COUSINS PROPERTIES INC
Form 10-K
February 28, 2007

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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, 2006

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number 0-3576

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.)*
2500 Windy Ridge Parkway, Suite 1600, Atlanta, Georgia	**30339-5683**
(Address of principal executive offices)	*(Zip Code)*

(770) 955-2200
(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 þ No o

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 o No þ

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 þ No o

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. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

As of June 30, 2006, the aggregate market value of the common stock of Cousins Properties Incorporated held by non-affiliates was $1,207,847,739 based on the closing sale price as reported on the New York Stock Exchange. As of February 23, 2007, 51,933,819 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 14, 2007 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, local real estate conditions, the activity of others developing competitive projects, the risks associated with development projects (such as delay, cost overruns and leasing/sales risk of new properties), the cyclical nature of the real estate industry, the financial condition of existing tenants, interest rates, the Company s ability to obtain favorable financing or zoning, environmental matters, the effects of terrorism, the ability of the Company to close properties under contract and other risks detailed from time to time in the Company s filings with the Securities and Exchange Commission, including this report on 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 and 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, industrial, 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-43.

The Company conducts its business through four divisions: Office/Multi-Family, Retail, Industrial and Land. The following is a summary of the strategy and 2006 activity in each of its operating divisions:

Business Description and Significant Changes in 2006

Office/Multi-Family Division

The strategy of the Office/Multi-Family Division is to create value through (1) the development and asset management of Class A office projects with particular focus in Austin, Dallas, Charlotte, Birmingham, and Atlanta; (2) the development and sale of multi-family projects in urban locations in the Southeastern United States targeted to buyers with generally higher income and less sensitivity to interest rates; and (3) the management and leasing of office properties owned by third parties. In addition to traditional office/multi-family projects, the Office/Multi-Family Division is engaged in the development of mixed use projects that contain multiple product types in communities where individuals live, work and seek entertainment.

As of December 31, 2006, the Office/Multi-Family Division owned directly or through joint ventures 20 operating office properties totaling 4.9 million rentable square feet and had five office or multi-family projects under active development or redevelopment.

Significant activity within the Office/Multi-Family Division in 2006 was as follows:

Formed a joint venture which is intended to construct Palisades West, a 360,000 square foot, two building office development in Austin, Texas.

Increased percentage leased of Terminus 100 from 41% at December 31, 2005 to 64% at December 31, 2006.

Completed the construction and closed the sale of all units at 905 Juniper, the Company s first multi-family project.

Acquired 191 Peachtree, a 1.2 million square foot, Class A building in Downtown Atlanta.

Increased percentage of completion of 50 Biscayne from 26% at December 31, 2005 to 70% at December 31, 2006. The Company expects construction to be substantially complete and unit closings to commence in the fourth quarter of 2007.

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Had significant leasing activity, notably a 274,000 square foot lease to the American Cancer Society at Inforum.

Retail Division

The strategy of the Retail Division is to create stockholder value through the development and management of retail shopping centers, including Avenue® concept lifestyle centers and power centers. The Retail Division focuses its efforts in demographically favorable markets in the Sunbelt with a particular emphasis on Georgia, Tennessee, North Carolina, Texas and Florida. In addition, the Retail Division is partnering with other divisions for mixed-use developments such as the Terminus project in the Buckhead district of Atlanta.

As of December 31, 2006, the Company owned directly or through joint ventures 10 operating retail properties totaling 2.7 million rentable square feet and had three projects and one expansion under active development totaling 1.5 million square feet.

Significant activity within the Retail Division in 2006 was as follows:

Commenced operations of San Jose MarketCenter, a 363,000 square foot power center in San Jose, California, of which the Company owns 220,000 square feet.

Commenced operations of The Avenue Webb Gin, a 381,000 square foot lifestyle center in suburban Atlanta.

Through a joint venture, commenced construction of The Avenue Murfreesboro, an 810,000 square foot lifestyle center in suburban Nashville, Tennessee.

