

COUSINS PROPERTIES INC

Form 10-K

February 27, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2008**
- o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from to**

Commission file number 001-11312

COUSINS PROPERTIES INCORPORATED
(Exact name of registrant as specified in its charter)

Georgia
*(State or other jurisdiction
of incorporation or organization)*

58-0869052
*(I.R.S. Employer
Identification No.)*

**191 Peachtree Street NE,
Suite 3600, Atlanta, Georgia**
(Address of principal executive offices)

30303-1740
(Zip Code)

(404) 407-1000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Common Stock (\$1 par value)	New York Stock Exchange
7.75% Series A Cumulative Redeemable Preferred Stock (\$1 par value)	New York Stock Exchange
7.50% Series B Cumulative Redeemable Preferred Stock (\$1 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

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

As of June 30, 2008, the aggregate market value of the common stock of Cousins Properties Incorporated held by non-affiliates was \$1,148,813,820 based on the closing sales price as reported on the New York Stock Exchange. As of February 23, 2009, 51,352,091 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for the annual stockholders meeting to be held on May 12, 2009 are incorporated by reference into Part III of this Form 10-K.

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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 (including the current general recession and state of the credit markets), local real estate conditions (including the overall condition of the residential markets), the activity of others developing competitive projects, the risks associated with development projects (such as delay, cost overruns and leasing/sales risk of new properties), the cyclical nature of the real estate industry, the financial condition of existing tenants, interest rates, the Company's ability to obtain favorable financing or zoning, environmental matters, the effects of terrorism, the ability of the Company to close properties under contract and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including the risks identified in Part I, Item 1A of this Form 10-K. The words believes, expects, anticipates, estimates and similar expressions are intended to identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in any forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. Such forward-looking statements are based on current expectations and speak as of the date of such statements. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise.

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PART I

Item 1. Business

Corporate Profile

Cousins Properties Incorporated (the Registrant or Cousins) is a Georgia corporation, which, since 1987, has elected to be taxed as a real estate investment trust (REIT). Cousins Real Estate Corporation and its subsidiaries (CREC) is a taxable entity wholly-owned by the Registrant, which is consolidated with the Registrant. CREC owns, develops, and manages its own real estate portfolio and performs certain real estate related services for other parties. The Registrant and CREC combined are hereafter referred to as the Company. The Company has been a public company since 1962, and its common stock trades on the New York Stock Exchange under the symbol CUZ.

The Company s strategy is to produce strong stockholder returns by creating value through the acquisition, development and redevelopment of high quality, well-located office, multi-family, retail, and residential properties. The Company has developed substantially all of the income producing real estate assets it owns and operates. 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 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 stockholders.

Unless otherwise indicated, the notes referenced in the discussion below are the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K on pages F-7 through F-39.

For a description and list of the Company s properties, see the Item 2 tables in the report herein. The following is a summary of the Company s 2008 activities.

Business Description and Significant Changes in 2008

Change in Organizational Structure

In 2008, the Company reorganized from a divisional structure, specializing in product type, to a functional structure. Under the old structure, the Company had five divisions: Office/Multi-Family, Retail, Land, Industrial and Corporate. The new structure contains three functional groups through which all Company activities are conducted: Development; Leasing and Asset Management; and Investment and Corporate. The following is a discussion of each functional group and the significant activities within each group during 2008:

Development

The Development Group is responsible for all development activities of the Company. This group is charged with identifying new development projects among all product types and managing all phases of the development and construction process through project stabilization or sale. This process includes not only construction management, but also leasing and tenant coordination for first generation office and retail space. It also includes marketing, selling and move-in coordination for multi-family projects. In addition, this group is responsible for all residential lot and tract development from project identification to lot and tract sales to end users. The Development Group also performs fee-based development and construction services for third parties.

Significant activity within the Development Group in 2008 was as follows:

Opened The Avenue Forsyth, a 537,000 square-foot lifestyle center in north metropolitan Atlanta.

Opened Tiffany Springs MarketCenter, a 587,000 square-foot power center in north metropolitan Kansas City, Missouri.

Continued the development of Terminus 200, a 565,000 square-foot, Class A office building in the Buckhead district of Atlanta.

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Substantially completed the construction of the Austin, Texas Palisades West office buildings Building 1 is 100% leased, and the lease commenced in October 2008, and Building 2 is 21% leased, and the lease commenced in November 2008.

Completed construction of 10 Terminus Place, a 137-unit condominium project in the Buckhead district of Atlanta, and commenced unit closings.

Sold a 28-acre tract adjacent to The Avenue Forsyth for a gain of approximately \$3.9 million.

Through its 50 Biscayne joint venture, closed substantially all of the residential units in this 529-unit condominium project in Miami.

Sold 70 acres at Jefferson Mill Business Park for approximately \$8.5 million, generating a gain of approximately \$748,000.

Sold 22 acres at its North Point property for approximately \$6.3 million, generating a gain of approximately \$3.7 million.

Sold three outparcels at two retail centers for approximately \$4.9 million, generating gains of approximately \$2.4 million.

Through CL Realty and Temco joint ventures, sold six tracts of land for an aggregate price of approximately \$17.8 million, generating gains of \$11.4 million. The Company's share of these gains was approximately \$3.2 million.

Sold 199 residential lots, either directly or through joint ventures.

Received a pre-tax fee of approximately \$13.5 million from a development contract.

Leasing and Asset Management

The Leasing and Asset Management Group is responsible for the activities of all stabilized operating properties that the Company owns. These activities include property management, leasing and asset management of each property. As of December 31, 2008, the Company owned directly or through joint ventures 20 operating office properties equaling 5.5 million square feet, 12 operating retail centers equaling 3.9 million square feet and four operating industrial properties equaling 2.0 million square feet.

In addition, the Leasing and Asset Management Group is responsible for the Company's third party management and leasing business. As of December 31, 2008, the Company managed and/or leased properties totaling 13.8 million square feet.

Significant activity within the Leasing and Asset Management Group in 2008 was as follows:

Executed a 336,000 square-foot lease renewal and expansion with Deloitte & Touche at 191 Peachtree Tower.

Sold 3100 Windy Hill Road office building for \$12.5 million, generating a gain of approximately \$2.4 million.

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Increased the percentage leased of Terminus 100, a 656,000 square foot office building which opened in April 2007, from 93% at December 31, 2007 to 97% at December 31, 2008.

Commenced the 285,000 square foot lease with the Georgia Department of Transportation at One Georgia Center.

Increased office portfolio overall occupancy from 92% at December 31, 2007 to 97% as of December 31, 2008.

Opened two new retail centers in 2008: Tiffany Springs MarketCenter, which is 89% leased at December 31, 2008 and The Avenue Forsyth, which is 56% leased at December 31, 2008.

Increased square footage managed under third party contracts by 1.8 million from 2007.

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Investment and Corporate

The Investment and Corporate groups evaluate the capital structure of the Company, investment opportunities and perform general functions, including regulatory compliance and reporting, treasury and finance. The Company's financing strategy is to provide capital to fund its development activities while maintaining a relatively conservative debt level and managing the Company's size to make the value created from its development activities more accretive to its common stockholders. Historically, the Company has accomplished this strategy by raising capital through bank lines of credit, construction and permanent loans secured by properties, sales of mature assets, contribution of assets into joint ventures, and the issuance of equity securities.

Significant activity within the Investment and Corporate Group in 2008 was as follows:

Repaid its mortgage note secured by Lakeshore Park Plaza and executed a new, non-recourse mortgage loan for \$18.4 million secured by the Lakeshore Park Plaza property. This loan matures August 1, 2012 and bears interest at 5.89%.

Entered into two interest rate swap agreements with notional amounts of \$75 million each in order to manage interest rate risk associated with floating-rate, LIBOR-based borrowings. These swaps were designated as cash flow hedges and effectively fix a portion of the underlying rate on Company LIBOR-based borrowings—one at 2.995% and the other at 2.69%.

Repurchased approximately 1.2 million shares of its Preferred Stock outstanding.

Environmental Matters

The Company's business operations are subject to various federal, state and local environmental laws and regulations governing land, water and wetlands resources. Among these are certain laws and regulations under which an owner or operator of real estate could become liable for the costs of removal or remediation of certain hazardous or toxic substances present on or in such property. Such laws often impose liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The presence of such substances, or the failure to properly remediate such substances, may subject the owner to substantial liability and may adversely affect the owner's ability to develop the property or to borrow using such real estate as collateral. The Company typically manages this potential liability through performance of Phase I Environmental Site Assessments and, as necessary, Phase II environmental sampling, on properties it acquires or develops, although no assurance can be given that environmental liabilities do not exist, that the reports revealed all environmental liabilities or that no prior owner created any material environmental condition not known to the Company. The Company has also sought to avail itself of legal and regulatory protections offered by federal and state authorities to prospective purchasers of property. Where applicable studies have resulted in the determination that remediation was required by applicable law, the necessary remediation is typically incorporated into the development activity of the relevant property. Compliance with other applicable environmental laws and regulations is similarly incorporated into the redevelopment plans for the property. The Company is not aware of any environmental liability that the Company's management believes would have a material adverse effect on the Company's business, assets or results of operations.

Certain environmental laws impose liability on a previous owner of property to the extent that hazardous or toxic substances were present during the prior ownership period. A transfer of the property does not necessarily relieve an owner of such liability. Thus, although the Company is not aware of any such situation, the Company may be liable in respect to properties previously sold.

The Company believes that it and its properties are in compliance in all material respects with all applicable federal, state and local laws, ordinances and regulations governing the environment.

Competition

The Company offers a range of real estate products, most of which are located in developed markets that include other real estate products of the same type. The Company competes with other real estate owners with similar properties located in its markets, and distinguishes itself to tenants/buyers primarily on the basis of location,

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rental rates/sales prices, services provided, reputation and the design and condition of the facilities. The Company also competes with other real estate companies, financial institutions, pension funds, partnerships, individual investors and others when attempting to acquire and develop properties.

Executive Offices; Employees

The Registrant's executive offices are located at 191 Peachtree Street, Suite 3600, Atlanta, Georgia 30303-1740. At December 31, 2008, the Company employed 435 people.

Available Information

The Company makes available free of charge on the Investor Relations page of its website, www.cousinsproperties.com, its filed and furnished reports on Forms 10-K, 10-Q and 8-K, and all amendments thereto, as soon as reasonably practicable after the reports are filed with or furnished to the Securities and Exchange Commission (the SEC).

The Company's Corporate Governance Guidelines, Director Independence Standards, Code of Business Conduct and Ethics, and the Charters of the Audit Committee and the Compensation, Succession, Nominating and Governance Committee of the Board of Directors are also available on the Investor Relations page of the Company's website. The information contained on the Company's website is not incorporated herein by reference.

Copies of these documents (without exhibits, when applicable) are also available free of charge upon request to the Company at 191 Peachtree Street, Suite 3600, Atlanta, Georgia 30303-1740, Attention: Cameron Golden, Investor Relations. Mr. Golden may also be reached by telephone at (404) 407-1984 or by facsimile at (404) 407-1002.

In addition, the SEC maintains an internet website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC at www.sec.gov.

Item 1A. Risk Factors

Set forth below are the risks we believe investors should consider carefully in evaluating an investment in the securities of Cousins Properties Incorporated.

General Real Estate Operating Risks

Our ownership of commercial real estate involves a number of risks, including general economic and market risks, leasing risk, uninsured losses and condemnation costs, environmental issues, joint venture structure risk and regional concentration of properties, the effects of which could adversely affect our business.

General economic and market risks. As a result of a general economic decline or a recessionary climate, our assets may not generate sufficient cash to pay our expenses, service debt or maintain our properties, and, as a result, our results of operations and cash flows may be adversely affected. Several factors may adversely affect the economic performance and value of our properties. These factors include, among other things:

changes in the national, regional and local economic climate;

local conditions such as an oversupply of properties or a reduction in demand for properties;

the attractiveness of our properties to tenants or buyers;

competition from other available properties;

changes in market rental rates; and

the need to periodically repair, renovate and re-lease space.

Our performance also depends on our ability to collect rent from tenants and to pay for adequate maintenance, insurance and other operating costs (including real estate taxes), which could increase over time. Also, the expenses

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of owning and operating a property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take title to the property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes) and financial distress or bankruptcies of tenants may adversely affect our financial condition.

Leasing risk. Our operating revenues are dependent upon entering into leases with and collecting rents from tenants. A recession or prolonged economic decline may adversely impact tenants and potential tenants in the various marketplaces in which our projects are located and, accordingly, could affect their ability to pay rents and possibly to occupy their space. In periods of recession, tenants are more likely to close unprofitable stores and/or to declare bankruptcy; and, pursuant to the various bankruptcy laws, leases may be rejected and thereby terminated. When leases expire or are terminated, replacement tenants may or may not be available upon acceptable terms and conditions. In addition, our cash flows and results of operations could be adversely impacted if existing leases expire or are terminated and, at such time, market rental rates are lower than the previous contractual rental rates. In periods of economic decline, our tenants may also approach us for additional concessions in order to remain open and operating in our centers. The granting of these concessions may adversely affect our results of operations and cash flows to the extent that they result in reduced rental rates or additional capital improvements or allowances paid to or on behalf of the tenants.

Co-tenancy risk. Our cash flow and results of operations could be adversely impacted by co-tenancy provisions in certain of our leases with retail tenants. A co-tenancy provision may condition the tenant's obligation to open, the amount of rent payable or the tenant's obligation to continue occupancy based on the presence of another tenant in the project or on minimum occupancy levels in the project. In certain situations, a tenant could have the right to terminate a lease early if a co-tenancy condition remains unsatisfied. In recessionary periods or periods of prolonged economic decline, there is a higher than normal risk that co-tenancy provisions will not be met as there is a higher risk of tenants closing stores or terminating leases due to bankruptcy during these periods. As a result, our results from operations and our ability to pay dividends would be adversely affected if a significant number of our tenants had their rent reduced or terminated their leases as a result of co-tenancy provisions.

Uninsured losses and condemnation costs. Accidents, earthquakes, terrorism incidents and other losses at our properties could materially adversely affect our operating results. Casualties may occur that significantly damage an operating property, and insurance proceeds may be materially less than the total loss incurred by us. Although we maintain casualty insurance under policies we believe to be adequate and appropriate, some types of losses, such as lease and other contract claims, generally are not insured. Certain types of insurance may not be available or may be available on terms that could result in large uninsured losses. We own property in California, Tennessee and other locations where property is potentially subject to damage from earthquakes, as well as other natural catastrophes. We also own property that could be subject to loss due to terrorism incidents. The earthquake insurance and terrorism insurance markets, in particular, tend to be volatile and the availability and pricing of insurance to cover losses from earthquakes and terrorism incidents may be unfavorable from time to time. In addition, earthquakes and terrorism incidents could result in a significant loss that is uninsured due to the high level of deductibles or damage in excess of levels of coverage. Property ownership also involves potential liability to third parties for such matters as personal injuries occurring on the property. Such losses may not be fully insured. In addition to uninsured losses, various government authorities may condemn all or parts of operating properties. Such condemnations could adversely affect the viability of such projects.

Environmental issues. Environmental issues that arise at our properties could have an adverse effect on our financial condition and results of operations. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at a property. If determined to be liable, the owner or operator may

have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination, or perform such investigation and clean-up itself. Although certain legal protections may be available to prospective purchasers of property, these laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the regulated substances. Even if more than one person may have been responsible for the

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release of regulated substances at the property, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from regulated substances emanating from that site. We are not currently aware of any environmental liabilities at locations that we believe could have a material adverse effect on our business, assets, financial condition or results of operations. Unidentified environmental liabilities could arise, however, and could have an adverse effect on our financial condition and results of operations.

Joint venture structure risks. We have interests in a number of joint ventures (including partnerships and limited liability companies) and may in the future conduct our business through such structures. Our venture partners have rights to take some actions over which we have no control, or the right to withhold approval of actions that we propose, either of which could adversely affect our interests in the related joint ventures and in some cases our overall financial condition or results of operations. These structures involve participation by other parties whose interests and rights may not be the same as ours. For example, a venture partner might have economic and/or other business interests or goals which are unlike or incompatible with our business interests or goals and those venture partners may be in a position to take action contrary to our interests, including maintaining our REIT status. In addition, such venture partners may become bankrupt and such proceedings could have an adverse impact on the operation of the partnership or joint venture. Furthermore, the success of a project may be dependent upon the expertise, business judgment, diligence and effectiveness of our venture partners in matters that are outside our control. Thus, the involvement of venture partners could adversely impact the development, operation, ownership or disposition of the underlying properties.

Regional concentration of properties. Currently, a large percentage of our properties are located in metropolitan Atlanta, Georgia. In the future, there may continue to be significant concentrations in metropolitan Atlanta, Georgia and/or other markets. If there is deterioration in any market in which we have significant holdings, our interests could be adversely affected, including, without limitation, loss in value of properties, decreased cash flows and inability to make or maintain distributions to stockholders.

Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act generally requires that certain public buildings be made accessible to disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants. If, under the Americans with Disabilities Act, we are required to make substantial alterations and capital expenditures in one or more of our properties, including the removal of access barriers, it could adversely affect our financial condition and results of operations, as well as the amount of cash available for distribution to our stockholders.

Our properties are also subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Real Estate Development Risks

We face risks associated with the development of real estate, such as delay, cost overruns and the possibility that we are unable to lease a portion of the space that we build, which could adversely affect our results.

We generally undertake more commercial development activity relative to our size than most other public real estate companies. Development activities contain certain inherent risks. Although we seek to minimize risks from

commercial development through various management controls and procedures, development risks cannot be eliminated. Some of the key factors affecting development of commercial property are as follows:

The availability of sufficient development opportunities. Absence of sufficient development opportunities could result in our experiencing slower growth in earnings and cash flows. Development opportunities are dependent upon a wide variety of factors. From time to time, availability of these opportunities can be

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volatile as a result of, among other things, economic conditions and product supply/demand characteristics in a particular market. In a recession or period of prolonged economic downturn, the number of development opportunities typically declines among all of our product types.

Abandoned predevelopment costs. The development process inherently requires that a large number of opportunities be pursued with only a few being developed and constructed. We may incur significant costs for predevelopment activity for projects that are abandoned that directly affect our results of operations. We have procedures and controls in place that are intended to minimize this risk, but it is likely that there will be predevelopment costs charged to expense on an ongoing basis.

Project costs. Construction and leasing of a project involves a variety of costs that cannot always be identified at the beginning of a project. Costs may arise that have not been anticipated or actual costs may exceed estimated costs. These additional costs can be significant and could adversely impact our return on a project and the expected results of operations upon completion of the project. Also, construction costs vary over time based upon many factors, including the demand for building materials. We attempt to mitigate the risk of unanticipated increases in construction costs on our development projects through guaranteed maximum price contracts and pre-ordering of certain materials, but we may be adversely affected by increased construction costs on our current and future projects.

Leasing/Sales risk. The success of a commercial real estate development project is dependent upon, among other factors, entering into leases with acceptable terms within a predefined lease-up period or selling units or lots at acceptable prices within an estimated period. Although our policy is to achieve pre-leasing/pre-sales goals (which vary by market, product type and circumstances) before committing to a project, it is likely only some percentage of the space in a project will be leased or sold at the time we commit to the project. If the space is not leased or sold on schedule and upon the expected terms and conditions, our returns, future earnings and results of operations from the project could be adversely impacted. In recessionary periods, unleased space at new development projects is generally more difficult to lease on favorable terms than during periods of economic expansion. Whether or not tenants are willing to enter into leases on the terms and conditions we project and on the timetable we expect, and whether sales will occur at the prices we anticipate and in the time period we plan, will depend upon a number of factors, many of which are outside our control. These factors may include:

general business conditions in the economy or in the tenants or prospective tenants industries;

supply and demand conditions for space in the marketplace; and

level of competition in the marketplace.

Governmental approvals. All necessary zoning, land-use, building, occupancy and other required governmental permits and authorization may not be obtained or may not be obtained on a timely basis resulting in possible delays, decreased profitability and increased management time and attention.

Financing Risks

If interest rates or other market conditions for obtaining capital become unfavorable, we may be unable to raise capital needed to build our developments on a timely basis, or we may be forced to borrow money at higher interest rates or under adverse terms, which could adversely affect returns on our development projects, our cash flows and results of operations.

We finance our development projects through one or more of the following: our credit facility, bank term loans, permanent mortgages, proceeds from the sale of assets, secured and unsecured construction facilities, and joint venture equity. In addition, we have raised capital through the issuance of perpetual preferred stock to supplement our capital needs. Each of these sources may be constrained from time to time because of market conditions, and interest rates may be unfavorable at any given point in time. These sources of capital, and the risks associated with each, include the following:

Credit facilities. Terms and conditions available in the marketplace for credit facilities vary over time. We can provide no assurance that the amount we need from our credit facility will be available at any given time,

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or at all, or that the rates and fees charged by the lenders will be acceptable to us. We incur interest under our credit facility at a variable rate. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect our cash flow and results of operations. Our credit facility contains customary restrictions, requirements and other limitations on our ability to incur indebtedness, including restrictions on total debt outstanding, restrictions on secured recourse debt outstanding, requirements to maintain minimum debt service coverage ratios and minimum ratios of unencumbered assets to unsecured debt. Our continued ability to borrow under our credit facility is subject to compliance with our financial and other covenants. In addition, our failure to comply with such covenants could cause a default, and we may then be required to repay such debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us or may be available only on unattractive terms.

Mortgage financing. The availability of financing in the mortgage markets varies from time to time depending on various conditions, including the willingness of mortgage lenders to lend at any given point in time. Interest rates may also be volatile, and we may from time to time elect not to proceed with mortgage financing due to unfavorable interest rates. This could adversely affect our ability to finance development activities. In addition, if a property is mortgaged to secure payment of indebtedness and we are unable to make the mortgage payments, the lender may foreclose, resulting in loss of income and asset value.

Property sales. Real estate markets tend to experience market cycles. Because of such cycles the potential terms and conditions of sales, including prices, may be unfavorable for extended periods of time. In addition, our status as a REIT limits our ability to sell properties and this may affect our ability to liquidate an investment without adversely affecting returns to our stockholders. These restrictions reduce our ability to respond to changes in the performance of our investments and could adversely affect our financial condition and results of operations. This could impair our ability to raise capital through property sales in order to fund our development projects or other cash needs. In addition, mortgage financing on a property may impose a prepayment penalty in the event the financing is prepaid, which may decrease the proceeds from a sale or refinancing or make the sale or refinancing impractical.

Construction facilities. Construction facilities generally relate to specific assets under construction and fund costs above an initial equity amount deemed acceptable to the lender. Terms and conditions of construction facilities vary, but they generally carry a term of two to five years, charge interest at variable rates and require the lender to be satisfied with the nature and amount of construction costs prior to funding. While construction lending is generally competitive and offered by many financial institutions, there may be times when these facilities are not available or are only available upon unfavorable terms which could have an adverse effect on our ability to fund development projects or on our ability to achieve the returns we expect.

Joint ventures. Joint ventures, including partnerships or limited liability companies, tend to be complex arrangements, and there are only a limited number of parties willing to undertake such investment structures. There is no guarantee that we will be able to undertake these ventures at the times we need capital.

Preferred stock. The availability of preferred stock at favorable terms and conditions is dependent upon a number of factors including the general condition of the economy, the overall interest rate environment, the condition of the capital markets and the demand for this product by potential holders of the securities. We can provide no assurance that conditions will be favorable for future issuances of perpetual preferred stock (or other equity securities) when we need the capital, which could have an adverse effect on our ability to fund development projects.

Although we believe that in most economic and market environments we will be able to obtain necessary capital for our operations from the foregoing financing activities, we can make no assurances that the capital we need will be

available when we need it. In the last half of 2008, companies, in general, have found it difficult to obtain credit facilities, mortgage loans and construction facilities. While we have no immediate need to access these markets, we cannot predict, with any certainty, when market conditions will change with respect to these facilities. If we cannot obtain capital when we need it, we may not be able to develop and construct all the projects we could otherwise develop, which could result in a reduction in our future earnings and cash flows. Lack of financing could also result in an inability to repay maturing debt, which could result in defaults and, potentially, loss of properties, as

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well as an inability to pay dividends to stockholders. Unfavorable interest rates could adversely impact both the cost of our projects (through capitalized interest) and our current earnings and cash flows.

Covenants contained in our credit facility and mortgages could restrict or hinder our operational flexibility, which could adversely affect our results of operations.

Our credit facility imposes financial and operating covenants on us. These covenants may be modified from time to time, but covenants of this type typically include restrictions and limitations on our ability to incur debt and to obtain certain forms of equity capital, as well as limitations on the amount of our unsecured debt, limitations on payments to stockholders, and limitations on the amount of development and joint venture activity in which we may engage. These covenants may limit our flexibility in making business decisions. In addition, our credit facilities contain financial covenants that require that our earnings, as defined, exceed our fixed charges by a specified amount. If our earnings decline or if our fixed charges increase, we are at greater risk of violating these covenants. A prolonged economic downturn could cause our earnings to decline thereby increasing our risk of violating these covenants. If we fail to meet those covenants, our ability to borrow may be impaired, which could potentially make it more difficult to fund our capital and operating needs. Additionally, some of our properties are subject to mortgages. These mortgages contain customary negative covenants, including limitations on our ability, without the lender's prior consent, to further mortgage that property, to modify existing leases or to sell that property. Also, our construction facilities contain requirements related to the progress of construction and leasing that, if not met, could result in a remarketing or accelerated repayment of the loan. Compliance with these covenants and requirements could harm our operational flexibility and financial condition.

Risks Associated with Multi-Family Projects

Any failure to timely sell the multi-family units or an increase in development costs could adversely affect our results of operations.

We develop and sell multi-family residential projects in urban markets. Multi-family unit sales can be highly cyclical and can be affected by the availability of mortgage financing, interest rates and local issues. In addition, a decline in the housing market and a recessionary economy generally make it more difficult to sell completed units in a timely manner. Once a project is undertaken, we can provide no assurance that we will be able to sell the units in a timely manner which could result in significantly increased carrying costs and erosion or elimination of profit with respect to any project. It is also difficult to predict when recessionary market conditions will change to allow sales of these units to return to a more normal rate.

In addition, actual construction and development costs of the multi-family residential projects can exceed estimates for various reasons. As these projects are normally multi-year projects, the market demand for multi-family residences may change between commencement of a project and its completion. Any estimates of sales and profits may differ substantially from our actual sales and profits and, as a result, our results of operations may differ substantially from any estimates.

Risks Associated with our Land Developments and Investments

Any failure to timely sell the residential lots developed could adversely affect our results of operations.

We develop residential subdivisions, primarily in metropolitan Atlanta, Georgia. We also participate in joint ventures that develop or plan to develop subdivisions in metropolitan Atlanta, as well as Texas and Florida, and could expand to other states. We also from time to time supervise sales of unimproved properties owned or controlled by us. Residential lot sales can be highly cyclical and can be affected by the availability of mortgage financing, interest rates

and local issues, including the availability of jobs, transportation and the quality of public schools. Once a development is undertaken, no assurances can be given that we will be able to sell the various developed lots in a timely manner. Failure to sell such lots in a timely manner could result in significantly increased carrying costs and erosion or elimination of profit with respect to any development. In a recession or period of prolonged economic downturn, sales of lots can decline significantly. We are exposed to these increased carrying costs and reduction of profit throughout this recessionary period until conditions improve.

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In addition, actual construction and development costs with respect to subdivisions can exceed estimates for various reasons, including unknown site conditions. The timing of subdivision lot sales and unimproved property sales are, by their nature, difficult to predict with any precision. Additionally, some of our residential properties are multi-year projects, and market conditions may change between the time we decide to develop a property and the time that all or some of the lots or tracts may be ready for sale. Similarly, we often hold undeveloped land for long periods of time prior to development or sale. Any changes in market conditions between the time we acquire land and the time we develop and/or sell land could cause the Company's estimates of proceeds and related profits from such sales to be lower or result in an impairment charge. Periods of economic downturn can cause estimated sales prices to decline, increasing the likelihood that we will be required to record one or more impairment charges. Estimates of sales and profits may differ substantially from actual sales and profits and as a result, our results of operations may differ substantially from these estimates.

Any failure to timely sell or lease non-income producing land could adversely affect our results of operations.

We maintain significant holdings of non-income producing land in the form of land tracts and outparcels. Our strategy with respect to these parcels of land include (1) developing the land at a future date as a retail, office, or mixed-use income producing property or developing it for single-family or multi-family residential uses; (2) ground leasing the land to third parties; and (3) selling the parcels to third parties. Before we develop, lease or sell these land parcels, we incur carrying costs, including interest and property tax expense.

If we are unable to sell this land or convert it into income-producing property in a timely manner, our results of operations and liquidity could be adversely affected.

Risks Associated with our Third Party Management Business

Our third party management business may experience volatility based on a number of factors, including termination of contracts, which could adversely affect our results of operations.

We engage in third party development, leasing, property management, asset management and property services to unrelated property owners. Contracts for such services are generally short-term in nature and permit termination without extensive notice. Fees from such activities can be volatile due to unexpected terminations of such contracts. Extensive unexpected terminations could materially adversely affect our results of operations. Further, the timing of the generation of new contracts for services is difficult to predict.

General Business Risks

We may not adequately or accurately assess new opportunities, which could adversely impact our results of operations.

Our estimates and expectations with respect to new lines of business and opportunities may differ substantially from actual results, and any losses from these endeavors could materially adversely affect our results of operations. We conduct business in an entrepreneurial manner. We seek opportunities in various sectors of real estate and in various geographical areas and from time to time undertake new opportunities, including new lines of business. Not all opportunities or lines of business prove to be profitable. We expect from time to time that some of our business ventures may have to be terminated because they do not meet our profit expectations. Termination of these ventures may result in the write off of certain related assets and/or the termination of personnel, which would adversely impact results of operations.

We are dependent upon key personnel, the loss of any of whom could adversely impair our ability to execute our business.

One of our objectives is to develop and maintain a strong management group at all levels. At any given time we could lose the services of key executives and other employees. None of our key executives or other employees are subject to employment contracts. Further, we do not carry key person insurance on any of our executive officers or other key employees. The loss of services of any of our key employees could have an adverse impact upon our results of operations, financial condition and our ability to execute our business strategy.

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Our restated and amended articles of incorporation contain limitations on ownership of our stock, which may prevent a change in control that might otherwise be in the best interests of our stockholders.

Our restated and amended articles of incorporation impose limitations on the ownership of our stock. In general, except for certain individuals who owned stock at the time of adoption of these limitations, no individual or entity may own more than 3.9% of the value of our outstanding stock. The ownership limitation may have the effect of delaying, inhibiting or preventing a transaction or a change in control that might involve a premium price for our stock or otherwise be in the best interest of our stockholders.

We experience fluctuations and variability in our operating results on a quarterly basis and, as a result, our historical performance may not be a meaningful indicator of future results.

Our operating results have fluctuated greatly in the past, due to volatility in land tract and outparcel sales, property sales, and residential lot sales, in addition to one-time events that occur. We anticipate future fluctuations in our quarterly results, which does not allow for predictability in the market by analysts and investors. Therefore, our historical performance may not be a meaningful indicator of our future results. Our stock price can also be affected by our volatile quarter-to-quarter results.

Federal Income Tax Risks

Any failure to continue to qualify as a real estate investment trust for federal income tax purposes could have a material adverse impact on us and our stockholders.

We intend to operate in a manner to qualify as a REIT for federal income tax purposes. Qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code (the Code), for which there are only limited judicial or administrative interpretations. Certain facts and circumstances not entirely within our control may affect our ability to qualify as a REIT. In addition, we can provide no assurance that legislation, new regulations, administrative interpretations or court decisions will not adversely affect our qualification as a REIT or the federal income tax consequences of our REIT status.

If we were to fail to qualify as a REIT, we would not be allowed a deduction for distributions to stockholders in computing our taxable income. In this case, we would be subject to federal income tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, we also would be disqualified from operating as a REIT for the four taxable years following the year during which qualification was lost. As a result, the cash available for distribution to our stockholders would be reduced for each of the years involved. Although we currently intend to operate in a manner designed to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause us to revoke the REIT election.

In order to qualify as a REIT, under current law, we generally are required each taxable year to distribute to our stockholders at least 90% of our net taxable income (excluding any net capital gain). To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our other taxable income, we are subject to tax on the undistributed amounts at regular corporate rates. In addition, we are subject to a 4% nondeductible excise tax to the extent that distributions paid by us during the calendar year are less than the sum of the following:

85% of our ordinary income;

95% of our net capital gain income for that year, and

100% of our undistributed taxable income (including any net capital gains) from prior years.

We intend to make distributions to our stockholders to comply with the 90% distribution requirement, to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Distributions could be made in cash, stock or in a combination of cash and stock. Differences in timing between taxable income and

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cash available for distribution could require us to borrow funds to meet the 90% distribution requirement, to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Satisfying the distribution requirements may also make it more difficult to fund new development projects.

Certain property transfers may be characterized as prohibited transactions, resulting in a tax on any gain attributable to the transaction.

