

COUSINS PROPERTIES INC  
Form 10-Q  
October 27, 2015  
Table of Contents

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

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

For the quarterly period ended September 30, 2015

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 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 ☒ No ☐

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 ☐ No ☐

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

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

(Do not check if a smaller  
reporting company)

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

Yes ☐ No ☒

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

Class

Outstanding at October 22, 2015

Common Stock, \$1 par value per share

214,670,759 shares

Table of Contents

	Page No.
<u>PART I-FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Financial Statements (Unaudited)</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</u>	<u>4</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF EQUITY</u>	<u>5</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>6</u>
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>7</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>16</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>23</u>
<u>Item 4. Controls and Procedures</u>	<u>23</u>
 <u>PART II. OTHER INFORMATION</u>	 <u>24</u>
<u>Item 1. Legal Proceedings</u>	<u>24</u>
<u>Item 1A. Risk Factors</u>	<u>24</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>24</u>
<u>Item 6. Exhibits</u>	<u>25</u>
<u>SIGNATURES</u>	<u>26</u>

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## Table of Contents

### 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 Annual Report on Form 10-K/A for the year ended December 31, 2014. These forward-looking statements include information about possible or assumed future results of the business and our 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:

- our business and financial strategy;
- our ability to obtain future financing arrangements;
- future acquisitions and future dispositions of operating assets;
- future acquisitions of land;
- future development and redevelopment opportunities;
- future dispositions of land and other non-core assets;
- future repurchases of our common stock;
- projected operating results;
- market and industry trends;
- future distributions;
- projected capital expenditures; and
- interest rates.

Any forward-looking statements are based upon management's beliefs, assumptions, and expectations of our future performance, taking into account information currently available. These beliefs, assumptions, and expectations may change as a result of possible events or factors, not all of which are known. If a change occurs, our 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:

- the availability and terms of capital and financing;
- the ability to refinance or repay indebtedness as it matures;
- the failure of purchase, sale, or other contracts to ultimately close;
- the failure to achieve anticipated benefits from acquisitions and investments or from dispositions;
- the potential dilutive effect of any common stock offerings;
- the failure to achieve benefits from the repurchase of our common stock;
- the availability of buyers and adequate pricing with respect to the disposition of assets;
- risks related to the geographic concentration of our portfolio, including, but not limited to, metropolitan Houston and metropolitan Atlanta;
- risks related to industry concentration of our portfolio including, but, not limited to, the energy industry;
- risks and uncertainties related to national and local economic conditions, the real estate industry in general, and the commercial real estate markets in particular;
- changes to our strategy with regard to land and other non-core holdings that require impairment losses to be recognized;
- leasing risks, including the ability to obtain new tenants or renew expiring tenants, and the ability to lease newly developed and/or recently acquired space;
- the adverse change in the financial condition of one or more of our major tenants;
- volatility in interest rates and insurance rates;
- the availability of sufficient investment opportunities;
- competition from other developers or investors;
- the risks associated with real estate developments (such as zoning approval, receipt of required permits, construction delays, cost overruns, and leasing risk);
- the loss of key personnel;

- the potential liability for uninsured losses, condemnation, or environmental issues;
- the 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 are intended to identify forward-looking statements. Although we believe that our plans, intentions, and expectations reflected in any forward-looking statements are reasonable, we can give no assurance that such plans, intentions, or expectations will be achieved. We undertake 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.

