

COUSINS PROPERTIES INC

Form 10-Q

August 09, 2007

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

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

For the quarterly period ended June 30, 2007

OR

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

For the transition period from _____ to _____

Commission file number: 0-3576

COUSINS PROPERTIES INCORPORATED

(Exact name of registrant as specified in its charter)

GEORGIA

(State or other jurisdiction of
incorporation or organization)

58-0869052

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

191 Peachtree Street, Suite 3600, Atlanta, Georgia

(Address of principal executive offices)

30303-1740

(Zip Code)

(404) 407-1000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 ☐ Accelerated filer ☐ Non-accelerated filer ☐

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 July 31, 2007

Common Stock, \$1 par value per share

51,851,287 shares

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FORWARD-LOOKING STATEMENTS

Certain matters contained in this report are forward-looking statements within the meaning of the federal securities laws and are subject to uncertainties and risks. These include, but are not limited to, general and local economic conditions, local real estate conditions, the activity of others developing competitive projects, the risks associated with development projects (such as delay, cost overruns and leasing/sales risk of new properties), the cyclical nature of the real estate industry, the financial condition of existing tenants, interest rates, the Company's ability to obtain favorable financing or zoning, environmental matters, the effects of terrorism, the ability of the Company to close properties under contract and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including those described in Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. The words *believes*, *expects*, *anticipates*, *estimates* and similar expressions are intended to identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in any forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. Such forward-looking statements are based on current expectations and speak as of the date of such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

Table of Contents**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)

	June 30, 2007	December 31, 2006
ASSETS		
PROPERTIES:		
Operating properties, net of accumulated depreciation of \$123,650 and \$115,723 in 2007 and 2006, respectively	\$ 575,116	\$ 472,375
Operating properties held-for-sale, net of accumulated depreciation of \$7,139 and \$142 in 2007 and 2006, respectively	5,197	1,470
Land held for investment or future development	93,085	101,390
Projects under development	358,807	300,382
Residential lots under development	34,981	27,624
 Total properties	 1,067,186	 903,241
 CASH AND CASH EQUIVALENTS	 16,913	 11,538
RESTRICTED CASH	2,895	2,824
NOTES AND OTHER RECEIVABLES, net of allowance for doubtful accounts of \$680 and \$501 in 2007 and 2006, respectively	33,958	32,138
INVESTMENT IN UNCONSOLIDATED JOINT VENTURES	187,679	181,918
OTHER ASSETS	56,507	65,094
 TOTAL ASSETS	 \$ 1,365,138	 \$ 1,196,753
 LIABILITIES AND STOCKHOLDERS INVESTMENT		
NOTES PAYABLE	\$ 477,971	\$ 315,149
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	63,227	55,538
DEFERRED GAIN	170,909	154,104
DEPOSITS AND DEFERRED INCOME	3,301	2,062
 TOTAL LIABILITIES	 715,408	 526,853
 MINORITY INTERESTS	 47,007	 43,985
 COMMITMENTS AND CONTINGENT LIABILITIES (NOTE 3)		
 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

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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, 54,734,951 and 54,439,310 shares issued in 2007 and 2006, respectively	54,735	54,439
Additional paid-in capital	344,828	336,974
Treasury stock at cost, 2,941,582 and 2,691,582 shares in 2007 and 2006, respectively	(72,593)	(64,894)
Cumulative undistributed net income	75,753	99,396

TOTAL STOCKHOLDERS INVESTMENT	602,723	625,915
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TOTAL LIABILITIES AND STOCKHOLDERS INVESTMENT	\$ 1,365,138	\$ 1,196,753
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See accompanying 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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
REVENUES:				
Rental property revenues	\$ 25,499	\$ 23,580	\$ 49,629	\$ 45,852
Fee income	9,860	7,755	17,926	16,136
Multi-family residential unit sales		15,136		21,715
Residential lot and outparcel sales	1,476	3,129	2,902	7,634
Interest and other	840	90	4,519	452
	37,675	49,690	74,976	91,789
 COSTS AND EXPENSES:				
Rental property operating expenses	11,341	8,589	21,358	16,915
General and administrative expenses	15,604	13,476	30,294	27,051
Depreciation and amortization	8,721	7,655	18,082	15,340
Multi-family residential unit cost of sales		12,377		17,735
Residential lot and outparcel cost of sales	1,085	2,298	2,293	5,501
Interest expense	531	4,880	531	8,494
Loss on extinguishment of debt		2,764		2,764
Other	758	481	1,118	935
	38,040	52,520	73,676	94,735
 INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES, MINORITY INTEREST AND INCOME FROM UNCONSOLIDATED JOINT VENTURES	 (365)	 (2,830)	 1,300	 (2,946)
 BENEFIT (PROVISION) FOR INCOME TAXES FROM OPERATIONS	 1,073	 (1,926)	 2,100	 (4,296)
 MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES	 (842)	 (1,313)	 (1,704)	 (2,391)
 INCOME FROM UNCONSOLIDATED JOINT VENTURES	 4,101	 8,404	 7,809	 20,527
 INCOME FROM CONTINUING OPERATIONS BEFORE GAIN ON SALE OF INVESTMENT PROPERTIES	 3,967	 2,335	 9,505	 10,894

GAIN ON SALE OF INVESTMENT PROPERTIES, NET OF APPLICABLE INCOME TAX PROVISION	40	61	4,480	866
INCOME FROM CONTINUING OPERATIONS	4,007	2,396	13,985	11,760
DISCONTINUED OPERATIONS, NET OF APPLICABLE INCOME TAX PROVISION:				
Income (loss) from discontinued operations	200	(2,202)	278	451
Gain on sale of investment properties		135	8,164	326
	200	(2,067)	8,442	777
NET INCOME	4,207	329	22,427	12,537
DIVIDENDS TO PREFERRED STOCKHOLDERS	(3,812)	(3,812)	(7,625)	(7,625)
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ 395	\$ (3,483)	\$ 14,802	\$ 4,912
PER SHARE INFORMATION BASIC:				
Income (loss) from continuing operations	\$ 0.01	\$ (0.03)	\$ 0.13	\$ 0.08
Income (loss) from discontinued operations	0.00	(0.04)	0.16	0.02
Basic net income (loss) available to common stockholders	\$ 0.01	\$ (0.07)	\$ 0.29	\$ 0.10
PER SHARE INFORMATION DILUTED:				
Income (loss) from continuing operations	\$ 0.01	\$ (0.03)	\$ 0.12	\$ 0.08
Income (loss) from discontinued operations	0.00	(0.04)	0.16	0.01
Diluted net income (loss) available to common stockholders	\$ 0.01	\$ (0.07)	\$ 0.28	\$ 0.09
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.37	\$ 0.37	\$ 0.74	\$ 0.74
WEIGHTED AVERAGE SHARES	51,825	50,385	51,772	50,377
DILUTED WEIGHTED AVERAGE SHARES	53,306	50,385	53,440	52,019

See accompanying notes to condensed consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands, except per share amounts)

	Six Months Ended June 30,	
	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 22,427	\$ 12,537
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Gain on sale of investment properties, net of income tax provision	(12,644)	(1,192)
Loss on extinguishment of debt		2,764
Depreciation and amortization	18,227	24,512
Amortization of deferred financing costs	513	536
Stock-based compensation	2,752	3,309
Effect of recognizing rental revenues on a straight-line or market basis	346	(2,053)
Income from unconsolidated joint ventures less than (in excess of) operating distributions	(3,200)	1,160
Residential lot, outparcel and multi-family cost of sales, net of closing costs paid	2,264	22,787
Residential lot, outparcel and multi-family acquisition and development expenditures	(19,316)	(10,344)
Income tax benefit from stock options	(780)	(286)
Minority interest in income of consolidated entities	1,704	1,596
Changes in other operating assets and liabilities:		
Change in other receivables	(1,839)	13,266
Change in accounts payable and accrued liabilities	8,368	9,370
Net cash provided by operating activities	18,822	77,962
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment property sales	21,280	1,522
Proceeds from venture formation	19,338	163,339
Property acquisition and development expenditures	(158,102)	(152,760)
Investment in unconsolidated joint ventures	(4,363)	(5,583)
Distributions from unconsolidated joint ventures in excess of income	1,805	7,740
Proceeds from (investment in) notes receivable, net	2,259	(1,196)
Change in other assets, net	(9,092)	(9,100)
Change in restricted cash	(71)	1,448
Net cash provided by (used in) investing activities	(126,946)	5,410
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from credit and construction facilities	413,300	628,801
Repayment of credit and construction facilities	(253,200)	(642,436)
Payment of loan issuance costs	(43)	(1,995)
Proceeds from other notes payable or construction loans	4,003	8,726
Repayment of other notes payable or construction loans	(1,281)	(21,168)

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Common stock issued, net of expenses	4,618	3,236
Purchase of treasury stock	(7,699)	
Income tax benefit from stock options	780	286
Common dividends paid	(38,445)	(37,548)
Preferred dividends paid	(7,625)	(7,625)
Contributions from minority partners	348	247
Distributions to minority partners	(1,257)	(7,116)
Net cash provided by (used in) financing activities	113,499	(76,592)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,375	6,780
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	11,538	9,336
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 16,913	\$ 16,116

See accompanying notes to condensed consolidated financial statements.

