

COUSINS PROPERTIES INC

Form 10-Q

May 07, 2014

Table of Contents

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

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

For the quarterly period ended March 31, 2014

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-11312

COUSINS PROPERTIES INCORPORATED

(Exact name of registrant as specified in its charter)

GEORGIA

58-0869052

(State or other jurisdiction of  
incorporation or organization)

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

191 Peachtree Street, Suite 500, Atlanta, Georgia

30303-1740

(Address of principal executive offices)

(Zip Code)

(404) 407-1000

(Registrant's telephone number, including area code)

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

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

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

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

(Do not check if a smaller  
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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

Class

Outstanding at May 2, 2014

Common Stock, \$1 par value per share

198,422,579 shares

Table of Contents

	Page No.
<u>PART I-FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1. Financial Statements (Unaudited)</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED BALANCE SHEETS</u>	<u>3</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</u>	<u>4</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF EQUITY</u>	<u>5</u>
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</u>	<u>6</u>
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>7</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>15</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>21</u>
<u>Item 4. Controls and Procedures</u>	<u>21</u>
<u>PART II. OTHER INFORMATION</u>	<u>23</u>
<u>Item 1. Legal Proceedings</u>	<u>23</u>
<u>Item 1A. Risk Factors</u>	<u>23</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>23</u>
<u>Item 5. Other Information</u>	<u>24</u>
<u>Item 6. Exhibits</u>	<u>25</u>
<u>SIGNATURES</u>	<u>26</u>

---

Table of Contents

FORWARD-LOOKING STATEMENTS

Certain matters contained in this report are “forward-looking statements” within the meaning of the federal securities laws and are subject to uncertainties and risks, as itemized in Item 1A included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. These forward-looking statements include information about possible or assumed future results of the Company's business and the Company's financial condition, liquidity, results of operations, plans, and objectives. They also include, among other things, statements regarding subjects that are forward-looking by their nature, such as:

- the Company's business and financial strategy;
- the Company's ability to obtain future financing arrangements;
- future acquisitions and future dispositions of operating assets;
- future acquisitions of land;
- future development and redevelopment opportunities;
- future dispositions of land and other non-core assets;
- projected operating results;
- market and industry trends;
- 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 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:

- the availability and terms of capital and financing;
- the ability to refinance indebtedness as it matures;
- the failure of purchase, sale, or other contracts to ultimately close;
- the failure to achieve anticipated benefits from acquisitions or dispositions;
- the potential dilutive effect of common stock offerings;
- the availability of buyers and adequate pricing with respect to the disposition of assets;
- risks related to the geographic concentration of our portfolio;
- risks and uncertainties related to national and local economic conditions, the real estate industry in general, and the commercial real estate markets in particular;
- changes to the Company's strategy with regard to land and other non-core holdings that require impairment losses to be recognized;
- leasing risks, including the ability to obtain new tenants or renew expiring tenants, and the ability to lease newly developed and/or recently acquired space;
- the financial condition of existing tenants;
- volatility in interest rates and insurance rates;
- the availability of sufficient investment opportunities;
- competition from other developers or investors;
- the risks associated with real estate developments and acquisitions (such as zoning approval, receipts of required permits, construction delays, cost overruns, and leasing risk);
- the loss of key personnel;
- the potential liability for uninsured losses, condemnation, or environmental issues;
- the potential liability for a failure to meet regulatory requirements;
- the financial condition and liquidity of, or disputes with, joint venture partners;

- any failure to comply with debt covenants under credit agreements; and
- any failure to continue to qualify for taxation as a real estate investment trust.

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

Table of Contents

## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements.

## COUSINS PROPERTIES INCORPORATED AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	March 31, 2014 (unaudited)	December 31, 2013
Assets:		
Real estate assets:		
Operating properties, net of accumulated depreciation of \$258,752 and \$235,707 in 2014 and 2013, respectively	\$ 1,822,086	\$ 1,828,437
Projects under development	34,816	21,681
Land	34,727	35,053
	1,891,629	1,885,171
Operating properties and related assets held for sale, net of accumulated depreciation of \$12,001 and \$21,444 in 2014 and 2013, respectively	11,463	24,554
Cash and cash equivalents	29,080	975
Restricted cash	3,478	2,810
Notes and accounts receivable, net of allowance for doubtful accounts of \$1,897 and \$1,827 in 2014 and 2013, respectively	11,456	11,778
Deferred rents receivable	46,963	39,969
Investment in unconsolidated joint ventures	107,106	107,082
Intangible assets, net of accumulated amortization of \$49,112 and \$37,544 in 2014 and 2013, respectively	159,200	170,973
Other assets	33,636	29,894
Total assets	\$ 2,294,011	\$ 2,273,206
Liabilities:		
Notes payable	\$ 587,442	\$ 630,094
Accounts payable and accrued expenses	55,493	76,668
Deferred income	24,781	25,754
Intangible liabilities, net of accumulated amortization of \$9,344 and \$6,323 in 2014 and 2013, respectively	63,455	66,476
Other liabilities	14,682	15,242
Total liabilities	745,853	814,234
Commitments and contingencies	—	—
Equity:		
Stockholders' investment:		
Preferred stock, 7.50% Series B cumulative redeemable preferred stock, \$1 par value, \$25 liquidation preference, 20,000,000 shares authorized, 3,791,000 shares issued and outstanding in 2014 and 2013	94,775	94,775
Common stock, \$1 par value, 250,000,000 shares authorized, 201,992,661 and 193,236,454 shares issued in 2014 and 2013, respectively	201,993	193,236
Additional paid-in capital	1,510,409	1,420,951
Treasury stock at cost, 3,570,082 shares in 2014 and 2013	(86,840	) (86,840
Distributions in excess of cumulative net income	(173,752	) (164,721
	1,546,585	1,457,401
Nonredeemable noncontrolling interests	1,573	1,571

Edgar Filing: COUSINS PROPERTIES INC - Form 10-Q

Total equity	1,548,158	1,458,972
Total liabilities and equity	\$2,294,011	\$2,273,206

See accompanying notes.

3

---

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

(unaudited, in thousands, except per share amounts)

	Three Months Ended March 31,		
	2014	2013	
Revenues:			
Rental property revenues	\$77,484	\$33,125	
Fee income	2,338	3,579	
Other	1,901	1,558	
	81,723	38,262	
Costs and expenses:			
Rental property operating expenses	34,857	15,208	
Reimbursed expenses	932	1,910	
General and administrative expenses	5,611	6,070	
Interest expense	7,167	4,935	
Depreciation and amortization	34,140	11,246	
Separation expenses	84	—	
Acquisition and related costs	22	235	
Other	494	1,455	
	83,307	41,059	
Loss from continuing operations before taxes, unconsolidated joint ventures, and sale of investment properties	(1,584	) (2,797	)
Benefit (provision) for income taxes from operations	12	(1	)
Income from unconsolidated joint ventures	1,286	1,652	
Loss from continuing operations before gain on sale of investment properties	(286	) (1,146	)
Gain on sale of investment properties	161	57,154	
Income (loss) from continuing operations	(125	) 56,008	
Income from discontinued operations:			