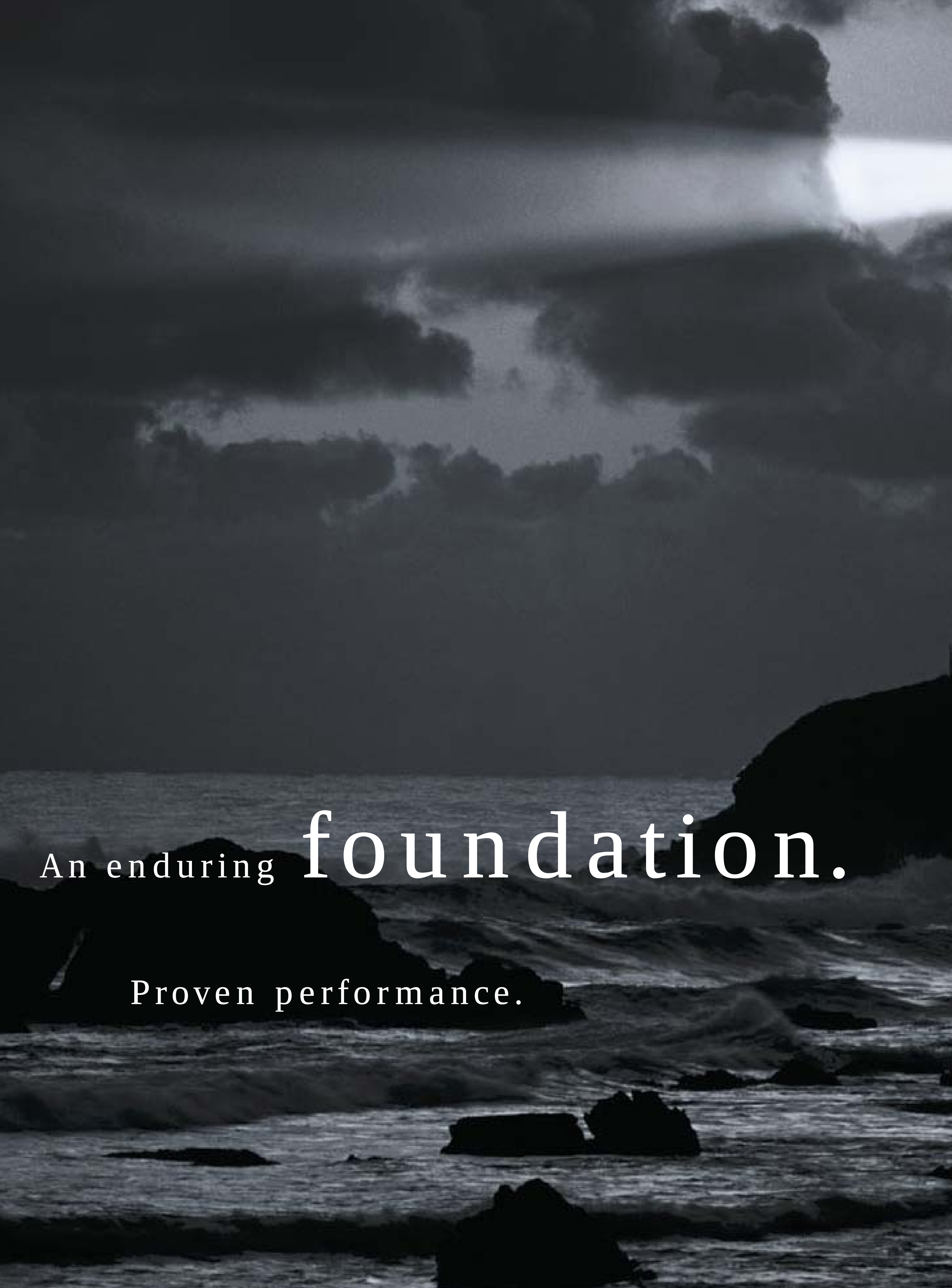
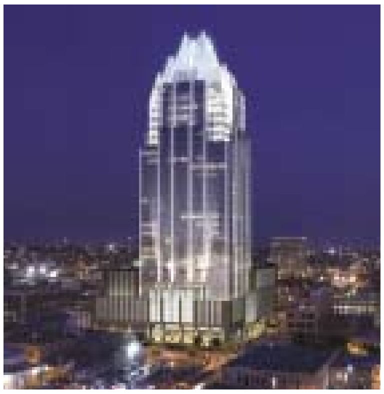
Cousins Properties Incorporated

2001 Annual Report

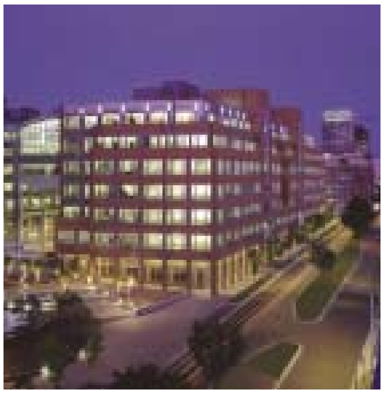

An enduring foundation.
Proven performance.

We adhere to a set of core principles that have produced more than 40 years of steady growth—Cousins continues to embody staying power…over the course of time, through calm and storms.

Always strong.



Congress at Fourth
Austin, TX



Gateway Village
Charlotte, NC

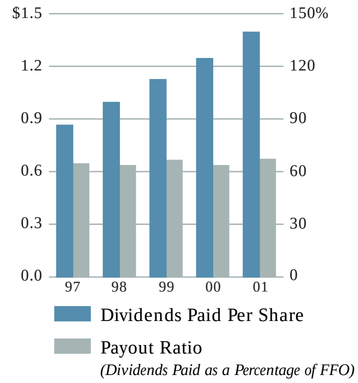
Emory Crawford Long Medical Office Tower
Atlanta, GA

Always Strong

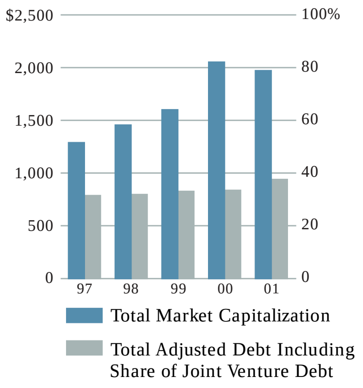
By all counts, 2001 was a year that tested the hearts of Americans and the underlying strength of businesses everywhere.

At Cousins, our strong foundation helped us endure, as reflected by our results in 2001. Net income was up by 13%. We increased Funds From Operations per share by 8% and our dividend by 9%.

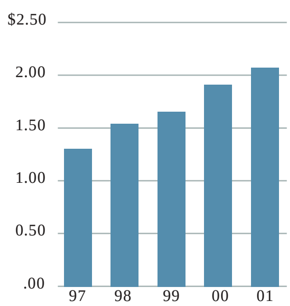
Dividends Paid Per Share and Payout Ratio
(per share in dollars)



Total Market Capitalization and Total Adjusted Debt at Year-End
(including share of joint venture debt)
(dollars in millions)



Funds From Operations
(per share in dollars)



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The Avenue® Peachtree City
Atlanta, GA

River's Call
Atlanta, GA

Austin Research Park – Buildings III & IV
Austin, TX

Financial Results:

- Funds From Operations per share (diluted) increased 8% to $2.08 per share
- Funds From Operations rose to $104.4 million
- Dividend increased 9% to $.37 per share, or $1.48 per share on an annualized basis
- Dividend payout ratio for 2001 was 66% of Funds From Operations
- Finished 2001 with a debt to market capitalization ratio of 38.9%
- Total market capitalization, including debt, was $2.0 billion
- 2001 interest expense coverage was 3.51

New Financings:

- Renewed and modified Cousins' revolving credit facility that increased to $275 million, which now matures August 2004
- Completed $123.5 million of long-term, non-recourse project financing at favorable rates:
  - Presidential MarketCenter (retail project) – $28 million at 7.65%
  - 600 University Park Place (office project) – $14 million at 7.38%
  - 333 John Carlyle/1900 Duke Street (office projects) – $49 million at 7%
  - 333/555 North Point Center East (office projects) – $32.5 million at 7%

Disposition:

Sold Colonial Plaza MarketCenter, a 480,000 square foot power center for $54 million, recognizing a book gain of approximately $17 million

New Investment:

Commenced development of Congress at Fourth, a 525,000 square foot office project in Austin, TX, which has an estimated cost of $137 million

New Developments Opened:

Opened $82 million of new projects (including share of joint ventures):

Office:
- Cerritos Corporate Center – Phase II, Los Angeles, CA
- Austin Research Park – Buildings III & IV, Austin, TX

Retail:
- The Avenue® Peachtree City, Atlanta, GA

Other Highlights:

- The Company's portfolio of operational office buildings was 95% leased, its operational medical office buildings were 89% leased and its operational retail centers were 93% leased
- Tom Bell was named President and Chief Executive Officer in addition to already holding the position of Vice Chairman of the Board and Chairman of the Executive Committee
- John Mack and Hugh McColl were elected to the Board of Directors
- The Company was selected by Teachers Insurance and Annuity Association (TIAA) to provide leasing and management services for Concourse Corporate Center in Atlanta, GA
- The Office Division won several major Building Owners and Managers Association (BOMA) Awards including International Medical Office Building of the Year for Northside/Alpharetta Medical Campus, Southeast Office Building of the Year for 333 North Point Center East, and the International Earth Award for One Ninety One Peachtree Tower
- Sold 354 residential lots including joint venture activity
- Bentwater, located in Paulding County, was the 3rd best-selling new home community in Atlanta, GA with 247 home sales
- Commenced development of The Lakes at Cedar Grove, a residential lot development project in suburban south Atlanta, GA

Financial Highlights

	1997	1998	1999	2000	2001
Funds From Operations (FFO) Per Share	$1.31	$1.55	$1.66	$1.92	$2.08
% increase in FFO from prior year	22%	18%	7%	16%	8%
five-year compound annual growth rate					14%
Dividends Paid Per Share	$.86	$.99	$1.12	$1.24	$1.39
payout ratio (dividends as a percent of FFO)	64%	63%	66%	63%	66%
five-year compound annual growth rate					13%
Total Market Capitalization at Year-End (including share of joint venture debt) ($ in millions)	$1,282	$1,449	$1,594	$2,046	$1,970
Debt to Total Market Capitalization at Year-End (including share of joint venture debt)	28%	29%	32%	33%	39%
Stock Price at Year-End	$19.5417	$ 21.5000	$22.6250	$27.9375	$24.3600

Our people, culture, collective experience and core principles and values have created an enviable track record and have positioned our Company for continued success.

Bank of America Plaza
Atlanta, GA

Dear Shareholders and Partners:

In previous years, we spoke of our conservative principles and pointed out that the real estate industry experiences inevitable cycles. We were very fortunate over the last decade to have experienced a prolonged growth cycle. The year 2001, however, was a difficult one for much of the American economy, and the real estate sector was no exception. We have fared well as a company despite the economic conditions. Our business philosophy and our conservative operating practices have served us well, both in weathering the downturn and in preparing for the many opportunities that may come our way as the economy recovers.

As to 2001, we are pleased to report that even in the face of an economic downturn, our Funds From Operations (FFO) per share increased by 8% and our dividend increased by 9%. Fee income from development and leasing services was directly impacted by the economy and the events of September 11th. A number of transactions that would have normally generated such fees were cancelled or postponed. While low-end to mid-level residential lot sales were strong, high-end residential lot sales suffered from the events of September 11th and the economic downturn. In addition, development starts were very limited in 2001, with some immediate negative impact on FFO per share due to reduced interest expense and overhead capitalization.

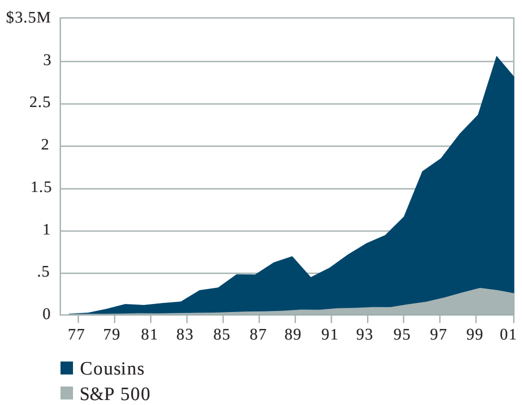
Meridian Mark Plaza
Atlanta, GA

CORE PRINCIPLE

We set **high standards** for ourselves both in the quality of our projects and in the goals we set for our investors.

Our stock price declined during 2001, in part due to the perception that we are focused on development and development tends to suffer in a recession. Indeed, our development activity did decline during the year—a phenomenon that has occurred before in our 40-year history as a public company. In addition to some immediate impact on FFO per share, slower development will generally tend to reduce FFO per share growth in the next couple of years because fewer new projects will be completed and become income producing in those years.

Value of $10,000 Invested Over 25 Years*



$10,000 invested at the beginning of 1977, with reinvested dividends, would be worth approximately $2,814,000 at the end of 2001—a 25.3% annual return. The same amount invested with the S&P 500 would be worth about $253,800—a 13.8% rate of return.

* Source: CRSP, Center for Research in Security Prices. Graduate School of Business, The University of Chicago. 2002. Used with permission. All rights reserved. www.crsp.com

While we remain committed to development as a core principle, it is our practice during down cycles to decrease development and await appropriate opportunities. Nonetheless, value creation through development has in the past, and will continue in the future, to fuel our growth. We will also be vigilant in seeking to identify attractive acquisition opportunities, such as our Inforum acquisition in Atlanta in 1999, which might present themselves as a result of economic conditions adversely affecting other developers and owners.

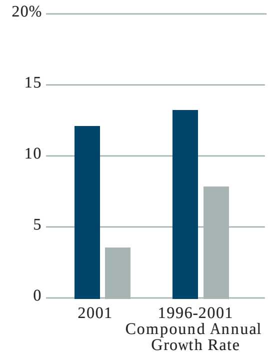
The continued growth of FFO per share in 2001, at a time when many companies were suffering earnings declines, highlights the bedrock strength of our Company that we continue to believe is often not fully understood by the general investment community. While over the years development has tended to create value and produce superior returns for our shareholders, there is also a solid foundation that serves the Company well in these times. It is this foundation we would like to highlight as we mark our 40th year as a public company.

CORE PRINCIPLE

Our primary business is to **create value** through the development of commercial real estate. Once we complete a project, its value is almost always significantly greater than its cost.

Much of the strength of this Company has been built up over these 40 years. Its people, culture, collective experience and core principles and values have created an enviable track record and have positioned our Company for continued success. You can see this strength, not only in the shareholder returns produced over the years, but also in such things as the quality of our properties, our conservative accounting policies, the quality of our property management operations as evidenced by the numerous awards we have earned, and in the financial strength of our Company. Most important, we believe that the experience, quality, and depth of our people are exceptional.

Dividend Growth

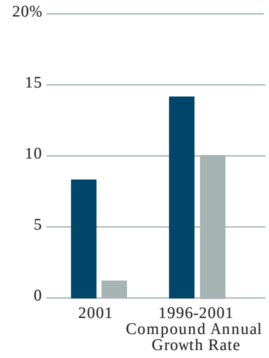


Cousins' Dividend Growth vs.

*REITs over $300 million in equity market capitalization (excluding healthcare REITs).**

* *Source: NAREIT (percentages)*

Funds From Operations Per Share Growth



Cousins' Funds From Operations Per Share Growth vs.

*REITs over $300 million in equity market capitalization (excluding healthcare REITs).**

* *Source: NAREIT (percentages)*

CORE PRINCIPLE

We seek the **best talent** in the industry and then work hard to develop everyone's full potential as a Cousins team member.

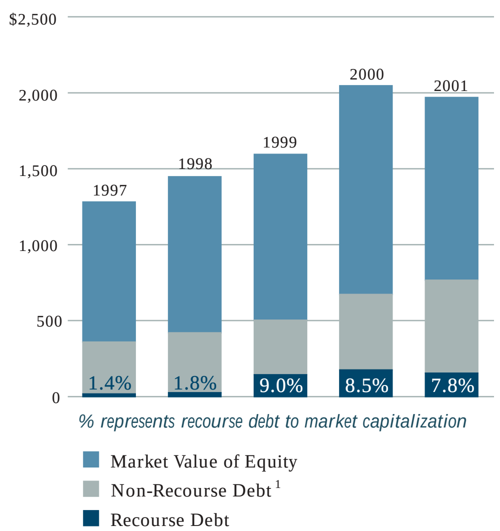
4200 Wildwood Parkway
Atlanta, GA

CORE PRINCIPLE

We use **non-recourse mortgages** for permanent debt financing. This strategy enables us to comfortably navigate the ups and downs of general business cycles and leaves our other assets unencumbered.

It is important to emphasize one particular core principle that we have followed over the years—one that provides substantial protection and financial flexibility to the Company. Unlike most companies in our peer group, we do not rely on general corporate debt to finance our operations. Rather, we rely upon "non-recourse" mortgages for permanent debt financing. The use of non-recourse mortgages, in place of recourse corporate debt, means that we have a heightened degree of financial flexibility at the corporate level as a result of avoiding extensive and restrictive unsecured corporate debt covenants. It also means that should any single project fail for any reason, such as a major customer defaulting on a lease as a result of bankruptcy or other reasons, only that asset is at risk, not the Company. As previously mentioned, we make an effort to develop and own prime real estate in solid growth markets, leased to high quality customers. As a result, our occupancy rates are high and customer default levels are extremely low. However, there is always the possibility of a particular asset running into difficulties and our conservative debt policy is an extra measure of protection for the Company.

Cousins Properties Market Capitalization
(dollars in millions)



[1] Based on Adjusted Debt—includes our share of joint venture debt. Excludes Charlotte Gateway Village, LLC debt as fully exculpated debt which is supported by a long-term lease to Bank of America.

Mira Mesa MarketCenter
San Diego, CA

CORE PRINCIPLE

From our founding, we have cultivated and maintained **strategic corporate relationships** with partners who can help generate business opportunities.

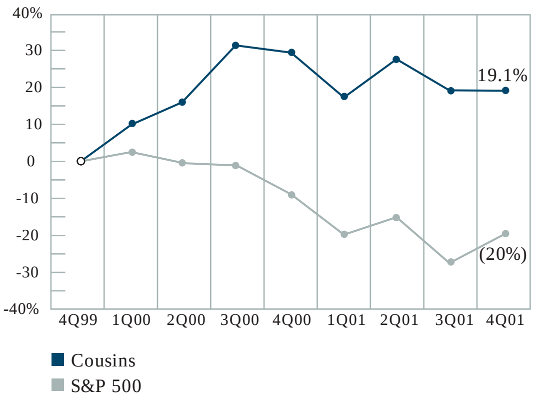
Another important element of our strong foundation is the nature of our assets and our industry. We have not discussed this much in the past, but it is important. Some investment professionals have viewed real estate itself as a distinct asset class—a "class" distinct from such other asset classes as stocks, bonds, and cash. It is distinct because it has different characteristics. For example, the value of real estate assets tends to move somewhat independently of the value of assets in the other classes such as stocks and bonds. Long-term leases characterize commercial real estate. When the inherent strength of long-term leases is coupled with our demonstrated ability to develop high quality real estate assets and is linked to our roster of credit-worthy tenants, a potent combination results: consistent income streams and increasing asset values. And due to the long-term leases, the steady income streams can even bridge recessions—a significant reason why the value of assets in this "asset class" can be more stable than traditional investments. You can see in the table to the right the names and percentage of our portfolio as well as the average remaining lease terms for some of our major customers. This is an impressive list of customers. They will, by and large, continue to pay their rents—even during difficult times. While our Company does possess the ability to generate value creation and growth through development and as such is not a "pure" real estate company, it has a solid base of real estate assets that performs well in difficult times.

Significant Customers[1]

Customer[2]	% of Total Portfolio[3]	Avg. Remaining Term (yrs.)
Bank of America	10.5%	11.10
IBM	5.0%	3.82
AT&T Wireless Services	3.0%	11.69
BellSouth	2.5%	7.75
Mirant Corporation	1.7%	13.42
Charles Schwab & Co., Inc.	1.6%	10.17
Northside Hospital	1.6%	12.04
General Electric Company	1.5%	10.39
Cable & Wireless	1.4%	12.09
Thelen Reid & Priest, LLP	1.2%	10.25
Ernst & Young U.S. LLP	1.2%	4.80
Georgia Lottery Corporation	1.2%	1.50
Paul, Hastings, Janofsky & Walker LLP	1.1%	13.19
Georgia-Pacific Corporation	1.1%	11.01
A.T. Kearney, Inc.	1.1%	7.32
Troutman Sanders LLP	1.0%	5.42
Booz-Allen & Hamilton Inc.	1.0%	9.09
Coca-Cola Enterprises Inc.	0.8%	2.00
Total Leased to Significant Customers	38.6%	9.15

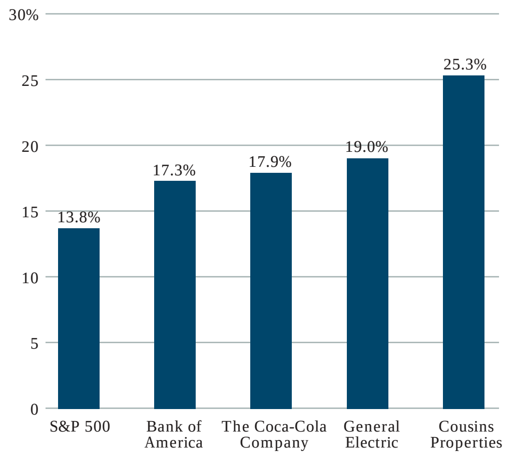
[1] Information is as of 12/31/01. Amounts include operational properties as well as projects under construction and/or in lease-up.
[2] In some cases, the actual customer may be an affiliate of the company shown.
[3] Based upon Cousins' share of ownership in each property.

