

CORPORATE OFFICE PROPERTIES TRUST  
Form 10-Q  
October 30, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended September 30, 2009

or

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

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

Commission file number 1-14023



# **Corporate Office Properties Trust**

(Exact name of registrant as specified in its charter)



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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**23-2947217**  
(IRS Employer  
Identification No.)

**6711 Columbia Gateway Drive, Suite 300, Columbia, MD**  
(Address of principal executive offices)

**21046**  
(Zip Code)

Registrant's telephone number, including area code: **(443) 285-5400**

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)  Yes  No

As of October 23, 2009, 58,248,932 of the Company's Common Shares of Beneficial Interest, \$0.01 par value, were issued and outstanding.

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Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1. Financial Statements****Corporate Office Properties Trust and Subsidiaries****Consolidated Balance Sheets****(Dollars in thousands)****(unaudited)**

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
<b>Assets</b>		
Properties, net:		
Operating properties, net	\$ 2,388,443	\$ 2,283,870
Projects under construction or development	480,264	494,596
Total properties, net	2,868,707	2,778,466
Cash and cash equivalents	9,981	6,775
Restricted cash	16,779	13,745
Accounts receivable, net	14,004	13,684
Deferred rent receivable	69,816	64,131
Intangible assets on real estate acquisitions, net	75,506	91,848
Deferred charges, net	52,551	51,801
Prepaid expenses and other assets	123,303	93,789
<b>Total assets</b>	<b>\$ 3,230,647</b>	<b>\$ 3,114,239</b>
<b>Liabilities and equity</b>		
Liabilities:		
Mortgage and other loans payable	\$ 1,742,604	\$ 1,704,123
3.5% Exchangeable Senior Notes, net	155,248	152,628
Accounts payable and accrued expenses	113,416	93,625
Rents received in advance and security deposits	33,322	30,464
Dividends and distributions payable	28,411	25,794
Deferred revenue associated with acquired operating leases	8,044	10,816
Distributions in excess of investment in unconsolidated real estate joint venture	4,966	4,770
Other liabilities	8,453	9,596
Total liabilities	2,094,464	2,031,816
Commitments and contingencies (Note 16)		
Equity:		
Corporate Office Properties Trust's shareholders' equity:		
Preferred Shares of beneficial interest with an aggregate liquidation preference of \$216,333 (\$0.01 par value; 15,000,000 shares authorized and 8,121,667 issued and outstanding at September 30, 2009 and December 31, 2008)	81	81
Common Shares of beneficial interest (\$0.01 par value; 75,000,000 shares authorized, shares issued and outstanding of 58,250,295 at September 30, 2009 and 51,790,442 at December 31, 2008)	583	518
Additional paid-in capital	1,234,910	1,112,734
Cumulative distributions in excess of net income	(192,119)	(162,572)
Accumulated other comprehensive loss	(2,291)	(4,749)

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Total Corporate Office Properties Trust's shareholders' equity	1,041,164	946,012
Noncontrolling interests in subsidiaries:		
Common units in the Operating Partnership	75,657	117,356
Preferred units in the Operating Partnership	8,800	8,800
Other consolidated real estate joint ventures	10,562	10,255
Noncontrolling interests in subsidiaries	95,019	136,411
Total equity	1,136,183	1,082,423
<b>Total liabilities and equity</b>	<b>\$ 3,230,647</b>	<b>\$ 3,114,239</b>

See accompanying notes to consolidated financial statements.



Table of Contents**Corporate Office Properties Trust and Subsidiaries****Consolidated Statements of Operations****(Dollars in thousands, except per share data)****(unaudited)**

