COUSINS PROPERTIES INC
Form 10-Q
August 11, 2008

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

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

For the quarterly period ended June 30, 2008

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.)
191 Peachtree Street, Suite 3600, 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 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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 August 6, 2008
Common Stock, $1 par value per share	51,336,229 shares

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FORWARD-LOOKING STATEMENTS

Certain matters contained in this report are forward-looking statements within the meaning of the federal securities laws and are subject to uncertainties and risks. These include, but are not limited to, general and local economic conditions, local real estate conditions (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 the Company s Annual Report on Form 10-K for the year ended December 31, 2007. 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.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements.

COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except share and per share amounts)

	June 30, 2008	December 31, 2007
ASSETS		
PROPERTIES:		
Operating properties, net of accumulated depreciation of $167,713 and $142,955 in 2008 and 2007, respectively	$ 866,185	$ 654,633
Land held for investment or future development	101,583	105,117
Projects under development	228,298	358,925
Residential lots under development	52,179	44,690
Total properties	1,248,245	1,163,365
CASH AND CASH EQUIVALENTS	8,323	17,825
RESTRICTED CASH	2,881	3,587
NOTES AND OTHER RECEIVABLES, net of allowance for doubtful accounts of $1,440 and $883 in 2008 and 2007, respectively	54,572	44,414
INVESTMENT IN UNCONSOLIDATED JOINT VENTURES	211,100	209,477
OTHER ASSETS	84,922	70,943
TOTAL ASSETS	$ 1,610,043	$ 1,509,611
LIABILITIES AND STOCKHOLDERS INVESTMENT		
NOTES PAYABLE	$ 787,506	$ 676,189
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	74,723	57,208
DEFERRED GAIN	171,942	171,931
DEPOSITS AND DEFERRED INCOME	7,799	5,997
TOTAL LIABILITIES	1,041,970	911,325
MINORITY INTERESTS	45,458	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; 4,000,000 shares issued and outstanding	100,000	100,000
7.50% Series B cumulative redeemable preferred stock, $25 liquidation preference; 4,000,000 shares issued and outstanding	100,000	100,000

Common stock, $1 par value, 150,000,000 shares authorized, 54,906,162 and 54,850,505 shares issued in 2008 and 2007, respectively	**54,906**	54,851
Additional paid-in capital	**351,458**	348,508
Treasury stock at cost, 3,570,082 shares in 2008 and 2007	**(86,840)**	(86,840)
Accumulated other comprehensive income	**(3,979)**	(4,302)
Cumulative undistributed net income	**7,070**	40,286
TOTAL STOCKHOLDERS INVESTMENT	**522,615**	552,503
TOTAL LIABILITIES AND STOCKHOLDERS INVESTMENT	**$ 1,610,043**	$ 1,509,611

See notes to condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	**2007**	**2008**	**2007**
REVENUES:				
Rental property revenues	**$ 36,706**	$ 25,499	**$ 71,019**	$ 49,629
Fee income	**7,802**	9,860	**15,360**	17,926
Residential lot and outparcel sales	**1,255**	1,476	**2,999**	2,902
Interest and other	**940**	833	**2,300**	4,500
	46,703	37,668	**91,678**	74,957
COSTS AND EXPENSES:				
Rental property operating expenses	**14,792**	11,341	**28,470**	21,358
General and administrative expenses	**13,067**	15,604	**27,452**	30,294
Depreciation and amortization	**12,785**	8,721	**24,224**	18,076
Residential lot and outparcel cost of sales	**832**	1,085	**1,778**	2,293
Interest expense	**7,367**	531	**13,642**	531
Other	**549**	758	**2,304**	1,118
	49,392	38,040	**97,870**	73,670
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES, MINORITY INTEREST AND INCOME FROM UNCONSOLIDATED JOINT VENTURES	**(2,689)**	(372)	**(6,192)**	1,287
BENEFIT FOR INCOME TAXES FROM OPERATIONS	**2,176**	1,073	**5,393**	2,100
MINORITY INTEREST IN INCOME OF CONSOLIDATED SUBSIDIARIES	**(251)**	(842)	**(922)**	(1,704)
INCOME FROM UNCONSOLIDATED JOINT VENTURES	**2,239**	4,101	**5,056**	7,809
INCOME FROM CONTINUING OPERATIONS BEFORE GAIN ON SALE OF INVESTMENT PROPERTIES	**1,475**	3,960	**3,335**	9,492
GAIN ON SALE OF INVESTMENT PROPERTIES, NET OF APPLICABLE INCOME TAX PROVISION	**5,212**	62	**9,004**	4,502

INCOME FROM CONTINUING OPERATIONS	**6,687**	4,022	**12,339**	13,994
DISCONTINUED OPERATIONS, NET OF APPLICABLE INCOME TAX PROVISION:				
Income from discontinued operations	**36**	207	**36**	291
Gain (loss) on sale of investment properties		(22)		8,142
	36	185	**36**	8,433
NET INCOME	**6,723**	4,207	**12,375**	22,427
DIVIDENDS TO PREFERRED STOCKHOLDERS	**(3,812)**	(3,812)	**(7,625)**	(7,625)
NET INCOME AVAILABLE TO COMMON STOCKHOLDERS	**$ 2,911**	$ 395	**$ 4,750**	$ 14,802
PER COMMON SHARE INFORMATION BASIC:				
Income from continuing operations	**$ 0.06**	$ 0.01	**$ 0.09**	$ 0.13
Income from discontinued operations				0.16
Basic net income available to common stockholders	**$ 0.06**	$ 0.01	**$ 0.09**	$ 0.29
PER COMMON SHARE INFORMATION DILUTED:				
Income from continuing operations	**$ 0.06**	$ 0.01	**$ 0.09**	$ 0.12
Income from discontinued operations				0.16
Diluted net income available to common stockholders	**$ 0.06**	$ 0.01	**$ 0.09**	$ 0.28
CASH DIVIDENDS DECLARED PER COMMON SHARE	**$ 0.37**	$ 0.37	**$ 0.74**	$ 0.74
WEIGHTED AVERAGE SHARES	**51,187**	51,825	**51,167**	51,772
DILUTED WEIGHTED AVERAGE SHARES	**52,040**	53,306	**51,842**	53,440

See notes to condensed consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands, except per share amounts)

	For the Six Months Ended June 30,	
	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 12,375**	$ 22,427
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Gain on sale of investment properties, net of income tax provision	**(9,004)**	(12,644)
Depreciation and amortization	**24,224**	18,227
Amortization of deferred financing costs	**779**	513
Stock-based compensation	**1,939**	2,752
Effect of recognizing rental revenues on a straight-line or market basis	**(2,545)**	346
Income from unconsolidated joint ventures less than (in excess of) operating distributions	**11,649**	(3,200)
Residential lot, outparcel and multi-family cost of sales, net of closing costs paid	**1,748**	2,264
Residential lot, outparcel and multi-family acquisition and development expenditures	**(10,484)**	(19,316)
Income tax benefit from stock options		(780)
Minority interest in income of consolidated entities	**922**	1,704
Changes in other operating assets and liabilities:		
Change in other receivables and other assets, net	**(7,178)**	(1,839)
Change in accounts payable and accrued liabilities	**3,899**	8,368
Net cash provided by operating activities	**28,324**	18,822
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investment property sales	**33,455**	21,280
Proceeds from venture formation		19,338
Property acquisition and development expenditures	**(113,528)**	(158,102)
Investment in unconsolidated joint ventures	**(16,984)**	(4,363)
Distributions from unconsolidated joint ventures in excess of income	**2,142**	1,805
Investment in notes receivable, net	**(86)**	2,259
Change in other assets, net	**(9,034)**	(9,092)
Change in restricted cash	**706**	(71)
Net cash used in investing activities	**(103,329)**	(126,946)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from credit, term loan, and construction facilities	**220,325**	413,300
Repayment of credit facilities	**(99,325)**	(253,200)
Payment of loan issuance costs	**(42)**	(43)
Proceeds from other notes payable or construction loans	**15**	4,003

Repayment of other notes payable or construction loans	**(9,698)**	(1,281)
Common stock issued, net of expenses	**1,066**	4,618
Purchase of treasury stock		(7,699)
Income tax benefit from stock options		780
Common dividends paid	**(37,966)**	(38,445)
Preferred dividends paid	**(7,625)**	(7,625)
Contributions from minority partners		348
Distributions to minority partners	**(1,247)**	(1,257)
Net cash provided by financing activities	**65,503**	113,499
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(9,502)**	5,375
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**17,825**	11,538
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 8,323**	$ 16,913

See notes to condensed consolidated financial statements.

