COUSINS PROPERTIES INC
Form 10-K
February 28, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2010

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 001-11312
COUSINS PROPERTIES INCORPORATED
(Exact name of registrant as specified in its charter)

Georgia (State or other jurisdiction of incorporation or organization)	**58-0869052** (I.R.S. Employer Identification No.)
191 Peachtree Street NE, Suite 500, Atlanta, Georgia (Address of principal executive offices)	**30303-1740** (Zip Code)

(404) 407-1000
(Registrant s telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of Exchange on which registered
Common Stock ($1 par value)	New York Stock Exchange
7.75% Series A Cumulative Redeemable Preferred Stock ($1 par value)	New York Stock Exchange
7.50% Series B Cumulative Redeemable Preferred Stock ($1 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if 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

As of June 30, 2010, the aggregate market value of the common stock of Cousins Properties Incorporated held by non-affiliates was $593,746,523 based on the closing sales price as reported on the New York Stock Exchange. As of February 24, 2011, 103,635,494 shares of common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s proxy statement for the annual stockholders meeting to be held on May 3, 2011 are incorporated by reference into Part III of this Form 10-K.

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FORWARD-LOOKING STATEMENTS

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

the Company s business and financial strategy;

the Company s ability to obtain future financing arrangements;

the Company s understanding of its competition and its ability to compete effectively;

projected operating results;

market and industry trends;

estimates relating to future distributions;

projected capital expenditures; and

interest rates.

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

availability and terms of capital and financing, both to fund operations and to refinance indebtedness as it matures;

risks and uncertainties related to national and local economic conditions, the real estate industry in general and in specific markets, and the commercial, residential and condominium markets in particular;

continued adverse market and economic conditions requiring the recognition of additional impairment losses;

leasing risks, including an inability to obtain new tenants or renew tenants on favorable terms, or at all, upon the expiration of existing leases and the ability to lease newly developed or currently unleased space;

financial condition of existing tenants;

rising interest rates and insurance rates;

the availability of sufficient development or investment opportunities;

competition from other developers or investors;

the risks associated with development projects (such as construction delay, cost overruns and leasing/sales risk of new properties);

potential liability for uninsured losses, condemnation or environmental issues;

potential liability for a failure to meet regulatory requirements;

the financial condition and liquidity of, or disputes with, joint venture partners;

any failure to comply with debt covenants under credit agreements;

any failure to continue to qualify for taxation as a real estate investment trust.

The words believes, expects, anticipates, estimates, plans, may, intend, will, or similar expressio to identify forward-looking statements. Although the Company believes its plans, intentions and expectations reflected in any forward-looking statements are reasonable, the Company can give no assurance that such plans, intentions or expectations will be achieved. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of future events, new information or otherwise, except as required under U.S. federal securities laws.

PART I

Item 1. Business

Corporate Profile

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

The Company s strategy is to produce stockholder returns through the investment in and management of high-quality, well-located office and retail properties in its core markets of Georgia, Texas and North Carolina. The Company also owns interests in residential development projects, undeveloped land tracts held for investment and industrial assets, and manages properties for third party owners. Historically, the Company has engaged in timely and strategic dispositions either by sale or through contributions to ventures in which the Company retains an ownership interest. The intent of these transactions was to maximize the value of the assets the Company has created, generate capital for additional development properties and return a portion of the value created to stockholders. The Company s current strategy will focus on maximizing value in its current portfolio through lease up, as well as opportunistic investments in office or retail properties within its core markets. The Company s long-term strategy also includes the recycling of capital not invested in its core markets, including leasing and subsequently selling its industrial assets, liquidating its remaining for-sale multi-family residential unit inventory, and reducing its holdings of undeveloped land and residential lots. Additionally, the Company may diversify its holdings geographically in order to reduce the level of concentration in Atlanta, Georgia.

Unless otherwise indicated, the notes referenced in the discussion below are the Notes to Consolidated Financial Statements included in this Annual Report on Form 10-K on pages F- 7 through F- 34.

For a description and list of the Company s properties, see the Item 2 tables in the report herein. The following is a summary of the Company s 2010 activities.