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**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2007
(UNAUDITED)**

1. BASIS OF PRESENTATION AND NEW ACCOUNTING PRONOUNCEMENTS

Basis of Presentation

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

Cousins has elected to be taxed as a real estate investment trust (REIT) and intends to, among other things, distribute 100% of its federal taxable income to stockholders, thereby eliminating any liability for federal income taxes. 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 June 30, 2007 and results of operations for the three and six month periods ended June 30, 2007 and 2006. Results of operations for the three and six months ended June 30, 2007 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, 2006. The accounting policies employed are materially the same as those shown in Note 2 to the consolidated financial statements included in such Form 10-K.

In periods prior to the fourth quarter of 2006, the Company recorded reimbursements of salary and benefits of on-site employees pursuant to management agreements with third parties and unconsolidated joint ventures as reductions of general and administrative expenses. In the fourth quarter of 2006, the Company determined that these amounts should be recorded as revenues in accordance with Emerging Issues Task Force (EITF) No. 99-19 and, accordingly, began recording these reimbursements in Fee Income on the Condensed Consolidated Statements of Income. Prior periods have been revised to conform to this new presentation. As a result, Fee Income and General and Administrative Expenses have increased by \$3.6 million and \$7.2 million in the three and six months ended June 30, 2006, respectively, when compared to amounts previously reported.

New Accounting Pronouncement

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainties in Income Taxes (FIN 48). FIN 48 prescribes a recognition threshold and measurement attribute 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, classification, interest and penalties,

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accounting for income tax uncertainties in interim periods and the level of disclosures associated with any recorded income tax uncertainties. The Company believes that all of its material income tax filing positions and deductions would be sustained upon audit under current tax laws and regulations. Therefore, the Company recorded no reserves and no cumulative effect adjustment in the financial statements in conjunction with the adoption of FIN 48, and there was no impact on the Company's financial position, results of operations or cash flows.

2. CASH FLOWS SUPPLEMENTAL INFORMATION

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

	Six Months Ended June 30,	
	2007	2006
Interest paid, net of amounts capitalized	\$	\$ 4,914
Income taxes paid, net of refunds	110	5,988
Non-Cash Transactions		
Transfer from operating properties to land	2,392	7,250
Transfer from projects under development to operating properties	80,730	
Transfer from other assets to projects under development	15,491	
Transfer from other assets to operating properties	136	
Change in accrued expenditures excluded from development and acquisition expenditures	441	9,420
Transfer from land to operating properties	2,868	
Transfer from land to projects under development	18,997	4,783
Transfer from operating properties to operating properties held-for-sale	5,197	
Transfer from projects under development to land		1,486
SAB 51 gain, net of tax, recorded in investment in joint ventures and additional paid-in capital		453
Transfer related to venture formation:		
Projects under development to investment in joint venture		3,980
Operating properties to investment in joint venture		16,019
Transfer from other assets to land		228

3. NOTES PAYABLE, INTEREST EXPENSE AND COMMITMENTS AND CONTINGENCIES

The following table summarizes the terms and amounts of the notes payable outstanding at June 30, 2007 and December 31, 2006 (\$ in thousands):

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Description	Interest Rate	Term/ Amortization		Outstanding at	
		Period (Years)	Final Maturity	June 30, 2007	December 31, 2006
Credit facility (a maximum of \$400,000), unsecured	LIBOR + 0.8% to 1.3%	4/N/A	3/7/10	\$ 267,300	\$ 128,200
Construction facility (a maximum of \$100,000), unsecured	LIBOR + 0.8% to 1.3%	4/N/A	3/7/10	85,700	64,700
333/555 North Point Center East mortgage note	7.00%	10/25	11/1/11	29,223	29,571
Meridian Mark Plaza mortgage note	8.27%	10/28	9/1/10	23,403	23,602
100/200 North Point Center East mortgage note (see discussion below)	5.39%	5/30	6/1/12	25,000	22,365
The Points at Waterview mortgage note	5.66%	10/25	1/1/16	18,003	18,183
600 University Park Place mortgage note	7.38%	10/30	8/10/11	13,073	13,168
Lakeshore Park Plaza mortgage note	6.78%	10/25	11/1/08	8,936	9,082
King Mill Project I member loan (a maximum of \$2,849)	9.00%	3/N/A	8/30/08	2,702	2,625
King Mill Project I second member loan (a maximum of \$2,349)	9.00%	3/N/A	6/26/09	1,860	1,815
Jefferson Mill Project member loan (a maximum of \$3,156)	9.00%	3/N/A	9/13/09	2,405	1,432
Other miscellaneous notes	Various	Various	Various	366	406
				\$ 477,971	\$ 315,149

The Company had \$267.3 million drawn on its unsecured credit facility as of June 30, 2007 and, net of \$1.1 million reserved for outstanding letters of credit, the Company had \$131.6 million available for future borrowings under this facility. The Company had \$85.7 million drawn on its construction facility as of June 30, 2007, with \$14.3 million available for future borrowings under this facility.

On June 1, 2007, the Company refinanced its non-recourse mortgage note payable secured by the 100 and 200 North Point Center East office buildings. The new \$25 million non-recourse mortgage note payable has an interest rate of 5.39% and a maturity date of June 1, 2012. This note replaced the former non-recourse mortgage note payable on these properties, which was due to mature on August 1, 2007 and had an interest rate of 7.86%.

On July 9, 2007, the Company entered into a \$100 million bridge loan with a bank. The bridge loan matures on October 9, 2007, with an option to extend to January 9, 2008, and bears an interest rate of LIBOR plus 0.75%. The bridge loan contains financial and operating covenants that are identical to those of its credit facility.

For the three and six months ended June 30, 2007 and 2006, interest expense was recorded as follows (\$ in thousands):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Incurred	\$ 7,086	\$ 9,774	\$ 13,178	\$ 18,429
Capitalized	(6,555)	(4,894)	(12,647)	(9,935)
Expensed	\$ 531	\$ 4,880	\$ 531	\$ 8,494

At June 30, 2007, the Company had outstanding letters of credit and performance bonds of \$20.6 million. The Company has several projects under development and redevelopment for which it estimates total future funding commitments of \$498.7 million at June 30, 2007. Additionally, the Company has future obligations as a lessor of office, retail and industrial space to fund approximately \$4.3 million of tenant improvements as of June 30, 2007. As a lessee, the Company has future obligations under ground and office leases of approximately \$16.8 million at June 30, 2007.

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 June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Weighted average shares-basic	51,825	50,385	51,772	50,377
Dilutive potential common shares:				
Stock options	1,437		1,629	1,481
Restricted stock	44		39	161
Weighted average shares-diluted	53,306	50,385	53,440	52,019
Anti-dilutive options not included	940	2,540	892	895

Because the Company reported a net loss available to common stockholders for the three months ended June 30, 2006, the effect of all outstanding options on per share earnings was anti-dilutive, and these options were excluded from the calculation of weighted average shares-diluted.

5. STOCK-BASED COMPENSATION

The Company adopted Statement of Financial Accounting Standard (SFAS) No. 123(R), Share-Based Payment, on January 1, 2006, using the modified prospective method. 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 which are described in Note 7 of Notes to Consolidated Financial Statements in the Company's Annual Report on Form

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10-K for the year ended December 31, 2006. The Company uses the Black-Scholes model to value its new stock option grants under SFAS 123(R) and recognizes compensation expense in general and administrative expense in the Condensed Consolidated Statements of Income over the related awards' vesting period. A portion of share-based payment expense is capitalized to projects under development in accordance with SFAS No. 67. SFAS 123(R) also requires the Company to estimate forfeitures in calculating the expense related to stock-based compensation, and to reflect the benefits of tax deductions in excess of recognized compensation cost to be reported as both a financing cash inflow and an operating cash outflow.