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COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008
(UNAUDITED)

1. BASIS OF PRESENTATION AND NEW ACCOUNTING PRONOUNCEMENTS

Basis of Presentation

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

Cousins has elected to be taxed as a real estate investment trust (REIT) and intends to, among other things, distribute 100% of its federal taxable income to stockholders, thereby eliminating any liability for federal income taxes under current law. Therefore, the results included herein do not include a federal income tax provision for Cousins. CREC operates as a taxable REIT subsidiary and is taxed separately from Cousins as a C-Corporation. Accordingly, the condensed consolidated statements of income include a provision for, or benefit from, CREC s income taxes.

The condensed consolidated financial statements are unaudited and were prepared by the Company in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and in accordance with the rules and regulations of the Securities and Exchange Commission (the SEC). In the opinion of management, these financial statements reflect all adjustments necessary (which adjustments are of a normal and recurring nature) for the fair presentation of the Company s financial position as of June 30, 2008 and results of operations for the three and six month periods ended June 30, 2008 and 2007. Results of operations for the three and six months ended June 30, 2008 are not necessarily indicative of results expected for the full year. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC. These condensed financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. The accounting policies employed are materially the same as those shown in Note 2 to the consolidated financial statements included in such Form 10-K, with the addition of the following new accounting pronouncements.

On January 1, 2008, the Company adopted Emerging Issues Task Force (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,* which is discussed in Note 2 of the Company s Annual Report on Form 10-K for the year ended December 31, 2007. This adoption had no effect on financial position or results of operations in the six months ended June 30, 2008, but the Company anticipates that the accounting under EITF 06-8 will have a material effect on the timing of revenue recognition for future multi-family residential projects.

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* for non-financial assets and liabilities. Fair value is defined as the price that would be received to sell 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:

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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 at fair value (Level 2; swap is discussed further in Note 2 herein) and in its annual disclosures of the fair value of notes payable and receivable (Level 2). The adoption of SFAS No. 157 did not have a material impact on the Company s results of operations or financial condition.

2. NOTES PAYABLE, INTEREST EXPENSE AND COMMITMENTS AND CONTINGENCIES

The following table summarizes the terms and amounts of the notes payable outstanding at June 30, 2008 and December 31, 2007 ($ in thousands):

Description	Interest Rate	Term/ Amortization Period (Years)	Maturity	Outstanding at June 30, 2008	Outstanding at December 31, 2007
Credit facility (a maximum of $500,000), unsecured	LIBOR + 0.75% to 1.25%	4/N/A	8/29/11	**$ 173,600**	$ 52,600
Term facility (a maximum of $100,000), unsecured	Swapped rate of 5.01% + 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	**28,488**	28,862
Meridian Mark Plaza mortgage note	8.27%	10/28	9/1/10	**22,981**	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
	5.66%	10/25	1/1/16	**17,628**	17,818

The Points at Waterview mortgage note					
600 University Park Place mortgage note	7.38%	10/30	8/10/11	**12,870**	12,973
Lakeshore Park Plaza mortgage note (see note)	6.78%	10/25	11/1/08		8,785
King Mill Project I member loan (a maximum of $2,849)	9.00%	3/N/A	8/30/08	**2,703**	2,703
King Mill Project I second member loan (a maximum of $2,349)	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	**2,615**	2,601
Other miscellaneous notes	Various	Various	Various	**274**	305
				$ 787,506	$ 676,189

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The Company maintains 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%. The interest rate on the Term Facility is equal to LIBOR plus a spread, as defined by the term loan agreement. At June 30, 2008 the spread over LIBOR was 0.90%. The fair value of the interest rate swap agreement at June 30, 2008 was a liability of approximately $4.0 million, which is recorded in accounts payable and accrued liabilities on the Condensed Consolidated Balance Sheet. The liability related to the interest rate swap decreased approximately $323,000 since December 31, 2007. The value of the interest rate swap is also recorded in Other Comprehensive Income which is included in the equity section of the Condensed Consolidated Balance Sheets. Ineffectiveness is analyzed on a quarterly basis and is recorded in the Condensed Consolidated Statements of Income. There was no ineffectiveness during the six months ended June 30, 2008.

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 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%.

For the six months ended June 30, 2008 and 2007, interest expense was as follows ($ in thousands):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2008	**2007**	**2008**	**2007**
Incurred	**$ 11,831**	$ 7,086	**$ 23,074**	$ 13,178
Capitalized	**(4,464)**	(6,555)	**(9,432)**	(12,647)
Expensed	**$ 7,367**	$ 531	**$ 13,642**	$ 531

At June 30, 2008, the Company had outstanding letters of credit and performance bonds of $27.4 million. The Company has projects under development and redevelopment for which it estimates total future funding commitments of $201.2 million at June 30, 2008. Additionally, the Company has future obligations as a lessor under numerous leases to fund approximately $5.3 million of tenant improvements as of June 30, 2008. As a lessee, the Company has future obligations under ground and office leases of approximately $16.2 million at June 30, 2008.

3. EARNINGS PER SHARE

Net income per share-basic is calculated as net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Net income per share-diluted is calculated as net income available to common stockholders divided by the diluted weighted average number of common shares outstanding during the period. Diluted weighted average number of common shares is calculated to reflect the potential dilution under the treasury stock method that would occur if stock options, restricted stock or other contracts to issue common stock were exercised and resulted in additional common shares outstanding. The numerator used in the Company s per share calculations is the same for both basic and diluted net income per share.

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Weighted average shares-basic and weighted average shares-diluted were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	**2007**	**2008**	**2007**
Weighted average shares-basic	**51,187**	51,825	**51,167**	51,772
Dilutive potential common shares:				
Stock options	**830**	1,437	**661**	1,629
Restricted stock	**23**	44	**14**	39
Weighted average shares-diluted	**52,040**	53,306	**51,842**	53,440
Anti-dilutive options not included	**2,443**	940	**2,456**	892

4. STOCK-BASED COMPENSATION

SFAS No. 123(R), *Share-Based Payment,* requires that companies recognize as compensation expense the grant date fair value of share-based awards over the required service period of the awards. The Company has several types of stock-based compensation stock options, restricted stock and restricted stock units which are described in Note 6 of Notes to Consolidated Financial Statements in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. The Company uses the Black-Scholes option-pricing model to value its new stock option grants under SFAS 123(R) and recognizes compensation expense in general and administrative expense in the Condensed Consolidated Statements of Income over the related awards vesting period. A portion of share-based payment expense is capitalized to projects under development in accordance with SFAS No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects.* SFAS 123(R) also requires the Company to estimate forfeitures in calculating the expense related to stock-based compensation, and to reflect the benefits of tax deductions in excess of recognized compensation cost to be reported as both a financing cash inflow and an operating cash outflow.