Two Year Stock Performance*
Cousins vs. S&P 500



* Source: CRSP, Center for Research in Security Prices. Graduate School of Business, The University of Chicago. 2002. Used with permission. All rights reserved. www.crsp.com

25-Year Total Return*
January 1977—December 2001



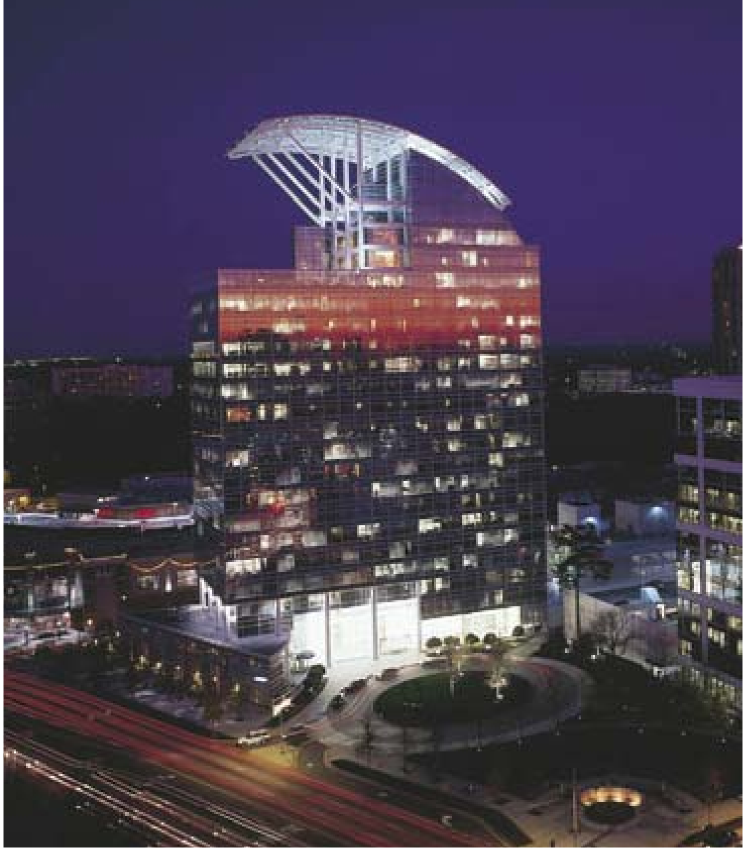
* Geometric Mean Return with Reinvestment of Dividends. Source: CRSP, Center for Research in Security Prices. Graduate School of Business, The University of Chicago. 2002. Used with permission. All rights reserved. www.crsp.com

The Company's relative stock performance in this economic downturn reflects the Company's strong foundation. In the adjacent chart, you can see the performance of the Company's stock compared to the S&P 500's performance during the last two years—two years ago being roughly the top of the market for stocks. Assuming the reinvestment of dividends, an investment in the S&P 500 declined by 20%, while an investment in your Company's shares increased by 19%. We believe, of course, that over longer periods we can demonstrate superior performance as well, driven over time by value creation through development. By way of example, last year we included a chart showing our Company's total shareholder return compared to that of other companies and the S&P 500 over 25 years. We again include this chart to the left. The Company's 25.3% annualized total return over 25 years is a very impressive number, especially considering that the end-of-year stock price used to compute this number represents a "down" year.

It is also instructive to look at the relative value of a share of the Company's stock at any given point in time. For real estate companies, one measure often used is "net

CORE PRINCIPLE

We pursue **superior total shareholder returns,** not size. The best returns are achieved by keeping the Company's size at a level that can provide the strength and flexibility needed to execute our business plan.



The Pinnacle
Atlanta, GA

CORE PRINCIPLE

Our objective is to **manage risk** and to monitor it very carefully. We use formal processes that include rigorous, multi-stage procedures for approving new projects, conservative underwriting standards for investments and comfortable levels of pre-leasing.

asset value” which is based upon the estimated value of a company’s underlying assets. While we do not publish net asset values, many analysts do. It is generally accurate to say that historically our share price has tended to fluctuate around what the analysts believe to be our net asset value per share. As such, little credit is given for our exceptional past stock price performance or for our ability to create additional value through development. One perceptive analyst once noted that our net asset value per share tends to go up faster than that of most other real estate companies. At some point, our value creation is reflected

CORE PRINCIPLE

We periodically **recycle the capital** invested in non-strategic, stabilized assets with sales, exchanges and non-recourse mortgage financing. This approach allows us to self-fund our developments and lets us avoid having to raise capital by issuing new shares.

The Avenue® East Cobb
Atlanta, GA

in this net asset value per share, and subsequently, this is then reflected in the growth of the stock price. Looked at another way, there is a solid underpinning to our share price at a given point in time—tangible, high quality real estate assets with values roughly approximating the share price. This is in striking contrast to a large number of companies in the recent past whose stock rose rapidly based upon great expectations and then collapsed with the shareholders finally realizing there was little there of real value.

The real estate asset class is gaining more attention from investors these days. This is in part due to the increased availability of public investments through REITs and REIT mutual funds in the last several years. It is also due to an increasing awareness of the value of real estate as part of a well managed and diversified portfolio and the recognition that traditional investments can go down as well as up. In the next few years, we suspect most equity investments will exhibit lower returns than those realized in the 1990's and that increasing numbers of investors will come to realize the advantages of having some assets in the real estate asset class. This will certainly be helped by the recent inclusion of a number of real estate companies in the S&P 500 index. This should be a net positive for the industry and our Company as well as the attractiveness of our assets to investors.

There will certainly be ups and downs in our economy and for our Company and its stock price over the coming years. However, this is an exceptional Company that is well poised to move through these difficult times and well positioned to take advantage of the upturn when it comes, as it surely will. Your investment in our Company is a combination of a solid foundation of high quality real estate assets and operations, on the one hand, and growth potential through our development capability, on the other—a unique, solid, and profitable investment vehicle. We remain extremely grateful for your confidence in us and we look forward to the future with great hope and optimism.

Sincerely,

T. G. Cousins
Chairman of the Board

Thomas D. Bell, Jr.
Vice Chairman of the Board,
President and
Chief Executive Officer

2300 Windy Ridge Parkway
Atlanta, GA

Income Property Portfolio

I. OFFICE

A. Commercial Office

Property Description	Metropolitan Area	Rentable Square Feet	Company's Ownership Interest		Percent Leased (Fully Executed) (a)	
Inforum	Atlanta, GA	990,000	100%		97%	
101 Independence Center	Charlotte, NC	526,000	100%		97%	
Congress at Fourth	Austin, TX	525,000	100%		17%	(b)
101 Second Street	San Francisco, CA	387,000	100%	(d)	98%	
55 Second Street	San Francisco, CA	379,000	100%	(d)	88%	(b)
AT&T Wireless Services Headquarters	Los Angeles, CA	222,000	100%		100%	
The Points at Waterview	Dallas, TX	201,000	100%		50%	
Lakeshore Park Plaza	Birmingham, AL	190,000	100%	(d)	81%	
3100 Windy Hill Road	Atlanta, GA	188,000	100%		100%	
333 John Carlyle	Washington, D.C.	153,000	100%		93%	
555 North Point Center East	Atlanta, GA	152,000	100%		91%	
615 Peachtree Street	Atlanta, GA	148,000	100%		91%	
333 North Point Center East	Atlanta, GA	129,000	100%		100%	
600 University Park Place	Birmingham, AL	123,000	100%	(d)	95%	
3301 Windy Ridge Parkway	Atlanta, GA	107,000	100%		100%	
Cerritos Corporate Center - Phase II	Los Angeles, CA	105,000	100%		100%	
1900 Duke Street	Washington, D.C.	97,000	100%		100%	
One Georgia Center	Atlanta, GA	363,000	88.5%		90%	
Bank of America Plaza	Atlanta, GA	1,261,000	50%		100%	
Gateway Village	Charlotte, NC	1,065,000	50%		100%	
3200 Windy Hill Road	Atlanta, GA	687,000	50%		100%	
2300 Windy Ridge Parkway	Atlanta, GA	635,000	50%		99%	
The Pinnacle	Atlanta, GA	424,000	50%		98%	
1155 Perimeter Center West	Atlanta, GA	362,000	50%		100%	
2500 Windy Ridge Parkway	Atlanta, GA	315,000	50%		94%	
Two Live Oak Center	Atlanta, GA	279,000	50%		100%	
4200 Wildwood Parkway	Atlanta, GA	260,000	50%		100%	
Ten Peachtree Place	Atlanta, GA	260,000	50%		16%	
John Marshall-II	Washington, D.C.	224,000	50%		100%	
Austin Research Park - Building IV	Austin, TX	184,000	50%		100%	
Austin Research Park - Building III	Austin, TX	174,000	50%		100%	
4300 Wildwood Parkway	Atlanta, GA	150,000	50%		100%	
4100 Wildwood Parkway	Atlanta, GA	100,000	50%		100%	
First Union Tower	Greensboro, NC	322,000	11.5%		83%	
Grandview II	Birmingham, AL	149,000	11.5%		100%	
200 North Point Center East	Atlanta, GA	130,000	11.5%		54%	
100 North Point Center East	Atlanta, GA	128,000	11.5%		87%	
One Ninety One Peachtree Tower	Atlanta, GA	1,215,000	9.8%		94%	
Total Commercial Office		**13,309,000**			**95%**	**(c)**

B. Medical Office

Property Description	Metropolitan Area	Rentable Square Feet	Company's Ownership Interest		Percent Leased (Fully Executed) (a)	
Northside/Alpharetta II	Atlanta, GA	198,000	100%		78%	
Meridian Mark Plaza	Atlanta, GA	161,000	100%		96%	
Northside/Alpharetta I	Atlanta, GA	103,000	100%		95%	
AtheroGenics	Atlanta, GA	50,000	100%		100%	
Emory Crawford Long Medical Office Tower	Atlanta, GA	358,000	50%		72%	(b)
Presbyterian Medical Plaza at University	Charlotte, NC	69,000	11.5%		100%	
Total Medical Office		**939,000**			**89%**	**(c)**
TOTAL OFFICE		**14,248,000**			**94%**	**(c)**

II. RETAIL

Property Description	Metropolitan Area	Rentable Square Feet	Company's Ownership Interest		Percent Leased (Fully Executed) (a)	
Presidential MarketCenter	Atlanta, GA	374,000	100%		98%	
The Avenue of the Peninsula	Rolling Hills Estates, CA	371,000	100%		88%	
The Avenue East Cobb	Atlanta, GA	225,000	100%		97%	
Perimeter Expo	Atlanta, GA	176,000	100%		92%	
Salem Road Station	Atlanta, GA	67,000	100%		83%	
Mira Mesa MarketCenter	San Diego, CA	447,000	88.5%		100%	
The Avenue Peachtree City	Atlanta, GA	167,000	88.5%	(e)	72%	
The Shops at World Golf Village	St. Augustine, FL	80,000	50%		64%	
Greenbrier MarketCenter	Chesapeake, VA	493,000	11.5%		100%	
North Point MarketCenter	Atlanta, GA	401,000	11.5%		100%	
Los Altos MarketCenter	Long Beach, CA	157,000	11.5%		100%	
Mansell Crossing Phase II	Atlanta, GA	103,000	11.5%		100%	
TOTAL RETAIL		**3,061,000**			**93%**	**(c)**
AVERAGE LEASED FOR TOTAL PORTFOLIO					**94%**	**(c)**

(a) Percent leased is as of March 15, 2002.
(b) Under construction and/or in lease-up.
(c) Total leased percentage (weighted by ownership) of completed projects excluding projects under construction and/or in lease-up and One Ninety One Peachtree Tower.
(d) This project is actually owned in a venture in which a portion of the upside is shared with the other venturer.
(e) The Avenue Peachtree City is subject to a contractual participation.

Corporate Profile

Cousins Properties Incorporated (NYSE:CUZ) is one of the foremost diversified real estate development companies in the United States. The Company creates shareholder value through the development and operation of high quality real estate. Headquartered in Atlanta, Cousins is a fully integrated, self-administered equity real estate investment trust (REIT) which actively invests in office, retail, medical office and land. Cousins has been in the real estate business for more than 40 years and has proven experience in the development, leasing, management, acquisition and financing of properties. At December 31, 2001, the Company's portfolio consisted of interests in more than 13.3 million square feet of office space, 3.1 million square feet of retail space, .9 million square feet of medical office space and more than 300 acres of strategically located land for future commercial development. Cousins became a public company in 1962, elected REIT status in 1987, and was listed on the New York Stock Exchange in 1992.

About The Cover:

Lighthouses have for centuries led countless mariners to safe harbor. The Ar-Men lighthouse is vital for safe passage into the English Channel. Completed in 1881, Ar-Men was built on a submerged rock—in an extraordinarily strong current. It took 14 years to build, with 404 attempted construction voyages of which only 291 were successful. As a testament to its strong foundation, it is still in use today.

The photo is by Philipe Plisson, who specializes in sea photography and is the official photographer for the French Navy.

2001 Financials

An enduring foundation.

Proven performance.

FUNDS FROM OPERATIONS

The table below shows Funds From Operations ("FFO") for Cousins Properties Incorporated and Consolidated Entities and its unconsolidated joint ventures. On a consolidated basis, FFO includes the Company's FFO and the Company's share of FFO of its unconsolidated joint ventures, but excludes the Company's share of distributions from such ventures. The Company calculates its FFO using the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO adjusted to (i) eliminate the recognition of rental revenues on a straight-line basis and (ii) reflect stock appreciation right expense on a cash basis. The Company believes its FFO presentation more properly reflects its operating results.

Management believes the Company's FFO is not directly comparable to other REITs which own a portfolio of mature income-producing properties because the Company develops projects through a development and lease-up phase before they reach their targeted cash flow returns. Furthermore, the Company eliminates in consolidation fee income for developing and leasing projects owned by consolidated entities, while capitalizing related internal costs. In addition, unlike many REITs, the Company has considerable land holdings which provide a strong base for future FFO growth as land is developed or sold in future years. Property taxes on the land, which are expensed currently, reduce current FFO.

As indicated above, the Company does not include straight-lined rents in its FFO, as it could under the NAREIT definition of FFO. Furthermore, most of the Company's leases are also escalated periodically based on the Consumer Price Index, which unlike fixed escalations, do not require rent to be straight-lined; under NAREIT's definition straight-lining of rents produces higher FFO in the early years of a lease and lower FFO in the later years of a lease.

FFO is used by industry analysts as a supplemental measure of an equity REIT's performance. FFO should not be considered an alternative to net income or other measurements under generally accepted accounting principles as an indicator of operating performance, or to cash flows from operating, investing, or financing activities as a measure of liquidity.

Commencing with the second quarter of 2000, to reflect the Company's adherence to the NAREIT definition of FFO and to be consistent with industry practice, the Company included gain on sale of undepreciated investment properties in its FFO. Results for 1999 have been restated to reflect this change.

On October 2, 2000, a 3-for-2 stock split effected in the form of a 50% stock dividend was awarded to stockholders of record on September 15, 2000. All prior period shares outstanding and per share amounts have been restated for the effect of the stock dividend.

	($ in thousands, except per share amounts) Years Ended December 31,		
	2001	**2000**	**1999**
Income before gain on sale of investment properties and cumulative effect of change in accounting principle	**$ 47,319**	$ 50,672	$ 45,315
Cumulative effect of change in accounting principle	**—**	(566)	—
Depreciation and amortization	**61,010**	47,295	36,737
Amortization of deferred financing costs and depreciation of furniture, fixtures and equipment	**(1,537)**	(1,030)	(758)
Elimination of the recognition of rental revenues on a straight-line basis	**(3,164)**	(1,629)	(142)
Adjustment to reflect stock appreciation right expense on a cash basis	**(1,251)**	(68)	(101)
Gain on sale of undepreciated investment properties	**2,011**	564	222
Consolidated Funds From Operations	**$104,388**	$ 95,238	$ 81,273
Weighted Average Shares	**49,205**	48,632	48,138
Consolidated Funds From Operations Per Share - Basic	**$ 2.12**	$ 1.96	$ 1.69
Diluted Weighted Average Shares	**50,280**	49,731	49,031
Consolidated Funds From Operations Per Share - Diluted	**$ 2.08**	$ 1.92	$ 1.66

CONSOLIDATED BALANCE SHEETS

($ in thousands, except share and per share amounts)

	December 31, 2001	December 31, 2000
ASSETS		
PROPERTIES (Notes 4 and 8):		
Operating properties, net of accumulated depreciation of $106,039 in 2001 and $70,059 in 2000	**$ 771,119**	$ 772,361
Land held for investment or future development	**15,294**	15,209
Projects under construction	**140,833**	93,879
Residential lots under development	**12,520**	3,001
Total properties	**939,766**	884,450
CASH AND CASH EQUIVALENTS, at cost, which approximates market	**10,556**	1,696
NOTES AND OTHER RECEIVABLES (Note 3)	**39,920**	40,307
INVESTMENT IN UNCONSOLIDATED JOINT VENTURES (Notes 4 and 5)	**185,397**	175,471
OTHER ASSETS	**36,377**	13,828
TOTAL ASSETS	**$1,212,016**	$1,115,752
LIABILITIES AND STOCKHOLDERS' INVESTMENT		
NOTES PAYABLE (Note 4)	**$ 585,275**	$ 485,085
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	**27,149**	31,025
DEPOSITS AND DEFERRED INCOME	**2,422**	2,551
TOTAL LIABILITIES	**614,846**	518,661
DEFERRED GAIN (Note 5)	**107,676**	111,858
MINORITY INTERESTS	**26,821**	30,766
COMMITMENTS AND CONTINGENT LIABILITIES (Note 4)		
STOCKHOLDERS' INVESTMENT (Note 6):		
Common stock, $1 par value; authorized 150,000,000 shares, issued 50,106,110 in 2001 and 49,364,477 in 2000	**50,106**	49,364
Additional paid-in capital	**276,268**	259,659
Treasury stock at cost, 681,000 shares in 2001 and 153,600 shares in 2000	**(17,465)**	(4,990)
Unearned compensation	**(3,580)**	(4,690)
Cumulative undistributed net income	**157,344**	155,124
TOTAL STOCKHOLDERS' INVESTMENT	**462,673**	454,467
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	**$1,212,016**	$1,115,752

The accompanying notes are an integral part of these consolidated balance sheets.