Industrial Division

The strategy of the Industrial Division is to create value through the development of institutional quality warehouse and distribution properties. The Industrial Division initially focused its efforts on the metropolitan Atlanta area. In 2006, it expanded into the Dallas market with a joint venture partner. Over time, the Industrial Division expects to expand beyond the Atlanta and Dallas market areas to port cities such as Savannah, Jacksonville and Tampa as well as major distribution centers that may include Central Florida, Memphis and Kansas City.

As of December 31, 2006, the Company owned through joint ventures one operating industrial property totaling 417,000 rentable square feet and three projects under active development totaling 1.6 million square feet.

Significant activity within the Industrial Division in 2006 was as follows:

Commenced construction of the first building at Jefferson Mill Business Park, a 459,000 square foot industrial project in Jackson County, Georgia. This project will contain 3.2 million square feet upon completion.

Through a joint venture commenced construction of the first building in Lakeside Ranch Business Park in Dallas, Texas. The first building will contain 749,000 square feet and the project will contain 1.7 million square feet upon completion.

Commenced operations of the first building in King Mill Distribution Park containing 417,000 square feet.

Commenced construction of the second building in King Mill Distribution Park containing 359,000 square feet.

Land Division

The strategy of the Land Division is to create value through the acquisition and entitlement of land, and the development and sale of residential lots. In addition, the Land Division acquires and sells certain undeveloped tracts of land to third parties that are generally adjacent to or a part of its residential lot developments. The Land Division conducts most of its business through partnerships with Temple Inland and its affiliates. This alliance has allowed the Company to share in the capital invested in individual projects and to share resources and expertise in the development and sale of residential lots and land tracts.

As of December 31, 2006, the Company had 24 residential communities under development directly or through joint ventures in which approximately 11,600 lots remain to be developed and/or sold. In addition, the Company or its joint ventures had approximately 9,100 acres of undeveloped land.

Significant activity within the Land Division in 2006 was as follows:

Commenced development of Blalock Lakes, a planned 3,000 acre residential community in Coweta County, Georgia that is expected to include private hunting, equestrian, fishing, swim and tennis facilities in a controlled access community.

Entered into a joint venture with Callaway Gardens Resorts, Inc. for the development of residential lots within the Callaway Gardens Resort.

Sold 1,576 residential lots, either directly or through joint ventures.

Sold 1,245 acres of land tracts, either directly or through joint ventures.

Financing Activities

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 mortgage loans secured by its properties, sale of mature assets and distribution of the gains on asset sales to stockholders, contribution of assets into joint ventures, and the issuance of preferred stock.

During 2006, the Company had the following financing activities:

Formed a venture with an institutional investor for the ownership, development, investment, management and leasing of certain commercial real estate projects, including five of the Company s retail properties. This transaction provided $300 million in capital in 2006 and is expected to provide $20 million of capital in 2007 for future investment.

Sold The Avenue of the Peninsula and its interests in Bank of America Plaza and Frost Bank Tower for total proceeds of $502 million.

Sold seven ground lease outparcels at its North Point property generating proceeds of approximately $14.3 million.

Recast its credit facility resulting in $75 million in additional capacity, a reduction in its interest spread over LIBOR and additional flexibility in certain financial covenants.

Closed a $100 million unsecured construction facility for funding the development of Terminus 100.

The joint venture developing The Avenue Murfreesboro closed a $131 million construction loan, of which the Company guarantees 20%.

Paid a special dividend to common stockholders of $175.5 million or $3.40 per share.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is generally liable for the costs of removal or remediation of certain hazardous or toxic substances 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 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 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.

In connection with the development or acquisition of certain properties, the Company has obtained Phase One environmental audits (which generally involve inspection without soil sampling or ground water analysis) from independent environmental consultants. The remaining properties (including the Company s land held for investment or future development) have typically also been so examined. 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 believes that it and its properties are in compliance in all material respects with all federal, state and local laws, ordinances and regulations regarding hazardous or toxic substances.