Office

As of December 31, 2010, the Company owned directly or through joint ventures 22 operating office properties totaling 7.4 million square feet. The Company developed most of the office properties it currently owns. While the Company maintains expertise in the development of office properties, given the current economic environment, it may seek to invest in existing operating office properties within its core markets. During 2010, the Company had the following activity in its office property portfolio:

Executed new leases covering approximately 956,000 square feet.

Executed renewals of leases covering approximately 385,000 square feet.

Restructured the Terminus 200 venture, resulting in the full payment of the Company s loan guarantee, a reduction of the Company s ownership from 50% to 20%, a change in the Company s venture partner and an amendment and extension of the related construction loan.

Sold 8995 Westside Parkway, a 51,000-square-foot office building in Atlanta, Georgia, for $3.2 million, generating a gain of approximately $700,000.

Retail

As of December 31, 2010, the Company owned directly or through joint ventures 17 operating retail centers totaling 4.7 million square feet. The Company developed most of the retail properties it currently owns. While the Company maintains expertise in development of retail properties, given the current economic environment, it may seek to invest in existing operating retail properties within its core markets. During 2010, the Company had the following activity in its retail property portfolio:

Executed new leases covering approximately 381,000 square feet.

Executed renewals of leases covering approximately 369,000 square feet.

Invested $14.9 million in Cousins Watkins LLC, a joint venture that holds interests in four Publix-anchored shopping centers in the Southeast.

Sold San Jose MarketCenter for $85 million, generating a net gain of approximately $6.6 million.

Sold nine outparcels at three retail centers generating gains of approximately $4.7 million.

Third Party Management and Other Fee Income

As of December 31, 2010, the Company managed and/or leased 12.1 million square feet of office and retail properties for third party owners. In addition, the Company has numerous contracts to provide development and construction management services for third party owners. During 2010, the Company executed new development and construction contracts with Cox Enterprises and the College Football Hall of Fame.

Other Investments

As of December 31, 2010, the Company owned directly or through joint ventures three operating industrial properties totaling 2.0 million square feet, 24 residential development projects, seven completed units in a for-sale multifamily project, and 9,100 acres of undeveloped land. During 2010, the Company had the following activity related to its other investments:

Closed on the sale of 75 units at the 10 Terminus Place condominium project, generating profit of approximately $7.5 million.

Sold Glenmore Garden Villas LLC (Glenmore) in Charlotte, North Carolina, generating a gain of approximately $369,000.

Sold 53 acres of land at Jefferson Mill Business Park, generating a gain of approximately $328,000.

Sold 44 acres of land at King Mill Distribution Park, generating a gain of approximately $876,000.

Executed new leases covering 903,000 square feet of industrial space.

Sold 624 acres of residential land, generating a gain of approximately $3.4 million.

Sold 371 residential lots, generating net profits of $2.2 million.

Financing Activities

The Company s financing strategy is to provide capital to fund its investment activities while maintaining a relatively conservative debt level. Historically, the Company has accomplished this strategy by raising capital through bank credit facilities, construction and permanent loans secured by underlying properties, sales of assets, contribution of assets into joint ventures, and the issuance of equity securities. During 2010, the Company had the following financing activities:

Amended its Credit Facility (which included a Term Facility and a line of credit) to, among other things, reduce overall capacity from $600 million to $350 million, increase the spread over the London Interbank Offering Rate (LIBOR) and changed certain financial debt covenants.

Repaid the Company s $100 million Term Facility and terminated the associated interest rate swap for a payment of approximately $9.2 million. Repayment of the Term Facility correspondingly increased the Company s maximum borrowing capacity under its line of credit from $250 million to $350 million.

Amended The Avenue Murfreesboro construction loan by reducing its capacity from $131.0 million to $113.2 million, extending the maturity date from July 2010 to July 2013 and increasing the spread over LIBOR from 1.15% to 3.00%.

Obtained a new mortgage loan secured by Meridian Mark Plaza that increased the principal from $22.3 million to $27.0 million, reduced the interest rate from 8.27% to 6.00% and extended the maturity date from 2010 to 2020.

Amended the Terminus 100 mortgage loan, paying down the principal from $180 million to $140 million, extending the maturity from 2012 to 2023 and reducing the interest rate from 6.13% to 5.25%.

