estimate of the loss or range of loss cannot be made. If an unfavorable outcome is reasonably possible and the estimated loss is material, the Company discloses the nature and estimate of the possible loss of the litigation. The Company does not disclose information with respect to litigation where an unfavorable outcome is considered to be remote. Based on current expectations, such matters, both individually and in the aggregate, are not expected to have a material adverse effect on the liquidity, results of operations, business or financial condition of the Company.

3. EARNINGS PER SHARE

Net income (loss) per share-basic is calculated as net income (loss) available to common stockholders divided by the weighted average number of common shares outstanding during the period. Net income (loss) per share-diluted is calculated as net income (loss) available to common stockholders divided by the diluted weighted average number of common shares outstanding during the period, including nonvested restricted stock which has nonforfeitable dividend rights. 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 (or other contracts to issue common stock, if any) were exercised and resulted in additional common shares outstanding. The numerator used in the Company s per share calculations is reduced for the effect of preferred dividends and is the same for both basic and diluted net income (loss) per share. Weighted average shares-basic and diluted for the three and six months ending June 30, 2011 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Weighted average shares basic	103,659	101,001	103,588	100,538
Dilutive potential common shares stock options				
Weighted average shares diluted	103,659	101,001	103,588	100,538

Stock options are dilutive when the average market price of the Company s stock during the period exceeds the option exercise price. Also, in periods where the Company is in a net loss position, the dilutive effect of stock options is not included in the dilutive weighted average shares total.

Anti-dilutive stock options represent stock options which could not have been exercised during the period because the strike price exceeded the average market value of the Company s stock. These anti-dilutive stock options are not included in the calculation of dilutive weighted average shares, but could be dilutive in the future. Total anti-dilutive stock options for each of the periods are as follows (in thousands):

Three Months Ended June 30,		Six Months Ended June 30,	
2011	2010	2011	2010

Anti-dilutive options	**6,024**	7,174	**6,152**	7,185

4. STOCK-BASED COMPENSATION

The Company has several types of stock-based compensation stock options, restricted stock and restricted stock units (RSUs) 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, 2010. The Company recorded net stock-based compensation expense of approximately $664,000 and $776,000 for the three months ended June 30, 2011 and 2010, respectively, and $1.7 million and $1.8 million for the six months ended June 30, 2011 and 2010, respectively.

In the first quarter of 2011, the Company granted 211,729 stock options to key employees and 1,019 stock options to a new director. Also during the first quarter of 2011, the Company made restricted stock grants of 214,206 shares to key employees with a three-year ratable vesting, and 29,411 shares to a key employee which cliff vest in three years.

RSUs are accounted for as liability awards under ASC 718, Stock Compensation, and employees are paid cash at vesting based upon the closing prices of the Company s stock. In the first quarter of 2011, the Company awarded 401 RSUs to a new director, which cliff vest in three years. Also in the first quarter of 2011, the Company awarded two types of performance-based RSUs to key employees based on the following performance metrics: (1) Total Stockholder Return of the Company, as defined, as compared to the companies in the SNL Financial US Office REIT index as of January 1, 2011 (TSR SNL RSUs), and (2) ratio of funds from operations per share to targeted cumulative funds from operations per share amount (FFO RSUs). The performance period for both awards is January 1, 2011 to December 31, 2013, and the targeted number of TSR SNL RSUs and FFO RSUs is 99,970 and 64,266, respectively. The ultimate payout of these awards can range from 0% to 200% of the targeted number of units depending on the achievement of the performance metrics described above. Both of these types of RSUs cliff vest on February 15, 2014 and are dependent upon the attainment of required service and performance criteria. The number of RSUs vesting will be determined at that date, and the payout per unit will be equal to the average closing price on each trading day during the 30-day period ending on December 31, 2013. The Company expenses an estimate of the fair value of the TSR SNL RSUs over the vesting period using a quarterly Monte Carlo valuation. The Company expenses the FFO RSUs over the vesting period using the fair market value of the Company s stock at the reporting date multiplied by the anticipated number of units to be paid based on the current estimate of what the ratio is expected to be upon vesting. Dividend equivalents on the RSUs will also be paid based upon the percentage vested. The dividend equivalent payments will equal the total cash dividends that would have been paid during the performance period, and as if the cash dividends had been reinvested in Company stock.

5. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The Company describes its investments in unconsolidated joint ventures in Note 4 of Notes to Consolidated Financial Statements in its Annual Report on Form 10-K for the year ended December 31, 2010. The following table summarizes balance sheet data of the Company s unconsolidated joint ventures as of June 30, 2011 and December 31, 2010 (in thousands). The investments in joint ventures which have negative balances are included in the Deposits and Deferred Income line item on the Balance Sheets.