CONSOLIDATED STATEMENTS OF INCOME

($ in thousands, except per share amounts)

	Years Ended December 31,		
	2001	**2000**	**1999**
REVENUES:			
Rental property revenues (Note 10)	**$145,469**	$113,986	$ 62,480
Development income	**6,179**	4,251	6,165
Management fees	**7,966**	4,841	4,743
Leasing and other fees	**5,344**	1,608	2,991
Residential lot and outparcel sales	**6,682**	13,951	17,857
Interest and other	**6,061**	5,995	3,588
	177,701	144,632	97,824
INCOME FROM UNCONSOLIDATED JOINT VENTURES (Note 5)	**22,897**	19,452	19,637
COSTS AND EXPENSES:			
Rental property operating expenses	**43,985**	33,416	19,087
General and administrative expenses	**27,010**	18,452	14,961
Depreciation and amortization	**44,652**	32,784	16,859
Stock appreciation right (credit) expense (Note 6)	**(276)**	468	108
Residential lot and outparcel cost of sales	**5,910**	11,684	14,897
Interest expense (Note 4)	**27,610**	13,596	600
Property taxes on undeveloped land	**619**	40	811
Other	**4,324**	4,086	2,381
	153,834	114,526	69,704
INCOME FROM OPERATIONS BEFORE INCOME TAXES, GAIN ON SALE OF INVESTMENT PROPERTIES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**46,764**	49,558	47,757
(BENEFIT) PROVISION FOR INCOME TAXES FROM OPERATIONS	**(555)**	(1,114)	2,442
INCOME BEFORE GAIN ON SALE OF INVESTMENT PROPERTIES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**47,319**	50,672	45,315
GAIN ON SALE OF INVESTMENT PROPERTIES, NET OF APPLICABLE INCOME TAX PROVISION	**23,496**	11,937	58,767
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	**70,815**	62,609	104,082
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE (Note 1)	**—**	(566)	—
NET INCOME	**$ 70,815**	$ 62,043	$104,082
BASIC NET INCOME PER SHARE:			
Income before cumulative effect of change in accounting principle	**$ 1.44**	$ 1.29	$ 2.16
Cumulative effect of change in accounting principle	**—**	(0.01)	—
Basic net income per share	**$ 1.44**	$ 1.28	$ 2.16
DILUTED NET INCOME PER SHARE:			
Income before cumulative effect of change in accounting principle	**$ 1.41**	$ 1.26	$ 2.12
Cumulative effect of change in accounting principle	**—**	(0.01)	—
Diluted net income per share	**$ 1.41**	$ 1.25	$ 2.12
CASH DIVIDENDS DECLARED PER SHARE (Note 6)	**$ 1.39**	$ 1.24	$ 1.12
WEIGHTED AVERAGE SHARES	**49,205**	48,632	48,138
DILUTED WEIGHTED AVERAGE SHARES	**50,280**	49,731	49,031

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' INVESTMENT (NOTE 6)

Years Ended December 31, 2001, 2000 and 1999
($ in thousands)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Unearned Compensation	Cumulative Undistributed Net Income	Total
BALANCE, December 31, 1998	$47,754	$228,911	$ —	$ —	$103,200	$379,865
Net income, 1999	—	—	—	—	104,082	104,082
Common stock issued pursuant to:						
Exercise of options and director stock plan	117	1,230	—	—	—	1,347
Dividend reinvestment plan	544	10,760	—	—	—	11,304
Dividends declared	—	—	—	—	(53,886)	(53,886)
Purchase of treasury stock	—	—	(4,990)	—	—	(4,990)
BALANCE, December 31, 1999	48,415	240,901	(4,990)	—	153,396	437,722
Net income, 2000	—	—	—	—	62,043	62,043
Common stock issued pursuant to:						
Exercise of options and director stock plan	195	3,491	—	—	—	3,686
Dividend reinvestment plan	489	8,672	—	—	—	9,161
Stock grant	265	6,595	—	(4,690)	—	2,170
Dividends declared	—	—	—	—	(60,315)	(60,315)
BALANCE, December 31, 2000	49,364	259,659	(4,990)	(4,690)	155,124	454,467
Net income, 2001	—	—	—	—	**70,815**	**70,815**
Common stock issued pursuant to:						
Exercise of options and director stock plan	**162**	**3,339**	—	—	—	**3,501**
Dividend reinvestment plan	**578**	**13,299**	—	—	—	**13,877**
Stock grant and related amortization	**2**	**(29)**	—	**1,110**	—	**1,083**
Dividends declared	—	—	—	—	**(68,595)**	**(68,595)**
Purchase of treasury stock	—	—	**(12,475)**	—	—	**(12,475)**
BALANCE, December 31, 2001	**$ 50,106**	**$ 276,268**	**$(17,465)**	**$(3,580)**	**$ 157,344**	**$ 462,673**

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (NOTE 9)

($ in thousands)

	Years Ended December 31, 2001	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Income before gain on sale of investment properties and cumulative effect of change in accounting principle	**$ 47,319**	$ 50,672	$ 45,315
Adjustments to reconcile income before gain on sale of investment properties and cumulative effect of change in accounting principle to net cash provided by operating activities:			
Depreciation and amortization, net of minority interest's share	**44,556**	31,522	16,658
Amortization of unearned compensation	**1,019**	—	—
Stock appreciation right (credit) expense	**(276)**	468	108
Cash charges to expense accrual for stock appreciation rights	**(975)**	(536)	(209)
Effect of recognizing rental revenues on a straight-line basis	**(2,380)**	(2,111)	(1,064)
Income from unconsolidated joint ventures	**(22,897)**	(19,452)	(19,637)
Operating distributions from unconsolidated joint ventures	**26,378**	32,538	36,051
Residential lot and outparcel cost of sales	**4,445**	10,576	13,802
Changes in other operating assets and liabilities:			
Change in other receivables	**1,990**	(2,783)	(1,903)
Change in accounts payable and accrued liabilities	**(5,159)**	2,692	2,706
Net cash provided by operating activities	**94,020**	103,586	91,827
CASH FLOWS FROM INVESTING ACTIVITIES:			
Gain on sale of investment properties, net of applicable income tax provision	**23,496**	11,937	58,767
Adjustments to reconcile gain on sale of investment properties to net cash provided by sales activities:			
Cost of sales	**36,253**	17,510	29,576
Deferred income recognized	**(4,126)**	(4,112)	(4,123)
Non-cash gain on disposition of leasehold interests	**(236)**	—	—
Property acquisition and development expenditures	**(140,346)**	(215,958)	(337,961)
Non-operating distributions from unconsolidated joint ventures	**18,600**	—	3,635
Investment in unconsolidated joint ventures, including interest capitalized to equity investments	**(44,030)**	(36,820)	(36,195)
Investment in notes receivable	**(1,308)**	(1,214)	(1,191)
Collection of notes receivable	**2,916**	2,742	6,258
Change in other assets, net	**(9,787)**	(4,978)	(3,112)
Net cash received in formation of a venture	**—**	—	125,469
Net cash paid in acquisition of a business	**(2,126)**	—	—
Net cash used in investing activities	**(120,694)**	(230,893)	(158,877)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of credit facility	**(318,510)**	(287,711)	(253,023)
Proceeds from credit facility	**298,030**	331,356	372,554
Common stock sold, net of expenses	**16,414**	15,017	12,651
Purchase of treasury stock	**(12,475)**	—	(4,990)
Dividends paid	**(68,595)**	(60,315)	(53,886)
Proceeds from other notes payable	**126,500**	154,500	—
Repayment of other notes payable	**(5,830)**	(25,317)	(6,132)
Net cash provided by financing activities	**35,534**	127,530	67,174
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,860**	223	124
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,696**	1,473	1,349
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 10,556**	$ 1,696	$ 1,473

The accompanying notes are an integral part of these consolidated statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2001, 2000 and 1999

1. SIGNIFICANT ACCOUNTING POLICIES

Consolidation and Presentation:

The Consolidated Financial Statements include the accounts of Cousins Properties Incorporated ("Cousins"), its majority owned partnerships and wholly owned subsidiaries, Cousins Real Estate Corporation ("CREC") and its subsidiaries and CREC II Inc. ("CREC II") and its subsidiaries. Information regarding CREC and CREC II is included in Note 2. All of the entities included in the Consolidated Financial Statements are hereinafter referred to collectively as the "Company." The Company's investments in its non-majority owned and/or non-controlled joint ventures are recorded using the equity method of accounting. Information regarding the non-majority owned and/or non-controlled joint ventures is included in Note 5.

Income Taxes:

Since 1987, Cousins has elected to be taxed as a real estate investment trust ("REIT"). As a REIT, Cousins is not subject to corporate federal income taxes to the extent that it distributes 100% of its taxable income (excluding the consolidated taxable income of CREC and its wholly owned subsidiaries and CREC II and its wholly owned subsidiaries) to stockholders, which is Cousins' current intention. The Company computes taxable income on a basis different from that used for financial reporting purposes (see Note 7). CREC and its wholly owned subsidiaries and CREC II and its wholly owned subsidiaries each file a consolidated federal income tax return.

Depreciation and Amortization:

Real estate assets are stated at depreciated cost. Buildings are depreciated over 30 to 40 years. Buildings that were acquired are depreciated over 15, 25 and 30 years. Furniture, fixtures and equipment are depreciated over 3 to 5 years. Leasehold improvements and tenant improvements are amortized over the life of the applicable leases or the estimated useful life of the assets, whichever is shorter. Deferred expenses are amortized over the period of estimated benefit. The straight-line method is used for all depreciation and amortization.

Long-Lived Assets:

Long-lived assets include property, goodwill and other assets which are held and used by an entity. The carrying value of long-lived assets is periodically reviewed by management, and impairment losses, if any, are recognized when the expected undiscounted future operating cash flows derived from such assets are less than their carrying value. Management believes no such impairments have occurred during any of the periods presented.

Fee Income and Cost Capitalization:

Development, construction, management and leasing fees received from unconsolidated joint ventures are recognized as earned. A portion of these fees may be capitalized by the joint ventures; however, the Company expenses salaries and other direct costs related to this income.

Development, construction and leasing fees between consolidated entities are eliminated in consolidation. These fees totaled $2,585,000, $3,048,000 and $4,676,000 in 2001, 2000 and 1999, respectively. Management fees received from consolidated entities are shown as a reduction in rental property operating expenses. Costs related to planning, development, leasing and construction of properties (including related general and administrative expenses) are capitalized.

Interest, real estate taxes and rental property expenses of properties are also capitalized during the lease up phase of a project based on the percentage of the project available for occupancy. Interest is capitalized to investments accounted for by the equity method when the investee has property under development with a carrying value in excess of the investee's borrowings. Deferred leasing and other capitalized costs associated with a particular property are classified with Properties in the Consolidated Balance Sheets.

Earnings Per Share ("EPS"):

Basic EPS is calculated as net income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted EPS 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 that would occur if stock options or other contracts to issue common stock were exercised and resulted in additional common shares outstanding. The net income amount used in the Company's EPS calculations is the same for both basic and diluted EPS.

Per share data is as follows (in thousands):

	2001	2000	1999
Weighted average shares	**49,205**	48,632	48,138
Dilutive potential common shares	**1,075**	1,099	893
Diluted weighted average shares	**50,280**	49,731	49,031
Anti-dilutive options not included	**957**	906	1,016

Cash and Cash Equivalents:

Cash and cash equivalents include cash and highly liquid money market instruments. Highly liquid money market instruments include securities and repurchase agreements with original maturities of three months or less, money market mutual funds, and securities on which the interest or dividend rate is adjusted to market rate at least every three months. At December 31, 2001, cash and cash equivalents included $804,167 which is restricted under debt agreements.

Rental Property Revenues:

In accordance with Statement of Financial Accounting Standard ("SFAS") No. 13, income on leases which include scheduled increases in rental rates over the lease term (other than scheduled increases based on the Consumer Price Index) is recognized on a straight-line basis.

Recent Accounting Pronouncements:

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement No. 141, "Business Combinations" ("SFAS 141") and Statement No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 eliminates pooling of interests accounting and requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. SFAS 142 eliminates the amortization of goodwill and certain other intangible assets and requires that goodwill be evaluated for impairment by applying a fair value-based test. The Company adopted the standard effective January 1, 2002 for previous acquisitions and effective June 30, 2001 for prospective acquisitions. Amortization of goodwill was approximately $654,000, $321,000 and $310,000 in 2001, 2000 and 1999, respectively. The Company completed its first fair value-based impairment test subsequent to year-end and concluded there is no impairment of goodwill.

In August 2001, the FASB issued Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 establishes new rules for measuring impairment of long-lived assets and accounting for discontinued operations. The Company adopted the standard effective January 1, 2002 and does not believe the standard will have a significant impact on its financial statements.

Cumulative Effect of Change in Accounting Principle:

The cumulative effect of change in accounting principle is related to the Company's adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," in 2000.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements and notes. Actual results could differ from those estimates.

Reclassifications:

Certain 2000 amounts have been reclassified to conform with the 2001 presentation.

2. CREC AND CREC II

CREC conducts certain development and leasing activities for real estate projects. CREC also manages a joint venture property in which it has an ownership interest. Cousins provides all the operating capital for CREC and has approval rights over services CREC performs. At December 31, 2001, 2000 and 1999, Cousins owned 100% of CREC's $5,025,000 par value 8% cumulative preferred stock and 100% of CREC's non-voting common stock, which is entitled to 95% of any dividends of CREC after preferred dividend requirements. Thomas G. Cousins, Chairman of the Board of Cousins and an officer and director of CREC, owns 100% of the voting common stock of CREC, which he purchased for $100 and which voting common stock is entitled to 5% of any dividends of CREC after preferred dividend requirements. CREC is included in the Company's Consolidated Financial Statements, but is taxed as a regular corporation. CREC has paid no common dividends to date, and for financial reporting purposes, none of CREC's income is attributable to Mr. Cousins' minority interest because the face amount of CREC's preferred stock plus accumulated dividends thereon ($10,653,000 in aggregate) exceeds CREC's $7,387,382 of equity.

CREC II owns the Company's investment in Cousins Properties Services LP (formerly Cousins Stone LP, see Note 5). Cousins provides all of the operating capital for CREC II and has approval rights over services CREC II performs. Cousins owns 100% of CREC II's $835,000 par value, 10% cumulative preferred stock and 100% of CREC II's non-voting common stock, which is entitled to 95% of any dividends of CREC II after preferred dividend requirements. Mr. Cousins, who is an officer and director of both Cousins and CREC II, owns 100% of the voting common stock of CREC II, which he purchased for $64,000 and which voting common stock is entitled to 5% of any dividends of CREC II after preferred dividend requirements. CREC II is included in the Company's Consolidated Financial Statements, but is taxed as a regular corporation. CREC II has paid no common dividends to date and as of December 31, 2001, undistributed cumulative preferred dividends were $83,500. Minority interest expense has been recognized for Mr. Cousins' ownership.

3. NOTES AND OTHER RECEIVABLES

At December 31, 2001 and 2000, notes and other receivables included the following ($ in thousands):

	2001	2000
650 Massachusetts Avenue Mortgage Notes	**$25,001**	$24,236
Daniel Realty Company Note Receivable	—	1,808
Miscellaneous Notes	**18**	583
Cumulative rental revenue recognized on a straight-line basis in excess of revenue accrued in accordance with lease terms (see Note 1)	**7,885**	5,505
Other Receivables	**7,016**	8,175
Total Notes and Other Receivables	**$39,920**	$40,307

650 Massachusetts Avenue Mortgage Notes – On March 10, 1994, the Company purchased from the Resolution Trust Corporation ("RTC") two notes aggregating $37 million (a $32 million and a $5 million note) at a total cost of approximately $28 million. The two notes, which resulted from the RTC's restructuring in December 1993 of a $53 million note, are secured by a first deed of trust on an office building containing approximately 250,000 rentable square feet located at 650 Massachusetts Avenue, NW, in Washington, D.C. The notes mature December 31, 2003, at which time their unamortized balance will be a maximum of approximately $27.6 million. The notes require minimum monthly payments totaling $2,818,000 annually, which are supported by a U.S. government agency lease. For financial reporting purposes, the discounted notes are treated as non-amortizing notes to the extent of the minimum required payments, with the minimum required payments treated as interest income. Amounts in excess of the minimum required payments ($543,000 and $750,000 in 2001 and 2000, respectively) are treated as a reduction of principal. During 2000, it became probable that the Company's $5 million note would be repaid in full (which subsequently occurred in April 2001), thus reducing the carrying value of the $32 million note to $23 million, which was substantially lower than the balance of the $32 million note originally estimated to be approximately $27.6 million. As a result, beginning in the third quarter of 2000 and continuing until the notes mature December 31, 2003, the Company is amortizing into interest income this difference of approximately $4.6 million between the Company's carrying value and the amount due under the note, which equals $327,000 per quarter.

Daniel Realty Company Note Receivable – On December 27, 1996, the Company entered into a venture with Daniel Realty Company ("Daniel"), a privately-held real estate company headquartered in Birmingham, Alabama, which focuses on the development and acquisition of commercial office properties. The arrangement with Daniel included a loan to Daniel of up to $9.5 million which had an interest rate of 11%, required semiannual principal payments commencing February 1, 1998 and matured on December 31, 2003.

On December 31, 1997, upon paydown of the outstanding balance of the note receivable to $4 million, the Company amended the note, which reduced the interest rate to 9% and required quarterly payments of principal and interest, which commenced April 1, 1998, in the amount of $250,568. The loan was repaid in full in November 2001.

Fair Value – The estimated fair value of the Company's $25.0 million and $26.6 million of notes receivable at December 31, 2001 and 2000, respectively, was $29.2 million and $32.9 million, respectively, calculated by discounting future cash flows from the notes receivable at estimated rates at which similar loans would be made currently.

4. NOTES PAYABLE, COMMITMENTS, AND CONTINGENT LIABILITIES

At December 31, 2001 and 2000, notes payable included the following ($ in thousands):

	December 31, 2001			**December 31, 2000**		
	Company	**Share of Unconsolidated Joint Ventures**	**Total**	**Company**	**Share of Unconsolidated Joint Ventures**	**Total**
Floating Rate Credit Facility and Floating Rate Debt	**$153,816**	**$ 7,614**	**$161,430**	$174,296	$ 70,309	$244,605
Other Debt (primarily non-recourse fixed rate mortgages)	**431,459**	**268,299**	**699,758**	310,789	185,983	496,772
	$585,275	**$275,913**	**$861,188**	$485,085	$256,292	$741,377

The following table summarizes the terms of the debt outstanding at December 31, 2001 ($ in thousands):

Description	Rate	Term/ Amortization Period (Years)	Final Maturity	Balance at December 31, 2001
Company Debt:				
Credit facility (a maximum of $275,000), unsecured	Floating based on LIBOR	3/N/A	8/31/04	$153,816
Note secured by Company's interest in CSC Associates, L.P.	6.677%	15/20	2/15/11	66,007
Perimeter Expo mortgage note	8.04%	10/30	8/15/05	20,088
101 Independence Center mortgage note	8.22%	11/25	12/1/07	45,864
Lakeshore Park Plaza mortgage note	6.78%	10/30	11/1/08	10,300
Northside/Alpharetta I mortgage note	7.70%	8/28	1/1/06	10,082
101 Second Street mortgage note	8.33%	10/30	4/19/10	88,858
The Avenue East Cobb mortgage note	8.39%	10/30	8/1/10	38,592
Meridian Mark Plaza mortgage note	8.27%	10/28	10/1/10	25,194
Presidential MarketCenter mortgage note	7.65%	10/30	5/2/11	27,895
600 University Park Place mortgage note	7.38%	10/30	8/10/11	13,957
333 John Carlyle/1900 Duke Street mortgage note	7.00%	10/25	11/1/11	48,960
333/555 North Point Center East mortgage note	7.00%	10/30	11/1/11	32,460
Other miscellaneous notes	Various	Various	Various	3,202
				585,275
Share of Unconsolidated Joint Venture Debt:				
Wildwood Associates:				
2300 Windy Ridge Parkway mortgage note	7.56%	10/25	12/01/05	30,257
2500 Windy Ridge Parkway mortgage note	7.45%	10/20	12/15/05	10,864
3200 Windy Hill Road mortgage note	8.23%	10/28	1/1/07	32,975
4100/4300 Wildwood Parkway mortgage note	7.65%	15/25	4/1/12	13,860
4200 Wildwood Parkway mortgage note	6.78%	15.75/18	3/31/14	20,941
Cousins LORET Venture, L.L.C.:				
Two Live Oak Center mortgage note	7.90%	10/30	9/1/07	14,437
The Pinnacle mortgage note	7.11%	12/30	12/31/09	34,278
CP Venture Two LLC:				
North Point MarketCenter mortgage note	8.50%	10/25	7/15/05	3,109
100/200 North Point Center East mortgage note	7.86%	10/25	8/1/07	2,684
Ten Peachtree Place Associates mortgage note	LIBOR + 0.75%	7/18	12/31/08	7,614
CC-JM II Associates mortgage note	7.00%	17/17	4/1/13	10,209
Charlotte Gateway Village, LLC mortgage note	6.41%	15/15	12/1/16	94,685
				275,913
				$861,188

In 1996, CSC Associates, L.P. ("CSC") issued $80 million of 6.377% collateralized non-recourse mortgage notes (the "Notes") secured by CSC's interest in the Bank of America Plaza building and related leases and agreements. CSC loaned the $80 million proceeds of the Notes to the Company under a non-recourse loan (the "Cousins Loan") secured by the Company's interest in CSC under the same payment terms as those of the Notes. The Company paid all costs of issuing the Notes and the Cousins Loan, including a $400,000 fee to an affiliate of Bank of America Corporation. In addition, the Company pays a fee to an affiliate of Bank of America Corporation of .3% per annum of the outstanding principal balance of the Notes. Because CSC has loaned the $80 million proceeds of the Notes to the Company, the Notes and their related interest expense and maturities are disclosed as an obligation of the Company and are not included in the unconsolidated joint venture balances disclosed in the above table or in Note 5. (The related note receivable and interest income are also not included in Note 5.)

