MGM Resorts International
Form 8-K
December 20, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 18, 2012**

MGM RESORTS INTERNATIONAL

(Exact name of registrant as specified in its charter)

DELAWARE	**001-10362**	**88-0215232**
(State or other jurisdiction of incorporation)	(Commission file number)	(I.R.S. employer identification no.)

3600 Las Vegas Boulevard South,	
Las Vegas, Nevada	**89109**
(Address of principal executive offices)	(Zip code)

(702) 693-7120

(Registrant s telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

Amended and Restated Credit Agreement

On December 20, 2012, MGM Resorts International, a Delaware corporation (the Company), entered into an amended and restated credit agreement among the Company, MGM Grand Detroit, LLC, a Delaware limited liability company, the lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent (the Credit Agreement). A copy of the Credit Agreement is filed herewith as Exhibit 10.1.

The Credit Agreement is comprised of a $1.2 billion revolving facility, a $1.05 billion term loan A facility and a $1.75 billion term loan B facility. The revolving and term loan A facilities will initially bear interest at LIBOR plus 3.00%, but will be subject to credit rating adjustments after six months, which would result in an interest rate of LIBOR plus 2.75% based on current credit ratings. The term loan B facility will bear interest at LIBOR plus 3.25% with a LIBOR floor of 1.00%. The revolving and term loan A facilities will mature in December 2017 and the term loan B facility will mature in December 2019. The term loan B was issued at 99.5% to initial lenders.

All of the domestic subsidiaries that guarantee the Company s existing senior notes will guarantee the Credit Agreement, except for Nevada Landing Partnership, unless and until the Company obtains Illinois gaming approval.

The Credit Agreement contains customary representations and warranties, events of default, affirmative covenants and negative covenants, which impose restrictions on, among other things, the ability of the Company and its subsidiaries to make investments, pay dividends and sell assets, and to incur additional debt and additional liens. In addition, the Credit Agreement requires the Company and its restricted subsidiaries to maintain a minimum trailing four-quarter EBITDA (as defined in the Credit Agreement) and limits the Company s ability to make capital expenditures.

The Credit Agreement is secured by (i) a mortgage on MGM Grand Las Vegas, Bellagio, The Mirage, New York-New York, MGM Grand Detroit and Gold Strike Tunica (the Mortgaged Properties) and substantially all existing and future property of the Mortgaged Properties; and (ii) upon receipt of the necessary gaming approvals with respect to the properties located in Nevada, a pledge of the equity or limited liability company interests of the subsidiaries that own the Mortgaged Properties. In connection with the closing, MGM Grand Hotel, LLC, New York-New York Hotel & Casino LLC, Bellagio, LLC, MGM Grand Detroit, LLC, MGM Resorts Mississippi, Inc. and The Mirage Casino-Hotel entered into a security agreement, dated December 20, 2012, with Bank of America, N.A., as Administrative Agent (the Security Agreement) and the Company, MGM Grand Detroit, Inc., New PRMA Las Vegas, Inc., Mirage Resorts, Incorporated and Mandalay Resort Group entered into a pledge agreement, dated December 20, 2012, with Bank of America, N.A., as Administrative Agent (the Pledge Agreement). Copies of the Security Agreement and the Pledge Agreement are filed herewith as Exhibits 10.2 and 10.3, respectively.

Mandatory prepayments of the credit facilities will be required upon the occurrence of certain events, including sales of certain assets, casualty events and the incurrence of certain additional indebtedness, subject to certain exceptions and reinvestment rights.

The representations, warranties and covenants contained in the Credit Agreement were made only for purposes of the Credit Agreement and as of the specific date (or dates) set forth therein, were solely for the benefit of the parties to the Credit Agreement and are subject to certain limitations as agreed upon by the contracting parties. In addition, the representations, warranties and covenants contained in the Credit

Agreement may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries of the Credit Agreement and should not rely on the representations, warranties and covenants contained therein, or any descriptions thereof, as characterizations of the actual state of facts or conditions of the Company. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the Credit Agreement, which subsequent developments may not be reflected in the Company s public disclosure.

Senior Notes Offering

In addition, on December 20, 2012, the Company issued $1.25 billion in aggregate principal amount of its 6.625% Senior Notes due 2021 (the Notes) pursuant to the Indenture, dated as of March 22, 2012 (the Base Indenture), between the Company and U.S. Bank National Association, as trustee (the Trustee), as supplemented by a second supplemental indenture, dated as of December 20, 2012 (the Second Supplemental Indenture), among the Company, the subsidiary guarantors named therein and the Trustee.A copy of the Second Supplemental Indenture is filed herewith as Exhibit 4.1.

The Notes were offered and sold pursuant to the Company s automatic shelf registration statement on Form S-3 (Registration No. 333-180112) (the Registration Statement) filed with the Securities and Exchange Commission (the SEC) on March 15, 2012, as amended by Post-Effective Amendment No. 1 dated March 15, 2012 and Post-Effective Amendment No. 2 dated December 6, 2012, as supplemented by the final prospectus supplement, dated December 6, 2012 and filed with the SEC on December 6, 2012.