From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, any gain resulting from transfers or dispositions, from other than our taxable REIT subsidiary, deemed to be prohibited transactions would be subject to a 100% tax on any gain associated with the transaction. Prohibited transactions generally include sales of assets that constitute inventory or other property held for sale to customers in the ordinary course of business. Since we acquire properties primarily for investment purposes, we do not believe that our occasional transfers or disposals of property are deemed to be prohibited transactions. However, whether property is held for investment purposes is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. While we believe that the Internal Revenue Service would not prevail in any such dispute, if the Internal Revenue Service were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, we would be required to pay a tax equal to 100% of any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

Disclosure Controls and Internal Control over Financial Reporting Risks

Our business could be adversely impacted if we have deficiencies in our disclosure controls and procedures or internal control over financial reporting.

The design and effectiveness of our disclosure controls and procedures and internal control over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal control over financial reporting, there can be no guarantee that our internal control over financial reporting will be effective in accomplishing all control objectives at all times. Deficiencies, including any material weakness, in our internal control over financial reporting which may occur in the future could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or otherwise materially adversely affect our business, reputation, results of operations, financial condition or liquidity.

Item 1B. Unresolved Staff Comments.

Not applicable.

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The following tables set forth certain information related to significant operating properties in which the Company has an ownership interest. Information presented in Note 5 to the Consolidated Financial Statements provides additional information related to the Company's joint ventures. All information presented is as of December 31, 2008. Dollars are stated in thousands.

Table of Major Operating Office, Retail and Industrial Properties

Year Completed or Acquired	Venture Partner(s)	Company's Ownership Interest	Square Feet and Acres	Percentage Average Leased as of December 31, 2008		Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization (2)	Debt Balance
				74%	80%				
2006	N/A	100%	1,221,000 2 Acres(3)	74%	80%	Deloitte & Touche (2024/2034)(3) Cooper Carry (2022/2032) Cousins Properties (2017/2022) Ogletree, Deakins, Nash, Smoak & Stewart, PC (2019/2029)	336,194 76,512 65,006 52,510	\$ 191,425 \$ 165,737	\$
1999	N/A	100%	993,000 4 Acres(5)	100%	99%	American Cancer Society (2022/2032) AT&T (2009) Co Space Services, LLC (2020/2025) Georgia Lottery Corp. (2023)(5) US South (2011/2016) Turner Broadcasting (2011/2016) Sapient Corporation (2009) CB Richard Ellis (2017/2022) Citigroup (2018/2028)	275,198 138,893 120,298 96,402 70,201 57,827 57,689 94,736 71,188 65,084	\$ 95,489 \$ 47,189	\$ 136,000
2007	N/A	100%	656,000 4 Acres	97%	89%			\$ 170,159 \$ 158,757	\$ 180,000

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						Premiere Global Services (2018/2028)			
						Wachovia Bank (2017/2027)	47,368		
						Cumulus Media, Inc. (2017)	47,000		
						Bain & Company (2019/2029)	46,412		
000	N/A	100%	203,000 15 Acres	98%	98%	Bombardier Aerospace Corp. (2013/2023)	97,740	\$ 30,245	\$ 17
						Liberty Mutual (2011/2021)	37,382	\$ 19,017	
998	Daniel Realty Company	100%(6)	196,000 12 Acres	96%	94%	Synovus Mortgage (2014/2019)	28,932	\$ 20,328	\$ 18
						Daxco (2010/2011)	18,721	\$ 13,940	
						Southern Care (2013/2018)	13,768		
000	Daniel Realty Company	100%(6)	123,000 10 Acres	100%	100%	Southern Communications Services(7) (2010/2016)	41,961	\$ 19,206	\$ 12
						2 Ideas, Inc. (2014/2024)	25,465	\$ 13,299	
999	N/A	100%	160,000 3 Acres	92%	99%	Northside Hospital(7) (2018/2023)(8)	54,585	\$ 26,880	\$ 22
						Scottish Rite Medical Center, Inc. (2013/2018)(8)	31,676	\$ 16,137	
						Georgia Reproductive (2017/2027)	13,622		

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Year Completed or Acquired	Venture Partner(s)	Company's Ownership Interest	Square Feet and Acres	Percentage Average Leased 2008 as of December 31, 2008		Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization	
				2008	(1)			(2)	(2)
1995	N/A	100%	128,000 7 Acres	97%	95%	Schweitzer-Mauduit International, Inc. (2012) Med Assets HSCA, Inc. (2015/2020) Golden Peanut Co. (2017)	32,655 21,914 18,104	\$ 12,991 \$ 8,533	\$
1996	N/A	100%	130,000 9 Acres	100%	91%	Med Assets HSCA, Inc. (2015/2020) Morgan Stanley (2011)	89,424 15,709	\$ 12,059 \$ 9,022	
1998	N/A	100%	130,000 9 Acres	100%	88%	Merrill Lynch (2014/2024) Nokia (2013/2023) Wells Fargo Bank NA (2009/2012)	35,949 33,457 22,438	\$ 14,343 \$ 8,062	\$
2000	N/A	100%	152,000 10 Acres	98%	93%	Kids II, Inc. (2016/2026) Regus Business Centre (2011/2016)	64,093 22,422	\$ 18,129 \$ 11,441	
2004	N/A	100%	114,000 7 Acres	39%	68%	The Evergreen Corporation (2011)	7,647	\$ 11,678 \$ 9,657	\$
2006	N/A	100%	85,000 8 acres	94%	96%	City of Sandy Springs (2011)	32,800	\$ 10,824 \$ 9,668	\$
1999	N/A	100%	51,000	100%	100%	AtheroGenics (2009)	51,000	\$ 7,664	\$

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			4 Acres					\$ 2,464	
005	N/A	100%	51,000 5 Acres	100%	100%	Inhibitex (2015/2025)	51,000	\$ 6,402 \$ 5,168	\$
007	N/A	100%	N/A 1acre	N/A	N/A	N/A	N/A	\$ 17,631 \$ 17,052	\$
000	Prudential(7)	88.5%	375,000 3 Acres	100%	68%	Georgia Department of Transportation (2018)	284,723	\$ 58,592 \$ 48,488	\$
008	Dimensional Fund Advisors & Forestar Real Estate Group	50%	216,000 13 Acres	100%	6%	Dimensional Fund Advisors (2023/2043)	216,000	\$ 99,198 \$ 98,938	\$
008	Dimensional Fund Advisors & Forestar Real Estate Group	50%	157,000 6 Acres	21%	3%	Forestar Real Estate Group (2018/2025)	32,236	\$ 27,239 \$ 27,186	\$
001	Bank of America(7)	50%	1,065,000 8 Acres	100%	100%	Bank of America (7) (2016/2035)	1,065,000	\$ 210,582 \$ 162,307	\$

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Year Development Completed or Acquired	Venture Partner(s)	Company's Ownership Interest	Square Feet and Acres	Percentage Leased as of December 2008	Average 2008 Occupancy (1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization (2)	Delivered Balance
2002	Emory University	50%	358,000 (11)	100%	99%	Emory University (2017/2047) Resurgens (2014/2019) Atlanta Gastroenterology (2012)	153,889 26,581 17,375	\$ 53,049 \$ 35,719	\$ 50,000
1991	Coca-Cola(7)	50%	260,000 5 Acres	92%	92%	AGL Services Co. (2013/2028)	226,779	\$ 40,288 \$ 21,117	\$ 27,000
1997	Prudential(7)	11.5%	69,000 1 Acre(12)	83%	94%	Novant Health, Inc. (2012/2017)	49,916	\$ 8,740 \$ 4,682	\$

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As of December 31, 2008, the Company's office portfolio included 20 commercial office buildings, excluding all properties currently under development, held for redevelopment and buildings in lease-up stage. The weighted average remaining lease term of these office buildings was approximately seven years as of December 31, 2008. Most of the major tenant leases in these buildings provide for pass through of operating expenses and contractual rents which escalate over time. The leases expire as follows:

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
188,078	450,333	184,441	446,430	219,266	247,014	636,858	427,495	1,000,000	1,000,000
4%	11%	4%	10%	5%	6%	15%	10%	10%	10%
\$ 3,023	\$ 6,167	\$ 3,328	\$ 8,604	\$ 4,967	\$ 4,823	\$ 11,777	\$ 11,410	\$ 11,410	\$ 11,410
\$ 16.07	\$ 13.69	\$ 18.04	\$ 19.27	\$ 22.65	\$ 19.53	\$ 18.49	\$ 26.69	\$ 26.69	\$ 26.69
175,244	431,439	131,148	300,243	197,287	228,604	99,251	346,997	1,000,000	1,000,000
6%	14%	4%	10%	6%	9%	3%	11%	11%	11%
\$ 2,802	\$ 5,945	\$ 2,272	\$ 5,914	\$ 4,414	\$ 4,551	\$ 1,812	\$ 9,430	\$ 9,430	\$ 9,430
\$ 15.99	\$ 13.78	\$ 17.32	\$ 19.70	\$ 22.37	\$ 19.91	\$ 18.26	\$ 27.18	\$ 27.18	\$ 27.18
19,770	32,285	136,412	278,700	43,958	23,697	1,071,594	159,886	1,000,000	1,000,000
1%	1%	6%	12%	2%	1%	46%	7%	7%	7%
\$ 359	\$ 423	\$ 2,737	\$ 5,185	\$ 1,106	\$ 370	\$ 19,869	\$ 3,960	\$ 3,960	\$ 3,960

\$ 18.13 \$ 13.11 \$ 20.06 \$ 18.60 \$ 25.17 \$ 15.60 \$ 18.54 \$ 24.77 \$

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Company Name	Company Ownership Interest	Square Feet and Acres	Percentage Leased as of December 2008	Average Economic Occupancy (1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Depreciation and Amortization(2)	Cost Less
Jim Wilson & Associates(7)	100%(6)	802,000 135 acres (511,000 square feet owned by Carriage Avenue, LLC)	83%	91%	Dillard's(18) Macy's (2021/2051)(19) Barnes & Noble (2016/2026)	N/A 130,000 25,322	\$ 92,272 \$ 77,064	\$
N/A	100%	357,000 25 acres (214,000 square feet owned by the Company)	98%	96%	Target(18) Marshalls (2016/2036) PetsMart (2017/2032) Michaels (2016/2031) Office Depot (2016/2026)	N/A 33,000 27,430 23,819 20,526	\$ 84,295 \$ 79,154	\$
N/A	100%	356,000 51 acres	81%	81%	Barnes & Noble (2016/2026) Ethan Allen (2021/2031) GAP (2012/2022) DSW Shoes (2018/2023)	26,553 18,511 17,461 16,000	\$ 79,275 \$ 71,034	\$
Prudential(7)	88.5%	587,000 71 acres (249,000 square feet and 40 acres owned by CP Venture Six LLC and 12 acres owned by CPI)	73%	29%	JC Penney(18) The Home Depot(18) Target(18) Best Buy (2019/2039) Sports Authority (2019/2039) PetsMart (2018/2033)	N/A N/A N/A 45,676 41,770 25,464	\$ 54,738 \$ 54,203	\$
Prudential(7)	88.5%	537,000	56%	32%	AMC Theaters (2023/2039)(19)	50,967	\$ 122,046	\$

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		67 acres			Barnes & Noble (2018/2028)	28,007	\$	118,379	
		(54 acres owned by CP Venture Six LLC and 13 acres owned by CPI)			DSW Shoes (2019/2024)	15,053			
Faison Enterprises, Inc.	50%	749,000	75%	70%	Belk (2027)(19)	132,000	\$	130,036	\$
		99 Acres			Dick's Sporting Goods (2018/2033)	44,770	\$	125,938	
					Best Buy (2018/2038)	30,000			
					Haverty's Furniture (2018/2023)	30,000			
					Barnes & Noble (2018/2028)	26,937			
					Michael's (2018/2033)	21,398			
					Rave Motion Pictures(18)	N/A	\$	86,414	\$
Prudential(7)	11.5%	460,000	94%	95%	Belk (2024/2044)(19)	65,927	\$	78,339	
		56 Acres			Bed, Bath & Beyond (2015/2035)	24,329			
		(332,000 owned by CP Venture IV Holdings LLC)			Michael's (2016/2036)	20,800			

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Year	Development Completed or Required	Venture Partner(s)	Company's Ownership Interest	Square Feet and Acres	Percentage		Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Less Depreciation and Amortization(2)	Balance
					Leased as of December 2008	Average of 2008 Economic Occupancy (1)				
1999		Prudential(7)	11.5%	231,000 30 Acres	98%	96%	Borders (2015/2030) Bed, Bath & Beyond (2010/2025) GAP (2010/2015) Talbots (2010/2015) Pottery Barn (7) (2012)	24,882 21,007 19,434 12,905 10,000	\$ 98,921 \$ 88,806	\$ 36
2003		Prudential(7)	11.5%	257,000 22 Acres	83%	96%	Barnes & Noble (2014/2024) GAP (2012/2022) Pier One Imports (2013/2023)	24,025 17,520 9,980	\$ 88,317 \$ 78,689	\$
2001		Prudential(7)	11.5%	183,000 18 Acres(20)	94%	96%	Books a Million (2013) GAP (2012/2022) Talbots (2012/2022) Banana Republic (2012/2022)	13,750 10,800 8,610 8,015	\$ 57,830 \$ 50,201	\$
2005		Prudential(7)	11.5%	178,000 20 Acres	95%	95%	Kohl's Department Stores, Inc. (2026/2056)(19) Sports Authority (2017/2032) Office Depot (2016/2036)	88,248 37,538 20,000	\$ 30,665 \$ 28,431	\$
1994		Prudential(7)	10.32%	518,000	83%	100%	Target(18)	N/A	\$ 58,205	\$

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			60 Acres			Babies R Us (2012/2032)	50,275	\$ 38,582	
			(401,000 square feet			Dick's Sporting Goods (2017/2037)	48,884		
			and 49 acres			Marshalls (2010/2025)	40,000		
			owned by			Hudson's Furniture (7) (2011/2021)	40,000		
			CP Venture LLC)			Regal Cinemas (2014/2034)	34,733		
						PetsMart, Inc. (2009/2029)	25,465		
1996	Prudential(7)	10.32%	493,000	99%	99%	Target(18)	N/A	\$ 50,697	\$
			44 Acres			Harris Teeter, Inc. (2016/2036)	51,806	\$ 34,175	
			(376,000 square			Best Buy (2015/2030)	45,106		
			feet and 36 acres			Bed, Bath & Beyond (2012/2027)	40,484		
			owned by			Babies R Us (2011/2021)	40,000		
			CP Venture			Stein Mart, Inc. (2011/2026)	36,000		
			LLC)			Barnes & Noble (2012/2022)	29,974		
						PetsMart, Inc. (2011/2031)	26,040		
						Office Max (2011/2026)	23,484		
1996	Prudential(7)	10.32%	182,000	84%	97%	Sears(18)	N/A	\$ 32,865	\$
			(157,000 square			Borders, Inc. (2017/2037)	30,000	\$ 22,077	
			feet and 17 acres			Bristol Farms (7) (2012/2032)	28,200		
			owned by						
			CP Venture						
			LLC)						

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Lease Expirations Retail

As of December 31, 2008, the Company's retail portfolio included 12 retail properties, excluding all properties currently under development and/or in lease-up. The weighted average remaining lease term of these retail properties was approximately nine years as of December 31, 2008. Most of the major tenant leases in these retail properties provide for pass through of operating expenses and contractual rents which escalate over time. The leases expire as follows:

	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of properties	23,202	89,065	70,643	40,304	20,040	82,800	352,888	188,378	50,000
Weighted average remaining lease term (years)	2%	6%	5%	3%	1%	6%	25%	13%	10%
Total square feet	\$ 529	\$ 2,336	\$ 1,649	\$ 1,063	\$ 531	\$ 2,119	\$ 9,143	\$ 5,512	\$ 2,000
Weighted average remaining lease term (years)	\$ 22.81	\$ 26.22	\$ 23.34	\$ 26.38	\$ 26.51	\$ 25.59	\$ 25.91	\$ 29.26	\$ 25.00
Total square feet	3,204	61,159	36,594	16,635	3,350	52,767	332,123	142,754	25,000
Weighted average remaining lease term (years)	0%	7%	4%	2%	0%	6%	36%	15%	10%
Total square feet	\$ 101	\$ 1,895	\$ 953	\$ 442	\$ 139	\$ 1,541	\$ 8,706	\$ 4,550	\$ 1,500
Weighted average remaining lease term (years)	\$ 31.45	\$ 30.99	\$ 26.05	\$ 26.56	\$ 41.47	\$ 29.20	\$ 26.21	\$ 31.87	\$ 25.00
Total square feet	180,300	264,325	306,774	151,590	141,898	202,176	189,315	233,098	60,000
Weighted average remaining lease term (years)	7%	11%	12%	6%	6%	8%	8%	9%	10%
Total square feet	\$ 3,833	\$ 4,087	\$ 6,113	\$ 3,883	\$ 3,284	\$ 4,172	\$ 3,951	\$ 4,890	\$ 3,000
Weighted average remaining lease term (years)	\$ 21.26	\$ 15.46	\$ 19.93	\$ 25.61	\$ 23.15	\$ 20.64	\$ 20.87	\$ 20.98	\$ 25.00

Year Completed Required	Venture Partner(s)	Company's Ownership Interest	Square Feet and Acres	Percentage		Major Tenants (lease expiration/options expiration)	Major Tenants Rentable Sq. Feet	Cost Less Depreciation and Amortization(2)	Balance
				Leased as of December 31, 2008	Average 2008 Economic Occupancy(1)				
	Seefried Industrial Properties	100%(6)	749,000 37 Acres	48%	48%	HD Supply Facilities Maintenance, Ltd. (2012/2018)	355,621	\$ 27,854 \$ 26,203	\$
	Weeks Properties Group	75%	417,000 22 Acres	100%	100%	Simplicity Manufacturing, Inc. (2012/2017)	417,000	\$ 14,126 \$ 12,543	\$
	Weeks Properties Group	75%	379,000 19 Acres	0%	0%	N/A	N/A	\$ 10,772 \$ 10,458	\$
	Weeks Properties Group	75%	459,000 27 Acres	0%	0%	N/A	N/A	\$ 13,708 \$ 13,439	\$

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As of December 31 2008, the Company's operating industrial portfolio consisted of King Mill Distribution Park Building 3, Jefferson Mill Business Park Building A, and Lakeside Ranch Business Park Building 20. The leases provide for pass through of operating expenses and contractual rents which escalate over time. The leases expire as follows:

	2012	Total
<u>Company's % share of Joint Venture Properties:</u>		
Square Feet Expiring	668,671	668,671
% of Leased Space	100%	100%
Annual Contractual Rent (000's)(14)	\$ 2,063	\$ 2,063
Annual Contractual Rent/Sq. Ft.(14)	\$ 3.09	\$ 3.09
<i>Joint Venture:</i>		
Square Feet Expiring	773,021	773,021(23)
% of Leased Space	100%	100%
Annual Contractual Rent (000's)(14)	\$ 2,368	\$ 2,368
Annual Contractual Rent/Sq. Ft.(14)	\$ 3.06	\$ 3.06

FOOTNOTES

- (1) Average economic occupancy is calculated as the percentage of the property for which revenue was recognized during the year. If the property was purchased during the year, average economic occupancy is calculated from the date of purchase forward. If the project was under construction or has an expansion that was under construction during the year, average economic occupancy for the property or the expansion portion reflects the fact that the property had no occupancy for a portion of the year.
- (2) Cost as shown in the accompanying table includes deferred leasing costs, other related tangible assets and net intangible real estate assets.
- (3) 191 Peachtree Tower is treated as an operational property for financial reporting purposes, although the Company considers this property as a redevelopment project in some of its external reports and analyses. Additionally, square foot information includes 7,500 square feet for 201 Peachtree, which is connected to 191 Peachtree, and acreage information includes 0.8 acres under a ground lease which expires in 2087. 24,301 square feet of the Deloitte & Touche space expires in 2009.
- (4) The real estate and other assets of these properties are restricted under loan agreements such that these assets are not available to settle other debts of the Company.
- (5) At The American Cancer Society Center, approximately 0.18 acres of land are under a ground lease expiring in 2068. The Georgia Lottery numbers shown reflect the renegotiated lease information which is effective January 1, 2009.
- (6) These projects are owned through a joint venture with a third party providing a participation in operations and on sale of the property even though they are shown as 100% owned.

- (7) Actual tenant or venture partner is an affiliate of the entity shown.
- (8) At Meridian Mark Plaza, 43,051 square feet of the Northside Hospital lease expires in 2013; 7,521 square feet of the Scottish Rite lease expires in 2009.
- (9) 100 North Point Center East and 200 North Point Center East were financed together as one non-recourse mortgage note payable.
- (10) 333 North Point Center East and 555 North Point Center East were financed together as one recourse mortgage note payable.
- (11) Emory University Hospital Midtown Medical Office Tower was developed on top of a building within the Emory University Hospital Midtown campus. The venture received a fee simple interest in the air rights above this building in order to develop the medical office tower.

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- (12) Presbyterian Medical Plaza at University is located on 1 acre, which is subject to a ground lease expiring in 2057.
- (13) Where a tenant has the option to cancel its lease without penalty, the lease expiration date used in the Lease Expirations tables reflect the cancellation option date rather than the lease expiration date. Certain Retail leases contain termination options, with or without penalty, if co-tenancy clauses or sales volume levels are not achieved. The expiration date per the lease is used for these leases in the Lease Expirations Retail table, although early termination is possible.
- (14) Annual Contractual Rent excludes the operating expense reimbursement portion of the rent payable and percentage rents, if applicable. If the lease does not provide for pass through of such operating expense reimbursements, an estimate of operating expenses is deducted from the rental rate shown. The contractual rental rate shown is the estimated rate in the year of expiration.
- (15) Rentable square feet leased as of December 31, 2008 out of approximately 3,172,000 total rentable square feet.
- (16) Rentable square feet leased as of December 31, 2008 out of approximately 2,343,000 total rentable square feet.
- (17) Most of these retail centers also include outparcels which are ground leased to freestanding users.
- (18) This anchor tenant owns its own store and land.
- (19) This tenant built and owns its own store and pays the Company under a ground lease.
- (20) Approximately 1.5 acres of the total acreage at The Avenue Peachtree City is under a ground lease expiring in 2024.
- (21) Gross leasable area leased as of December 31, 2008 out of approximately 1,081,000 total gross leasable area.
- (22) Gross leasable area leased as of December 31, 2008 out of approximately 2,864,000 total gross leasable area.
- (23) Rentable square feet leased as of December 31, 2008 out of approximately 2,004,000 total rentable square feet.

Projects Under Development

The following details the office, multi-family, and retail projects under development or redevelopment at December 31, 2008. Dollars are stated in thousands.

	Company Owned	Total Project	Leased GLA (%) Total Project (Fully Executed)	Approximate Total Cost	Company's Share of Total Cost	Company's Share of Cost Incurred at 12/31/08	Company's Share of Remaining Costs	Actual Projected Completion
Ownership %	GLA(2)	GLA(3)		Cost	Cost	Costs		Operation

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000 50% (A) ree Tower	565,000	565,000	3%	\$ 173,300	\$ 86,650	\$ 44,387	\$ 42,263	const. - 3 fully operatio
(A) West 50% (X)	1,221,000	1,221,000	74%(5)	233,750	233,750	198,553	35,197	acquired fully stabiliz
	157,000	157,000	21%	38,100	19,050	13,607	5,443	const. - 4 fully operatio
OFFICE	1,943,000	1,943,000		445,150	339,450	256,547	82,903	
FAMILY								
Garden Villas (NC)	71 Units	71 Units	N/A	27,600	13,800	5,000	8,800	const. - 4 fully sold
MULTI-FAMILY	71 Units	71 Units (6)		27,600	13,800	5,000	8,800	

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(1)/ Company's Ownership %	Company Owned GLA(2)	Total Project GLA(3)	Leased GLA (%) Total Project (Fully Executed)	Approximate Total Cost	Company's Share of Total Cost	Company's Share of Cost Incurred at 12/31/08	Company's Share of Remaining Costs	Actual or Projected Date Completion and Operational
L Springs Center - 88.5% (City, MO) venue Forsyth	249,000	587,000	89%	59,700	52,828	49,320	3,508	const. - 3Q fully operational
(Atlanta, GA)	473,000	473,000	56%					const. -2Q-08 operational 2
	64,000	64,000	0%					const. - 3Q-10 operational 3
Avenue Forsyth	537,000	537,000		145,100	128,400	108,980	19,420	
RETAIL	786,000	1,124,000		204,800	181,228	158,300	22,928	
lated Depreciation ally Operational es						(4,202)		
PORTFOLIO	2,729,000	3,067,000		\$ 677,550	\$ 534,478	\$ 415,645(7)	\$ 114,631	

(1) This schedule includes all Office, Multi-Family and Retail projects under construction and redevelopment from the commencement of construction until the projects become fully operational pursuant to accounting principles generally accepted in the United States. Single-family residential projects are included on a separate schedule. Amounts included in the total cost columns represent the estimated costs upon completion of the project and achievement of fully operational status. Significant estimation is required to derive these costs and the final costs may differ from these estimates. The projected dates for completion and fully operational status shown above are also estimates and are subject to change as the projects proceed through the development process.

(2) Company owned GLA includes square footage owned either directly by the Company or by a joint venture in which the Company is a partner.

(3) Total project GLA includes anchor stores that may own their own property and other non-owned property contained within the named development.

(4)

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191 Peachtree Tower is under redevelopment and repositioning and is treated as a development property for the purposes of this schedule, although its cost basis is included in operating properties on the Company's consolidated balance sheets. 201 Peachtree, a 7,500 square foot building adjacent to 191 Peachtree Tower, is also under redevelopment and is included in the amounts above.

- (5) Leased square footage includes 65,000 square feet occupied by the Company.
- (6) As of December 31, 2008, the Company had 124 unsold residential units remaining in the recently completed 137-unit 10 Terminus project. In addition, there are only four unsold commercial units remaining in the 50 Biscayne multi-family project as of December 31, 2008.
- (7) Reconciliation to Consolidated Balance Sheet

Total Company's share of cost incurred per above schedule	\$ 415,645
Less: Operating Property under redevelopment/repositioning	(198,553)
Less: Investment in unconsolidated joint ventures	
Palisades West	(13,607)
Terminus 200	(44,387)
Glenmore Garden Villas	(5,000)
Add: Prudential's 11.5% interest in Tiffany Springs MarketCenter	5,418
Add: Prudential's 11.5% interest in The Avenue Forsyth	13,066
Consolidated projects under development per balance sheet	\$ 172,582

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As of December 31, 2008, CREC, Temco Associates (Temco) and CL Realty, L.L.C. (CL Realty) owned the following parcels of land which are being developed or planned to be developed into residential communities (see Note 5 of Notes to Consolidated Financial Statements). Information in the table represents total amounts for the development as a whole, not the Company's share. Dollars are stated in thousands.

Description	Year Commenced	Estimated Project Life (In Years)	Estimated Total Lots to be Developed(1)	Developed Lots in Inventory	Lots Sold Year to Date	Total Lots Sold	Remaining Lots to be Sold	Cost Basis(2)
CREC (Consolidated)								
The Lakes at Cedar Grove(3)	2001	10	906	73		702	204	\$ 5,277
Fulton County Suburban Atlanta, GA								
Callaway Gardens (50% owned)(4)	2006	8	559	107	10	12	547	13,709
Harris County Pine Mountain, GA								
Blalock Lakes	2006	9	141	94	1	16	125	36,317
Coweta County Newnan, GA								
Longleaf at Callaway(5)	2002	7	138	14	2	124	14	436
Harris County Pine Mountain, GA								
River s Call	1999	11	107	13	1	94	13	554
East Cobb County Suburban Atlanta, GA								
Tillman Hall	2008	3	29	29			29	2,904
Gwinnett County Suburban Atlanta, GA								
Total consolidated			1,880	330	14	948	932	59,197
Temco (50% owned)(6)								
Bentwater	1998	11	1,676	5		1,671	5	16
Paulding County Suburban Atlanta, GA								
The Georgian (75% owned)	2003	14	1,385	259	1	288	1,097	23,221
Paulding County Suburban Atlanta, GA								
Seven Hills	2003	9	1,077	259	7	634	443	16,292
Paulding County								

Suburban Atlanta, GA Harris Place Paulding County Suburban Atlanta, GA	2004	6	27	9		18	9	649
Total Temco			4,165	532	8	2,611	1,554	40,178
CL Realty (50% owned)(6)								
Long Meadow Farms (37.5% owned) Fort Bend County Houston, TX	2003	14	2,106	155	4	603	1,503	19,173
Summer Creek Ranch Tarrant County Fort Worth, TX	2003	13	2,568	187	3	796	1,772	22,948
Bar C Ranch Tarrant County Fort Worth, TX	2004	15	1,199	138	1	176	1,023	8,251
Summer Lakes Fort Bend County Rosenberg, TX	2003	10	1,144	177	31	325	819	7,472
Southern Trails (80% owned) Brazoria County Pearland, TX	2005	9	1,069	31	70	320	749	21,172
Village Park Collin County McKinney, TX	2003	7	560	17	4	339	221	7,024
Waterford Park Fort Bend County Rosenberg, TX	2005	7	493				493	8,416

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Description	Year Commenced	Estimated Project Life (In Years)	Estimated Total Lots to be Developed(1)	Developed Lots in Inventory	Lots Sold Year to Date	Total Lots Sold	Remaining Lots to be Sold	Cost Basis(2)
Stonewall Estates (50% owned) Bexar County San Antonio, TX	2005	7	381	84	54	168	213	\$ 6,363
Manatee River Plantation Manatee County Tampa, FL	2003	8	457	109		348	109	4,197
Stillwater Canyon Dallas County DeSoto, TX	2003	8	335	6		226	109	2,317
Creekside Oaks Manatee County Bradenton, FL	2003	10	301	176		125	176	6,132
Blue Valley (25% owned) Cherokee & Fulton Counties Alpharetta, GA	2005	7	197	3		25	172	33,327
Village Park North Collin County McKinney, TX	2005	7	189	12	10	67	122	2,448
Bridle Path Estates Hillsborough County Tampa, FL	2004	8	87				87	3,290
West Park Cobb County Suburban Atlanta, GA	2005	8	85			21	64	5,264
Total CL Realty			11,171	1,095	177	3,539	7,632	157,794
Total			17,216	1,957	199	7,098	10,118	\$ 257,169
Company Share of Total			8,161	984	80	3,709	4,452	\$ 126,229
Company Weighted Average Ownership			47%	50%	40%	52%	44%	49%

- (1) This estimate represents the total projected development capacity for a development on both owned land and land expected to be purchased for further development. The numbers shown include lots currently developed or to be developed over time, based on management's current estimates, and lots sold to date from inception of development.
- (2) Includes cost basis of land tracts as detailed on the Land Held schedule.
- (3) A third party has a participation in this project after certain thresholds are met.
- (4) Callaway Gardens is owned in a joint venture which is consolidated with the Company. The partner is entitled to a share of the profits after the Company's capital is recovered.
- (5) Longleaf at Callaway lots are sold to a home building venture, of which the Company is a joint venture partner. As a result of this relationship, the Company recognizes profits when houses are built and sold, rather than at the time lots are sold, as is the case with the Company's other residential developments. As of December 31, 2008, 122 houses have been sold by this venture.
- (6) The Company owns 50% of Temco and CL Realty. See the Note 5 herein for a description of these entities.

Land Held

As of December 31, 2008, the Company owned or controlled the following land holdings either directly or indirectly through venture arrangements. The Company evaluates its land holdings on a regular basis and may develop, ground lease or sell portions of the land holdings if opportunities arise. Information in the table represents total amounts for the developable land area as a whole, not the Company's share, and for cost basis, reflects the

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venture's basis, if applicable. See Note 5 of Notes to Consolidated Financial Statements in Item 8 of this report for further information related to investments in unconsolidated joint ventures.