Obtained a new mortgage loan secured by The Avenue East Cobb that increased the principal from $34.5 million to $36.6 million, reduced its interest rate from 8.39% to 4.52% and extended the maturity date from 2010 to 2017.

In conjunction with the formation of Cousins Watkins LLC, obtained four loans with a total borrowing capacity of $33.5 million and $28.9 million outstanding at December 31, 2010.

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Environmental Matters

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

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

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

Competition

The Company offers a range of real estate products, most of which are located in developed markets that include other real estate products of the same type. The Company competes with other real estate owners with similar properties located in its markets, and distinguishes itself to tenants/buyers primarily on the basis of location, rental rates/sales prices, services provided, reputation and the design and condition of the facilities. The Company also competes with other real estate companies, financial institutions, pension funds, partnerships, individual investors and others when attempting to acquire and develop properties.

Executive Offices; Employees

The Registrant s executive offices are located at 191 Peachtree Street, Suite 500, Atlanta, Georgia 30303-1740. At December 31, 2010, the Company employed 320 people.

Available Information

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

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

Copies of these documents (without exhibits, when applicable) are also available free of charge upon request to the Company at 191 Peachtree Street, Suite 500, Atlanta, Georgia 30303-1740, Attention: Cameron Golden, Investor Relations. Mr. Golden may also be reached by telephone at (404) 407-1984 or by facsimile at (404) 407-1002.

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

Item 1A. Risk Factors

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

General Risks of Owning and Operating Real Estate

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

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

changes in the national, regional and local economic climate;

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

the attractiveness of our properties to tenants or buyers;

competition from other available properties;

changes in market rental rates and related concessions granted to tenants such as free rent, tenant allowances and tenant improvement allowances; and

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

While the trends in the real estate industry and the broader U. S. economy appear to be showing signs of stabilization, conditions within some of our markets, such as unemployment, consumer demand and housing starts, continue to be unfavorable and may, as a result, adversely affect our business, financial condition, results of operations and the ability of our tenants and other parties to satisfy their contractual obligations to us. As a result, defaults by our tenants and other contracting parties may increase, which would adversely affect our results of operations. Also, tightened underwriting standards in the residential real estate markets impede potential purchasers from obtaining the necessary financing to purchase our properties. Furthermore, our ability to sell or lease our properties at favorable rates, or at all, may be adversely affected by economic conditions.

Our ability to collect rent from tenants affects our ability to pay for adequate maintenance, insurance and other operating costs (including real estate taxes), which could increase over time. Also, the expenses of owning and operating a property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. If a property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take title to the property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes) may adversely affect our financial condition.

Impairment risks. We regularly review our real estate assets for impairment, and, based on this review, we may record impairment losses that have an adverse effect on our results of operations. Adverse or uncertain market and economic conditions and market volatility increase the likelihood that we will be required to record additional impairment losses. The magnitude and frequency with which these charges occur could materially and adversely affect our business, financial condition and results of operations.

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

Co-tenancy risk. Our cash flow and results of operations could be adversely impacted by co-tenancy provisions in certain of our leases with retail tenants. A co-tenancy provision may condition the tenant s obligation to open, the amount of rent payable or the tenant s obligation to continue occupancy based on the presence of another tenant in the project or on minimum occupancy levels in the project. In certain situations, a tenant could have the right to terminate a lease early if a co-tenancy condition remains unsatisfied. Our results of operations and our ability to pay dividends would be adversely affected if a significant number of our tenants had their rent reduced or terminated their leases as a result of co-tenancy provisions.

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

Environmental issues. Environmental issues that arise at our properties could have an adverse effect on our financial condition and results of operations. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at a property. If determined to be liable, the owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination, or perform such investigation and clean-up itself. Although certain legal protections may be available to prospective purchasers of property, these laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the regulated substances. Even if more than one person may have been responsible for the release of regulated substances at the property, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from regulated substances emanating from that site. We are not currently aware of any environmental liabilities at locations that we believe could have a material adverse effect on our business, assets, financial condition or results of operations. Unidentified environmental liabilities could arise, however, and could have an adverse effect on our financial condition and results of operations.

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

Liquidity risk. Real estate investments are relatively illiquid and can be difficult to sell and convert to cash quickly, especially if market conditions are not favorable. As a result, our ability to sell one or more of our properties in response to any changes in economic or other conditions may be limited. In the event we determine a need to sell a property, we may not be able to do so in the desired time period, the sales price of the property may not meet our expectations or requirements, and we may be required to record an impairment loss on the property as a result.