The notes will be guaranteed, jointly and severally, on a senior basis by the Company s subsidiaries that guarantee its Credit Agreement and the Company s existing notes, except for Nevada Landing Partnership, unless and until the Company obtains Illinois gaming approval. The Notes will not be guaranteed by the Company s foreign subsidiaries and certain domestic subsidiaries, including MGM Grand Detroit, LLC which will be a borrower under the Credit Agreement, and its subsidiaries, and MGM China Holdings Limited and its subsidiaries.

The Company used the net proceeds of the Notes offering and the Credit Agreement, together with cash on hand, (i) to repurchase all of its outstanding 13% senior secured notes due 2013 (the 13% Notes), 10.375% senior secured notes due 2014 (the 10.375% Notes), 11.125% senior secured notes due 2017 (the 11.125% Notes) and 9% senior secured notes due 2020 (the 9% Notes, and together with the 13% Notes, the 10.375% Notes and the 11.125% Notes, the Secured Notes) tendered in the previously announced tender offers, (ii) to fund the redemption and satisfaction and discharge of any of the Secured Notes that are not tendered in the tender offers, (iii) to refinance its existing senior credit facility and (iv) to pay transaction-related fees and expenses. The Company intends to use the remaining net proceeds for general corporate purposes.

The above descriptions of the Credit Agreement, the Security Agreement, the Pledge Agreement, the Base Indenture, the Second Supplemental Indenture and the Notes in this report are summaries only and are qualified in their entirety by the terms of such agreements and instruments, respectively. The Second Supplemental Indenture is incorporated by reference into the Registration Statement.

In connection with the offering of the Notes, the Company is filing as Exhibit 5.1 hereto an opinion of counsel addressing the validity of the Notes. Such opinion is incorporated by reference into the Registration Statement.

Supplemental Indentures Relating to the Tender Offers

On December 20, 2012, the Company announced that (i) holders of approximately $537.760 million aggregate principal amount (representing approximately 71.70%) of its 13% Notes, (ii) holders of approximately $417.83 million aggregate principal amount (representing approximately 64.28%) of its 10.375% Notes,(iii) holders of approximately $707.254 million aggregate principal amount (representing approximately 83.21%) of its 11.125% Notes, (iv) holders of approximately $843.419 million aggregate principal amount (representing approximately 99.81%) of its 9%

Notes, validly tendered their Secured Notes prior to the consent payment deadline of 5:00 p.m., New York City time, on December 19, 2012 (the Consent Payment Deadline) in accordance with the offers to purchase and consent solicitation statement, dated December 6, 2012 (the Statement), as supplemented by the supplement to the Statement, dated December 12, 2012.

On December 18, 2012, the Company, the guarantors party thereto and U.S. Bank National Association, as trustee (the Trustee), executed a first supplemental indenture (the 9% Supplemental Indenture) to the indenture governing the 9% Notes, dated as of March 16, 2010, among the Company, the subsidiary guarantors party thereto and the Trustee (as supplemented, the 9% Indenture). On December 18, 2012, the Company, the guarantors party thereto and the Trustee, executed a second supplemental indenture (the 13% Supplemental Indenture) to the indenture

governing the 13% Notes, dated as of November 14, 2008, among the Company, the guarantors party thereto and the Trustee, as supplemented by the first supplemental indenture, dated as of June 15, 2009 (as supplemented, the 13% Indenture). On December 19, 2012, the Company, the guarantors party thereto and U.S. Bank National Association, as trustee, executed a second supplemental indenture (the 10.375%/11.125% Supplemental Indenture) to the indenture governing the 10.375% Notes and the 11.125% Notes, dated as of May 19, 2009, among the Company, the guarantors party thereto and the Trustee, as supplemented by the first supplemental indenture, dated as of April 18, 2012 (as supplemented, the 10.375%/11.125% Indenture). Copies of the 9% Supplemental Indenture, the 13% Supplemental Indenture and the 10.375/11.125% Supplemental Indenture are filed herewith as Exhibits 4.2, 4.3 and 4.4, respectively.

Item 1.02 Termination of a Material Definitive Agreement

On December 20, 2012, the Company completed the early settlement of its tenders offers with respect to the Secured Notes. The Company simultaneously called for redemption all of the Secured Notes that were not purchased on the early settlement date of the tender offer in accordance with the redemption and satisfaction and discharge provisions in the 9% Indenture, the 13% Indenture and the 10.375%/11.125% Indenture, as applicable. In connection with the redemption, the Company satisfied and discharged its obligations under each of the 9% Indenture, the 13% Indenture and the 10.375%/11.125% Indenture in accordance with the applicable provisions of the indentures by depositing with the trustee sufficient funds to pay the redemption price, plus accrued and unpaid interest on the remaining outstanding Secured Notes to, but not including, the applicable redemption date. As a result of the satisfaction and discharge of the Secured Notes, the Company has been released from its remaining obligations under the 9% Indenture, the 13% Indenture and the 10.375%/11.125% Indenture and all of the collateral securing those Secured Notes was released.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The information set forth in Item 1.01 with respect to the Credit Agreement is incorporated by reference into this Item 2.03.

Item 9.01 Financial Statements and Exhibits.

(a) Not applicable.

(b) Not applicable.

(c) Not applicable.