Table of Contents

## 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)

	September 30, 2015 (unaudited)	December 31, 2014
Assets:		
Real estate assets:		
Operating properties, net of accumulated depreciation of \$385,657 and \$324,543 in 2015 and 2014, respectively	\$2,160,655	\$2,181,684
Projects under development	53,118	91,615
Land	17,829	21,646
	2,231,602	2,294,945
Real estate assets and other assets held for sale, net of accumulated depreciation and amortization of \$60,078 in 2015	50,491	—
Cash and cash equivalents	5,331	—
Restricted cash	4,486	5,042
Notes and accounts receivable, net of allowance for doubtful accounts of \$1,736 and \$1,643 in 2015 and 2014, respectively	9,513	10,732
Deferred rents receivable	63,738	57,939
Investment in unconsolidated joint ventures	103,470	100,498
Intangible assets, net of accumulated amortization of \$96,349 and \$76,050 in 2015 and 2014, respectively	131,858	163,244
Other assets	37,118	34,930
Total assets	\$2,637,607	\$2,667,330
Liabilities:		
Notes payable	\$779,570	\$792,344
Accounts payable and accrued expenses	66,049	76,240
Deferred income	24,132	23,277
Intangible liabilities, net of accumulated amortization of \$24,464 and \$16,897 in 2015 and 2014, respectively	62,019	70,020
Other liabilities	30,407	31,991
Liabilities of real estate assets held for sale	2,843	—
Total liabilities	965,020	993,872
Commitments and contingencies	—	—
Equity:		
Stockholders' investment:		
Common stock, \$1 par value, 350,000,000 shares authorized, 220,255,502 and 220,082,610 shares issued in 2015 and 2014, respectively	220,256	220,083
Additional paid-in capital	1,721,856	1,720,972
Treasury stock at cost, 5,584,743 and 3,570,082 shares in 2015 and 2014, respectively	(105,531)	(86,840)
Distributions in excess of cumulative net income	(163,994)	(180,757)
Total equity	1,672,587	1,673,458
Total liabilities and equity	\$2,637,607	\$2,667,330

See accompanying notes.

3

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Table of Contents

COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited, in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2015	2014	2015	2014	
Revenues:					
Rental property revenues	\$96,016	\$86,857	\$282,226	\$244,375	
Fee income	1,686	1,802	5,206	6,165	
Other	444	439	593	4,786	
	98,146	89,098	288,025	255,326	
Costs and expenses:					
Rental property operating expenses	41,331	38,685	120,672	109,501	
Reimbursed expenses	686	783	2,514	2,703	
General and administrative expenses	2,971	5,021	12,502	16,388	
Interest expense	7,673	6,817	23,219	20,954	
Depreciation and amortization	32,538	32,704	103,564	101,979	
Acquisition and related costs	19	644	104	815	
Other	175	481	873	1,936	
	85,393	85,135	263,448	254,276	
Income from continuing operations before taxes, unconsolidated joint ventures, and gain on sale of investment properties	12,753	3,963	24,577	1,050	
Benefit (provision) for income taxes from operations	—	(1	) —	20	
Income from unconsolidated joint ventures	3,716	2,030	7,088	5,343	
Income from continuing operations before gain on sale of investment properties	16,469	5,992	31,665	6,413	
Gain on sale of investment properties	37,145	81	37,674	1,569	
Income from continuing operations	53,614	6,073	69,339	7,982	
Income (loss) from discontinued operations:					
Income (loss) from discontinued operations	6	348	(14	) 1,806	
Gain (loss) on sale from discontinued operations	—	12,993	(551	) 19,372	
	6	13,341	(565	) 21,178	
Net income	53,620	19,414	68,774	29,160	
Net income attributable to noncontrolling interests	—	(92	) —	(376	)
Net income attributable to controlling interests	53,620	19,322	68,774	28,784	
Dividends to preferred stockholders	—	—	—	(2,955	)
Preferred share original issuance costs	—	—	—	(3,530	)
Net income available to common stockholders	\$53,620	\$19,322	\$68,774	\$22,299	
Per common share information — basic and diluted:					
Income from continuing operations attributable to controlling interest	\$0.25	\$0.03	\$0.32	\$—	
Income from discontinued operations	—	0.06	—	0.11	
Net income available to common stockholders	\$0.25	\$0.09	\$0.32	\$0.11	
Weighted average shares — basic	216,261	209,839	216,485	200,073	
Weighted average shares — diluted	216,374	210,111	216,625	200,325	
Dividends declared per common share	\$0.080	\$0.075	\$0.240	\$0.225	

See accompanying notes.