The Company expensed approximately \$1.2 million for each of the three months ended June 30, 2007 and 2006, and \$2.8 million and \$2.6 million for the six months ended June 30, 2007 and 2006, respectively, for stock-based compensation, after the effect of capitalization to projects under development and income tax benefit. As of June 30, 2007, the Company had \$16.7 million of total unrecognized compensation cost related to stock-based compensation, which will be recognized over a weighted average period of 2.6 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. Government Bonds and Notes having the same life as the estimated life of the Company's option awards. Expected life of the options granted was computed using historical data reflecting actual hold periods plus an estimated hold period for unexercised options outstanding using the mid-point between 2007 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. The assumed dividend yield is based on the annual dividend rate for regular dividends at the time of grant. Below are the Black-Scholes inputs used to calculate the weighted-average fair value of 2007 option grants:

Assumptions:

Risk free interest rate	4.62%
Expected life	6.60 years
Expected volatility	21.10%
Expected dividend yield	4.67%

Result:

Weighted-average fair value of options granted	\$ 5.09
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The following table summarizes stock option activity during the six months ended June 30, 2007:

	Number of Options (in thousands)	Weighted- Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted- Average Remaining Contractual Life (years)
Outstanding at December 31, 2006	6,117	\$ 23.27		
Granted	54	32.67		
Exercised	(307)	16.36		
Forfeited	(45)	30.90		
Outstanding at June 30, 2007	5,819	\$ 23.67	\$ 43,537	6.32
Exercisable at June 30, 2007	3,843	\$ 20.03	\$ 42,717	5.19

The total intrinsic value of options exercised during the three and six months ended June 30, 2007 was \$0.2 million and \$6.2 million, respectively.

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The following table summarizes restricted stock activity during the six months ended June 30, 2007:

	Number of Shares (in thousands)	Weighted- Average Grant Date Fair Value
Non-vested stock at December 31, 2006	164	\$30.39
Vested	(8)	30.44
Forfeited	(3)	31.06
Non-vested stock at June 30, 2007	153	\$30.37

Restricted stock units (RSU) are accounted for as liability awards under SFAS 123(R) and employees are paid cash based upon the value of the Company's stock upon vesting. The following table summarizes RSU activity for the six months ended June 30, 2007 (in thousands):

Outstanding at December 31, 2006	477
Granted	5
Vested	(3)
Forfeited	(8)
Outstanding at June 30, 2007	471

6. PROPERTY TRANSACTIONS

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

In the second quarter of 2007, the Company executed a contract to sell 3301 Windy Ridge Parkway, a 107,000 square foot office building in Atlanta, Georgia, and the Company determined that this property met the requirements of a held-for-sale property under SFAS No. 144. The Company's basis in this building was classified as held-for-sale on the June 30, 2007 Condensed Consolidated Balance Sheet, and there are no significant liabilities or other assets related to this property. 3301 Windy Ridge Parkway was sold in July 2007 for a sales price of \$16.1 million and an estimated gain of approximately \$10 million.

In 2006, the Company sold seven of its 12 stand-alone retail sites under ground leases near North Point Mall in suburban Atlanta, Georgia. The remaining five sites closed in the first quarter of 2007. The Company's basis in the five sites sold in 2007 was separately classified as held-for-sale on the December 31, 2006 Condensed Consolidated Balance Sheet, and there are no significant liabilities or other assets associated with this project. Also in 2006, the Company sold Frost Bank Tower, a 531,000 square foot office building in Austin, Texas and The Avenue of the Peninsula, a 374,000 square foot retail center in Rolling Hills Estates, California. The operations of all of these 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):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Rental property revenues	\$ 358	\$ 6,218	\$ 769	\$ 12,390
Other revenues	7	771	42	3,092
Rental property operating expenses	(179)	(3,157)	(388)	(5,859)
Depreciation and amortization	14	(6,034)	(145)	(9,172)
	\$ 200	\$ (2,202)	\$ 278	\$ 451

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
North Point Ground Leases	\$	\$	\$ 8,164	\$
Other		135		326
	\$	\$ 135	\$ 8,164	\$ 326

In July 2007, the Company purchased approximately 71 acres of land in Kansas City, Missouri for approximately \$21.4 million. The Company is developing an approximately 680,000 square foot retail center on this land, Tiffany Springs MarketCenter.

7. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The Company describes its investments in unconsolidated joint ventures in Note 6 to its Annual Report on Form 10-K for the year ended December 31, 2006. The following table summarizes balance sheet financial data of unconsolidated joint ventures in which the Company had ownership interests as of June 30, 2007 and December 31, 2006 (\$ in thousands):

	Total Assets		Total Debt		Total Equity		Company's Investment	
	2007	2006	2007	2006	2007	2006	2007	2006
CP Venture IV LLC entities	\$ 366,592	\$ 352,798	\$ 38,759	\$ 39,364	\$ 306,602	\$ 294,169	\$ 18,297	\$ 18,610
CP Venture LLC entities	117,318	118,861			115,878	117,716	5,047	5,157
Charlotte Gateway Village, LLC	176,883	178,784	139,345	144,654	35,067	32,912	10,485	10,502
TRG Columbus Development Venture, Ltd.	241,576	154,281	103,704	76,861	67,802	55,724	32,215	27,619
CL Realty, L.L.C.	125,752	117,820	3,883	5,357	111,449	108,316	69,619	66,979
Temco Associates	64,431	66,001	3,512	3,746	59,145	60,786	30,543	31,223
Crawford Long CPI, LLC	43,340	42,524	51,987	52,404	(11,109)	(10,664)	(4,295)	(4,037)

CF								
Murfreesboro								
Associates	100,422	54,356	60,250	21,428	21,698	21,698	12,172	11,975
Palisades West,								
LLC	27,531	26,987			25,244	25,072	12,694	11,959
Ten Peachtree								
Place								
Associates	26,369	27,312	28,614	28,849	(2,912)	(1,796)	(2,961)	(2,411)
Wildwood								
Associates	21,777	21,816			21,634	21,730	(1,433)	(1,385)
CSC Associates,								
L.P.	1,846	2,998			392	1,410	196	706
Pine Mountain								
Builders, LLC	4,833	3,999	1,608	614	2,454	2,347	1,363	1,191
Handy Road								
Associates, LLC	5,263	5,349	3,204	3,204	1,987	2,133	2,129	2,209
CPI/FSP I, L.P.	3,286	3,307			3,166	3,190	1,608	1,621
	\$ 1,327,219	\$ 1,177,193	\$ 434,866	\$ 376,481	\$ 758,497	\$ 734,743	\$ 187,679	\$ 181,918

The following table summarizes income statement financial data of unconsolidated joint ventures in which the Company had ownership interests, for the six months ended June 30, 2007 and 2006 (\$ in thousands):

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	Total Revenues		Net Income (Loss)		Company's Share of Net Income (Loss)	
	2007	2006	2007	2006	2007	2006
CP Venture IV LLC entities	\$ 16,311	\$ 158	\$ 2,139	\$ 12	\$ 662	\$ 28
CP Venture LLC entities	10,740	11,460	5,931	4,190	615	509
Charlotte Gateway Village, LLC	15,399	15,282	2,761	2,445	588	588
TRG Columbus Development Venture, Ltd.	45,628	40,278	13,153	11,604	4,228	4,426
CL Realty, L.L.C.	5,037	12,121	3,553	7,219	1,195	3,421
Temco Associates	3,595	31,066	359	9,839	196	4,645
Crawford Long CPI, LLC	5,337	5,277	753	553	352	253
Palisades West, LLC	181		172		56	
Ten Peachtree Place Associates	3,240	3,544	159	427	87	255
Wildwood Associates	3		(95)	(97)	(48)	(49)
CSC Associates, L.P.	(74)	26,404	(71)	10,929	(36)	5,483
Pine Mountain Builders, LLC	1,711	10,008	107	1,123	13	436
Handy Road Associates, LLC	4	133	(145)	(79)	(84)	(198)
CPI/FSP I, L.P.			(25)		(13)	
Brad Cous Golf Venutre, Ltd.		178	2	3,131	1	1,108
Other		5		93	(3)	(378)
	\$ 107,112	\$ 155,914	\$ 28,753	\$ 51,389	\$ 7,809	\$ 20,527

8. OTHER ASSETS

At June 30, 2007 and December 31, 2006, Other Assets included the following (\$ in thousands):

	2007	2006
Investment in Verde Group, L.L.C.	\$ 9,376	\$ 9,376
FF&E and leasehold improvements, net of accumulated depreciation of \$9,746 and \$16,429 as of June 30, 2007 and December 31, 2006, respectively	12,750	8,665
Predevelopment costs and earnest money	13,189	22,924
Prepaid expenses and other assets	6,818	6,531
Intangible Assets:		
Goodwill	5,602	5,602
Above market leases, net of accumulated amortization of \$3,886 and \$1,447 as of June 30, 2007 and December 31, 2006, respectively	6,968	9,407
In-place leases, net of accumulated amortization of \$1,243 and \$472 as of June 30, 2007 and December 31, 2006, respectively	1,804	2,589
	\$ 56,507	\$ 65,094