Regional concentration of properties. Currently, a large percentage of our properties are located in metropolitan Atlanta, Georgia. In the future, there may continue to be significant concentrations in metropolitan Atlanta, Georgia and/or other markets. If conditions deteriorate in any market in which we have significant holdings, our interests could be adversely affected by, among other things, loss in value of properties, decreased cash flows and inability to make or maintain distributions to stockholders.

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

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

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

Financing Risks

At certain times, interest rates and other market conditions for obtaining capital are unfavorable, and, as a result, we may be unable to raise capital needed to invest in acquisition or development opportunities, maintain our properties or otherwise satisfy our commitments on a timely basis, or we may be forced to borrow money at higher interest rates or under adverse terms, which could adversely affect returns on our investments, our cash flows and results of operations.

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

> Credit facilities. Terms and conditions available in the marketplace for credit facilities vary over time. We can provide no assurance that the amount we need from our Credit Facility will be available at any given time, or at all, or that the rates and fees charged by the lenders will be acceptable to us. We incur interest under our Credit Facility at a variable rate. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect our cash flow and results of operations. Our Credit Facility contains customary restrictions, requirements and other limitations

on our ability to incur indebtedness, including restrictions on total debt outstanding, restrictions on secured recourse debt outstanding, and requirements to maintain minimum debt service and fixed charge coverage ratios. Our continued ability to borrow under our Credit Facility is subject to compliance with our financial and other covenants.

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

Property sales. Real estate markets tend to experience market cycles. Because of such cycles, the potential terms and conditions of sales, including prices, may be unfavorable for extended periods of time. In addition, our status as a REIT limits our ability to sell properties and this may affect our ability to liquidate an investment. As a result, our ability to raise capital through property sales in order to fund our investment and development projects or other cash needs could be limited. In addition, mortgage financing on a property may prohibit prepayment and/or impose a prepayment penalty upon the sale of a mortgaged property, which may decrease the proceeds from a sale or refinancing or make the sale or refinancing impractical.

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

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

Common stock. We have sold common stock from time to time to raise capital, most recently in September 2009. The issuance of common stock can reduce the percentage of stock ownership of individual current stockholders, and we can provide no assurance that there will not be further dilution to our stockholders from future issuances of stock. The market price of our common stock could decline as a result of issuances or sales of our common stock in the market after such offerings or the perception that such issuances or sales could occur. Additionally, future issuances or sales of our common stock may be at prices below the offering prices of past common stock offered, which could adversely affect the price of our common stock.

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

We may not be able to refinance maturing obligations on favorable terms which could have an adverse effect on our liquidity and financial position.

We may not be able to refinance debt secured by our properties at the same levels or on the same terms, which could adversely affect our business, financial condition and results of operations. Further, at the time the loan matures, the property may be worth less than the loan amount and, as a result, the Company may determine not to refinance the loan and permit foreclosure, generating a loss to the Company.

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

Our Credit Facility imposes financial and operating covenants on us. These covenants may be modified from time to time, but covenants of this type typically include restrictions and limitations on our ability to incur debt, as well as limitations on the amount of our unsecured debt, limitations on distributions to stockholders, and limitations on the amount of joint venture activity in which we may engage. These covenants may limit our flexibility in making business decisions. In addition, our Credit Facility contains financial covenants that require that our earnings, as defined, exceed our fixed charges by a specified amount. If our earnings decline or if our fixed charges increase, we are at greater risk of violating these covenants. A prolonged economic downturn could cause our earnings to decline thereby increasing our risk of violating these covenants. If we fail to meet these covenants, our ability to borrow may be impaired, which could potentially make it more difficult to fund our capital and operating needs. In addition, our failure to comply with such covenants could cause a default, and we may then be required to repay our outstanding debt with capital from other sources. Under those circumstances, other sources of capital may not be available to us or may be available only on unattractive terms, and may require the issuance of equity.

Additionally, some of our properties are subject to mortgages. These mortgages contain customary negative covenants, including limitations on our ability, without the lender s prior consent, to further mortgage that property, to modify existing leases or to sell that property. Compliance with these covenants and requirements could harm our operational flexibility and financial condition.