Competition

The Company competes for tenants with similar properties located in its markets primarily on the basis of location, rental rates, services provided 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. In addition, the Land and Office/Multi-Family divisions compete with other lot and multi-family developers.

Executive Offices; Employees

The Registrant s executive offices are located at 2500 Windy Ridge Parkway, Suite 1600, Atlanta, Georgia 30339-5683. Effective April 1, 2007, the Company s executive offices will relocate to 191 Peachtree Street, Suite 3600, Atlanta, Georgia 30303-1740. At December 31, 2006, the Company employed 488 people.

Available Information

The Company makes available free of charge on the Investor Relations page of its Web site, 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 Web site. The information contained on the Company s Web site 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 2500 Windy Ridge Parkway, Suite 1600, Atlanta, Georgia 30339-5683, Attention: Investor Relations. Investor Relations may also be reached by telephone at (770) 955-2200 or by facsimile at (770) 857-2368. Effective April 1, 2007, the Company s headquarters will relocate to 191 Peachtree Street, Suite 3600, Atlanta, Georgia 30303-1740, main telephone number (404) 407-1000.

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 concentration of real estate, the effects of which could adversely affect our business.

General economic and market risks. Our assets may not generate income sufficient to pay our expenses, service debt or maintain our properties, and, as a result, our results of operations may be adversely affected and we may need to reduce our dividend in future periods. 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;

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 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. National, regional and local economic conditions may adversely impact tenants and potential tenants in the various marketplaces in which projects are located, and accordingly, could affect their ability to continue to pay rents and possibly to occupy their space. Tenants sometimes experience bankruptcies 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. As a result, our distributable cash flow and ability to make distributions to stockholders would be adversely affected if a significant number of our tenants fail to pay their rent due to bankruptcy, weakened financial condition or otherwise.

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 and other locations where

property is 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.

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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. 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. 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 contaminants. Even if more than one person may have been responsible for the contamination, 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 environmental contamination emanating from that site. We are not currently aware of any environmental liabilities at locations that we believe would 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. Our venture partners have rights to take some actions over which we have no control, which could adversely affect our interests in the related joint ventures and in some cases our overall financial condition or results of operations. 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. 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 and ownership of the underlying properties, including any disposition of such underlying properties.

Regional concentration of properties. Currently, a large percentage of our properties are located in metropolitan Atlanta, Georgia. In the future, there may 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 public buildings, including office, retail and multi-family 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.

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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 large 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 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 volatile as a result of, among other things, economic conditions and product supply/demand characteristics in a particular market.

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 from 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 from operations upon completion of the project. Also, construction costs rose significantly in 2006 due to increased demand for building materials and are expected to increase further in the near term. We attempt to mitigate construction cost risks 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 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. Although our policy is to achieve preleasing 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 at the time we commit to the project. If the space is not leased on schedule and upon the expected terms and conditions, our returns, future earnings and results of operations from the project could be adversely impacted. Whether or not tenants are willing to enter into leases on the terms and conditions we project and on the timetable we expect will depend upon a large variety 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 flow and results of operations.

We finance our development projects through one or more of the following: our credit facility, 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, 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 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, federal tax laws limit our ability to sell properties and this may affect our ability to sell properties 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 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. 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 well as an inability to make distributions 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 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. 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. Compliance with these covenants could harm our operational flexibility and financial condition.

Risks Associated with Multi-Family Projects

Any failure to timely sell the multi-family units developed by our Office/Multi-Family Division or an increase in development costs could adversely affect our results of operations.

Our Office/Multi-Family Division develops for-sale multi-family residential projects currently in urban markets. Multi-family unit sales can be highly cyclical and can be affected by interest rates and local issues. 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.

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.

Any failure to receive cash corresponding to previously recognized revenues could adversely affect our future results of operations.