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Revenues</b>				
Rental revenue	\$ 87,653	\$ 85,060	\$ 265,501	\$ 249,924
Tenant recoveries and other real estate operations revenue	17,190	16,026	51,904	46,110
Construction contract revenues	94,962	89,653	272,254	121,688
Other service operations revenues	359	349	1,280	1,352
Total revenues	200,164	191,088	590,939	419,074
<b>Expenses</b>				
Property operating expenses	38,583	35,854	114,778	104,353
Depreciation and amortization associated with real estate operations	26,712	25,583	81,911	75,430
Construction contract expenses	93,450	87,111	266,995	118,488
Other service operations expenses	355	546	1,294	1,602
General and administrative expenses	5,898	5,904	17,275	17,608
Business development expenses	458	199	1,550	464
Total operating expenses	165,456	155,197	483,803	317,945
Operating income	34,708	35,891	107,136	101,129
Interest expense	(20,986)	(22,503)	(59,088)	(65,580)
Interest and other income	2,619	559	4,949	924
Income from continuing operations before equity in loss of unconsolidated entities and income taxes	16,341	13,947	52,997	36,473
Equity in loss of unconsolidated entities	(758)	(57)	(1,075)	(167)
Income tax expense	(47)	(97)	(169)	(102)
Income from continuing operations	15,536	13,793	51,753	36,204
Discontinued operations		(9)		2,571
Income before gain on sales of real estate	15,536	13,784	51,753	38,775
Gain on sales of real estate, net of income taxes		4		1,104
Net income	15,536	13,788	51,753	39,879
Less net income attributable to noncontrolling interests:				
Common units in the Operating Partnership	(956)	(1,467)	(4,032)	(4,130)
Preferred units in the Operating Partnership	(165)	(165)	(495)	(495)
Other	40	90	15	(132)
Net income attributable to Corporate Office Properties Trust	14,455	12,246	47,241	35,122
Preferred share dividends	(4,025)	(4,025)	(12,076)	(12,076)
Net income attributable to Corporate Office Properties Trust common shareholders	\$ 10,430	\$ 8,221	\$ 35,165	\$ 23,046
Net income attributable to Corporate Office Properties Trust				
Income from continuing operations	\$ 14,455	\$ 12,254	\$ 47,241	\$ 32,943
Discontinued operations		(8)		2,179
Net income attributable to Corporate Office Properties Trust	\$ 14,455	\$ 12,246	\$ 47,241	\$ 35,122

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Basic earnings per common share (1)								
Income from continuing operations	\$	0.18	\$	0.17	\$	0.62	\$	0.43
Discontinued operations								0.05
Net income	\$	0.18	\$	0.17	\$	0.62	\$	0.48
Diluted earnings per common share (1)								
Income from continuing operations	\$	0.18	\$	0.17	\$	0.62	\$	0.42
Discontinued operations								0.05
Net income	\$	0.18	\$	0.17	\$	0.62	\$	0.47
Dividends declared per common share	\$	0.3925	\$	0.3725	\$	1.1375	\$	1.0525

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(1) Basic and diluted earnings per common share are calculated based on amounts attributable to common shareholders of Corporate Office Properties Trust.

See accompanying notes to consolidated financial statements.

Table of Contents**Corporate Office Properties Trust and Subsidiaries****Consolidated Statements of Equity****(Dollars in thousands)****(unaudited)**

	Preferred Shares	Common Shares	Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Noncontrolling Interests in Subsidiaries	Total
Balance at December 31, 2008 (51,790,442 common shares outstanding)	\$ 81	\$ 518	\$ 1,112,734	\$ (162,572)	\$ (4,749)	136,411	\$ 1,082,423
Conversion of common units to common shares (2,824,000 shares)		28	61,368			(61,396)	
Common shares issued to the public (2,990,000 shares)		30	71,795				71,825
Exercise of share options (388,487 common shares)		4	4,280				4,284
Share-based compensation		3	7,905				7,908
Restricted common share redemptions (76,090 shares)			(1,930)				(1,930)
Adjustments to noncontrolling interests resulting from changes in ownership of Operating Partnership by COPT			(21,090)			21,090	
Adjustments related to derivatives designated as cash flow hedges					2,458	549	3,007
Decrease in tax benefit from share-based compensation			(152)				(152)
Net income				47,241		4,512	51,753
Dividends				(76,788)			(76,788)
Distributions to owners of common and preferred units in the Operating Partnership						(6,469)	(6,469)
Net contributions and distributions to noncontrolling interests in other consolidated real estate joint ventures						322	322
Balance at September 30, 2009 (58,250,295) common shares outstanding)	\$ 81	\$ 583	\$ 1,234,910	\$ (192,119)	\$ (2,291)	95,019	\$ 1,136,183
Balance at December 31, 2007 (47,366,475 common shares outstanding)	\$ 81	\$ 474	\$ 971,459	\$ (129,599)	\$ (2,372)	129,437	\$ 969,480
Conversion of common units to common shares (55,242 shares)		1	1,981			(1,982)	
Common shares issued to the public (3,737,500 shares)		37	138,883				138,920
Exercise of share options (145,059 common shares)		2	2,505				2,507