On August 31, 2001, the Company renewed and modified its existing credit facility with Bank of America and Wachovia. Concurrently, the Company syndicated the facility increasing the number of banks providing the facility from two to eight. The amount available under the prior credit facility had been $150 million, which had been temporarily increased to $225 million. The amount available under the renewed and modified credit facility is $275 million, which expires August 31, 2004. The credit facility is unsecured and bears interest equal to the London Interbank Offering Rate ("LIBOR") plus a spread which is based on the ratio of total debt to total assets, as defined by the credit facility, according to the following table:

Leverage Ratio	Applicable Spread
≤ to 35%	1.05%
>35.00% but ≤ 45%	1.15%
>45.00% but ≤ 50%	1.25%
>50.00% but ≤ 55%	1.45%
>55.00%	1.70%

In May 2001, the Company completed the $28 million financing of Presidential MarketCenter. This non-recourse note payable has an interest rate of 7.65% and a maturity of May 2, 2011. In July 2001, the Company completed the $14 million financing of 600 University Park Place. This non-recourse note payable has an interest rate of 7.38% and a maturity of August 10, 2011. In November 2001, the Company completed the $49 million financing of 333 John Carlyle and 1900 Duke Street. This non-recourse note payable has an interest rate of 7% and a maturity of November 1, 2011. Also in November 2001, the Company completed the $32.5 million financing of 333 and 555 North Point Center East. This non-recourse note payable also has an interest rate of 7% and a maturity of November 1, 2011. The 333 John Carlyle/1900 Duke Street mortgage note and the 333/555 North Point Center East mortgage note are cross-defaulted and cross-collateralized until certain leasing and occupancy percentages for 333 and 555 North Point Center East are obtained.

In November 2001, the construction loan on Gateway Village was repaid in full with proceeds from the $190 million permanent financing. This non-recourse mortgage note payable is fully amortizing, has an interest rate of 6.41% and a maturity of December 1, 2016. In December 2001, the Ten Peachtree Place Associates mortgage note was extended in accordance with the terms of the mortgage note to December 31, 2008 and its interest rate changed from 8% to a floating rate of LIBOR plus 0.75%. Payments remain fixed at $204,000 a month and are applied first to interest and then to pay down the principal balance.

The Wildwood Associates 2300 Windy Ridge Parkway, 3200 Windy Hill Road, 4100/4300 Wildwood Parkway and 4200 Wildwood Parkway mortgage notes and the CC-JM II Associates mortgage note provide for additional amortization in the later years of the notes (over that required by the amortization periods disclosed in the table) concurrent with scheduled rent increases.

At December 31, 2001, the Company had outstanding letters of credit totaling $4,909,000, and assets, including the Company's share of joint venture assets, with carrying values of $684,060,000 were pledged as security on the debt of the Company and its share of unconsolidated joint venture debt. The fixed rate long-term mortgage debt of the Company and its unconsolidated joint ventures is non-recourse to the Company.

As of December 31, 2001, the weighted average maturity of the Company's debt, including its share of unconsolidated joint ventures, was 9 years.

The aggregate maturities of the indebtedness at December 31, 2001 summarized above are as follows ($ in thousands):

	Company	Share of Unconsolidated Joint Ventures	Total
2002	$ 8,423	$ 9,701	$ 18,124
2003	8,937	10,290	19,227
2004	163,342	11,110	174,452
2005	37,194	48,927	86,121
2006	9,208	10,706	19,914
Thereafter	358,171	185,179	543,350
	$585,275	$275,913	$861,188

For each of the years ended December 31, 2001, 2000 and 1999, interest expense was recorded as follows ($ in thousands):

	Company			Share of Unconsolidated Joint Ventures			Total		
Year	**Expensed**	**Capitalized**	**Total**	**Expensed**	**Capitalized**	**Total**	**Expensed**	**Capitalized**	**Total**
2001	**$ 27,610**	**$ 9,712**	**$ 37,322**	**$ 17,086**	**$ 1,186**	**$ 18,272**	**$ 44,696**	**$ 10,898**	**$ 55,594**
2000	13,596	15,285	28,881	14,819	3,545	18,364	28,415	18,830	47,245
1999	600	16,155	16,755	14,473	1,513	15,986	15,073	17,668	32,741

The Company has future lease commitments under land leases aggregating $46.6 million over an average remaining term of 58 years. The Company has entered into construction and design contracts for real estate projects, of which approximately $98 million remains committed at December 31, 2001. At December 31, 2001 and 2000, the estimated fair value of the Company's notes payable, including its share of unconsolidated joint ventures, was $882 million and $749 million, respectively.

5. INVESTMENT IN UNCONSOLIDATED JOINT VENTURES

The following information summarizes financial data and principal activities of unconsolidated joint ventures in which the Company had ownership interests ($ in thousands). Audited financial statements for CSC Associates, L.P. are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2001.

	Total Assets		Total Debt		Total Equity		Company's Investment	
	2001	**2000**	**2001**	**2000**	**2001**	**2000**	**2001**	**2000**
SUMMARY OF FINANCIAL POSITION:								
Wildwood Associates	**$ 237,729**	$ 236,312	**$217,794**	$223,829	**$ 12,674**	$ 4,780	**$(35,144)**	$(39,081)
Charlotte Gateway Village, LLC	**209,360**	173,897	**189,370**	140,618	**18,903**	5,045	**10,828**	21,489
CSC Associates, L.P.	**171,731**	179,094	—	—	**168,937**	177,083	**86,793**	90,959
Cousins LORET Venture, L.L.C.	**120,482**	126,736	**97,430**	98,498	**20,156**	26,163	**9,918**	12,932
285 Venture, LLC	**60,203**	59,791	—	—	**58,971**	57,201	**31,554**	30,693
CPI/FSP I, L.P.	**50,393**	20,741	—	—	**49,111**	20,741	**25,659**	10,592
Crawford Long – CPI, LLC	**43,218**	7,754	—	—	**40,701**	7,594	**21,214**	3,894
CC-JM II Associates	**23,973**	24,929	**20,418**	21,426	**2,944**	3,140	**1,998**	2,129
Temco Associates	**20,728**	16,797	—	—	**20,391**	16,576	**10,332**	8,207
Ten Peachtree Place Associates	**19,743**	18,525	**15,228**	16,393	**4,216**	1,968	**693**	255
Brad Cous Golf Venture, Ltd.	**11,966**	11,409	—	—	**11,678**	11,216	**5,839**	5,608
Cousins Properties Services LP	—	14,322	—	—	—	12,982	—	11,093
CP Venture LLC	—	—	—	—	—	—	**13,900**	14,801
CP Venture Two LLC	**238,317**	248,861	**50,380**	51,388	**186,558**	195,140	**1,864**	1,951
Other	—	—	—	—	—	—	**(51)**	(51)
	$1,207,843	$1,139,168	**$590,620**	$552,152	**$595,240**	$539,629	**$185,397**	$175,471

	Total Revenues			Net Income (Loss)			Company's Share of Net Income (Loss)		
	2001	**2000**	**1999**	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
SUMMARY OF OPERATIONS:									
Wildwood Associates	**$ 53,631**	$50,918	$ 48,019	**$10,917**	$ 7,688	$ 4,906	**$ 5,223**	$ 3,844	$ 2,453
Charlotte Gateway Village, LLC	**16,029**	2,841	—	**(232)**	(593)	—	**620**	762	—
CSC Associates, L.P.	**39,948**	39,339	38,585	**21,574**	21,378	20,955	**10,711**	10,613	10,402
Cousins LORET Venture, L.L.C.	**21,604**	20,717	16,673	**(107)**	(767)	106	**(54)**	(384)	53
285 Venture, LLC	**11,217**	3,434	—	**5,312**	1,684	—	**2,596**	831	—
CPI/FSP I, L.P.	**2,198**	—	—	**775**	—	—	**352**	—	—
CC-JM II Associates	**4,509**	4,356	4,161	**952**	786	420	**464**	381	248
Temco Associates	**12,378**	10,023	7,087	**3,815**	2,708	2,540	**1,720**	678	1,270
Ten Peachtree Place Associates	**4,324**	4,438	4,356	**737**	959	872	**169**	279	271
Brad Cous Golf Venture, Ltd.	**1,011**	853	779	**(134)**	61	168	**(67)**	31	84
Cousins Properties Services LP	**1,400**	10,076	5,071	**203**	3,161	2,562	**153**	1,649	1,892
Haywood Mall	—	—	8,730	—	—	4,910	—	71	2,433
CP Venture LLC	—	—	—	—	—	—	**923**	611	82
CP Venture Two LLC	**34,048**	34,046	33,856	**8,792**	5,815	893	**87**	58	9
Other	—	55	1,124	—	55	878	—	28	440
	$202,297	$181,096	$168,441	**$52,604**	$42,935	$39,210	**$22,897**	$19,452	$19,637

	Cash Flows From Operating Activities			Company's Share Of Cash Flows From Operating Activities			Company's Share Of Operating Cash Distributions		
	2001	**2000**	**1999**	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
SUMMARY OF OPERATING CASH FLOWS:									
Wildwood Associates	**$19,712**	$18,430	$ 14,952	**$ 9,856**	$ 9,215	$ 7,476	**$ 1,500**	$ 6,000	$ 1,000
Charlotte Gateway Village, LLC	**1,240**	1,524	—	**620**	762	—	**453**	731	—
CSC Associates, L.P.	**30,482**	28,410	28,521	**15,241**	14,205	14,260	**14,860**	13,990	13,740
Cousins LORET Venture, L.L.C.	**7,584**	6,830	5,442	**3,792**	3,415	2,721	**2,950**	2,900	7,240
285 Venture, LLC	**5,738**	1,840	—	**2,869**	920	—	**2,918**	1,044	—
CPI/FSP I, L.P.	**1,514**	—	—	**757**	—	—	**846**	—	—
CC-JM II Associates	**1,988**	1,826	1,666	**994**	913	833	**595**	468	693
Temco Associates	**3,440**	1,356	2,540	**1,720**	678	1,270	**—**	1,800	—
Ten Peachtree Place Associates	**1,836**	1,113	1,027	**278**	367	354	**183**	200	200
Brad Cous Golf Venture, Ltd.	**558**	454	362	**279**	227	181	**—**	—	50
Cousins Properties Services LP	**204**	265	1,631	**153**	—	—	**75**	3,140	—
Haywood Mall	**—**	—	6,158	**—**	—	3,079	**—**	—	4,068
CP Venture LLC	**—**	—	—	**—**	—	—	**1,824**	2,068	8,303
CP Venture Two LLC	**20,878**	21,764	21,239	**2,401**	2,426	6,989	**174**	197	226
Other	**—**	55	882	**—**	—	441	**—**	—	531
	$95,174	$83,867	$ 84,420	**$38,960**	$33,128	$37,604	**$26,378**	$32,538	$36,051

Wildwood Associates – Wildwood Associates was formed in 1985 between the Company and IBM, each as 50% partners. The partnership owns six office buildings totaling 2.1 million rentable square feet, other income-producing commercial properties, and additional developable land in Wildwood Office Park ("Wildwood") in Atlanta, Georgia. Wildwood is an office park containing a total of approximately 285 acres, of which approximately 92 acres are owned by Wildwood Associates and an estimated 13 acres are committed to be contributed to Wildwood Associates by the Company; the Company owns the balance of the developable acreage in the office park. The 13 acres of land which are committed to be contributed to Wildwood Associates by the Company are included in Wildwood Associates' financial statements under the caption "Land Committed to be Contributed" and are not included in "Land Held for Investment or Future Development" in the Company's financial statements. All costs associated with the land are borne by Wildwood Associates.

Through December 31, 2001, IBM had contributed $46.6 million in cash plus properties having an agreed-upon value of $16.3 million for its one-half interest in Wildwood Associates. The Company has contributed $84,000 in cash plus properties having an agreed value of $54.5 million for its one-half interest in the partnership and is obligated to contribute the aforesaid estimated 13 acres of additional land with an agreed value of $8.3 million. The Company and IBM each lease office space from the partnership at rates comparable to those charged to third parties.

The Company's investment as recorded in the Consolidated Balance Sheets, which was a negative investment of $35.1 million at December 31, 2001 due to partnership distributions, is based upon the Company's historical cost of the properties at the time they were contributed or committed to be contributed to the partnership, whereas its investment as recorded on Wildwood Associates' books ($6.3 million at December 31, 2001) is based on the agreed-upon values at the time the partnership was formed.

Charlotte Gateway Village, LLC ("Gateway") – On December 14, 1998, the Company and a wholly owned subsidiary of Bank of America Corporation formed Gateway for the purpose of developing and owning Gateway Village, a 1.1 million rentable square foot office building complex in downtown Charlotte, North Carolina. Construction of Gateway Village commenced in July 1998. The project, which is 100% leased to Bank of America Corporation with a term of 15 years, became partially operational for financial reporting purposes in November 2000. Gateway's net income or loss and cash distributions are allocated to the members as follows: first to the Company so that it receives a cumulative compounded return equal to 11.46% on its capital contributions, second to a wholly owned subsidiary of Bank of America Corporation until it has received an amount equal to the aggregate amount distributed to the Company, and then 50% to each member.

In November 2001, Gateway repaid in full the existing construction loan with proceeds from the $190 million permanent financing of Gateway Village (see Note 4). This non-recourse mortgage note payable is fully amortizing, has an interest rate of 6.41% and a maturity of December 1, 2016. It is also fully exculpated and supported by the lease with Bank of America Corporation.

CSC Associates, L.P. ("CSC") – CSC was formed in 1989 between the Company and a wholly owned subsidiary of Bank of America Corporation, each as 50% partners. CSC owns the 1.3 million rentable square foot Bank of America Plaza in midtown Atlanta, Georgia.

CSC's net income or loss and cash distributions are allocated to the partners based on their percentage interests. See Note 4 for a discussion of the presentation of certain CSC assets, liabilities, revenues and expenses.

Cousins LORET Venture, L.L.C. ("Cousins LORET") – Effective July 31, 1997, Cousins LORET was formed between the Company and LORET Holdings, L.L.L.P. ("LORET"), each as 50% members. LORET contributed Two Live Oak Center, a 279,000 rentable square foot office building located in Atlanta, Georgia, which was renovated in 1997. Two Live Oak Center was contributed subject to a 7.90% $30 million non-recourse ten year mortgage note payable (see Note 4). LORET also contributed an adjacent 4-acre site on which construction of The Pinnacle, a 424,000 rentable square foot office building, was completed in November 1998. The Pinnacle became partially operational for financial reporting purposes in March 1999. The Company contributed $25 million of cash to Cousins LORET to match the value of LORET's agreed-upon equity. In May 1998, Cousins LORET completed the $70 million non-recourse financing of The Pinnacle at an interest rate of 7.11% and a term of twelve years, which was completely funded on December 30, 1998 (see Note 4).

285 Venture, LLC – In March 1999, the Company and a commingled trust fund advised by J.P. Morgan Investment Management Inc. (the "J.P. Morgan Fund") formed 285 Venture, LLC, each as 50% partners, for the purpose of developing 1155 Perimeter Center West, an approximately 362,000 rentable square foot office building complex in Atlanta, Georgia. The J.P. Morgan Fund contributed the approximately 6-acre site upon which 1155 Perimeter Center West was developed. The land had an agreed-upon value of approximately $5.4 million, which the Company matched with a cash contribution. In January 2000, 1155 Perimeter Center West became partially operational for financial reporting purposes.

CPI/FSP I, L.P. – In May 2000, CPI/FSP I, L.P., a 50% limited partnership, was formed. 50% of the venture is owned by the Company through a general partnership, Cousins Austin GP, Inc. (1%), and a limited partnership, Cousins Austin, Inc. (49%). The remaining 50% is owned by a general partnership, Fifth Street Properties - Austin, LLC (1%), and a limited partnership, Fifth Street Properties - Austin Investor, LLC (49%), which are both owned by CommonWealth Pacific LLC and CalPERS. CPI/FSP I, L.P. developed Austin Research Park – Buildings III and IV, two approximately 174,000 and 184,000 rentable square foot office buildings, respectively, in Austin, Texas, which became partially operational for financial reporting purposes in June 2001 and September 2001, respectively. Additionally, the venture owns an adjacent pad for future development of an approximately 184,000 rentable square foot office building.

Crawford Long - CPI, LLC – In October 1999, the Company formed Crawford Long - CPI, LLC with Emory University, each as 50% partners, for the purpose of developing and owning the Emory Crawford Long Medical Office Tower, an approximately 358,000 rentable square foot medical office building located in midtown Atlanta, Georgia, which is currently under development.

CC-JM II Associates – This joint venture was formed in 1994 between the Company and an affiliate of CarrAmerica Realty Corporation, each as 50% general partners, to develop and own a 224,000 rentable square foot office building in suburban Washington, D.C. The building is 100% leased until January 2011 to Booz-Allen & Hamilton, an international consulting firm, as a part of its corporate headquarters campus.

Temco Associates – Temco Associates was formed in 1991 as a partnership between CREC (50%) and a subsidiary of Temple-Inland Inc. (50%). Temco Associates has an option through March 2006, with no carrying costs, to acquire the fee simple interest in approximately 9,100 acres in Paulding County, Georgia (northwest of Atlanta, Georgia). The partnership also has an option to acquire interests in a timber rights only lease covering approximately 22,000 acres. This option also expires in March 2006, with the underlying lease expiring in 2025. The options may be exercised in whole or in part over the option period, and the option price of the fee simple land was $1,044 per acre at January 1, 2002, escalating at 6% on January 1 of each succeeding year during the term of the option.

During 2001, 2000 and 1999, approximately 487, 734 and 640 acres, respectively, of the option related to the fee simple interest was exercised. In 2001, approximately 359 acres were simultaneously sold for gross profits of $1,902,000 and approximately 128 acres were held for sale under a three year option to a third party. Approximately 2 acres were sold in 2001 for gross profits of $291,000, which were a component of the 13 acres purchased in 2000 that were being held for sale or future development. In 2000, approximately 461 acres were simultaneously sold for gross profits of $1,546,000 and approximately 260 acres were acquired for the development of the Bentwater residential community. Approximately 1,735 lots will be developed within Bentwater on an approximate total of 1,290 acres, the remainder of which will be acquired as needed through exercises of the option related to the fee simple interest. The remaining 13 acres are being held for sale or future development (of which approximately 2 acres were sold in 2001 as noted above). In 1999, approximately 466 acres were simultaneously sold for gross profits of $2,458,000 and approximately 174 acres were acquired for development of Bentwater. The Cobb County YMCA had a three year option to purchase approximately 38 acres out of the total acres of the options exercised in 1998, which they exercised in December 1999. The remaining 207 acres were deeded in early 1999 to a golf course developer who developed the golf course within Bentwater. Temco Associates sold 233, 219 and 106 lots within Bentwater in 2001, 2000 and 1999, respectively.

Ten Peachtree Place Associates ("TPPA") – TPPA is a general partnership between the Company (50%) and a wholly owned subsidiary of The Coca-Cola Company ("Coca-Cola") (50%). The venture owns Ten Peachtree Place, a 260,000 rentable square foot building located in midtown Atlanta, Georgia. The building was 100% leased to Coca-Cola through November 30, 2001.

The TPPA partnership agreement generally provides that each partner is entitled to receive 50% of cash flows from operating activities, net of note principal amortization, through the term of the Coca-Cola lease. After the Coca-Cola lease expired, in accordance with the partnership agreement, each partner must contribute on a 50% basis capital contributions needed for tenant improvements and leasing commissions related to the releasing of the building, as well as to fund any operating deficits. The cash flows from operating activities, net of note principal amortization, will be used first to repay these capital contributions plus 8% interest to each partner on a 50% basis. After these capital contributions plus 8% interest are repaid in full, the Company and its partner are entitled to receive 15% and 85% of the cash flows (including any sales proceeds), respectively, until the two partners have received a combined distribution of $15.3 million. Thereafter, each partner is entitled to receive 50% of cash flows.

In December 2001, the Ten Peachtree Place Associates mortgage note was extended in accordance with the terms of the mortgage note to December 31, 2008 and its interest rate changed from 8% to a floating rate of LIBOR plus 0.75%. Payments remain fixed at $204,000 a month and are applied first to interest and then to pay down the principal balance.

Brad Cous Golf Venture, Ltd. ("Brad Cous") – Effective January 31, 1998, the Company formed Brad Cous with W.C. Bradley Co., each as 50% partners, for the purpose of developing and owning The Shops at World Golf Village, an approximately 80,000 square foot retail center located adjacent to the PGA Hall of Fame in St. Augustine, Florida. The Shops at World Golf Village became partially operational for financial reporting purposes in April 1999.

Cousins Properties Services LP (formerly Cousins Stone LP) – Cousins Stone LP was formed on June 1, 1999 when CREC II acquired Faison's 50% interest in Faison-Stone. On July 3, 2000, CREC II purchased an additional 25% interest in Cousins Stone LP from RD Stone Interests, Ltd., increasing CREC II's total ownership to 75%. Effective March 1, 2001, CREC II purchased the remaining 25% interest in Cousins Stone LP, bringing its total interest to 100%, and beginning on that date Cousins Stone LP was consolidated with CREC II. Effective August 6, 2001, the name was changed to Cousins Properties Services LP ("CPS"). CPS is a full-service real estate company headquartered in Dallas, Texas, that specializes in third party property management and leasing of Class "A" office properties.