Description and Location	Zoned Use	Company's Ownership Interest	Developable Land Area (Acres)	Year Acquired	Cost Basis (\$000)(1)
<u>CONSOLIDATED</u>					
Round Rock Land					
Austin, TX	Retail and Commercial	100%	60	2005	\$ 17,115
King Mill Distribution Park Suburban Atlanta, GA	Industrial	100%	130(2)	2005	17,018
Jefferson Mill Business Park Suburban Atlanta, GA	Industrial and Commercial	100%	172(2)	2006	13,702
Terminus Atlanta, GA	Mixed Use	100%	4	2005	11,287
615 Peachtree Street Atlanta, GA	Mixed Use	100%	2	1996	10,164
Blalock Lakes Suburban Atlanta, GA	Residential	100%	1,205	2008	9,646
Lakeside Ranch Business Park Dallas, TX	Industrial and Commercial	100%(3)	48	2006	9,191
505/511/555/557 Peachtree Street Atlanta, GA	Mixed Use	100%	1	2004	5,988
Land Adjacent to The Avenue Forsyth Suburban Atlanta, GA	Retail	100%	11	2007	5,027
Research Park V Austin, TX	Commercial	100%	6	1998	4,890
Lancaster Dallas, TX	Industrial	100%(3)	47	2007	4,842
North Point Suburban Atlanta, GA	Mixed Use	100%	37	1970-1985	3,194
Land Adjacent to The Avenue Carriage Crossing Suburban Memphis, TN	Retail	100%	2	2004	1,969
Land Adjacent to The Avenue Webb Gin Suburban Atlanta, GA	Retail	100%	2	2005	946
Wildwood Office Park Suburban Atlanta, GA	Mixed Use	100%	23	1971-1989	883
The Lakes at Cedar Grove Suburban Atlanta, GA	Mixed Use	100%	9	2002	(4)

**TOTAL CONSOLIDATED LAND
HELD**

\$ 115,862

JOINT VENTURE***TEMCO TRACTS:*****Paulding County**

Suburban Atlanta, GA Happy Valley	Residential and Mixed Use	50%	5,641	2005	\$ 13,161
Suburban Atlanta, GA Seven Hills	Residential	50%	228	2003	2,754
Suburban Atlanta, GA CL REALTY TRACTS: Padre Island	Residential and Mixed Use	50%	85	2002-2005	(4)
Corpus Christi, TX Summer Creek Ranch	Residential and Mixed Use	50%	15	2005	11,545
Forth Worth, TX Long Meadow Farms	Residential and Mixed Use	50%	363	2002	(4)
Houston, TX Waterford Park	Residential and Mixed Use	19%	138	2002	(4)
Rosenberg, TX Summer Lakes	Commercial	50%	37	2005	(4)
Rosenberg, TX Village Park	Commercial	50%	4	2003	(4)
McKinney, TX OTHER JOINT VENTURES: Land Adjacent to The Avenue Murfreesboro	Residential	50%	2	2003-2005	(4)
Suburban Nashville, TN Wildwood Office Park	Retail	50%	8	2006	6,234
Suburban Atlanta, GA Handy Road Associates, LLC	Office and Commercial	50%	36	1971-1989	21,258
Suburban Atlanta, GA	Large Lot Residential	50%	1,187	2004	5,367
Total Acres			9,503		

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- (1) Cost Basis reflects the Company's basis for consolidated properties and the venture's basis for joint venture properties.
- (2) A third party has the option to purchase certain tracts aggregating approximately 145 acres through June 30, 2011, under certain circumstances, and is obligated to purchase certain other tracts aggregating approximately 89 acres on or before December 31, 2009.
- (3) This project is owned through a joint venture with a third party who has contributed equity, but the equity ownership and the allocation of the results of operations and/or gain on sale most likely will be disproportionate.
- (4) These residential communities have adjacent land that may be sold to third parties in large tracts for residential, multi-family or commercial development. The basis of these tracts and the lot inventory are included on the Residential Lots schedule.

Other Investments

Air Rights Near the CNN Center. The Company owns a leasehold interest in the air rights over the approximately 365,000 square foot CNN Center parking facility in Atlanta, Georgia, adjoining the headquarters of Turner Broadcasting System, Inc. and Cable News Network. The air rights are developable for additional parking or office use. The Company's net carrying value of this interest is \$0.

Item 3. Legal Proceedings

The Company is subject to various legal proceedings, claims and administrative proceedings arising in the ordinary course of business, some of which are expected to be covered by liability insurance and all of which collectively are not expected to have a material adverse effect on the liquidity, results of operations, business or financial condition of the Company.

Item 4. Submission of Matters to a Vote of Security Holders

No matter was submitted for a vote of the security holders during the fourth quarter of the Registrant's fiscal year ended December 31, 2008.

Item X. Executive Officers of the Registrant

The Executive Officers of the Registrant as of the date hereof are as follows:

<u>Name</u>	<u>Age</u>	<u>Office Held</u>
Thomas D. Bell, Jr.	59	Chief Executive Officer and Chairman of the Board of Directors
Daniel M. DuPree	62	Vice Chairman of the Company
R. Dary Stone	55	Vice Chairman of the Company
Lawrence L. Gellerstedt III	52	President and Chief Operating Officer
James A. Fleming	50	Executive Vice President and Chief Financial Officer
Craig B. Jones	57	Executive Vice President and Chief Investment Officer
Steve V. Yenser	48	

John D. Harris, Jr.	49	Executive Vice President and Chief Leasing and Asset Management Officer Senior Vice President, Chief Accounting Officer and Assistant Secretary
Robert M. Jackson	41	Senior Vice President, General Counsel and Corporate Secretary

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Family Relationships

There are no family relationships among the Executive Officers or Directors.

Term of Office

The term of office for all officers expires at the annual stockholders meeting. The Board retains the power to remove any officer at any time.

Business Experience

Mr. Bell has served as Chief Executive Officer of the Company since January 2002 and as Chairman of the Board since December 2006. He has also served as Chairman of the Executive Committee since June 2000 and Vice Chairman of the Board from June 2000 to December 2006. Mr. Bell was also President of the Company from January 2002 through April 2007, when he relinquished that title. Mr. Bell is also a director of Regal Entertainment Group, AGL Resources, Inc., and the United States Chamber of Commerce and a Trustee of Emory University.

Mr. DuPree rejoined the Company in March 2003 as Vice Chairman of the Company. He was elected President and Chief Operating Officer in April 2007. He relinquished this role in February 2009, and was named Vice Chairman. From September 2002 until February 2003, Mr. DuPree was Chief Executive Officer of Barry Real Estate Companies, a privately held development firm.

Mr. Stone joined the Company in June 1999. Mr. Stone was President and Chief Operating Officer of the Company from February 2001 to January 2002 and was a Director of the Company from 2001 to 2003. Effective January 2002, he relinquished the positions of President and Chief Operating Officer and assumed the position of President Texas. In February 2003, he became Vice Chairman of the Company.

Mr. Gellerstedt joined the Company in July 2005 as Senior Vice President and President of the Office/Multi-Family Division. With the Company's change in organizational structure in May 2008, he became Executive Vice President and Chief Development Officer. In February 2009, Mr. Gellerstedt assumed the role of President and Chief Operating Officer. From 2003 to 2005, Mr. Gellerstedt was Chairman and Chief Executive Officer of The Gellerstedt Group. From 2001 to 2003, he was President and Chief Operating Officer of The Integral Group, LLC.

Mr. Fleming joined the Company in July 2001 as Senior Vice President, General Counsel and Secretary. He became Executive Vice President and Chief Financial Officer in August 2004. He was a partner in the Atlanta law firm of Fleming & Ray from October 1994 until July 2001.

Mr. Jones joined the Company in October 1992 and became Senior Vice President in November 1995 and President of the Office Division in September 1998. He became Executive Vice President and Chief Administrative Officer in August 2004 and served in that capacity until December 2006, when he assumed the role of Executive Vice President and Chief Investment Officer.

Mr. Yenser joined the company in 2002 as Senior Vice President-Leasing, Retail Division. In December 2004, he was promoted to Senior Vice President of the Company and Executive Vice President and Chief Operating Officer of the Retail Division. Effective January 2009, he assumed the position of Executive Vice President and Chief Leasing and Asset Management Officer. Prior to joining Cousins, Mr. Yenser was employed by Chicago-based General Growth Properties from 1986 to 2002, most recently serving as Senior Vice President of Asset Management, Eastern Region.

Mr. Harris joined the Company in February 2005 as Senior Vice President and Chief Accounting Officer and later added the title of Assistant Secretary. From 1994 to 2003, Mr. Harris was employed by JDN Realty Corporation, most recently serving as Senior Vice President, Chief Financial Officer, Secretary, and Treasurer. Beginning in 2004 until February 2005, Mr. Harris was the Vice President and Corporate Controller for Wells Real Estate Funds, Inc.

Mr. Jackson joined the Company in December 2004 as Senior Vice President, General Counsel and Corporate Secretary. From February 1996 to December 2004, he was an associate and then a partner with the Atlanta-based law firm of Troutman Sanders LLP.

Table of Contents**PART II****Item 5. Market for Registrant's Common Stock and Related Stockholder Matters****Market Information**

The high and low sales prices for the Company's common stock and cash dividends declared per common share were as follows:

	2008 Quarters				2007 Quarters			
	First	Second	Third	Fourth	First	Second	Third	Fourth
High	\$ 29.28	\$ 29.00	\$ 28.25	\$ 25.47	\$ 40.75	\$ 35.17	\$ 30.72	\$ 31.62
Low	19.58	22.76	19.62	8.05	32.20	28.19	23.97	20.77
Dividends Declared	0.37	0.37	0.37	0.25	0.37	0.37	0.37	0.37
Payment Date	2/22/08	5/30/08	8/25/08	12/22/08	2/22/07	5/30/07	8/24/07	12/21/07

Holder

The Company's common stock trades on the New York Stock Exchange (ticker symbol CUZ). At February 23, 2009, there were 1,037 common stockholders of record.

Purchases of Equity Securities

For information on the Company's equity compensation plans, see Note 6 of the accompanying consolidated financial statements, which is incorporated herein by reference. The following table contains information about the Company's purchases of its equity securities during the fourth quarter of 2008:

	Total Purchases(1)		Common Stock Purchases Inside Plan	
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan(2)	Maximum Number of Shares That May Yet Be Purchased Under Plan(2)
October 1-31		\$		4,121,500
November 1-30				4,121,500
December 1-31	21,510	12.63		4,121,500
	21,510	\$ 12.63		4,121,500

Preferred Stock

	Total Purchases		Purchases Inside Plan	
	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan(3)	Maximum Number of Shares That May Yet Be Purchased Under Plan(3)
October 1-31		\$		
November 1-30	1,215,910	13.03	1,215,910	6,784,090
December 1-31				6,784,090
	1,215,910	\$ 13.03	1,215,910	6,784,090

- (1) The purchases of equity securities that occur outside the plan relate to shares remitted by employees as payment for option exercises or income taxes due. Activity for the fourth quarter 2008 related to the remittances of shares for income taxes due for restricted stock grants.
- (2) On May 9, 2006, the Board of Directors of the Company authorized a stock repurchase plan of up to 5,000,000 shares of the Company's common stock. On November 18, 2008, the expiration of this plan was extended to May 9, 2011. The Company has purchased 878,500 common shares under this plan, and no purchases occurred during the fourth quarter of 2008.
- (3) On November 10, 2008, the stock repurchase plan was also expanded to include authorization to repurchase up to \$20 million of Preferred Shares. This program was expanded on November 18, 2008, to include all 4,000,000 shares of both the Company's Preferred A and B series stock. The Company purchased 1,215,910 preferred shares under this plan in the fourth quarter of 2008.

Table of Contents**Performance Graph**

The following graph compares the five-year cumulative total return of the Company's Common Stock with the Morningstar Group Index, S&P Composite, NYSE Market Index and NAREIT Equity Index. The Morningstar Group Index, formerly the Hemscott Group Index, is published by Morningstar, Inc. and is comprised of publicly-held REITs. The graph assumes a \$100 investment in each of the indices on December 31, 2003 and the reinvestment of all dividends.

**COMPARISON OF CUMULATIVE TOTAL RETURN OF ONE OR MORE
COMPANIES, PEER GROUPS, INDUSTRY INDICES AND/OR BROAD MARKETS**

	Year Ended					
	12/31/2003	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Cousins Properties Incorporated	100.00	128.95	127.04	181.62	119.64	80.20
Morningstar Group Index	100.00	132.91	140.72	184.62	139.94	70.93
S&P Composite	100.00	110.88	116.33	134.70	142.10	89.53
NYSE Market Index	100.00	112.92	122.25	143.23	150.88	94.76
NAREIT Equity Index	100.00	131.58	147.58	199.32	168.05	104.65

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The following selected financial data sets forth consolidated financial and operating information on a historical basis. This data has been derived from the Company's consolidated financial statements, and should be read in conjunction with the consolidated financial statements and notes thereto.

	2008	For the Years Ended December 31,			2004
		2007	2006	2005	
		(\$ in thousands, except per share amounts)			
Rental property revenues	\$ 147,394	\$ 112,645	\$ 85,032	\$ 72,402	\$ 77,748
Fee income	47,662	36,314	35,465	35,198	29,704
Residential lot, multi-family and outparcel sales	15,437	9,969	40,418	33,166	16,700
Interest and other	4,158	6,429	1,373	2,431	4,660
Total revenues	214,651	165,357	162,288	143,197	128,812
Rental property operating expenses	56,607	46,139	33,955	27,988	26,385
Depreciation and amortization	52,925	39,796	30,824	26,270	29,073
Residential lot, multi-family and outparcel cost of sales	11,106	7,685	32,154	25,809	12,007
Interest expense	33,151	8,816	11,119	9,094	14,623
Loss on extinguishment of debt		446	18,207		
Impairment loss	2,100				
General, administrative and other expenses	64,502	60,632	61,401	57,141	48,877
Total expenses	220,391	163,514	187,660	146,302	130,965
Benefit (provision) for income taxes from operations	8,770	4,423	(4,193)	(7,756)	(2,744)
Minority interest in income of consolidated subsidiaries	(2,378)	(1,656)	(4,130)	(3,037)	(1,417)
Income from unconsolidated joint ventures	9,721	6,096	173,083	40,955	204,493
Gain on sale of investment properties, net of applicable income tax provision	10,799	5,535	3,012	15,733	118,056
Income from continuing operations	21,172	16,241	142,400	42,790	316,235
Discontinued operations	1,375	16,681	90,291	6,951	91,549
Preferred dividends	(14,957)	(15,250)	(15,250)	(15,250)	(8,042)
Net income available to common stockholders	\$ 7,590	\$ 17,672	\$ 217,441	\$ 34,491	\$ 399,742

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Net income from continuing operations per common share-basic	\$	0.12	\$	0.02	\$	2.51	\$	0.55	\$	6.29
Net income per common share-basic	\$	0.15	\$	0.34	\$	4.29	\$	0.69	\$	8.16
Net income from continuing operations per common share-diluted	\$	0.12	\$	0.02	\$	2.42	\$	0.56	\$	6.04
Net income per common share-diluted	\$	0.15	\$	0.33	\$	4.14	\$	0.67	\$	7.84
Cash dividends declared per common share	\$	1.36	\$	1.48	\$	4.88	\$	1.48	\$	8.63
Total assets (at year-end)	\$	1,693,795	\$	1,509,611	\$	1,196,753	\$	1,188,274	\$	1,026,992
Notes payable (at year-end)	\$	942,239	\$	676,189	\$	315,149	\$	467,516	\$	302,286
Stockholders investment (at year-end)	\$	467,687	\$	552,503	\$	625,915	\$	634,634	\$	659,750
Common shares outstanding (at year-end)		51,352		51,280		51,748		50,665		50,092

Prior to 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 2006, the Company began recording these reimbursements in Fee Income on the Consolidated Statements of Income and reclassified prior period amounts to conform to the 2006 presentation. As a

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result, Fee Income and General and Administrative Expenses have increased by \$15.1 million in 2005 and \$13.2 million in 2004, when compared to amounts reported in the Annual Reports on Form 10-K prior to 2006.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto of this Annual Report on Form 10-K.

Overview of 2008 Performance and Company and Industry Trends. The overall economic downturn, led by the decline in the housing market, had an unfavorable effect on the Company and the execution of its strategy of developing and managing high-quality real estate in 2008. The continued depressed nature of the housing market adversely affected the Company's residential land business as well as its multi-family business. The soft economic environment combined with tightening credit markets eroded consumer demand thus causing lower than expected retail sales. As a result, many of the Company's retail tenants suffered a range of problems from lowering the number of new store openings to store closures and bankruptcies. Demand for new and existing office space declined during 2008 with the weakening fundamentals, which put downward pressure on rental rates. The Company was not as severely impacted by the problems with the credit markets as certain other real estate companies because it had no significant short-term debt maturities. However, the Company's access to capital has been reduced, at least in the near term, and financing terms have become much less favorable than in previous years.

As a result of the economic environment, the Company commenced no new development projects in 2008. However, development activities continued on projects commenced in prior years, and the Company worked on several projects that it expects to commence in 2009 or when market conditions improve. During the year, the Company opened two retail centers: The Avenue Forsyth, in north metropolitan Atlanta, and Tiffany Springs MarketCenter, in Kansas City, Missouri. In addition, the Company completed construction of Palisades West, a two-building office project in Austin, Texas, and completed construction of 10 Terminus Place, a 137-unit condominium development in the Buckhead district of Atlanta. The Company continued development of Terminus 200, a 565,000 square-foot office building, adjacent to the 10 Terminus Place project, and expects to complete construction of this building in the second half of 2009.

Throughout 2008, the Company continued to seek attractive new development projects in spite of the depressed markets. One of these projects is a potential mixed-use development in Atlanta adjacent to Emory University and the Centers for Disease Control. This project is expected to include retail, condominiums and apartments, with the apartment portion being developed by another company. In addition, the Company is pursuing a retail outlet center in Oklahoma City in a joint venture with an experienced outlet mall developer. While these projects have been delayed due to market conditions, the Company expects to commence them in 2009 or when market conditions improve. The Company does not currently expect any other traditional new development projects to be commenced in 2009.

The Company's land business continued to decline in 2008. Lot sales steadily fell throughout the year reflecting the overall weakness in the residential markets. Within the Company's markets, new home sales have slowed and builders hold lot inventories that will more than meet the anticipated demand for the foreseeable future. Until these inventories fall, management does not expect much improvement in the volume of its residential lot sales. The Company has ceased the development of additional lots in most projects and will work to continue to reduce its lot inventory until the markets begin to recover. While management is optimistic about the long term profitability of its land business, it is unable to determine when market conditions will turn more favorable for the Company.

Likewise, the condominium market continues to be unfavorable overall and within the Company's core markets. During the year, the Company sold substantially all of the remaining residential units at its 50 Biscayne project in Miami, thereby effectively exiting this unfavorable market. However, the Company only closed 13 units in its recently

completed 10 Terminus Place project and only 16 of the remaining 124 units are under contract. In addition, the Company has suspended development at its Glenmore Garden Villas project in Charlotte, North Carolina, which has six substantially completed units. The Company intends to commence construction of the remaining units when market conditions warrant. Other than the Emory project noted above, the Company does not expect to commence any new multi-family development projects in 2009.

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In spite of the economic conditions, occupancy at the Company's stabilized office properties remained consistent throughout 2008 while results at its newly developed and redeveloped properties were mixed. As of December 31, 2008, stabilized office properties were 97% leased, a slight improvement over the prior year. This improvement is the result of increases in occupancy at three of the Company's North Point buildings and to the sale of the vacant 3100 Windy Hill Road building. Occupancy at the Company's stabilized retail properties decreased in 2008, partially as a result of the bankruptcies of Linens 'n Things and Circuit City.

Leasing at the Company's newly developed retail projects increased modestly in 2008, but is below the levels the Company has historically experienced for newly developed properties. At December 31, 2008, The Avenue Murfreesboro was 75% leased, The Avenue Forsyth was 56% leased and Tiffany Springs MarketCenter was 73% leased. Management believes that these relatively low leasing percentages are directly attributable to the decline in consumer demand and the retailers' reaction to this decline. Management believes that these properties remain in favorable locations and believes that occupancy will improve once economic conditions improve. In the near term, management is concerned that retailer bankruptcies and store closings could cause the leasing percentage and occupancy at its centers to decline. Many of the Company's tenants negotiate co-tenancy clauses into their lease agreements which allow them to reduce their rents or close their stores in the event that a certain number of co-tenants close their stores or if overall occupancy declines below a certain level. Bankruptcies or store closings could cause certain other tenants to reduce their rents or terminate their leases, thereby having an adverse effect on cash flows.

The Company has not executed any office leases at its under-construction Terminus 200 building, which it believes is a result of the economic downturn. While the Company is working on multiple prospects, there is no guarantee that any leases will be executed until market conditions improve. The Company made progress in the lease-up of 191 Peachtree Tower. In 2008, the Company renewed and expanded the Deloitte & Touche lease, which, together with other leases, equaled new or renewing space of 14%, nearly offsetting expiring leases at the building.

The Company's third party management business improved during 2008. The Company added a net of 1.8 million square feet of properties under management and/or leasing during the year, bringing the aggregate total to 13.8 million square feet.

In addition, management believes that the Company's capital structure is sound, which is particularly important in this period of tightening credit. Prior to 2008, the Company took steps to improve its capital structure by recasting and extending its credit facility, entering into long term, fixed-rate mortgage loans, and selectively selling assets. As a result, the Company has low near term maturities of debt and has adequate cash on hand and availability under its credit facility to complete all development commitments currently in progress. Management believes that it will meet all financial covenants in its credit agreements for the foreseeable future.

While management believes that opportunities for traditional office and retail development projects will be limited in 2009 and beyond, management expects other, more non-traditional, opportunities for creating stockholder value may emerge as various macroeconomic factors, such as changes in the credit markets, make it difficult for less capitalized developers or owners to commence or sustain development projects. If these opportunities present themselves, management believes the Company is well-positioned to act upon them as a result of its relatively conservative capital structure and availability under its credit facility.

Critical Accounting Policies. The Company's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, and the Notes to Consolidated Financial Statements include a summary of the significant accounting policies for the Company. A critical accounting policy is one which is both important to the portrayal of a company's financial condition and results of operations and requires significant judgment or complex estimation processes. The Company is in the business of developing, owning and managing office, retail and industrial real estate properties, developing multi-family residential units, and developing

single-family residential communities which are parceled into lots and sold to various home builders. The Company's critical accounting policies relate to its long-lived assets, including cost capitalization, depreciation and amortization, and impairment of long-lived assets (including investments in unconsolidated joint ventures); revenue recognition, including residential lot sales, land tract sales, multi-family residential unit sales and valuation of receivables; and accounting for investments in non-wholly owned entities.

Table of Contents***Long-Lived Assets***

Cost Capitalization. The Company is involved in all stages of real estate development. The Company charges predevelopment costs to expense on a project until it becomes probable (defined as more likely than not) that the project will go forward. After management determines the project is probable, all subsequently incurred predevelopment costs, as well as interest, real estate taxes and certain internal personnel and associated costs directly related to the project under development, are capitalized in accordance with Statement of Financial Accounting Standards (SFAS) No. 34, *Capitalization of Interest Cost*, and SFAS No. 67, *Accounting for Costs and the Initial Rental Operations of Real Estate Properties*. If the Company abandons development of a project that had earlier been deemed probable, the Company charges all previously capitalized costs to expense. Therefore, if management changes its assessment of the probability that a project will ultimately be developed, predevelopment expenses could be higher or lower than they otherwise would have been. Furthermore, if management determines that a project that was previously determined to be probable is no longer probable, the Company's predevelopment expenses could be significantly greater because all capitalized predevelopment costs associated with that project would be charged to expense in the period that this change occurs. The Company had approximately \$16.3 million of capitalized predevelopment assets as of December 31, 2008.

Additionally, determination of when construction of a project is substantially complete and held available for occupancy requires judgment. In accordance with SFAS Nos. 34 and 67, the Company capitalizes direct and related indirect project costs associated with development projects during the construction period. Once a project is deemed substantially complete and held for occupancy, subsequent carrying costs, such as real estate taxes, interest, internal personnel and associated costs, are expensed as incurred. The Company considers projects and/or project phases substantially complete and held for occupancy at the earlier of the date on which the phase reached occupancy of 95% or one year from the issuance of a certificate of occupancy. The Company's judgment of the date the project is substantially complete has a direct impact on the Company's operating expenses and net income for the period.

Depreciation and Amortization. The Company depreciates or amortizes real estate assets over their estimated useful lives using the straight-line method of depreciation. Management uses its judgment when estimating the life of the real estate assets and when allocating certain indirect project costs to projects under development. Historical data, comparable properties and replacement costs are some of the factors considered in determining useful lives and cost allocations. If management incorrectly estimates the useful lives of the Company's real estate assets or if cost allocations are not appropriate, then depreciation and amortization may not be reflected properly in the Company's results of operations.

The Company generally amortizes tenant costs over the lease term. In certain situations, the tenant may not fulfill its commitment under its lease, and the estimated amortization period of those tenant assets could change. In 2008, some of the Company's retail tenants have experienced bankruptcy or have modified the terms of their lease, which resulted in accelerated amortization of tenant costs, thereby directly affecting the current year's net income.

Impairment of Long-Lived Assets. Real estate assets The Company has real estate assets in varying degrees of development-from raw land to operating properties. Management reviews its real estate assets for impairment indicators, such as a decline in a property's leasing percentage, a current period operating or cash flow loss combined with a history of losses at the property, a decline in market prices, an adverse change in tenants' industries or other changes in the market. If management determines that indicators of impairment are present, management reviews the properties it judges affected by these indicators for impairment. With the recent decline in the housing market and the overall economic downturn, management has determined that indicators of impairment are present on several of the Company's real estate assets. Therefore, the Company evaluated these assets for recoverability. These analyses require significant judgment on the part of management. First, a determination of the intent and ability to hold these assets affects the type of analyses performed. If an asset is considered as held-for-use, as described in SFAS No. 144,

Accounting for the Impairment or Disposal of Long-Lived Assets, the recoverability of the asset is assessed based on the undiscounted cash flows to be generated by the asset. If the undiscounted cash flows are less than the carrying value of the asset, the asset is determined to be impaired, and the

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impairment loss is measured as the amount by which the carrying amount exceeds its fair value. If an asset is considered to be held-for-sale, as described in SFAS No. 144, the asset is carried at the lower of its carrying amount or fair value less cost to sell. The Company performs its real estate valuation assessments based on current market conditions utilizing assumptions which could differ materially from actual results. Unconsolidated joint ventures generally follow the same impairment assessment of their properties as the Company. These assumptions are highly subjective and susceptible to frequent change, and several assumptions are enumerated in the next paragraph.

In analyzing the undiscounted cash flows and fair value of assets with indicators of impairment, management estimates market rental rates it believes it can obtain at certain properties in the future, cash outlays to generate leases, market capitalization rates for residual values and other estimates. For residential developments, management estimates sales prices, costs to complete development, carry costs, competitive projects, and other such items. Given the current state of the economy and market for real estate, the timing of a market turnaround is a significant estimate and one that requires considerable judgment, as well as rental rates that will be in effect in future years. Management reviews similar products in the market in which its assets are held and adjusts its hold period, sales volume, pricing, and other factors as it deems necessary. The cyclical nature of the real estate industry, combined with the current credit market difficulties, availability of high levels of existing inventories in the locations of the Company's assets, consumer confidence, retailer health, employment levels and additional factors, all enter into management's judgment as a result of this analysis. In addition, the expected use of the Company's assets could change over the coming periods as management obtains more information on the market turnaround. In addition, the discount rates utilized to estimate the fair value of assets can vary greatly based on the risk associated with the asset, which normally is affected by the type of project, the stage of its life cycle, and the location of the asset. The fair value of an asset can materially change if the discount rate changes.

The Company recorded an impairment charge of \$2.1 million on its completed for-sale, multi-family project 10 Terminus Place in 2008. At the CL Realty venture level, an impairment loss was recognized on one of this venture's residential developments, the Company's share of which was \$325,000 in 2008. Management does not believe any of its other assets or assets at its joint ventures are impaired at this time, but will continue to monitor the state of the economy and the expected results of its assets.

Investment in joint ventures Additionally, management performs an impairment analysis of its investments in joint ventures in accordance with Accounting Principles Board Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* (APB No. 18). In accordance with APB No. 18, at each reporting period, management reviews its investments in joint ventures for indicators of impairment. If indicators of impairment are present for any of the Company's investments in joint ventures, APB No. 18 requires management to calculate the fair value of the investment. If the fair value of the investment is less than the carrying value of the investment, management must determine whether the impairment is temporary or other than temporary. If management assesses the impairment as temporary, the Company does not record an impairment charge. If management concludes that the impairment is other than temporary, the Company records an impairment charge. The Company did not record an impairment in any of its investment in joint ventures in 2008, 2007 or 2006.

Consistent with the SFAS No. 144 analysis, management uses considerable judgment in determining whether there are indicators of impairment present and in the assumptions used in calculating the fair value of the investment. Management also uses judgment in making the determination as to whether the impairment is temporary or other than temporary. Staff Accounting Bulletin Topic 5M (SAB 5M) provides guidance for management to use in making the determination of whether the impairment is temporary. SAB 5M indicates that companies consider the length of time that the impairment has existed, the financial condition of the joint venture and the ability and intent of the holder to retain the investment long enough for a recovery in market value. Considerable judgment is required by management to make these determinations. If management incorrectly concludes that an impairment is temporary, the Company's financial statements may not include an impairment charge that would have had an adverse impact on its results of

operations. Likewise, if management changes its conclusion that an impairment is temporary, the Company could be required to record a significant impairment charge at that point.

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Revenue Recognition

Residential Lot, Multi-family and Land Tract Sales. In its determination of the gross profit recognized on its residential lot, multi-family and land tract sales, the Company utilizes several estimates. Management calculates gross profit percentages based on estimated sales prices and the estimated costs of the development. Markets for certain products can change over time as the project is selling. Therefore, historical sales prices may not be indicative of the project's prices over its lifetime and sales may not occur at a consistent rate. Therefore sales price estimates made by management require a high degree of estimation. The housing market is currently in a severe decline, the severity and duration of which cannot be predicted at this point. Past estimates and assumptions did not predict the magnitude of this decline, nor the current state of the credit markets. In addition, management must estimate the costs to complete the development of the residential or multi-family community or the cost of the land tract improvements. If the Company's estimated lot, unit or land tract sales, timing or costs of development, or any of the underlying assumptions were to be revised or be rendered inaccurate, it could affect the overall profit recognized on these sales.

Valuation of Receivables. Receivables, including straight-line rent receivables, are reported net of an allowance for doubtful accounts and may be uncollectible in the future. The Company reviews its receivables regularly for potential collection problems in computing the allowance to record against its receivables. This review process requires management to make certain judgments regarding collectibility, notwithstanding the fact that ultimate collections are inherently difficult to predict. A change in the judgments made could result in an adjustment to the allowance for doubtful accounts with a corresponding effect on net income. In addition, the market for the Company's retail tenants has been very volatile in 2008. The Company anticipates store closings, lease adjustments, bankruptcies and potentially other changes in the lease terms for certain tenants. This future information, which previously has been difficult to predict, can change past judgments regarding collectibility.

Accounting for Non-Wholly Owned Entities

The Company holds ownership interests in a number of ventures with varying structures. Management evaluates all of its partnership interests and other variable interests to determine if the entity is a variable interest entity (VIE), as defined in Financial Accounting Standards Board (FASB) Interpretation No. 46R (FIN 46R). If the venture is a VIE and if management determines that the Company is the primary beneficiary, the Company consolidates the assets, liabilities and results of operations of the VIE. The Company has to reassess its conclusions as to whether the entity is a VIE upon certain occurrences which are deemed reconsideration events under FIN 46R.

For entities that are not determined to be VIEs, management evaluates whether or not the Company has control or significant influence over the joint venture to determine the appropriate consolidation and presentation. Entities under the Company's control are consolidated and entities over which the Company can exert significant influence, but does not control, are accounted for under the equity method of accounting.

The Company recognizes minority interest on its Consolidated Balance Sheets for non-wholly owned entities which the Company consolidates. The minority partner's share of current operations is reflected in Minority Interest in Income of Consolidated Subsidiaries on the Consolidated Statements of Income.

Contributions to unconsolidated joint ventures are recorded as Investments in Unconsolidated Joint Ventures, and subsequently adjusted for income from unconsolidated joint ventures and cash contributions and distributions. Any difference between the carrying amount of these investments on the Company's balance sheet and the underlying equity in net assets on the joint venture's balance sheet is amortized as an adjustment to Income from Unconsolidated Joint Ventures over the life of the related asset.

If the Company's judgment as to the existence of a VIE, the primary beneficiary of the VIE, and the extent of influence and control over a non-VIE is incorrect, the presentation of the balance sheet and results of operations could be incorrect. In addition, the conclusion on the accounting for the entity can change as reconsideration events occur. As time passes from the formation of an entity, the expected results of the entity can vary, which could change the allocation to the partners. The type of reconsideration event could adjust the conclusion previously determined for the accounting of the entity. In 2008, the real estate market has suffered declines, and this has resulted in changing economics at certain partnerships. These changes were analyzed and there was no change in prior

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accounting treatment. Different accounting conclusions could be reached as time passes depending on the timing and extent of a market rebound, and certain ventures not previously consolidated could become consolidated entities.

Discussion of New Accounting Pronouncements.

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

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

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

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

When determining the fair value measurements for assets and liabilities required or permitted to be recorded at and/or marked to fair value, the Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability. When possible, the Company looks to active and observable markets to price identical assets or liabilities. When identical assets and liabilities are not traded in active markets, the Company looks to market observable data for similar assets and liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Company must use alternative valuation techniques to derive a fair value measurement. The Company applied the provisions of SFAS No. 157 in recording its interest rate swap and disclosing its notes payable at fair value (Level 2; discussed further in Note 3) and in disclosing the fair value of its notes receivable (Level 3; discussed further in Note 9). The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations or financial condition.