Goodwill relates entirely to the Office/Multi-Family reportable segment. Other intangible assets relate primarily to the 2006 acquisitions of the interests in 191 Peachtree Tower and Cosmopolitan Center. In conjunction with these

acquisitions, the Company also acquired intangible liabilities for below market leases and an above market ground lease, which are recorded within Accounts Payable and Accrued Liabilities on the Condensed Consolidated Balance Sheets. Above and below market leases are amortized into rental revenues over the remaining lease terms. In-place leases are amortized into depreciation and amortization expense also over remaining lease terms. The aggregate amortization of these intangible assets and liabilities was \$1.5 and \$3.1 million for the three and six months ended June 30, 2007, respectively. There was no amortization expense recorded for intangibles for the three and six months ended June 30, 2006. Aggregate amortization of these intangible assets and liabilities is anticipated to be as follows (\$ in thousands):

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	Below Market Leases	Above Market Leases	In Place Leases	Total
Remainder of 2007	\$ (87)	\$ 2,316	\$ 492	\$ 2,721
2008	(161)	4,142	865	4,846
2009	(138)	185	108	155
2010	(136)	185	83	132
2011	(120)	124	64	68
Thereafter	(808)	16	192	(600)
	\$ (1,450)	\$ 6,968	\$ 1,804	\$ 7,322

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 in part based on funds from operations available to common stockholders (FFO). FFO is a supplemental operating performance measure used in the real estate industry. The Company calculated FFO using the National Association of Real Estate Investment Trusts (NAREIT) definition of FFO, which is net income available to common stockholders (computed in accordance with GAAP), excluding extraordinary items, cumulative effect of change in accounting principle and gains or losses from sales of depreciable property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures to reflect FFO on the same basis.

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

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

The following tables summarize the operations of the Company's reportable segments for the three and six months ended June 30, 2007 and 2006.

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	Office/Multi-Family Division	Retail Division	Land Division	Industrial Division	Unallocated and Other	Total
Three Months Ended June 30, 2007 (in thousands)						
Rental property revenues continuing	\$ 18,345	\$ 6,527	\$	\$ 627	\$	\$ 25,499
Rental property revenues discontinued	317	41				358
Residential lot and outparcel sales			1,476			1,476
Fee income	7,584	1,454	255	567		9,860
Other income continuing	49	726		43	22	840
Other income discontinued		7				7
 Total revenues from consolidated entities	 26,295	 8,755	 1,731	 1,237	 22	 38,040
 Rental property operating expenses continuing	 (9,312)	 (1,934)		 (95)		 (11,341)
Rental property operating expenses discontinued	(203)	24				(179)
Residential lot and outparcel cost of sales			(1,085)			(1,085)
Third party leasing and management direct operating expenses	(4,879)	(87)				(4,966)
General and administrative expenses	(1,025)	(2,493)	(918)	(132)	(6,070)	(10,638)
Other expenses continuing	(54)	40	(134)	(610)	(1,289)	(2,047)
 Total costs and expenses	 (15,473)	 (4,450)	 (2,137)	 (837)	 (7,359)	 (30,256)
Provision for income taxes from operations continuing					1,073	1,073
 Minority interest in income from consolidated subsidiaries	 (238)	 (637)		 33		 (842)
Funds from operations from unconsolidated joint ventures:						
Unconsolidated joint venture revenue less operating expenses	1,743	1,167				2,910
Residential lot and outparcel sales, net			1,235			1,235
Multi-family residential sales, net	1,676					1,676
Other joint venture income, net	128		(51)		(718)	(641)
 Funds from operations from unconsolidated joint ventures	 3,547	 1,167	 1,184		 (718)	 5,180
 Gain on sale of undepreciated investment properties						
Preferred stock dividends					(3,812)	(3,812)
 Funds from operations available to common stockholders	 \$ 14,131	 \$ 4,835	 \$ 778	 \$ 433	 \$ (10,794)	 9,383
 Real estate depreciation and amortization:						
Continuing						(7,963)
Discontinued						14
Unconsolidated joint ventures						(1,089)

Total real estate depreciation and amortization	(9,038)
Gain on sale of depreciated investment properties, net of applicable income tax provision:	
Continuing	40
Unconsolidated joint ventures	10
Total gain on sale of depreciated investment properties, net of applicable income tax provision	50
Net income (loss) available to common stockholders	\$ 395

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	Office/Multi-	Retail	Land	Industrial	Unallocated	
	Family	Division	Division	Division	and	Total
Six Months Ended June 30, 2007 (in thousands)	Division				Other	
Rental property revenues continuing	\$ 35,782	\$ 12,834	\$	\$ 1,013	\$	\$ 49,629
Rental property revenues discontinued	625	144				769
Residential lot and outparcel sales			2,902			2,902
Fee income	14,285	2,705	365	567	4	17,926
Other income continuing	3,475	864	6	84	90	4,519
Other income discontinued		42				42
Total revenues from consolidated entities	54,167	16,589	3,273	1,664	94	75,787
Rental property operating expenses continuing	(17,415)	(3,798)		(145)		(21,358)
Rental property operating expenses discontinued	(408)	20				(388)
Residential lot and outparcel cost of sales			(2,293)			(2,293)
Third party leasing and management direct operating expenses	(9,499)	(164)				(9,663)
General and administrative expenses	(2,149)	(4,502)	(1,596)	(252)	(12,132)	(20,631)
Other expenses continuing	(136)	(82)	(227)	(674)	(1,789)	(2,908)
Total costs expense	(29,607)	(8,526)	(4,116)	(1,071)	(13,921)	(57,241)
Provision for income taxes from operations continuing					2,100	2,100
Minority interest in income from consolidated subsidiaries	(542)	(1,228)		66		(1,704)
Funds from operations from unconsolidated joint ventures:						
Unconsolidated joint venture revenue less operating expense	3,493	2,271				5,764
Residential lot and outparcel sales, net			1,642			1,642
Multi-family residential sales, net	3,965					3,965
Other joint venture income, net	263	4	(192)		(1,433)	(1,358)
Funds from operations from unconsolidated joint venture	7,721	2,275	1,450		(1,433)	10,013
Gain on sale of undepreciated investment properties continuing		4,376				4,376
Gain on sale of undepreciated investment properties discontinued		8,164				8,164
Preferred stock dividends					(7,625)	(7,625)
	\$ 31,739	\$ 21,650	\$ 607	\$ 659	\$ (20,785)	33,870

Funds from operations available to common
stockholders

Real estate depreciation and amortization:

Continuing	(16,823)
Discontinued	(145)
Unconsolidated joint ventures	(2,170)

Total real estate depreciation and amortization	(19,138)
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Gain on sale of depreciated investment properties,
net of applicable income tax provision:

Continuing	104
Unconsolidated joint ventures	(34)

Total gain on sale of depreciated investment properties, net of applicable income tax provision	70
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Net income (loss) available to common stockholders	\$ 14,802
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	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Reconciliation to Consolidated Revenues				
Total revenues from consolidated entities for segment reporting	\$ 38,040	\$ 56,679	\$ 75,787	\$ 107,271
Less: revenues from discontinued operations	(365)	(6,989)	(811)	(15,482)
Total consolidated revenues	\$ 37,675	\$ 49,690	\$ 74,976	\$ 91,789

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	Office/Multi-Family Division	Retail Division	Land Division	Industrial Division	Unallocated and Other	Total
Three Months Ended June 30, 2006 (in thousands)						
Rental property revenues continuing	\$ 13,450	\$ 10,130	\$	\$	\$	\$ 23,580
Rental property revenues discontinued	3,881	2,337				6,218
Residential lot and outparcel sales		110	2,747	272		3,129
Multi-family residential unit sales	15,136					15,136
Fee income	7,150	336	269			7,755
Other income continuing	(109)	107	35		57	90
Other income discontinued		771				771
 Total revenues from consolidated entities	 39,508	 13,791	 3,051	 272	 57	 56,679
 Rental property operating expenses continuing	 (5,584)	 (3,005)				 (8,589)
Rental property operating expenses discontinued	(2,314)	(843)				(3,157)
Residential lot and outparcel cost of sales		(103)	(1,978)	(217)		(2,298)
Multi-family residential unit cost of sales	(12,377)					(12,377)
Third party leasing and management direct operating expenses	(3,659)					(3,659)
General and administrative expenses	(2,232)	(742)	(520)	(70)	(6,186)	(9,750)
Other expenses continuing	(99)	(346)	(100)	(3)	(5,748)	(6,296)
 Total costs and expenses	 (26,265)	 (5,039)	 (2,598)	 (290)	 (11,934)	 (46,126)
 Provision for income taxes from operations continuing					(1,926)	(1,926)
 Minority interest in income from consolidated subsidiaries	 (955)	 (358)				 (1,313)
 Funds from operations from unconsolidated joint ventures:						
Unconsolidated joint venture revenue less operating expenses	5,638	498				6,136
Residential lot and outparcel sales, net			2,076			2,076
Multi-family residential sales, net	2,552					2,552
Other joint venture income, net	73		260		(682)	(349)
 Funds from operations from unconsolidated joint ventures	 8,263	 498	 2,336		 (682)	 10,415
 Gain on sale of undepreciated investment properties			(5)			(5)
Preferred stock dividends					(3,812)	(3,812)
 Funds from operations available to common stockholders, excluding loss on extinguishment of debt	 20,551	 8,892	 2,784	 (18)	 (18,297)	 13,912