Table of ContentsCOUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

Nine Months Ended September 30, 2015 and 2014

(unaudited, in thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Distributions in Excess of Net Income	Stockholders' Investment	Nonredeemable Noncontrolling Interests	Total Equity
Balance December 31, 2014	\$—	\$220,083	\$1,720,972	\$(86,840 )	\$(180,757 )	\$1,673,458	\$—	\$1,673,458
Net income	—	—	—	—	68,774	68,774	—	68,774
Common stock issued pursuant to:								
Director stock grants	—	79	686	—	—	765	—	765
Stock option exercises	—	4	(19 )	—	—	(15 )	—	(15 )
Restricted stock grants, net of amounts withheld	—	90	(911 )	—	—	(821 )	—	(821 )
for income taxes								
Amortization of stock options and restricted stock, net of forfeitures	—	—	1,104	—	—	1,104	—	1,104
Repurchase of common stock	—	—	—	(18,691 )	—	(18,691 )	—	(18,691 )
Common dividends	—	—	—	—	(52,011 )	(52,011 )	—	(52,011 )
Other	—	—	24	—	—	24	—	24
Balance September 30, 2015	\$—	\$220,256	\$1,721,856	\$(105,531 )	\$(163,994 )	\$1,672,587	\$—	\$1,672,587
Balance December 31, 2013	\$94,775	\$193,236	\$1,420,951	\$(86,840 )	\$(164,721 )	\$1,457,401	\$1,571	\$1,458,972
Net income	—	—	—	—	28,784	28,784	376	29,160
Common stock issued pursuant to:								
Director stock grants	—	55	598	—	—	653	—	653
Stock option exercises	—	40	(267 )	—	—	(227 )	—	(227 )
Common stock offering, net of issuance costs	—	26,700	295,212	—	—	321,912	—	321,912
Restricted stock grants, net of	—	53	(978 )	—	—	(925 )	—	(925 )

amounts withheld for income taxes								
Amortization of stock options and restricted stock, net of forfeitures	—	(5	) 1,513	—	—	1,508	—	1,508
Distributions to nonredeemable noncontrolling interests	—	—	—	—	—	—	(369	) (369
Redemption of preferred shares	(94,775	) —	3,530	—	(3,530	) (94,775	) —	(94,775
Preferred dividends	—	—	—	—	(2,955	) (2,955	) —	(2,955
Common dividends	—	—	—	—	(45,351	) (45,351	) —	(45,351
Balance								
September 30, 2014	\$—	\$220,079	\$1,720,559	\$(86,840	) \$(187,773	) \$1,666,025	\$1,578	\$1,667,603

See accompanying notes.

Table of Contents

COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$68,774	\$29,160
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of investment properties, including discontinued operations	(37,123)	(20,941)
Depreciation and amortization, including discontinued operations	103,614	102,481
Amortization of deferred financing costs	1,073	604
Amortization of stock options and restricted stock, net of forfeitures	1,104	1,508
Effect of certain non-cash adjustments to rental revenues	(21,907)	(21,740)
Income from unconsolidated joint ventures	(7,087)	(5,343)
Operating distributions from unconsolidated joint ventures	5,570	5,195
Land and multi-family cost of sales, net of closing costs paid	—	302
Changes in other operating assets and liabilities:		
Change in other receivables and other assets, net	(6,452)	(1,912)
Change in operating liabilities	(4,526)	5,282
Net cash provided by operating activities	103,040	94,596
Cash flows from investing activities:		
Proceeds from investment property sales	136,498	53,827
Property acquisition, development, and tenant asset expenditures	(151,384)	(351,657)
Investment in unconsolidated joint ventures	(7,486)	(10,578)
Distributions from unconsolidated joint ventures	6,318	7,433
Change in notes receivable and other assets	1,149	(1,818)
Change in restricted cash	293	(1,834)
Net cash used in investing activities	(14,612)	(304,627)
Cash flows from financing activities:		
Proceeds from credit facility	269,000	395,175
Repayment of credit facility	(275,200)	(347,550)
Proceeds from other notes payable	—	68
Repayment of notes payable	(6,574)	(6,713)
Payment of loan issuance costs	—	(3,176)
Common stock issued, net of expenses	8	321,912
Repurchase of common stock	(18,320)	—
Redemption of preferred shares	—	(94,775)
Common dividends paid	(52,011)	(45,351)
Preferred dividends paid	—	(2,955)
Distributions to noncontrolling interests	—	(369)
Net cash provided by (used in) financing activities	(83,097)	