(d) Exhibits:

Exhibit No.	Description
4.1	Second Supplemental Indenture, dated December 20, 2012, among MGM Resorts International, the guarantors named therein and U.S. Bank National Association, as trustee to the Indenture, dated as of March 22, 2012, among MGM Resorts International and U.S. Bank National Association, as trustee, relating to the 6.625% senior notes due 2021
4.2	First Supplemental Indenture, dated December 18, 2012, among MGM Resorts International, the guarantors named therein and U.S. Bank National Association, as trustee to the Indenture, dated as of March 16, 2010, among MGM Resorts International, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 9% senior secured notes due 2020

4.3	Second Supplemental Indenture, dated December 18, 2012, among MGM Resorts International, the guarantors named therein and U.S. Bank National Association, as trustee to the Indenture, dated as of November 14, 2008, among MGM Resorts International, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 13% senior secured notes due 2013
4.4	Second Supplemental Indenture, dated December 19, 2012, among MGM Resorts International, the guarantors named therein and U.S. Bank National Association, as trustee to the Indenture, dated as of May 19, 2009, among MGM Resorts International, the guarantors named therein and U.S. Bank National Association, as trustee, relating to the 10.375% senior secured notes due 2014 and 11.125% senior secured notes due 2017
5.1	Opinion of Milbank, Tweed, Hadley & McCloy LLP
10.1	Amended and Restated Credit Agreement, dated as of December 20, 2012, among MGM Resorts International, MGM Grand Detroit, LLC, a Delaware limited liability company, the Lenders from time to time party thereto and Bank of America, N.A., as Administrative Agent
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10.3	Pledge Agreement, dated as of December 20, 2012, among MGM Resorts International, MGM Grand Detroit, Inc., New PRMA Las Vegas, Inc., Mirage Resorts, Incorporated, Mandalay Resort Group and Bank of America, N.A., as Administrative Agent

SIGNATURE

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

Date: December 20, 2012

MGM Resorts International

By: /s/ Andrew Hagopian III
Name: Andrew Hagopian III
Title: Vice President, Deputy General Counsel & Assistant Corporate Secretary

INDEX TO EXHIBITS

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Sold the remaining five multi-family units available for sale at the 10 Terminus Place condominium project, generating profit of approximately $2.2 million.

Sold the Jefferson Mill Business Park Building A industrial building in suburban Atlanta, Georgia, for $22 million, generating a loss of approximately $400,000.

Sold the King Mill Distribution Park Building 3 industrial building in suburban Atlanta, Georgia for $28 million, generating a gain, net of noncontrolling interest, of approximately $3.5 million.

Sold the Lakeside Ranch Business Park Building 20 industrial building and related undeveloped land in Dallas, Texas for $44 million, generating a gain of approximately $1.7 million.

Either directly or through joint ventures, sold approximately 43 acres of land, generating a gain to the Company of approximately $2.9 million.

Either directly or through joint ventures, sold 482 residential lots, generating net profits to the Company of $1.6 million.

As a result of a fourth quarter analysis of projected cash flows and values of its residential and land holdings, impairment losses were recorded at the Company or joint venture level totaling $125.7 million related to residential and land assets. In February 2012, the Company changed its strategy to more aggressively liquidate these properties. Also, the CL Realty, L.L.C. (CL Realty) and Temco Associates, LLC (Temco) joint ventures entered into a contract to sell the majority of its residential projects to the Company s partner, which will significantly reduce its holdings in this property type.

Financing Activities

The Company s financing strategy is to provide capital to fund its investment activities, while maintaining, over time, a relatively conservative leverage ratio, debt maturity dates which are staggered and actively managing borrowing costs. Historically, the Company has generated capital using bank credit facilities, construction loans or mortgage notes payable secured by underlying properties. The Company has also raised capital through sales of assets, contribution of assets into joint ventures, and the issuance of equity securities. During 2011, the Company had the following financing activities:

Entered into a construction loan agreement to construct Mahan Village for up to $15 million, maturing September 12, 2014, at a variable interest rate.

Within a joint venture in which the Company is a partner, entered into a construction loan agreement to construct Emory Point for up to approximately $61 million, maturing June 28, 2014, at a variable interest rate.

Prepaid, without penalty, the mortgage note secured by the 333 and 555 North Point Center East office buildings.

Prepaid, without penalty, the Lakeshore Park Plaza office building mortgage note.

Repaid the 600 University Park Place office building mortgage note in full upon its maturity.

Began discussions to amend or replace its current Credit Facility which matures in 2012.

Environmental Matters

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

Certain environmental laws impose liability on a previous owner of property to the extent that hazardous or toxic substances were present during the prior ownership period. A transfer of the property does not necessarily relieve an owner of such liability. Thus, although the Company is not aware of any such situation, the Company may be liable in respect to properties previously sold. The Company believes that it and its properties are in compliance in all material respects with all applicable federal, state and local laws, ordinances and regulations governing the environment.

Competition

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

Executive Offices; Employees

The Registrant s executive offices are located at 191 Peachtree Street, Suite 500, Atlanta, Georgia 30303-1740. At December 31, 2011, the Company employed 320 people.