Loss on extinguishment of debt	(2,764)	(2,764)
Funds from operations available to common stockholders	\$ 20,551 \$ 6,128 \$ 2,784 \$ (18) \$ (18,297)	11,148
Real estate depreciation and amortization:		
Continuing		(6,787)
Discontinued		(6,034)
Unconsolidated joint ventures		(2,012)
Total real estate depreciation and amortization		(14,833)
Gain on sale of depreciated investment properties, net of applicable income tax provision:		
Continuing		66
Discontinued		135
Unconsolidated joint ventures		1
Total gain on sale of depreciated investment properties, net of applicable income tax provision		202
Net income (loss) available to common stockholders		\$ (3,483)

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	Office/Multi-		Land Industrial		Unallocated and	
	Family	Retail				
Six Months Ended June 30, 2006 <i>(in thousands)</i>	Division	Division	Division	Division	Other	Total
Rental property revenues continuing	\$ 27,105	\$ 18,747	\$	\$	\$	\$ 45,852
Rental property revenues discontinued	7,531	4,859				12,390
Residential lot and outparcel sales		110	7,251	273		7,634
Multi-family residential unit sales	21,715					21,715
Fee income	14,166	618	1,352			16,136
Other income continuing	(204)	521	55		80	452
Other income discontinued	2,300	792				3,092
 Total revenues from consolidated entities	 72,613	 25,647	 8,658	 273	 80	 107,271
 Rental property operating expenses continuing	 (11,194)	 (5,721)				 (16,915)
Rental property operating expenses discontinued	(4,120)	(1,739)				(5,859)
Residential lot and outparcel cost of sales		(103)	(5,181)	(217)		(5,501)
Multi-family residential unit cost of sales	(17,735)					(17,735)
Third party leasing and management direct operating expenses	(7,470)					(7,470)
General and administrative expenses	(4,334)	(1,316)	(1,194)	(33)	(12,608)	(19,485)
Other expenses continuing	(223)	(696)	(197)	(7)	(10,091)	(11,214)
 Total costs and expenses	 (45,076)	 (9,575)	 (6,572)	 (257)	 (22,699)	 (84,179)
 Provision for income taxes from operations continuing					(4,296)	(4,296)
 Minority interest in income from consolidated subsidiaries	 (1,932)	 (459)				 (2,391)
 Funds from operations from unconsolidated joint ventures:						
Unconsolidated joint venture revenue less operating expenses	11,199	973				12,172
Residential lot and outparcel sales, net			4,163			4,163
Multi-family residential sales, net	4,298					4,298
Other joint venture income, net	120	90	4,075		(1,375)	2,910
 Funds from operations from unconsolidated joint ventures	 15,617	 1,063	 8,238		 (1,375)	 23,543
 Gain on sale of undepreciated investment properties			735			735
Preferred stock dividends					(7,625)	(7,625)
	41,222	16,676	11,059	16	(35,915)	33,058

Funds from operations available to common stockholders, excluding loss on extinguishment of debt

Loss on extinguishment of debt	(2,764)	(2,764)
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Funds from operations available to common stockholders

\$ 41,222	\$ 13,912	\$ 11,059	\$ 16	\$ (35,915)	30,294
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Real estate depreciation and amortization:

Continuing	(13,651)
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Discontinued	(9,172)
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Unconsolidated joint ventures	(4,070)
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Total real estate depreciation and amortization	(26,893)
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Gain on sale of depreciated investment properties, net of applicable income tax provision:

Continuing	131
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Discontinued	326
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Unconsolidated joint ventures	1,054
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Total gain on sale of depreciated investment properties, net of applicable income tax provision	1,511
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Net income available to common stockholders	\$ 4,912
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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview:

Cousins Properties Incorporated (the "Company") is a real estate development company with experience in the development, leasing, financing and management of office, retail and industrial properties in addition to residential land development. In addition, the Company has experience with the development and sale of multi-family products. As of June 30, 2007, the Company held interests directly or through joint ventures in 25 office properties totaling 7.7 million square feet, 14 retail properties totaling 4.7 million square feet, four industrial properties totaling 2.0 million square feet and 833 developed residential land lots held for sale. These interests include office, retail, and industrial projects under development or redevelopment totaling 6.2 million square feet. The Company also had an interest in two condominium projects under development which contain 671 units. The Company had 24 residential communities under development directly or through joint ventures in which approximately 10,750 lots remain to be developed and/or sold. In addition, the Company owned directly or through joint ventures approximately 9,100 acres of land.

The Company's strategy is to produce stockholder returns by creating value through the development of high quality, well-located office, retail, industrial, multi-family and residential properties. The Company has developed substantially all of the real estate assets it owns. A key element in the Company's strategy is to actively manage its portfolio of investment properties and, at the appropriate times, to engage in timely and strategic dispositions, either by sale or through contributions to ventures in which the Company retains an ownership interest. These timely transactions seek to maximize the value of the assets the Company has created, generate capital for additional development properties and return a portion of the value created to the Company's stockholders.

Significant events during the three months ended June 30, 2007 included the following:

Commenced construction of 10 Terminus Place, a 32-story, 142-unit condominium project at its Terminus project in the Buckhead district in Atlanta, Georgia;

Commenced construction of Terminus 200, a 25-story, 565,000 square-foot office building at its Terminus project in the Buckhead district of Atlanta;

Purchased approximately 47 acres of land in Lancaster, Texas for a future industrial project with our joint venture partner, Seefried Industrial Properties;

Repurchased 250,000 shares of common stock.

Results of Operations:

Rental Property Revenues. Rental property revenues increased approximately \$1.9 million (8%) and \$3.8 million (8%) in the three and six month 2007 periods, respectively, compared to the same 2006 periods. These increases are discussed in detail below, but generally result from the acquisition and operations of newly-developed office and industrial properties offset by revenue lost on retail properties contributed to a venture and office properties sold.

Rental property revenues of the office portfolio increased approximately \$4.9 million and \$8.7 million in the three and six month 2007 periods, respectively, as a result of the following:

Increase of \$4.3 million and \$8.5 million in the three and six month 2007 periods, respectively, related to the third quarter 2006 purchase of the interests in 191 Peachtree Tower;

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Increase of \$403,000 in both the three and six month 2007 periods due to the second quarter 2007 opening of Terminus 100;

Increase of \$194,000 and \$391,000 in the three and six month 2007 periods, respectively, related to the third quarter 2006 purchase of Cosmopolitan Center;

Increase of \$950,000 and \$1.3 million in the three and six month 2007 periods, respectively, related to increased leasing at The Inforum, 200 North Point Center East, 600 University Park Place, and Lakeshore Park Plaza.

Decrease of \$1.0 million and \$2.1 million in the three and six month 2007 periods, respectively, related to 3100 Windy Hill Road, as the lease for the sole tenant in this building expired in the fourth quarter of 2006. The Company is actively attempting to re-lease this space, although there can be no guarantee of lease-up in the near term.

Rental property revenues from the retail portfolio decreased approximately \$3.6 million and \$5.9 million in the three and six month 2007 periods, respectively, as a result of the following:

Decrease of \$6.4 million and \$12.5 million in the three and six month 2007 periods, respectively, related to the contribution of five retail properties to a venture with an affiliate of The Prudential Insurance Company of America (PREI see Note 5 in the Annual Report on Form 10-K for the year ended December 31, 2006). Upon venture formation, the Company began accounting for the properties on the equity method;

Increase of \$379,000 and \$1.1 million in the three and six month 2007 periods, respectively, related to the lease up of The Avenue Carriage Crossing;

Increase of \$505,000 and \$1.9 million for the three and six month 2007 periods, respectively, related to the first quarter 2006 opening of San Jose MarketCenter;

Increase of \$1.9 million and \$3.6 million for the three and six month 2007 periods, respectively, related to the August 2006 opening of The Avenue Webb Gin.

Rental property revenues from the Industrial Division increased approximately \$627,000 and \$1.0 million for the three and six month 2007 periods, respectively, compared to the same 2006 periods, due to the third quarter 2006 opening of King Mill Distribution Park Building 3A and the first quarter 2007 opening of the first building at Lakeside Ranch Business Park.

Rental Property Operating Expenses. Rental property operating expenses increased approximately \$2.8 million and \$4.4 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods as a result of the following:

Increase of \$3.6 million and \$6.5 million in the three and six month 2007 periods, respectively, related to the aforementioned openings or lease up of The Avenue Carriage Crossing, San Jose MarketCenter, The Avenue Webb Gin, Terminus 100 and the two industrial buildings, plus the purchase of Cosmopolitan Center and the interests in the 191 Peachtree Tower office building.