In 2008, the FASB issued SFAS No. 141R, *Business Combinations*, which amended SFAS No. 141, and is effective for business combinations that close after January 1, 2009. The Company anticipates that SFAS No. 141R could materially affect the allocation of components of assets in future acquisitions and will require the expensing of certain closing costs; however, the effect on the Company cannot be currently quantified. The Company consolidates various ventures that are involved in the ownership and/or development of real estate and records the other partner's interest as a minority interest. In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which will result in amounts formerly reflected as minority interests to be classified as noncontrolling interests, in addition to different accounting requirements for these interests. The Company adopted SFAS No. 160 on January 1, 2009. During 2008, certain revisions were also made to Emerging Issues Task Force (EITF) D-98, *Classification and Measurement of Redeemable Securities*, which clarified that certain minority interests with redemption provisions which are outside the Company's control, commonly referred to as redeemable minority interests, were within the scope of EITF D-98. Certain venture agreements contain provisions which require the Company to purchase the minority partner's interest at fair value, upon demand on or after a future date. The Company estimated the maximum redemption value of these interests at December 31, 2008 and disclosed such on the accompanying Consolidated Balance Sheet. Upon adoption of SFAS No. 160, and in conjunction with the requirements of EITF D-98, an adjustment for the fair value of redeemable minority interests will be required. This adjustment will ultimately increase the carrying value of redeemable minority interests to the redemption value with a

corresponding charge to equity. Under EITF D-98, the Company will have a choice of either (1) accreting redeemable minority interest to its redemption value over the redemption period or (2) recognizing changes in the redemption value immediately as they occur. The Company anticipates utilizing the second approach and estimates the amount which will be recorded effective January 1, 2009 in equity will be approximately \$1.0 million.

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Results of Operations For The Three Years Ended December 31, 2008.

General. The Company's financial results have been significantly affected by sale transactions and the fees generated by, and start-up operations of, major real estate developments. These types of transactions and developments do not necessarily recur. Accordingly, the Company's historical financial statements may not be indicative of future operating results.

Rental Property Revenues. Summary. Rental property revenues increased approximately \$34.7 million (31%) between 2008 and 2007, and \$27.6 million (32%) between 2007 and 2006.

Comparison of Year Ended December 31, 2008 to 2007.

Rental property revenues of the office portfolio increased approximately \$26.4 million between 2008 and 2007 as a result of the following:

Increase of \$14.0 million due to the second quarter 2007 opening of Terminus 100;

Increase of \$4.5 million related to the American Cancer Society Center (the ACS Center) where 2008 average economic occupancy increased;

Increase of \$3.2 million related to 191 Peachtree Tower where 2008 average economic occupancy increased;

Increase of \$2.5 million related to One Georgia Center, where 2008 average economic occupancy increased;

Increase of \$820,000 related to the four North Point office properties, where the average economic occupancy increased in 2008; and

Increase of \$544,000 related to Lakeshore Park Plaza and 600 University Park Place where the 2008 average economic occupancy increased.

Rental property revenues from the retail portfolio increased approximately \$8.0 million between 2008 and 2007 as a result of the following:

Increase of \$1.3 million related to increased average economic occupancy in 2008 at San Jose MarketCenter;

Increase of \$4.1 million related to The Avenue Forsyth, which opened in April 2008;

Increase of \$1.6 million related to Tiffany Springs MarketCenter, which opened in July 2008; and

Increase of \$988,000 related to The Avenue Webb Gin where the 2008 average economic occupancy increased.

Rental property revenues from the industrial portfolio increased approximately \$328,000 due to the first quarter 2007 opening of the first building at Lakeside Ranch Business Park.

Comparison of Year Ended December 31, 2007 to 2006.

Rental property revenues of the office portfolio increased approximately \$27.1 million between 2007 and 2006 as a result of the following:

Increase of \$12.8 million related to the third quarter 2006 purchase of the Company's remaining interest in 191 Peachtree Tower;

Increase of \$6.1 million related to increases in average economic occupancy in 2008 at the ACS Center, 100 North Point Center East, 200 North Point Center East, 600 University Park Place, and Lakeshore Park Plaza;

Increase of \$7.0 million due to the second quarter 2007 opening of Terminus 100;

Increase of \$866,000 related to the second quarter 2007 acquisition of the 221 Peachtree Center Avenue Garage; and

Increase of \$680,000 related to the third quarter 2006 purchase of Cosmopolitan Center.

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Rental property revenues from the retail portfolio decreased approximately \$2.1 million between 2007 and 2006 as a result of the following:

Decrease of \$12.6 million related to the contribution of five retail properties to a venture with an affiliate of Prudential. Upon venture formation in 2006, the Company began accounting for the properties on the equity method;

Increase of \$5.7 million related to the third quarter 2006 opening of The Avenue Webb Gin;

Increase of \$3.5 million related to the first quarter 2006 opening of San Jose MarketCenter and increased average economic occupancy; and

Increase of \$1.2 million related to the lease up of The Avenue Carriage Crossing.

Rental property revenues from the Industrial Division increased approximately \$2.0 million 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 \$10.5 million (23%) from 2008 to 2007 as a result of the following:

Increase of \$2.6 million related to the opening of Terminus 100;

Increase of \$1.9 million due to the openings of The Avenue Forsyth and Tiffany Springs MarketCenter;

Increase of \$2.9 million related to the increased occupancy at 191 Peachtree Tower, the ACS Center and One Georgia Center;

Increase of \$1.2 million related to the increased occupancy at San Jose MarketCenter and The Avenue Webb Gin;

Increase of \$636,000 from the 2007 acquisition of the 221 Peachtree Center Avenue Garage and increased occupancy at the four North Point office properties, 600 University Park Place and Lakeshore Park Plaza; and

Increase of \$820,000 from the Company's industrial portfolio, which includes several recently developed and opened properties.

Rental property operating expenses increased \$12.2 million (36%) between 2007 and 2006 as a result of the following:

Increase of \$11.6 million 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 purchases of Cosmopolitan Center and the interests in the 191 Peachtree Tower office building;

Increase of approximately \$3.3 million due to increased leasing at the ACS Center between 2007 and 2006 and to a change in accounting for certain tenant reimbursements at this building;

Increase of approximately \$356,000 related to the second quarter 2007 acquisition of 221 Peachtree Center Avenue Parking Garage; and

Decrease of \$3.5 million as a result of the formation of the venture with Prudential.

Fee Income. Fee income is comprised of management fees, development fees and leasing fees, which the Company performs for joint ventures in which it has an ownership interest and third party property owners. These amounts vary by years, due to the number of contracts with ventures and third party owners and the development and leasing needs at the underlying properties. Amounts are expected to continue to vary in future years based on volume and composition of activities at the underlying properties.

Fee income increased \$11.3 million between 2008 and 2007. The increase in fee income between years is primarily the result of the receipt of a \$13.5 million development fee in the third quarter of 2008. This fee was earned on a contract the Company assumed in an acquisition of an entity several years ago. Pursuant to the contract,

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the Company shares in the proceeds over cost from the sale of a building that the prior entity developed in Texas. This building was sold in the third quarter 2008 for cash and a note from the buyer. The fee recognized represents the Company's share of the cash proceeds. As the buyer makes payments on the note, the Company will share in these payments and anticipates recognizing additional fee income in future periods. Partially offsetting the increase was a decrease of \$908,000 in development fees related to amounts the Company paid and was reimbursed on behalf of the Ft. Gillem contract. The Company recognized these fees in 2007 and none in 2008, as this contract was assumed by Weeks Robinson when the Company exited the Industrial development business. Also partially offsetting the increase was a decrease of \$1.6 million in leasing fees earned in 2007 due to changes in the level of rollover and activity at the underlying properties for which the Company performs leasing services. Management fees, including expense reimbursements, fluctuate as contracts are gained and lost, and did not change significantly between 2008 and 2007. Fee income did not change significantly between 2007 and 2006.

Multi-Family Residential Sales and Cost of Sales and Impairment Loss. In 2008, the Company substantially completed construction and closed the sales of 13 units at its 10 Terminus Place multi-family residential project in Atlanta, Georgia. All of these sales were recognized using the completed contract method as outlined in SFAS No. 66. This caused the increase in sales and cost of sales between 2008 and 2007. Given the current state of the multi-family residential market in Atlanta, the Company cannot predict with certainty the timing of closing or pricing for the remaining units at 10 Terminus Place. While management believes that the 10 Terminus Place units are well-positioned from a pricing and quality standpoint, many factors, including the ability of buyers to obtain financing on favorable terms, will affect the remaining unit sales. The Company reviewed 10 Terminus Place in the fourth quarter of 2008, when construction was substantially complete, for impairment indicators. Management determined that impairment indicators were present. This resulted in the Company recording an impairment loss of \$2.1 million, which adjusted the cost basis of 10 Terminus Place to fair value.

In 2006, the Company recognized sales and cost of sales at its 905 Juniper condominium project in midtown Atlanta, Georgia. All of the units remaining in that project closed in 2006, which caused the decrease in sales and cost of sales between 2007 and 2006. Revenue and cost of sales were recognized using the percentage of completion method as outlined in SFAS No. 66 for certain units which qualified, while other units were accounted for on the completed contract method.

Residential Lot and Outparcel Sales and Cost of Sales. Residential lot and outparcel sales decreased \$3.0 million (30%) between 2008 and 2007 and decreased \$7.3 million (42%) between 2007 and 2006. Residential lot and outparcel cost of sales decreased \$4.0 million (52%) between 2008 and 2007 and \$4.9 million (39%) between 2007 and 2006, which is due partially to volume of sales and partially to fluctuations in gross profit percentages used to calculate the cost of sales for residential lot sales in certain of the residential developments.

Residential Lot Sales and Cost of Sales The Company's residential lot business consists of projects that are consolidated, for which income is recorded in the residential lot and outparcel sales and cost of sales line items, and projects that are owned through joint ventures in which the Company is a 50% partner with Temco and CL Realty, for which income is recorded in the income from unconsolidated joint ventures line item. Lot sales were as follows:

	2008	2007	2006
Consolidated projects	14	50	126
Temco	8	75	477
CL Realty	177	361	973
Total	199	486	1,576

Demand for residential lots is down significantly as a result of general market conditions and as a result of limited demand in the Company's and its ventures' principal markets in Texas, Florida and metropolitan Atlanta. Builders, the primary customers for such residential lots, have a general oversupply of inventory in the Company's markets and are working to reduce inventory levels before they consider buying additional lots. In addition, many home builders are experiencing serious financial difficulties in the current economic environment, and the recent changes in credit availability for home buyers and homebuilders have made it more difficult to obtain financing for purchasers. Management is closely monitoring market developments but is currently unable to predict when markets will improve. Management expects these market conditions to continue to negatively impact residential lot

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sales and have an adverse impact on the Company's results of operations until such time as the residential lot markets improve. Therefore, consistent with current market trends, the Company anticipates residential lot sales for 2009 and potentially beyond, like those for 2008, will be lower than those the Company experienced in 2006 and 2007, both at consolidated projects and at Temco and CL Realty.

Despite the economic downturn in the residential lot business, the Company recorded no impairment charges in its consolidated projects in 2008. On a quarterly basis, the Company analyzes its consolidated land and lot holdings in accordance with SFAS No. 144 by reviewing these assets for indicators of impairment. If there are indicators of impairment, the Company analyzes the projected undiscounted cash flows to be generated by assets as it considers substantially all of these assets to be held for use under SFAS No. 144. The Company also analyzes its investment in CL Realty and Temco in accordance with APB No. 18 to determine whether an impairment exists and, if so, whether such impairment is deemed to be temporary or other-than-temporary. In addition, the Company is exposed to its share of any impairment charge on any individual asset at CL Realty and Temco. An impairment was recognized at a residential project in CL Realty in 2008, the effect of which was \$325,000 for the Company. Given the continuing uncertainty in the residential market, there can be no guarantee that the Company will not record an impairment charge pursuant to SFAS No. 144 or APB No. 18 in the future.

Outparcel Sales and Cost of Sales Outparcel sales increased \$1.9 million between 2008 and 2007 and decreased \$3.8 million between 2007 and 2006. Outparcel cost of sales increased \$475,000 between 2008 and 2007 and decreased \$3.1 million between 2007 and 2006. There were three outparcel sales in 2008, two in 2007 and four in 2006.

Interest and Other Income Interest and other decreased \$2.3 million between 2008 and 2007 due to a decrease in termination fees of \$4.8 million. This decrease was partially offset by an increase in interest income of \$1.5 million due to an increase in notes receivable outstanding and an increase in other income of approximately \$1.0 million mainly due to the sale of certain miscellaneous assets. Interest and other increased \$5.1 million between 2007 and 2006, due to an increase in termination fees of \$4.6 million between those periods.

General and Administrative Expenses, including Reimbursed. General and administrative expenses increased \$643,000 (1%) between 2008 and 2007 as a result of the following:

Decrease of \$888,000 in reimbursed general and administrative expenses due to a slight decrease on average of third party and joint venture management contracts during 2008 compared to 2007;

Decrease of \$4.0 million for stock based compensation expense, due mainly to decreases in the fair value of the Company's restricted stock unit awards, where expense is tied to stock price, which decreased between December 31, 2007 and 2008, and to the fact there was not a stock option grant in 2008;

Decrease of \$2.5 million in bonus expense in 2008 compared to 2007, due to lower per-employee bonuses and fewer employees;

Decrease of \$626,000 in rent expense and moving costs, as the Company relocated its headquarters to a Company owned building in April 2007;

Decrease of \$4.1 million in capitalized salaries to development projects because the Company had fewer development projects underway in 2008 than it had in 2007;

Increase in charitable contributions of \$1.0 million in 2008 compared to 2007 as a result of the Company making a \$1.0 million payment to fund its corporate foundation in 2008; and

Increase of \$3.4 million in employee commissions due to the development fee recognized in 2008, as described in the fee income section above. The arrangement, which was in place at the time the Company acquired the predecessor company that was entitled to the development fee, called for a commission to an employee of 25% of any revenues earned.

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General and administrative expenses decreased \$782,000 (1%) between 2007 and 2006 as a result of the following:

Decrease of \$2.2 million in stock-based compensation expense, due mainly to the fair value of restricted stock units decreasing, as the Company's stock price declined between December 31, 2006 and 2007 and the value recorded is tied to stock price;

Increase of \$1.1 million in reimbursed general and administrative expenses, which is mainly comprised of salaries and benefits, due to an increase in the average balance of management contracts for third party properties between 2007 and 2006;

Increase of \$300,000 in salaries, bonus and benefits for non-reimbursed employees due to a general salary increase between years;

Decrease of \$867,000 in rent expense. In 2007, the Company relocated its corporate headquarters to 191 Peachtree Tower, which is 100% owned by the Company; and

Increase of approximately \$886,000 in professional fees, a large portion of which related to an increase in legal fees. The increased legal fees were related to additional work performed in order to comply with new SEC rules and regulations related to the proxy filing and an increase in legal fees related to potential venture formations and other projects.

Depreciation and Amortization. Depreciation and amortization increased \$13.1 million (33%) between 2008 and 2007 and \$9.0 million (29%) between 2007 and 2006. The 2008 increase was due to the following:

Increase of \$5.6 million related to the opening of Terminus 100;

Increase of \$4.2 million from the openings of The Avenue Forsyth and Tiffany Springs MarketCenter;

Increase of \$965,000 from the openings of several industrial properties-Lakeside Ranch Business Park, King Mill Distribution Park-Building 3B, and Jefferson Mill Business Park Building A;

Increase of \$1.3 million from increased amortization of tenant improvements due to the increased occupancy at the ACS Center, One Georgia Center, San Jose MarketCenter, and The Avenue Webb Gin; and

Increase of \$701,000 at the Avenue Carriage Crossing due to the write off of assets related to vacated tenants.

The 2007 increase was due to the following:

Increase of approximately \$13.0 million from the openings of 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; and

Decrease of approximately \$4.0 million from the formation of the venture with Prudential.

Interest Expense. Interest expense increased \$24.3 million between 2008 and 2007, due to the following:

Increase of approximately \$19.3 million related to mortgage notes payable executed during 2007 for Terminus 100, the ACS Center and San Jose MarketCenter;

Decrease of approximately \$3.8 million related to the Company's credit and other facilities due to lower average amounts drawn between 2008 and 2007; and

Decrease in capitalized interest of \$8.5 million between 2008 and 2007 associated with the completion of several properties in development or lease-up including Terminus 100, The Avenue Webb Gin, The Avenue Forsyth, Tiffany Springs MarketCenter, The Avenue Murfreesboro, and the 50 Biscayne and 10 Terminus Place multi-family projects, and the suspension of construction on certain residential projects that are wholly-owned or owned in joint ventures.

Interest expense decreased \$2.3 million (21%) between 2007 and 2006, due to the following:

Increase of \$4.4 million due to higher average borrowings on the Company's credit and term facilities;

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Increase of \$5.8 million in connection with the ACS Center, Terminus 100, and San Jose MarketCenter mortgage notes executed in 2007;

Decrease of \$7.4 million related to the repayment of the mortgage note related to the sale of Bank of America Plaza in 2006;

Decrease of \$1.5 million related to the mortgage assumption for The Avenue East Cobb contribution to the venture with Prudential; and

Increase of \$2.8 million in capitalized interest due to higher weighted average expenditures on development projects.

Loss on Extinguishment of Debt. In 2007, the Company charged \$446,000 to expense for unamortized loan closing costs related to the termination of its construction facility and a portion of costs related to the amendment of its credit facility.

Loss on extinguishment of debt of \$18.2 million in 2006 was comprised of defeasance charges related to the repayment of one note and a mark to market charge on the contribution of another note to a joint venture. CSC Associates, L.P. (CSC), of which the Company owns a 50% interest, sold Bank of America Plaza in the third quarter of 2006. This building was encumbered by a mortgage note payable, the proceeds of which had been loaned to the Company and, in turn, the Company was obligated in full on the debt. The Company repaid the debt upon sale of Bank of America Plaza and incurred a loss related to a defeasance fee paid to terminate the note and to write off of the unamortized closing costs totaling approximately \$15.4 million. The Company also incurred a loss on extinguishment of debt of approximately \$2.8 million related to the assumption of The Avenue East Cobb mortgage note payable by the venture formed with Prudential.

Other Expense. Other expense increased \$3.2 million between 2008 and 2007 and did not change significantly between 2007 and 2006. The 2008 increase was mainly due to an increase in predevelopment expenses as the Company charged costs related to certain predevelopment projects to expense, which it determined were no longer probable of being developed.

Benefit (Provision) for Income Taxes from Operations. Benefit for income taxes from operations increased approximately \$4.3 million between 2008 and 2007, and the provision for 2006 changed by \$8.6 million to a benefit of \$4.4 million in 2007. The benefits in 2008 and 2007 were due to pre-tax losses incurred at CREC, mainly from increases in interest expense at the taxable subsidiaries and reduced lot and tract sales. For 2008, these losses were partially offset by increases in joint venture income from CL Realty, Temco and TRG Columbus Development Venture, Ltd. (TRG), the venture that owns 50 Biscayne, compared to 2007, and to the \$13.5 million development fee discussed in the Fee Income section. The 2007 change was a result of a decrease in taxable income from the three joint ventures when compared to 2006.

Income from Unconsolidated Joint Ventures. (All amounts reflect the Company's share of joint venture income.) Income from unconsolidated joint ventures increased \$3.6 million between 2008 and 2007 and decreased \$167.0 million between 2007 and 2006. A detailed discussion by venture follows:

Income from TRG increased \$2.1 million between 2008 and 2007 and decreased \$10.5 million between 2007 and 2006. TRG recognized the majority of the revenue on condominium sales using the percentage of completion method. Most of the revenue related to the project was recognized in 2006, as a substantial portion of the construction activities took place in that year. In 2007, TRG recorded adjustments to decrease revenue

for units that management estimated would not close, and income from TRG decreased as a result. In 2008, substantially all of the condominium units closed and TRG recognized additional income related to these closings.

Income from CL Realty increased approximately \$1.9 million between 2008 and 2007 due to an increase in tract sales, an increase in forfeitures from escrow deposits and income recognized related to oil and gas lease payments. Income from lot sales decreased between the years, partially offsetting the 2008 increase. See the discussion in the Residential Lot and Outparcel Sales and Cost of Sales section above regarding the residential development business. Between 2007 and 2006, income decreased approximately \$5.5 million due to a decrease in the number of lots sold.

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Income from CP Venture Two LLC decreased approximately \$1.4 million between 2008 and 2007 primarily due to an increase in allowance for doubtful accounts and amortization of assets related to terminated retail tenants. Income between 2007 and 2006 did not significantly fluctuate.

Income from CSC decreased approximately \$142.1 million in 2007 compared to 2006 due to the sale of Bank of America Plaza, the single asset of this venture, in September 2006. The Company recognized a gain of approximately \$133.0 million from this sale in the third quarter of 2006.

Income from Temco did not change significantly between 2008 and 2007, although income from lot sales decreased, while land tract sales rose. See the discussion in the Residential Lot and Outparcel Sales and Cost of Sales section above regarding the residential development business. Income decreased approximately \$7.2 million between 2007 and 2006, due to the sale of 855 acres of land at the venture's Seven Hills project in 2006, which generated a gain of \$3.2 million, and to a decrease in the number of lots sold from 477 in 2006 to 75 in 2007.

Gain on Sale of Investment Properties. Gain on sale of investment properties, net of applicable income tax provision, was \$10.8 million, \$5.5 million and \$3.0 million in 2008, 2007 and 2006, respectively.

The 2008 gain included the following:

Sale of undeveloped land from the Company's North Point land holdings \$3.7 million;

Sale of undeveloped land adjacent to The Avenue Forsyth project \$3.9 million;

Sale of certain of the Company's non-real estate assets \$960,000;

Sale of undeveloped land from the Jefferson Mill project land holdings \$748,000;

Condemnation of land at Cosmopolitan Center \$618,000;

Sale of Company aircraft \$415,000;

The recurring amortization of deferred gain from CPV Venture, LLC (CPV) (See Note 4 of Notes to the Consolidated Financial Statements.) \$220,000; and

Land tract sale at the Cedar Grove residential development \$161,000.

The 2007 gain included the following:

Sale of undeveloped land near the Company's Avenue Carriage Crossing project \$4.4 million;

Sale of undeveloped land in the Company's Jefferson Mill project \$600,000; and

Recognition of a portion of the deferred gain at CPV, related to the sale of Mansell Crossing, plus recurring amortization of deferred gain \$500,000.

The 2006 gain included the following:

Sale of undeveloped land at The Lakes of Cedar Grove residential development \$200,000;

Sale of undeveloped land at the North Point/Westside mixed use project \$2.3 million; and

Recurring amortization of deferred gain from CPV \$500,000.

Discontinued Operations. SFAS No. 144 requires that certain office buildings and retail centers that were sold or plan to be sold be treated as discontinued operations and that the results of their operations and any gains on sales from these properties be shown as a separate component of income in the Consolidated Statements of Income for all periods presented. The differences between the 2008, 2007 and 2006 amounts are due to the number and type of properties included as discontinued operations in each year. The properties that qualified as discontinued operations were as follows:

2008

3100 Windy Hill Road

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3301 Windy Ridge Parkway

North Point Ground Leases 5 parcels

2006

Frost Bank Tower

The Avenue of the Peninsula

North Point Ground Leases 7 parcels

Funds From Operations. The table below 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 of America (GAAP)), excluding extraordinary items, cumulative effect of change in accounting principle and gains or losses from sales of depreciable property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures to reflect FFO on the same basis. The Company presented the NAREIT-defined calculation and also presented an adjusted NAREIT-defined calculation of FFO to add back the losses on extinguishment of debt recognized in 2006 in connection with the venture formation in June 2006 with Prudential and the sale of Bank of America Plaza in September 2006. The Company presented this additional measure of FFO because the losses on extinguishment of debt that the Company recognized related to a sale or an exchange of depreciable real estate, and all other amounts related to a sale or an exchange of depreciable real estate are excluded from FFO.

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 operating performance in part based 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 key employees. The reconciliation of net income available to common stockholders to funds from

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operations, both NAREIT-defined and as adjusted, is as follows for the years ended December 31, 2008, 2007 and 2006 (in thousands):

	Years Ended December 31,		
	2008	2007	2006
Net Income Available to Common Stockholders	\$ 7,590	\$ 17,672	\$ 217,441
Depreciation and amortization:			
Consolidated properties	52,925	39,796	30,824
Discontinued properties	486	846	12,866
Share of unconsolidated joint ventures	6,495	4,576	8,831
Depreciation of furniture, fixtures and equipment and amortization of specifically identifiable intangible assets:			
Consolidated properties	(3,724)	(2,768)	(2,911)
Discontinued properties	(19)	(25)	
Share of unconsolidated joint ventures	(79)	(5)	(12)
Gain on sale of investment properties, net of applicable income tax provision:			
Consolidated properties	(10,799)	(5,535)	(3,012)
Discontinued properties	(2,472)	(18,095)	(86,495)
Share of unconsolidated joint ventures		(1,186)	(135,618)
Gain on sale of undepreciated investment properties	10,611	13,161	14,348
Funds From Operations Available to Common Stockholders	61,014	48,437	56,262
Certain losses on extinguishment of debt			18,207
Funds From Operations Available to Common Stockholders, Excluding Certain Losses on Extinguishment of Debt	\$ 61,014	\$ 48,437	\$ 74,469
Weighted Average Shares	51,202	51,705	50,655
Diluted Weighted Average Shares	51,621	52,932	52,513

Liquidity and Capital Resources.**General.**

The Company's financing strategy is to fund its development activities with proceeds from bank credit facilities, construction and permanent loans secured by its properties, sales of mature assets, contribution of assets to joint ventures, and the issuance of preferred stock. The tightening of the credit markets, combined with the overall economic downturn in 2008 has made obtaining all forms of these sources of capital more difficult. Management believes that these adverse capital-raising conditions will continue in 2009 and is not able to predict when the market will become more favorable from a capital raising standpoint. The Company has low debt maturities within the next year and is, therefore, not dependent upon the capital markets to refinance maturing obligations in the near future. The conditions that have led to the tightening credit markets have also led to a decline in new development opportunities for the Company. Therefore, while the sources of funds have become limited, the Company's capital needs have also decreased. In 2008, the Company commenced no new development projects, and as a result, funds used for

development-related activities, including contributions to joint ventures, decreased from \$353.3 million in 2007 to \$235.9 million in 2008. With limited development activity anticipated in 2009, management believes that the Company will be able to fund commitments on its remaining development projects with cash on hand and with available capacity under its credit facility.

Table of Contents**Contractual Obligations and Commitments.**

At December 31, 2008, the Company was subject to the following contractual obligations and commitments (\$ in thousands):

	Total	Less than 1 Year	1-3 Years	3-5 Years	After 5 years
Contractual Obligations:					
Company long-term debt:					
Unsecured notes payable and construction loans	\$ 418,644	\$ 4,933	\$ 313,711	\$ 100,000	\$
Mortgage notes payable	523,595	2,267	147,380	226,094	147,854
Interest commitments under notes payable(1)	178,715	41,395	71,428	32,359	33,533
Operating leases (ground leases)	15,161	94	196	206	14,665
Operating leases (offices)	10,689	2,143	7,820	726	
Total Contractual Obligations	\$ 1,146,804	\$ 50,832	\$ 540,535	\$ 359,385	\$ 196,052
Commitments:					
Letters of credit	\$ 4,200	\$ 4,200	\$	\$	\$
Performance bonds	5,490	4,627	863		
Estimated development commitments	114,631	71,477	39,634	3,520	
Unfunded tenant improvements	3,065	3,065			
Total Commitments	\$ 127,386	\$ 83,369	\$ 40,497	\$ 3,520	\$

(1) Interest on variable rate obligations is based on rates effective as of December 31, 2008, including the effect of interest rate swaps.

Indebtedness

As of December 31, 2008, the Company had \$311.0 million drawn on its \$500 million Credit Facility. The amount available under the Credit Facility is reduced by outstanding letters of credit, which were approximately \$4.2 million at December 31, 2008. The Company's interest rate on the Credit Facility is variable based on LIBOR plus a spread based on certain of the Company's ratios and other factors, and is due periodically as defined by the Credit Facility. As of December 31, 2008, the spread over LIBOR for the Credit Facility was 0.95%.

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In June 2008, the Company repaid its 6.78% mortgage note secured by Lakeshore Park Plaza. In July 2008, the Company executed a new, non-recourse mortgage loan for \$18.4 million secured by the Lakeshore Park Plaza property. This loan matures August 1, 2012 and bears interest at 5.89%.

In 2007, the Company entered into an interest rate swap agreement with a notional amount of \$100 million in order to manage its interest rate risk under the Term Facility. This swap was designated as a cash flow hedge and effectively fixes the underlying LIBOR rate of the Term Facility at 5.01% through August 2012. The interest rate on the Term Facility is equal to LIBOR plus a spread, as defined by the term loan agreement. At December 31, 2008, the spread over LIBOR was 0.90%. The fair value of the interest rate swap agreement at December 31, 2008 was a liability of approximately \$11.8 million, which increased \$7.5 million since December 31, 2007 and is recorded in accounts payable and accrued liabilities and accumulated other comprehensive loss (OCL) on the Consolidated Balance Sheets.

Also, in 2008, the Company entered into two interest rate swap agreements with notional amounts of \$75 million each in order to manage interest rate risk associated with floating-rate, LIBOR-based borrowings. These swaps were designated as cash flow hedges and effectively fix a portion of the underlying LIBOR rate on Company borrowings one at 2.995% and the other at 2.69% through October 2010. The fair values of these interest rate swap agreements at December 31, 2008 were liabilities of approximately \$2.6 million and \$2.2 million, respectively, which are recorded in accounts payable and accrued liabilities and OCL on the Consolidated Balance Sheet.

From time to time, the Company enters into interest rate swaps to effectively manage its interest rate risk on certain variable debt instruments. Payments made or received under the interest rate swap agreements are recorded in interest expense on the Consolidated Statements of Income. The Company has not been utilizing the shortcut method of accounting for these instruments and follows the hypothetical derivative method as outlined in the Derivative Implementation Group's No. G7, *Cash Flow Hedges: Measuring the Ineffectiveness of a Cash Flow Hedge under Paragraph 30(b) when the Shortcut Method is not Applied*. Except for any portion of the swaps considered to be ineffective, the Company recognizes the change in value of the interest rate swaps in OCL, which is included in the equity section of the Consolidated Balance Sheets. Ineffectiveness is analyzed on a quarterly basis and would be recorded in interest expense in the Consolidated Statements of Income. In 2008 and 2007, there was no ineffectiveness under any of the Company's interest rate swaps.

The real estate and other assets of the ACS Center are restricted under the ACS Center loan agreement in that they are not available to settle debts of the Company. However, provided that the ACS Center loan has not incurred any uncured event of default, as defined in the loan agreement, the cash flows from the ACS Center, after payments of debt service, operating expenses and reserves, are available for distribution to the Company. In addition, under the terms of the San Jose MarketCenter mortgage note payable, the wholly-owned subsidiary which owns that center cannot guarantee the debt of any other entity, including the Company.

Future Capital Requirements

Over the long term, management expects the economy and credit markets to recover to the point that the Company will be able 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 expects to 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. Management will continue to evaluate all public equity sources, including the issuance of common and preferred stock and select the most appropriate options as capital is required. The Company anticipates filing a shelf registration statement in the near term to register securities available for issuance.

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 or not pursue development projects that may otherwise be profitable, either of which could have an adverse effect on the Company's financial position or results of operations.

Table of Contents***Additional Financial Condition Information***

The Company's mortgage debt is primarily non-recourse fixed-rate mortgage notes secured by various real estate assets. 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 December 31, 2008, the weighted average interest rate on the Company's consolidated debt was 4.62%, and the Company's consolidated debt to total market capitalization ratio was 54.29%.

Cash Flows from Operating Activities. Cash flows provided by operating activities increased \$26.9 million between 2008 and 2007. This increase is a result of higher cash flows from operating properties offset by an increase in interest paid. Additionally, operating distributions from unconsolidated joint ventures increased primarily as a result of distributions from TRG. Cash flows from operations for 2008 were also positively impacted by the receipt of \$8.1 million in income tax refunds. In addition, the change in accounts payable and accrued liabilities was \$5.0 million higher in 2008, because the Company elected to pay certain bonuses earned in 2008 in early 2009, which was a change in timing relative to prior years. Offsetting this was a \$2.2 million decrease related to a reduction in prepaid rents received at the end of 2008 compared to 2007 and to a decrease in accounts payable due to timing of vendor payments, which caused the overall decline in change in accounts payable and accrued liabilities.

Cash flows provided by operating activities decreased \$212.6 million between 2007 and 2006. The primary reason for the decrease was lower cash flows from certain properties which were sold or contributed to ventures in 2006. These decreases were partially offset by cash flows from the 2006 acquisition of 191 Peachtree Tower and the 2007 sale of land adjacent to The Avenue Carriage Crossing. In addition, the Company realized lower cash flows from sales of consolidated multi-family and residential projects as a result of the completion of the 905 Juniper project in 2006. The Company began construction of another multi-family project in the second quarter of 2007, 10 Terminus Place, thereby increasing multi-family development and acquisition expenditures.