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Share-based compensation	1	6,811						6,812
Restricted common share redemptions (41,242 shares)		(1,316)						(1,316)
Adjustments to noncontrolling interests resulting from changes in ownership of Operating Partnership by COPT		(14,323)				14,323		
Adjustments related to derivatives designated as cash flow hedges				696		152		848
Increase in tax benefit from share-based compensation		1,053						1,053
Net income				35,122		4,757		39,879
Dividends				(63,629)				(63,629)
Distributions to owners of common and preferred units in the Operating Partnership						(9,059)		(9,059)
Net contributions and distributions to noncontrolling interests in other consolidated real estate joint ventures						2,869		2,869
Balance at September 30, 2008 (51,530,162 common shares outstanding)	\$	81	\$	515	\$	1,107,053	\$	(158,106)
							\$	(1,676)
								140,497
								\$ 1,088,364

See accompanying notes to consolidated financial statements.

Table of Contents**Corporate Office Properties Trust and Subsidiaries****Consolidated Statements of Cash Flows**

(Dollars in thousands)

(unaudited)

	For the Nine Months Ended September 30,	
	2009	2008
<b>Cash flows from operating activities</b>		
Net income	\$ 51,753	\$ 39,879
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other amortization	83,660	76,659
Amortization of deferred financing costs	3,089	2,805
Amortization of deferred market rental revenue	(1,448)	(1,457)
Amortization of net debt discounts	2,520	2,929
Gain on sales of real estate		(4,208)
Share-based compensation	7,908	6,812
Excess income tax shortfall (benefit) from share-based compensation	152	(1,053)
Other	(3,710)	628
Changes in operating assets and liabilities:		
Increase in deferred rent receivable	(5,685)	(8,600)
(Increase) decrease in accounts receivable	(320)	11,787
Increase in restricted cash and prepaid expenses and other assets	(18,059)	(26,864)
Increase in accounts payable, accrued expenses and other liabilities	15,311	31,521
Increase (decrease) in rents received in advance and security deposits	2,858	(4,862)
Net cash provided by operating activities	138,029	125,976
<b>Cash flows from investing activities</b>		
Purchases of and additions to properties	(146,120)	(220,907)
Proceeds from sales of properties	65	33,412
Mortgage loan receivable funded	(1,995)	(24,836)
Leasing costs paid	(6,778)	(4,497)
Other	(6,118)	(7,964)
Net cash used in investing activities	(160,946)	(224,792)
<b>Cash flows from financing activities</b>		
Proceeds from mortgage and other loans payable	775,147	684,763
Repayments of mortgage and other loans payable	(736,566)	(654,255)
Deferred financing costs paid	(1,830)	(6,347)
Net proceeds from issuance of common shares	76,109	141,432
Dividends paid	(73,220)	(60,541)
Distributions paid	(7,420)	(8,815)
Excess income tax (shortfall) benefit from share-based compensation	(152)	1,053
Restricted share redemptions	(1,930)	(1,316)
Other	(4,015)	(480)
Net cash provided by financing activities	26,123	95,494
Net increase (decrease) in cash and cash equivalents	3,206	(3,322)
<b>Cash and cash equivalents</b>		
Beginning of period	6,775	24,638

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End of period	\$	9,981	\$	21,316
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See accompanying notes to consolidated financial statements.