Increase of approximately \$733,000 and \$1.1 million in the three and six month 2007 periods, respectively, due to the gross up of certain reimbursements from tenants at Inforum. Prior to 2007, the Company reduced its rental property operating expenses for certain reimbursements from tenants (mainly utility overage reimbursements). The Company now records these reimbursements in both rental property revenues and rental property operating expenses.

Decrease of \$1.6 million and \$3.3 million, respectively, in the three and six month 2007 periods as a result of the aforementioned formation of the venture with PREI and the commencement

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of equity method accounting for the five retail centers contributed to this venture.

Fee Income. Fee income increased approximately \$2.1 million and \$1.8 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods. These increases are due to the following:

Increase of \$1.5 million and \$2.0 million in the three and six month 2007 periods, respectively, related to salary and expense reimbursements for projects the Company develops or manages for third parties. Certain expenditures of the Company are reimbursed by these third parties, and this reimbursement is recognized in fee income.

Increase of approximately \$430,000 for both the three and six month 2007 periods related to development fee income from the Palisades joint venture, in which the Company is a 50% partner.

Increase of approximately \$240,000 and \$479,000 for the three and six month 2007 periods, respectively, related to development fee income from the Murfreesboro joint venture, in which the Company is also a 50% partner.

Decrease of \$1.0 million for the six month 2007 period due to lower development fee income from the Temco Associates (Temco) joint venture from the 2006 sale of 855 acres of land at Temco's Seven Hills project.

Multi-family Residential Unit Sales and Cost of Sales. Multi-family residential unit sales decreased approximately \$15.1 million and \$21.7 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods. Cost of sales decreased approximately \$12.4 million and \$17.7 million between the same periods. These decreases relate to the 2006 closings of all units in the 905 Juniper multi-family residential project.

Residential Lot and Outparcel Sales and Cost of Sales. Residential lot and outparcel sales decreased approximately \$1.7 million and \$4.7 million in three and six month 2007 periods, respectively, compared to the same 2006 periods. Residential lot and outparcel cost of sales decreased approximately \$1.2 million and \$3.2 million for the same periods. The Company recognized \$382,000 in outparcel sales in both the three and six month 2006 periods and \$320,000 in outparcel cost of sales for both the three and six month 2006 periods, compared to none in either category in 2007. Lot sales at the Company's consolidated residential projects decreased from 29 lots in the second quarter of 2006 to 9 lots in the second quarter of 2007. For the year-to-date period, lots sold decreased from 87 in 2006 to 34 in 2007. The mix of sales at the various developments between years also affects the level of revenues and profits from residential lots. Consistent with current market trends, the Company anticipates a continued decline in residential lot sales for 2007 when compared to those of 2006, both at consolidated projects and at residential developments owned by Temco and CL Realty, L.L.C., entities in which the Company is a joint venture partner. The Company cannot predict with any certainty when the residential market will recover. A continued decline will have an adverse effect on lot revenues and net income.

Interest and Other. Interest and other income increased approximately \$750,000 and \$4.1 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods. The Company recognized \$664,000 in the second quarter of 2007 from a lease termination fee at The Avenue Webb Gin, and \$3.6 million in the first quarter of 2007, mainly from a lease termination fee at Inforum. A lease termination fee of \$400,000 was recognized in the first quarter of 2006. The change in these fees was the main contributor to the increase in interest and other income in 2007.

General and Administrative Expenses. General and administrative expenses increased approximately \$2.1 million and \$3.2 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods. This increase is partially due to the following:

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Increase of approximately \$1.0 million and \$1.4 million in the three and six month 2007 periods, respectively, in salaries and benefits and certain office expenses charged to third party entities, for which the Company receives reimbursement.

Increase of approximately \$330,000 and \$512,000 related to salaries and benefits, net of amounts capitalized to projects under development, due to general salary increases between 2006 and 2007.

Increase of approximately \$400,000 in both the three and six month 2007 periods, mainly due to an increase in legal fees. This increase was due partially to the timing of legal bills and partially to increased fees due to additional work necessary to comply with new SEC rules and regulations related to the proxy and other projects.

Depreciation and Amortization. Depreciation and amortization increased approximately \$1.1 million and \$2.7 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods primarily as a result of the following:

Increase of approximately \$3.0 million and \$7.2 million in the three and six month 2007 periods, respectively, from the openings San Jose MarketCenter, The Avenue Webb Gin, the two industrial properties, and Terminus 100, and the acquisitions of Cosmopolitan Center and the ownership interests in 191 Peachtree Tower;

Decrease of approximately \$2.0 million and \$4.0 million in the three and six month 2007 periods, respectively, for the five retail properties contributed to the venture with PREI.

Interest Expense. Interest expense decreased approximately \$4.3 million and \$8.0 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods as a result of the following:

Decrease of \$2.5 million and \$5.0 million in the three and six month 2007 periods, respectively, related to the repayment of the mortgage note related to Bank of America Plaza, which was sold in 2006;

Decrease of \$763,000 and \$1.5 million in the three and six month 2007 periods, respectively, related to the assumption of the mortgage note on The Avenue East Cobb by the aforementioned venture with PREI;

Decrease in interest expense of \$1.7 million and \$2.7 million for the three and six month 2007 periods, respectively, related to an increase in capitalized interest to projects under development due to higher weighted average expenditures on these projects in 2007;

Partially offsetting the decrease was an increase of \$600,000 and \$1.6 million for the three and six month 2007 periods, respectively, related to the construction facility for Terminus 100, which the Company entered into in March 2006, and under which amounts borrowed have increased.

Benefit (Provision) for Income Taxes from Operations. The provision for income taxes from operations decreased approximately \$3.0 million and \$6.4 million from the three and six month 2006 periods to a benefit for income taxes for the three and six month 2007 periods. Operations at Cousins Real Estate Corporation (CREC), the Company's taxable REIT subsidiary, decreased to a loss before taxes between the 2006 and 2007 periods, mainly due to decreases in residential lot sales, both at consolidated projects and from the Temco and CL Realty, L.L.C. (CL Realty) residential joint ventures (discussed in the income from unconsolidated joint ventures section below). Multi-family residential unit profits decreased in 2007 at the 50 Biscayne project, owned 50% by CREC (discussed in the income from unconsolidated joint ventures section below), and at the 905 Juniper project (as previously mentioned in the multi-family discussion) which also contributed to the

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decrease in income taxes. In addition, interest expense on intercompany borrowings has increased, which also contributed to the decrease in income taxes from operations.

Income from Unconsolidated Joint Ventures. Income from unconsolidated joint ventures decreased approximately \$4.3 million and \$12.7 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods due to the following (All amounts discussed reflect the Company's share of joint venture income based on its ownership interest in each joint venture):

Income from CSC Associates, L.P. decreased approximately \$2.8 million and \$5.5 million in the three and six month 2007 periods, respectively, due to the sale of Bank of America Plaza in September 2006, the single asset of this venture.

Income from TRG decreased approximately \$825,000 and \$198,000 in the three and six month 2007 periods, respectively. TRG recognizes income on its condominium units under contract for sale using the percentage of completion method of accounting. Income fluctuates from quarter to quarter depending on the pace of construction and the number of units for which revenues are being recognized. The primary reason for the decrease between the 2007 periods compared to the 2006 periods is a slowdown in the pace of construction as this project is nearing completion. There have been recent reports about softening in the Miami, Florida condominium market. While this softening market could affect this project, 99% of the residential units are under non-cancelable contracts, and some of the units have been re-sold in the secondary market for prices in excess of the original contract amount. The Company anticipates commencing unit sales closings in the fourth quarter of 2007.

Income from Temco decreased approximately \$600,000 and \$4.4 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods due to the sale of 855 acres of land at the venture's Seven Hills project in the first quarter of 2006, which generated a gain to the Company of \$3.2 million, and to a decrease in the number of lots sold from 272 in the first half of 2006 to 45 in the same 2007 period.

Income from CL Realty decreased approximately \$301,000 and \$2.2 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods due to a decrease in lots sold from 484 in the first half of 2006 to 221 in the same 2007 period.

Income from Brad Cous Golf Venture, Ltd. decreased approximately \$1.1 million in the six month 2007 period compared to the same 2006 period due to the sale of and resultant gain from the Shops of World Golf Village, an 80,000 square foot retail project which this venture owned.

Gain on Sale of Investment Properties. The 2007 gain consisted primarily of the sale of undeveloped land near the Company's Avenue Carriage Crossing project. The 2006 gain consisted primarily of the sale of undeveloped land at the North Point/Westside project.