Available Information

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

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The Company s Corporate Governance Guidelines, Director Independence Standards, Code of Business Conduct and Ethics, and the Charters of the Audit Committee, the Investment Committee and the Compensation, Succession, Nominating and Governance Committee of the Board of Directors are also available on the Investor Relations page of the Company s website. The information contained on the Company s website is not incorporated herein by reference. Copies of these documents (without exhibits, when applicable) are also available free of charge upon request to the Company at 191 Peachtree Street, Suite 500, Atlanta, Georgia 30303-1740, Attention: Cameron Golden, Investor Relations. Mr. Golden may also be reached by telephone at (404) 407-1984 or by facsimile at (404) 407-1002. In addition, the SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including the Company, that file electronically with the SEC at www.sec.gov.

Item 1A. Risk Factors

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

General Risks of Owning and Operating Real Estate

Our ownership of commercial real estate involves a number of risks, the effects of which could adversely affect our business.

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

- changes in the national, regional and local economic climate;
- local real estate conditions such as an oversupply of properties or a reduction in demand for properties;
- the attractiveness of our properties to tenants or buyers;
- competition from other available properties;
- changes in market rental rates and related concessions granted to tenants such as free rent, tenant allowances and tenant improvement allowances; and
- the need to periodically repair, renovate and re-lease space.

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

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

Impairment risks. We regularly review our real estate assets for impairment and based on these reviews, we may record impairment losses that have an adverse effect on our results of operations. Negative or uncertain market and economic conditions, as well as market volatility, increase the likelihood of incurring additional impairment losses. In addition, if management changes its intent from holding a real estate asset for long-term investment or development to holding it as a for-sale asset, or if management s estimates of future

cash flows decrease, the risk of impairment losses increases. For example, we recorded impairment losses in connection with our change in strategy to more aggressively liquidate our residential and land holdings. The magnitude of and frequency with which these charges occur could materially and adversely affect our business, financial condition and results of operations.

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

Tenant and property concentration risk. As of December 31, 2011, our top 20 tenants represented approximately 38% of our annualized base rental revenues. While no single tenant accounts for more than 5% of our annualized base rental revenues, the loss of one or more of these tenants could have a significant negative impact on our results of operations or financial condition if a suitable replacement tenant is not secured in a timely fashion.

In addition, for the year ending December 31, 2011, 44% of the Company s net operating income was derived from four properties in Atlanta, Georgia: Terminus 100, 191 Peachtree Tower and The American Cancer Society Center, all of which are office buildings, and The Avenue Forsyth, a retail center. A large percentage of our properties in addition to those listed above are also located in metropolitan Atlanta. Any adverse economic conditions that may impact the Atlanta area generally, or in its Downtown, Midtown or Buckhead submarkets specifically, could adversely affect the operations of one or all of these properties which, in turn, could adversely affect our overall results of operations and financial condition.

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

Environmental issues. Environmental issues that arise at our properties could have an adverse effect on our financial condition and results of operations. Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at a property. If determined to be liable, the owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination, or perform such investigation and clean-up itself. Although certain legal protections may be available to prospective purchasers of property, these laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the regulated substances. Even if more than

one person may have been responsible for the release of regulated substances at the property, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from regulated substances emanating from that site. We are not currently aware of any environmental liabilities at locations that we believe could have a material adverse effect on our business, assets, financial condition or results of operations. Unidentified environmental liabilities could arise, however, and could have an adverse effect on our financial condition and results of operations.

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

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

Compliance or failure to comply with federal, state and local regulatory requirements could result in substantial costs.

Our properties are subject to various federal, state and local regulatory requirements, such as the Americans with Disabilities Act, state and local fire, health and life safety requirements. Compliance with these regulations generally involves upfront expenditures and/or ongoing costs. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with existing or future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Financing Risks

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

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

Credit facilities. Terms and conditions available in the marketplace for credit facilities vary over time. We can provide no assurance that the amount we need from our Credit Facility will be available at any given time, or at all, or that the rates and fees charged by the lenders will be reasonable. We incur

interest under our Credit Facility at a variable rate. Variable rate debt creates higher debt service requirements if market interest rates increase, which would adversely affect our cash flow and results of operations. Our Credit Facility contains customary restrictions, requirements and other limitations on our ability to incur indebtedness, including restrictions on total debt outstanding, restrictions on secured recourse debt outstanding, and requirements to maintain minimum fixed charge coverage ratios. Our continued ability to borrow under our Credit Facility is subject to compliance with these financial and other covenants. Negotiations are underway to provide for a new or modified Credit Facility prior to maturity of the current Credit Facility, which is in August 2012. However, there can be no guarantee that a new or revised Credit Facility will be secured prior to maturity of the existing Credit Facility, or that a replacement Credit Facility can be obtained on similar terms in a timely fashion.

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

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

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

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

Common stock. We have sold common stock from time to time to raise capital, most recently in September 2009. The issuance of common stock can reduce the percentage of stock ownership of individual current stockholders, thereby diluting their interest in our Company. The market price of our common stock could decline as a result of issuances or sales of our common stock in the market after such offerings or the perception that such issuances or sales could occur. We can also provide no assurance that conditions will be favorable for future issuances of common stock when we need the capital, which could have an adverse effect on our ability to fund acquisition and development activities.