Our degree of leverage could limit our ability to obtain additional financing or affect the market price of our securities.

Total debt as a percentage of either total asset value or total market capitalization is often used by analysts to gauge the financial health of equity REITs such as us. If our degree of leverage is viewed unfavorably by lenders or potential joint venture partners, it could affect our ability to obtain additional financing. In general, our degree of leverage could also make us more vulnerable to a downturn in business or the economy. In addition, changes in our debt to market capitalization ratio, which is in part a function of our stock price, or to other measures of asset value used by financial analysts, may have an adverse effect on the market price of our equity securities.

Real Estate Development Risks

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

While current market conditions are generally unfavorable for development, and our development activities are lower than in past years, we have historically undertaken more commercial development activity relative to our size than most other public real estate companies. Development activities contain certain inherent risks. Although we seek to minimize risks from commercial development through various management controls and procedures, development risks cannot be eliminated. Some of the key factors affecting development of commercial property are as follows:

The availability of sufficient development opportunities. Absence of sufficient development opportunities, such as in the past few years, could result in our experiencing slower growth in earnings and cash flows. Development opportunities are dependent upon a wide variety of factors. From time to time, availability of these opportunities can be volatile as a result of, among other things, economic conditions and product supply/demand characteristics in a particular market. In a period of prolonged economic downturn, the number of development opportunities typically declines among all of our product types.

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

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

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

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

supply and demand conditions for space in the marketplace; and

level of competition in the marketplace.

Reputation risks. We have historically developed and managed our real estate portfolio and believe that we have built a positive reputation for quality and service with our lenders, joint venture partners and tenants, as well as with our third-party management clients. If we were viewed as developing underperforming properties, suffered sustained losses on our investments, defaulted on a significant level of loans or experienced significant foreclosure or deed in lieu of foreclosure of our properties, our reputation could be damaged. Damage to our reputation could make it more difficult to successfully develop or acquire properties in the future and to continue to grow and expand our relationships with our lenders, joint venture partners, tenants and third-party management clients, which could adversely affect our business, financial condition and results of operations.

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

We may make more property acquisitions in the future, which exposes us to additional risks associated with such property acquisitions.

In the current market environment, development opportunities may be limited, and as a result, we may invest more heavily in property acquisitions, including the acquisition and redevelopment of distressed properties. The risks associated with property acquisitions is generally the same as those described above for

real estate development. However, certain additional risks may be present for property acquisitions and redevelopment projects, including:

- we may have difficulty finding properties that meet our standards and negotiating with new or existing tenants;
- the extent of competition in the market for attractive acquisitions may hinder our future level of property acquisitions or redevelopment projects;
- the actual costs and timing of repositioning or redeveloping acquired properties may be greater than our estimates, which would affect our yield and cash investment in the property;
- the occupancy levels, lease-up timing and rental rates may not meet our expectations, making the project unprofitable;
- the acquired or redeveloped property may be in a market that is unfamiliar to us and could present additional unforeseen business challenges:
- acquired properties may fail to perform as expected;
- we may be unable to obtain financing for acquisitions on favorable terms or at all; and
- we may be unable to quickly and efficiently integrate new acquisitions into our existing operations, and significant levels of management s time and attention could be involved in these projects, diverting their time from our day-to-day operations.

Any of these risks could have an adverse effect on our results of operations and financial condition. In addition, we may acquire properties subject to liabilities, including environmental, and without any recourse, or with only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it, which could adversely affect our business, results of operations and cash flow.

Risks Associated with our Land Developments and Investments

Any failure to timely sell, or a decline in pricing of, our residential lots and undeveloped residential land could adversely affect our results of operations.

We develop residential subdivisions, primarily in metropolitan Atlanta, Georgia. We also participate in joint ventures that develop or plan to develop subdivisions in metropolitan Atlanta, as well as Texas and Florida. Residential lot sales are highly cyclical and can be affected by the availability of mortgage financing, interest rates and local issues, including the availability of jobs, transportation and the quality of public schools. Once a development is undertaken, no assurances can be given that we will be able to sell the various developed lots in a timely manner. Failure to sell such lots in a timely manner could result in significantly increased carrying costs, erosion or elimination of profit with respect to any development and impairment losses.