In accordance with accounting principles generally accepted in the United States, we recognize revenues and profits from sales of multi-family residential units during the course of construction. Revenue is recorded when, among other factors, (1) construction is beyond a preliminary stage, (2) the buyer is committed to the extent of being unable to require a full refund, except for nondelivery of the residence, (3) a substantial percentage of units are under non-cancelable contracts, (4) collection of the sales price is reasonably assured and (5) costs can be reasonably estimated. Due to various contingencies, such as delayed construction and buyer defaults, we may

receive less cash than the amount of revenue already recognized or the cash may be received at a later date than we expected, which could affect amounts of revenue previously recognized and our ultimate profitability on the project.

Risks Associated with our Land Division

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

Our land division develops residential subdivisions, primarily in metropolitan Atlanta, Georgia. Our land division also participates in joint ventures that develop or plan to develop subdivisions in metropolitan Atlanta, as well as Texas, Florida and other states. This division also from time to time supervises sales of unimproved properties owned or controlled by us. Residential lot sales can be highly cyclical and can be affected by 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 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 sale. Any changes in market conditions between the time we acquire land and the time we 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. 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, industrial 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) in certain circumstances, selling the parcels to third parties. Before we develop, lease or sell these land parcels, we incur carrying costs, including interest expense 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 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 agreements or 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.

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.

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.

Cousins intends to operate in a manner to qualify as a REIT for federal income tax purposes. However, we can provide no assurance that Cousins has qualified or will remain qualified as a REIT. 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 Cousins qualification as a REIT or the federal income tax consequences of Cousins REIT status.

If Cousins were to fail to qualify as a REIT, it would not be allowed a deduction for distributions to stockholders in computing its taxable income. In this case, it would be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Unless entitled to relief under certain Code

provisions, it also would be disqualified from treatment 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 Cousins currently intends 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, Cousins generally is required each taxable year to distribute to its stockholders at least 90% of its net taxable income (excluding any net capital gain). To the extent that Cousins does not distribute all of its net capital gain or it distributes at least 90%, but less than 100%, of its other taxable

income, Cousins is subject to tax on the undistributed amounts at regular corporate rates. In addition, Cousins is subject to a 4% nondeductible excise tax to the extent that distributions paid by Cousins during the calendar year are less than the sum of the following:

85% of its ordinary income;

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

100% of its 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. Differences in timing between taxable income and cash available for distribution could require Cousins 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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Item 2. Properties

The following tables set forth certain information relating to properties in which the Company has a 10% or greater ownership interest. Information presented in Note 6 to the Consolidated Financial Statements included in Item 8 of this report provides additional information related to the Company s joint ventures. All information presented is as of December 31, 2006. Dollars are stated in thousands.

Table of Major Operating Office, Retail and Industrial Properties

ear opment pleted or uired	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2006	Average 2006 Economic Occupancy (1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization (2)	Deb Balan
006	N/A	100%	1,211,000	60%	52%	Wachovia Bank (2008/2023)	380,442	$ 146,367	$
			2 Acres(3)			Deloitte & Touche (2008/2018)	99,465	$ 144,389	
						Cousins Properties (2017/2022)	61,674		
999	N/A	100%	994,000	98%	86%	American Cancer Society (2022)	273,745	$ 79,835	$
			4 Acres(4)			BellSouth Corporation (5) (2009)	138,893	$ 38,424	
						Georgia Lottery Corp. (2013)	127,827		
						Co Space Services, LLC (2020/2025)	120,298		
						Turner Broadcasting (2011/2016)	57,827		
						Sapient Corporation (2009/2019)	57,689		
000	N/A	100%	203,000	99%	98%	Bombardier Aerospace Corp.	97,740	$ 30,394	$ 18,18
			15 Acres			(2013/2023)		$ 22,375	
						Liberty Mutual (2011/2021)	28,124		