The Company expensed approximately $892,000 and $1.2 million for each of the three months ended June 30, 2008 and 2007, respectively, and $2.3 million and $2.8 million for the six months ended June 30, 2008 and 2007, respectively, for stock-based compensation, after the effect of capitalization to projects under development and income tax benefit. As of June 30, 2008, the Company had $13.1 million of estimated total unrecognized compensation cost related to stock-based compensation, which will be recognized over a weighted average period of 1.7 years.

The Black-Scholes option-pricing model requires the Company to provide inputs in calculating the fair value of options on the date of grant. The risk free interest rate utilized is the interest rate on U.S. Government Bonds and Notes having the same life as the estimated life of the Company s option awards. Expected life of the options granted was estimated based on historical data reflecting actual hold periods plus an estimated hold period for unexercised options outstanding. Expected volatility is based on the historical volatility of the Company s stock over a period relevant to the related stock option grant. The assumed dividend yield is based on the annual dividend rate for regular dividends at the time of grant. Below are the Black-Scholes inputs used to calculate the weighted-average fair value of the 2008 option grant:

Assumptions:	
Risk free interest rate	**2.62%**
Expected life	**5.76 years**
Expected volatility	**0.27%**
Expected dividend yield	**5.04%**
Result:	
Weighted-average fair value of options granted	**$3.74**

The following table summarizes stock option activity during the six months ended June 30, 2008:

	Number of Options (in thousands)	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in thousands)	Weighted-Average Remaining Contractual Life (years)
Outstanding at December 31, 2007	6,732	$ 23.79		
Granted	48	24.71		
Exercised	(57)	16.11		
Forfeited	(141)	28.37		
Outstanding at June 30, 2008	6,582	$ 23.77	$ 15,071	6.00
Exercisable at June 30, 2008	4,528	$ 21.62	$ 15,071	4.86

The total intrinsic value of options exercised during the three and six months ended June 30, 2008 was $623,000 and $641,000, respectively.

The following table summarizes restricted stock activity during the six months ended June 30, 2008:

	Number of Shares (in thousands)	Weighted-Average Grant Date Fair Value
Non-vested stock at December 31, 2007	134	$ 26.77
Granted	6	24.71
Forfeited	(7)	26.63
Non-vested stock at June 30, 2008	133	$ 26.68

Restricted stock units (RSU) are accounted for as liability awards under SFAS 123(R) and employees are paid cash based upon the value of the Company s stock upon vesting. The following table summarizes RSU activity for the six months ended June 30, 2008 (in thousands):

Outstanding at December 31, 2007	469
Vested	(2)
Forfeited	(16)
Outstanding at June 30, 2008	451

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5. PROPERTY TRANSACTIONS

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

In 2007, the Company sold 3301 Windy Ridge Parkway, a 107,000 square foot office building in Atlanta, Georgia, and five ground leased sites at the Company s North Point project.

The operations of these projects are included in discontinued operations in the accompanying Condensed Consolidated Statements of Income. The amounts for 2008 relate to the resolution of open items for previously sold properties. The following details the components of income from discontinued operations for the three and six months ended June 30, 2008 and 2007 ($ in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	**2008**	2007
Rental property revenues	**$**	$ 358	**$**	$ 769
Other revenues		14		61
Rental property operating expenses	**36**	(179)	**36**	(388)
Depreciation and amortization		14		(151)
	$ 36	$ 207	**$ 36**	$ 291

The gain on sale of the applicable properties included in Discontinued Operations for the six months ended June 30, 2007 of $8.2 million related to the sale of the ground leased sites at North Point.

In addition to the property transactions described above, the Company sold 70 acres of undeveloped land at its Jefferson Mill project to an entity which is partially owned by a former executive officer of the Company. The Company recognized a gain on this sale in the second quarter of 2008 of $748,000. In addition, the Company entered into a contract to sell an additional 97 acres at Jefferson Mill and the King Mill project to this same entity. The Company expects to close on the sale of the additional 97 acres on or before December 31, 2009.

6. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The Company describes its investments in unconsolidated joint ventures in Note 5 to its Annual Report on Form 10-K for the year ended December 31, 2007. The following table summarizes balance sheet data of the Company s unconsolidated joint ventures as of June 30, 2008 and December 31, 2007 ($ in thousands):

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	Total Assets		Total Debt		Total Equity		Company s Investment	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Venture IV LLC entities	**$ 352,948**	$ 359,058	**$ 37,495**	$ 38,137	**$ 294,151**	$ 302,679	**$ 17,290**	$ 17,7
G Columbus Development Venture, Ltd.	**84,931**	108,448		5,128	**46,874**	63,945	**16,635**	28,0
arlotte Gateway Village, LLC	**170,753**	172,781	**128,205**	133,864	**39,787**	37,409	**10,451**	10,4
Venture LLC entities	**104,652**	107,384			**103,423**	105,615	**3,795**	3,9
Realty, L.L.C.	**125,375**	124,422	**5,564**	6,350	**116,536**	114,490	**72,116**	71,1
Murfreesboro Associates	**130,515**	120,579	**103,374**	88,127	**21,399**	21,366	**13,122**	12,3
mco Associates, LLC	**61,958**	63,504	**3,299**	3,397	**58,017**	59,042	**29,603**	30,5
isades West LLC	**84,485**	44,526			**65,030**	37,429	**33,497**	19,1
wford Long CPI, LLC	**39,867**	39,847	**51,116**	51,558	**(12,953)**	(12,830)	**(5,225)**	(5,1
rminus 200 LLC	**53,094**	34,040	**13,023**	1,073	**34,139**	30,568	**19,676**	19,1
Peachtree Place Associates	**25,069**	25,502	**28,125**	28,373	**(3,772)**	(3,279)	**(3,377)**	(3,1
ldwood Associates	**21,597**	21,640			**21,466**	21,552	**(1,517)**	(1,4
ndy Road Associates, LLC	**5,313**	5,407	**3,204**	3,204	**2,096**	2,173	**2,157**	2,2
e Mountain Builders, LLC	**7,011**	7,569	**2,700**	2,347	**2,277**	2,553	**1,497**	1,5
enmore Garden Villas LLC	**7,555**	3,197	**5,225**	1,596	**1,175**	1,200	**1,079**	8
/FSP I, L.P.	**7**	3,188			**(2)**	3,137	**33**	1,6
C Associates, L.P.	**145**	2,150			**142**	414	**65**	2
er	**726**	686			**672**	650	**203**	2
	$ 1,276,001	$ 1,243,928	**$ 381,330**	$ 363,154	**$ 790,457**	$ 788,113	**$ 211,100**	$ 209,4

The following table summarizes income statement data of the Company s unconsolidated joint ventures for the six months ended June 30, 2008 and 2007 ($ in thousands):

	Total Revenues		Net Income (Loss)		Company s Share of Net Income (Loss)	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
CP Venture IV LLC entities	**$ 16,133**	$ 16,311	**$ 1,738**	$ 2,139	**$ 647**	$ 662
TRG Columbus Development Venture, Ltd.	**23,807**	45,628	**1,940**	13,153	**422**	4,228
Charlotte Gateway Village, LLC	**15,456**	15,399	**3,045**	2,761	**588**	588
CP Venture LLC entities	**10,099**	10,740	**5,225**	5,931	**540**	615
CL Realty, L.L.C.	**4,675**	5,037	**5,406**	3,553	**2,208**	1,195
CF Murfreesboro Associates	**4,921**		**32**		**(24)**	
Temco Associates, LLC	**2,290**	3,595	**207**	359	**104**	196
Palisades West LLC	**114**	181	**105**	172	**53**	56
Crawford Long CPI, LLC	**5,699**	5,337	**837**	753	**418**	352
Terminus 200 LLC	**266**		**25**		**13**	
Ten Peachtree Place Associates	**3,621**	3,240	**232**	159	**123**	87
Wildwood Associates	**1**	3	**(86)**	(95)	**(43)**	(48)
Handy Road Associates, LLC		4	**(76)**	(145)	**(49)**	(84)
Pine Mountain Builders, LLC	**2,564**	1,711	**124**	107	**49**	13