	Total Assets		Total Debt		Total Equity		Company s Investment	
MMARY OF FINANCIAL POSITION:	**2011**	2010	**2011**	**2010**	**2011**	**2010**	**2011**	**201**
Venture IV LLC entities	**$ 308,009**	$ 313,603	**$ 36,329**	$ 36,620	**$ 261,228**	$ 267,085	**$ 15,013**	$ 15,3
rlotte Gateway Village, LLC	**151,843**	154,200	**90,175**	97,030	**58,507**	54,834	**10,350**	10,3
Murfreesboro Associates	**127,195**	129,738	**100,724**	103,378	**24,441**	24,263	**14,316**	14,2
sades West LLC	**125,907**	129,378			**80,680**	80,767	**42,178**	42,2
Venture LLC entities	**102,269**	106,066			**100,704**	104,067	**3,427**	3,7
Realty, L.L.C.	**82,838**	86,657	**1,727**	2,663	**79,312**	82,534	**38,193**	39,9
REF/Terminus 200 LLC	**69,803**	65,164	**50,861**	46,169	**13,347**	13,956	**2,670**	2,7
co Associates, LLC	**60,231**	60,608	**2,859**	2,929	**56,961**	57,475	**22,462**	22,7
sins Watkins LLC	**56,987**	57,184	**28,725**	28,850	**27,683**	28,334	**15,706**	14,8
wford Long CPI, LLC	**33,433**	34,408	**48,174**	48,701	**(16,323)**	(15,341)	**(6,937)**	(6,4
dwood Associates	**21,208**	21,220			**21,131**	21,216	**(1,685)**	(1,6
Peachtree Place Associates	**20,473**	20,980	**26,491**	26,782	**(7,054)**	(6,263)	**(4,762)**	(4,5
LLC	**16,815**		**1**		**15,009**		**14,091**	
G Columbus Development Venture, Ltd.	**3,116**	3,574			**1,872**	2,115	**8**	
Mountain Builders, LLC	**523**	1,559		896	**360**	403	**735**	7
	$ 1,180,650	$ 1,184,339	**$ 386,066**	$ 394,018	**$ 717,858**	$ 715,445	**$ 165,765**	$ 154,4

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The following table summarizes statement of operations information of the Company s unconsolidated joint ventures for the six months ended June 30, 2011 and 2010 (in thousands):

	Total Revenues		Net Income (Loss)		Company s Share of Net Income (Loss)	
SUMMARY OF OPERATIONS:	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
CP Venture IV LLC entities	**$ 15,430**	$ 15,579	**$ 1,890**	$ 1,826	**$ 539**	$ 491
Charlotte Gateway Village, LLC	**16,308**	15,933	**4,282**	3,808	**588**	588
CF Murfreesboro Associates	**6,622**	7,182	**178**	1,001	**(41)**	401
Palisades West LLC	**8,114**	6,730	**2,911**	2,282	**1,422**	1,107
CP Venture LLC entities	**9,506**	9,254	**3,830**	4,301	**396**	445
CL Realty, L.L.C.	**3,144**	4,212	**1,390**	1,219	**545**	1,125
MSREF/Terminus 200 LLC	**2,197**	245	**(2,173)**	(480)	**(434)**	(96)
Temco Associates, LLC	**318**	1,877	**(416)**	813	**(202)**	406
Cousins Watkins LLC	**2,422**		**17**		**1,188**	
Crawford Long CPI, LLC	**5,955**	5,688	**1,217**	834	**608**	416
Wildwood Associates			**(85)**	(41)	**(43)**	(20)
Ten Peachtree Place Associates	**3,611**	3,847	**407**	481	**212**	248
EP I LLC						
TRG Columbus Development Venture, Ltd.	**19**	1,071	**7**	392	**50**	162
Pine Mountain Builders, LLC	**2,632**	1,185	**(44)**	91	**(22)**	46
Other		533		55	**2**	(5)
	$ 76,278	$ 73,336	**$ 13,411**	$ 16,582	**$ 4,808**	$ 5,314

On June 28, 2011, EP I LLC (EP I) was formed between the Company, with a 75% ownership interest, and Lion Gables Realty Limited Partnership (Gables), with a 25% ownership interest, for the purpose of developing and operating Emory Point, a mixed-used property in Atlanta, Georgia. Profits and losses are allocated to the partners based on their percentage ownership interests, with no preferences or promotes. Upon formation, the Company contributed approximately $8.1 million in cash and $3.1 million in predevelopment assets, and Gables contributed a total of approximately $3.8 million in cash and other assets. The Company s investment in EP I includes other previously capitalized assets related to the venture, for a total investment balance of $14.1 million upon formation. The Company anticipates it will make approximately $19.6 million in additional cash contributions to the venture for project development. Upon formation, EP I also entered into a construction loan agreement, secured by the project, to provide for up to $61.1 million to fund construction. The venture may select from two interest rate options, as defined in the loan agreement, which are based on floating-rate indices plus a spread. The loan matures June 28, 2014 and may be extended for two, one-year periods if certain conditions are met. The Company and Gables will guarantee up to approximately $11.5 million and $3.8 million of the construction loan, respectively.