Cash Flows from Investing Activities. Net cash used in investing activities decreased \$120.1 million between 2008 and 2007. The primary reason for the decrease was a \$124.8 million decrease in property acquisition and development expenditures due to a reduced level of development and construction activities. In addition, the Company expended \$11.3 million less on other assets, mainly due to a decline in predevelopment activity. The Company also received \$13.6 million fewer proceeds from property transactions in 2008 compared to 2007, which also contributed to the decrease in investing cash. The Company paid \$10.2 million more towards investments in joint ventures during 2008, primarily related to the funding of construction of the Palisades West joint venture, which partially offset the decrease.

Cash flows from investing activities decreased \$431.9 million between 2007 and 2006. Proceeds from investment property sales were higher in 2006 due to the sale of Frost Bank Tower, and proceeds from venture formation were higher due to the venture formed with Prudential in June 2006. Property acquisition and development expenditures were lower in the 2007 period primarily due to the 2006 purchases of Cosmopolitan Center for \$12.5 million and the Company's remaining interest in 191 Peachtree Tower for \$153.2 million. Also, distributions from unconsolidated joint ventures in excess of income decreased approximately \$72.3 million mainly due to 2006 distributions from CSC related to proceeds from the sale of Bank of America Plaza.

Cash Flows from Financing Activities. Cash flows from financing activities decreased \$88.2 million from 2008 to 2007. Proceeds from notes payable decreased \$407.4 million primarily due to the 2007 closings of the \$136.0 million mortgage loan collateralized by the ACS Center, the \$180.0 million Terminus 100 mortgage note, and the \$83.3 million San Jose mortgage loan. In 2008, the Company obtained new financing on its Lakeshore Park Plaza note for approximately \$18.4 million. Repayments of other notes payable decreased by \$13.7 million primarily due to the

repayment of the previous Lakeshore Park Plaza mortgage note in 2008 for \$8.7 million versus the repayment of \$22.4 million in 2007 related to the refinancing of its non-recourse mortgage note payable secured by the 100 and 200 North Point Center office buildings. Additionally, cash flows from financing activities decreased due to the repurchase of \$15.8 million in preferred stock in 2008, with no preferred stock repurchases in 2007. This decrease is partially offset by an increase in net borrowings of \$298.7 million on the Company's Credit Facility to fund development projects and the Company's cash reserves. Further offsetting this decrease was a decrease in

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common stock repurchases. The Company repurchased \$21.9 million in common stock in 2007, with no purchases in 2008.

Cash flows from financing activities increased \$648.5 million between 2007 and 2006. Borrowings increased in 2007 primarily from the closings of the above-mentioned mortgage notes. In addition, repayments in 2007 decreased due to the repayment of the note payable related to CSC in 2006. This increase was partially offset by the increase in repayments under the Company's Credit Facilities due to increased proceeds from the closings of the loans discussed above. Partially offsetting the increase was the repurchase of \$21.9 million in 2007 of common stock pursuant to the program approved by the Board of Directors in May 2006, compared to no repurchases in 2006.

Dividends. The Company paid common and preferred dividends of \$85.1 million and \$92.0 million in 2008 and 2007, respectively, which it funded with cash provided by operating activities, proceeds from investment property sales and/or venture formation, distributions from unconsolidated entities and proceeds from indebtedness. During 2006, the Company paid common and preferred dividends of \$266.2 million which it funded with cash provided by operating activities, distributions from joint ventures, investment property sales and proceeds from venture formation. For the foreseeable future, the Company intends to fund its quarterly distributions to common and preferred stockholders with cash provided by operating activities, proceeds from investment property sales, distributions from unconsolidated joint ventures, and indebtedness, if necessary.

The Company reviews, on a quarterly basis, the amount of the common dividend in light of current and projected future cash flows from the sources noted above, as well as requirements to maintain its REIT status. In addition, the Company has certain covenants under its Credit Facility which could limit the amount of dividends paid. In general, dividends of any amount can be paid as long as leverage, as defined in the facility, is less than 60% and the Company is not in default under its facility. Certain conditions also apply in which the Company can still pay dividends if leverage is above that amount. The Company routinely monitors the status of its dividend payments in light of the Credit Facility covenants.

Effects of Inflation.

The Company attempts to minimize the effects of inflation on income from operating properties by providing periodic fixed-rent increases or increases based on the Consumer Price Index and/or pass-through of certain operating expenses of properties to tenants or, in certain circumstances, rents tied to tenants' sales.

Other Matters.

The events of September 11, 2001 adversely affected the pricing and availability of property insurance. In particular, premiums increased and terrorism insurance coverage became harder to obtain. The availability of coverage has improved and, at this time, management believes that the Company and its unconsolidated joint ventures are adequately insured on all of their assets. While the Company's cost of property insurance coverage has increased, management believes the costs are currently reasonable and should not have a material impact on the Company's financial condition or results of operations in 2009. There can be no assurance that this situation will continue beyond 2009.

Off Balance Sheet Arrangements.

The Company has a number of off balance sheet joint ventures with varying structures, as described in Note 5 in the accompanying financial statements. At December 31, 2008, the Company's unconsolidated joint ventures had aggregate outstanding indebtedness to third parties of approximately \$442.0 million of which the Company's share was \$196.9 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. The unconsolidated joint ventures also had performance bonds which the Company guarantees totaling approximately \$2.3 million at December 31, 2008.

CF Murfreesboro Associates (CF Murfreesboro), one of the ventures in which the Company has an interest, constructed and owns a retail center. CF Murfreesboro has a \$131 million construction loan that matures on July 20,

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2010, of which the venture has drawn approximately \$109.9 million. The retail center under construction serves as primary collateral against the loan. The Company anticipates placing a mortgage note payable on this property upon maturity of the construction loan. However, the current credit markets are constrained and management cannot anticipate whether and on what basis the level of property financing will be available in 2010. In addition, the Company has a 20% repayment guarantee (\$26.2 million) that reduces to 12.5% (\$16.4 million) if certain leasing and financial performance criteria are met. The criteria have not been met as of December 31, 2008. At December 31, 2008, the Company had a liability of \$262,000 recorded related to this guarantee.

Another venture in which the Company has an interest, Terminus 200 LLC (T200), is developing and intends to operate an office building, along with ancillary retail and commercial space, in the Terminus project in Atlanta, Georgia. In 2007, T200 entered into a Building Loan Agreement with Wells Fargo Bank, N.A, as administrative agent for a group of other banks. The loan, with a maximum borrowing amount of \$138 million, will mature in 2011 with interest at LIBOR plus 1.65%, and will fund the construction of T200. The repayment of the loan, plus interest and expenses, is guaranteed equally by the two partners in the venture, limited to a principal amount of \$17.25 million each. At December 31, 2008, the Company had a liability \$173,000 recorded related to this guarantee. The Company also has a completion guarantee under the loan, for which the liability was estimated to be nominal. In addition, the Company is required to fund construction costs of T200 for amounts over certain limits, which it has determined is not probable, and the fair value of this guarantee is nominal.

A third venture in which the Company has an interest, Glenmore Garden Villas, LLC (Glenmore), was also formed in 2007 to develop a townhome project in Charlotte, North Carolina. Glenmore entered into two notes with a maximum available of \$13.5 million. Each of the two partners in Glenmore guarantee 50% of the payment of principal and interest on the loans described above, which totals a maximum liability to each partner of \$6.75 million. The fair value of this guarantee has been determined to be nominal.

Several of the remaining joint ventures in which the Company has an interest 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 intends to fund its share of the costs not funded by operations or outside financing. In addition, the Company may be required to fund operations for a limited period of time. 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 operations.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

The Company has both fixed and variable rate debt. The fixed rate debt obligations limit the risk of fluctuating interest rates, and generally are mortgage loans secured by certain of the Company's real estate assets. The Company is exposed to risk as these mortgages mature, and the Company seeks replacement mortgages. There has been significant tightening in the availability of credit in the market, and it is not known at this point when or if the market will change. However, the Company does not have a significant level of mortgage debt maturing in 2009. In 2010, the Company has two mortgage notes maturing; however, the more significant consolidated mortgage debt maturing in 2010, San Jose MarketCenter, has an option to extend its maturity for one year, under certain circumstances. Therefore, the Company has determined that it does not have significant exposure at this time due to the fluctuating and difficult credit market related to its existing mortgage notes. At December 31, 2008, the Company had \$531.2 million of fixed rate debt outstanding at a weighted average interest rate of 6.09% compared to \$523.6 million outstanding at a rate of 6.12% at December 31, 2007. The Company believes the average interest rate on its fixed rate mortgage debt is less than current market rates. In addition, the Company believes that the loan-to-value ratio that it has received in previous debt arrangements is higher than what the Company would be able to obtain in today's marketplace; and, therefore, it would receive a lower loan amount for a similar type property mortgage loan. In

addition, lenders have been resistant in the current market in some situations to offer mortgage financing at all, and therefore, the Company could have exposure in finding lenders willing to enter into new mortgage financings.

As of December 31, 2008, the Company had \$411.0 million of variable rate debt outstanding at a weighted average interest rate, using variable rates in effect today and the current spread on the facility, adjusted for interest

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rate swaps in effect, of 2.49% compared to \$152.6 million outstanding at a rate of 5.69% at December 31, 2007. The Company is exposed to the impact of interest rate changes through its variable rate Credit and Term Facilities. The Company has mitigated a portion of its exposure to interest rate risk by entering into interest rate swaps. In 2007, the Company mitigated its interest rate risk under its Term Facility by entering into an interest rate swap to fix this facility's base rate of LIBOR at 5.01%. In 2008, the Company entered into two \$75 million interest rate swaps against its floating-rate, LIBOR-based borrowings at 2.995% and 2.690%. All of these swaps are with Bank of America. The Company believes it has counterparty risk under these swaps, but such amount is limited. LIBOR decreased significantly between December 31, 2007 and December 31, 2008.

The Company estimates that the interest rates under current market conditions would be higher if it were to enter into similar financial instruments in today's market than the rates obtained on facilities closed in recent years. Most of the Company's variable rate debt pays a spread above a reference rate, which is typically LIBOR, which spread is calculated based on certain ratios detailed in the agreement. The Company believes the spread that it would incur above a variable reference rate would be higher if it entered into similar variable facilities in today's market than the spreads the Company is required to pay under the current facilities. The Company also may not obtain the same level of amounts available under such facilities. Based on the Company's average variable rate debt balances during 2008, interest expense, before capitalization to projects under development, would have increased by approximately \$2.8 million in 2008 if LIBOR interest rates had been 1% higher and if the Company did not have any interest rate swaps fixing its interest rate on certain instruments.

The following table summarizes the Company's market risk associated with notes payable as of December 31, 2008. It includes the principal amounts of the expected annual maturities, weighted average interest rates on those principal maturities and the fair values of the Company's fixed and variable rate notes payable. Fair value was calculated by discounting future principal payments at estimated rates at which similar loans would have been obtained at December 31, 2008. The information presented below should be read in conjunction with Note 3 of the Consolidated Financial Statements included in this Annual Report on Form 10-K. (The Company did not have a significant level of notes receivable at December 31, 2008, and the table does not include information related to notes receivable).

	Expected Year of Maturity						Total	Fair Value
	2009	2010	2011	2012	2013	Thereafter		
	(\$ in thousands)							
Notes Payable:								
Fixed Rate	\$ 7,200	\$ 107,488	\$ 42,603	\$ 224,054	\$ 2,040	\$ 147,854	\$ 531,239	\$ 506,823
Average Interest Rate	8.21%	6.17%	7.21%	6.03%	6.25%	5.69%	6.09%	
Variable Rate	\$	\$	\$ 311,000	\$ 100,000	\$	\$	\$ 411,000	\$ 397,234
Average Interest Rate(1)			1.39%	5.91%			2.49%	

(1) Interest rates on variable rate notes payable are equal to the variable rates in effect as of December 31, 2008, plus the applicable spread.

Item 8. Financial Statements and Supplementary Data

The Consolidated Financial Statements, Notes to Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm are incorporated herein on pages F-1 through F-39.

Certain components of quarterly net income (loss) available to common stockholders disclosed below differ from those as reported on the Company's respective quarterly reports on Form 10-Q. As discussed in Notes 2 and 8 to the Consolidated Financial Statements, gains and losses from the disposition of certain real estate assets and the related historical operating results were reclassified as Discontinued Operations for all periods presented. The following Selected Quarterly Financial Information (Unaudited) for the years ended December 31, 2008 and 2007

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should be read in conjunction with the Consolidated Financial Statements and notes thereto included herein (\$ in thousands, except per share amounts):

	First	Quarters Second Third (Unaudited)		Fourth
2008:				
Revenues	\$ 44,970	\$ 46,697	\$ 70,269	\$ 52,715
Income from unconsolidated joint ventures	2,817	2,239	3,497	1,168
Gain on sale of investment properties, net of applicable income tax provision	3,792	5,212	1,387	408
Income (loss) from continuing operations	6,060	7,064	11,220	(3,172)
Discontinued operations	(408)	(341)	(430)	2,554
Net income (loss)	5,652	6,723	10,790	(618)
Net income (loss) available to common stockholders	1,839	2,911	6,978	(4,138)
Basic income (loss) from continuing operations per common share	0.04	0.07	0.14	(0.13)
Basic net income (loss) per common share	0.04	0.05	0.14	(0.08)
Diluted income (loss) from continuing operations per common share	0.04	0.07	0.14	(0.13)
Diluted net income (loss) per common share	0.04	0.05	0.14	(0.08)

	First	Quarters Second Third (Unaudited)		Fourth
2007:				
Revenues	\$ 37,281	\$ 37,663	\$ 46,182	\$ 44,231
Income (loss) from unconsolidated joint ventures	3,708	4,101	(898)	(815)
Gain on sale of investment properties, net of applicable income tax provision	4,440	62	355	678
Income (loss) from continuing operations	10,401	4,477	2,197	(834)
Discontinued operations	7,819	(270)	9,464	(332)
Net income (loss)	18,220	4,207	11,661	(1,166)
Net income (loss) available to common stockholders	14,407	395	7,849	(4,979)
Basic income (loss) from continuing operations per common share	0.12	0.02	(0.03)	(0.09)
Basic net income (loss) per common share	0.28	0.01	0.15	(0.10)
Diluted income (loss) from continuing operations per common share	0.12	0.02	(0.03)	(0.09)
Diluted net income (loss) per common share	0.27	0.01	0.15	(0.10)

Other financial statements and financial statement schedules required under Regulation S-X are filed pursuant to Item 15 of Part IV of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

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Item 9A. 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 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 annual 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 (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). 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.

Report of Management on Internal Control Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with accounting principles generally accepted in the United States. Internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. The framework on which the assessment was based is described in "Internal Control - Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we concluded that we maintained effective internal control over financial reporting as of December 31, 2008.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Cousins Properties Incorporated:

We have audited the internal control over financial reporting of Cousins Properties Incorporated and subsidiaries as of December 31, 2008, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, including the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2008 of the Company and our report dated February 27, 2009 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
Atlanta, Georgia
February 27, 2009

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Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by Items 401 and 405 of Regulation S-K is presented in Item X in Part I above and is included under the captions "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Proxy Statement relating to the 2009 Annual Meeting of the Registrant's Stockholders, and is incorporated herein by reference. The Company has a Code of Business Conduct and Ethics (the "Code") applicable to its Board of Directors and all of its employees. The Code is publicly available on the "Investor Relations" page of its website site at www.cousinsproperties.com. Section 1 of the Code applies to the Company's senior executive and financial officers and is a "code of ethics" as defined by applicable SEC rules and regulations. If the Company makes any amendments to the Code other than technical, administrative or other non-substantive amendments, or grants any waivers, including implicit waivers, from a provision of the Code to the Company's senior executive or financial officers, the Company will disclose on its website the nature of the amendment or waiver, its effective date and to whom it applies. There were no amendments or waivers during 2008.

Item 11. Executive Compensation

The information under the captions "Executive Compensation" (other than the Committee Report on Compensation) and "Director Compensation" in the Proxy Statement relating to the 2009 Annual Meeting of the Registrant's Stockholders is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information under the captions "Beneficial Ownership of Common Stock" and "Equity Compensation Plan Information" in the Proxy Statement relating to the 2009 Annual Meeting of the Registrant's Stockholders is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information under the caption "Certain Transactions" and "Director Independence" in the Proxy Statement relating to the 2009 Annual Meeting of the Registrant's Stockholders is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information under the caption "Summary of Fees to Independent Registered Public Accounting Firm" in the Proxy Statement relating to the 2009 Annual Meeting of the Registrant's Stockholders has fee information for fiscal years 2008 and 2007 and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) 1. Financial Statements

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A. The following Consolidated Financial Statements of the Registrant, together with the applicable Report of Independent Registered Public Accounting Firm, are filed as a part of this report:

	Page Number
Report of Independent Registered Public Accounting Firm	F-2
Consolidated Balance Sheets December 31, 2008 and 2007	F-3
Consolidated Statements of Income for the Years Ended December 31, 2008, 2007 and 2006	F-4
Consolidated Statements of Stockholders Investment for the Years Ended December 31, 2008, 2007 and 2006	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2008, 2007 and 2006	F-6
Notes to Consolidated Financial Statements	F-7

2. **Financial Statement Schedule**

The following financial statement schedule for the Registrant is filed as a part of this report:

	Page Numbers
A. Schedule III - Real Estate and Accumulated Depreciation - December 31, 2008	S-1 through S-5

NOTE: Other schedules are omitted because of the absence of conditions under which they are required or because the required information is given in the financial statements or notes thereto.

(b) **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	Articles of Amendment to Restated and Amended Articles of Incorporation of the Registrant, as amended December 15, 2004, filed as Exhibit 3(a)(i) to the 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 and restated February 17, 2009, filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on February 20, 2009, and incorporated herein by reference.
4(a)	Dividend Reinvestment Plan as restated as of March 27, 1995, filed in the Registrant's Form S-3 dated March 27, 1995, and incorporated herein by reference.
10(a)(i)*	Cousins Properties Incorporated 1989 Stock Option Plan, as renamed the 1995 Stock Incentive Plan and approved by the Stockholders on May 6, 1996, filed as Exhibit 4.1 to the Registrant's Form S-8 dated December 1, 2004, and incorporated herein by reference.
10(a)(ii)*	Cousins Properties Incorporated 1999 Incentive Stock Plan, as amended and restated, approved by the Stockholders on May 6, 2008, filed as Annex B to the Registrant's Proxy Statement dated April 13, 2008, and incorporated herein by reference.
10(a)(iii)*	Cousins Properties Incorporated 2005 Restricted Stock Unit Plan, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K dated December 9, 2005, and incorporated herein by

reference.
10(a)(iv)* Amendment No. 1 to Cousins Properties Incorporated 2005 Restricted Stock Unit Plan, filed as Exhibit 10(a)(iii) to the Registrant's Form 10-Q for the quarter ended March 31, 2006, and incorporated herein by reference.

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10(a)(v)*	Form of Restricted Stock Unit Certificate (with Performance Criteria), filed as Exhibit 10(a)(iv) to the Registrant's Form 10-Q for the quarter ended March 31, 2006, and incorporated herein by reference.
10(a)(vi)*	Cousins Properties Incorporated 1999 Incentive Stock Plan Form of Key Employee Non-Incentive Stock Option and Stock Appreciation Right Certificate, amended effective December 6, 2007, filed as Exhibit 10(a)(vi) to the Registrant's Form 10-K for the year ended December 31, 2007 and incorporated herein by reference.
10(a)(vii)*	Cousins Properties Incorporated 1999 Incentive Stock Plan Form of Key Employee Incentive Stock Option and Stock Appreciation Right Certificate, amended effective December 6, 2007, filed as Exhibit 10(a)(vii) to the Registrant's Form 10-K for the year ended December 31, 2007 and incorporated herein by reference.
10(a)(viii)*	Cousins Properties Incorporated 2005 Restricted Stock Unit Plan Form of Restricted Stock Unit Certificate, filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K dated December 11, 2006, and incorporated herein by reference.
10(a)(ix)*	Amendment No. 2 to the Cousins Properties Incorporated 2005 Restricted Stock Unit Plan, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 18, 2006, and incorporated herein by reference.
10(a)(x)*	Cousins Properties Incorporated 2005 Restricted Stock Unit Plan Form of Restricted Stock Unit Certificate for Directors, filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 18, 2006, and incorporated herein by reference.
10(a)(xi)*	Form of Change in Control Severance Agreement, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 31, 2007, and incorporated herein by reference.
10(a)(xii)*	Amendment No. 1 to the Cousins Properties Incorporated 1999 Incentive Stock Plan, filed as Exhibit 10(a)(ii) to the Registrant's Form 10-Q for the quarter ended March 31, 2008, and incorporated herein by reference.
10(a)(xiii)*	Amendment No. 4 to the Cousins Properties Incorporated 2005 Restricted Stock Unit Plan dated September 8, 2008.
10(a)(xiv)*	Amendment No. 5 to the Cousins Properties Incorporated 2005 Restricted Stock Unit Plan dated February 16, 2009.
10(b)*	Consulting Agreement with Joel Murphy, dated as of December 5, 2008, including the Amendment Number One to the Form of Restricted Stock Unit Certificate (with Performance Criteria).
10(d)	Amended and Restated Credit Agreement, dated as of August 29, 2007, among Cousins Properties Incorporated as the Principal Borrower (and the Borrower Parties, as defined, and the Guarantors, as defined); Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer; Banc of America Securities LLC as Sole Lead Arranger and Sole Book Manager; Eurohypo AG, as Syndication Agent; PNC Bank, N. A., Wachovia Bank, N. A., and Wells Fargo Bank, as Documentation Agents; Norddeutsche Landesbank Girozentrale, as Managing Agent; Aareal Bank AG, Charter One Bank, N.A., and Regions Bank, as Co-Agents; and the Other Lenders Party Hereto, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 30, 2007, and incorporated herein by reference.
10(e)	Loan Agreement dated as of August 31, 2007, between Cousins Properties Incorporated, a Georgia corporation, as Borrower and JP Morgan Chase Bank, N.A., a banking association chartered under the laws of the United States of America, as Lender, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on September 7, 2007, and incorporated herein by reference.
10(f)	Loan Agreement dated as of October 16, 2007, between 3280 Peachtree I LLC, a Georgia limited liability corporation, as Borrower and The Northwestern Mutual Life Insurance Company, as Lender, filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 17, 2007, and incorporated herein by reference.
10(g)	

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Contribution and Formation Agreement between Cousins Properties Incorporated, CP Venture Three LLC and The Prudential Insurance Company of America, including Exhibit U thereto, filed as Exhibit 10.1 to the Registrant's Form 8-K filed on May 4, 2006, and incorporated herein by reference.

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10(h)	Form of Indemnification Agreement, filed as Exhibit 10.1 to the Registrant's Form 8-K dated June 18, 2007, and incorporated herein by reference.
11	Computation of Per Share Earnings. Data required by SFAS No. 128, Earnings Per Share, is provided in Note 2 of the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K and incorporated herein by reference.
12	Statement Regarding Computation of Earnings to Combined Fixed Charges and Preferred Dividends.
21	Subsidiaries of the Registrant.
23	Consent of Independent Registered Public Accounting Firm.
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 of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Indicates a management contract or compensatory plan or arrangement.

Filed herewith.

Table of Contents**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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
(Registrant)

Dated: February 27, 2009

BY: /s/ James A. Fleming

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Signature	Capacity	Date
/s/ Thomas D. Bell, Jr. Thomas D. Bell, Jr.	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 27, 2009
/s/ James A. Fleming James A. Fleming	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 27, 2009
/s/ John D. Harris, Jr. John D. Harris, Jr.	Senior Vice President, Chief Accounting Officer and Assistant Secretary (Principal Accounting Officer)	February 27, 2009
/s/ Erskine B. Bowles Erskine B. Bowles	Director	February 27, 2009
/s/ James D. Edwards James D. Edwards	Director	February 27, 2009
/s/ Lillian C. Giornelli Lillian C. Giornelli	Director	February 27, 2009
/s/ S. Taylor Glover	Director	February 27, 2009

S. Taylor Glover

/s/ James H. Hance, Jr.

Director

February 27, 2009

James H. Hance, Jr.

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Signature	Capacity	Date
/s/ William B. Harrison, Jr. William B. Harrison, Jr.	Director	February 27, 2009
/s/ Boone A. Knox Boone A. Knox	Director	February 27, 2009
/s/ William Porter Payne William Porter Payne	Director	February 27, 2009

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Cousins Properties Incorporated

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Cousins Properties Incorporated:

We have audited the accompanying consolidated balance sheets of Cousins Properties Incorporated and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders investment, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cousins Properties Incorporated and subsidiaries as of December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2009 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Atlanta, Georgia
February 27, 2009

Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**
(In thousands, except share and per share amounts)

	December 31,	
	2008	2007
ASSETS		
PROPERTIES:		
Operating properties, net of accumulated depreciation of \$182,050 and \$142,955 in 2008 and 2007, respectively	\$ 853,450	\$ 654,633
Projects under development	172,582	358,925
Land held for investment or future development	115,862	105,117
Residential lots	59,197	44,690
Multi-family units held for sale	70,658	
Total properties	1,271,749	1,163,365
CASH AND CASH EQUIVALENTS	82,963	17,825
RESTRICTED CASH	3,636	3,587
NOTES AND OTHER RECEIVABLES, net of allowance for doubtful accounts of \$2,764 and \$883 in 2008 and 2007, respectively	51,267	44,414
INVESTMENT IN UNCONSOLIDATED JOINT VENTURES	200,850	209,477
OTHER ASSETS	83,330	70,943
TOTAL ASSETS	\$ 1,693,795	\$ 1,509,611
LIABILITIES AND STOCKHOLDERS INVESTMENT		
NOTES PAYABLE	\$ 942,239	\$ 676,189
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	65,026	57,208
DEFERRED GAIN	171,838	171,931
DEPOSITS AND DEFERRED INCOME	6,485	5,997
TOTAL LIABILITIES	1,185,588	911,325
MINORITY INTERESTS (includes redeemable minority interests with a book value of \$2,981 and a maximum redemption amount of \$3,945 as of December 31, 2008)	40,520	45,783
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS INVESTMENT:		
Preferred stock, 20,000,000 shares authorized, \$1 par value:		
7.75% Series A cumulative redeemable preferred stock, \$25 liquidation preference; 2,993,090 and 4,000,000 shares issued and outstanding in 2008 and 2007, respectively	74,827	100,000
7.50% Series B cumulative redeemable preferred stock, \$25 liquidation preference; 3,791,000 and 4,000,000 shares issued and outstanding in 2008 and 2007,	94,775	100,000

respectively

Common stock, \$1 par value, 150,000,000 shares authorized, 54,922,173 and 54,850,505 shares issued in 2008 and 2007, respectively	54,922	54,851
Additional paid-in capital	368,829	348,508
Treasury stock at cost, 3,570,082 shares in 2008 and 2007	(86,840)	(86,840)
Accumulated other comprehensive loss	(16,601)	(4,302)
Cumulative undistributed net income (distributions in excess of net income)	(22,225)	40,286
TOTAL STOCKHOLDERS INVESTMENT	467,687	552,503
TOTAL LIABILITIES AND STOCKHOLDERS INVESTMENT	\$ 1,693,795	\$ 1,509,611

See notes to consolidated financial statements.

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Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(In thousands, except per share amounts)**

	Years Ended December 31,		
	2008	2007	2006
REVENUES:			
Rental property revenues	\$ 147,394	\$ 112,645	\$ 85,032
Fee income	47,662	36,314	35,465
Multi-family residential sales	8,444	20	23,134
Residential lot and outparcel sales	6,993	9,949	17,284
Interest and other	4,158	6,429	1,373
	214,651	165,357	162,288
COSTS AND EXPENSES:			
Rental property operating expenses	56,607	46,139	33,955
General and administrative expenses	42,174	40,643	42,536
Reimbursed general and administrative expenses	16,279	17,167	16,056
Depreciation and amortization	52,925	39,796	30,824
Multi-family residential cost of sales	7,330	(124)	19,403
Residential lot and outparcel cost of sales	3,776	7,809	12,751
Interest expense	33,151	8,816	11,119
Loss on extinguishment of debt		446	18,207
Impairment loss	2,100		
Other	6,049	2,822	2,809
	220,391	163,514	187,660
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES, MINORITY INTEREST AND INCOME FROM UNCONSOLIDATED JOINT VENTURES			
	(5,740)	1,843	(25,372)
BENEFIT (PROVISION) FOR INCOME TAXES FROM OPERATIONS			
	8,770	4,423	(4,193)
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES			
	(2,378)	(1,656)	(4,130)
INCOME FROM UNCONSOLIDATED JOINT VENTURES			
	9,721	6,096	173,083
INCOME FROM CONTINUING OPERATIONS BEFORE GAIN ON SALE OF INVESTMENT PROPERTIES			
	10,373	10,706	139,388
GAIN ON SALE OF INVESTMENT PROPERTIES, NET OF APPLICABLE INCOME TAX PROVISION			
	10,799	5,535	3,012

INCOME FROM CONTINUING OPERATIONS	21,172	16,241	142,400
DISCONTINUED OPERATIONS, NET OF APPLICABLE			
INCOME TAX PROVISION:			
Income (loss) from discontinued operations	(1,097)	(1,414)	3,796
Gain on sale of investment properties	2,472	18,095	86,495
	1,375	16,681	90,291
NET INCOME	22,547	32,922	232,691
DIVIDENDS TO PREFERRED STOCKHOLDERS	(14,957)	(15,250)	(15,250)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 7,590	\$ 17,672	\$ 217,441
PER COMMON SHARE INFORMATION BASIC:			
Income from continuing operations	\$ 0.12	\$ 0.02	\$ 2.51
Income from discontinued operations	0.03	0.32	1.78
Basic net income available to common stockholders	\$ 0.15	\$ 0.34	\$ 4.29
PER COMMON SHARE INFORMATION DILUTED:			
Income from continuing operations	\$ 0.12	\$ 0.02	\$ 2.42
Income from discontinued operations	0.03	0.31	1.72
Diluted net income available to common stockholders	\$ 0.15	\$ 0.33	\$ 4.14
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 1.36	\$ 1.48	\$ 4.88
WEIGHTED AVERAGE SHARES BASIC	51,202	51,705	50,655
WEIGHTED AVERAGE SHARES DILUTED	51,621	52,932	52,513

See notes to consolidated financial statements.

Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS INVESTMENT****Years Ended December 31, 2008, 2007 and 2006****(In thousands, except share amounts)**

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Unearned Compensation	Accumulated Other Comprehensive Loss	Cumulative Undistributed Net Income	Total
Balance December 31, 2005	\$ 200,000	\$ 53,357	\$ 321,747	\$ (64,894)	\$ (8,495)	\$	\$ 132,919	\$ 634,634
Net income							232,691	232,691
Transfer of unearned compensation to additional paid-in capital			(8,495)		8,495			
Common stock issued pursuant to: Exercise of options and grants under director stock plan		1,189	16,717					17,906
Shares withheld for taxes related to stock grants		(90)	(3,135)					(3,225)
Amortization of stock options and restricted stock, net of forfeitures		(17)	7,044					7,027
Gain on stock issuance at equity method investee			453					453
Income tax benefit from stock-based compensation			2,643				(15,250)	2,643 (15,250)

Preferred dividends paid							
Common dividends paid						(250,964)	(250,964)
Balance December 31, 2006	200,000	54,439	336,974	(64,894)		99,396	625,915
Net income						32,922	32,922
Other comprehensive loss					(4,302)		(4,302)
Total comprehensive income							28,620
Common stock issued pursuant to:							
Exercise of options and grants under director stock plan		373	5,683				6,056
Restricted stock grants, net of amounts withheld for taxes		43	(551)				(508)
Amortization of stock options and restricted stock, net of forfeitures		(4)	5,619				5,615
Income tax benefit from stock-based compensation			783				783
Preferred dividends paid						(15,250)	(15,250)
Common dividends paid						(76,782)	(76,782)
Purchase of treasury stock				(21,946)			(21,946)
Balance December 31, 2007	200,000	54,851	348,508	(86,840)	(4,302)	40,286	552,503
Net income					(12,299)	22,547	22,547
						(12,299)	(12,299)

Other comprehensive loss								
Total comprehensive income								10,248
Repurchase of preferred stock	(30,398)		14,557					(15,841)
Common stock issued pursuant to:								
Exercise of options and grants under director stock plan		105	1,771					1,876
Restricted stock grants, net of amounts withheld for taxes		(16)	(257)					(273)
Amortization of stock options and restricted stock, net of forfeitures		(18)	4,296					4,278
Income tax deficiency from stock-based compensation			(46)					(46)
Preferred dividends paid						(15,250)		(15,250)
Common dividends paid						(69,808)		(69,808)
Balance December 31, 2008	\$ 169,602	\$ 54,922	\$ 368,829	\$ (86,840)	\$	\$ (16,601)	\$ (22,225)	\$ 467,687

See notes to consolidated financial statements.

Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands, except per share amounts)**

	Years Ended December 31,		
	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 22,547	\$ 32,922	\$ 232,691
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Gain on sale of investment properties, net of income tax provision	(13,271)	(23,630)	(89,507)
Loss on extinguishment of debt		446	18,207
Impairment loss	2,100		
Depreciation and amortization	53,412	40,642	43,690
Amortization of deferred financing costs	1,587	1,127	1,938
Change in deferred income taxes	(9,185)	(637)	(631)
Stock-based compensation	4,726	5,615	7,044
Effect of recognizing rental revenues on a straight-line or market basis	(3,852)	(2,640)	(1,372)
Income from unconsolidated joint ventures less than (in excess of) operating distributions	14,030	1,620	(3,602)
Residential lot, outparcel and multi-family cost of sales, net of closing costs paid	10,681	7,326	31,566
Residential lot, outparcel and multi-family acquisition and development expenditures	(52,151)	(54,941)	(32,697)
Income tax deficiency (benefit) from stock compensation expense	46	(783)	(2,643)
Minority interest in income of consolidated entities	2,378	1,656	5,287
Changes in other operating assets and liabilities:			
Change in other receivables and other assets, net	7,230	(2,942)	11,470
Change in accounts payable and accrued liabilities	290	7,923	4,841
Net cash provided by operating activities	40,568	13,704	226,282
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from investment property sales	44,913	37,947	299,389
Proceeds from venture formation		20,550	297,295
Property acquisition and development expenditures	(159,131)	(283,966)	(460,913)
Investment in unconsolidated joint ventures	(24,603)	(14,413)	(23,747)
Distributions from unconsolidated joint ventures in excess of income	17,630	14,871	87,144
Investment in notes receivable, net	174	(4,159)	(1,283)
Change in other assets, net	(12,664)	(23,946)	(20,866)
Change in restricted cash	(49)	(763)	982
Net cash provided by (used in) investing activities	(133,730)	(253,879)	178,001

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from credit, term loan, and construction facilities	501,725	1,580,625	1,431,001
Repayment of credit and construction facilities	(243,325)	(1,620,925)	(1,396,136)
Payment of loan issuance costs	(320)	(4,710)	(2,151)
Defeasance costs paid			(15,443)
Proceeds from other notes payable or construction loans	18,401	425,779	11,481
Repayment of other notes payable or construction loans	(10,751)	(24,439)	(161,886)
Common stock issued, net of expenses	1,156	5,548	14,664
Repurchase of preferred stock	(15,841)		
Repurchase of common stock		(21,946)	
Income tax benefit (deficiency) from stock compensation expense	(46)	783	2,643
Common dividends paid	(69,808)	(76,782)	(250,964)
Preferred dividends paid	(15,250)	(15,250)	(15,250)
Contributions from minority partners	11	416	1,162
Distributions to minority partners	(7,652)	(2,637)	(21,202)
Net cash provided by (used in) financing activities	158,300	246,462	(402,081)
NET INCREASE IN CASH AND CASH EQUIVALENTS	65,138	6,287	2,202
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	17,825	11,538	9,336
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 82,963	\$ 17,825	\$ 11,538

See notes to consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of Business: Cousins Properties Incorporated (Cousins), a Georgia corporation, is a self-administered and self-managed real estate investment trust (REIT). Cousins Real Estate Corporation (CREC) is a taxable entity wholly-owned by and consolidated with Cousins. CREC owns, develops, and manages its own real estate portfolio and performs certain real estate related services for other parties.

Cousins, CREC and their subsidiaries (collectively, the Company) develop, manage and own office, multi-family, retail, industrial and land development projects. As of December 31, 2008, the Company s portfolio of real estate assets consisted of interests in 7.5 million square feet of office space, 4.7 million square feet of retail space, 2.0 million square feet of industrial space, 124 for-sale units in one completed multi-family project, interests in 25 residential communities under development or held for future development, approximately 9,500 acres of strategically located land tracts held for investment or future development, and significant land holdings for development of single-family residential communities. The Company also provides leasing and management services for approximately 13.8 million square feet of office and retail space owned by third parties.

Basis of Presentation: The Consolidated Financial Statements include the accounts of Cousins, its consolidated partnerships and wholly-owned subsidiaries and CREC and its consolidated subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

The Company evaluates all partnership interests or other variable interests to determine if the interest qualifies as a variable interest entity (VIE), as defined in Financial Accounting Standards Board (FASB) Interpretation No. 46R. If the interest represents a VIE and the Company is determined to be the primary beneficiary, the Company consolidates the assets, liabilities and results of operations of the VIE.

The Company has a joint venture with Callaway Gardens Resort, Inc. (Callaway) for the development of residential lots within The Callaway Gardens Resort outside of Atlanta, Georgia. The joint venture is considered to be a VIE, and the Company was determined to be the primary beneficiary. The project is anticipated to be funded fully through Company contributions, and Callaway has no obligation to fund any costs. Although the Company is contributing all of the equity to the venture, Callaway has the right to receive returns from the project, but absorbs no losses. The Company is the sole decision maker for the venture and the development manager. As of December 31, 2008, the VIE had total assets of \$12.5 million, which are consolidated in the Consolidated Balance Sheet at December 31, 2008, and no substantial liabilities.

Additionally, the Company holds a 50% ownership interest in Charlotte Gateway Village, LLC (Gateway), a VIE which owns and operates an office building complex in Charlotte, North Carolina. The Company is not the primary beneficiary, and its interest in Gateway is accounted for under the equity method. The Company s investment in Gateway was \$10.4 million at December 31, 2008, which is its maximum exposure. See Note 5 for further discussion of Gateway.

For entities that are not considered VIEs, the Company uses Statement of Financial Accounting Standards (SFAS) No. 94, *Consolidation of All Majority-Owned Subsidiaries*, Accounting Research Bulletin (ARB) No. 51, *Consolidated Financial Statements*, and Emerging Issues Task Force (EITF) No. 04-5, *Determining Whether a*

General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights, to determine the appropriate consolidation and presentation. Descriptions of each the Company's investments accounted for under the equity method are included in Note 5.

The Company recognizes Minority Interests on its Consolidated Balance Sheets for non-wholly-owned entities that the Company consolidates. The minority partner's share of current operations is reflected in Minority Interest in Income of Consolidated Subsidiaries on the Consolidated Statements of Income.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2. SIGNIFICANT ACCOUNTING POLICIES

Long-Lived Assets

Cost Capitalization: Costs related to planning, developing, leasing and constructing a property are capitalized and classified as Properties in the Consolidated Balance Sheets, in accordance with SFAS No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects*. These costs include costs of development personnel who work directly on projects under construction. These personnel costs are based on actual time spent on each project. The Company capitalizes interest to qualifying assets under development in accordance with SFAS No. 34, *Capitalization of Interest Costs*, and SFAS No. 58, *Capitalization of Interest Cost in Financial Statements that Include Investments Accounted for by the Equity Method*. The Company capitalizes interest based on average accumulated expenditures outstanding during the period and using first the interest incurred on specific project debt, if any, and next using the Company's weighted average interest rate for non-project specific debt. The Company also capitalizes interest to investments accounted for under the equity method when the investee has property under development with a carrying value in excess of the investee's borrowings. To the extent debt exists at the venture during the construction period, the venture capitalizes interest on that venture specific debt.

The Company capitalizes interest, real estate taxes and certain operating expenses on the unoccupied portion of recently completed properties from the date a project receives its certificate of occupancy, to the earlier of the date on which the project achieves 95% economic occupancy or one year thereafter.

The Company capitalizes leasing costs which include commissions paid to outside brokers and outside legal costs to negotiate and document a lease agreement. The Company capitalizes these costs as a cost of the tenant's lease and amortizes them over the related lease term. The Company capitalizes internal leasing costs utilizing guidance in SFAS No. 91, *Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*, based on actual time spent by leasing personnel on successful leases for initial direct leasing activities.

Impairment: The Company's long-lived assets are mainly its real estate assets, which include operating properties, projects under construction, land held, residential lots and multi-family units. The Company evaluates impairment of its real estate in accordance with SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. In accordance with SFAS No. 144, management reviews each of its long-lived assets for the existence of any indicators of impairment. If indicators of impairment are present for long-lived assets which are held for use, as defined in SFAS No. 144, the Company calculates the probability-weighted expected undiscounted future cash flows to be derived from such assets. If the undiscounted cash flows are less than the carrying amount of the real estate project, a fair value analysis is prepared, and the long-lived asset is reduced to its fair value. If a long-lived asset is considered held for sale, as defined in SFAS No. 144, the Company recognizes impairment losses if the fair value, net of selling costs, is less than its carrying value. During 2008, the Company recorded a \$2.1 million impairment loss on a condominium project that it completed in the fourth quarter 2008. Because it was complete as of December 31, 2008, the Company considered the asset to be held for sale and estimated its fair value using a discounted cash flow analysis. The impairment was the result of a slowdown in the condominium market that has caused the timing of sales and expected sales to extend beyond initial estimates. The Company recorded no impairment losses within its consolidated entities during 2007 or 2006.

The accounting for long-lived assets is the same within the Company's unconsolidated joint ventures. One of the Company's ventures recorded an impairment loss for a residential project in 2008; the Company's share of which was approximately \$325,000 and was recognized in income from unconsolidated ventures. No significant impairments were recorded by the Company's unconsolidated joint ventures in 2007 or 2006.

The Company evaluates impairment of its investments in unconsolidated joint ventures in accordance with Accounting Principles Board (APB) Opinion No. 18, *The Equity Method of Accounting for Investments in Common Stock* (APB No. 18). Pursuant to APB No. 18, the Company reviews its investment in unconsolidated

Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

joint ventures for any indicators of impairment. If an indicator is present, the Company estimates the fair value of the investment. If the carrying value of the investment in unconsolidated joint venture is greater than the estimated fair value, management makes an assessment of whether the impairment is temporary or other-than-temporary. In making this assessment, management utilizes guidance provided by Staff Accounting Bulletin (SAB) Topic 5M (Topic 5M). Topic 5M indicates that companies should consider the following in determining whether the impairment is temporary or other-than-temporary: (1) the length of time and the extent to which fair value has been less than cost, (2) the financial condition and near-term prospects of the entity, and (3) the intent and ability of the holder to retain its interest long enough for a recovery in market value. Management concluded that it did not have an other-than-temporary impairment in any of its investments in joint ventures in 2008, 2007 or 2006.

The Company evaluates impairment of its goodwill in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*. The Company does not amortize goodwill, but tests goodwill annually, at the same time each year (or at any point during the year if indicators of impairment exists), for impairment using a discounted cash flow analysis. The Company recorded no such impairments during 2008, 2007, or 2006. The Company's goodwill relates entirely to the office reporting unit. As office assets are sold, either by the Company or at its joint ventures, goodwill is allocated to the cost of each sale.

Acquisition of Operating Properties: The Company allocates the purchase price of operating properties acquired to land, building, tenant improvements and identifiable intangible assets and liabilities based upon relative fair values at the date of acquisition in accordance with SFAS No. 141, *Accounting for Business Combinations*. The Company assesses fair value based on estimated cash flow projections that utilize appropriate discount and/or capitalization rates, as well as available market information. Estimates of future cash flows are based on a number of factors including the historical operating results, known and anticipated trends, and market and economic conditions. The values assigned to the tangible assets of an acquired property are based on the market values for land and tenant improvements and an analysis of the fair value of the building as if it were vacant. Intangible assets can consist of above or below market tenant and ground leases, customer relationships or the value of in-place leases. The values of the above and below market tenant and ground leases are recorded within Other Assets or Accounts Payable and Accrued Liabilities, in the Consolidated Balance Sheets. Above or below market tenant leases are amortized into rental revenues over the individual remaining lease terms, and above or below market ground leases are amortized into ground rent expense over the remaining term of the associated lease. The value associated with in-place leases is recorded in Other Assets and amortized to depreciation and amortization expense over the expected term (see Note 10 for further detail on Intangible Assets). On operating properties it has acquired to date, the Company has not recorded any value to customer relationships. Tangible assets acquired are depreciated using the methodology detailed below in the Depreciation and Amortization section. In 2007, the FASB issued SFAS No. 141R, *Business Combinations*, which amended SFAS No. 141, effective for business combinations that close after January 1, 2009. The Company anticipates that SFAS No. 141R could materially affect the allocation of components of assets in future acquisitions, and will require the expensing of certain closing costs; however, the effect on the Company cannot be currently quantified.

Depreciation and Amortization: Real estate assets are stated at the lower of fair value or depreciated cost. Buildings are depreciated over their estimated useful lives, which range from 15-40 years. The life utilized depends upon a number of factors including whether the building was developed or acquired and the condition of the building upon acquisition. Furniture, fixtures and equipment are depreciated over their estimated useful lives of three to five years. Tenant improvements, leasing costs and leasehold improvements are amortized over the term of the applicable leases

or the estimated useful life of the assets, whichever is shorter. The Company accelerates the depreciation of tenant assets when it estimates that the lease term will be adjusted. This may occur if a tenant files for bankruptcy, vacates its premises or defaults in another manner on its lease. Deferred expenses are amortized over the period of estimated benefit. The Company uses the straight-line method for all depreciation and amortization.

Discontinued Operations: In addition to the impairment analyses guidance discussed above, SFAS No. 144 requires that the gains and losses from the disposition of certain real estate assets and the related historical results of

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operations of these disposed of or held-for-sale assets be included in a separate section, discontinued operations, in the statements of income for all periods presented. The Company considers operating properties sold or held for sale to be discontinued operations if the Company has no significant continuing involvement, as evaluated under EITF No. 03-13, *Applying the Conditions in Paragraph 42 of FASB Statement No. 144 in Determining Whether to Report Discontinued Operations*. The Company also ceases depreciation of a property when it is categorized as held for sale. See Note 8 for a detail of property transactions meeting these requirements.

Revenue Recognition

Rental Property Revenues: In accordance with SFAS No. 13, *Accounting for Leases*, the Company recognizes income from leases which include scheduled increases in rental rates over the lease term (other than scheduled increases based on the Consumer Price Index) and/or periods of free rent on a straight-line basis. The Company recognizes revenues from tenants for operating expenses that the Company incurs which may be billed back to the tenants pursuant to their lease agreements. These operating expenses include items such as real estate taxes, insurance and other property operating costs. During 2008, 2007 and 2006, the Company recognized \$29.6 million, \$20.6 million and \$11.5 million, respectively, in revenues for recoveries from tenants.

The Company makes valuation adjustments to all tenant-related revenue based upon its estimate of the likelihood of collectibility of amounts due from the tenant. The Company analyzes the tenant's credit and business risk, history of payment and other factors in order to aid in its assessment. The Company generally reserves revenues on specific tenants where rental payments or reimbursements are delinquent 90 days or more. Reserves may also be recorded for amounts outstanding less than 90 days if management deems the collectibility is highly questionable.

Fee Income: The Company recognizes development and leasing fees when earned in accordance with SAB No. 104, *Revenue Recognition*. The Company recognizes development and leasing fees received from unconsolidated joint ventures and related salaries and other direct costs incurred by the Company as income and expense based on the percentage of the joint venture which the Company does not own. Correspondingly, the Company adjusts the Investment in Unconsolidated Joint Venture asset when fees are paid to the Company by a joint venture in which the Company has an ownership interest. The Company amortizes these adjustments over a relevant period in income from unconsolidated joint ventures.

Under management agreements with both third party property owners and joint venture properties in which the Company has an ownership interest, the Company receives management fees, as well as expense reimbursements comprised primarily of on-site personnel's salaries and benefits. The Company expenses salaries and other direct costs related to these management agreements. The Company also obtains reimbursements for certain expenditures incurred under development agreements with both third party and joint venture entities. The Company records management and development fees and the related owed reimbursements in Fee Income on the Consolidated Statements of Income in the same period as the corresponding expenses are incurred, in accordance with EITF No. 99-19 *Reporting Revenue Gross as a Principal versus Net as an Agent*. Reimbursements from third party and unconsolidated joint venture management and development contracts were \$16.3 million, \$17.2 million and \$16.1 million for the years ended December 31, 2008, 2007 and 2006, respectively.

Multi-Family Residential Unit Sales: The Company recognizes sales and related cost of sales of multi-family residential units in accordance with SFAS No. 66, *Accounting for Sales of Real Estate*. Effective January 1, 2008, the

Company began accounting for multi-family residential unit sales also under the method as prescribed in EITF No. 06-8, *Applicability of the Assessment of a Buyer's Continuing Investment under FASB Statement No. 66, Accounting for Sales of Real Estate, for Sales of Condominiums*. This statement 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 project by applying paragraph 12 of SFAS No. 66 to the level and timing of deposits received on contracts for condominium sales. Management estimates profit percentages for the entire project and applies these percentages to each individual unit sale in a consistent manner. If the anticipated profit estimate changes during the

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

course of a project, the Company adjusts cost of sales prospectively to reflect the new metrics. The Company recognizes forfeited deposits in income as earned.

Residential Lot Sales: The Company recognizes sales and related cost of sales of developed lots to homebuilders in accordance with the criteria as outlined in SFAS No. 66. The majority of sales have been historically accounted for on the full accrual method. If a substantial continuing obligation exists related to the sale, the Company uses the percentage of completion method. If other criteria for the full accrual method are not met, the Company utilizes the appropriate revenue recognition policy as detailed in SFAS No. 66. Management estimates profit percentages for the entire project and applies these percentages to each individual lot sale in a consistent manner. If the anticipated profit estimate changes during the course of a project, the Company adjusts cost of sales prospectively to reflect the new metrics.

Gain on Sale of Investment Properties: The Company recognizes gain on sale of investment properties in accordance with the provisions of SFAS No. 66. SFAS No. 66 requires that the sale be consummated, the buyer's initial and continuing investment be adequate to demonstrate commitment to pay, any receivable obtained not be subject to future subordination and the usual risks and rewards of ownership be transferred. SFAS No. 66 also requires that the seller not have a substantial continuing involvement with the property. If the Company has a commitment to the buyer and that commitment is a specific dollar amount, this commitment is accrued and the gain on sale that the Company recognizes is reduced. If the Company has a construction commitment to the buyer, management makes an estimate of this commitment, defers a portion of the profit from the sale and recognizes the deferred profit as or when the commitment is fulfilled.

Income Taxes

Cousins has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the Code). To qualify as a REIT, Cousins must distribute annually at least 90% of its adjusted taxable income, as defined in the Code, to its stockholders and satisfy certain other organizational and operating requirements. It is management's current intention to adhere to these requirements and maintain Cousins' REIT status. As a REIT, Cousins generally will not be subject to federal income tax at the corporate level on the taxable income it distributes to its stockholders. If Cousins fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes at regular corporate rates (including any applicable alternative minimum tax) and may not be able to qualify as a REIT for four subsequent taxable years. Cousins may be subject to certain state and local taxes on its income and property, and to federal income taxes on its undistributed taxable income.

CREC, a C-Corporation for Federal income tax purposes, uses the liability method of accounting for income taxes. Deferred income tax assets and liabilities result from temporary differences. Temporary differences are differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future periods.

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Income Tax Uncertainties* (FIN 48). FIN 48 defines the threshold for recognizing tax return positions in the financial statements as those which are more-likely-than-not to be sustained upon examination by the taxing authority. FIN 48 also provides guidance on derecognition, measurement and classification of income tax uncertainties, along with any related interest and penalties, accounting for income tax uncertainties in interim periods and the level of disclosures associated with any

recorded income tax uncertainties. The Company adopted FIN 48 on January 1, 2007, and the effect of adoption of FIN 48 had no impact on its financial position or results of operations.

Stock-Based Compensation

The Company has several types of stock-based compensation plans which are described in Note 6. The Company adopted SFAS No. 123R, *Share-Based Payment*, on January 1, 2006, using the modified prospective method of adoption. This standard requires the recognition of compensation expense for the grant-date fair value of

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all share-based awards granted after the date the standard is adopted, and for the fair value of the unvested portion of awards issued prior to the date the standard is adopted.

The Company uses the Black-Scholes model to value its stock option grants and estimates forfeitures in calculating the expense related to stock-based compensation. In addition, SFAS No. 123R requires the Company to reflect the impact of tax deductions for stock based compensation as both a financing and an operating cash activity. The effect on operating and financing cash flows was an income tax deficiency of \$46,000 in 2008, and an income tax benefit of \$783,000 and \$2.6 million in 2007 and 2006, respectively.

The Company recognizes compensation expense arising from share-based payment arrangements (stock options, restricted stock and restricted stock units) granted to employees and directors in general and administrative expense in the Consolidated Statements of Income over the related awards' vesting period. The Company capitalizes a portion of share-based payment expense to projects under development in accordance with SFAS No. 67. Information for the Company's share-based payment arrangements for the years ended December 31, 2008, 2007 and 2006 is as follows (\$ in thousands, except per share amounts):

	2008	2007	2006
Expensed	\$ 4,168	\$ 7,903	\$ 9,983
Amounts capitalized	(851)	(2,150)	(2,945)
Effect of provision for income taxes	(419)	(441)	(349)
Effect on income from continuing operations and net income	\$ 2,898	\$ 5,312	\$ 6,689
Effect on basic earnings per share	\$ 0.06	\$ 0.10	\$ 0.13
Effect on diluted earnings per share	\$ 0.06	\$ 0.10	\$ 0.13

Earnings per Share (EPS)

Basic EPS represents net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS represents 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 reflects the potential dilution that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common stock outstanding. The income amounts used in the Company's EPS calculations are reduced for the effect of preferred dividends and are the same for both basic and diluted EPS. Share data is as follows (in thousands):

	2008	2007	2006
Weighted-average shares-basic	51,202	51,705	50,655
Dilutive potential common shares:			
Stock options	397	1,219	1,676

Restricted stock	22	8	182
Weighted-average shares-diluted	51,621	52,932	52,513
Anti-dilutive options at period end not included	3,987	972	952

Derivative Instruments

From time to time, the Company enters into interest rate swaps to effectively manage its interest rate risk on certain variable debt instruments. The Company accounts for its derivative instruments in accordance with SFAS No. 133,

Accounting for Derivative Instruments and Hedging Activities, as amended. The Company does not utilize the shortcut method of accounting for these instruments and follows the hypothetical derivative method as outlined in the Derivative Implementation Group's No. G7, *Cash Flow Hedges: Measuring the*

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Ineffectiveness of a Cash Flow Hedge under Paragraph 30(b) when the Shortcut Method is not Applied. Except for any portion of the swaps considered to be ineffective, the Company recognizes the change in value of the interest rate swaps in accumulated other comprehensive loss (OCL), which is included in the equity section of the Consolidated Balance Sheets. The Company records payments made or received under the interest rate swap agreements in interest expense on the Consolidated Statements of Income. The Company formally documents all relationships between hedging instruments and hedged items. The Company assesses, both at inception of the hedge and on an ongoing basis, whether the derivatives are highly effective in offsetting changes in the cash flows of the hedged items. In assessing the hedge, the Company uses standard market conventions and techniques such as discounted cash flow analysis, option pricing models and termination costs at each balance sheet date. All methods of assessing fair value result in a general approximation of value, and such value may never actually be realized. The Company analyzes ineffectiveness on a quarterly basis and records the effect of any ineffectiveness in interest expense in the Consolidated Statements of Income. See Note 3 for more details related to the Company's interest rate swaps.

Cash and Cash Equivalents and Restricted Cash

Cash and cash equivalents include cash and highly liquid money market instruments. Highly liquid money market instruments include securities and repurchase agreements with original maturities of three months or less, money market mutual funds and United States Treasury Bills with maturities of 30 days or less. Restricted cash primarily represents amounts restricted under debt agreements for future capital expenditures or for specific future operating costs, and deposits on multi-family unit contracts.

New Accounting Pronouncements

Fair Value Accounting: On January 1, 2008, the Company adopted SFAS No. 157, *Fair Value Measurements*, for financial assets and liabilities. SFAS No. 157 defines fair value as the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Depending on the nature of the asset or liability, the Company uses various valuation techniques and assumptions when estimating fair value. In accordance with SFAS No. 157, the Company applies the following fair value hierarchy:

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

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

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

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

liabilities. Nevertheless, certain assets and liabilities are not actively traded in observable markets and the Company must use alternative valuation techniques to derive a fair value measurement.

The carrying values of cash and cash equivalents, restricted cash and accounts receivable and payable included in the Consolidated Balance Sheet at December 31, 2008 approximate their fair values. See Note 3 for additional discussion of the fair value for interest rate swaps and notes payable, and Note 9 for additional discussion of the fair value for notes receivable. The adoption of SFAS No. 157 did not have a material impact on the Company's results of operations or financial condition.

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Accounting for Noncontrolling Interests: The Company consolidates various ventures that are involved in the ownership and/or development of real estate and records the other partner's interest as a minority interest. In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, which will result in certain amounts formerly reflected as minority interests to be classified as noncontrolling interests. In addition, SFAS No. 160 will apply different accounting requirements to these interests. The Company will adopt SFAS No. 160 on January 1, 2009. During 2008, the EITF made certain revisions to EITF D-98, *Classification and Measurement of Redeemable Securities*, which clarified that certain minority interests with redemption provisions which are outside the Company's control, commonly referred to as redeemable minority interests, were within the scope of EITF D-98. Certain venture agreements contain provisions which require the Company to purchase the minority partner's interest at fair value, upon demand on or after a future date. The Company estimated the maximum redemption value of these interests at December 31, 2008 and disclosed these amounts on the accompanying Consolidated Balance Sheet. Upon adoption of SFAS No. 160, and in conjunction with the requirements of EITF D-98, an adjustment for the fair value of redeemable minority interests will be required. This adjustment will ultimately increase the carrying value of redeemable minority interests to the redemption value with a corresponding charge to equity. Under EITF D-98, the Company will have a choice of either accreting redeemable minority interest to its redemption value over the redemption period or recognizing changes in the redemption value immediately as they occur. The Company anticipates utilizing the second approach and estimates that effective January 1, 2009, it will record approximately \$1.0 million in additional paid-in capital as a result.

Other

In periods prior to 2008, the Company included within general and administrative expenses amounts which are reimbursed to the Company by third parties or unconsolidated joint ventures under management contracts. Beginning in 2008, the Company segregated these reimbursed costs into a separate line item on the Consolidated Statements of Income, and prior period amounts have been revised to conform to the new presentation. The offset for the amounts received as reimbursement of these expenses is included in Fee Income within revenues in the accompanying Consolidated Statements of Income.

In 2008, the Company corrected certain amounts in the Consolidated Statement of Cash Flows for 2007 to properly reflect the treatment of a deposit paid towards the purchase of an asset and amounts paid for lease incentives. This correction resulted in an increase in net cash provided by operating activities of \$5.3 million from \$8.4 million, as previously reported, to \$13.7 million, as currently reported, and a corresponding increase of \$5.3 million in net cash used in investing activities from \$248.6 million, as previously reported, to \$253.9 million, as currently reported. These corresponding corrections were recorded in the other receivables and other assets, net, line item within cash flows from operating activities, and to other assets, net, within cash flows from investing activities. The Company does not believe that this change is material to the Company's consolidated financial statements for the year ended December 31, 2007.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and notes. Actual results could differ from those estimates.

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

Description	Interest Rate	Term/ Amortization Period (Years)	Maturity	Outstanding at December 31	
				2008	2007
Credit Facility (a maximum of \$500,000), unsecured	LIBOR + 0.75% to 1.25% Swapped rate of 5.01%	4/N/A	8/29/11	\$ 311,000	\$ 52,600
Term Facility (a maximum of \$100,000), unsecured	+ 0.70% to 1.20%	5/N/A	8/29/12	100,000	100,000
Terminus 100 mortgage note (interest only)	6.13%	5/N/A	10/1/12	180,000	180,000
The American Cancer Society Center mortgage note (interest only until October 1, 2011)	6.4515%	5/30	9/1/17	136,000	136,000
San Jose MarketCenter mortgage note (interest only)	5.60%	3/N/A	12/1/10	83,300	83,300
333/555 North Point Center East mortgage note	7.00%	10/25	11/1/11	28,102	28,862
Meridian Mark Plaza mortgage note	8.27%	10/28	9/1/10	22,757	23,196
100/200 North Point Center East mortgage note (interest only until July 1, 2010)	5.39%	5/30	6/1/12	25,000	25,000
The Points at Waterview mortgage note	5.66%	10/25	1/1/16	17,433	17,818
600 University Park Place mortgage note	7.38%	10/30	8/10/11	12,762	12,973
Lakeshore Park Plaza mortgage note	5.89%	4/25	8/1/12	18,241	8,785
King Mill Project I member loan (a maximum of \$2,849; interest only)	9.00%	3/N/A	8/29/11	2,711	2,703
King Mill Project I second member loan (a maximum of \$2,349; interest only)	9.00%	3/N/A	6/26/09	2,047	2,046
Jefferson Mill Project member loan (a maximum of \$3,156;	9.00%	3/N/A	9/13/09	2,652	2,601

interest only)

Other miscellaneous notes	Various	Various	Various	234	305
				\$ 942,239	\$ 676,189

In 2007, the Company entered into an Amended and Restated Credit Facility (Credit Facility), which provided for \$500 million in revolving credit and a \$100 million Term Facility. The maturity date of the Credit Facility is August 29, 2011, with an additional one-year extension at the Company s election. The Credit Facility may also be expanded an additional \$100 million under certain circumstances. The Term Facility matures August 29, 2012. Under the Credit and Term Facilities, the Company may borrow, at its option, funds at an interest rate calculated as (1) the greater of Bank of America s prime rate or 0.50% over the Federal Funds Rate or (2) the current LIBOR rate plus an applicable spread (which vary between the facilities). The Company intends to elect the LIBOR option throughout the duration of the Credit and Term Facilities. The Credit Facility includes customary events of default, including, but not limited to, the failure to pay any interest or principal when due, the failure to perform under covenants of the credit agreement, incorrect or misleading representations or warranties,

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insolvency or bankruptcy, change of control, the occurrence of certain ERISA events and certain judgment defaults. The amounts outstanding under the Credit Facility may be accelerated upon certain events of default. The Credit Facility contains restrictive covenants pertaining to the operations of the Company, including limitations on the amount of debt that may be incurred, the sale of assets, transactions with affiliates, dividends, and distributions. The Credit Facility also includes certain financial covenants (as defined in the agreement) that require, among other things, the maintenance of an unencumbered interest coverage ratio of at least 1.75, a fixed charge coverage ratio of at least 1.50, a leverage ratio of no more than 60%, unsecured debt ratio restrictions, and a minimum stockholders' equity of \$421.9 million plus 70% of future net equity proceeds.

In 2007, the Company entered into an interest rate swap agreement with a notional amount of \$100 million in order to manage its interest rate risk under the Term Facility. The Company designated this swap as a cash flow hedge, and this swap effectively fixes the underlying LIBOR rate of the Term Facility at 5.01%. At December 31, 2008, the spread over LIBOR was 0.90%. The fair value of the interest rate swap agreement at December 31, 2008 and 2007 was a liability of approximately \$11.8 million and \$4.3 million, respectively, and was recorded in accounts payable and accrued liabilities and OCL on the Consolidated Balance Sheets. In 2008, the Company entered into two interest rate swap agreements with notional amounts of \$75 million each in order to manage interest rate risk associated with floating-rate, LIBOR-based borrowings. The Company designated these swaps as cash flow hedges, and these swaps effectively fix a portion of the underlying LIBOR rate on \$150 million of Company borrowings at an average rate of 2.84%. The fair value of these interest rate swap agreements at December 31, 2008 was a liability of approximately \$4.8 million, which was recorded in accounts payable and accrued liabilities and OCL on the Consolidated Balance Sheet. In 2008 and 2007, there was no ineffectiveness under any of the Company's interest rate swaps. The fair value calculation for the swaps is deemed to be a Level 2 calculation under the guidelines as set forth in SFAS No. 157. The Company obtains a third party valuation utilizing estimated future LIBOR rates to calculate fair value.

The real estate and other assets of The American Cancer Society Center (the ACS Center) are restricted under the ACS Center loan agreement in that they are not available to settle debts of the Company. However, provided that the ACS Center loan has not incurred any uncured event of default, as defined in the loan agreement, the cash flows from the ACS Center, after payments of debt service, operating expenses and reserves, are available for distribution to the Company. In addition, under the terms of the San Jose MarketCenter mortgage note payable, the wholly owned subsidiary which owns that center cannot guarantee the debt of any other entity, including the Company.

In June 2008, the Company repaid its mortgage note secured by Lakeshore Park Plaza. In July 2008, the Company executed a new, non-recourse mortgage loan for \$18.4 million secured by the Lakeshore Park Plaza property. This loan matures August 1, 2012 and bears interest at 5.89%.

The aggregate maturities of the indebtedness of the Company at December 31, 2008 are as follows (\$ in thousands):

2009	\$ 7,200
2010	107,488
2011	353,603
2012	324,054
2013	2,040
Thereafter	147,854

\$ 942,239

The Company has availability under its Credit Facility and significant cash on hand. In addition, the credit facility can be extended for one year under certain circumstances, and the San Jose MarketCenter mortgage note also has a one year extension, under certain circumstances.

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In 2007, the Company charged \$446,000 to loss on extinguishment of debt for a portion of the unamortized loan closing costs related to the 2007 amendment of its credit facility. In 2006, the Company recorded a loss on extinguishment of debt of \$18.2 million for defeasance charges related to the repayment of one note payable and a mark to market charge on the contribution of another note payable to a joint venture. CSC Associates, L.P. (CSC), of which the Company owns a 50% interest, sold Bank of America Plaza in the third quarter of 2006. This building was encumbered by a mortgage note payable, the proceeds of which had been loaned to the Company and, in turn, the Company was obligated in full on the debt. The Company repaid the debt upon sale of Bank of America Plaza and incurred a loss related to a defeasance fee paid to terminate the note and to the unamortized closing costs totaling approximately \$15.4 million. The Company also incurred a loss on extinguishment of debt of approximately \$2.8 million related to the assumption of The Avenue East Cobb mortgage note payable by the venture formed with Prudential in 2006.