Glenmore Garden Villas LLC			**(25)**			
CPI/FSP I, L.P.	**4,448**		**1,015**	(25)		(13)
CSC Associates, L.P.	**21**	(74)	**14**	(71)	**7**	(36)
Other			**(60)**	2		(2)
	$ 94,115	$ 107,112	**$ 19,698**	$ 28,753	**$ 5,056**	$ 7,809

TRG Columbus Development Venture, Ltd. developed a multi-family project in Miami, Florida. Subsequent to quarter end, this entity sold all of its remaining residential units. This venture currently holds only seven unsold commercial units.

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7. OTHER ASSETS

Other Assets on the Condensed Consolidated Balance Sheets included the following ($ in thousands):

	June 30, 2008	December 31, 2007
Investment in Verde	**$ 9,376**	$ 9,376
FF&E and leasehold improvements, net of accumulated depreciation of $10,183 and $9,761 as of June 30, 2008 and December 31, 2007, respectively	**5,923**	6,341
Airplane and related deposit, net of accumulated depreciation of $381 and $1,216 as of June 30, 2008 and December 31, 2007, respectively	**14,992**	14,191
Predevelopment costs and earnest money	**12,885**	16,692
Lease inducements, net of accumulated amortization of $550 and $235 as of June 30, 2008 and December 31, 2007, respectively	**14,273**	3,735
Loan closing costs, net of accumulated amortization of $2,227 and $1,448 as of June 30, 2008 and December 31, 2007, respectively	**5,760**	6,497
Prepaid expenses and other assets	**3,615**	2,575
Deferred tax asset	**9,182**	
Intangible Assets:		
Goodwill	**5,529**	5,529
Above market leases, net of accumulated amortization of $7,374 and $6,028 as of June 30, 2008 and December 31, 2007, respectively	**2,467**	4,598
In-place leases, net of accumulated amortization of $1,893 and $1,589 as of as of June 30, 2008 and December 31, 2007, respectively	**920**	1,409
	$ 84,922	$ 70,943

Goodwill relates entirely to the Office reportable segment. Above and below market leases are amortized into rental revenues over the remaining lease terms. In-place leases are amortized into depreciation and amortization expense also over remaining lease terms. Amortization expense for intangibles totaled $1.2 million and $1.5 million in the three months ended June 30, 2008 and 2007, respectively, and $2.5 million and $3.1 million in the six months ended June 30, 2008 and 2007, respectively. Future aggregate amortization of these intangible assets and liabilities is anticipated to be as follows ($ in thousands):

	Below Market Rents	Below Market Ground Lease	Above Market Leases	In-Place Leases	Total
Remainder of 2008	$ (64)	$ (5)	$ 1,732	$ 377	$ 2,040
2009	(127)	(9)	197	120	181
2010	(125)	(9)	197	97	160
2011	(116)	(9)	152	79	106

2012	(48)	(9)	16	60	19
Thereafter	(77)	(670)	173	187	(387)
	$ (557)	$ (711)	$ 2,467	$ 920	$ 2,119

8. SUPPLEMENTAL CASH FLOWS INFORMATION

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

	Six Months Ended June 30,	
	2008	**2007**
Interest paid, net of amounts capitalized	**$ 12,104**	$
Income taxes refunded	**410**	
Non-Cash Transactions		
Transfer from projects under development to operating properties	**206,253**	80,730
Transfer from other assets to land	**5,694**	11,785
Issuance of note receivable for sale of land	**5,050**	
Change in accruals excluded from development, leasing and acquisition expenditures	**11,510**	3,881
Transfer of income tax receivable to deferred tax asset	**9,182**	
Transfer from investment in joint venture to land held for investment	**1,570**	
Transfer from projects under development to land held for investment	**677**	
Change in accumulated other comprehensive income	**323**	
Transfer from operating properties to land		2,392
Transfer from land held for investment to projects under development		323

9. REPORTABLE SEGMENTS

In the second quarter of 2008, the Company reorganized along functional lines and eliminated its division structure, which was based primarily on product type. As a result, the Company revised its segment reporting to reflect this new alignment and to correspond with information as presented to the chief operating decision maker. The following tables reflect these changes, and the reportable segments for the three and six months ended June 30, 2007 have been restated to be consistent with the current year reporting.

Under its new structure, the Company has five reportable segments: Office, Retail, Land, Third-Party Management and Multi-family. The Company s reportable segments are categorized based on 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. Other 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.

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

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

Segment net income, a breakout of assets, 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.

ree Months Ended June 30, 2008 (in thousands)	**Office**	**Retail**	**Land**	**Third Party Management**	**Multi-Family**	**Other**	**Total**
t rental property revenues less rental property operating expenses	$ 16,049	$ 5,539	$	$	$	$ 362	$ 21,95
e income				4,491		3,311	7,80
sidential, tract and outparcel sales, net of cost of sales	618	3,400	398			748	5,16
her income	(102)					1,457	1,35
neral and administrative expenses				(4,054)		(9,013)	(13,06
erest expense						(7,367)	(7,36
preciation and amortization of non-real estate assets						(967)	(96
her expenses						(549)	(54
nds from operations from unconsolidated joint ventures	1,189	1,343	1,320		(227)	61	3,68
nority interest in income of consolidated subsidiaries						(251)	(25
nefit for income taxes from operations						2,176	2,17
eferred stock dividends						(3,812)	(3,81
nds from operations available to common stockholders	**$ 17,754**	**$ 10,282**	**$ 1,718**	**$ 437**	**$ (227)**	**$ (13,844)**	**$ 16,12**
al estate depreciation and amortization							(13,26
in on sale of depreciated investment properties							5
t income available to common stockholders							**$ 2,91**

Three Months Ended June 30, 2007 (in thousands)	**Office**	**Retail**	**Land**	**Third Party Management**	**Multi-Family**	**Other**	**Total**
Net rental property revenues less rental property operating expenses	$ 9,180	$ 4,659	$	$	$	$ 498	$ 14,337
Fee income				5,707		4,153	9,860
Residential, tract and outparcel sales, net of cost of sales			344		47		391
Other income	7	671				169	847
General and administrative expenses				(4,966)		(10,638)	(15,604)
Interest expense						(531)	(531)
Depreciation and amortization of non-real estate assets						(758)	(758)
Other expenses						(758)	(758)
Funds from operations from unconsolidated joint ventures	1,148	1,079	1,149		1,804		5,180
Minority interest in income of consolidated subsidiaries						(842)	(842)
Benefit for income taxes from operations						1,073	1,073
Preferred stock dividends						(3,812)	(3,812)
Funds from operations available to common stockholders	**$ 10,335**	**$ 6,409**	**$ 1,493**	**$ 741**	**$ 1,851**	**$ (11,446)**	**$ 9,383**
Real estate depreciation and amortization							(9,038)
Gain on sale of depreciated investment properties							50
Net income available to common stockholders							**$ 395**