CP Venture LLC, CP Venture Two LLC and CP Venture Three LLC – On November 12, 1998 (the "Closing Date"), the Company entered into a venture arrangement (the "Venture") with The Prudential Insurance Company of America ("Prudential"). On such date the Company contributed its interest in nine properties (the "Properties") to the Venture. At the time of contribution, the Properties were valued by the Company and Prudential based on arm's length negotiations at a total gross value of $283,750,000 subject to mortgages in the principal amount of $53,281,219. The following table details the values allocated to each of the Properties and the mortgages to which certain Properties were subject:

	Allocated Value	Mortgage	Net Value
First Union Tower	$ 53,000,000	$ —	$ 53,000,000
Grandview II	23,000,000	—	23,000,000
100 North Point Center East and 200 North Point Center East	46,050,000	24,581,670	21,468,330
Presbyterian Medical Plaza	8,600,000	—	8,600,000
North Point MarketCenter	56,750,000	28,699,549	28,050,451
Mansell Crossing II	12,350,000	—	12,350,000
Greenbrier MarketCenter	51,200,000	—	51,200,000
Los Altos MarketCenter	32,800,000	—	32,800,000
	$283,750,000	$53,281,219	$230,468,781

Under the Venture arrangements, Prudential committed to contribute cash to the Venture equal to the agreed-upon net value of the properties ($230,468,781) at dates specified in the agreements. The following table details the dates on which the cash was contributed and the percentages (including both direct and indirect interests) the Company and Prudential had, respectively, in the economics of the Properties following each contribution:

Date	Total Cumulative Cash Contribution	Company Percentage	Prudential Percentage
Closing Date	$ 40 million	84.64%	15.36%
12/30/98	$105 million	59.68%	40.32%
3/30/99	$155 million	40.48%	59.52%
6/29/99	$205 million	21.28%	78.72%
9/29/99	$230.469 million	11.50%	88.50%

The structure of the Venture is as follows: CP Venture LLC, the parent entity, owns a 99% interest in each of CP Venture Two LLC ("Property Activity LLC") and CP Venture Three LLC ("Development Activity LLC"). The Company owns a 1% direct interest in Property Activity LLC and Prudential owns a 1% direct interest in Development Activity LLC. The contributed properties are owned and operated by Property Activity LLC. The Company has a 10.6061% interest in CP Venture LLC's 99% interest in Property Activity LLC, which, combined with its 1% direct interest, gives it a net interest of 11.5% in the economics of Property Activity LLC. Prudential has the remaining net interest of 88.5% in the economics of Property Activity LLC. Unless both parties agree otherwise, Property Activity LLC may not sell the contributed properties until the end of lock-out periods (generally three years for retail properties and four years for office and medical office properties).

The cash contributed by Prudential was contributed to Development Activity LLC. To the extent such funds are not yet needed for development activity, Development Activity LLC can temporarily invest such funds; such potential investments may include temporary loans to the Company. As of December 31, 2001, the Venture had a note receivable from the Company of approximately $161 million. The Venture earns interest on the outstanding balance at the same rate as the Company's credit facility. Prudential is entitled to 10.6061% of CP Venture LLC's 99% share of the economics of Development Activity LLC, which, combined with its 1% direct interest, entitles it to an overall net interest of 11.5% in the economics of Development Activity LLC. Prudential first receives a priority current return of 9.5% per annum on its share (11.5%) of the initial capital ($230.469 million) ("Initial Capital") of Development Activity LLC. Prudential also receives a liquidation preference whereby it is first entitled to, subject to capital account limitations, sufficient proceeds to allow it to achieve an overall 11.5% internal rate of return on its share of the Initial Capital of Development Activity LLC. After these preferences to Prudential, the Company has certain preferences, with the residual interests in the development activity being shared according to the interests of the parties. All Prudential priority current returns have been distributed to Prudential during the year. The cumulative priority current return of approximately $54.0 million to the Company had not been distributed as of December 31, 2001.

CP Venture LLC appointed the Company to serve as Development Manager and in such capacity to act for it in connection with its ownership of Development Activity LLC. CP Venture LLC also appointed Prudential to serve as Property Manager and in such capacity to act for it in connection with its ownership of Property Activity LLC. Prudential appointed the Company to serve as property manager of the Properties for Property Activity LLC. The Company also serves as Administrative Manager of CP Venture LLC. Property Activity LLC is expected to continue to operate the contributed Properties. Development Activity LLC is expected to develop commercial real estate projects over time, as selected by the Development Manager. Development Activity LLC may also make acquisitions, which are anticipated to be redevelopment or value-added opportunities. Development Activity LLC developed Mira Mesa MarketCenter, a 447,000 square foot retail center in suburban San Diego, California, which became partially operational in April 2000. In December 2000, Development Activity LLC acquired One Georgia Center, an approximately 363,000 rentable square foot office building in midtown Atlanta, Georgia. Development Activity LLC also developed The Avenue Peachtree City, an approximately 167,000 square foot retail center in suburban Atlanta, Georgia, which became partially operational for financial reporting purposes in April 2001. The parties anticipate that some of the projects currently under consideration by the Company will be undertaken by Development Activity LLC, although the Company has no obligation to make any particular opportunity available to Development Activity LLC.

For financial reporting purposes, the Properties were deconsolidated and contributed to Property Activity LLC. Both Property Activity LLC and CP Venture LLC are being treated as unconsolidated joint ventures. Development Activity LLC is treated as a consolidated entity in the Company's financial statements as the Company has a controlling financial interest. The Company initially deferred the net gain on the contributed Properties and is recognizing this net gain as Gain on Sale of Investment Properties, Net of Applicable Income Tax Provision in the accompanying Consolidated Statements of Income as capital distributions of cash are made from Development Activity LLC to the Company or when the Properties initially contributed to Property Activity LLC are liquidated by Property Activity LLC. The liquidation of the Properties may be in the form of actual sales of the Properties or in the form of the depreciation of the Properties which have an average remaining life of 27 years. The total net deferred gain on the contributed Properties on the Closing Date was approximately $96.8 million over the cost of the Properties. Including depreciation recapture of $23.8 million, the total net deferred gain on the Closing Date was approximately $120.6 million, which has been reduced by approximately $12.9 million through December 31, 2001, and is included in Deferred Gain in the accompanying Consolidated Balance Sheets.

Haywood Mall – Haywood Mall, a regional shopping center on 86 acres 5 miles southeast of downtown Greenville, South Carolina, was owned by the Company and Simon Property Group. The mall has 1,256,000 gross leasable square feet ("GLA") (of which approximately 330,000 GLA was owned). The balance of the mall is owned by the mall's five major department stores. The Company sold its 50% interest to Simon Property Group in June 1999 for $69 million, resulting in a gain of $50.1 million which is included in Gain on Sale of Investment Properties in the accompanying Consolidated Statements of Income. The proceeds from the sale were redeployed through a tax-deferred exchange into Inforum, a 990,000 rentable square foot office building located in downtown Atlanta, Georgia.

Other – This category consists of several other joint ventures including:

Cousins-Hines Partnerships – Through the Cousins-Hines partnerships, CREC effectively owns 9.8% of the One Ninety One Peachtree Tower in Atlanta, Georgia, subject to a preference in favor of the majority partner. This 1.2 million rentable square foot office building, which opened in December 1990, was developed in partnership with the Hines Interests Limited Partnership and the Dutch Institutional Holding Company ("DIHC"). In October 1997, Cornerstone Properties, Inc. purchased DIHC's interest in the partnership. In June 2000, Equity Office Properties Trust acquired Cornerstone Properties, Inc. Because CREC's effective ownership of this building is less than 20%, the Company accounts for its investment using the cost method of accounting, and therefore the above tables do not include the Company's share of One Ninety One Peachtree Tower.

Additional Information – The Company recognized $10,877,000, $7,955,000 and $9,362,000 of development, construction, leasing, and management fees from unconsolidated joint ventures in 2001, 2000 and 1999, respectively.

6. STOCKHOLDERS' INVESTMENT

Stock Dividend:

On October 2, 2000, a 3-for-2 stock split effected in the form of a 50% stock dividend was awarded to stockholders of record on September 15, 2000. In conjunction with the stock dividend, 16,259,000 shares of common stock were issued and $16,259,000 was transferred from Additional Paid-In-Capital to Common Stock. All prior period shares outstanding, per share amounts, stock options, stock appreciation rights ("SARs") and restricted stock ("stock grants") have been restated for the effect of the stock dividend.

1999 Incentive Stock Plan:

In May 1999, the stockholders of the Company approved the adoption of the 1999 Incentive Stock Plan (the "1999 Plan"), which covered the issuance of 1,343,288 shares of common stock, all of which shares had been available for use under the 1995 Stock Incentive Plan, the Stock Plan for Outside Directors and the Stock Appreciation Right Plan (collectively, the "Predecessor Plans"). Upon adoption of the 1999 Plan, no additional shares of common stock can be issued under the Predecessor Plans. In May 2001 and December 2000, the stockholders of the Company approved amendments to the 1999 Plan to increase the number of shares of common stock available under the 1999 Plan by 1,100,000 and 1,200,000, respectively. As of December 31, 2001, 872,519 shares are authorized to be awarded pursuant to the 1999 Plan, which allows awards of stock options, stock grants or SARs.

Stock Options – At December 31, 2001, 5,206,318 of stock options awarded to key employees and outside directors pursuant to both the 1999 Plan and the Predecessor Plans were outstanding. All stock options have a term of 10 years. Key employee stock options granted prior to December 28, 2000 have a vesting period of 5 years under both the 1999 Plan and the Predecessor Plans. Options granted on or after December 28, 2000 have a vesting period of four years. Outside director stock options are fully vested on the grant date under the 1999 Plan but have a vesting period of one year under the Predecessor Plans.

SARs – The Company has issued SARs to certain employees under one of the Predecessor Plans and the CREC Stock Appreciation Plan (the "SAR plans"). At December 31, 2001, 23,500 SARs were outstanding, and the Company was authorized to award an additional 1,110,354 SARs.

Included in the Consolidated Statements of Income under the heading "stock appreciation right (credit) expense" are increases or decreases in accrued compensation expense to reflect the issuance of new SARs, vesting, changes in the market value of the common stock between periods, and forfeitures of non-vested SARs of terminated employees.

At December 31, 2001 and 2000, the total amount accrued for SARs was approximately $318,000 and $1,570,000, respectively.

The following is a summary of stock option activity under the 1999 Plan, the Predecessor Plans and the SAR plans (in thousands, except per share amounts):

	Number of Shares			Weighted Average Exercise Price Per Share		
	2001	**2000**	**1999**	**2001**	**2000**	**1999**
1999 Plan and Predecessor Plans						
Outstanding, beginning of year	**4,969**	4,469	3,629	**$ 20.10**	$17.98	$16.37
Granted	**940**	1,021	1,046	**$ 24.93**	$27.41	$22.76
Exercised	**(157)**	(316)	(125)	**$ 15.16**	$13.33	$12.27
Forfeited	**(546)**	(205)	(81)	**$ 23.14**	$20.73	$16.77
Outstanding, end of year	**5,206**	4,969	4,469	**$ 20.80**	$20.10	$17.98
Shares exercisable at end of year	**2,935**	2,336	1,913	**$ 18.00**	$16.26	$14.49
SARs						
Outstanding, beginning of year	**88**	130	147	**$ 10.12**	$10.03	$ 9.92
Exercised	**(65)**	(35)	(15)	**$ 9.86**	$10.05	$ 9.01
Forfeited	**—**	(7)	(2)	**N/A**	$ 8.84	$ 9.15
Outstanding, end of year	**23**	88	130	**$ 10.83**	$10.12	$10.03
Shares exercisable at end of year	**23**	88	130	**$ 10.83**	$10.12	$10.03

The following table provides a breakdown by exercise price range of the number of shares, weighted average exercise price, and remaining contractual lives for all stock options and SARs outstanding at December 31, 2001 (in thousands, except per share amounts and option life):

			For Outstanding Options/SARs	
Exercise Price Range	**Outstanding**	**Exercisable**	**Weighted Average Exercise Price**	**Weighted Average Contractual Life (in years)**
1999 Plan and Predecessor Plans				
$8.83 to $12.50	799	799	$10.97	2.7
$12.51 to $17.50	424	424	$15.33	4.9
$17.56 to $23.45	2,220	1,401	$21.12	6.4
$23.46 to $28.10	1,763	311	$26.17	9.3
Total	5,206	2,935	$20.80	6.7
SARs				
$8.83 to $11.25	23	23	$10.83	1.0

Stock Grants – As indicated above, the 1999 Plan provides for stock grants, which may be subject to specified performance and vesting requirements. As of December 31, 2001, 172,086 stock grants have been awarded and were outstanding under the 1999 Plan.

In December 2000, the Company awarded 189,777 shares of performance accelerated restricted stock ("PARS") to certain key employees. The PARS will become fully vested upon the achievement of certain defined performance requirements, which can be met as early as the end of the calendar year which includes the third anniversary of the grant date. The PARS will vest in any event if the employee is employed on November 14, 2006. The shares were issued on the grant date and recorded in Common Stock and Additional Paid-in-Capital, with the offset recorded in Unearned Compensation, a separate component of Stockholders' Investment in the accompanying Consolidated Balance Sheets. Unearned Compensation is being amortized into compensation expense beginning January 1, 2001 over five years, which is the current estimate of the time it will take to meet the performance requirements. If this estimate changes, the amortization of the Unearned Compensation will be adjusted accordingly. Compensation expense recorded related to the PARS was approximately $1,019,000 in 2001. As of December 31, 2001, 167,649 shares of PARS were outstanding

In 1999, a stock grant of 22,185 shares was made subject to specified vesting requirements. Compensation expense related to this stock grant is being accrued over the three year vesting period, and at December 31, 2001 and 2000, the total amount accrued related to this stock grant was approximately $89,000 and $121,000, respectively. As of December 31, 2001, 4,437 shares of this stock grant were outstanding.

In 1995, 150,000 shares were awarded subject to specified performance and vesting requirements. The specified performance and vesting requirements were met in 2000, and the 150,000 shares were issued.

Outside directors can elect to receive any portion of their director fees in stock, based on 95% of the market price. Outside directors elected to receive 4,356, 4,432 and 5,289 shares of stock in lieu of cash for director fees in 2001, 2000 and 1999, respectively.

SFAS No. 123 Pro Forma Disclosures:

The Company has elected to account for its stock-based compensation plans under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," which requires the recording of compensation expense for some, but not all, stock-based compensation, rather than the alternative accounting permitted by SFAS No. 123, "Accounting for Stock-Based Compensation."

For purposes of the pro forma disclosures required by SFAS No. 123, the Company has computed the value of all stock and stock option awards granted during 2001, 2000 and 1999 using the Black-Scholes option pricing model with the following weighted average assumptions and results:

	2001	2000	1999
Assumptions			
Risk-free interest rate	**4.70%**	5.33%	6.36%
Assumed dividend yield	**5.97%**	4.91%	5.28%
Assumed lives of option awards	**8 years**	8 years	8 years
Assumed volatility	**0.197**	0.202	0.201
Results			
Weighted average fair value of options granted	**$2.62**	$4.20	$3.66

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions. In the Company's opinion, because the Company's stock-based compensation awards have characteristics significantly different from traded options and because changes in the subjective assumptions can materially affect the fair value estimate, the results obtained from the valuation model do not necessarily provide a reliable single measure of the value of its stock-based compensation awards.

If the Company had accounted for its stock-based compensation awards in 2001, 2000 and 1999 in accordance with SFAS No. 123, pro forma results would have been as follows ($ in thousands, except per share amounts):

	2001	2000	1999
Pro forma net income	**$ 68,477**	$60,433	$102,629
Pro forma basic net income per share	**$ 1.39**	$ 1.24	$ 2.13
Pro forma diluted net income per share	**$ 1.36**	$ 1.22	$ 2.09

Because the SFAS No. 123 method of accounting has not been applied to awards granted prior to January 1, 1995, the pro forma compensation adjustments used to derive the above results are not likely to be representative of the pro forma compensation adjustments to be reported in future years.

Stock Repurchase Plan:

In November 2001, the Board of Directors of the Company adopted a new stock repurchase plan authorizing the repurchase of up to 5 million shares of common stock prior to January 1, 2004. This new plan replaced and superseded the previous stock repurchase plan adopted in February 2001 under which the Company repurchased 527,400 shares of common stock for an aggregate purchase price of approximately $12,475,000. During 1999, the Company repurchased 153,600 shares of common stock for an aggregate purchase price of approximately $4,990,000, which was authorized under a previous plan. There were no repurchases during 2000.

Ownership Limitations:

In order to maintain Cousins' qualification as a REIT, Cousins' Articles of Incorporation include certain restrictions on the ownership of more than 3.9% of the Company's common stock.

Distribution of REIT Taxable Income:

The following is a reconciliation between dividends declared and dividends applied in 2000 and 1999 and estimated to be applied in 2001 to meet REIT distribution requirements ($ in thousands):

	2001	2000	1999
Dividends declared	**$ 68,595**	$60,315	$53,886
Additional dividends paid deduction due to 5% discount on dividends reinvested	**730**	623	594
That portion of dividends declared in current year, and paid in current year, which was applied to the prior year distribution requirements	**(3,807)**	(5,786)	(10,146)
That portion of dividends declared in subsequent year, and paid in subsequent year, which will apply to current year	**7,518**	3,807	5,786
Dividends applied to meet current year REIT distribution requirements	**$ 73,036**	$58,959	$50,120

Tax Status of Dividends:

Dividends applied to meet REIT distribution requirements were equal to Cousins' taxable income (see Note 7). Since electing to qualify as a REIT in 1987, Cousins has had no accumulated undistributed taxable income.

In 2001, the Company designated 76% of the dividend paid May 30, 2001, 1% of the dividend paid August 24, 2001, and 11% of the dividend paid December 21, 2001 as 20% capital gain dividends. In addition, 24% of the dividend paid May 30, 2001 was designated as 25% unrecaptured Section 1250 gain dividends. In 2000, the Company designated 91% of the dividend paid May 30, 2000 as 20% capital gain dividends and 5% as 25% unrecaptured Section 1250 gain dividends. In 1999, the Company designated 1% of the dividend paid December 22, 1999 as 20% capital gain dividends. All other dividends paid in 2001, 2000 and 1999 were taxable as ordinary income dividends. In addition, in 1999, an amount calculated as 1.54% of total dividends was an "adjustment attributed to depreciation of tangible property placed in service after 1986" for alternative minimum tax purposes. This amount was passed through to stockholders and must be used as an item of adjustment in determining each stockholder's alternative minimum taxable income.

