

COUSINS PROPERTIES INC

Form 10-Q

July 31, 2012

Table of Contents

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

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

For the quarterly period ended June 30, 2012

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

For the transition period from _____ to _____

Commission file number: 001-11312

COUSINS PROPERTIES INCORPORATED

(Exact name of registrant as specified in its charter)

GEORGIA

58-0869052

(State or other jurisdiction of
incorporation or organization)

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

191 Peachtree Street, Suite 500, Atlanta, Georgia

30303-1740

(Address of principal executive offices)

(Zip Code)

(404) 407-1000

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

(Do not check if a smaller
reporting company)

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

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

Class

Outstanding at July 27, 2012

Common Stock, \$1 par value per share

104,200,091 shares

Table of Contents

	Page No.
<u>PART I-FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Financial Statements</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</u>	<u>4</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF EQUITY</u>	<u>5</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>6</u>
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>19</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>26</u>
<u>Item 4. Controls and Procedures</u>	<u>27</u>
<u>PART II. OTHER INFORMATION</u>	<u>28</u>
<u>Item 1. Legal Proceedings</u>	<u>28</u>
<u>Item 1A. Risk Factors</u>	<u>28</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>28</u>
<u>Item 6. Exhibits</u>	<u>29</u>
<u>SIGNATURES</u>	<u>30</u>

Table of Contents

FORWARD-LOOKING STATEMENTS

Certain matters contained in this report are “forward-looking statements” within the meaning of the federal securities laws and are subject to uncertainties and risks, as itemized in Item 1A included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. These forward-looking statements include information about possible or assumed future results of the Company's business and the Company's financial condition, liquidity, results of operations, plans and objectives. They also include, among other things, statements regarding subjects that are forward-looking by their nature, such as:

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

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

- availability and terms of capital and financing, both to fund operations and to refinance indebtedness as it matures;
- failure of purchase, sale or other contracts to ultimately close;
- the availability of buyers and adequate pricing with respect to the disposition of assets, including certain residential and land holdings relating to the Company's change in strategy;
- risks and uncertainties related to national and local economic conditions, the real estate industry in general and in specific markets, and the commercial and residential markets in particular;
- changes in the Company's business and financial strategy and/or continued adverse market and economic conditions requiring the recognition of impairment losses;
- leasing risks, including the inability to obtain new tenants or renew expiring tenants on favorable terms, or at all, and the ability to lease newly developed, recently acquired or current vacant space;
- financial condition of existing tenants;
- rising interest rates and insurance rates;
- the availability of sufficient investment opportunities;
- competition from other developers or investors;
- the risks associated with real estate developments and acquisitions (such as construction delays, cost overruns and leasing risk);
- loss of key personnel;
- potential liability for uninsured losses, condemnation or environmental issues;
- potential liability for a failure to meet regulatory requirements;
- the financial condition and liquidity of, or disputes with, joint venture partners;
- any failure to comply with debt covenants under credit agreements; and
- any failure to continue to qualify for taxation as a real estate investment trust.

The words “believes,” “expects,” “anticipates,” “estimates,” “plans,” “may,” “intend,” “will,” or similar expressions are intended to identify forward-looking statements. Although the Company believes its plans, intentions and expectations reflected in any forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or

expectations will be achieved. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise, except as required under U.S. federal securities laws.

Table of Contents

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
PROPERTIES:		
Operating properties, net of accumulated depreciation of \$281,739 and \$289,473 in 2012 and 2011, respectively	\$796,830	\$884,652
Projects under development	19,078	11,325
Land held	52,163	54,132
Residential lots	12,288	13,195
Other	533	637
Total properties	880,892	963,941
CASH AND CASH EQUIVALENTS	3,009	4,858
RESTRICTED CASH	4,917	4,929
NOTES AND ACCOUNTS RECEIVABLE , net of allowance for doubtful accounts of \$2,213 and \$5,100 in 2012 and 2011, respectively	11,206	11,359
DEFERRED RENTS RECEIVABLE	39,630	37,141
INVESTMENT IN UNCONSOLIDATED JOINT VENTURES	140,303	160,587
OTHER ASSETS	55,358	52,720
TOTAL ASSETS	\$1,135,315	\$1,235,535
LIABILITIES AND EQUITY		
NOTES PAYABLE	\$461,021	\$539,442
ACCOUNTS PAYABLE AND OTHER LIABILITIES	38,193	38,592
DEFERRED INCOME	13,204	17,343
TOTAL LIABILITIES	512,418	595,377
COMMITMENTS AND CONTINGENT LIABILITIES		
REDEEMABLE NONCONTROLLING INTERESTS	—	2,763
STOCKHOLDERS' INVESTMENT:		
Preferred stock, 20,000,000 shares authorized, \$1 par value:		
7.75% Series A cumulative redeemable preferred stock, \$25 liquidation preference; 2,993,090 shares issued and outstanding in 2012 and 2011	74,827	74,827
7.50% Series B cumulative redeemable preferred stock, \$25 liquidation preference; 3,791,000 shares issued and outstanding in 2012 and 2011	94,775	94,775
Common stock, \$1 par value, 250,000,000 shares authorized, 107,785,195 and 107,272,078 shares issued in 2012 and 2011, respectively	107,785	107,272
Additional paid-in capital	688,903	687,835
Treasury stock at cost, 3,570,082 shares in 2012 and 2011	(86,840)	(86,840)