In addition, actual construction and development costs with respect to subdivisions can exceed estimates for various reasons, including unknown site conditions. The timing of subdivision lot sales are, by their nature, difficult to predict with any precision. Additionally, market conditions may change between the time we decide to develop a property and the time that all or some of the lots may be ready for sale.

Similarly, we often hold undeveloped residential land for long periods of time prior to development or sale. Any changes in market conditions between the time we acquire land and the time we develop and/or sell land could cause the Company s estimates of proceeds and related profits from such sales to be lower or result in an impairment charge. Periods of economic downturn can cause estimated sales prices to decline, increasing the likelihood that we will be required to record impairment losses. Estimates of sales and profits may differ substantially from actual sales and profits and as a result, our results of operations may differ substantially from these estimates.

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

We maintain significant holdings of non-income producing land in the form of land tracts and outparcels. Our strategies with respect to these parcels of land include (1) developing the land at a future date as a retail, office, mixed-use or multi-use income producing property or developing it for single-family or for-sale multi-family residential uses; (2) ground leasing the land to third parties; and (3) selling the parcels to third parties. Before we develop, lease or sell these land parcels, we incur carrying costs, including interest and property tax expense. If we are unable to sell this land or convert it into income producing property in a timely manner, our results of operations and liquidity could be adversely affected.

Risks Associated with our Third Party Management Business

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

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

General Business Risks

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

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

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

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

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

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

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

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

The market prices of shares of our common stock have been and may continue to be subject to fluctuation due to many events and factors such as those described in this report including:

actual or anticipated variations in our operating results, funds from operations or liquidity;

changes in our earnings or analyst estimates and any failure to meet such estimates;

the general reputation of real estate as an attractive investment in comparison to other equity securities;

the general stock and bond market conditions, including changes in interest rates or fixed income securities;

changes in tax laws;

changes to our dividend policy;

changes in market valuations of our properties;

adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt and our ability to refinance such debt on favorable terms;

any failure to comply with existing debt covenants;

any foreclosure or deed in lieu of foreclosure of our properties;

additions or departures of key executives and other employees;

actions by institutional stockholders;

the realization of any of the other risk factors described in this report; and

general market and economic conditions.

Many of the factors listed above are beyond our control. Those factors may cause market prices of shares of our common stock to decline, regardless of our financial performance, condition and prospects. The market price of shares of our common stock may fall significantly in the future, and it may be difficult for our stockholders to resell our common stock at prices they find attractive, or at all.

If our future operating performance does not meet third-party projections, our stock price could decline.

Several independent securities analysts publish quarterly and annual projections of our financial performance. These projections are developed independently by third-party securities analysts based on their own analyses and we undertake no obligation to monitor, and take no responsibility for, such projections. Such estimates are inherently subject to uncertainty and should not be relied upon as being indicative of the performance that we anticipate for any applicable period. Our actual revenues and net income may differ materially from what is projected by securities analysts. If our actual results do not meet analysts guidance, our stock price could decline significantly.

Federal Income Tax Risks

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

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

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

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

85% of our ordinary income;

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

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

We intend to make distributions to our stockholders to comply with the 90% distribution requirement, to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Distributions could be made in cash, stock or in a combination of cash and stock. Differences in timing between taxable income and cash available for distribution could require us to borrow funds to meet the 90% distribution requirement, to avoid corporate-level tax on undistributed taxable income and to avoid the nondeductible excise tax. Satisfying the distribution requirements may also make it more difficult to fund new investment or development projects.

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

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

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Disclosure Controls and Internal Control over Financial Reporting Risks

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

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

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties

The following tables set forth certain information related to significant operating properties in which the Company has an ownership interest. Information presented in Note 4 to the Consolidated Financial Statements provides additional information related to the Company s joint ventures. Except as noted, all information presented is as of December 31, 2010. Where noted by italicized numbers, additional information is contained in the footnotes on page 26. Dollars are stated in thousands.