7. INCOME TAXES

In 2001, 2000 and 1999, because Cousins qualified as a REIT and distributed all of its taxable income (see Note 6), it incurred no federal income tax liability. The differences between taxable income as reported on Cousins' tax return (estimated 2001 and actual 2000 and 1999) and Consolidated Net Income as reported herein are as follows ($ in thousands):

	2001	2000	1999
Consolidated net income	**$ 70,815**	$ 62,043	$104,082
Consolidating adjustments	**(13,710)**	(24,759)	(24,232)
Less CREC net (income) loss	**(81)**	771	(5,043)
Less CREC II net loss (income)	**990**	(738)	(937)
Cousins net income for financial reporting purposes	**58,014**	37,317	73,870
Adjustments arising from:			
Sales of investment properties	**(5,801)**	(3,967)	(56,305)
Income from unconsolidated joint ventures (principally depreciation, revenue recognition, and operational timing differences)	**6,673**	13,120	13,320
Rental income recognition	**(542)**	(302)	726
Interest income recognition	**(1,222)**	(469)	234
Property taxes deferred	**423**	(1)	655
Interest expense	**9,500**	8,565	10,603
Compensation expense under the 1999 and Predecessor Plans	**(1,475)**	(2,189)	(538)
Depreciation	**10,146**	8,560	5,236
Unearned compensation expense	**987**	—	—
Amortization	**(2,957)**	(1,602)	163
Predevelopment expense	**(1,709)**	(341)	2,436
Bad debt expense	**910**	—	—
Other	**89**	268	(280)
Cousins taxable income	**$ 73,036**	$ 58,959	$ 50,120

The consolidated (benefit) provision for income taxes is composed of the following ($ in thousands):

	2001	2000	1999
CREC and CREC II and their wholly owned subsidiaries:			
Currently payable:			
Federal	**$ —**	$ —	$ —
State	**—**	—	—
	—	—	—
Adjustments arising from:			
Income from unconsolidated joint ventures	**399**	(556)	(298)
Operating loss carryforward	**(1,193)**	333	4,465
Stock appreciation right expense	**458**	741	4
Residential lot sales, net of cost of sales	**(169)**	(1,430)	(524)
Other	**(74)**	(226)	864
	(579)	(1,138)	4,511
CREC and CREC II (benefit) provision for income taxes	**(579)**	(1,138)	4,511
Cousins provision (benefit) for state income taxes	**24**	24	(40)
Less provision applicable to gain on sale of investment properties	**—**	—	(2,029)
Consolidated (benefit) provision applicable to income from operations	**$ (555)**	$(1,114)	$ 2,442

The net income tax (benefit) provision differs from the amount computed by applying the statutory federal income tax rate to CREC's and CREC II's income (loss) before taxes as follows ($ in thousands):

	2001		2000		1999	
	Amount	**Rate**	Amount	Rate	Amount	Rate
Federal income tax (benefit) provision	**$ (490)**	**34%**	$ (398)	34%	$ 4,058	34%
State income tax (benefit) provision, net of federal income tax effect	**(57)**	**4**	(81)	4	477	4
Other	**(32)**	**2**	(659)	59	(24)	—
CREC and CREC II (benefit) provision for income taxes	**(579)**	**40%**	(1,138)	97%	4,511	38%
Cousins provision (benefit) for state income taxes	**24**		24		(40)	
Less provision applicable to gain on sale of investment properties	**—**		—		(2,029)	
Consolidated (benefit) provision applicable to income from operations	**$ (555)**		$ (1,114)		$ 2,442	

The components of CREC and CREC II's net deferred tax liability are as follows ($ in thousands):

	CREC and CREC II	
	2001	2000
Deferred tax assets	**$ 5,183**	$ 4,910
Deferred tax liabilities	**(6,561)**	(6,381)
Net deferred tax liability	**$ (1,378)**	$ (1,471)

The tax effect of significant temporary differences representing CREC and CREC II's deferred tax assets and liabilities are as follows ($ in thousands):

	CREC and CREC II	
	2001	2000
Operating loss carryforward	**$ 912**	$ 563
Income from unconsolidated joint ventures	**(3,673)**	(3,274)
Residential lot sales, net of cost of sales	**2,613**	2,444
Interest capitalization	**(1,096)**	(1,097)
Other	**(134)**	(107)
Net deferred tax liability	**$ (1,378)**	$ (1,471)

8. PROPERTY TRANSACTIONS

Office Division

In January 2001, the Company purchased the land for Congress at Fourth, an approximately 525,000 rentable square foot office building in Austin, Texas. Construction commenced on the building in November 2001. Also in January 2001, the Company purchased the remaining 49.9% interest in CommonWealth/Cousins I, LLC, which owned the AT&T Wireless Services Headquarters building, an approximately 222,000 rentable square foot office building in suburban Los Angeles, California. Upon completion of the buyout, the venture's name was changed to Cousins/Cerritos I, LLC, which is 100% owned by the Company.

In June 2001, Cerritos Corporate Center – Phase II, an approximately 105,000 rentable square foot office building in suburban Los Angeles, California, became fully operational for financial reporting purposes. In June 2001 and September 2001, Austin Research Park – Buildings III and IV, two approximately 174,000 and 184,000 rentable square foot office buildings in Austin, Texas, owned by CPI/FSP I, L.P. (see Note 5), became partially operational for financial reporting purposes, respectively.

Retail Division

In February 2001, the Company sold Colonial Plaza MarketCenter, an approximately 480,000 square foot retail center located in Orlando, Florida, for $54,000,000, which was approximately $10,779,000 over the cost of the center. Including depreciation recapture of approximately $6,264,000, the net gain on the sale was approximately $17,043,000.

In April 2001, The Avenue Peachtree City, an approximately 167,000 square foot retail center in suburban Atlanta, Georgia, became partially operational for financial reporting purposes.

Land Division

The Company is currently developing or has developed eight residential communities in suburban Atlanta, Georgia, including four in which development commenced in 1994, one in 1995, one in 1996, one in 2000 and one in 2001. These developments currently include land on which approximately 2,226 lots are being or were developed, of which 121, 217 and 292 lots were sold in 2001, 2000 and 1999, respectively. As of December 31, 2001, all of the lots in four of the eight residential communities had been sold.

In November 1998, Temco Associates began development of the Bentwater residential community, which will consist of approximately 1,735 lots on approximately 1,290 acres (see Note 5). Temco Associates sold 233, 219 and 106 lots in 2001, 2000 and 1999, respectively.

9. CONSOLIDATED STATEMENTS OF CASH FLOWS – SUPPLEMENTAL INFORMATION

Interest paid (net of amounts capitalized) (see Note 4) and income taxes paid (net of refunds) were as follows ($ in thousands):

	2001	2000	1999
Interest paid	**$ 28,271**	$11,027	$1,147
Income taxes paid, net of $866, $652 and $110 refunded in 2001, 2000 and 1999, respectively	**$ 344**	$ 3,141	$1,245

Significant non-cash financing and investing activities included the following:

a. In 2001, 2000 and 1999, approximately $43,682,000, $361,617,000 and $65,798,000, respectively, were transferred from Projects Under Construction to Operating Properties. In 1999, approximately $611,000 was transferred from Projects Under Construction to Land Held for Investment or Future Development.

b. In 2001, approximately $17,860,000 was transferred from Land Held for Investment or Future Development to Projects Under Construction. In 2000, approximately $1,066,000 was transferred from Land Held for Investment or Future Development to Residential Lots Under Development.

c. In conjunction with the consolidation of CPS in March 2001 (see Note 5), approximately $3,174,000 was transferred from Investment in Unconsolidated Joint Ventures to Other Assets.

d. In conjunction with the 3-for-2 stock split effected in the form of a 50% stock dividend on October 2, 2000 (see Note 6), approximately $16,259,000 was transferred from Additional Paid-In-Capital to Common Stock. In 2001, an adjustment of the PARS granted in 2000 was made and approximately $2,000 of Common Stock and approximately $89,000 of Additional Paid-In Capital was transferred to Unearned Compensation. In 2000, in conjunction with the award of PARS (see Note 6), approximately $170,000 was recorded as Common Stock, approximately $4,520,000 was recorded as Additional Paid-In-Capital, and approximately $4,690,000 was recorded as Unearned Compensation.

10. RENTAL PROPERTY REVENUES

The Company's leases typically contain escalation provisions and provisions requiring tenants to pay a pro rata share of operating expenses. The leases typically include renewal options and are classified and accounted for as operating leases.

At December 31, 2001, future minimum rentals to be received by consolidated entities under existing non-cancelable leases, excluding tenants' current pro rata share of operating expenses, are as follows ($ in thousands):

	Retail	**Office and Medical Office**	**Total**
2002	$ 28,784	$ 82,215	$110,999
2003	29,861	80,520	110,381
2004	29,718	75,480	105,198
2005	26,892	68,459	95,351
2006	23,437	63,119	86,556
Subsequent to 2006	164,935	278,251	443,186
	$303,627	$648,044	$951,671

11. REPORTABLE SEGMENTS

The Company has three reportable segments: Office Division, Retail Division, and Land Division. The Office Division and Retail Division develop, lease and manage office buildings and retail centers, respectively. The Land Division owns various tracts of strategically located land which are being held for future development. The Land Division also develops single-family residential communities which are parceled into lots and sold to various home builders.

The accounting policies of the segments are the same as those described in Significant Accounting Policies (see Note 1). The management of the Company evaluates performance of its reportable segments based on Funds From Operations ("FFO"). The Company calculates its FFO using the National Association of Real Estate Investment Trusts definition of FFO adjusted to (i) eliminate the recognition of rental revenues on a straight-line basis and (ii) reflect stock appreciation right expense on a cash basis. The Company believes its FFO presentation more properly reflects its operating results. The Company revised its method of allocating costs to its reportable segments in the third quarter of 2001. Prior period reportable segments have not been restated as it is impractical to do so.

The Company's reportable segments are broken down based on what type of product the division provides. The divisions are managed separately because each product they provide has separate and distinct development issues, leasing and/or sales strategies and management issues. The notations (100%) and (JV) used in the following tables indicate wholly owned and unconsolidated joint ventures, respectively, and all amounts are in thousands.

2001	Office Division	Retail Division	Land Division	Unallocated and Other	Total
Rental property revenues (100%)	$109,470	$ 33,324	$ —	$ 295	$ 143,089
Rental property revenues (JV)	71,242	2,432	—	14	73,688
Development income, management fees and leasing and other fees (100%)	18,229	960	300	—	19,489
Development income, management fees and leasing and other fees (JV)	1,050	—	—	—	1,050
Other income (100%)	—	—	6,682	6,061	12,743
Other income (JV)	—	—	1,745	25	1,770
Total revenues	199,991	36,716	8,727	6,395	251,829
Rental property operating expenses (100%)	35,918	9,269	—	39	45,226
Rental property operating expenses (JV)	21,308	598	—	7	21,913
Other expenses (100%)	20,193	8,035	7,977	30,028	66,233
Other expenses (JV)	897	—	25	15,158	16,080
Total expenses	78,316	17,902	8,002	45,232	149,452
Gain on sale of undepreciated investment properties	—	—	2,011	—	2,011
Consolidated funds from operations	121,675	18,814	2,736	(38,837)	104,388
Depreciation and amortization (100%)	(32,771)	(10,294)	—	(6)	(43,071)
Depreciation and amortization (JV)	(15,461)	(941)	—	—	(16,402)
Effect of the recognition of rental revenues on a straight-line basis (100%)	2,380	—	—	—	2,380
Effect of the recognition of rental revenues on a straight-line basis (JV)	784	—	—	—	784
Adjustment to reflect stock appreciation right expense on an accrual basis	—	—	—	1,251	1,251
Gain on sale of investment properties, net of applicable income tax provision	2,135	19,341	9	—	21,485
Net income	78,742	26,920	2,745	(37,592)	70,815
Benefit for income taxes from operations	—	—	—	(555)	(555)
Income from operations before income taxes	$ 78,742	$ 26,920	$ 2,745	$(38,147)	$ 70,260
Total assets	$846,413	$264,348	$23,319	$ 77,936	$1,212,016
Investment in unconsolidated joint ventures	$158,207	$ 16,858	$10,332	$ —	$ 185,397
Capital expenditures	$101,593	$ 24,295	$14,458	$ —	$ 140,346

Reconciliation to Consolidated Revenues

	2001	2000	1999
Rental property revenues (100%)	**$ 143,089**	$111,875	$61,837
Effect of the recognition of rental revenues on a straight-line basis (100%)	**2,380**	2,111	643
Development income, management fees and leasing and other fees	**19,489**	10,700	13,899
Residential lot and outparcel sales	**6,682**	13,951	17,857
Interest and other	**6,061**	5,995	3,588
Total consolidated revenues	**$ 177,701**	$144,632	$97,824

2000	Office Division	Retail Division	Land Division	Unallocated and Other	Total
Rental property revenues (100%)	$ 82,158	$ 29,627	$ —	$ 90	$ 111,875
Rental property revenues (JV)	66,677	2,316	—	—	68,993
Development income, management fees and leasing and other fees (100%)	10,059	400	241	—	10,700
Development income, management fees and leasing and other fees (JV)	5,247	—	—	—	5,247
Other income (100%)	1,745	1,825	12,126	4,250	19,946
Other income (JV)	—	71	733	58	862
Total revenues	165,886	34,239	13,100	4,398	217,623
Rental property operating expenses (100%)	28,052	7,512	—	(8)	35,556
Rental property operating expenses (JV)	18,595	533	—	—	19,128
Other expenses (100%)	12,351	7,712	11,278	15,943	47,284
Other expenses (JV)	8,189	136	55	12,035	20,415
Total expenses	67,187	15,893	11,333	27,970	122,383
Gain on sale of undepreciated investment properties	—	—	564	—	564
Cumulative effect of change in accounting principle	(566)	—	—	—	(566)
Consolidated funds from operations	98,133	18,346	2,331	(23,572)	95,238
Depreciation and amortization (100%)	(23,030)	(7,606)	—	(4)	(30,640)
Depreciation and amortization (JV)	(14,812)	(813)	—	—	(15,625)
Effect of the recognition of rental revenues on a straight-line basis (100%)	2,111	—	—	—	2,111
Effect of the recognition of rental revenues on a straight-line basis (JV)	(482)	—	—	—	(482)
Adjustment to reflect stock appreciation right expense on an accrual basis	—	—	—	68	68
Gain on sale of investment properties, net of applicable income tax provision	1,892	9,481	—	—	11,373
Net income	63,812	19,408	2,331	(23,508)	62,043
Benefit for income taxes from operations	—	—	—	(1,114)	(1,114)
Income from operations before income taxes	$ 63,812	$ 19,408	$ 2,331	$(24,622)	$ 60,929
Total assets	$767,237	$289,124	$12,296	$ 47,095	$1,115,752
Investment in unconsolidated joint ventures	$150,271	$ 16,993	$ 8,207	$ —	$ 175,471
Capital expenditures	$146,128	$ 59,803	$10,027	$ —	$ 215,958

1999	Office Division	Retail Division	Land Division	Unallocated and Other	Total
Rental property revenues (100%)	$ 41,768	$ 19,836	$ —	$ 233	$ 61,837
Rental property revenues (JV)	62,440	10,001	—	—	72,441
Development income, management fees and leasing and other fees (100%)	12,418	1,112	369	—	13,899
Development income, management fees and leasing and other fees (JV)	3,858	—	—	—	3,858
Other income (100%)	—	4,077	13,780	3,588	21,445
Other income (JV)	—	—	3,545	474	4,019
Total revenues	120,484	35,026	17,694	4,295	177,499
Rental property operating expenses (100%)	15,138	4,285	—	(23)	19,400
Rental property operating expenses (JV)	17,762	2,374	—	—	20,136
Other expenses (100%)	—	3,366	12,342	21,267	36,975
Other expenses (JV)	1,968	—	2,274	15,695	19,937
Total expenses	34,868	10,025	14,616	36,939	96,448
Gain on sale of undepreciated investment properties	—	—	222	—	222
Consolidated funds from operations	85,616	25,001	3,300	(32,644)	81,273
Depreciation and amortization (100%)	(11,792)	(3,818)	—	(157)	(15,767)
Depreciation and amortization (JV)	(17,215)	(2,997)	—	—	(20,212)
Effect of the recognition of rental revenues on a straight-line basis (100%)	643	—	—	—	643
Effect of the recognition of rental revenues on a straight-line basis (JV)	(440)	(61)	—	—	(501)
Adjustment to reflect stock appreciation right expense on an accrual basis	—	—	—	101	101
Gain on sale of investment properties, net of applicable income tax provision	1,892	56,653	—	—	58,545
Net income	58,704	74,778	3,300	(32,700)	104,082
Provision for income taxes from operations	—	—	—	2,442	2,442
Income from operations before income taxes	$ 58,704	$ 74,778	$ 3,300	$(30,258)	$ 106,524
Total assets	$636,323	$240,258	$11,496	$ 44,848	$ 932,925
Investment in unconsolidated joint ventures	$127,954	$ 17,179	$ 6,600	$ 4	$ 151,737
Capital expenditures	$308,363	$ 23,663	$ 5,935	$ —	$ 337,961

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Cousins Properties Incorporated:

We have audited the accompanying consolidated balance sheets of Cousins Properties Incorporated (a Georgia corporation) and consolidated entities as of December 31, 2001 and 2000, and the related consolidated statements of income, stockholders' investment and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of CSC Associates, L.P., the investment in which is reflected in the accompanying financial statements using the equity method of accounting. The investment in CSC Associates, L.P. represents 7% and 8% of total assets as of December 31, 2001 and 2000, respectively, and the equity in its net income represents 15%, 17% and 10% of the 2001, 2000 and 1999 net income, respectively. The statements of CSC Associates, L.P. were audited by the other auditor whose report has been furnished to us and our opinion, insofar as it relates to the amounts included for CSC Associates, L.P. as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001, is based solely on the report of the other auditor.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the financial position of Cousins Properties Incorporated and consolidated entities as of December 31, 2001 and 2000 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
February 20, 2002

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

($ in thousands, except per share amounts)

	2001	2000	1999	1998	1997
Rental property revenues	**$ 145,469**	$ 113,986	$ 62,480	$ 67,726	$ 62,252
Fees	**19,489**	10,700	13,899	9,578	7,291
Residential lot and outparcel sales	**6,682**	13,951	17,857	16,732	12,847
Interest and other	**6,061**	5,995	3,588	4,275	3,609
Total revenues	**177,701**	144,632	97,824	98,311	85,999
Income from unconsolidated joint ventures	**22,897**	19,452	19,637	18,423	15,461
Rental property operating expenses	**43,985**	33,416	19,087	17,702	15,371
Depreciation and amortization	**44,652**	32,784	16,859	15,173	14,046
Stock appreciation right (credit) expense	**(276)**	468	108	330	204
Residential lot and outparcel cost of sales	**5,910**	11,684	14,897	15,514	11,917
Interest expense	**27,610**	13,596	600	11,558	14,126
General, administrative, and other expenses	**31,953**	22,578	18,153	15,250	16,018
Total expenses	**153,834**	114,526	69,704	75,527	71,682
(Benefit) provision for income taxes from operations	**(555)**	(1,114)	2,442	(148)	(1,527)
Gain on sale of investment properties, net of applicable income tax provision	**23,496**	11,937	58,767	3,944	5,972
Cumulative effect of change in accounting principle	**—**	(566)	—	—	—
Net income	**$ 70,815**	$ 62,043	$104,082	$ 45,299	$ 37,277
Basic net income per share	**$ 1.44**	$ 1.28	$ 2.16	$ .96	$ .85
Diluted net income per share	**$ 1.41**	$ 1.25	$ 2.12	$ .94	$ .84
Cash dividends declared per share	**$ 1.39**	$ 1.24	$ 1.12	$ .99	$ .86
Total assets	**$1,212,016**	$1,115,752	$932,925	$752,858	$617,739
Notes payable	**585,275**	485,085	312,257	198,858	226,348
Stockholders' investment	**462,673**	454,467	437,722	379,865	370,674
Shares outstanding at year-end	**49,425**	49,210	48,261	47,754	47,131

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations For The Three Years Ended December 31, 2001

General. Historically, the Company's financial results have been significantly affected by sale transactions and the fees generated by, and start-up operations of, major real estate developments, which transactions and developments do not necessarily recur. Accordingly, the Company's historical financial statements may not be indicative of future operating results. The notes referenced in the discussion below are the "Notes to Consolidated Financial Statements" included in this annual report.

Forward-Looking Statements. Certain matters contained in this report are forward-looking statements within the meaning of the federal securities laws and are subject to uncertainties and risks. These include, but are not limited to, general and local economic conditions, local real estate conditions, the activity of others developing competitive projects, the cyclical nature of the real estate industry, interest rates, the Company's ability to obtain favorable financing or zoning, the environmental impact, and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission, including the Form 8-K filed on March 9, 2001. The words "believes," "expects," "estimates" and similar expressions are intended to identify forward-looking statements. Although the Company believes that its plans, intentions and expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such plans, intentions or expectations will be achieved. Such forward-looking statements are based on current expectations and speak only 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.

Critical Accounting Policies. A critical accounting policy is one which is both important to the portrayal of a company's financial condition and results of operations and requires significant judgement or use of complex estimates. Management believes that the Company's accounting policies that are the most critical accounting policies are all of the accounting policies discussed and described in Note 1, which include:

- consolidation and presentation
- income taxes
- depreciation and amortization
- long-lived assets
- fee income and cost capitalization
- rental property revenues

Rental Property Revenues and Operating Expenses. Rental property revenues increased from $62,480,000 in 1999 to $113,986,000 in 2000 and $145,469,000 in 2001. Rental property revenues from the Company's office division increased approximately $27,581,000 in 2001. The December 2000 acquisitions of One Georgia Center and The Points at Waterview increased rental property revenues by approximately $6,442,000 and $3,294,000, respectively, in 2001. Four office buildings, 555 North Point Center East, 101 Second Street, 600 University Park Place and 1900 Duke Street, which became partially operational for financial reporting purposes in February 2000, April 2000, June 2000 and October 2000, respectively, contributed approximately $996,000, $5,143,000, $1,636,000 and $2,534,000, respectively, to the increase. Additionally, rental property revenues from Inforum increased approximately $1,979,000, as the average economic occupancy increased from 87% in 2000 to 97% in 2001. Rental property revenues increased approximately $2,335,000 from Cerritos Corporate Center – Phase II, which became partially operational for financial reporting purposes in June 2001. Rental property revenues increased approximately $816,000 from AT&T Wireless Services Headquarters. Rental property revenues increased approximately $477,000 in 2001 from 333 John Carlyle, as average economic occupancy increased from 89% in 2000 to 93% in 2001, and approximately $472,000 in 2001 from 615 Peachtree Street, as average economic occupancy increased from 82% in 2000 to 95% in 2001. Furthermore, rental property revenues from Northside/Alpharetta II increased approximately $507,000 in 2001, as average economic occupancy increased from 59% in 2000 to 70% in 2001.