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

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

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

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

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

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

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

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

Real Estate Development Risks

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

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

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The availability of sufficient development opportunities. Absence of sufficient development opportunities could result in our experiencing slower growth in earnings and cash flows. Development opportunities are dependent upon a wide variety of factors. Availability of these opportunities can be volatile as a result of, among other things, economic conditions and product supply/demand characteristics in a particular market.

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

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

Leasing risk. The success of a commercial real estate development project is heavily dependent upon entering into leases with acceptable terms within a predefined lease-up period. Although our policy is to achieve pre-leasing goals (which vary by market, product type and circumstances) before committing to a project, it is expected that not all the space in a project will be leased at the time we commit to the project. If the additional space is not leased on schedule and upon the expected terms and conditions, our returns, future earnings and results of operations from the project could be adversely impacted. Whether or not tenants are willing to enter into leases on the terms and conditions we project and on the timetable we expect, will depend upon a number of factors, many of which are outside our control. These factors may include:

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

supply and demand conditions for space in the marketplace; and

level of competition in the marketplace.

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

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

We may face risks associated with opportunistic property acquisitions.

In the current market environment, development opportunities may continue to be limited. Therefore, we may invest more heavily in property acquisitions, including the acquisition and redevelopment of operationally or financially distressed properties. The risks associated with property acquisitions are generally the same as those described above for real estate development. However, certain additional risks may be present for property acquisitions and redevelopment projects, including:

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

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

Risks Associated with our Land Developments and Investments

If we are unable to achieve the estimated sales prices and/or anticipated timing of sales of our residential lots and undeveloped residential land, or if there are further changes in our expectations and strategy for these property types, it could result in additional impairment charges and adversely affect our results of operations.

We have historically developed residential subdivisions, primarily in metropolitan Atlanta, Georgia. We have also participated in joint ventures that develop or plan to develop subdivisions in metropolitan Atlanta, as well as Texas and Florida. Residential lot sales are highly cyclical and can be affected by the availability of mortgage financing, interest rates and local issues, including the availability of jobs, transportation and the quality of public schools. Once a development is undertaken, no assurances can be given that we will be able to sell the various developed lots in a timely manner. Additionally, market conditions may change between the time we decide to develop a property and the time that all or some of

the lots may be ready for sale. Failure to sell such lots in a timely manner could result in significantly increased carrying costs, erosion or elimination of profit with respect to any development and/or impairment losses. Similarly, we have historically held undeveloped residential land for long periods of time prior to development or sale. Any changes in market conditions between the time we acquire land and the time we develop and/or sell land could cause the Company s estimates of proceeds and related profits from such sales to be lower or result in an impairment charge.

We do not currently anticipate the commencement of development of any new residential projects. Our current strategy is to reduce our holdings of developed and undeveloped residential land. As a part of this strategy, we have decided to liquidate certain projects in bulk as opposed to selling developed lots over an extended period of time. Decisions such as this have increased the risk that we will not recover our investment in these projects, which required us to record impairment losses. Actual sales prices could be less than our current estimates of fair value, and the expected timing of these bulk sales could lengthen, leading to additional impairment losses.

Any failure to timely sell or lease other non-income producing land could result in additional impairment charges and adversely affect our results of operations.

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

Our current strategy includes a goal of aggressively reducing our holdings of commercial non-income producing land. As a part of this strategy, we expect to liquidate one or more parcels of land to generate capital in the short term as opposed to holding the land for future development or capital appreciation. Decisions such as this have increased the risk that we will sell the land for less than our basis requiring us to record impairment losses. Actual future sales prices could differ from our current estimates, which could lead to further impairments.

Risks Associated with our Third Party Management Business

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

We engage in third party development, leasing, property management, asset management and property services to unrelated property owners. In addition, 39% of our third party revenues are from one customer. Contracts for such services are generally short-term in nature and permit termination without extensive notice. Fees from such activities can be volatile due to unexpected terminations of such contracts. Termination of contracts with our most significant customer or other unexpected terminations could materially adversely affect our results of operations. Further, the timing of the generation of new contracts for services is difficult to predict.

General Business Risks

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

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

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

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

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

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

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

Our operating results have fluctuated greatly in the past, due to, among other things, volatility in land tract and outparcel sales, property sales, residential lot sales and impairment losses. We are currently engaged in a strategy to simplify our business and focus our resources on Class A office properties which we expect to make our operating results less volatile over time. However, in the near term, we continue to anticipate future fluctuations in our quarterly results, which does not allow for predictability in the market by analysts and investors. Therefore, our historical performance may not be a meaningful indicator of our future results.

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

- actual or anticipated variations in our operating results, funds from operations or liquidity;
- the general reputation of real estate as an attractive investment in comparison to other equity securities;
- the general stock and bond market conditions, including changes in interest rates or fixed income securities;
- changes in tax laws;
- changes to our dividend policy;
- changes in market valuations of our properties;
- adverse market reaction to the amount of our outstanding debt at any time, the amount of our maturing debt and our ability to refinance such debt on favorable terms;
- any failure to comply with existing debt covenants;
- any foreclosure or deed in lieu of foreclosure of our properties;
- additions or departures of key executives and other employees;

- actions by institutional stockholders;
- uncertainties in world financial markets;
- the realization of any of the other risk factors described in this report; and
- general market and economic conditions.