Discontinued Operations. Income from discontinued operations (including gain on sale of investment properties) increased approximately \$2.3 million and \$7.7 million in the three and six month 2007 periods, respectively, compared to the same 2006 periods. In the second quarter 2006, The Avenue of the Peninsula terminated a lease and recorded a loss relating to the acceleration of the amortization of the lease-related assets, compared to no loss from discontinued operations in 2007. The increase in the six month 2007 period is mainly the result of the gain recognized upon the 2007 sale of the five sites under ground lease at the Company's North Point project, compared to no sales in the same 2006 period.

Discussion of New Accounting Pronouncements. In November 2006, FASB ratified the consensus in EITF No. 06-08, *Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66, Accounting for Sales of Real Estate, for Sales of Condominiums* (EITF 06-08), which provides guidance for determining the adequacy of a buyer's continuing investment and the appropriate profit recognition in the sale of individual units in a condominium

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project. EITF 06-08 requires that companies evaluate the adequacy of a buyer's continuing investment in recognizing condominium revenues on the percentage of completion method by applying paragraph 12 of Statement No. 66 to the level and timing of deposits received on contracts for condominium sales. This rule is effective for the Company on January 1, 2008, although earlier adoption is permitted. The Company does not anticipate the impact of adopting EITF 06-08 will have a material effect on its financial position or results of operations for current projects, but anticipates that the accounting under EITF 06-08 will have a material effect on the timing of revenue recognition for any future multi-family residential projects the Company undertakes.

Funds From Operations. The following table shows Funds From Operations Available to Common Stockholders (FFO) and the related reconciliation to net income available to common stockholders for the Company. The Company calculated FFO in accordance with the National Association of Real Estate Investment Trusts (NAREIT) definition, which is net income available to common stockholders (computed in accordance with accounting principles generally accepted in the United States (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.

FFO is used by industry analysts and investors 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 REIT operating performance that excludes historical cost depreciation, among other items, from GAAP net income. 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. Company management evaluates the operating performance of its reportable segments and of its divisions based in part on FFO. Additionally, the Company 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 reconciliation of net income available to common stockholders to funds from operations is as follows (\$ in thousands):

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Net Income (Loss) Available to Common Stockholders	\$ 395	\$ (3,483)	\$ 14,802	\$ 4,912
Depreciation and amortization:				
Consolidated properties	8,721	7,655	18,082	15,340
Discontinued properties	(14)	6,034	145	9,172
Share of unconsolidated joint ventures	1,089	2,016	2,170	4,078
Depreciation of furniture, fixtures and equipment and amortization of specifically identifiable intangible assets:				
Consolidated properties	(758)	(868)	(1,259)	(1,689)
Share of unconsolidated joint ventures		(4)		(8)
Gain on sale of investment properties, net of applicable income tax provision:				
Consolidated	(40)	(61)	(4,480)	(866)
Discontinued properties		(135)	(8,164)	(326)
Share of unconsolidated joint ventures	(10)	(1)	34	(1,054)
Gain (loss) on sale of undepreciated investment properties		(5)	12,540	735
 Funds From Operations Available to Common Stockholders, as defined	 \$ 9,383	 \$ 11,148	 \$ 33,870	 \$ 30,294
 Loss on extinguishment of debt		2,764		2,764
 Funds From Operations Available to Common Stockholders, Excluding Loss on Extinguishment of Debt	 \$ 9,383	 \$ 13,912	 \$ 33,870	 \$ 33,058

Liquidity and Capital Resources:***Financial Condition.***

The Company had a significant number of projects in its development pipeline at June 30, 2007 and does not expect the number of projects or the amounts invested in development projects to decrease in the near term. The Company has one existing office building included in operating properties on its Condensed Consolidated Balance Sheet that will require capital to effect leasing and redevelopment activities. The Company also has a large amount of undeveloped land, both consolidated and at unconsolidated joint ventures, which may progress into development projects in the remainder of 2007. Additionally, the Company and its joint ventures sold a significant number of operating properties in the last several years, some of which have been replaced by the completion of properties previously under development. The Company intends to obtain additional capital in the remainder of 2007 in order to fund development. Management believes that this capital may be secured through one or more of the following alternatives: additional borrowings, formations of joint ventures, capital transactions, and the selective and strategic sale of mature operating properties or parcels of land held for investment. The financial condition of the Company is discussed in further detail below.

At June 30, 2007, the Company was subject to the following contractual obligations and commitments (\$ in thousands):

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		Less than		4-5	After
	Total	1 Year	1-3 Years	Years	5 years
Contractual Obligations:					
Company long-term debt					
Unsecured notes payable and construction loans	\$ 360,334	\$ 313	\$ 360,021	\$	\$
Mortgage notes payable	117,637	2,041	12,486	87,213	15,897
Interest commitments under notes payable (1)	93,440	30,093	51,639	8,669	3,039
Operating leases (ground leases)	15,296	90	188	198	14,820
Operating leases (all other)	1,493	428	800	228	37
Total Contractual Obligations	\$ 588,200	\$ 32,965	\$ 425,134	\$ 96,308	\$ 33,793
Commitments:					
Letters of Credit	\$ 1,100	\$ 1,100	\$	\$	\$
Performance bonds	19,450	18,683	767		
Estimated Development Commitments	498,693	295,626	196,945	6,122	
Unfunded tenant improvements	4,349	4,349			
Total Commitments	\$ 523,592	\$ 319,758	\$ 197,712	\$ 6,122	\$

(1) Interest on variable rate obligations is based on rates effective as of June 30, 2007

The Company expects indebtedness to be the primary funding source for its contractual obligations and commitments. The Company's credit facility can be expanded to \$500 million under certain circumstances, although the availability of the additional capacity is not guaranteed. As of June 30, 2007, the Company had \$267.3 million drawn on its \$400 million credit facility. The amount available under this credit facility is reduced by outstanding letters of credit, which were approximately \$1.1 million at June 30, 2007. The Company's interest rate on its credit facility is variable based on LIBOR plus a spread based on certain of the Company's ratios and other factors. As of June 30, 2007, the spread over LIBOR was 0.80%.

The Company also has a \$100 million construction facility. While this facility is unsecured, advances under the facility are to be used to fund the construction costs of the Terminus 100 project. As of June 30, 2007, the Company had \$85.7 million drawn on its construction facility.

On June 1, 2007, the Company refinanced its non-recourse mortgage note payable secured by the 100 and 200 North Point Center East office buildings. The new \$25 million non-recourse mortgage note payable has an interest rate of 5.39% and a maturity date of June 1, 2012. This note replaced the former non-recourse mortgage note payable on these properties, which was due to mature on August 1, 2007 and had an interest rate of 7.86%.

The Company's mortgage debt is primarily non-recourse fixed-rate mortgage notes secured by various real estate assets. In addition, many of the Company's non-recourse mortgages contain covenants which, if not satisfied, could result in acceleration of the maturity of the debt. The Company expects that it will either refinance the non-recourse

mortgages at maturity or repay the mortgages with proceeds from other financings.

As of June 30, 2007, the weighted average interest rate on the Company's consolidated debt was 6.38%, and the Company's consolidated debt to total market capitalization ratio was 21.9%.

As part of its strategy to raise additional capital for development projects, the Company has initiated a process that includes amending its existing credit facility to provide additional capacity by increasing the maximum amount of the facility and expanding the borrowing base of the facility. Management also has begun the process of obtaining long-term mortgage financing on three of its existing properties. Management expects the mortgage financing to be approximately \$400 million for the three properties and expects to close on these financings in the third and fourth quarters of 2007. However, there can be no assurance that the Company will be able to amend its existing credit facility or close any or all of these loans.

In order to bridge any potential gap in the timing of its need for additional capital and the closing of the financings noted above, in July 2007, the Company closed a \$100 million bridge loan that matures on October 9, 2007 with an option to extend to January 9, 2008. The loan bears interest

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at LIBOR plus 0.75% and contains the same financial and operating covenants as its existing line of credit.

The Company may also generate capital through the issuance of securities that includes, but is not limited to, preferred stock under an existing shelf registration statement. As of June 30, 2007, the Company had approximately \$100 million available for issuance under this registration statement.

Over the long term, the Company will continue to actively manage its portfolio of income producing properties and strategically sell assets to capture value for stockholders and to recycle capital for future development activities. The Company will continue to utilize indebtedness to fund future commitments and expects to place long-term permanent mortgages on selected assets as well as utilize construction facilities for other development assets. The Company may enter into additional joint venture arrangements to help fund future developments and may enter into additional structured transactions with third parties. While the Company does not foresee the need to issue common equity in the future, it will evaluate all public equity sources and select the most appropriate options as capital is required.

The Company's business model is highly dependent upon raising capital to meet development obligations. If one or more sources of capital are not available when required, the Company may be forced to raise capital on potentially unfavorable terms which could have an adverse effect on the Company's financial position or results of operations.

Cash Flows.