Table of Major Operating Office, Retail and Industrial Properties

					Average	
Year Development		**Company s**			**2010**	
Completed or		**Ownership**	**Square Feet**	**Percentage**	**Economic**	**Major Tenants**
Acquired	**Venture Partner(s)**	**Interest**	**and Acres**	**Leased**	**Occupancy *(1)***	**(Lease Expiration/Options Expira**
2006	N/A	100%	1,219,000 2 acres ***(3)***	79%	75%	Deloitte & Touche (2024/2034) Hall, Booth, Smith & Slover (2021/2031) Ogletree, Deakins, Nash, Smoak & Stewart (2019/2029) Carlock, Copeland & Stair (2022/20 Cooper Carry (2022/2032)
y Center ***(4)***						
1999	N/A	100%	996,000 4 acres ***(5)***	95%	85%	American Cancer Society (2022/20 US South (2021) ***(5)*** Co Space Services (2020/2025) Georgia Lottery Corp. (2023) Turner Broadcasting (2011/2021)
2007	N/A	100%	656,000 4 acres	95%	92%	CB Richard Ellis (2019/2024) Morgan Stanley (2018/2028) Premiere Global Services (2018/20 Wells Fargo Bank NA (2017/2027) Cumulus Media (2017) Bain & Company (2019/2029)
2000	N/A	100%	203,000 15 acres	88%	91%	Bombardier Aerospace Corp. (2013/2023) Liberty Mutual (2013/2023)
1998	Daniel Realty	100% ***(6)***	197,000	94%	96%	Synovus Mortgage (2017/2022)

	Company		12 acres			Daxko, LLC (2011) Southern Care (2013/2018)
2000	Daniel Realty Company	100% ***(6)***	123,000 10 acres	86%	98%	Daxko, LLC (2022) O2 Ideas (2014/2024)
1999	N/A	100%	160,000 3 acres	97%	91%	Northside Hospital ***(7)*** (2018/2023) ***(8)*** Children s Healthcare of Atlanta (2023) ***(8)*** Georgia Reproductive (2017/2027)

Year Development Completed or Acquired	Venture Partner(s)	Company s Ownership Interest	Square Feet and Acres	Percentage Leased	Average 2010 Economic Occupancy *(1)*	Major Tenants (Lease Expiration/Options Expir
1995	N/A	100%	128,000 7 acres	94%	93%	Schweitzer-Mauduit International (2017/2022) Med Assets HSCA (2015/2020) Golden Peanut Co. (2017)
1996	N/A	100%	130,000 9 acres	100%	100%	Med Assets HSCA (2015/2020) Morgan Stanley (2011)
1998	N/A	100%	130,000 9 acres	98%	93%	Merrill Lynch (2014/2024) Nokia (2013/2023) Wells Fargo Bank NA (2013/2016)
2000	N/A	100%	152,000 10 acres	98%	96%	Kids II, Inc. (2011) Regus Business Centre (2011/2016
2004	N/A	100%	111,000 7 acres	67%	63%	Parkmobile USA, Inc (2015) Orcatec LLC (2016)
2006	N/A	100%	84,000 8 acres	93%	93%	City of Sandy Springs (2011)
2005	N/A	100%	51,000 5 acres	100%	100%	Inhibitex (2015/2025)
2007	N/A	100%	N/A	N/A	N/A	N/A

			1 acre			
2000	Prudential ***(7)***	88.5% ***(10)***	376,000 3 acres	96%	96%	Georgia Department of Transportation (2019)

					Average	
ear Development		**Company s**			**2010**	
Completed or		**Ownership**	**Square Feet**	**Percentage**	**Economic**	**Major Tenants**
Acquired	**Venture Partner(s)**	**Interest**	**and Acres**	**Leased**	**Occupancy *(1)***	**(Lease Expiration/Options Expira**
2008	Dimensional Fund Advisors & Forestar Real Estate Group	50%	216,000 13 acres	100%	100%	Dimensional Fund Advisors (2023/2043)
2008	Dimensional Fund Advisors & Forestar Real Estate Group	50%	157,000 6 acres	93%	35%	St. Jude Medical (2018/2023) Forestar Real Estate Group (2018/2(
2001	Bank of America ***(7)***	50% ***(11)***	1,065,000 8 acres	100%	100%	Bank of America ***(7)*** (2016/2036)
2002	Emory University	50%	358,000 ***(12)***	100%	99%	Emory University (2017/2047) ***(12)*** Resurgens (2014/2019) Laureate Medical Group (2013)
1991	Coca-Cola ***(7)***	50% ***(13)***	260,000 5 acres	94%	94%	AGL Services Co. (2013/2028)
2010	Morgan Stanley Real Estate Fund	20% ***(14)***	566,000 1 acre	67%	13%	Kids II, Inc. (2023/2033) Greenberg Traurig (2026/2041) Firethorn Holdings (2014/2024) Sony Ericsson Mobile (2019/2029)
1997	Prudential ***(7)***	11.50%	69,000 1 acre ***(15)***	78%	78%	Novant Health (2012/2017) ***(15)***