The Company had \$311.0 million drawn on its Credit Facility as of December 31, 2008 and, net of \$4.2 million reserved for outstanding letters of credit, the Company had \$184.8 million available for future borrowings under this facility. The Company had outstanding performance bonds totaling approximately \$5.5 million. The majority of the Company's debt is fixed-rate long-term mortgage notes payable, most of which is non-recourse to the Company. The 333 and 555 North Point Center East note payable, \$5.0 million of the Terminus 100 mortgage note payable, a portion of the miscellaneous notes, and the credit and term facilities are recourse to the Company, which in total equaled approximately \$444.1 million at December 31, 2008. Assets with carrying values of \$396.6 million were pledged as security on the \$498.1 million non-recourse debt of the Company. As of December 31, 2008, the weighted average maturity of the Company's consolidated debt was 3.9 years. As of December 31, 2008, outstanding commitments for the construction and design of real estate projects, including an estimate for unfunded tenant improvements at operating properties, totaled approximately \$117.7 million.

At December 31, 2008 and 2007, the estimated fair value of the Company's notes payable was approximately \$904.1 million and \$680.9 million, respectively, calculated by discounting future cash flows at estimated rates at which similar loans would have been obtained at December 31, 2008 and 2007. This fair value calculation is considered to be a Level 2 calculation under the guidelines as set forth in SFAS No. 157, as the Company utilizes market rates for similar type loans from third party brokers.

For the years ended December 31, 2008, 2007 and 2006, interest was recorded as follows (\$ in thousands):

	2008	2007	2006
Interest expensed	\$ 33,151	\$ 8,816	\$ 11,119
Interest capitalized	14,894	23,344	20,554
Total interest incurred	\$ 48,045	\$ 32,160	\$ 31,673

Lease Commitments Table

The Company has future lease commitments under ground leases and operating leases, including where the Company is the sublessee, for office space aggregating approximately \$25.9 million over weighted average remaining terms of 74.4 and 2.6 years, respectively. The Company recorded lease expense of approximately

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\$777,000, \$876,000, and \$2.1 million in 2008, 2007 and 2006, respectively. Amounts due under these lease commitments are as follows (\$ in thousands):

2009	\$ 2,237
2010	3,967
2011	4,049
2012	817
2013	115
Thereafter	14,665
	\$ 25,850

4. DEFERRED GAIN

The deferred gain of \$171.8 million and \$171.9 million at December 31, 2008 and 2007, respectively, arose from two transactions with affiliates of The Prudential Insurance Company of America (Prudential) discussed as follows:

CP Venture LLC (CPV)

In 1998, the Company and Prudential entered into an agreement whereby the Company contributed interests in certain operating properties it owned to a venture and Prudential contributed an equal amount of cash. The venture was structured such that the operating properties were owned by CP Venture Two LLC (CPV Two) and the cash was held by CP Venture Three LLC (CPV Three). Upon formation, the Company owned an effective interest in CPV Two of 11.5%, and an effective interest in CPV Three of 88.5%, with Prudential owning the remaining effective interests of each entity. The Company's effective interest in CPV Two was reduced to 10.4% in 2006. The Company accounts for its interest in CPV Two under the equity method (see Note 5), and the Company consolidates CPV Three. There is no minority interest on the Consolidated Balance Sheets as of December 31, 2008 for Prudential's ownership in CPV Three, as their capital and returns have been distributed.

The Company determined that the transaction qualified for accounting purposes as a sale of the properties to the venture pursuant to SFAS No. 66, although the gain was deferred because the legal consideration the Company received from this transaction was a controlling interest in CPV Three as opposed to cash. The majority of the original deferred gain related to CPV was recognized when sufficient cash was distributed. The deferred gain was \$4.8 million and \$4.9 million in 2008 and 2007, respectively. The Company will recognize the deferred gain as the underlying properties in CPV Two are depreciated or sold.

CP Venture IV Holdings LLC (CPV IV)

In 2006, the Company and Prudential entered into another set of agreements whereby the Company contributed interests in certain operating properties it owned to a venture, CPV IV, and Prudential contributed an equal amount of cash. The venture was structured such that the operating properties were owned by CP Venture Five LLC (CPV Five), and the cash was held by CP Venture Six LLC (CPV Six), both of which are wholly-owned by CPV IV. Upon

formation, the Company owned an effective interest in CPV Five of 11.5%, and an effective interest in CPV Six of 88.5%, with Prudential owning the remaining effective interests of each entity. The Company accounts for its interest in CPV Five under the equity method (see Note 5), and the Company consolidates CPV Six, with Prudential's share of the results recorded as minority interest. Prudential's minority interest in CPV Six totaled approximately \$36.9 million at December 31, 2008.

The Company contributed its interests in five properties valued initially at \$340.0 million, and Prudential contributed cash of \$300.0 million and assumed the mortgage debt valued at \$40.0 million on one of the contributed properties. In 2007, Prudential contributed an additional \$20.6 million to CPV IV as certain conditions were

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

satisfied with respect to the expansions of two of the contributed properties. The cash contributed by Prudential will be used by CPV Six primarily to develop commercial real estate projects or to make acquisitions of real estate. In 2008, the Company conveyed its interests in two retail centers which were under development to CPV Six. Prudential receives a priority current return of 6.5% per annum on an amount equal to 11.5% of its capital contributions to the venture, in addition to a liquidation preference. After these preferences, the Company is entitled to certain priority distributions related to the properties developed or acquired by CPV Six after which, the Company and Prudential share residual distributions, if any, with respect to cash flows from CPV Six, 88.5% to the Company and 11.5% to Prudential.

The Company determined that the transaction qualified for accounting purposes as a sale of the properties to the venture pursuant to SFAS No. 66. However, because the legal consideration the Company received from this transaction was a controlling interest in CPV Six as opposed to cash, the Company determined that the gain on the transaction should be deferred. The Company will reduce the deferred gain as properties are sold by CPV Five and as distributions above certain thresholds are made by CPV Six. The gain was included in Deferred Gain on the Company's Consolidated Balance Sheets and was calculated as 88.5% of the difference between the book value of the Properties and the fair value as detailed above. The balances in Deferred Gain related to this venture were approximately \$167 million at December 31, 2008 and 2007. This deferred gain may be recognized in future periods if cash distributed by CPV Six to the Company exceeds 10% of the aggregate value of the Properties. In February 2009, CPV Six distributed cash to its partners which exceeded the 10% threshold. Therefore, the Company expects the Deferred Gain will be recognized in income in 2009.

Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES**

The following information summarizes financial data and principal activities of unconsolidated joint ventures. The information included in the following table entitled Summary of Financial Position is as of December 31, 2008 and 2007. The information included in the Summary of Operations table is for the years ended December 31, 2008, 2007 and 2006 (\$ in thousands).

	Total Assets		Total Debt		Total Equity		Company's Investment	
	2008	2007	2008	2007	2008	2007	2008	2007
SUMMARY OF FINANCIAL POSITION:								
CP Venture IV LLC								
Properties	\$ 340,452	\$ 359,058	\$ 36,834	\$ 38,137	\$ 289,938	\$ 302,679	\$ 16,797	\$ 17,764
Charlotte Gateway								
Village, LLC	166,006	172,781	122,362	133,864	42,423	37,409	10,434	10,468
of Murfreesboro								
Associates	134,284	120,579	109,926	88,127	21,756	21,366	13,126	12,383
Palisades West LLC	131,505	44,526			74,440	37,429	38,757	19,106
Realty, L.L.C.	126,728	124,422	4,901	6,350	118,044	114,490	72,855	71,195
CP and CPV Two	101,820	107,384			100,519	105,615	3,420	3,944
Terminus 200 LLC	88,927	34,040	44,328	1,073	34,102	30,568	20,154	19,163
Emco Associates, LLC	61,832	63,504	3,198	3,397	58,262	59,042	29,799	30,508
Crawford Long CPI, LLC	37,225	39,847	50,661	51,558	(14,364)	(12,830)	(5,936)	(5,171)
of Peachtree Place								
Associates	24,138	25,502	27,871	28,373	(4,161)	(3,279)	(3,563)	(3,136)
Wildwood Associates	21,431	21,640			21,339	21,552	(1,581)	(1,474)
ARG Columbus Dev								
enture, Ltd.	11,087	108,448		5,128	4,714	63,945	1,179	28,081
Denmore Garden								
Illas LLC	9,985	3,197	7,990	1,596	1,167	1,200	1,134	874
of Mountain								
Builders, LLC	7,973	7,569	2,781	2,347	2,682	2,553	1,920	1,551
andy Road								
Associates, LLC	5,381	5,407	3,294	3,204	1,989	2,173	2,142	2,202
her	658	686			659	650	213	212
PI/FSP I, L.P.	6	3,188				3,137		1,600
SC Associates, LP		2,150				414		207

\$ 1,269,438 \$ 1,243,928 **\$ 414,146** \$ 363,154 **\$ 753,509** \$ 788,113 **\$ 200,850** \$ 209,477

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	Total Revenues			Net Income (Loss)			Company's Share of Net Income (Loss)		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
SUMMARY OF OPERATIONS:									
Venture IV LLC									
Properties	\$ 36,188	\$ 34,774	\$ 15,326	\$ 4,808	\$ 6,158	\$ 2,095	\$ 1,051	\$ 1,248	\$ 1,800
Charlotte Gateway Management, LLC	31,292	31,212	30,753	6,286	5,708	5,048	1,176	1,176	1,176
Murfreesboro Associates	9,970	1,780		389	(332)		36	(202)	
Madison West LLC	1,227	276		539	253	(21)	257	127	(12)
Realty, L.L.C.	8,315	7,393	24,922	6,780	3,374	11,144	2,882	998	6,400
CPV IV and CPV Two	19,882	20,259	20,546	9,156	23,252	15,577	955	2,401	1,700
minus 200 LLC	414			(12)	(386)		(6)	(193)	
Conoco Associates, C	6,426	8,305	46,796	940	256	15,574	543	161	7,300
Worthington Long CPI, C	11,309	10,752	10,512	1,626	1,477	1,176	807	693	500
Peachtree Place Associates	7,269	7,004	6,871	518	317	664	274	174	300
Wood Associates	1	8		(213)	(178)	(188)	(107)	(89)	(100)
CG Columbus Dev. Structure, Ltd.	57,645	8,756	96,737	7,435	275	27,494	1,892	(184)	10,300
Worthington Garden Associates LLC				(33)			(16)		
Mountain Builders, LLC	4,250	2,827	17,829	336	206	2,020	153	41	700
Worthington Road Associates, LLC		4	187	(237)	(350)	(344)	(120)	(175)	(200)
Mer Associates, L.L.C.			182	(157)	(95)	3,131	(28)	(34)	700
CPV I, L.P.	4,448			1,017	(54)	(46)	(33)	(21)	(100)
CPV Associates, L.P.	20	(11)	174	(3)	(49)	289,464	5	(25)	142,100
	\$ 198,656	\$ 133,339	\$ 270,835	\$ 39,175	\$ 39,832	\$ 372,788	\$ 9,721	\$ 6,096	\$ 173,000

CPV IV See Note 4 for further description. Upon formation of CPV IV in June 2006, the Company recorded its investment in CPV IV at an amount equal to 11.5% of its original cost basis in the CPV IV Properties. The Company recognized equity income from the operations of CPV Five beginning on the formation date based on its percentage interest in CPV Five. As of December 31, 2008, CPV Five owned five retail properties totaling approximately

1.2 million rentable square feet; three in suburban Atlanta, Georgia and two in Viera, Florida. CPV Five has a mortgage note payable secured by one property with a carrying value of \$36.8 million, a maturity of August 1, 2010 and an interest rate of 8.39%. The assets of the venture in the above table include a cash balance of approximately \$3.4 million at December 31, 2008.

Gateway Gateway is a joint venture between the Company and Bank of America Corporation (BOA) and owns and operates Gateway Village, a 1.1 million rentable square foot office building complex in downtown Charlotte, North Carolina. The project is 100% leased to BOA through 2016. Gateway's net income or loss and cash distributions are allocated to the members as follows: first to the Company so that it receives a cumulative compounded return equal to 11.46% on its capital contributions, second to BOA until it has received an amount equal to the aggregate amount distributed to the Company and then 50% to each member. The Company's total project return on Gateway is estimated to be ultimately limited to an internal rate of return of 17% on its invested capital. Gateway has a mortgage note payable with an original principal of \$190 million, a maturity of December 1, 2016 and an interest rate of 6.41%. The assets of the venture in the above table include a cash balance of approximately \$1.8 million at December 31, 2008.

CF Murfreesboro Associates (CF Murfreesboro) In 2006, the Company formed CF Murfreesboro, a 50-50 joint venture between the Company and an affiliate of Faison Associates, to develop The Avenue Murfreesboro, an 810,000 square foot retail center in suburban Nashville, Tennessee. The development of the center was financed mainly by a construction loan, with a maximum amount available of \$131 million, an interest rate of LIBOR plus 1.15% and a maturity date of July, 2010, with the retail center serving as collateral. Approximately \$109.9 million has been drawn on the construction loan as of December 31, 2008. In addition

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the Company has a repayment guarantee (equal to 20% of the maximum available) that reduces to 12.5% if certain leasing and financial performance criteria are met, which have not been met to-date. The Company recorded a liability of approximately \$262,000 representing the estimated fair value of the guarantee at the date of inception. The retail center partially opened in the fourth quarter of 2007, and remains in the lease-up phase as of December 31, 2008. The assets of the venture in the above table include cash and restricted cash balances of approximately \$7.0 million at December 31, 2008.

Palisades West LLC (Palisades) In 2006, the Company formed Palisades in which it holds a 50% interest, with Dimensional Fund Advisors (DFA) as a 25% partner and Forestar (USA) Real Estate Group (Forestar) as the other 25% partner. Upon formation, the Company contributed land and the other partners contributed an equal amount in cash. Palisades constructed and holds two office buildings totaling 373,000 square feet in Austin, Texas. One of the buildings contains 216,000 square feet, is 100% leased to DFA and opened in the fourth quarter of 2008. The other building contains 157,000 square feet, is 21% leased to Forestar and became partially operational in the fourth quarter of 2008. The assets of the venture in the above table include a cash balance of approximately \$5.3 million at December 31, 2008.

CL Realty, L.L.C. (CL Realty) CL Realty is a 50-50 joint venture between the Company and Forestar Realty Inc. and is in the business of developing and investing primarily in single-family residential lot projects. As of December 31, 2008, CL Realty was in various stages of development, either directly or through investments in joint ventures, on 15 residential projects, 10 of which are in Texas, two in Georgia and three in Florida. CL Realty sold 177, 361 and 973 lots in 2008, 2007, and 2006, respectively, and 7,632 lots remain to be developed and/or sold at December 31, 2008. The venture also sold 61, 10 and 134 acres of land in 2008, 2007 and 2006, respectively, and has interests in 559 remaining acres of land, which it intends to develop or sell as undeveloped tracts. The assets of the venture in the above table include a cash balance of approximately \$1.8 million at December 31, 2008. CL Realty has construction loans at various projects, detailed as follows (\$ in thousands):

Description (Interest Rate Base, if not fixed)	CL Realty s			Rate End of Year
	Total Debt	Ownership Percentage	Maturity Date	
CL Realty:				
Consolidated:				
Summer Lakes (Prime + 1.5%)	\$ 2,481	100%	2/22/2009	4.75%
McKinney Village Park (LIBOR + 2.25%)	1,195	100%	3/28/2009	2.69%
Waterford Park (Prime + 1.5%)	1,225	100%	5/8/2009	4.75%
TOTAL	\$ 4,901			
Joint Ventures:				
Blue Valley (Prime)	22,960	25%	9/30/2009	3.25%
Long Meadow Farms (Prime)	1,812	37.5%	9/8/2009	3.25%

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Stonewall Estates (Prime)	3,075	50%	5/31/2010	3.25%
TOTAL	\$ 27,847			

CL Realty has received a verbal commitment from the lender to extend the maturity date of the Summer Lakes loan. If the loan is not extended, the loan will be repaid using cash on hand at the venture and/or partner contributions. CL Realty intends to refinance the remaining loans due in 2009 or obtain partner contributions to repay.

CPV and CPV Two As discussed in Note 4 above, the Company and Prudential formed CPV and CPV Two to own and operate certain retail and office properties. Through December 29, 2006, the Company owned an effective 11.5% interest in the properties owned by CPV Two. At December 29, 2006, the Company's effective

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ownership in CPV Two decreased to 10.4%, while Prudential's increased to 89.6%. As of December 31, 2008, CPV Two owned one office building totaling 69,000 rentable square feet and three retail properties totaling approximately 934,000 rentable square feet. The assets of the venture in the above table include a cash balance of approximately \$1.2 million at December 31, 2008.

In 2006, CPV Two sold an office building to an unrelated third party for approximately \$22.8 million, and recorded a gain on this sale of approximately \$6.4 million. In 2007, CPV Two sold a retail center to an unrelated third party for approximately \$20.9 million and recorded a gain on this sale of approximately \$11.8 million. The Company recorded its share of the gains through Income from Unconsolidated Joint Ventures.

Terminus 200 LLC (T200) In 2007, the Company formed T200, a 50-50 joint venture with an affiliate of Prudential. While each partner has a 50% interest in T200, cash flows may be allocated according to varying percentages based on certain performance criteria of the project, with the Company having a potentially higher percentage. T200 was formed for the purpose of developing and owning an office building, along with ancillary retail and commercial space, in the Terminus project in Atlanta, Georgia. Upon formation, T200 entered into a \$138 million construction loan to fund construction, at an interest rate of LIBOR plus 1.65% and a maturity in 2011, on which \$44.3 million had been drawn as of December 31, 2008. If certain criteria are met, the loan may be extended for two, one-year renewal terms. The repayment of the loan is guaranteed equally by the two partners, limited to a principal amount of \$17.25 million each. The Company recorded a liability of \$173,000 representing the estimated fair value of the guarantee at the date of inception. The Company also has a completion guarantee under the loan, for which the liability was estimated to be nominal. In addition, the Company is required to fund construction costs to T200 for amounts over certain limits, which it has determined is not probable, and the fair value of this guarantee is estimated to be nominal.

Temco Associates, LLC (Temco) Temco is a 50-50 joint venture between the Company and Forestar Realty Inc. As of December 31, 2008, Temco was in various stages of development, either directly or through investments in joint ventures on four single-family residential communities in Georgia with 1,554 total projected lots remaining to be developed and/or sold. During 2008, 2007 and 2006, Temco sold 8, 75 and 477 lots, respectively. Temco sold 487, 130 and 1,088 acres of land during 2008, 2007 and 2006, respectively, and has interests in 5,954 remaining acres of land, which it intends to develop or sell as undeveloped tracts. Temco has debt of \$3.2 million secured by the golf course at one of its residential developments. This debt matures March 2009 and carries an interest rate of 7.98%. Temco expects to refinance or repay the loan with partner contributions when due.

Crawford Long CPI, LLC (Crawford Long) Crawford Long is a 50-50 joint venture between the Company and Emory University and owns the Emory University Hospital Midtown Medical Office Tower, a 358,000 rentable square foot medical office building located in Midtown Atlanta, Georgia. Crawford Long has a mortgage note payable with an original principal of \$55 million, a maturity of June 1, 2013 and an interest rate of 5.9%. Loan proceeds were in excess of the building basis, resulting in negative equity. The assets of the venture in the above table include a cash balance of approximately \$1.0 million at December 31, 2008.

Ten Peachtree Place Associates (TPPA) TPPA is a 50-50 joint venture between the Company and a wholly-owned subsidiary of The Coca-Cola Company, and owns Ten Peachtree Place, a 260,000 rentable square foot office building located in midtown Atlanta, Georgia. TPPA has a mortgage note payable for an original principal of \$30 million with a maturity of April 1, 2015 and an interest rate of 5.39%. Loan proceeds were in excess of the building basis, resulting in negative equity. The assets of the venture in the above table include cash and restricted cash balances of

approximately \$2.5 million at December 31, 2008.

TPPA pays cash flows from operating activities, net of note principal amortization, to repay additional capital contributions made by the partners plus 8% interest on these contributions until August 1, 2011. After August 1, 2011, the next \$15.3 million of cash flows (including any sales proceeds) will be distributed 15% to the Company and 85% to its partner. Thereafter, each partner is entitled to receive 50% of cash flows.

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Wildwood Associates (Wildwood) Wildwood is a 50-50 joint venture between the Company and IBM which owns approximately 36 acres of undeveloped land in Wildwood Office Park. At December 31, 2008, the Company's investment in Wildwood was a credit balance of \$1.6 million. This credit balance resulted from the fact that cumulative distributions from Wildwood over time have exceeded the Company level basis in its contributions. In accordance with Statement of Position 78-9, *Accounting for Investments in Real Estate Ventures*, this credit balance will reduce as the venture's remaining land is sold. The Company does not have any obligation to fund Wildwood's working capital needs.

TRG Columbus Development Venture, Ltd. (TRG) TRG is 40% owned by 50 Biscayne Ventures, LLC (Biscayne), and 60% owned by The Related Group of Florida (Related). Biscayne is the limited partner in the venture and recognizes 40% of the income, after a preferred return to each partner on their equity investment and return of capital. Biscayne is 88.25% owned by the Company, and is therefore consolidated by the Company, with the results of operations for the remaining 11.75% interest recorded in minority interest. TRG constructed a 529-unit condominium project in Miami, Florida, which was financed mainly by a construction loan that was repaid in full in January 2008. TRG recognized revenue on condominium sales using a mix of the percentage of completion method and the completed contract method over the duration of the venture. The majority of the condominium unit sales closed in 2008 and 2007 and, as of December 31, 2008, four commercial units remain unsold. In addition, TRG financed the sale of five residential units, for which full profit recognition has not occurred. The majority of the proceeds from the sales have been distributed to the partners. The assets of the venture in the above table include cash and restricted cash balances of approximately \$8.4 million at December 31, 2008.

Glenmore Garden Villas, LLC (Glenmore) Glenmore, a 50-50 joint venture, was formed in 2007 between CREC and First Landmark, U.S.A., LLC, in order to develop a townhome project in Charlotte, North Carolina. At December 31, 2008, the project was partially under construction and no units have been sold. Upon formation, Glenmore entered into two notes with a maximum amount available of \$13.5 million at an interest rate of LIBOR + 2.25% and a maturity date of October 3, 2010. At December 31, 2008, the amount drawn on the notes was approximately \$8.0 million. Each of the two partners in Glenmore guarantee 50% of the payment of principal and interest on the notes described above, which totals a maximum liability to each partner of \$6.75 million. No liability was recognized for this guarantee as the fair value was estimated to not be significant.

Pine Mountain Builders, LLC (Pine Mountain Builders) Pine Mountain Builders is a 50-50 joint venture between the Company and Fortress Construction Company that constructs homes at three of the Company's residential communities. During 2008, 2007 and 2006, Pine Mountain Builders sold 7, 6 and 42 homes, respectively. Pine Mountain Builders has loans related to speculative houses constructed with balances totaling approximately \$2.8 million at December 31, 2008 and maturity dates at various dates in 2009. All the loans bear interest at Prime.

Handy Road Associates, LLC (Handy Road) Handy Road is a 50-50 joint venture between the Company and Handy Road Managers, LLC, and owns 1,187 acres of land in suburban Atlanta, Georgia for future development and/or sale. Handy Road has a \$3.3 million note payable that is guaranteed by the partners of Handy Road Managers, LLC, has a maturity of March 2010, and an interest rate of Prime plus 0.5%.

CPI/FSP I, L.P. (CPI/FSP) CPI/FSP was a 50-50 limited partnership between the Company and a venture owned by CommonWealth Pacific LLC and CalPERS, which owned an approximately 6 acre pad of land in Austin, Texas. In 2008, the Company purchased this land from CPI/FSP, and expects to develop and/or sell this land in the future. The

venture recognized income from this sale, although the Company did not recognize its share in income from joint ventures, due to the related party nature of the transaction.

CSC Associates, L.P. (CSC) CSC was a 50-50 limited partnership between the Company and a wholly-owned subsidiary of Bank of America Corporation. In September 2006, CSC sold its single asset, the 1.3 million square foot Bank of America Plaza in Atlanta, Georgia for a sales price of \$436 million. CSC recognized a gain of approximately \$273 million and distributed a majority of the equity of the venture to each partner.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Additional Information During the development or construction of an asset, the Company and its partners may be committed to provide funds pursuant to a development plan. However, in general, the Company does not have any obligation to fund the working capital needs of its unconsolidated joint ventures. The partners may elect in their discretion to fund cash needs if the venture required additional funds to effect re-leasing or had other specific needs. Additionally, at December 31, 2008, the Company generally does not guarantee the outstanding debt of any of its unconsolidated joint ventures, except for customary non-recourse carve-out guarantees of certain mortgage notes, \$26.2 million of the CF Murfreesboro construction loan, \$17.3 million of the T200 construction loan, and \$6.75 million of the Glenmore construction loan.

The Company recognized \$10.0 million, \$9.1 million, and \$9.3 million of development, leasing, and management fees as well as expense reimbursements from unconsolidated joint ventures in 2008, 2007 and 2006, respectively. See Note 2, Fee Income, for a discussion of the accounting treatment for fees from unconsolidated joint ventures.

6. STOCKHOLDERS INVESTMENT

Long-Term Incentive Compensation

1999 Incentive Stock Plan:

The Company maintains the 1999 Incentive Stock Plan (the 1999 Plan), which allows the Company to issue awards of stock options, stock grants or stock appreciation rights. As of December 31, 2008, 1,763,665 shares were authorized to be awarded pursuant to the 1999 Plan. The Company also maintains the 1995 Stock Incentive Plan, the Stock Plan for Outside Directors and the Stock Appreciation Rights Plan (collectively, the Predecessor Plans) under which stock awards have been issued.

Stock Options At December 31, 2008, the Company had 6,418,536 stock options outstanding to key employees and outside directors pursuant to both the 1999 Plan and the Predecessor Plans. The Company typically uses authorized, unissued shares to provide shares for option exercises. All stock options have a term of 10 years from the date of grant. Options granted on or after December 28, 2000 have a vesting period of four years. In 2006, the stock option certificates for grants after December 11, 2006 were amended to include a stock appreciation right. A stock appreciation right permits an employee to waive his or her right to exercise the stock option and to instead receive the value of the option, net of the exercise price and tax withholding, in stock, without requiring the payment of the exercise. Outside director stock options are fully vested on the date of grant under the 1999 Plan.

In 2006, the Company amended all stock option certificates outstanding to add a retirement feature. Employees who meet the requirements of the retirement feature vest immediately in their stock options upon retirement. Accordingly, the Company immediately expensed any unamortized compensation for stock options for those employees who met the requirements upon adoption. In addition, the Company adjusted the vesting periods for options outstanding to reflect accelerated expense for employees who will become retirement-eligible within the next four years. In addition, an employee who meets the requirements of the retirement feature will have the remaining original term to exercise their stock options after retirement. The Company recognized additional compensation expense of \$716,000, before any capitalization to projects under development or income tax benefit, in 2006 related to this modification. The certificates currently allow for an exercise period of one year after termination for employees who are not retirement-eligible. In 2008, the Company amended the stock option certificates of a former executive to allow for the

original exercise periods for his vested grants to remain intact after termination and recognized expense of \$292,000 related to this modification.

The Company estimates the fair value of each option grant on the date of grant using the Black-Scholes option-pricing model. The risk free interest rate utilized in the Black-Scholes calculation is the interest rate on U.S. Treasury Strips having the same life as the estimated life of the Company's option awards. The assumed dividend yield is based on the expected dividend yield over the options' expected life using historical data, adjusted for certain events. Expected life of the options granted was computed using historical data for certain grant years

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reflecting actual hold periods plus an estimated hold period for unexercised options outstanding using the mid-point between the grant date 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. For grants occurring after adoption of SFAS No. 123R, the Company expenses stock options with graded vesting using the straight-line method over the vesting period.

For 2008, 2007 and 2006, the Company computed the value of all stock options granted using the Black-Scholes option pricing model with the following assumptions and results:

	2008	2007	2006
Assumptions			
Risk-free interest rate	2.62%	3.60%	4.47%
Assumed dividend yield	5.04%	5.00%	4.58%
Assumed lives of option awards (in years)	5.76	5.80	6.61
Assumed volatility	0.268	0.245	0.193
Results			
Weighted average fair value of options granted	\$ 3.74	\$ 3.74	\$ 4.93

The Company recognizes compensation expense over the vesting period of the options, with the offset recognized in additional paid-in capital. During 2008, 2007 and 2006, approximately \$2.6 million, \$3.1 million and \$3.6 million, respectively, was recognized as compensation expense related to the options for employees and directors, before capitalization to projects under development or income tax benefit. The Company anticipates recognizing \$3.4 million in future compensation expense related to stock options, which will be recognized over a weighted average period of 1.7 years. The total intrinsic value of options exercised during 2008 was \$1.0 million. The intrinsic value of a stock option is the amount by which the market value of the underlying stock exceeds the exercise price of the option. In 2008, cash received from the exercise of options equaled \$1.5 million.

The following is a summary of stock option activity under the 1999 Plan and the Predecessor Plans for the year ended December 31, 2008 (in thousands, except per share amounts and years):

	Number of Options	Weighted Average Exercise Price per Option	Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Life
<u>1999 Plan and Predecessor Plans</u>				
Outstanding, beginning of year	6,732	\$ 23.79		
Granted	48	24.71		
Exercised	(98)	15.97		
Forfeited	(263)	28.26		

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Outstanding, end of year	6,419	\$	23.74	\$	4	5.2 years
Options exercisable at end of year	5,308	\$	22.77	\$	4	4.6 years

Stock Grants As indicated above, the 1999 Plan provides for stock grants, which may be subject to specified performance and vesting requirements.

In 2006, 143,310 shares of performance accelerated restricted stock (PARS) granted previously to certain key employees vested. Compensation expense related to the PARS, before any capitalization to projects under development and income tax benefit, was approximately \$449,000 in 2006. The total fair value of the PARS which vested during 2006 was \$5.1 million.

At December 31, 2008, the Company had 56,094 shares of restricted stock outstanding to certain key employees and directors. The Company recorded the restricted stock in Common Stock and Additional Paid-in

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Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Capital on the grant date, with the offset also recorded in stockholders' equity. As the restricted stock vests over its four-year life, the Company records compensation expense in accordance with SFAS No. 123R. Compensation expense related to the restricted stock, before any capitalization to projects under development or income tax benefit, was approximately \$1.9 million, \$2.5 million and \$2.9 million in 2008, 2007 and 2006, respectively. As of December 31, 2008, the Company had recorded \$1.3 million of unrecognized compensation cost included in additional paid-in capital related to restricted stock, which will be recognized over a weighted average period of 1.8 years. The total fair value of restricted stock which vested during 2008 was \$843,000. The following table summarizes restricted stock activity during 2008:

	Number of Shares (In thousands)	Average Grant Date Fair Value
Non-vested stock at December 31, 2007	134	\$ 26.77
Granted	6	24.71
Vested	(66)	28.88
Forfeited	(18)	25.72
Non-vested stock at December 31, 2008	56	\$ 24.35

Restricted Stock Unit Plan:

In 2005, the Company adopted the 2005 Restricted Stock Unit Plan (the "RSU Plan"), under which 140,995 RSUs were outstanding as of December 31, 2008. An RSU is a right to receive a payment in cash equal to the fair market value of one share of the Company's stock on the vesting date. The Company records compensation expense for RSUs over the vesting period and adjusts the expense and related liability based upon the market value of the Company's common stock at each reporting period. Employees with RSUs receive dividend payments during the vesting period equal to the common dividends per share paid by the Company for each RSU held, which is also recorded in compensation expense.

The RSU Plan was amended in 2006 to permit issuances to directors and to add a retirement feature. Employees who meet the requirements of the retirement feature vest fully in their RSUs outstanding upon retirement. Accordingly, in 2006, the Company accelerated any unamortized compensation expense for RSUs where employees met the requirements even if the employee had not retired. In addition, the Company adjusted the vesting period for employees who will become eligible under this feature before the end of their original vesting period. During 2008, 2007 and 2006, approximately \$866,000, \$1.8 million and \$3.0 million (including dividend payments), respectively, was recognized as compensation expense related to the RSUs for employees and directors, before capitalization to projects under development or income tax benefit.