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

If our future operating performance does not meet projections of our analysts or investors, our stock price could decline.

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

Federal Income Tax Risks

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

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

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

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

- 85% of our ordinary income;
- 95% of our net capital gain income for that year; and
- 100% of our undistributed taxable income (including any net capital gains) from prior years.

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

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

From time to time, we may transfer or otherwise dispose of some of our properties. Under the Code, any gains resulting from transfers or dispositions, from other than our taxable REIT subsidiary, that are deemed to be prohibited transactions would be subject to a 100% tax on any gain associated with the transaction. Prohibited transactions generally include sales of assets that constitute inventory or other property held for sale to customers in the ordinary course of business. Since we acquire properties primarily for investment purposes, we do not believe that our occasional transfers or disposals of property are deemed to be prohibited

transactions. However, whether or not a transfer or sale of property qualifies as a prohibited transaction depends on all the facts and circumstances surrounding the particular transaction. The Internal Revenue Service may contend that certain transfers or disposals of properties by us are prohibited transactions. While we believe that the Internal Revenue Service would not prevail in any such dispute, if the Internal Revenue Service were to argue successfully that a transfer or disposition of property constituted a prohibited transaction, we would be required to pay a tax equal to 100% of any gain allocable to us from the prohibited transaction. In addition, income from a prohibited transaction might adversely affect our ability to satisfy the income tests for qualification as a REIT for federal income tax purposes.

Disclosure Controls and Internal Control over Financial Reporting Risks

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

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

Item 1B. Unresolved Staff Comments

Not applicable.

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Item 2. Properties

The following table sets forth certain information related to operating properties in which the Company has an ownership interest. Information presented in Note 4 to the Consolidated Financial Statements provides additional information related to the Company s joint ventures. Except as noted, all information presented is as of December 31, 2011 ($ in thousands):

Property Description	Sept 30, Metropolitan Area	Sept 30, Rentable Square Feet	Sept 30, Company s Ownership Interest	Sept 30, Percent Leased	Sept 30, Weighted Average Occupancy (1)	Sept 30, Company Share of Debt	Sept 30, Annualized Base Rents (5)
I. OFFICE PROPERTIES							
Terminus 100	Atlanta	655,000	100.00%	97%	96%	$ 138,194	
191 Peachtree Tower	Atlanta	1,221,000	100.00%	82%	76%		
The American Cancer Society Center (2)	Atlanta	996,000	100.00%	83%	89%	135,650	
Meridian Mark Plaza	Atlanta	160,000	100.00%	97%	95%	26,554	
Promenade	Atlanta	775,000	100.00%	63%	61%		
Emory University Hospital Midtown Medical Office Tower	Atlanta	358,000	50.00%	100%	99%	23,816	
555 North Point Center East	Atlanta	152,000	100.00%	93%	98%		
Ten Peachtree Place (3)	Atlanta	260,000	50.00%	100%	98%	13,096	
333 North Point Center East	Atlanta	130,000	100.00%	98%	98%		
200 North Point Center East	Atlanta	130,000	100.00%	88%	96%	12,239	
100 North Point Center East	Atlanta	128,000	100.00%	84%	92%	12,239	
Inhibitex	Atlanta	51,000	100.00%	100%	100%		
Terminus 200 (3)	Atlanta	566,000	20.00%	87%	41%	13,712	
Galleria 75	Atlanta	111,000	100.00%	91%	69%		
Cosmopolitan Center	Atlanta	51,000	100.00%	94%	92%		
GEORGIA		**5,744,000**		**84%**		**375,500**	
Palisades West	Austin	373,000	50.00%	99%	97%		
The Points at Waterview	Dallas	203,000	100.00%	88%	85%	16,135	
TEXAS		**576,000**		**93%**		**16,135**	
Lakeshore Park Plaza (4)	Birmingham	197,000	100.00%	95%	93%		
600 University Park Place (4)	Birmingham	123,000	100.00%	93%	78%		
ALABAMA		**320,000**		**94%**			
Gateway Village (3)	Charlotte	1,065,000	50.00%	100%	100%	41,548	
Presbyterian Medical Plaza	Charlotte	69,000	11.50%	84%	78%		
NORTH CAROLINA		**1,134,000**		**100%**		**41,548**	
TOTAL OFFICE PROPERTIES		**7,774,000**		**87%**		**$ 433,183**	**$ 95,553**
II. RETAIL PROPERTIES							
The Avenue Forsyth (4)	Atlanta	524,000	100.00%	89%	73%	$	
The Avenue Webb Gin	Atlanta	322,000	100.00%	91%	88%		
The Avenue West Cobb	Atlanta	256,000	11.50%	96%	96%		
North Point MarketCenter	Atlanta	401,000	10.32%	100%	94%		
The Avenue East Cobb	Atlanta	230,000	11.50%	86%	88%	4,144	
The Avenue Peachtree City	Atlanta	183,000	11.50%	89%	89%		