6. OTHER ASSETS

Other Assets on the Balance Sheets as of June 30, 2011 and December 31, 2010 included the following (in thousands):

	June 30, 2011	December 31, 2010
Investment in Verde Realty	**$ 5,868**	$ 9,376
FF&E and leasehold improvements, net of accumulated depreciation of $17,084 and $16,117 in 2011 and 2010, respectively	**5,056**	4,673

Predevelopment costs and earnest money		**1,759**		7,039
Lease inducements, net of accumulated amortization of $3,540 and $2,991 in 2011 and 2010, respectively		**11,531**		11,899
Loan closing costs, net of accumulated amortization of $4,188 and $3,109 in 2011 and 2010, respectively		**1,625**		2,703
Prepaid expenses and other assets		**3,448**		2,296
Intangible Assets:				
Goodwill		**5,430**		5,430
Above market leases, net of accumulated amortization of $8,760 and $8,741 in 2011 and 2010, respectively		**508**		526
In-place leases, net of accumulated amortization of $2,529 and $2,492 in 2011 and 2010, respectively		**285**		322
	$	**35,510**	$	44,264

Goodwill relates entirely to the Office reportable segment. Investment in Verde Realty (Verde) relates to a cost method investment in a non-public real estate investment trust. During the first quarter of 2011, the Company determined that there were impairment indicators related to its investment in Verde, including Verde s withdrawal of its proposed initial public offering. The Company estimated the fair value of Verde by calculating discounted future cash flows using Level 3 inputs, such as market capitalization rates, discount rates and other items. The fair value estimate was less than carrying value, and the Company determined the impairment was other-than-temporary in accordance with accounting standards for investments in unconsolidated entities. Accordingly, the Company recorded an impairment loss of $3.5 million.

7. NONCONTROLLING INTERESTS

The Company consolidates various ventures that are involved in the ownership and/or development of real estate. The partner s share of the entity, in cases where the entity s documents do not contain a required redemption clause, is reflected in a separate line item called Nonredeemable Noncontrolling Interests shown within Equity on the Balance Sheets. Correspondingly, the partner s share of income or loss is recorded in Net Income Attributable to Noncontrolling Interests in the Statements of Operations.

Other consolidated ventures contain provisions requiring the Company to purchase the partners share of the venture at a certain value upon demand or at a future prescribed date. In these situations, the partner s share of the entity is recognized as Redeemable Noncontrolling Interests and is presented between liabilities and equity on the Balance Sheets, with the corresponding share of income or loss in the venture recorded in Net Income Attributable to Noncontrolling Interests in the Statements of Operations. The redemption values are evaluated each period and adjusted to the higher of fair value or the partner s cost basis within the equity section of the Balance Sheet. The Company recognizes these changes in the estimated redemption value as they occur. The following table details the components of Redeemable Noncontrolling Interests in consolidated subsidiaries for the six months ended June 30, 2011 and 2010 (in thousands):

	2011	2010
Beginning Balance Redeemable	**$ 14,289**	$ 12,591
Net loss attributable to redeemable noncontrolling interests	**29**	(30)
Contributions from (distributions to) noncontrolling interests	**(5,400)**	1,269
Change in fair value of noncontrolling interests	**526**	(1,144)
Ending Balance Redeemable	**$ 9,444**	$ 12,686

The following reconciles the net income (loss) attributable to noncontrolling interests as shown in the Statements of Equity, which only includes nonredeemable interests, to the net income attributable to noncontrolling interests as shown in the Statements of Operations, for the six months ended June 30, 2011 and 2010 (in thousands):

	2011	**2010**
Net income attributable to nonredeemable noncontrolling interests	**$ 1,233**	$ 1,140
Net loss attributable to redeemable noncontrolling interests	**29**	(30)
Net income attributable to noncontrolling interests	**$ 1,262**	$ 1,110

8. REPORTABLE SEGMENTS

The Company has six reportable segments: Office, Retail, Land, Third-Party Management and Leasing, For-Sale Multi-Family and Other. These reportable segments represent an aggregation of operating segments reported to the Chief Operating Decision Maker based on similar economic characteristics that include the type of product and nature of service. Each segment includes both consolidated operations and joint ventures. The Office and Retail segments show the results by each product type. Net operating income is calculated as rental property revenues less rental property operating expenses. The Land segment includes results of operati