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**Corporate Office Properties Trust and Subsidiaries**

**Notes to Consolidated Financial Statements**

**(Dollars in thousands, except per share data)**

**(unaudited)**

**1. Organization**

Corporate Office Properties Trust ( COPT ) and subsidiaries (collectively, the Company, we or us ) is a fully-integrated and self-managed real estate investment trust ( REIT ) that focuses primarily on strategic customer relationships and specialized tenant requirements in the United States Government, defense information technology and data sectors. We acquire, develop, manage and lease properties that are typically concentrated in large office parks primarily located adjacent to government demand drivers and/or in demographically strong markets possessing growth opportunities. As of September 30, 2009, our investments in real estate included the following:

- 246 wholly owned operating properties totaling 18.4 million square feet;
- 16 wholly owned properties under construction, development or redevelopment that we estimate will total approximately 2.0 million square feet upon completion;
- wholly owned land parcels totaling 1,524 acres that we believe are potentially developable into approximately 12.9 million square feet; and
- partial ownership interests in a number of other real estate projects in operation, under development or redevelopment or held for future development.

We conduct almost all of our operations through our operating partnership, Corporate Office Properties, L.P. (the Operating Partnership ), for which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies ( LLCs ). A summary of our Operating Partnership s forms of ownership and the percentage of those securities owned by COPT as of September 30, 2009 follows:

Common Units	92%
Series G Preferred Units	100%
Series H Preferred Units	100%
Series I Preferred Units	0%
Series J Preferred Units	100%
Series K Preferred Units	100%

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Three of our trustees also controlled, either directly or through ownership by other entities or family members, 7% of the Operating Partnership's common units at that date.

In addition to owning interests in real estate, the Operating Partnership also owns 100% of a number of entities that provide real estate services such as property management, construction and development and heating and air conditioning services primarily for our properties but also for third parties.

### 2. Summary of Significant Accounting Policies

#### Basis of Presentation

The consolidated financial statements include the accounts of COPT, the Operating Partnership, their subsidiaries and other entities in which we have a majority voting interest and control. We also consolidate certain entities when control of such entities can be achieved through means other than voting rights ( variable interest entities or VIEs ) if we are deemed to be the primary beneficiary of such entities. We eliminate all significant intercompany balances and transactions in consolidation. We use the equity method of accounting when we own an interest in an entity and can exert significant influence over the entity's operations but cannot control the entity's operations. We use the cost method of accounting when we own an interest in an entity and cannot exert significant influence over its operations.



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In preparing the consolidated financial statements, we evaluated subsequent events occurring through October 30, 2009, the date the financial statements were issued.

These interim financial statements should be read together with the financial statements and notes thereto as of and for the year ended December 31, 2008 included in our Current Report on Form 8-K filed on June 2, 2009. The unaudited consolidated financial statements include all adjustments which are necessary, in the opinion of management, to fairly present our financial position and results of operations. All adjustments are of a normal recurring nature. The consolidated financial statements have been prepared using the accounting policies described in the financial statements included in our Current Report on Form 8-K filed on June 2, 2009.

We reclassified certain amounts from the prior periods to conform to the current period presentation of our Consolidated Financial Statements with no effect on previously reported net income or equity.

**Recent Accounting Pronouncements Resulting in Adjustments**

As discussed further in our Current Report on Form 8-K dated June 2, 2009, on January 1, 2009, we retrospectively adopted newly issued accounting standards that affected our accounting for noncontrolling interests and convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) and our determination of whether instruments granted in share-based payment transactions should be included in the calculation of earnings per share. This resulted in certain adjustments to amounts previously reported in our 2008 Annual Report on Form 10-K, including changes that affected our previously reported net income attributable to our common shareholders and earnings per common share. Our Current Report on Form 8-K dated June 2, 2009 updated our 2008 Annual Report on Form 10-K for the effect of these adjustments.

**Other Recent Accounting Pronouncements**

In June 2009, the FASB issued guidance which establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles for nongovernmental entities. The guidance explicitly recognizes rules and interpretive releases of the Securities and Exchange Commission ( SEC ) under federal securities laws as authoritative Generally Accepted Accounting Principles for SEC registrants. The guidance became effective for us on July 1, 2009 and did not have a material effect on our consolidated financial statements.