Rental property revenues from the Company's retail division increased approximately $3,697,000 in 2001. Rental property revenues increased approximately $3,729,000 from Mira Mesa MarketCenter and approximately $3,082,000 from The Avenue of the Peninsula, both of which became partially operational for financial reporting purposes in May 2000. Rental property revenues also increased approximately $1,829,000 in 2001 from The Avenue Peachtree City, which became partially operational for financial reporting purposes in April 2001. Rental property revenues increased approximately $642,000 in 2001 from Presidential MarketCenter, as an additional phase of the center became partially operational for financial reporting purposes in October 2000, and as the average economic occupancy of the original center increased from 90% in 2000 to 95% in 2001. Rental property revenues increased approximately $554,000 from Salem Road Station, which became partially operational for financial reporting purposes in October 2000, and approximately $545,000 from the Avenue East Cobb, which became partially operational for financial reporting purposes in September 1999. The increase in rental property revenues was partially offset by a decrease of approximately $5,914,000 in 2001 from the February 2001 sale of Colonial Plaza MarketCenter and by approximately $595,000 from the March 2000 sale of Laguna Niguel Promenade.

Rental property revenues from the Company's office division increased approximately $41,858,000 in 2000. Rental property revenues from 101 Second Street, which became partially operational for financial reporting purposes in April 2000, contributed approximately $12,320,000 to the increase. The June 1999 acquisition of Inforum, a 990,000 rentable square foot office building located in downtown Atlanta, Georgia, increased rental property revenues approximately $12,167,000. Three office buildings, AT&T Wireless Services Headquarters, 555 North Point Center East and 333 John Carlyle, which became partially operational for financial reporting purposes in September 1999, February 2000 and May 1999, respectively, contributed approximately $5,417,000, $2,487,000 and $1,835,000, respectively, to the increase. Two medical office buildings, Northside/Alpharetta II and Meridian Mark Plaza, which became partially operational for financial reporting purposes in September 1999 and April 1999, respectively, contributed approximately $2,196,000 and $2,133,000, respectively, to the increase. Two other office buildings, 600 University Park Place and 1900 Duke Street, which became partially operational for financial reporting purposes in June 2000 and October 2000, respectively, contributed $759,000 and $564,000, respectively, to the increase. Additionally, the aforementioned acquisition of One Georgia Center in December 2000 contributed approximately $590,000 to the increase. Rental property revenues from 615 Peachtree Street increased approximately $571,000 due to an increase in average economic occupancy from 66% in 1999 to 82% in 2000 and 101 Independence Center's average economic occupancy also increased from 97% in 1999 to 98% in 2000, which contributed approximately $460,000 to the increase.

Rental property revenues from the Company's retail division increased approximately $9,791,000 in 2000. Rental property revenues from The Avenue East Cobb, which became partially operational for financial reporting purposes in September 1999, contributed approximately $4,557,000 to the increase. Two retail centers, Mira Mesa MarketCenter and The Avenue of the Peninsula, both of which became partially operational for financial reporting purposes in May 2000, contributed approximately $3,359,000 and $3,247,000, respectively, to the increase. Additionally, Salem Road Station became partially operational in October 2000, which contributed approximately $161,000 to the increase. The increase was partially offset by approximately $1,873,000 from the aforementioned March 2000 sale of Laguna Niguel Promenade.

Rental property operating expenses increased from $19,087,000 in 1999 to $33,416,000 and $43,985,000 in 2000 and 2001, respectively. The increases in both 2000 and 2001 were due primarily to the aforementioned office buildings and retail centers being leased-up or becoming partially operational for financial reporting purposes, as well as the aforementioned acquisitions of Inforum in June 1999 and One Georgia Center and The Points at Waterview in December 2000. The increase in rental property operating expenses in 2001 was partially offset by approximately $1,800,000 from the aforementioned sale of Colonial Plaza MarketCenter.

Development Income. Development income decreased from $6,165,000 in 1999 to $4,251,000 in 2000 and then increased to $6,179,000 in 2001. Development income increased approximately $1,047,000 from CPS. Effective March 1, 2001, CREC II purchased the remaining 25% interest in CPS, at which point the operations of CPS were consolidated, whereas the operations had previously been accounted for using the equity method of accounting and therefore recognized as joint venture income (see Note 5). Development income increased approximately $450,000 from the third party development of The Arboretum and approximately $371,000 from the Emory Crawford Long Hospital campus redevelopment and joint venture medical office tower. Development income also increased approximately $366,000 and $409,000 from the third party developments of Winrock and the Turner Tower, respectively. Tenant construction supervision fees of approximately $433,000 from a tenant at Inforum also contributed to the increase in development income. The increase was partially offset by a decrease in development income of approximately $738,000 from Charlotte Gateway Village, LLC, as construction of Gateway Village was completed, and a decrease of approximately $691,000 from 285 Venture, LLC, as construction of 1155 Perimeter Center West was completed.

Development income decreased in 2000 by approximately $706,000 from the build-to-suit for Walgreens on an outparcel at Colonial Plaza MarketCenter, by approximately $628,000 from the third party development of Total Systems' corporate headquarters, and by approximately $591,000 from Cousins LORET as construction of The Pinnacle was completed in 1999. Development income also decreased by approximately $182,000 due to a decrease in development fees from the 4200 Wildwood Parkway building, which was completed in 1999, and by approximately $251,000 from a decrease in medical office division third party development fees. The decrease in development income in 2000 was partially offset by an increase in development fees of approximately $462,000 from the Emory Crawford Long Hospital campus redevelopment and joint venture medical office tower.

Management Fees. Management fees increased from $4,743,000 in 1999 to $4,841,000 and $7,966,000 in 2000 and 2001, respectively. The 2001 increase was mainly due to the aforementioned consolidation of CPS, which contributed approximately $3,241,000 to the increase. Additionally, management fees increased in both 2000 and 2001 due to lease-up of several properties at certain joint ventures from which management fees are recognized. The increases in 2000 and 2001 were partially offset by the disposition of the medical office third party management division in October 2000, which partially offset the increases by approximately $230,000 and $552,000, respectively.

Leasing and Other Fees. Leasing and other fees decreased from $2,991,000 in 1999 to $1,608,000 in 2000 and then increased to $5,344,000 in 2001. Leasing and other fees increased approximately $3,663,000 in 2001 from the aforementioned consolidation of CPS. The increase in 2001 was partially offset by a decrease in leasing and other fees of approximately $443,000 from the aforementioned disposition of the medical office third party

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

management division in October 2000.

Leasing fees decreased in 2000 by approximately $987,000 due to a lease signed by CREC at Inforum prior to the Company's acquisition of the building in 1999. Leasing fees from Cousins LORET also decreased approximately $740,000 in 2000, primarily related to the lease-up of The Pinnacle in 1998 and 1999. A higher amount of leasing fees from the lease-up of 1155 Perimeter Center West, owned by 285 Venture, LLC, were recognized in 1999, also contributing to the decrease by approximately $307,000. The decrease in 2000 was partially offset by an increase of approximately $330,000 due to a fee recognized for representing the owners of a third party managed medical office building in the sale of that property and by an increase of approximately $180,000 in leasing fees from the Emory Crawford Long joint venture medical office tower.

Residential Lot and Outparcel Sales and Cost of Sales. Residential lot and outparcel sales decreased from $17,857,000 in 1999 to $13,951,000 and $6,682,000 in 2000 and 2001, respectively. Residential lot sales decreased from $13,779,000 to $12,126,000 and $6,682,000 in 2000 and 2001, respectively, due to a decrease in the number of residential lots sold from 292 lots in 1999 to 217 and 121 lots in 2000 and 2001, respectively. The decrease in residential lot and outparcel sales was also due to a decrease in outparcel sales of approximately $2,253,000 and $1,825,000 in 2000 and 2001, respectively. There were two outparcel sales in 1999 totaling $4,078,000, primarily from one sale of $3,477,000, as compared to three outparcel sales in 2000 totaling $1,825,000. There were no outparcel sales in 2001.

Residential lot and outparcel cost of sales decreased from $14,897,000 in 1999 to $11,684,000 and $5,910,000 in 2000 and 2001, respectively, partially due to the aforementioned decreases in lot sales and partially due to increases in gross profit percentages used to calculate the cost of sales (which causes a decrease in cost of sales) for residential lot sales in certain of the residential developments in 2000. The decrease in cost of sales in 2000 was also due to higher outparcel cost of sales in 1999 mainly due to the aforementioned outparcel sale, which decreased cost of sales in 2000 by approximately $2,857,000.

Interest and Other Income. Interest and other income increased from $3,588,000 in 1999 to $5,995,000 and $6,061,000 in 2000 and 2001, respectively. Interest and other income increased approximately $1,745,000 in 2000 due to interest from the $18.6 million note receivable from Gateway, but decreased approximately $341,000 in 2001 due to a lower interest rate on the Gateway note. The interest on the Gateway note is floating based on LIBOR, which decreased during 2001. The increase in 2000 was also due to approximately $654,000 of additional interest income recognized from the 650 Massachusetts Avenue mortgage notes (see Note 3).

Income From Unconsolidated Joint Ventures. (All amounts reflect the Company's share of joint venture income.) Income from unconsolidated joint ventures decreased from $19,637,000 in 1999 to $19,452,000 in 2000 and then increased to $22,897,000 in 2001.

Income from Wildwood Associates increased from $2,453,000 in 1999 to $3,844,000 and $5,223,000 in 2000 and 2001, respectively. The increase in 2001 was mainly due to an increase in income before depreciation, amortization and interest expense of approximately $877,000 from the 3200 Windy Hill Road Building due to renewal of a significant tenant's lease at a higher rental rate. An increase in income before depreciation, amortization and interest expense of approximately $198,000 from the 2300 Windy Ridge Parkway Building due to an increase in average economic occupancy from 99% in 2000 to 100% in 2001 also contributed to the increase. Additionally, interest expense decreased approximately $214,000 due to lower debt levels in 2001.

The increase in 2000 was primarily due to income before depreciation, amortization and interest expense from the 3200 Windy Hill Road Building and the 4200 Wildwood Parkway Building which increased approximately $731,000 and $257,000, respectively, due to an increase in both buildings' average economic occupancies from 90% in 1999 to 100% in 2000. Income before depreciation, amortization and interest expense from the 2500 Windy Ridge Parkway Building also increased approximately $124,000 due to an increase in average economic occupancy from 95% in 1999 to 98% in 2000. Additionally, depreciation and amortization expense decreased by $186,000 mainly due to certain tenant assets becoming fully amortized during 2000. Also contributing to the increase in 2000 in income from Wildwood Associates was a decrease in interest expense of approximately $195,000 resulting from lower debt levels in 2000. Partially offsetting the increase in income from Wildwood Associates was a decrease of approximately $196,000 in income before depreciation, amortization and interest expense from the 2300 Windy Ridge Parkway Building due to a decrease in average economic occupancy from 100% in 1999 to 99% in 2000 and to rollovers in tenants during 2000.

Income from Cousins LORET decreased from $53,000 in 1999 to a loss of $384,000 in 2000 and then increased to a loss of $54,000 in 2001. The increase in 2001 was mainly due to an increase in average economic occupancy at The Pinnacle from 92% in 2000 to 98% in 2001. The decrease in 2000 was partially due to a decrease in capitalized interest of approximately $1,072,000 due to completion of construction of The Pinnacle. Additionally, depreciation and amortization expense increased approximately $983,000 due to The Pinnacle becoming fully operational for financial reporting purposes in December 1999. Further contributing to the decrease in income from Cousins LORET in 2000 was decreased interest income of approximately $418,000 due to investments that were made in 1999 using the proceeds from the $70 million financing of The Pinnacle, which was funded in December 1998, which were being held to complete The Pinnacle. Partially offsetting the decrease in 2000 was an increase in income before depreciation, amortization and interest expense from The Pinnacle of approximately $1,826,000 due to an increase in average economic occupancy from 80% in 1999 to 92% in 2000. Further offsetting the decrease in 2000 was an increase of approximately $147,000 in income before depreciation, amortization and interest expense from Two Live Oak Center due to an increase in average economic occupancy from 98% in 1999 to 99% in 2000.

Income from Temco Associates decreased from $1,270,000 in 1999 to $678,000 in 2000 and then increased to $1,720,000 in 2001. During 2001, 2000 and 1999, approximately 359, 461 and 466 acres, respectively, of the option related to the fee simple interest was exercised and simultaneously sold. CREC's share of the gain on these sales was approximately $1,119,000, $637,000 and $1,229,000 in 2001, 2000 and 1999, respectively. Additionally, CREC began recognizing profits on residential lot sales at Bentwater which contributed approximately $601,000 to the increase in 2001.

Income from CP Venture LLC increased from $82,000 in 1999 to $611,000 and $923,000 in 2000 and 2001, respectively. The increases in both 2001 and 2000 were due to decreases in depreciation and amortization expense.

Income from 285 Venture, LLC increased from $831,000 in 2000 to $2,596,000 in 2001 as 1155 Perimeter Center West became partially operational for financial reporting purposes in January 2000. Income from CPI/FSP I, L.P. increased approximately $352,000 in 2001 as Austin Research Park – Buildings III and IV became partially operational for financial reporting purposes in June 2001 and September 2001, respectively (see Note 5).

Income from CPS decreased approximately $1,496,000 in 2001. Effective March 1, 2001, CREC II purchased the remaining 25% interest in Cousins Stone LP bringing its total interest to 100%, and beginning on that date Cousins Stone LP was consolidated with CREC II.

Income from Gateway increased approximately $762,000 in 2000 due to the Company recognizing its 11.46% current preferred return on its equity in Gateway beginning in the third quarter 2000.

General and Administrative Expenses. General and administrative expenses increased from $14,961,000 in 1999 to $18,452,000 and $27,010,000 in 2000 and 2001, respectively. The increase in 2001 was primarily attributable to the aforementioned consolidation of CPS. Also contributing to the increases in both 2000 and 2001 was a decrease of general and administrative expenses capitalized to projects under development due to a lower level of projects under development in 2001 and 2000.

Depreciation and Amortization. Depreciation and amortization increased from $16,859,000 in 1999 to $32,784,000 and $44,652,000 in 2000 and 2001, respectively. The increases in both 2000 and 2001 were mainly due to the aforementioned office buildings and retail centers becoming operational for financial reporting purposes. Additionally, the acquisitions of One Georgia Center and The Points at Waterview in December 2000 contributed to the 2001 increase, which was partially offset by the sale of Colonial Plaza MarketCenter in February 2001. The increase in 2000 was also partially due to the acquisition of Inforum in June 1999 and was partially offset by the sale of Laguna Niguel Promenade in March 2000.

Stock Appreciation Right (Credit) Expense. Stock appreciation right expense increased from $108,000 in 1999 to $468,000 in 2000 and then decreased to a credit of $276,000 in 2001. This non-cash item is primarily related to the number of stock appreciation rights outstanding and the Company's stock price. The Company's stock price was $24.36, $27.9375 and $22.625 per share at December 31, 2001, 2000 and 1999, respectively. A reduction in the number of stock appreciation rights outstanding partially offset the increase in the stock appreciation right expense in 2000 and contributed to the decrease in 2001.

Interest Expense. Interest expense increased from $600,000 in 1999 to $13,596,000 and $27,610,000 in 2000 and 2001, respectively. Interest expense before capitalization increased from $16,755,000 in 1999 to $28,881,000 in 2000 and $37,322,000 in 2001. Interest expense before capitalization increased in both 2001 and 2000 due partially to increases in the net amounts drawn on the Company's credit facility. Also the Company completed four non-recourse mortgages in 2001: Presidential MarketCenter in May 2001, 600 University Park Place in July 2001, 333 John Carlyle/1900 Duke Street and 333/555 North Point Center East in November 2001 (see Note 4), and three non-recourse mortgages in 2000: 101 Second Street in April 2000, The Avenue East Cobb in July 2000 and Meridian Mark Plaza in August 2000. The amount of interest capitalization (a reduction of interest expense), which changes parallel to the level of projects under development, decreased from $16,155,000 in 1999 to $15,285,000 in 2000 and $9,712,000 in 2001 due to a lower level of projects under development in 2000 and 2001.

Property Taxes on Undeveloped Land. Property taxes on undeveloped land decreased from $811,000 in 1999 to $40,000 in 2000 and then increased to $619,000 in 2001, respectively. Property taxes on undeveloped land were lower in 2000 due to the reversal of estimated amounts accrued for anticipated reassessments of the Company's North Point and Wildwood land holdings. The final reassessments, after appeal, were lower than the anticipated reassessment, and the accrual was reduced.

Other Expenses. Other expenses increased from $2,381,000 in 1999 to $4,086,000 and $4,324,000 in 2000 and 2001, respectively. The increases in 2000 and 2001 were partially due to the minority interest's current participation in 101 Second Street, which became partially operational for financial reporting purposes in April 2000, of

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

approximately $829,000 and $1,156,000 in 2000 and 2001, respectively. The increase in 2000 was also due to an increase of approximately $606,000 in Prudential's minority interest in CP Venture Three LLC (see Note 5). Also contributing to the increase in 2000 was a reversal in 1999 of an accrual of approximately $461,000 which was related to an indemnification an insurance company in rehabilitation had made to the Company in 1974 but had defaulted on in 1993. The insurance company, while still in rehabilitation, was determined to be solvent, and the Company's claim was formally accepted and approved. Subsequently in 2001, the Company's claims were paid in full with accrued interest.

(Benefit) Provision for Income Taxes From Operations. The provision for income taxes from operations decreased from $2,442,000 in 1999 to a benefit of $1,114,000 and $555,000 in 2000 and 2001, respectively. The decrease in the benefit in 2001 was primarily due to a decrease in the loss before income taxes and gain on sale of investment properties of approximately $1,953,000 from CREC and its subsidiaries in 2001. This decrease was primarily due to an increase in income from Temco Associates, an increase in income from Salem Road Station, a decrease in interest expense and a decrease in stock appreciation right expense. The decrease in the loss before income taxes and gain on sale of investment properties was partially offset by a decrease in residential lot sales, net of cost of sales, and an increase in general and administrative expenses in 2001.

The decrease in benefit for income taxes from operations was partially offset by a decrease in income before income taxes and gain on sale of investment properties to a loss from CREC II and its subsidiaries in 2001. The decrease is primarily due to an increase in interest expense and a decrease in income from CPS (see Note 5). Additionally, true-ups in the accruals required for income taxes related to the 1999 tax returns were made for CREC and its subsidiaries and CREC II and its subsidiaries, which increased the 2000 benefit by approximately $548,000 and $208,000, respectively.

The decrease from a provision in 1999 to a benefit in 2000 was due to a decrease of approximately $6,978,000 from income before income taxes and gain on sale of investment properties of $5,118,000 in 1999 to a loss before income taxes and gain on sale of investment properties of $1,860,000 in 2000 from CREC and its subsidiaries. Such decrease was due to decreases in residential lot sales, net of cost of sales, net commissions from home sales, income from Temco Associates and income from Hickory Hollow Associates. Salaries and related benefits and predevelopment expenses also increased in 2000, which contributed to the loss before income taxes and gain on sale of investment properties from CREC and its subsidiaries. Also contributing to the decrease from a provision for income taxes in 1999 to a benefit for income taxes in 2000 was a decrease of approximately $656,000 in income before income taxes from CREC II and its subsidiaries. Such decrease was due to an increase in interest expense and stock bonus plan expense in 2000. Additionally, the aforementioned true-ups in the accruals required for income taxes related to the 1999 tax returns were made for CREC and its subsidiaries and CREC II and its subsidiaries which increased the 2000 benefit for income taxes from operations by approximately $548,000 and $208,000, respectively.

Gain on Sale of Investment Properties. Gain on sale of investment properties, net of applicable income tax provision, was $58,767,000, $11,937,000 and $23,496,000 in 1999, 2000 and 2001, respectively. The 2001 gain included the following: the February 2001 sale of Colonial Plaza MarketCenter ($17.1 million), the February 2001 disposition of leasehold interests at Summit Green ($.2 million), the December 2001 sale of 7 acres of Wildwood land ($2.0 million) and the amortization of net deferred gain from the Prudential transaction ($4.2 million) (see Note 5).

The 2000 gain included the following: the March 2000 sale of Laguna Niguel Promenade ($7.2 million), the April 2000 sale of 2 acres of North Point land ($.6 million) and the amortization of net deferred gain from the Prudential transaction ($4.1 million) (see Note 5).

Cumulative Effect of Change in Accounting Principle. The Company's early adoption of SFAS No. 133, "Accounting for Derivatives," on October 1, 2000 resulted in a reduction in net income of approximately $566,000, which was recorded as a cumulative effect of change in accounting principle in the accompanying Consolidated Statements of Income. The Company owns 248,441 warrants to purchase common stock of Cypress Communications, Inc. which were previously recorded as an asset with an estimated value of approximately $566,000. SFAS No. 133 only affects the Company as it relates to its ownership of warrants to purchase common stock in other companies, which under SFAS No. 133 are considered derivatives and must be marked-to-market each period.