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Distributions in excess of cumulative net income	(290,261) (274,177)
TOTAL STOCKHOLDERS' INVESTMENT	589,189	603,692	
Nonredeemable noncontrolling interests	33,708	33,703	
TOTAL EQUITY	622,897	637,395	
TOTAL LIABILITIES AND EQUITY	\$1,135,315	\$1,235,535	

See accompanying notes.

3

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

(unaudited, in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
REVENUES:				
Rental property revenues	\$35,610	\$31,267	\$70,800	\$61,705
Fee income	2,786	3,435	5,642	6,820
Third party management and leasing revenues	6,029	4,605	10,740	8,693
Residential lot sales	535	80	1,484	245
Other	253	562	1,718	5,707
	45,213	39,949	90,384	83,170
COSTS AND EXPENSES:				
Rental property operating expenses	14,661	13,072	28,276	24,971
Third party management and leasing expenses	4,607	4,080	8,907	8,173
Residential lot and outparcel cost of sales	416	76	980	145
General and administrative expenses	5,645	6,133	12,268	13,533
Interest expense	5,875	7,358	12,143	14,902
Reimbursed expenses	1,357	1,371	2,733	2,883
Depreciation and amortization	12,750	10,896	25,861	21,877
Impairment losses	—	—	12,233	3,508
Separation expenses	79	77	292	178
Other	579	655	1,273	4,013
	45,969	43,718	104,966	94,183
LOSS ON EXTINGUISHMENT OF DEBT	—	—	(94) —
LOSS FROM CONTINUING OPERATIONS BEFORE TAXES, UNCONSOLIDATED JOINT VENTURES AND SALE OF INVESTMENT PROPERTIES	(756	) (3,769	) (14,676	) (11,013
(PROVISION) BENEFIT FOR INCOME TAXES FROM OPERATIONS	(33	) (27	) (60	) 37
INCOME FROM UNCONSOLIDATED JOINT VENTURES	9,762	2,312	11,948	4,808
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE GAIN ON SALE OF INVESTMENT PROPERTIES	8,973	(1,484	) (2,788	) (6,168
GAIN ON SALE OF INVESTMENT PROPERTIES	29	59	86	118
INCOME (LOSS) FROM CONTINUING OPERATIONS	9,002	(1,425	) (2,702	) (6,050
INCOME FROM DISCONTINUED OPERATIONS:				
Income from discontinued operations	554	627	818	1,587
Gain (loss) on sale of discontinued investment properties	674	—	760	(384
	1,228	627	1,578	1,203
NET INCOME (LOSS)	10,230	(798	) (1,124	) (4,847
NET LOSS (INCOME) ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(602	) (681	) 867	(1,262
NET INCOME (LOSS) ATTRIBUTABLE TO CONTROLLING INTEREST	9,628	(1,479) (257) (6,109
DIVIDENDS TO PREFERRED STOCKHOLDERS	(3,227) (3,227) (6,454) (6,454

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NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$6,401	\$ (4,706)	\$ (6,711)	\$ (12,563)
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PER COMMON SHARE INFORMATION — BASIC AND DILUTED:

Income (loss) from continuing operations attributable to controlling interest	\$0.05	\$ (0.05)	\$ (0.08)	\$ (0.13)
Income from discontinued operations	0.01	0.01	0.02	0.01
Net income (loss) available to common stockholders	\$0.06	\$ (0.05)	\$ (0.06)	\$ (0.12)

WEIGHTED AVERAGE SHARES — BASIC AND DILUTED	104,165	103,659	104,082	103,588
DIVIDENDS DECLARED PER COMMON SHARE	\$0.045	\$0.045	\$0.09	\$0.09

See accompanying notes.

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

Six Months Ended June 30, 2012 and 2011

(unaudited, in thousands)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Stock	Distributions in Excess of Net Income	Stockholders' Investment	Nonredeemable, Noncontrolling Interests	Total Equity
Balance December 31, 2011	\$169,602	\$107,272	\$687,835	\$(86,840)	\$(274,177)	\$603,692	\$ 33,703	\$637,395
Net income (loss)	—	—	—	—	(257)	(257)	1,157	900
Common stock issued pursuant to:								
Director stock grants	—	72						