In June 2009, the FASB issued amended guidance related to the accounting and disclosure requirements for the consolidation of entities when control of such entities can be achieved through means other than voting rights ( variable interest entities or VIEs ). This guidance requires an enterprise to perform a qualitative analysis when determining whether or not it must consolidate a VIE based primarily on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. The standard also requires an enterprise to continuously reassess whether it must consolidate a VIE. Additionally, the standard requires enhanced disclosures about an enterprise's involvement with VIEs and any significant change in risk exposure due to that involvement, as well as how its involvement with VIEs impacts the enterprise's financial statements. The standard will become effective on January 1, 2010. We are currently evaluating the impact of the standard on our consolidated financial statements.

**Fair Value of Financial Instruments**

Authoritative guidance provided by the FASB Accounting Standards Codification defines fair value as the exit price, or the amount that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy of these inputs is broken down into three levels: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs include (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are

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not active and (3) inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The assets held in connection with our non-qualified elective deferred compensation plan and the corresponding liability to the participants are measured at fair value using quoted market prices. The assets are treated as trading securities for accounting purposes and included in restricted cash on our consolidated balance sheet. The offsetting liability is adjusted to fair value at the end of each accounting period based on the fair value of the plan assets and reported in other liabilities on our consolidated balance sheet. The assets and corresponding liability of our non-qualified elective deferred compensation plan are classified in Level 1 of the fair value hierarchy.

The valuation of our warrants to acquire additional common stock of an equity method investee is determined using the Flexible Monte Carlo valuation technique. This technique factors in the price and volatility of the underlying common stock, the exercise price of the warrant agreements, the risk-free rate of return, the probability of exercise and the effect of sub-optimal exercise behaviors. The various inputs used in the valuation of the warrants fall within each of the three levels of the fair value hierarchy. After considering the weighted effect of the various inputs on the valuations of the warrants as of September 30, 2009, we determined that these valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The valuation of our interest rate derivatives is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate market data and implied volatilities in such interest rates. While we determined that the majority of the inputs used to value our interest rate derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our interest rate derivatives also utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default. However, as of September 30, 2009, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our interest rate derivatives and determined that these adjustments are not significant. As a result, we determined that our interest rate derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The table below sets forth our financial assets and liabilities that are accounted for at fair value on a recurring basis as of September 30, 2009:

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<b>Assets:</b>				
Deferred compensation plan assets (1)	\$ 6,427	\$	\$	\$ 6,427
Warrants to acquire common stock of equity method investee (2)		2,676		2,676
Assets	\$ 6,427	\$ 2,676	\$	\$ 9,103
<b>Liabilities:</b>				
Deferred compensation plan liability (3)	\$ 6,427	\$	\$	\$ 6,427
Interest rate derivatives (3)		2,147		2,147
Liabilities	\$ 6,427	\$ 2,147	\$	\$ 8,574

- (1) Included in the line entitled restricted cash on our Consolidated Balance Sheet.
- (2) Included in the line entitled prepaid and other assets on our Consolidated Balance Sheet (see Note 6).
- (3) Included in the line entitled other liabilities on our Consolidated Balance Sheet.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, other assets (excluding mortgage loans receivable) and accounts payable and accrued expenses are reasonable estimates of their fair values because of the short maturities of these instruments. We estimated the fair values of our mortgage loans receivable by using discounted cash flow analyses based on an appropriate market rate for a similar type of instrument. We estimated fair values of our debt based on quoted market prices for publicly-traded debt and on the discounted estimated future cash payments to be made for other debt; the discount rates used approximate current market rates for loans, or groups of loans, with similar maturities and credit quality, and the estimated future payments include

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scheduled principal and interest payments. Fair value estimates are made at a specific point in time, are subjective in nature and involve uncertainties and matters of significant judgment. Settlement of such fair value amounts may not be possible and may not be a prudent management decision.

For additional fair value information, please refer to Note 6 for mortgage loans receivable, Note 7 for debt and Note 8 for derivatives.