						NetHawk Acquisition Corp. (2009)	16,968		
998	Daniel Realty Company	100%(6)	195,000 12 Acres	75%	57%	Synovus Mortgage (2014/2019)	28,932	$ 18,097	$ 9,08
						Dent & Baker (2017)	11,331	$ 13,975	
						Daxco (2009/2014)	9,318		
						General Services (2008)	7,806		
000	Daniel Realty Company	100%(6)	123,000 10 Acres	98%	74%	Southern Communications Services(5) (2010/2016)	41,961	$ 18,599 $ 14,268	$ 13,16
						O2 Ideas, Inc. (2014/2024)	25,465		
995	N/A	100%	128,000 7 Acres	89%	89%	Schweitzer-Mauduit International, Inc. (2012)	32,655	$ 12,603 $ 9,469	$ 22,36
						Med Assets HSCA, Inc. (2013/2018)	21,914		
						Golden Peanut Co. (2017)	18,104		
996	N/A	100%	130,000 9 Acres	95%	75%	Med Assets HSCA, Inc. (2013/2018)	67,015	$ 10,764	
						Nokia (2008)	22,409	$ 8,930	
						Morgan Stanley (2011)	15,709		
						B2B Workforce, Inc. (2008/2013)	14,171		

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Year elopment npleted or quired	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2006	Average 2006 Economic Occupancy (1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization (2)	B
						Merrill Lynch			
1998	N/A	100%	130,000	79%	70%	(2014/2024)	35,949	$ 13,456	$ 1
						Wells Fargo Bank NA			
			9 Acres			(2009/2012)	22,438	$ 8,744	
						Phillip Morris			
						(2008/2013)	17,521		
						Kids II, Inc.			
2000	N/A	100%	152,000	90%	88%	(2016/2026)	51,059	$ 17,592	
			10 Acres			Regus Business Centre	22,422	$ 12,586	
						(2011/2016)			
						Ace Mortgage			
						(2008/2011)	11,433		
						Robert W. Baird			
						(2011/2016)	11,074		
						THD At-Home Services			
2004	N/A	100%	114,000	75%	85%	(2008)	24,259	$ 11,734	$
			7 Acres					$ 10,233	
1984	N/A	100%	107,000	42%	48%	Indus International, Inc.	45,557	$ 12,413	$
			10 Acres			(2012/2017)		$ 5,349	
1983	N/A	100%(9)	188,000	0%	92%	N/A		$ 17,314	$
			13 Acres					$ 10,445	
2006	N/A	100%	102,000	73%	71%	City of Sandy Springs	32,800	$ 12,046	$
						(2007/2009)			

			9 Acres					$ 11,804	
2000	Prudential (5)	88.5%	344,000	46%	37%	Southern Christian Leadership (2007)	14,501	$ 42,136	$
			3 Acres			Roman Catholic Archdiocese (2009)	13,699	$ 35,567	
						Hamilton, Westby, Marshall (2017)	11,070		
2001	Bank of America (5)	50%	1,065,000	100%	100%	Bank of America (5) (2016/2035)	1,065,000	$ 211,142	$ 1
			8 Acres					$ 175,307	
1991	Coca-Cola (5)	50%	259,000	87%	96%	AGL Services Co. (2013/2028)	226,779	$ 40,594	$
			5 Acres					$ 25,367	
1999	N/A	100%	160,000	100%	100%	Northside Hospital (5) (2013/2023) (10)	57,614	$ 25,957	$
			3 Acres					$ 17,483	
						Scottish Rite Hospital for Crippled Children, Inc. (2013/2018)(10)	31,676		
						Georgia Reproductive (2017)	13,622		
						Children Orthopedics (2009/2014)	12,721		