Cash Flows from Operating Activities. Cash flows provided by operating activities decreased \$59.1 million between the six months ended June 30, 2006 and the corresponding 2007 period. The primary reason for the decrease was a decrease in cash flows from properties that were sold or contributed to ventures in 2006, including Frost Bank Tower, Bank of America Plaza and the properties contributed to the venture with PREI. These decreases were partially offset by cash flows from the 191 Peachtree acquisition in 2006. Another reason for the decrease in cash flows from operating activities was lower sales of consolidated multi-family and residential projects. The Company completed construction and sold all of the units in its 905 Juniper multi-family residential project during 2006. The Company began construction of another multi-family project in the second quarter of 2007, 10 Terminus Place, but none of these unit sales have closed, thereby causing a decrease in proceeds from multi-family sales and an increase in development and acquisition expenditures. In addition, there was a 2007 decrease in distributions in excess of income from unconsolidated joint ventures, mainly due to decreased distributions from residential joint ventures, which also contributed to the decrease in cash flows from operations

Cash Flows from Investing Activities. Net cash provided by investing activities decreased \$132.4 million between the six months ended June 30, 2006 and the corresponding 2007. This decrease is mainly the result of lower proceeds from venture formation, as the Company formed the venture with PREI in June 2006. In addition, the Company had higher property acquisition and development expenditures in the 2007 period and received lower capital distributions from joint ventures. Partially offsetting the investing activities cash flow change was higher proceeds received in 2007 compared to 2006 for investment property sales, due to the 2007 sale of the North Point ground leased parcels and the sale of land adjacent to The Avenue Carriage Crossing.

Cash Flows from Financing Activities. Cash flows from financing activities increased \$190.1 million between the six months ended June 30, 2006 and the corresponding 2007 period. The primary reason for the increase was higher net borrowings under the Company's credit and construction facilities over the first half of 2006 by approximately \$173.7 million, mainly due to increased development and acquisition costs. Also contributing to the increase was the repayment in 2006 of the 905 Juniper construction loan. Partially offsetting the increase was the purchase of treasury shares of \$7.7 million in 2007, compared to none in 2006.

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During the six months ended June 30, 2007, the Company paid common and preferred dividends of \$46.1 million which it funded with cash provided by operating activities and with proceeds from investment property sales and the venture formation. During the 2006 period, the Company paid common and preferred dividends of \$45.2 million which it funded with cash provided by operating activities. For the foreseeable future, the Company intends to fund its quarterly distributions to common and preferred stockholders with cash provided by operating activities, a portion of proceeds from investment property sales and a portion of distributions from unconsolidated joint ventures in excess of income.

Off Balance Sheet Arrangements

The Company has a number of off balance sheet joint ventures with varying structures. At June 30, 2007, the Company's unconsolidated joint ventures had aggregate outstanding indebtedness to third parties of approximately \$463.1 million of which the Company's share was \$198.6 million. These loans are generally mortgage or construction loans most of which are non-recourse to the Company. In certain instances, the Company provides non-recourse carve-out guarantees on these non-recourse loans.

One of the Company's ventures, CF Murfreesboro, which is constructing a retail center, has a \$131 million construction loan that matures on July 20, 2010, of which the venture has drawn approximately \$60.3 million. The Company guarantees 20% of the amount outstanding under the construction loan, which equals approximately \$12.0 million at June 30, 2007. The retail center under construction serves as collateral against the loan, and the Company is liable for 20% of any difference between the proceeds from the sale of the retail center and the amounts due under the loan in the event of default. The Company has not recorded a liability as of June 30, 2007, as it estimates no obligation is or will be required. The unconsolidated joint ventures also had performance bonds which the Company guarantees totaling approximately \$1.6 million at June 30, 2007.

Several of these ventures are involved in the active acquisition and development of real estate. As capital is required to fund the acquisition and development of this real estate, the Company must fund its share of the costs not funded by operations or outside financing. Based on the nature of the activities conducted in these ventures, management cannot estimate with any degree of accuracy amounts that the Company may be required to fund in the short or long-term. However, management does not believe that additional funding of these ventures will have a material adverse effect on its financial condition or results of operation.

Critical Accounting Policies

There has been no material change in the Company's critical accounting policies from those disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company's market risk related to its notes payable and notes receivable from that disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and

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procedures, which, by their nature, can provide only reasonable assurance regarding management's control objectives. We also have investments in certain unconsolidated entities. As we do not always control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily more limited than those we maintain with respect to our consolidated subsidiaries.

As of the end of the period covered by this quarterly report, we carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer along with the Chief Financial Officer, of the effectiveness, design and operation of our disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based upon the foregoing, the Chief Executive Officer along with the Chief Financial Officer concluded that our disclosure controls and procedures are effective at providing reasonable assurance that all material information required to be included in our Exchange Act reports is reported in a timely manner. In addition, based on such evaluation we have identified no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION**Item 1. Legal Proceedings**

The Company is subject to routine actions for negligence and other claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material impact on the financial condition or results of operations of the Company.

Item 1A. Risk Factors

There has been no material change in the Company's risk factors from those outlined in Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table contains information about the Company's purchases of its equity securities during the second quarter of 2007:

	PURCHASES RELATED TO OPTIONS		TREASURY STOCK PURCHASES		
	Total Number of Shares Purchased (1)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plan (2)	Average Price Paid Per Share	Maximum Number of Shares That May Yet Be Purchased Under Plan (2)
April 1-30				\$	5,000,000
May 1-31					5,000,000
June 1-30			250,000	30.79	4,750,000
Total			250,000	\$ 30.79	4,750,000

(1) There were no purchases of

equity securities
during the
second quarter
of 2007 related
to remittances
of shares of
stock for option
exercises or
taxes due
thereon.

- (2) On May 9,
2006, the Board
of Directors of
the Company
authorized a
stock repurchase
plan, which
expires May 9,
2009, of up to
5,000,000
shares of the
Company's
common stock.
The Company
purchased
250,000 shares
under this plan
in the second
quarter of 2007.

Item 3. Defaults Upon Senior Securities

None.

Table of Contents**Item 4. Submission of Matters to a Vote of Security Holders**

The Company's Annual Meeting of Stockholders was held on May 14, 2007. The following proposals were adopted by the stockholders of the Company at the annual meeting:

- (i) The election of nine Directors.

The vote on the above was:

	For	Withheld Authority
Thomas D. Bell, Jr.	48,945,583	380,494
Erskine B. Bowles	49,101,505	224,572
James D. Edwards	49,245,753	80,324
Lillian C. Giornelli	49,080,003	246,074
S. Taylor Glover	47,546,322	1,779,755
James H. Hance, Jr.	49,115,957	210,120
William B. Harrison, Jr.	49,137,183	188,894
Boone A. Knox	48,307,453	1,018,624
William Porter Payne	48,815,115	510,962

- (ii) A proposal to approve an amendment to the 1999 Incentive Stock Plan to increase the number of shares of common stock available under the 1999 Incentive Stock Plan by 900,000 shares.

The vote on the above was:

For	32,348,433
Against	7,394,222
Abstain	331,969
Broker Non-Votes	9,251,453

- (iii) A proposal to ratify the appointment of Deloitte & Touche LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2007.

The vote on the above was:

For	48,880,218
Against	417,749
Abstain	28,110

Item 5. Other Information

None.

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Item 6. Exhibits

- 3.1 Restated and Amended Articles of Incorporation of the Registrant, as amended August 9, 1999, filed as Exhibit 3.1 to the Registrant's Form 10-Q for the quarter ended June 30, 2002, and incorporated herein by reference.
- 3.1.1 Restated and Amended Articles of Incorporation of the Registrant, as amended December 15, 2004, filed as Exhibit 3(a)(I) to Registrant's Form 10-K for the year ended December 31, 2004, and incorporated herein by reference.
- 3.2 Bylaws of the Registrant, as amended April 29, 1993, filed as Exhibit 3.2 to the Registrant's Form 10-Q for the quarter ended June 30, 2002, and incorporated herein by reference.
- 10.1 Form of Indemnification Agreement, filed as Exhibit 10.1 to the Registrant's Form 8-K on June 20, 2007 and incorporated herein by reference.
- 10.2 Cousins Properties Incorporated 1999 Incentive Stock Plan, as amended and restated, approved by the stockholders on May 14, 2007, filed as Annex B to the Company's proxy statement dated April 13, 2007, an incorporated herein by reference.
- 11 Computation of Per Share Earnings*
- 31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Data required by SFAS No. 128, Earnings Per Share, is provided in Note 4 to the condensed consolidated financial statements included in this report.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COUSINS PROPERTIES INCORPORATED

/s/ James A. Fleming
James A. Fleming
Executive Vice President and Chief Financial
Officer
(Duly Authorized Officer and Principal Financial
Officer)

August 9, 2007