Six Months Ended June 30, 2008 (in thousands)	**Office**	**Retail**	**Land**	**Third Party Management**	**Multi-Family**	**Other**	**Total**
Net rental property revenues less rental property operating expenses	$ 31,188	$ 10,579	$	$	$	$ 818	$ 42,585
Fee income				9,144		6,216	15,360
Residential, tract and outparcel sales, net of cost of sales	618	4,154	4,178			748	9,698
Other income	16					2,699	2,715
General and administrative expenses				(8,109)		(19,343)	(27,452)
Interest expense						(13,642)	(13,642)
Depreciation and amortization of non-real estate assets						(1,744)	(1,744)
Other expenses						(2,304)	(2,304)
Funds from operations from unconsolidated joint ventures	2,377	2,642	2,333		423	94	7,869

Minority interest in income of consolidated subsidiaries						(922)	(922)
Benefit for income taxes from operations						5,393	5,393
Preferred stock dividends						(7,625)	(7,625)
Funds from operations available to common stockholders	**$ 34,199**	**$ 17,375**	**$ 6,511**	**$ 1,035**	**$ 423**	**$ (29,612)**	**$ 29,931**
Real estate depreciation and amortization							(25,293)
Gain on sale of depreciated investment properties							112
Net income available to common stockholders							**$ 4,750**

Six Months Ended June 30, 2007 (in thousands)	**Office**	**Retail**	**Land**	**Third Party Management**	**Multi-Family**	**Other**	**Total**
Net rental property revenues less rental property operating expenses	$ 18,606	$ 9,201	$	$	$	$ 845	$ 28,652
Fee income				11,568		6,358	17,926
Residential, tract and outparcel sales, net of cost of sales		12,541	608				13,149
Other income	3,556	726				279	4,561
General and administrative expenses				(9,663)		(20,631)	(30,294)
Interest expense						(531)	(531)
Depreciation and amortization of non-real estate assets						(1,258)	(1,258)
Other expenses						(1,118)	(1,118)
Funds from operations from unconsolidated joint ventures	2,307	2,096	1,381		4,228		10,012
Minority interest in income of consolidated subsidiaries						(1,704)	(1,704)
Benefit for income taxes from operations						2,100	2,100
Preferred stock dividends						(7,625)	(7,625)
Funds from operations available to common stockholders	**$ 24,469**	**$ 24,564**	**$ 1,989**	**$ 1,905**	**$ 4,228**	**$ (23,285)**	**$ 33,870**
Real estate depreciation and amortization							(19,138)
Gain on sale of depreciated investment properties							70
Net income available to common stockholders							**$ 14,802**

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When reviewing the results of operations for the Company, management analyzes its rental property operations and residential, tract and outparcel sales net of their related costs. Gains on sales of investment properties and the property operations that are classified as discontinued operations are also presented net of costs in the management reporting. These amounts are shown in the segment tables above in the same net manner as shown to management. Certain adjustments are required to reconcile the above segments information to the Company s consolidated revenues. These items are eliminated from the segment reporting tables above as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Reconciliation to Revenues on Consolidated Income Statement	**2008**	**2007**	**2008**	**2007**
Net rental property revenues less rental property operating expenses	$ 21,950	$ 14,337	$ 42,585	$ 28,652
Plus rental property operating expenses	14,792	11,341	28,470	21,358
Fee income	7,802	9,860	15,360	17,926
Residential, tract and outparcel sales, net of cost of sales	5,164	391	9,698	13,149
Plus residential, tract and outparcel cost of sales	832	1,085	1,778	2,293
Less income from discontinued operations	(36)	(193)	(36)	(442)
Less gain on sale of investment properties discontinued				(8,164)
Less gain of sale of investment properties	(4,741)		(8,477)	(4,376)
Other income	940	847	2,300	4,561
Total consolidated revenues	$ 46,703	$ 37,668	$ 91,678	$ 74,957

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Overview:

Cousins Properties Incorporated, (along with its subsidiaries and affiliates, collectively referred to as the Company), is a real estate development company with experience in the development, leasing, financing and management of office, retail and industrial properties in addition to residential land development and the development and sale of multi-family products. As of June 30, 2008, the Company held interests directly or through joint ventures in 24 office properties totaling 7.6 million square feet, 14 retail properties totaling 4.8 million square feet, four industrial properties totaling 2.0 million square feet and 126 completed for-sale multi-family units. These interests include office and retail projects under development or redevelopment totaling 3.8 million square feet. The Company also had an interest in two under-development multi-family projects which at completion will contain 208 for-sale units. The Company had 24 residential communities in various stages of development directly or through joint ventures in which approximately 9,970 lots remain to be developed and/or sold. In addition, the Company owned directly or through joint ventures approximately 8,800 acres of land.

The Company s strategy is to produce stockholder returns by creating value through the development of high quality, well-located office, retail, industrial, multi-family and residential properties. The Company has developed substantially all of the real estate assets it owns. A key element in the Company s strategy is to actively manage its portfolio of investment properties and, at the appropriate times, to engage in timely and strategic recycling of its capital, either by sales, financings 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 the Company s stockholders.

Management continues to assess its opportunities in the current economic environment. Management has seen the number of traditional development opportunities across its product types decrease over the past several months and does not expect this trend to change significantly in the next six to 12 months. Single family residential markets continue to struggle and management expects the number of lots sold in 2008 will be less than in 2007. Retailers are generally reluctant to commit to new developments and management sees few opportunities for traditional office or multi-family development within the next year. Management is optimistic that other, more non-traditional, opportunities may present themselves to the Company. These opportunities could include acquisition of single-family residential developments whose developers or lenders are having problems and acquisition of retail or office projects having financing problems. The Company s relatively low leverage and capacity under its credit facilities position it well to take advantage of these opportunities. However, there can be no assurance that these non-traditional opportunities will materialize.

Significant events during the three months ended June 30, 2008 included the following:

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

Entered into an agreement to sell an additional 53-acre tract at Jefferson Mill Business Park and a 44-acre tract at King Mill Distribution Park for an aggregate price of $10.1 million. These tracts are expected to close on or before December 31, 2009.

Sold a 28-acre tract adjacent to The Avenue Forsyth for $17.6 million, generating gain of approximately $3.4 million. The Company expects to recognize an additional $664,000 in gain from this sale in 2008 and 2009 as it completes certain site improvement work on the tract.

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Through its CL Realty joint venture, sold 30 acres at its Long Meadows Farms project for $7.7 million, and a gain of $4.8 million. The Company s pre-tax share of the gain was $931,000.

Announced the grand opening of The Avenue Forsyth, a 527,000 square foot lifestyle center in north metropolitan Atlanta.

Results of Operations:

Rental Property Revenues. Rental property revenues increased approximately $11.2 million (44%) and $21.4 million (43%) in the three and six month 2008 periods, respectively, compared to the same 2007 periods. These increases, discussed in detail below, generally resulted from the opening of newly-developed office and retail properties, plus increases in leasing at certain properties.

Rental property revenues from the office portfolio increased approximately $9.2 million (50%) and $18.0 million (50%) in the three and six month 2008 periods, respectively, as a result of the following:

Increase of $5.1 million and $10.6 million in the three and six month 2008 periods, respectively, due to the second quarter 2007 opening of Terminus 100;

Increase of $1.8 million and $3.5 million in the three and six month 2008 periods, respectively, related to the American Cancer Society Center (the ACS Center), where average economic occupancy increased;

Increase of $1.2 million and $2.0 million in the three and six month 2008 periods, respectively, related to 191 Peachtree Tower, where average economic occupancy increased;

Increase of $146,000 and $491,000 in the three and six month 2008 periods, respectively, related to the second quarter 2007 acquisition of the 221 Peachtree Center Avenue Garage.