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Year Development Completed or Acquired	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2006	Average 2006 Economic Occupancy (1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization (2)
1999	N/A	100%	51,000 4 Acres	100%	100%	AtheroGenics (2009/2019)	50,821	$ 7,655 $ 3,506
2005	N/A	100%	51,000 5 Acres	100%	100%	Inhibitex (2015/2025)	50,933	$ 6,634 $ 6,023
2002	Emory University	50%	358,000 (11)	100%	98%	Emory University (2017/2047) Resurgens (2014/2019) Atlanta Gastroenterology (2012)	148,741 26,581 17,375	$ 52,338 $ 40,184
1997	Prudential (5)	11.5%	69,000 1 Acre (12)	100%	100%	Novant Health, Inc. (2012/2022) (13)	63,862	$ 8,622 $ 5,289

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Lease Expirations Office

As of December 31, 2006, 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, 2006. 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:

07	2008	2009	2010	2011	2012	2013	2014	2015	T
579	241,820	459,856	162,599	322,486	167,914	536,232	148,207	618,869	
4%	7%	14%	5%	10%	5%	16%	4%	18%	
643	$ 3,815	$ 7,147	$ 2,576	$ 4,838	$ 2,813	$ 9,944	$ 3,158	$ 11,749	$
.78	$ 15.78	$ 15.54	$ 15.85	$ 15.00	$ 16.75	$ 18.54	$ 21.31	$ 18.98	$
433	221,670	426,278	146,984	296,059	112,074	402,262	143,413	56,794	
4%	9%	18%	6%	12%	5%	17%	6%	2%	
197	$ 3,569	$ 6,648	$ 2,340	$ 4,434	$ 1,761	$ 7,476	$ 3,046	$ 1,273	$
.85	$ 16.10	$ 15.60	$ 15.92	$ 14.98	$ 15.71	$ 18.58	$ 21.24	$ 22.42	$
305	23,281	51,081	23,541	38,511	123,528	259,810	9,587	1,112,872	
4%	1%	3%	1%	2%	7%	14%	1%	59%	
113	$ 289	$ 855	$ 402	$ 661	$ 2,419	$ 4,841	$ 223	$ 20,795	$
.52	$ 12.40	$ 16.73	$ 17.06	$ 17.17	$ 19.59	$ 18.63	$ 23.30	$ 18.69	$

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t	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2006	Average 2006 Economic Occupancy(1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization(2)
	Jim Wilson &	100%(6)	783,000 (18)	93%(19)	89% (19)	Dillard s (20)	N/A	$ 90,892
	Associates(5)		135 acres			Parisian (2021/2051)(21)	130,000	$ 85,471
						Linens n Things		
			(492,000 owned			(2016/2031)	28,331	
						Barnes & Noble		
			by Carriage			(2016/2026)	25,322	
			Avenue, LLC)			Cost Plus (2016/2031)	18,200	
	N/A	100%	363,000(18)	89%(19)	79%(19)	Target (20)	N/A	$ 79,958
			25 acres			Marshall s (2016/2036)	33,000	$ 78,829
			(220,000 owned			PetsMart (2017/2032)	27,627	
			by the Company)			Michael s (2016/2031)	23,819	
						Office Depot (2016/2026)	20,526	
						Cost Plus (2017/2032)	18,900	
						Trader Joe s (2017/2032)	12,200	
						Barnes & Noble		
	N/A	100%	381,000(18)	71%(19)	50%(19)	(2016/2026)	26,610	$ 69,757
			51 acres			Ethan Allen (2021/2031)	18,511	$ 68,982
						GAP (2012/2022)	17,461	
	Prudential(5)	11.5%(6)	406,000(18)	95%	82%	Rave Motion Pictures(20)	N/A	$ 87,061(22)
						Belk, Inc.		
			56 Acres			(2024/2044)(21)	65,927	$ 85,526(22)
						Bed, Bath & Beyond		
			(332,000 owned			(2015/2035)	24,329	
			by CP Venture					
			IV			A.C. Moore (2016/2036)	20,800	
			Holdings LLC)			Cost Plus (2017/2037)	18,300	
							14,795	