GEORGIA		**1,916,000**		**90%**		**4,144**	
The Avenue Murfreesboro	Nashville	751,000	50.00%	88%	86%	49,461	
The Avenue Collierville (4)	Memphis	511,000	100.00%	88%	88%		
Mt. Juliet Village (3)	Nashville	91,000	50.50%	80%	76%	3,106	
The Shops of Lee Village (3)	Nashville	74,000	50.50%	83%	80%	2,803	
Creek Plantation Village (3)	Chattanooga	78,000	50.50%	93%	91%	3,129	
TENNESSEE		**1,505,000**		**87%**		**58,499**	
Tiffany Springs MarketCenter (4)	Kansas City	238,000	100.00%	83%	82%		
MISSOURI		**238,000**		**83%**			
Highland City Town Center (3)	Lakeland	96,000	50.50%	87%	87%	5,389	
The Avenue Viera	Viera	332,000	11.50%	97%	95%		
Viera MarketCenter	Viera	178,000	11.50%	94%	95%		
FLORIDA		**606,000**		**92%**		**5,389**	
Greenbrier MarketCenter	Chesapeake	376,000	10.32%	100%	100%		
VIRGINIA		**376,000**		**100%**			
Los Altos MarketCenter	Long Beach	157,000	10.32%	100%	92%		
CALIFORNIA		**157,000**		**100%**			
TOTAL RETAIL PROPERTIES		**4,798,000**		**89%**		**$ 68,032**	**$ 35,945**
TOTAL PORTFOLIO		**12,572,000**		**87%**		**$ 501,215**	

(1) Weighted average economic occupancy is calculated as the percentage of the property for which revenue was recognized during 2011. If the property was purchased during the year, average economic occupancy is calculated from the date of purchase forward.

(2) The real estate and other assets of this property are restricted under a loan agreement such that the assets are not available to settle other debts of the Company.

(3) This property is owned through a joint venture with a third party who has contributed equity, but the equity ownership and the allocation of the results of operations and/or gain on sale may be disproportionate.

(4) This property is shown as 100% as it is owned through a consolidated joint venture. The joint venture is with a third party who has contributed equity and the joint venture partner may receive distributions from the venture in connection with its equity ownership.

(5) Annualized base rent represents the sum of the annualized rent each tenant is paying as of the end of the reporting period. If a tenant is not paying rent due to a free rent concession, annualized base rent is calculated based on the annualized base rent the tenant will pay in the first period it is required to pay rent.

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Lease Expirations

OFFICE

As of December 31, 2011, the Company s office portfolio included 21 commercial office buildings. The weighted average remaining lease term of these office buildings was approximately seven years as of December 31, 2011. Most of the major tenant leases in these buildings provide for pass through of operating expenses and contractual rents which escalate over time. The leases expire as follows:

	Se 30, 2012	Se 30, 2013	Se 30, 2014	Se 30, 2015	Se 30, 2016	Se 30, 2017	Se 30, 2018	Se 30, 2019	Se 30, 2020	Se 30, 2021 & Thereafter	Se 30, Total
ompany hare											
quare Feet xpiring	217,735	346,284	234,657	498,898	815,404	530,964	340,448	295,599	236,122	1,888,600	5,404,711
of Leased pace	4%	6%	4%	9%	15%	10%	6%	6%	5%	35%	100%
nnual ontractual ent $000 s) (1)	$ 3,495	$ 7,603	$ 4,839	$ 10,993	$ 16,918	$ 13,618	$ 9,478	$ 7,236	$ 6,197	$ 47,319	$ 127,696
nnual ontractual ent/Sq. Ft. 1)	$ 16.05	$ 21.96	$ 20.62	$ 22.04	$ 20.75	$ 25.65	$ 27.84	$ 24.48	$ 26.25	$ 25.06	$ 23.63

RETAIL

As of December 31, 2011, the Co mpany's retail portfolio included 17 retail properties. The weighted average remaining lease term of these retail properties was appro ximately eight years as of December 31, 2011. Most of the major tenant leases in these retail properties provide for pass through of operating expenses and contractual rents which escalate over time. The leases expire as follows:

	Se 30, 2012	Se 30, 2013	Se 30, 2014	Se 30, 2015	Se 30, 2016	Se 30, 2017	Se 30, 2018	Se 30, 2019	Se 30, 2020	Se 30, 2021 & Thereafter	Se 3 To
Share											
eet Expiring (2)	127,262	71,185	96,825	99,422	278,960	145,676	328,597	325,956	92,130	536,430	2,1
sed Space	6%	3%	5%	5%	13%	7%	16%	15%	4%	26%	
ontractual Rent($000 s) (1)	$ 2,084	$ 1,721	$ 2,013	$ 2,236	$ 6,376	$ 3,402	$ 7,367	$ 6,943	$ 1,364	$ 6,398	$
ontractual Rent/Sq. Ft. (1)	$ 16.37	$ 24.18	$ 20.79	$ 22.49	$ 22.86	$ 23.36	$ 22.42	$ 21.30	$ 14.81	$ 11.93	$

(1) Annual Contractual Rent shown is the estimated rate in the year of expiration. It includes the minimum contractual rent paid by the tenant which, in most of the office leases, includes a base year of operating expenses.