Rental property revenues from the retail portfolio increased approximately $1.9 million (29%) and $3.0 million (23%) in the three and six month 2008 periods, respectively, as a result of the following:

Increase of $557,000 and $1.2 million in the three and six month 2008 periods, respectively, related to increased average economic occupancy at San Jose MarketCenter, which opened in the first quarter of 2006;

Increase of $352,000 and $888,000 in the three and six month 2008 periods, respectively, related to increased average economic occupancy at The Avenue Webb Gin, which opened in the third quarter of 2006;

Increase of $856,000 and $929,000 in the three and six month 2008 periods, respectively, related to The Avenue Forsyth, which opened in April 2008.

Rental Property Operating Expenses. Rental property operating expenses increased approximately $3.5 million (30%) and $7.1 million (33%) in the three and six month 2008 periods, respectively, compared to the same 2007 period as a result of the following:

Increase of $1.2 million and $2.6 million in the three and six month 2008 periods, respectively, related to the opening of Terminus 100;

Increase of $310,000 in both the three and six month 2008 periods due to the opening of The Avenue Forsyth;

Increase of $1.6 million and $3.1 million in the three and six month 2008 periods, respectively, related to the increased occupancy at 191 Peachtree Tower, the ACS Center, San Jose MarketCenter, and The Avenue Webb Gin.

Fee Income. Fee income decreased $2.1 million (21%) and $2.6 million (14%) in the three and six month 2008 periods, respectively, compared to the same 2007 periods. 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. Fee income also includes direct reimbursements of expenses from these owners. Fees and reimbursements vary between quarters, due to the number of contracts with ventures and third party owners and the development and leasing needs at the underlying properties, and could continue to vary in future periods based on volume and composition of activities at the underlying properties.

Management fees, including expense reimbursements, decreased $582,000 and $1.4 million during the three and six month 2008 periods, respectively, mainly due to lower reimbursements from third party owners. Leasing fee income decreased $528,000 and $913,000 in the three and six month 2008 periods, respectively, compared to the 2007 periods primarily due to changes in the level of rollover and activity at the underlying properties. In addition, the Company earned $567,000 in the second quarter of 2007 in development fees related to amounts the Company paid on behalf of the Ft. Gillem contract and was reimbursed. None were incurred in 2008.

Residential Lot and Outparcel Sales and Cost of Sales. Residential lot and outparcel sales and cost of sales are discussed in detail below.

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 Associates, LLC (Temco) and CL Realty, L.L.C., for which income is recorded in income from unconsolidated joint ventures. The number of lots sold for the six month periods were as follows:

	2008	**2007**
Consolidated projects	10	34
Temco	8	45
CL Realty, L.L.C.	97	225
Total	115	304

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, 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 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 the rest of 2008, like those in the beginning of 2008 and 2007, will be lower than those the Company experienced in recent years, both at consolidated projects and at Temco and CL Realty, L.L.C. The Company cannot currently quantify the effect of the current slowdown on its results of operations for the rest of 2008 or forward.

Residential lot sales for consolidated properties decreased $221,000 and $1.5 million between the three and six month 2008 periods and the same 2007 periods. Residential lot cost of sales decreased $215,000 and $1.4 million between the three and six month 2008 and 2007 periods. The change in residential lot cost of sales was also partially due to the number of lots sold during the periods 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.

Outparcel Sales and Cost of Sales Outparcel sales and cost of sales increased $1.6 million and $819,000, respectively, between the six month 2008 and 2007 periods due to one outparcel sale in the first quarter 2008 and none in the first quarter 2007. There was no activity related to outparcels in the three month 2008 and 2007 periods.

Interest and Other. Interest and other income increased $107,000 (13%) in the three month 2008 period compared to the same 2007 period and decreased $2.2 million (49%) between the six month 2008 and 2007 periods as a result of the following:

Decrease of termination fees of $780,000 and $4.2 million in the three and six month 2008 periods, respectively. The Company recognized a $3.5 million termination fee in the first quarter of 2007 from a lease terminated at the ACS Center and fees of $671,000 in the second quarter of 2007, mainly from a lease termination fee at The Avenue Webb Gin, with no corresponding significant termination fees in 2008;

Increase in interest income of approximately $594,000 and $969,000 in the three and six month 2008 periods, respectively, due to an increase in notes receivable outstanding;

Increase in other income of approximately $409,000 in the six month 2008 period due to the sale of certain of the Company s art assets.

General and Administrative Expenses. General and administrative expenses decreased $2.5 million (16%) and $2.8 million (9%) in the three and six month 2008 periods, respectively, due to the following:

Decrease of $1.1 million and $1.5 million in salaries and benefits, net of amounts capitalized to projects under development, in the three and six month 2008 periods, respectively, compared to the same 2007 period. The Company reduced staffing at its corporate offices at the end of the first quarter of 2008. In addition, salaries, benefits and other expenses reimbursed by third party and joint venture management contracts decreased due to a reduced number of third party contracts between periods;

Decrease of $355,000 and $361,000 in stock-based compensation expense for the three and six month periods, respectively. The Company recognizes compensation expense for restricted stock units based on the current fair market value of its common stock. The Company s stock price decreased between June 30, 2007 and June 30, 2008, resulting in lower compensation expense for the 2008 periods;

Decrease of $250,000 and $260,000 in employee leasing commissions in the three and six month periods, respectively, due to decreased leasing activity at third party managed projects, for which the Company earns fee income.

Decrease of $135,000 and $631,000 in rent expense and moving costs in the three and six month periods, respectively. In the second quarter of 2007, the Company relocated its corporate headquarters to 191 Peachtree Tower, which is owned by the Company, and rent is no longer included in expense;

Decrease of approximately $429,000 and $294,000 in professional fees in the three and six month periods, respectively, a large portion of which related to legal fees. In the 2007 periods, higher legal costs were incurred for additional work performed in order to comply with new SEC rules and regulations related to the proxy filing and for more legal fees related to potential venture formations and other projects.

Depreciation and Amortization. Depreciation and amortization increased approximately $4.1 million (47%) and $6.1 million (34%) between the three and six month 2008 periods, respectively, when compared to the 2007 periods primarily as a result of the following:

- Increase of $2.1 million and $3.9 million in the three and six month 2008 periods, respectively, related to the opening of Terminus 100;

- Increase of $306,000 in both the three and six month 2008 periods from the opening of The Avenue Forsyth;

- Increase of $1.2 million and $1.1 million in the three and six month 2008 periods, respectively, from increased amortization of tenant improvements due to the increased occupancy at 191 Peachtree Tower, the ACS Center, San Jose MarketCenter, and The Avenue Webb Gin.

Interest Expense. Interest expense increased approximately $6.8 million and $13.1 million in the three and six month 2008 periods, respectively, compared to the same 2007 periods. The increases are the result of a decrease in capitalized interest associated with the following:

- The completion of several properties in development or lease-up including Terminus 100, The Avenue Webb Gin, The Avenue Forsyth and The Avenue Murfreesboro, and

- The suspension of construction on residential projects that are wholly-owned and owned in joint ventures.

Benefit for Income Taxes from Operations. Benefit for income taxes from operations increased approximately $1.1 million and $3.3 million between the three and six month 2008 and 2007 periods, respectively, as a result of higher losses from Cousins Real Estate Corporation (CREC), the Company s taxable REIT subsidiary. CREC losses were higher as a result of the following:

- Decrease in income from the TRG Columbus Development Venture, Ltd. (TRG see further discussion in the income from unconsolidated joint ventures section below);

- Increase in interest expense on borrowings between the Company and CREC.