**3. Earnings Per Share ( EPS )**

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We compute basic EPS by dividing net income available to common shareholders allocable to unrestricted common shares under the two-class method by the weighted average number of unrestricted common shares of beneficial interest ( common shares ) outstanding during the period. Our computation of diluted EPS is similar except that:

- the denominator is increased to include: (1) the weighted average number of potential additional common shares that would have been outstanding if securities that are convertible into our common shares were converted; and (2) the effect of dilutive potential common shares outstanding during the period attributable to share-based compensation using the treasury stock method; and
- the numerator is adjusted to add back any changes in income or loss that would result from the assumed conversion into common shares that we added to the denominator.

Summaries of the numerator and denominator for purposes of basic and diluted EPS calculations are set forth below (dollars and shares in thousands, except per share data):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
<b>Numerator:</b>				
Income from continuing operations	\$ 15,536	\$ 13,793	\$ 51,753	\$ 36,204
Add: Gain on sales of real estate, net		4		1,104
Less: Preferred share dividends	(4,025)	(4,025)	(12,076)	(12,076)
Less: Income from continuing operations attributable to noncontrolling interests	(1,081)	(1,543)	(4,512)	(4,365)
Less: Income from continuing operations attributable to restricted shares	(253)	(192)	(763)	(528)
Numerator for basic and diluted EPS from continuing operations attributable to COPT common shareholders	10,177	8,037	34,402	20,339
Add: Income from discontinued operations		(9)		2,571
Less: Income from discontinued operations attributable to noncontrolling interests		1		(392)
Numerator for basic and diluted EPS on net income attributable to COPT common shareholders	\$ 10,177	\$ 8,029	\$ 34,402	\$ 22,518
<b>Denominator (all weighted averages):</b>				
Denominator for basic EPS (common shares)	57,470	47,273	55,366	47,128
Dilutive effect of stock option awards	485	779	506	765
Denominator for diluted EPS	57,955	48,052	55,872	47,893
<b>Basic EPS:</b>				
Income from continuing operations attributable to COPT common shareholders	\$ 0.18	\$ 0.17	\$ 0.62	\$ 0.43
Income from discontinued operations attributable to COPT common shareholders				0.05
Net income attributable to COPT common shareholders	\$ 0.18	\$ 0.17	\$ 0.62	\$ 0.48
<b>Diluted EPS:</b>				
Income from continuing operations attributable to COPT common shareholders	\$ 0.18	\$ 0.17	\$ 0.62	\$ 0.42
Income from discontinued operations attributable to COPT common shareholders				0.05
Net income attributable to COPT common shareholders	\$ 0.18	\$ 0.17	\$ 0.62	\$ 0.47



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Our diluted EPS computations do not include the effects of the following securities since the conversions of such securities would increase diluted EPS for the respective periods:

	Weighted Average Shares			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Conversion of common units	5,084	8,130	5,932	8,145
Conversion of convertible preferred units	176	176	176	176
Conversion of convertible preferred shares	434	434	434	434
Anti-dilutive share-based compensation awards	427	310	497	345

The 3.5% Exchangeable Senior Notes did not affect our diluted EPS reported above since the weighted average closing price of our common shares during each of the periods was less than the exchange price per common share applicable for such periods.

**4. Properties, net**

Operating properties consisted of the following:

	September 30, 2009	December 31, 2008
Land	\$ 434,693	\$ 423,985
Buildings and improvements	2,355,875	2,202,995
	2,790,568	2,626,980
Less: accumulated depreciation	(402,125)	(343,110)
	\$ 2,388,443	\$ 2,283,870

Projects we had under construction or development consisted of the following:

	September 30, 2009	December 31, 2008
Land	\$ 214,147	\$ 220,863
Construction in progress	266,117	273,733
	\$ 480,264	\$ 494,596

**2009 Construction, Development and Redevelopment Activities**



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During the nine months ended September 30, 2009, we had six properties (three located in the Baltimore/Washington Corridor, two in Colorado Springs, Colorado ( Colorado Springs ) and one in Suburban Maryland) totaling 627,000 square feet become fully operational, including two properties through consolidated joint ventures (85,000 of these square feet were placed into service in 2008).