					Books a Million (2015/2035)		
					Old Navy (2010/2020)	14,754	
Prudential(5)	11.5%	231,000	97%	99%	Borders, Inc. (2015/2030)	24,882	$ 97,429(22)
		30 Acres			Bed, Bath & Beyond (2010/2025)	21,007	$ 95,893(22)
					GAP (2010/2015)	19,434	
					Talbots (2010/2015)	12,905	
					Pottery Barn (5)(2012)	10,000	
Prudential(5)	11.5%	251,000(18)	98%	96%	Linens n Things (2014/2029)	28,030	$ 81,254(22)
		22 Acres			Barnes & Noble (2014/2024)	24,025	$ 79,635(22)
					GAP (2012/2022)	17,520	
Prudential(5)	11.5%	183,000(18)	98%	97%	Books a Million (2008/2013)	13,750	$ 57,642(22)
		18 Acres (24)			GAP (2012/2022)	10,800	$ 56,005(22)
					Homebanc Mortgage Corporation (2007/2012)	8,851	
					Talbots (2012/2022)	8,610	
					Banana Republic (2012/2022)	8,015	
Prudential(5)	11.5%(6)	178,000(18)	95%	94%	Kohl s Department Stores, Inc.	88,248	$ 17,075(22)
		20 Acres			(2026/2056) (21)		$ 16,838(22)
					Sports Authority (2017/2032)	37,516	
					Office Depot (2016/2036)	20,000	

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Year Development Completed or Acquired	Venture Partner	Company s Ownership Interest	Square Feet and Acres	Percentage Leased as of December 31, 2006	Average 2006 Economic Occupancy(1)	Major Tenants (Lease Expiration/Options Expiration)	Major Tenants Rentable Sq. Feet	Cost and Cost Less Depreciation and Amortization
994	Prudential(5)	10.32%(25)	518,000 (18)	100%	99%	Target (20)	N/A	$ 58,173
			60 Acres			Babies R Us (2012/2032)	50,275	$ 41,986
			(401,000			Dick s Sporting Goods (2017/2037)	48,884	
			square feet			Marshalls (2010/2025)	40,000	
			and 49 acres			Hudson s Furniture (5) (2011/2021)	40,000	
			owned by			Linens n Things (2010/2025)	35,000	
			CP Venture			Regal Cinemas (2014/2034)	34,733	
			LLC)			Circuit City (2015/2030)	33,420	
						PetsMart, Inc. (2009/2029)	25,465	
996	Prudential(5)	10.32%(25)	493,000(18)	100%	100%	Target (20)	N/A	$ 49,107
			44 Acres			Harris Teeter, Inc. (2016/2036)	51,806	$ 35,436
			(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 Superstores, Inc. (2012/2022)	29,974	
						PetsMart, Inc. (2011/2031)	26,040	
						Office Max (2011/2026)	23,484	
996	Prudential(5)	10.32%(25)	182,000	100%	100%	Sears (20)	N/A	$ 32,864

			(157,000 square			Circuit City (2017/2037)	38,541	$ 24,685
			feet and 17 acres			Borders, Inc. (2017/2037)	30,000	
			owned by			Bristol Farms (5) (2012/2032)	28,200	
			CP Venture LLC)			CompUSA, Inc. (2011/2021)	25,620	
996	Prudential(5)	10.32%(25)	103,000	100%	100%	Bed, Bath & Beyond (2012/2027)	40,787	$ 12,639
			13 Acres			Ross Stores Inc. (2014/2034)	32,144	$ 9,238
						Rooms To Go (2016/2036)	21,000	
993	N/A	100%	11 Acres	100%	100%	N/A	N/A	$ 1,612
								$ 1,470

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Lease Expirations Retail

As of December 31, 2006, the Company s retail portfolio included 10 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 11 years as of December 31, 2006. 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:

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016 & Thereafter	Total
Total (including only Company s % share of Joint Venture Properties):											