Income from Unconsolidated Joint Ventures. Income from unconsolidated joint ventures decreased approximately $1.9 million (45%) and $2.8 million (35%) in the three and six month 2008 periods compared to the same 2007 periods, respectively, due to the following. (All amounts discussed reflect the Company s share of joint venture income based on its ownership interest in each joint venture.)

- Decrease in income from TRG of approximately $2.0 million and $3.8 million in the three and six month 2008 periods, respectively. TRG recognized income on its condominium units under contract for sale using the percentage of completion method of accounting during the first half of 2007. Construction of the project is complete, and TRG recorded only nominal amounts of income from units under percentage of completion accounting in 2008. The income that was generated at TRG in 2008 included revenues from units that closed under the completed contract method of accounting and income from forfeited security deposits on units that did not close. TRG sold substantially all the residential units that remained as of June 30, 2008 in July 2008 at a gain.

- Increase in income from CL Realty, L.L.C. of approximately $123,000 and $1.0 million in the three and six month 2008 periods, respectively. This venture recognized revenue from two mineral rights lease bonus payments in 2008, one in the first quarter and one in the second quarter. In addition, the venture recognized income from potential lot buyers forfeiting their deposits, and a gain from a land tract sale at one of the venture s residential develop-

ments. This increase was partially offset by a decrease in lots sold from 137 in the second quarter 2007 to 66 in the second quarter of 2008, and a decrease from 225 in the first six months of 2007 to 97 in the same 2008 period. See additional discussion in the Residential Lot and Outparcel Sales and Cost of Sales section above.

Gain on Sale of Investment Properties. The 2008 gain consisted primarily of the following:

- Gain from the sale of undeveloped land from the Company s North Point land holdings ($3.7 million);
- Gain from the sale of undeveloped land from the Jefferson Mill project land holdings ($748,000);
- Gain from the sale of undeveloped land near The Avenue Forsyth project ($3.4 million) ;
- Gain from the condemnation of land at the Cosmopolitan Center ($619,000); and
- Gain from the sale of the Company s airplane ($415,000).

The 2007 gain consisted primarily of the sale of undeveloped land near the Company s Avenue Carriage Crossing project.

Discontinued Operations. Income from discontinued operations (including gain on sale of investment properties) decreased slightly in the three month 2008 period compared to the three month 2007 period and decreased approximately $8.4 million between the six month 2008 and 2007 periods. In the first quarter of 2007, the Company sold five sites under ground lease at the Company s North Point project, which was treated as a discontinued operation. The Company also sold the 3301 Windy Ridge Parkway office building in the third quarter of 2007 and the results of operations for this property were reclassified to discontinued operations for the 2007 period. There were no new assets which qualified for discontinued operations treatment in the six months ended June 30, 2008.

Discussion of New Accounting Pronouncements. On January 1, 2008, the Company adopted 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* (EITF 06-8), which provides guidance for determining the adequacy of a buyer s continuing investment and the appropriate profit recognition in the sale of individual units in a condominium project. EITF 06-8 requires that companies evaluate the adequacy of a buyer s continuing investment in recognizing condominium revenues on the percentage of completion method by applying paragraph 12 of Statement No. 66 to the level and timing of deposits received on contracts for condominium sales. This adoption had no effect on financial position or results of operations in the first half of 2008, but the Company anticipates that the accounting under EITF 06-8 will have a material effect on the timing of revenue recognition for future multi-family residential projects.

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* for non-financial assets and liabilities. Fair value is defined as the price that would be received to sell 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.

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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 at fair value (Level 2; discussed further in Note 2 herein) and in its annual disclosures of the fair value of notes payable and receivable (Level 2). The adoption of SFAS No. 157 did not have a material impact on the Company s results of operations or financial condition.

Funds From Operations. The following table shows Funds From Operations Available to Common Stockholders (FFO) and the related reconciliation to net income available to common stockholders for the Company. The Company calculated FFO in accordance with the National Association of Real Estate Investment Trusts (NAREIT) definition, which is net income available to common stockholders (computed in accordance with accounting principles generally accepted in the United States (GAAP)), excluding extraordinary items, cumulative effect of change in accounting principle and gains or losses from sales of depreciable property, plus depreciation and amortization of real estate assets, and after adjustments for unconsolidated partnerships and joint ventures to reflect FFO on the same basis.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net Income Available to Common Stockholders	**$ 2,911**	**$ 395**	**$ 4,750**	**$ 14,802**
Depreciation and amortization:				
Consolidated properties	12,785	8,721	24,224	18,076
Discontinued properties		(14)		151
Share of unconsolidated joint ventures	1,473	1,089	2,864	2,170
Depreciation of furniture, fixtures and equipment and amortization of specifically identifiable intangible assets:				
Consolidated properties	(967)	(758)	(1,744)	(1,259)
Share of unconsolidated joint ventures	(26)		(51)	
Gain on sale of investment properties, net of applicable income tax provision:				
Consolidated	(5,212)	(62)	(9,004)	(4,502)
Discontinued properties		22		(8,142)
Share of unconsolidated joint ventures		(10)		34
Gain on sale of undepreciated investment properties	5,156		8,892	12,540
Funds From Operations Available to Common Stockholders	**$ 16,120**	**$ 9,383**	**$ 29,931**	**$ 33,870**

Liquidity and Capital Resources:

Financial Condition.

The Company had a number of projects in its development pipeline at June 30, 2008, as well as one existing office building included in operating properties on its Condensed Consolidated Balance Sheet that will require capital to effect leasing and redevelopment activities. The Company also has several tracts of undeveloped land, both consolidated and at unconsolidated joint ventures, which may progress into development projects in the remainder of 2008. If additional capital is needed, management believes that this capital may be secured through one or more of the following alternatives: additional borrowings, formations of joint ventures, capital transactions, and the selective and strategic sale of mature operating properties or parcels of land held for investment. The financial condition of the Company is discussed in further detail below.

At June 30, 2008, the Company was subject to the following contractual obligations and commitments ($ in thousands):

	Total	Less than 1 Year	1-3 Years	4-5 Years	After 5 years
Contractual Obligations:					
Company long-term debt					
Unsecured notes payable and construction loans	$ 281,239	$ 2,960	$ 4,679	$ 273,600	$
Mortgage notes payable	506,267	1,860	109,270	246,260	148,877
Interest commitments under notes payable (1)	240,431	130,863	67,672	3,565	38,331
Operating leases (ground leases)	15,229	93	193	203	14,740
Operating leases (all other)	962	451	461	50	
Total contractual obligations	$ 1,044,128	$ 136,227	$ 182,275	$ 523,678	$ 201,948
Commitments:					
Letters of credit	$ 17,292	$ 15,092	$ 2,200	$	$
Performance bonds	10,064	9,092	972		
Estimated development commitments	201,213	129,975	67,673	3,565	
Unfunded tenant improvements	5,305	5,305			
Total commitments	$ 233,874	$ 159,464	$ 70,845	$ 3,565	$

(1) Interest on variable rate obligations is based on rates effective as of June 30, 2008.

The Company maintains 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%. The interest rate on the Term Facility is equal to LIBOR plus a spread, as defined by the term loan agreement. At June 30, 2008 the spread over LIBOR was 0.90%. The fair value of the interest rate swap agreement at June 30, 2008 was a liability of approximately $4.0 million, which is recorded in accounts payable and accrued liabilities on the Condensed Consolidated Balance Sheet. The change in value of the interest rate swap is recorded in Other Comprehensive Income, which is included in the equity section of the Condensed Consolidated Balance Sheet. Ineffectiveness is analyzed on a quarterly basis and is recorded in the Condensed Consolidated Statements of Income. There was no ineffectiveness in the first half of 2008.