(2) Certain leases contain termination options, with or without penalty, if co-tenancy clauses or sales volume levels are not achieved. The expiration date per the lease is used for these leases in the above table, although early termination is possible.

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Development Pipeline

As of December 31, 2011, the Company had the following projects under development ($ in thousands; see Note 4 of Notes to Consolidated Financial Statements for Emory Point joint venture information):

Project (1)	September 30, Metropolitan Area	September 30, Company s Ownership Interest		September 30, Estimated Project Cost (2)		September 30, Project Cost Incurred to Date	September 30, Number of Apartment Units/Square Feet	September 30, Percent Leased	September 30, Estimated Opening (3)	September 30, Estimated Stabilization (4)
Emory Point (Phase I)	Atlanta, GA	75%	$	102,300	$	33,789				
Apartments							443	N/A	3Q 12	2Q 14
Retail							80,000	38%	4Q 12	2Q 13
Mahan Village	Tallahassee, FL	100%(5)	$	25,800	$	11,325				
Retail							147,000	79%	4Q 12	3Q 14

(1) This schedule shows projects currently under active development through the point of stabilization. Amounts included in the estimated project cost column represent the estimated costs of the project through stabilization. Significant estimation is required to derive these costs and the final costs may differ from these estimates. The projected dates for opening and stabilization are also estimates and are subject to change as the project proceeds through the development process.

(2) Amount represents 100% of the estimated project cost. The projects are being funded with a combination of equity from the partners and $61.1 million and $15 million construction loans for Emory Point and Mahan Village, respectively. The projects will be funded by equity contributions until the partners have contributed their required equity amounts. All subsequent funding is expected to come from the construction loans. As of December 31, 2011, $1,000 was outstanding under both construction loans.

(3) Estimated opening represents the quarter within which the Company estimates the first retail space to be open for operations and the quarter the Company estimates the first apartment unit to be occupied.

(4) Estimated stabilization represents the quarter within which the Company estimates it will achieve 95% economic occupancy on the retail space and 93% on the apartments.

(5) Company's ownership interest is shown at 100% as Mahan Village is owned in a joint venture which is consolidated with the Company. The partner is entitled to a share of the cashflows after the Company's capital is recovered.

Inventory of Lots and Tracts in Residential Projects

As of December 31, 2011, the Company owned, directly or indirectly, the following residential projects (see Note 4 of Notes to Consolidated Financial Statements for joint venture information):

September 30,	September 30,	September 30,	September 30,	September 30,	September 30,	September 30,

		Company s		Lots		Tracts (2)	
Description	**Metropolitan Area**	**Ownership Interest**	**Estimated to be Developed (1)**	**Total Sold**	**Remaining to be Sold**	**Sold since Inception**	**Remaining**
The Georgian (4)	Atlanta	37.50%	1,341	289	1,052		
Callaway Gardens (3) (5)	Pine Mountain	100.00%	559	31	528		
Seven Hills (4)	Atlanta	50.00%	1,093	644	449	1,070	65
The Lakes at Cedar Grove	Atlanta	100.00%	906	727	179		
Blalock Lakes (5)	Atlanta	100.00%	154	21	133		1,205
West Park (4)	Atlanta	50.00%	84	21	63		
Longleaf at Callaway (5)	Pine Mountain	100.00%	138	125	13		
River s Call	Atlanta	100.00%	107	95	12		
Harris Place (4)	Atlanta	50.00%	27	18	9		
Bentwater (4)	Atlanta	50.00%	1,676	1,673	3		
Paulding County	Atlanta	50.00%				783	5,712
Georgia			**6,085**	**3,644**	**2,441**	**1,853**	**6,982**

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Inventory of Lots and Tracts in Residential Projects (cont d)

	September 30,	September 30, Company s	September 30,	September 30, Lots	September 30,	September 30, Tracts (2)	September 30,
Description	**Metropolitan Area**	**Ownership Interest**	**Estimated to be Developed (1)**	**Total Sold**	**Remaining to be Sold**	**Sold since Inception**	**Remaining**
Long Meadow Farms (4)	Houston	18.75%	1,795	858	937	133	192
Summer Lakes (4)	Houston	50.00%	1,130	405	725	56	
Southern Trails (4)	Houston	40.00%	1,036	497	539	114	
Waterford Park (4)	Houston	50.00%	210		210		90
Summer Creek Ranch (4)	Dallas/Fort Worth	50.00%	983	806	177	624	149
Village Park North (4)	Dallas/Fort Worth	50.00%	189	73	116	23	
Stonewall Estates (4)	San Antonio	25.00%	388	280	108		
Bar C Ranch (4)	Dallas/Fort Worth	50.00%	332	279	53		171
Village Park (4)	Dallas/Fort Worth	50.00%	421	373	48	3	35
Stillwater Canyon (4)	Dallas/Fort Worth	50.00%	231	225	6		33
Padre Island	Corpus Christi	50.00%					15
Texas			**6,715**	**3,796**	**2,919**	**953**	**685**
Manatee River Plantation (4)	Tampa/St. Petersburg	50.00%	457	348	109		
Creekside Oaks (4)	Tampa/St. Petersburg	50.00%	301	251	50		
Bridle Path Estates (4)	Tampa/St. Petersburg	50.00%					439
Florida							