Lease Expirations Office

As of December 31, 2010, the Company s office portfolio included 22 commercial office buildings. The weighted average remaining lease term of these office buildings was approximately seven years as of December 31, 2010. Most of the major tenant leases in these buildings provide for pass through of operating expenses and contractual rents which escalate over time. Annual Contractual Rent excludes the operating expense reimbursement portion of the rent payable. If the lease does not provide for pass through of such operating expense reimbursements, an estimate of operating expenses is deducted from the rental rate shown. The contractual rental rate shown is the estimated rate in the year of expiration. The leases expire as follows:

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 & Thereafter
Company s % share of Joint Venture Properties):									
453,048	**177,108**	**537,534**	**256,485**	**405,130**	**703,723**	**459,908**	**271,199**	**514,932**	**1,518,406**
9%	**3%**	**10%**	**5%**	**7%**	**13%**	**9%**	**5%**	**10%**	**29%**
5,373	**$ 2,577**	**$ 8,834**	**$ 4,448**	**$ 7,099**	**$ 12,754**	**$ 10,638**	**$ 6,902**	**$ 9,279**	**$ 31,551**
11.86	**$ 14.55**	**$ 16.44**	**$ 17.34**	**$ 17.52**	**$ 18.12**	**$ 23.13**	**$ 25.45**	**$ 18.02**	**$ 20.78**
440,657	134,417	380,864	218,625	381,301	149,211	372,892	208,212	235,344	1,358,798
11%	3%	10%	6%	10%	4%	10%	5%	6%	35%
5,186	$ 1,788	$ 5,930	$ 3,579	$ 6,768	$ 2,433	$ 8,454	$ 5,455	$ 5,962	$ 26,671
11.77	$ 13.30	$ 15.57	$ 16.37	$ 17.75	$ 16.30	$ 22.67	$ 26.20	$ 25.33	$ 19.63
26,743	106,398	295,713	101,506	34,534	1,127,710	176,043	124,146	365,109	465,197
1%	4%	10%	4%	1%	40%	6%	4%	13%	17%
416	$ 2,071	$ 5,635	$ 2,486	$ 538	$ 21,143	$ 4,422	$ 2,874	$ 4,865	$ 13,764
15.55	$ 19.46	$ 19.06	$ 24.49	$ 15.57	$ 18.75	$ 25.12	$ 23.15	$ 13.33	$ 29.59

						Average		Major
	Year Development		Company s			2010		Tenants
	Completed or		Ownership	Square Feet	Percentage	Economic Occupancy	Major Tenants	Rentabl Square
n and Location	Acquired	Venture Partner(s)	Interest	and Acres	Leased	*(1)*	(Lease Expiration/Options Expiration)	Feet
ers (18)								
Carriage emphis, TN	2005	Jim Wilson & Associates *(7)*	100% *(6)*	802,000 ***(19)*** 97 acres ***(19)***	88%	90%	Dillard s ***(20)*** Macy s (2021/2051) ***(21)*** Bed, Bath & Beyond (2020/2040) Barnes & Noble (2016/2026)	N/A 130,000 28,307 25,322
Webb Gin tlanta, GA	2006	N/A	100%	322,000 48 acres	88%	84%	Barnes & Noble (2019/2029) Ethan Allen (2021/2031) GAP (2014/2018) ***(22)*** DSW Shoes (2018/2023)	26,553 18,51 17,46 16,000
ngs er , MO	2008	Prudential *(7)*	88.5% ***(10)***	587,000 ***(23)*** 68 acres ***(23)***	82%	79%	JC Penney ***(20)*** The Home Depot ***(20)***	N/A N/A