In 2006, the Company also amended the RSU Plan to allow for grants of Performance Based RSUs, of which 172,489 are outstanding at December 31, 2008. The Performance Based RSUs were granted to two executives of the Company

in 2006 and will vest five years from the date of grant, if certain performance, service and market conditions are met. The Performance Based RSUs do not receive dividends. In 2008, one of the executives who had been granted these RSUs retired. In connection with this retirement, the Performance Based RSU certificate was modified to change the service condition for this executive and to allow him to earn 57% of the award, which reflects the period from the date of grant to his retirement, if the other conditions are met on the vesting date. The Company expenses the fair value of these RSUs over the vesting period utilizing the Monte Carlo valuation method. In 2008, the fair value of the Performance Based RSUs declined, which resulted in a reversal of previously recognized expense of approximately \$1.5 million, compared to expense of approximately \$467,000 and \$1.1 million in 2007 and 2006, respectively, before capitalization to projects under development or income tax benefit.

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Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of December 31, 2008, the Company estimates future expense associated with both types of RSUs of approximately \$1.6 million, which will be recognized over a weighted average period of 1.6 years. The total cash paid for RSUs and dividends in 2008 was \$1.3 million. The following table summarizes RSU activity for 2008 (in thousands):

Outstanding at December 31, 2007	469
Vested	(80)
Forfeited	(75)
Outstanding at December 31, 2008	314

Other Stockholder Investment Information***Preferred Stock:***

At December 31, 2008, the Company had 2,993,090 shares outstanding of its 7.75% Series A Cumulative Redeemable Preferred Stock (liquidation preference of \$25 per share), and 3,791,000 shares outstanding of its 7.50% Series B Cumulative Redeemable Preferred Stock (liquidation preference of \$25 per share). The Series A preferred stock may be redeemed on or after July 24, 2008 (none of which has been redeemed), and the Series B preferred stock may be redeemed on or after December 17, 2009, both at the Company's option at \$25 per share plus all accrued and unpaid dividends through the date of redemption. Dividends on both the Series A and Series B preferred stock are payable quarterly in arrears on February 15, May 15, August 15 and November 15.

Stock Repurchase Plan:

In 2006, the Board of Directors of the Company authorized a stock repurchase plan, which was to expire on May 9, 2009, and allows the Company to purchase up to five million shares of its common stock. In November 2008, the term of this plan was extended until May 9, 2011. No common stock was repurchased in 2008 or 2006. The Company purchased 878,500 shares in 2007 for an aggregate price of approximately \$21.9 million. Prior to 2006, the Company purchased 2,691,582 shares of its common stock for an aggregate price of approximately \$64.9 million under previous plans.

In November 2008, the repurchase plan was also expanded to include the repurchase of all Series A and B preferred shares outstanding. In accordance with this plan, in 2008, the Company repurchased 1,006,910 of its Series A preferred stock and 209,000 shares of its Series B preferred stock for an aggregate price of \$15.8 million.

Director Fees:

Outside directors may elect to receive any portion of their director fees in stock, based on 95% of the average market price on the date of service. Outside directors elected to receive 11,266, 10,724 and 9,678 shares of stock in lieu of cash for director fees in 2008, 2007, and 2006, respectively.

Ownership Limitations:

In order to minimize the risk that the Company will not meet one of the requirements for qualification as a REIT, Cousins' Articles of Incorporation include certain restrictions on the ownership of more than 3.9% of the Company's total common and preferred stock.

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Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Distribution of REIT Taxable Income:***

The following is a reconciliation between dividends paid and dividends applied in 2008, 2007 and 2006 to meet REIT distribution requirements (\$ in thousands):

	2008	2007	2006
Common and preferred dividends paid	\$ 85,058	\$ 92,032	\$ 266,214
Dividends treated as taxable compensation	(182)	(227)	
Portion of dividends declared in current year, and paid in current year, which was applied to the prior year distribution requirements		(19)	
Portion of dividends declared in subsequent year, and paid in subsequent year, which will apply to current year distribution requirements			19
Dividends applied to meet current year REIT distribution requirements	\$ 84,876	\$ 91,786	\$ 266,233

7. INCOME TAXES

CREC is a taxable entity and its consolidated provision for income taxes is composed of the following for the years ended December 31, 2008, 2007 and 2006 (\$ in thousands):

	2008	2007	2006
Current tax provision (benefit):			
Federal	\$ 332	\$ (3,243)	\$ 6,167
State	83	(564)	724
	415	(3,807)	6,891
Deferred tax provision (benefit):			
Federal	(8,244)	(571)	(2,703)
State	(941)	(65)	(317)
	(9,185)	(636)	(3,020)
Total income tax provision (benefit)	(8,770)	(4,443)	3,871
Benefit applicable to discontinued operations and sale of investment property		20	322
Provision (benefit) for income taxes from operations	\$ (8,770)	\$ (4,423)	\$ 4,193

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The net income tax provision differs from the amount computed by applying the statutory federal income tax rate to CREC's income before taxes for the years ended December 31, 2008, 2007 and 2006 as follows (\$ in thousands):

	2008		2007		2006	
	Amount	Rate	Amount	Rate	Amount	Rate
Federal income tax provision (benefit)	\$ (7,821)	34%	\$ (4,371)	34%	\$ 4,466	34%
State income tax provision, net of federal income tax effect	(431)	2%	(72)	2%	525	4%
Deferred tax adjustments					(1,184)	(9)%
Other	(518)	2%			64	
CREC provision (benefit) for income taxes	(8,770)	38%	(4,443)	36%	3,871	29%
Provision (benefit) applicable to discontinued operations and sale of investment property			20		322	
Consolidated provision (benefit) applicable to income from continuing operations	\$ (8,770)		\$ (4,423)		\$ 4,193	

The tax effect of significant temporary differences representing CREC's deferred tax assets and liabilities as of December 31, 2008 and 2007 is as follows (\$ in thousands):

	2008	2007
Depreciation and amortization	\$ 757	\$ 1,096
Capitalized salaries		274
Residential lots basis differential		1,263
Charitable contributions	808	628
Condominium basis differential	1,952	
Interest carryforward	13,318	
Other	524	358
Total deferred tax assets	17,359	3,619
Income from unconsolidated joint ventures	(7,490)	(3,400)
Residential lots basis differential	(963)	
Capitalized salaries	(9)	
Other		(507)
Total deferred tax liabilities	(8,462)	(3,907)

Net deferred tax asset (liability) **\$ 8,897** **\$ (288)**

The Company has interest carryforwards related to interest deductions of approximately \$34.1 million as of December 31, 2008. The Company has recorded a deferred tax asset of \$13.3 million reflecting the benefit of the interest carryforward. Although such deferred tax assets do not expire, realization is dependent upon generating sufficient taxable income in the future. Management believes it is more likely than not that all of the deferred tax assets will be realized.

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Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****8. PROPERTY TRANSACTIONS**Property Sales

SFAS No. 144 requires that the gains and losses from the disposition of certain real estate assets and the related historical operating results be included in a separate section, Discontinued Operations, in the Consolidated Statements of Income for all periods presented.

During 2008, 2007 and 2006, the Company sold the following properties that met the criteria for discontinued operations:

Property Name	Rentable Square Feet
<u>2008</u>	
3100 Windy Hill Road	188,000
<u>2007</u>	
North Point Ground Leases 5 Parcels	N/A
3301 Windy Ridge Parkway	107,000
<u>2006</u>	
The Avenue of the Peninsula	373,000
North Point Ground Leases 7 Parcels	N/A
Frost Bank Tower	531,000

The following table details the components of Income (Loss) from Discontinued Operations for the years ended December 31, 2008, 2007 and 2006 (\$ in thousands):

	2008	2007	2006
Rental property revenues	\$ 35	\$ 842	\$ 23,766
Other income	22	106	3,155
Rental property operating expenses	(668)	(1,516)	(10,257)
Depreciation and amortization	(486)	(846)	(12,866)
Provision for income taxes			(2)
	\$ (1,097)	\$ (1,414)	\$ 3,796

Gain on sale of investment properties included in Discontinued Operations described above is as follows for the years ended December 31, 2008, 2007 and 2006 (net of income taxes and minority interest; \$ in thousands):

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	2008	2007	2006
3100 Windy Hill Road	\$ 2,436	\$	\$
3301 Windy Ridge Parkway		9,892	
North Point Ground Leases	36	8,164	11,867
Frost Bank Tower		61	54,581
The Avenue of the Peninsula		(31)	20,053
Hanover Square South			(146)
Other		9	140
	\$ 2,472	\$ 18,095	\$ 86,495

Property sales at joint ventures or sales where the Company has continuing involvement, as defined in EITF No. 03-13, do not qualify for treatment as discontinued operations. CSC sold Bank of America Plaza in September

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2006, and the Company contributed five properties to a venture with Prudential in 2006. Neither the gain on sale nor the results of operations for these properties were treated as discontinued operations.

Purchases of Property

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

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

The following supplemental pro forma financial information is presented for the year ended December 31, 2006. The pro forma financial information is based upon the Company's historical Consolidated Statements of Income, adjusted as if the acquisition of the remaining interests in 191 Peachtree occurred at the beginning of 2006. The supplemental pro forma financial information is not necessarily indicative of future results or of actual results that would have been achieved had the acquisition of the remaining interests in 191 Peachtree been consummated at the beginning of 2006.

**December 31,
2006**
(\$ in thousands, except per
share)

<u>Pro Forma</u>	
Revenues	\$ 178,437
Income from continuing operations	147,530
Income from discontinued operations	90,291

Net income available to common shareholders		222,571
Per share information:		
Basic	\$	4.39
Diluted	\$	4.24

In September 2006, the Company acquired Cosmopolitan Center, a 102,000-square-foot office project in Sandy Springs, Georgia, which is on 9.5 acres of land and has long-term redevelopment opportunities, for approximately \$12.5 million.

Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****9. NOTES AND OTHER RECEIVABLES**

At December 31, 2008 and 2007, notes and other receivables included the following (\$ in thousands):

	2008	2007
Notes receivable, net of allowance for doubtful accounts of \$514 in 2008	\$ 12,757	\$ 8,273
Cumulative rental revenue recognized on a straight-line basis in excess of revenue accrued in accordance with lease terms (see Note 2)	24,674	15,864
Tenant and other receivables, net of allowance for doubtful accounts of \$2,250 and \$883 in 2008 and 2007, respectively	13,836	20,277
	\$ 51,267	\$ 44,414

Fair Value At December 31, 2008 and 2007, the fair value of the Company's notes receivable was approximately equal to book value. The fair value was calculated by discounting future cash flows from the notes receivable at estimated rates in which similar loans would have been made at December 31, 2008 and 2007. This fair value calculation is considered to be a Level 3 calculation under the guidelines as set forth in SFAS No. 157, as the Company utilizes internally generated assumptions regarding current interest rates at which similar instruments would be executed.

10. OTHER ASSETS

At December 31, 2008 and 2007, Other Assets included the following (\$ in thousands):

	2008	2007
Investment in Verde	\$ 9,376	\$ 9,376
FF&E and leasehold improvements, net of accumulated depreciation of \$11,540 and \$9,761 as of December 31, 2008 and 2007, respectively	5,845	6,341
Airplane and related deposit, net of accumulated depreciation of \$965 and \$1,216 as of December 31, 2008 and 2007, respectively	14,408	14,191
Predevelopment costs and earnest money	16,302	16,692
Lease inducements, net of accumulated amortization of \$931 and \$235 as of December 31, 2008 and 2007, respectively	13,903	3,735
Loan closing costs, net of accumulated amortization of \$3,035 and \$1,448 as of December 31, 2008 and 2007, respectively	5,231	6,497
Prepaid expenses and other assets	2,641	2,575
Deferred tax asset	8,897	
Intangible Assets:		
Goodwill	5,450	5,529

Above market leases, net of accumulated amortization of \$9,106 and \$6,028 as of December 31, 2008 and 2007, respectively	734	4,598
In-place leases, net of accumulated amortization of \$2,270 and \$1,589 as of December 31, 2008 and 2007, respectively	543	1,409
	\$ 83,330	\$ 70,943

Investment in Verde relates to a cost method investment in a non-public real estate owner and developer. Intangible assets relate primarily to the acquisitions of the interests in 191 Peachtree and Cosmopolitan Center in 2006 (see Note 8). The Company also acquired intangible liabilities related to the purchases, including below market tenant leases and an above market ground lease, which are recorded within Accounts Payable and Accrued Liabilities on the Consolidated Balance Sheets. Both above and below market tenant leases are amortized into rental

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revenues over the individual remaining lease terms. The below market ground lease is amortized into rental property operating expenses. In-place leases are amortized into depreciation and amortization expense, also over the individual remaining lease terms. Aggregate amortization related to intangible assets and liabilities was \$4.4 million, \$5.6 million and \$1.8 million for the years ended December 31, 2008, 2007 and 2006, respectively. Over the next five years and thereafter, aggregate amortization of these intangible assets and liabilities is anticipated to be as follows (\$ in thousands):

	Below Market Rents	Below Market Ground Lease	Above Market Rents	In Place Leases	Total
2009	(127)	(9)	197	120	181
2010	(125)	(9)	197	97	160
2011	(116)	(9)	152	79	106
2012	(48)	(9)	16	60	19
2013	(21)	(9)	16	52	38
Thereafter	(56)	(661)	156	135	(426)
	(493)	(706)	734	543	78
Weighted average amortization period	6.6 years	80.0 years	2.5 years	7.8 years	20.8 years

The Company has goodwill recorded on its Consolidated Balance Sheets, which relates entirely to the office reporting unit. As office assets are sold, either by the Company or by joint ventures in which the Company has an interest, goodwill is allocated to the cost of each sale. The following is a summary of goodwill activity for the years ended December 31, 2008 and 2007 (\$ in thousands):

	2008	2007
Beginning Balance	\$ 5,529	\$ 5,602
Allocated to sales	(79)	(73)
Ending Balance	\$ 5,450	\$ 5,529

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Supplemental information related to cash flows, including significant non-cash activity affecting the Statements of Cash Flows, for the years ended December 31, 2008, 2007 and 2006 is as follows (\$ in thousands):

	2008	2007	2006
Interest paid, including defeasance costs, net of amounts capitalized	\$ 31,094	\$ 5,760	\$ 25,220
Net income taxes paid (refunded)	(8,072)	(2,025)	7,386
Non-cash Transactions:			
Transfer from projects under development to operating properties	203,504	163,509	100,740
Transfer from projects under development to multi-family units held for sale	72,759		
Change in accumulated other comprehensive loss	12,299	4,302	
Transfer from other assets to land held for investment	6,419		228
Issuance of note receivable for sale of land held for investment	5,172		
Transfer from operating properties to land held for investment	2,600	3,338	7,250
Change in accrued expenditures excluded from development and acquisition expenditures	2,851	5,652	4,964
Transfer from investment in joint ventures to land held for investment	1,570		
Transfer from projects under development to land held for investment	776	4,547	3,198
Transfer from land held for investment to projects under development	99	19,239	4,783
Transfer from land held for investment to investment in joint venture			12,569
Transfer from land held for investment to operating properties		2,868	505
Transfer from operating properties to held-for-sale property			1,470
Transfers related to venture formations (see Note 5 herein):			
Projects under development to investment in joint venture		29,637	4,129
Operating properties to investment in joint venture			15,826
Transfer from minority interest to deferred gain		2,363	
Transfer from other assets to projects under development		18,694	802
Transfer from other assets to operating properties		136	
Transfer from other assets to investment in joint ventures, net of tax			863
Transfer from investment in joint ventures to other assets			9,376
SAB 51 gain, net of tax, recorded in investment in joint ventures and additional paid-in capital			453

12. RENTAL PROPERTY REVENUES

The Company's leases typically contain escalation provisions and provisions requiring tenants to pay a pro rata share of operating expenses. The leases typically include renewal options and are classified and accounted for as operating leases. In addition, leases for certain retail tenants may include provisions regarding the leased percentage of the property or specifics related to the tenant mix at the center (co-tenancy clauses), and, if these criteria are not met, the tenant could request an adjustment to their rental rates or terminate their lease. The table below reflects information

prior to the potential invocation of any of these co-tenancy clauses. The majority of the Company's real estate assets are concentrated in the Southeastern United States.

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Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

At December 31, 2008, future minimum rentals to be received by consolidated entities under existing non-cancelable leases, excluding tenants' current pro rata share of operating expenses, are as follows (\$ in thousands):

	Office	Retail	Industrial	Total
2009	\$ 71,768	\$ 29,315	\$ 2,282	\$ 103,365
2010	71,504	31,778	2,326	105,608
2011	67,148	31,252	2,364	100,764
2012	62,755	29,862	682	93,299
2013	59,032	29,940		88,972
Subsequent to 2013	302,519	138,320		440,839
	\$ 634,726	\$ 290,467	\$ 7,654	\$ 932,847

13. PROFIT SHARING/401(k) PLAN

The Company has a 401(k) plan which covers active regular employees. Employees are eligible under this plan immediately upon hire, and pre-tax contributions are allowed up to the limits set by the Internal Revenue Service. The Company has a profit sharing plan which covers active regular employees who work a minimum of 1,000 hours per year. The Compensation, Nominating and Governance Committee of the Board of Directors makes an annual, discretionary determination of the percentage contribution of an eligible employees' compensation that will be made by the Company into the profit sharing plan. In order to be an eligible employee, the employee must, among other factors, be an active employee on January 1 or July 1 and December 31 of that plan year. The Company contributed or plans to contribute approximately \$3.3 million, \$3.8 million and \$3.2 million to the profit sharing plan for the 2008, 2007 and 2006 plan years, respectively.

14. REPORTABLE SEGMENTS

In 2008, the Company reorganized along functional lines and eliminated its division structure, which was based primarily on product type. The Company's reportable segments are no longer the same as the functional structure of the Company and, as a result, the Company revised its segment reporting to reflect the manner that information is currently presented to the chief operating decision maker (CODM) and conformed 2007 and 2006 to reflect the same presentation.

Under its old structure, the Company had four reportable segments: Office/Multi-family, Retail, Land and Industrial. These segments were consistent with the Company's division structure and related reporting to the CODM. Under its new structure, the Company has five reportable segments: Office, Retail, Land, Third-Party Management and Multi-Family. These reportable segments represent an aggregation of operating segments reported to the CODM based on similar economic characteristics that include the type of product and nature of service. The Office segment includes results of operations for office properties, both consolidated and at joint ventures. The Retail segment includes results of operations for both consolidated and joint venture-owned retail centers. The Land segment includes results of operations for various tracts of land that are held for investment or future development, and single-family

residential communities that are parceled into lots and sold to various homebuilders or sold as undeveloped tracts of land. The Third-Party Management segment includes results of operations for projects where the Company manages, leases and/or develops properties for other owners. The Multi-Family segment includes results of operations for the development and sale of multi-family real estate. The Other segment includes compensation for employees other than those in the specific aforementioned areas, general corporate overhead costs, interest expense for consolidated entities (as financing decisions are made at the corporate level, with the exception of joint venture interest expense, which is included in joint venture results), minority interest in income of consolidated subsidiaries, income taxes, depreciation, and preferred dividends, as well as the operations of the Industrial properties, which are not material for separate presentation.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. The Company presented the NAREIT-defined calculation and also presented an adjusted NAREIT-defined calculation of FFO to add back the losses on extinguishment of debt recognized in 2006. The Company presented this additional measure of FFO because the losses on extinguishment of debt that the Company recognized related to a sale or an exchange of depreciable real estate, and all other amounts related to a sale or an exchange of depreciable real estate are excluded from FFO.

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

Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Segment net income, investment in joint ventures and capital expenditures are not presented in the following tables. Management does not utilize these measures when analyzing its segments or when making resource allocation decisions, and therefore this information is not provided. FFO is reconciled to net income on a total company basis.

Ended December 31, 2008 (In thousands)	Office	Retail	Land	Third Party Management	Multi-Family	Other	Total
Rental property revenues less rental property operating expenses	\$ 65,060	\$ 23,602	\$	\$	\$	\$ 1,492	\$ 90,154
Income				34,337		13,325	47,662
Family residential sales, net of cost of sales					1,114		1,114
Commercial, tract and outparcel sales, net of cost of sales			3,217				3,217
Income	41	388				3,751	4,180
Gain on sale of undepreciated investment properties	620	3,976	3,896			2,119	10,611
Gain on sale of land and administrative expenses				(25,418)		(33,035)	(58,453)
Operating expense						(33,151)	(33,151)
Investment loss					(2,100)		(2,100)
Depreciation and amortization of non-real estate						(3,743)	(3,743)
Operating expenses						(6,049)	(6,049)
Income from operations from unconsolidated joint ventures	5,134	5,653	3,503		1,892	(45)	16,137
Share of equity interest in income of consolidated subsidiaries						(2,378)	(2,378)
Income from operations before income taxes from operations						8,770	8,770
Income from operations after income taxes from operations and stock dividends						(14,957)	(14,957)
Income from operations available to common stockholders	\$ 70,855	\$ 33,619	\$ 10,616	\$ 8,919	\$ 906	\$ (63,901)	\$ 60,005
Share of depreciation and amortization from unconsolidated joint ventures							(4,128)
Share of depreciation and amortization from consolidated joint ventures							(6,000)
Gain on sale of depreciated investment properties							11,780
Income available to common stockholders							\$ 61,657
Assets	\$ 675,813	\$ 455,484	\$ 300,899	\$ 5,335	\$ 78,860	\$ 177,404	\$ 1,693,805

ended December 31, 2007 (In thousands)	Office	Retail	Land	Third Party Management	Multi-Family	Other	Total
Real property revenues less rental property							
Operating expenses	\$ 45,016	\$ 18,867	\$	\$	\$	\$ 1,949	\$
Income				23,652		12,662	
Family residential sales, net of cost of sales					144		
Commercial, tract and outparcel sales, net of cost of							
Income		1,017	1,123				
Income	3,556	1,743				1,236	
Gain on sale of undepreciated investment							
Expenses	21	12,518				622	
Operating and administrative expenses				(25,582)		(32,228)	
Interest expense						(446)	
Provision for bad debt expense						(8,816)	
Depreciation and amortization of non-real estate							
Expenses						(2,793)	
Expenses						(2,822)	
Income from operations from unconsolidated joint							
ventures	4,452	4,100	1,149		(185)	(35)	
Share of equity interest in income of consolidated							
ventures						(1,656)	
Income from operations						4,423	
Income from stock dividends						(15,250)	
Income from operations available to common							
stockholders	\$ 53,045	\$ 38,245	\$ 2,272	\$ (1,930)	\$ (41)	\$ (43,154)	\$
Provision for state depreciation and amortization							
related to consolidated							(3)
Provision for state depreciation and amortization share of							
consolidated joint ventures							
Gain on sale of depreciated investment properties							
Income available to common stockholders							\$
Assets	\$ 641,929	\$ 397,387	\$ 271,981	\$ 5,293	\$ 77,793	\$ 115,228	\$ 1,500,000

Table of Contents**COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Ended December 31, 2006 (In thousands)	Office	Retail	Land	Third Party Management	Multi-Family	Other	Total
Total property revenues less rental property operating expenses	\$ 37,780	\$ 26,198	\$	\$	\$	\$ 608	\$ 6
Income				20,256		15,209	3
Family residential sales, net of cost of sales					3,731		
Commercial, tract and outparcel sales, net of cost of sales		1,228	3,249			56	
Income	2,267	1,582	78			601	
Gain on sale of undepreciated investment properties		11,867	2,481				1
Legal and administrative expenses				(16,056)		(42,536)	(5)
Provision for bad debt expense						(11,119)	(1)
Depreciation and amortization of non-real estate assets						(2,911)	(0)
Other expenses						(2,809)	(0)
Income from operations from unconsolidated joint ventures	16,071	5,384	14,226		10,343	260	4
Share of equity interest in income of consolidated joint ventures						(4,130)	(0)
Provision for income taxes from operations						(4,195)	(0)
Dividend income from stock dividends						(15,250)	(1)
Income from operations available to common stockholders, excluding certain losses from extinguishment of debt	\$ 56,118	\$ 46,259	\$ 20,034	\$ 4,200	\$ 14,074	\$ (66,216)	\$ 7
Income from operations available to common stockholders							5
State depreciation and amortization expense							(4)
Share of state depreciation and amortization expense of consolidated joint ventures							(0)
Gain on sale of depreciated investment properties							21
Income available to common stockholders							\$ 21
Assets	\$ 537,362	\$ 296,245	\$ 248,005	\$ 5,349	\$ 31,564	\$ 78,228	\$ 1,19

Reconciliation to Revenues on Consolidated Income Statement	Year Ended December 31,		
	2008	2007	2006
Net rental property revenues less rental property operating expenses	\$ 90,154	\$ 65,832	\$ 64,586
Plus rental property operating expenses	56,607	46,139	33,955
Fee income	47,662	36,314	35,465
Multi-family residential sales, net of cost of sales	1,114	144	3,731
Plus multi-family residential cost of sales	7,330	(124)	19,403
Residential, tract and outparcel sales, net of cost of sales	3,217	2,140	4,533
Plus residential, tract and outparcel cost of sales	3,776	7,809	12,751
(Income) loss from discontinued operations	633	568	(16,664)
Other income	4,158	6,535	4,528
Total consolidated revenues	\$ 214,651	\$ 165,357	\$ 162,288

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Table of Contents**SCHEDULE III
(PAGE 1 of 5)****COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(\$ in thousands)**

	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition			Gross Amount at Which Carried at Close of Period		Total	Accumulated Depreciation(a)	Date of Construction/Renovation
	Land and Improvements	Buildings and Improvements	Land and Improvements	less Cost of Sales, Transfers and Other	Buildings and Improvements	less Cost of Sales, Transfers and Other	(a)			
PROPERTY HELD FOR INVESTMENT OR FUTURE DEVELOPMENT										
	\$ 10,294	\$	\$ 23,585	\$ (30,685)	\$ 33,879	\$ (30,685)	\$ 3,194	\$		
	18,745		12,889	(20,347)	31,634	(20,347)	11,287			
	10,528		6,490		17,018		17,018			
	14,223		8,536	(9,057)	22,759	(9,057)	13,702			
	6,328		2,863		9,191		9,191			
	4,740	7,349		(1,925)	4,740	5,424	10,164			
	10,214		4,961	(14,292)	15,175	(14,292)	883			
	12,802		4,313		17,115		17,115			
	11,240		5,460	(11,673)	16,700	(11,673)	5,027			
	946				946		946			

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	3,901		941		4,842		4,842	
	7,208		2,052	(7,291)	9,260	(7,291)	1,969	
	5,988				5,988		5,988	
	4,373		517		4,890		4,890	
	9,646				9,646		9,646	
	131,176	7,349	72,607	(95,270)	203,783	(87,921)	115,862	
136,000	5,226	67,370		22,893	5,226	90,263	95,489	48,300
180,000	15,559			154,600	15,559	154,600	170,159	11,402
	6,673	4,743		262	6,673	5,005	11,678	2,021

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Table of Contents**SCHEDULE III
(PAGE 2 of 5)****COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(\$ in thousands)**

Area	Encumbrances	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition		Gross Amount at Which Carried at Close of Period		Total	Accumulated Depreciation	Date of Construction/ Renovation
		Land and Improvements	Buildings and Improvements	Land and Improvements	less Cost of Sales, Transfers and Other Improvements	Land and Improvements	less Cost of Sales, Transfers and Other			
	\$ 17,433	\$ 2,558	\$ 22,910	\$	\$ 4,777	\$ 2,558	\$ 27,687	\$ 30,245	\$ 11,228	
	18,241	3,362	12,261		4,705	3,362	16,966	20,328	6,388	
	12,762	1,899			17,307	1,899	17,307	19,206	5,907	199
	28,102(c)	551			13,792	551	13,792	14,343	6,281	199
	(c)	368			17,761	368	17,761	18,129	6,688	199
		9,267	27,079		22,246	9,267	49,325	58,592	10,104	
	25,000(d)	1,475	9,625		1,891	1,475	11,516	12,991	4,458	
	(d)	1,726	7,920		2,413	1,726	10,333	12,059	3,037	
		9,465	2,581		(1,566)	9,465	1,015	10,480	780	
		5,355	141,012		34,555	5,355	175,567	180,922	15,293	
		13,337	4,217		77	13,337	4,294	17,631	579	

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22,757	2,200		19	24,661	2,219	24,661	26,880	10,743	199
	675			5,727	675	5,727	6,402	1,234	200
	200			7,464	200	7,464	7,664	5,200	199
440,295	79,896	299,718	19	333,565	79,915	633,283	713,198	149,643	

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	11,470			80,802	11,470	80,802	92,272	15,208	200
	11,583			67,692	11,583	67,692	79,275	8,241	200
83,300	39,121			45,174	39,121	45,174	84,295	5,141	200
83,300	62,174			193,668	62,174	193,668	255,842	28,590	

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Table of Contents**SCHEDULE III
(PAGE 3 of 5)****COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(\$ in thousands)**

	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition			Gross Amount at Which Carried at Close of Period		Total	Accumulated Depreciation(a)	Date of Construction/Renovation
	Land and Improvements	Buildings and Improvements	Land and Improvements	less Cost of Sales, Transfers and Other	Land and Improvements	less Cost of Sales, Transfers and Other				
Area	Encumbrances						(a)			
Park		5,073		22,781	5,073	22,781	27,854	1,651	2008	
ark	2,652	1,287		12,421	1,287	12,421	13,708	269	2008	
rk	2,711	1,943	195	11,988	2,138	11,988	14,126	1,583	2006	
rk	2,047	1,943		8,829	1,943	8,829	10,772	314	2007	
	7,410	10,246	195	56,019	10,441	56,019	66,460	3,817		
es	531,005	152,316	299,718	214	583,252	152,530	882,970	1,035,500	182,050	

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Table of Contents**SCHEDULE III
(PAGE 4 of 5)****COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(\$ in thousands)**

	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition			Gross Amount at Which Carried at Close of Period		Total	Accumulated Depreciation(a)	Co
	Land and Improvements	Buildings and Improvements	Land and Improvements	Building and Improvements less Cost of Sales, Transfers and Other	Land and Improvements	Building and Improvements less Cost of Sales, Transfers and Other				
	\$ 22,848	\$	\$ 1,921	\$ 97,277	\$ 24,769	\$ 97,277	\$ 122,046	\$ 3,667		
	8,174			46,564	8,174	46,564	54,738	535		
	31,022		1,921	143,841	32,943	143,841	176,784	4,202		
	31,022		1,921	143,841	32,943	143,841	176,784	4,202		
	2,001		11,057	(12,504)	13,058	(12,504)	554			
	4,720		30,217	(29,660)	34,937	(29,660)	5,277			
	17,657		22,278	(3,618)	39,935	(3,618)	36,317			
197	2,098		6,806	(8,468)	8,904	(8,468)	436			

	1,584		13,046	(921)	14,630	(921)	13,709	
	2,904				2,904		2,904	
197	30,964		83,404	(55,171)	114,368	(55,171)	59,197	
	7,810			62,848	7,810	62,848	70,658	
	7,810			62,848	7,810	62,848	70,658	
\$ 531,202	\$ 353,288	\$ 307,067	\$ 158,146	\$ 639,500	\$ 511,434	\$ 946,567	\$ 1,458,001	\$ 186,252

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Table of Contents**SCHEDULE III
(PAGE 5 of 5)****COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES****REAL ESTATE AND ACCUMULATED DEPRECIATION
DECEMBER 31, 2008
(\$ in thousands)**

(a) Reconciliations of total real estate carrying value and accumulated depreciation for the three years ended December 31, 2008 are as follows:

	2008	Real Estate 2007	2006	Accumulated Depreciation		
				2008	2007	2006
Balance at beginning of period	\$ 1,309,821	\$ 1,021,010	\$ 1,047,139	\$ 146,456	\$ 117,769	\$ 159,326
Additions during the period:						
Improvements and other capitalized costs	195,629	348,484	480,705			
Impairment loss	(2,100)					
Depreciation expense				50,021	37,983	40,898
	193,529	348,484	480,705	50,021	37,983	40,898
Deductions during the period:						
Cost of real estate sold including assets contributed to joint venture	(51,671)	(58,766)	(456,250)	(8,169)	(7,281)	(63,306)
Write-off of fully depreciated assets	(1,181)	(1,047)	(15,849)	(1,181)	(1,047)	(15,849)
Transfers between account categories	7,503	140	(34,735)	(272)		(3,404)
Amortization of rent adjustments				(603)	(968)	104
	(45,349)	(59,673)	(506,834)	(10,225)	(9,296)	(82,455)
Balance at end of period	\$ 1,458,001	\$ 1,309,821	\$ 1,021,010	\$ 186,252	\$ 146,456	\$ 117,769

(b) Buildings and improvements are depreciated over 25 to 40 years. Leasehold improvements and other capitalized leasing costs are depreciated over the life of the asset or the term of the lease, whichever is shorter.

- (c) 333 North Point Center East and 555 North Point Center East were financed together with such properties being collateral for one recourse mortgage note payable.
- (d) 100 North Point Center East and 200 North Point Center East were financed together with such properties being collateral for one non-recourse mortgage note payable.
- (e) 191 Peachtree Tower is treated as an operating property for financial reporting purposes, but is treated as a redevelopment project by the Company. Therefore this property is included on both the list of development projects and operating properties included in Item 2 of this Form 10-K, but included only as an operating property in this Schedule III. In addition, certain intangible assets related to the purchase of this property as well as Cosmopolitan Center are included in other assets and not in the above table, although included in the basis of the property in Item 2.

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