Liquidity and Capital Resources:

Financial Condition. The Company's adjusted debt (including its pro rata share of unconsolidated joint venture debt) was 39% of total market capitalization at December 31, 2001. Adjusted debt is defined as the Company's debt ($585,275) and the Company's pro rata share of unconsolidated joint venture debt ($181,228) as disclosed in Note 4, excluding the Charlotte Gateway Village, LLC debt ($94,685) as it is fully exculpated and fully amortizing debt which is supported by a long-term lease to Bank of America Corporation. As discussed in Note 4, the Company amended and increased its credit facility to $275 million, which expires August 31, 2004. The credit facility is unsecured and bears interest equal to LIBOR plus a spread which is based on the ratio of total debt to total assets, as defined by the credit facility. The Company had $153.8 million drawn on this credit facility as of December 31, 2001.

The Company has development and acquisition projects in various planning stages. The Company currently intends to finance these projects and projects currently under construction discussed in Note 8, by using its existing credit facility (increasing the credit facility as required), long-term non-recourse financing on the Company's unleveraged projects, joint ventures, project sales and other financings as market conditions warrant. The Company has entered into construction and design contracts for real estate projects, of which approximately $98 million remains committed at December 31, 2001 and most of which will be paid in 2002. The Company has future lease commitments under land leases aggregating $46.6 million over an average remaining term of 58 years.

In September 1996, the Company filed a shelf registration statement with the Securities and Exchange Commission ("SEC") for the offering from time to time of up to $200 million of common stock, warrants to purchase common stock and debt securities, of which approximately $132 million remains available at December 31, 2001. The Company from time to time evaluates opportunities and strategic alternatives, including but not limited to joint ventures, mergers and acquisitions and new private or publicly-owned entities created to hold existing assets and acquire new assets. These alternatives may also include sales of single or multiple assets when the Company perceives opportunities to capture value and redeploy proceeds or distribute proceeds to stockholders. The Company's consideration of these alternatives is part of its ongoing strategic planning process. There can be no assurance that any such alternative, if undertaken and consummated, would not materially adversely affect the Company or the market price of the Company's Common Stock.

Cash Flows. Net cash provided by operating activities increased from $91.8 million in 1999 to $103.6 million in 2000 and then decreased to $94.0 million in 2001. Income before gain on sale of investment properties and cumulative effect of change in accounting principle decreased approximately $3.4 million in 2001. Operating distributions from unconsolidated joint ventures decreased approximately $6.1 million in 2001, which contributed to the decrease in net cash provided by operating activities. The decrease in operating distributions from joint ventures is mainly due to decreases in operating distributions of $4.5 million from Wildwood Associates, $3.1 million from CPS and $1.8 million from Temco Associates. Partially offsetting the decrease in operating distributions was an increase in operating distributions from CSC Associates, L.P. of approximately $1.9 million and CPI/FSP I, L.P. of approximately $.8 million. Income from unconsolidated joint ventures increased approximately $3.4 million, which also contributed to the decrease in net cash provided by operating activities. Further contributing to the decrease in net cash provided by operating activities was a decrease in residential lot and outparcel cost of sales of approximately $6.2 million. Changes in other operating assets and liabilities decreased approximately $3.1 million. Stock appreciation right (credit) expense decreased approximately $1.2 million in 2001, which also contributed to the decrease in net cash provided by operating activities. Depreciation and amortization increased approximately $13.1 million and amortization of unearned compensation increased approximately $1.0 million, both of which partially offset the decrease in net cash provided by operating activities.

The increase in net cash provided by operating activities in 2000 resulted partially from an improvement in income before gain on sale of investment properties and cumulative effect of change in accounting principle of $5.4 million and an increase in depreciation and amortization of $14.9 million. Operating distributions from unconsolidated joint ventures partially offset the increase in net cash provided by operating activities in 2000 by decreasing $3.5 million. The decrease in operating distributions from unconsolidated joint ventures in 2000 was partially due to a decrease in operating distributions from CP Venture LLC of $6.2 million. The final distribution of $4.1 million was made in 1999 from Haywood Mall Associates due to the sale of the Company's 50% interest in Haywood Mall in June 1999, further contributing to the decrease in operating distributions. Operating distributions from Cousins LORET decreased by $4.3 million in 2000 and distributions from Hickory Hollow Associates, which was dissolved in early 2000, decreased $.4 million in 2000. Partially offsetting the decrease in operating distributions in 2000 was an increase of $5.0 million of operating distributions from Wildwood Associates, an increase of $1.8 million in operating distributions from Temco Associates and an increase of $3.2 million in operating distributions from CPS. Additionally, operating distributions from Gateway of $.7 million were received in 2000 as the Company began receiving its 11.46% current preferred return (see Note 5), and operating distributions from 285 Venture, LLC of $1.0 million were received as 1155 Perimeter Center West became partially operational for financial reporting purposes in 2000 (see Note 5). Residential lot and outparcel cost of sales partially offset the increase in net cash provided by operating activities in 2000 by decreasing $3.2 million. Changes in other operating assets and liabilities decreased $.9 million in 2000, which decrease also partially offset the increase in net cash provided by operating activities. Furthermore, the effect of recognizing rental revenues on a straight-line basis partially offset the increase in net cash provided by operating activities by $1.0 million in 2000.

Net cash used in investing activities increased from $158.9 million in 1999 to $230.9 million in 2000, and then decreased to $120.7 million in 2001. Net cash provided by sales activities increased approximately $30.1 million in 2001, which contributed to the decrease in net cash used in investing activities, due primarily to the sale of Colonial Plaza MarketCenter in February 2001 (see Note 8). The decrease in net cash used in investing activities was also partially due to a decrease of approximately $75.6 million in property acquisition and development expenditures, as a result of the Company having a lower level of projects under development. Also contributing to the decrease in net cash

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

used in investing activities was an increase in non-operating distributions from unconsolidated joint ventures in 2001. The Company received a non-operating distribution of $18.6 million from Gateway. Partially offsetting the decrease in net cash used in investing activities was an increase of approximately $7.2 million in investment in unconsolidated joint ventures in 2001. Investment in Crawford Long - CPI, LLC increased approximately $13.7 million as a result of development of the Emory Crawford Long joint venture medical office tower and investment in CPI/FSP I, L.P. increased approximately $5.0 million as a result of development of Austin Research Park – Buildings III and IV. Investment in Gateway also increased approximately $7.8 million. Partially offsetting the increase in investment in unconsolidated joint ventures was a decrease in 285 Venture, LLC of approximately $12.8 million, as construction of 1155 Perimeter Center West was completed. Also partially offsetting the increase was a decrease in the investment in CPS of approximately $4.5 million, as the Company purchased the remaining 25% interest in March 2001 (see Note 5). Change in other assets, net, increased approximately $4.8 million, which partially offset the aforementioned decrease in net cash used in investing activities. Net cash paid in acquisition of a business, which resulted from the acquisition of the remaining 25% interest in CPS, further offset the decrease in net cash used in investing activities by approximately $2.1 million.

A decrease of $125.5 million in net cash received in formation of a venture due to Prudential contributing the final amounts due in 1999 related to the formation of the Prudential venture increased net cash used in investing activities in 2000. Additionally, net cash provided by sales activities, which also increases net cash used in investing activities, decreased $58.9 million in 2000 primarily due to the June 1999 sale of the Company's 50% interest in Haywood Mall. Non-operating distributions from unconsolidated joint ventures decreased $3.6 million in 2000, which also contributed to the increase in net cash used in investing activities. Non-operating distributions from Wildwood Associates decreased $2.0 million, and non-operating distributions from Cousins LORET decreased $1.6 million. Change in other assets, net, increased $1.9 million, which further contributed to the increase in net cash used in investing activities. Collection of notes receivable, net of investment in notes receivable, decreased $3.5 million in 2000, which also contributed to the increase in net cash used in investing activities. Property acquisition and development expenditures decreased $122.0 million, which partially offset the increase in net cash used in investing activities, due to a lower level of projects under development in 2000.

Net cash provided by financing activities increased from $67.2 million in 1999 to $127.5 million in 2000, and then decreased to $35.5 million in 2001. The decrease in net cash provided by financing activities in 2001 was primarily attributable to an increase in net amounts drawn on the credit facility of $64.1 million and a decrease of a $28.0 million in proceeds from other notes payable. The Company completed five financings for a total of $126.5 million in 2001 as compared to three financings for a total of $154.5 million in 2000 (see Note 4). An increase in the dividends paid per share to $1.39 in 2001 from $1.24 in 2000 and an increase in the number of shares outstanding also contributed to the decrease in net cash provided by financing activities, as dividends paid increased approximately $8.3 million. The Company repurchased 527,400 shares of its outstanding common stock in September 2001, which contributed approximately $12.5 million to the decrease in net cash provided by financing activities. Common stock sold, net of expenses, increased by approximately $1.4 million and repayment of other notes payable decreased by approximately $19.5 million, due to the repayment in 2000 of the note payable to First Union National Bank, both of which partially offset the decrease in net cash provided by financing activities.

The increase in net cash provided by financing activities in 2000 was primarily due to an increase in proceeds from other notes payable of $154.5 million, as the Company completed three financings in 2000, as compared to none in 1999. Common stock sold, net of expenses, increased $2.3 million which further contributed to the increase in net cash provided by financing activities. Also contributing to the increase was a decrease of $5.0 million in purchases of treasury stock. Partially offsetting the increase in net cash provided by financing activities was a decrease of $75.9 million in net amounts drawn on the Company's credit facility. Also, repayment of other notes payable increased by $19.2 million primarily due to the aforementioned repayment in full upon its maturity in 2000 of the note payable to First Union National Bank, which further offset the increase in net cash provided by financing activities. Dividends paid increased by $6.4 million due to an increase in dividends paid per share from $1.12 in 1999 to $1.24 in 2000 and an increase in the number of shares outstanding, which also partially offset the increase in net cash provided by financing activities.

Effects of Inflation. The Company attempts to minimize the effect of inflation on income from operating properties by the use of rents tied to tenants' sales, periodic fixed-rent increases and increases based on cost-of-living adjustments, and/or pass-through of operating cost increases to tenants.

Other Matters. The events of September 11, 2001 adversely affected the pricing and availability of property insurance. In particular, premiums have increased and terrorism insurance coverage has become harder to obtain.

At this time, the Company and its joint ventures are fully insured on all of their assets with the exception that terrorism insurance coverage for Bank of America Plaza, a 1.3 million rentable square foot office project located in Atlanta, Georgia, is limited to $150 million. While the Company's cost of property insurance coverage has increased, management believes the costs are still reasonable and should not have a material impact on the Company's results of operations.

Quantitative and Qualitative Disclosure about Market Risk

The variable rate debt is from the Company's credit facility, which is drawn on as needed and was increased in August 2001 (see Note 4), and from a mortgage note at an unconsolidated joint venture, Ten Peachtree Place Associates. Since these rates are floating, the Company is exposed to the impact of interest rate changes. None of the Company's notes receivable have variable interest rates. The Company does not enter into contracts for trading purposes and does not use leveraged instruments. The following table summarizes the Company's market risk associated with notes payable and notes receivable as of December 31, 2001. The information presented below should be read in conjunction with Notes 3 and 4. The table presents principal cash flows and related weighted average interest rates by expected year of maturity. Variable rate represents the floating interest rate calculated at December 31, 2001.

	Expected Year of Maturity							
	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value
	($ in thousands)							
Notes Payable (including share of unconsolidated joint ventures):								
Fixed Rate	$17,095	$18,170	$ 19,551	$85,004	$18,766	$541,172	$699,758	$720,396
Average Interest Rate	7.25%	7.23%	7.23%	7.61%	7.12%	7.48%	7.47%	—
Variable Rate	$ 1,029	$ 1,057	$154,901	$ 1,117	$ 1,148	$ 2,178	$161,430	$161,430
Average Interest Rate	2.73%	2.73%	3.43%	2.73%	2.73%	2.73%	3.40%	—
Notes Receivable:								
Fixed Rate	$ 18	$25,001	$ —	$ —	$ —	$ —	$ 25,019	$ 29,232
Average Interest Rate	8.50%	10.00%	—	—	—	—	10.00%	—

MARKET AND DIVIDEND INFORMATION

The high and low sales prices for the Company's common stock and cash dividends declared per share were as follows:

	2001 Quarters				2000 Quarters			
	First	**Second**	**Third**	**Fourth**	First	Second	Third	Fourth
High	**$28.75**	**$27.65**	**$27.07**	**$25.38**	$24.94	$26.75	$30.44	$28.67
Low	**23.50**	**24.85**	**23.30**	**23.70**	21.94	24.94	25.75	25.69
Dividends Declared	**.34**	**.34**	**.34**	**.37**	.30	.30	.30	.34
Payment Date	**2/22/01**	**5/30/01**	**8/24/01**	**12/22/01**	2/23/00	5/30/00	8/25/00	12/22/00

The Company's stock trades on the New York Stock Exchange (ticker symbol CUZ). At February 28, 2002, there were 1,114 stockholders of record.

ABOUT YOUR DIVIDENDS

Timing of Dividends – Cousins normally pays regular dividends four times each year in February, May, August and December.

Differences Between Net Income and Cash Dividends Declared – Cousins' current intention is to distribute 100% of its taxable income and thus incur no corporate income taxes. However, Consolidated Net Income for financial reporting purposes and Cash Dividends Declared will generally not be equal for the following reasons:

a. There will continue to be considerable differences between Consolidated Net Income as reported to stockholders (which includes the income of consolidated non-REIT entities that pay corporate income taxes) and Cousins' taxable income. The differences are enumerated in Note 7 of "Notes to Consolidated Financial Statements."

b. For purposes of meeting REIT distribution requirements, dividends may be applied to the calendar year before or after the one in which they are declared. The differences between dividends declared in the current year and dividends applied to meet current year REIT distribution requirements are enumerated in Note 6 of "Notes to Consolidated Financial Statements."

Capital Gains Dividends – In some years, as it did in 2001, 2000 and 1999, Cousins will have taxable capital gains, and Cousins currently intends to distribute 100% of such gains to stockholders. The Form 1099-DIV sent by Cousins to stockholders of record each January shows total dividends paid (including the capital gains dividends) as well as that which should be reported as a capital gain (see Note 6 of "Notes to Consolidated Financial Statements").

Tax Preference Items and "Differently Treated Items" – Internal Revenue Code Section 59(d) requires that certain corporate tax preference items and "differently treated items" be passed through to a REIT's stockholders and treated as tax preference items and items of adjustment in determining the stockholder's alternative minimum taxable income. The amount of this adjustment is included in Note 6 of "Notes to Consolidated Financial Statements."

Tax preference items and adjustments are includable in a stockholder's income only for purposes of computing the alternative minimum tax. These adjustments will not affect a stockholder's tax filing unless that stockholder's alternative minimum tax is higher than that stockholder's regular tax. Stockholders should consult their tax advisors to determine if the adjustment reported by Cousins affects their tax filing. Many stockholders will find that the adjustment reported by Cousins will have no effect on their tax filing unless they have other large sources of alternative minimum tax adjustments or tax preference items.

SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

Selected quarterly information for the two years ended December 31, 2001 ($ in thousands, except per share amounts):

	Quarters			
	First	Second	Third	Fourth
2001:				
Revenues	**$43,103**	**$44,038**	**$45,357**	**$45,203**
Income from unconsolidated joint ventures	**5,505**	**5,640**	**5,804**	**5,948**
Gain on sale of investment properties, net of applicable income tax provision	**18,345**	**1,077**	**1,031**	**3,043**
Net income	**31,367**	**12,558**	**13,387**	**13,503**
Basic net income per share	**.64**	**.25**	**.27**	**.28**
Diluted net income per share	**.62**	**.25**	**.27**	**.27**
2000:				
Revenues	$28,653	$35,842	$37,335	$42,802
Income from unconsolidated joint ventures	3,877	4,407	5,360	5,808
Gain on sale of investment properties, net of applicable income tax provision	8,292	1,575	1,028	1,042
Net income before cumulative effect of change in accounting principle	20,941	13,139	13,696	14,833
Cumulative effect of change in accounting principle	—	—	—	(566)
Net income	20,941	13,139	13,696	14,267
Basic net income per share before cumulative effect of change in accounting principle	.44	.27	.28	.30
Cumulative effect of change in accounting principle per share	—	—	—	(.01)
Basic net income per share	.44	.27	.28	.29
Diluted net income per share before cumulative effect of change in accounting principle	.43	.27	.27	.29
Cumulative effect of change in accounting principle per share	—	—	—	(.01)
Diluted net income per share	.43	.27	.27	.28

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP

COUNSEL

King & Spalding
Troutman Sanders

TRANSFER AGENT AND REGISTRAR

First Union National Bank
Shareholder Services Group - 1153
1525 West W.T. Harris Blvd., Building 3C3
Charlotte, North Carolina 28262-1153
Telephone Number: 1-800-829-8432
FAX Number: 1-704-590-7618

FORM 10-K AVAILABLE

The Company's annual report on Form 10-K and interim reports on Form 10-Q are filed with the Securities and Exchange Commission. Copies are available without exhibits free of charge to any person who is a record or beneficial owner of common stock upon written request to the Company at 2500 Windy Ridge Parkway, Suite 1600, Atlanta, Georgia 30339-5683. These items are also posted on the Company's website at www.cousinsproperties.com.

INVESTOR RELATIONS CONTACT

Mark A. Russell, Vice President – Chief Financial Analyst and Director of Investor Relations

CUZ Listed NYSE
THE NEW YORK STOCK EXCHANGE

DIRECTORS

T. G. Cousins
Chairman of the Board

Thomas D. Bell, Jr.
Vice Chairman of the Board, President and Chief Executive Officer

Richard W. Courts, II
Chairman
Atlantic Investment Company

Lillian C. Giornelli
Chairman and Chief Executive Officer
The Cousins Foundation, Inc.

Terence C. Golden
Chairman
Bailey Capital Corporation

Boone A. Knox
Chairman
Regions Bank of Central Georgia

John J. Mack
Chairman and
Chief Executive Officer
Credit Suisse First Boston

Hugh L. McColl, Jr.
Retired Chairman and
Chief Executive Officer
Bank of America Corporation

William Porter Payne
Partner
Gleacher & Co.

R. Dary Stone
President – Texas

Henry C. Goodrich
Director Emeritus

CORPORATE

T. G. Cousins
Chairman of the Board

Thomas D. Bell, Jr.
Vice Chairman of the Board, President and Chief Executive Officer

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Executive Vice President and Chief Investment Officer

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Senior Vice President and Chief Financial Officer

Lisa M. Borders
Senior Vice President

James A. Fleming
Senior Vice President, General Counsel and Secretary

Larry B. Gardner
Senior Vice President – Human Resources

Dan G. Arnold
Vice President – Information Systems

Molly Faircloth
Vice President – Management Reporting, Systems and Special Projects

Patricia A. Grimes
Vice President – Financial and SEC Reporting and Accounting Policy

Karen S. Hughes
Vice President – Treasury and Finance

Kristin R. Myers
Vice President – Taxation and Benefit Plan Compliance

Mark A. Russell
Vice President – Chief Financial Analyst and Director of Investor Relations

Lisa R. Simmons
Director of Corporate Communications

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President

R. Dary Stone
President – Texas

John S. McColl
Senior Vice President

Michael B. Ablon
Senior Vice President – Dallas

W. Henry Atkins
Senior Vice President – Charlotte

Charles E. Cotten
Senior Vice President – Dallas

Mark P. Dickenson
Senior Vice President – Dallas

James F. George
Senior Vice President – Development

Tim Hendricks
Senior Vice President – Austin

Jack A. LaHue
Senior Vice President – Asset Management

John L. Murphy
Senior Vice President – Atlanta

Dara J. Nicholson
Senior Vice President – Property Management

W. James Overton
Senior Vice President – Development

C. David Atkins
Vice President – Asset Management

James D. Dean
Vice President – Senior Development Executive

John S. Durham
Vice President – Leasing

Lee Eastwood
Vice President – Leasing

Walter L. Fish
Vice President – Leasing

John N. Goff
Vice President – Development Executive

Charles D. McCormick
Vice President – Development Executive

Ronald C. Sturgis
Vice President – Property Management

Lloyd P. Thompson, Jr.
Vice President – Senior Development Executive

John R. Ward
Vice President – Asset Management

Bruce J. Wittschiebe
Vice President – Development Executive

RETAIL DIVISION

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President

William I. Bassett
Senior Vice President – Development

Alexander A. Chambers
Senior Vice President

Michael I. Cohn
Senior Vice President

Robert A. Manarino
Senior Vice President – Director of Western Region Operations

Thomas D. Lenny
Senior Vice President – Western Region

Keven D. Doherty
Vice President – Development Western Region

Kevin B. Polston
Vice President – Leasing

Amy S. Siegal
Vice President – Leasing

LAND DIVISION*
(Cousins Neighborhoods)

Bruce E. Smith
President

Craig A. Lacey
Vice President – Development

Michael J. Quinley
Vice President – Development

**Officers of Cousins Real Estate Corporation only*

Cousins continues to embody staying power…over the course of time, through calm and storms.

Always strong.

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