As of June 30, 2008, the Company had $173.6 million drawn on its $500 million credit facility. The amount available under this credit facility is reduced by outstanding letters of credit, which were approximately $17.3 million at June 30, 2008. The Company s interest rate on its credit facility is LIBOR plus a spread based on certain of the Company s ratios and other factors, and interest is due periodically as defined by the loan agreement. As of June 30, 2008, the spread over LIBOR for the credit facility was 0.95%.

The Company expects its credit facility to be the primary funding source for its contractual obligations and commitments in the near term. The Company may obtain long-term mortgage debt on some of its recently developed,

unencumbered assets to help fund its commitments.

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%.

Additional Financial Condition Information

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

As of June 30, 2008, the weighted average interest rate on the Company s consolidated debt was 5.62%, and the Company s consolidated debt to total market capitalization ratio was 36.6%.

The Company may also generate capital through the issuance of securities that includes, but is not limited to, preferred stock under an existing shelf registration statement. As of June 30, 2008, the Company had approximately $100 million available for issuance under this registration statement.

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

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

Cash Flows.

Cash Flows from Operating Activities. Net cash provided by operating activities increased $9.5 million between the six months ended June 30, 2007 and the corresponding 2008 period. This increase is a result of higher cash flows from operating properties, more distributions from joint ventures in 2008 and lower residential, outparcel and multi-family development expenditures, offset by an increase in interest paid and changes in operating assets and liabilities. See rental property revenues and operating expenses sections above for a discussion of the properties which contributed to the increase in cash flows from operating activities and the interest expense section for a discussion of that increase. The increase in operating distributions received from unconsolidated joint ventures is mainly due to $11.9 million in distributions from TRG Columbus Development Venture, Ltd., which constructed a multi-family residential project in Miami, Florida. Closings on these residential units commenced in the fourth quarter of 2007 and continued through the first half of 2008. Operating assets increased mainly due to the increase in the income tax receivable due to the benefit anticipated from losses at the Company s taxable subsidiary.

Cash Flows from Investing Activities. Net cash used in investing activities decreased $23.6 million between the six months ended June 30, 2007 and the corresponding 2008 period. Proceeds from investment property sales were $12.2 million higher in 2008 due mainly to the 2008 sales of the land at Jefferson Mill Business Park and The Avenue Forsyth. Also, property acquisition and development expenditures decreased $44.6 million between the 2008 and 2007 periods due to fewer projects under development. These decreases were partially offset by the $19.3 million in cash received in 2007 as additional consideration related to the 2006 formation of CP Venture IV LLC. Additionally, contributions to the Company s investment in unconsolidated joint ventures increased $12.6 million primarily due to construction-related contributions to the Palisades West LLC joint venture in 2008.

Cash Flows from Financing Activities. Net cash provided by financing activities decreased $48.0 million between the six months ended June 30, 2007 and the corresponding 2008 period. The net borrowings under the Company s credit, term and construction facilities decreased in 2008 by $39.1 million, mainly due to the Company s decrease in development expenditures and to the infusion of cash in the last half of 2007 from obtaining three new mortgage notes payable. Repayments of other notes payable increased by $8.4 million, primarily due to the repayment of the Lakeshore Park Plaza mortgage note in 2008, further decreasing net cash provided by financing activities. In 2007, the Company refinanced its non-recourse mortgage note payable secured by the

100 and 200 North Point Center Office buildings and incurred additional borrowings on its industrial projects, which provided loan proceeds that were $4.0 million higher in 2007. Common stock issued, net of expenses, decreased $3.6 million due to a decrease in options exercised under the Company s stock option plans. Partially offsetting the decreases in net cash provided by financing activities was the purchase of approximately $7.7 million of treasury stock in 2007 versus no purchases in the 2008 comparable period.

Dividends. During the six months ended June 30, 2008, the Company paid common and preferred dividends of $45.6 million, which it funded with cash provided by operating activities and proceeds from investment property sales. During the 2007 period, the Company paid common and preferred dividends of $46.1 million which it funded with cash provided by operating activities, proceeds from 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.

Off Balance Sheet Arrangements

The Company has a number of off balance sheet joint ventures with varying structures. At June 30, 2008, the Company s unconsolidated joint ventures had aggregate outstanding indebtedness to third parties of approximately $412.2 million of which the Company s share was $180.4 million. These loans are generally mortgage or construction loans, most of which are non-recourse to the Company. Also, in certain instances, the Company provides non-recourse carve-out guarantees on these non-recourse loans. The Company has guarantees for the repayment of the debt at the CF Murfreesboro Associates and Glenmore Garden Villas LLC ventures, and performance and repayment guarantees at its Terminus 200 LLC venture. See the Company s Annual Report of Form 10-K for the year ended December 31, 2007 for detailed information on these guarantees. An estimate of the liability associated with these guarantees was made upon entering into the guarantee, and there have been no material changes in the Company s estimated liability related to these guarantees in the six months ended June 30, 2008. The unconsolidated joint ventures also had performance bonds, which the Company guarantees, totaling approximately $1.6 million at June 30, 2008.

Several of these ventures are involved in the acquisition and development of real estate. As capital is required to fund the acquisition and development of this real estate, the Company must fund its share of the costs not funded by operations or outside financing. As of June 30, 2008, the Company had approximately $88.9 million in estimated construction commitments for its office, multi-family and retail joint ventures, anticipated to be funded by partner contributions or outside financing at the venture level. The Company also estimates there will be further acquisition and development expenditures at certain of its residential joint ventures. Based on the nature and timing of 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.

Critical Accounting Policies

There has been no material change in the Company s critical accounting policies from those disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company s market risk related to its notes payable and notes receivable from that disclosed in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management s control objectives. We also have investments in certain unconsolidated entities. As we do not always control or manage these entities, our disclosure controls and procedures with respect to such entities are necessarily more limited than those we maintain with respect to our consolidated subsidiaries.

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There has been no material change in the Company s risk factors from those outlined in Item 1A in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

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

The following table contains information about the Company s purchases of its equity securities during the second quarter of 2008:

	Total Number of Shares Purchased (1)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plan (2)	Average Price Paid Per Share	Maximum Number of Shares That May Yet Be Purchased Under Plan (2)
April 1 - 30	4,398	$ 27.27		$	4,750,000
May 1 - 31					4,750,000
June 1 - 30					4,750,000
Total	4,398	$ 27.27		$	4,750,000

(1) The purchase of equity securities during the second quarter of 2008 related to a remittance of shares of stock for an option exercise.

(2) On May 9, 2006, the Board of Directors of the Company authorized a stock repurchase plan, which expires May 9, 2009, of up to 5,000,000 shares of the Company s common stock. The Company has purchased 250,000 shares under this plan, and no purchases

occurred during
the second
quarter of 2008.

Item 3. Defaults Upon Senior Securities

None.

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

None.

Item 5. Other Information

None.

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Item 6. Exhibits

3.1 Restated and Amended Articles of Incorporation of the Registrant, as amended August 9, 1999, filed as Exhibit 3.1 to the Registrant s Form 10-Q for the quarter ended June 30, 2002, and incorporated herein by reference.

3.1.1 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 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 August 14, 2007, filed as Exhibit 3.1 to the Registrant s Current Report on Form 8-K filed on August 16, 2007, and incorporated herein by reference.

11 Computation of Per Share Earnings*

31.1 Certification of the Chief Executive Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer Pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification 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.

* Data required by SFAS No. 128, Earnings Per Share, is provided in Note 3 to the condensed consolidated financial statements included in this report.

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SIGNATURES

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

COUSINS PROPERTIES INCORPORATED

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

August 11, 2008

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