**As of September 30, 2009, we had construction activities underway on nine properties, including one through a consolidated joint venture (three located in the Baltimore/Washington Corridor, two in Colorado Springs, two in San Antonio, Texas ( San Antonio ), one in Suburban Baltimore and one in Suburban Maryland). We also had development activities underway on seven properties (three in Suburban Baltimore, three in the Baltimore/Washington Corridor and one in San Antonio). In addition, we had redevelopment underway on two properties, including one through a consolidated joint venture (one in Greater Philadelphia and one in the Baltimore/Washington Corridor).**



Table of Contents**5. Real Estate Joint Ventures**

During the nine months ended September 30, 2009, we had an investment in one unconsolidated real estate joint venture accounted for using the equity method of accounting. Information pertaining to this joint venture investment is set forth below.

Investment Balance at September 30, 2009	Investment Balance at December 31, 2008	Date Acquired	Ownership	Nature of Activity	Maximum Exposure to Loss (1)
\$ (4,966)(2)	\$ (4,770)(2)	9/29/2005	20%	Operates 16 buildings	\$

(1) Derived from the sum of our investment balance and maximum additional unilateral capital contributions or loans required from us. Not reported above are additional amounts that we and our partner are required to fund when needed by this joint venture; these funding requirements are proportional to our respective ownership percentages. Also not reported above are additional unilateral contributions or loans from us, the amounts of which are uncertain, which we would be required to make if certain contingent events occur (see Note 16).

(2) The carrying amount of our investment in this joint venture was lower than our share of the equity in the joint venture by \$5,196 at September 30, 2009 and December 31, 2008 due to our deferral of gain on the contribution by us of real estate into the joint venture upon its formation. A difference will continue to exist to the extent the nature of our continuing involvement in the joint venture remains the same.

The following table sets forth condensed balance sheets for this unconsolidated joint venture:

	September 30, 2009	December 31, 2008
Properties, net	\$ 61,333	\$ 62,308
Other assets	7,420	7,530
Total assets	\$ 68,753	\$ 69,838
Liabilities (primarily debt)	\$ 67,621	\$ 67,725
Owners' equity	1,132	2,113
Total liabilities and owners' equity	\$ 68,753	\$ 69,838

The following table sets forth condensed statements of operations for this unconsolidated joint venture:

**For the Three Months  
Ended September 30,**

**For the Nine Months  
Ended September 30,**

4. Properties, net

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	2009		2008		2009		2008	
Revenues	\$	2,202	\$	2,432	\$	6,935	\$	7,228
Property operating expenses		(864)		(870)		(2,535)		(2,571)
Interest expense		(991)		(991)		(2,940)		(2,951)
Depreciation and amortization expense		(814)		(824)		(2,441)		(2,484)
Net loss	\$	(467)	\$	(253)	\$	(981)	\$	(778)

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The table below sets forth information pertaining to our investments in consolidated joint ventures at September 30, 2009:

	<b>Date Acquired</b>	<b>Ownership % at 9/30/2009</b>	<b>Nature of Activity</b>	<b>Total Assets at 9/30/2009</b>	<b>Pledged Assets at 9/30/2009</b>
M Square Associates, LLC	6/26/2007	45.0%	Developing and operating buildings (1)	\$ 46,465	\$
Arundel Preserve #5, LLC	7/2/2007	50.0%	Operates one building (2)	30,066	29,525
COPT Opportunity Invest I, LLC	12/20/2005	92.5%	Redeveloping one property (3)	28,846	
COPT-FD Indian Head, LLC	10/23/2006	75.0%	Developing land parcel (4)	7,045	
MOR Forbes 2 LLC	12/24/2002	50.0%	Operates one building (5)	3,802	
				\$ 116,224	\$ 29,525

(1) This joint venture is developing and operating properties located in College Park, Maryland. We own a 90% interest in Enterprise Campus Developer, LLC, which in turn owns a 50% interest in M Square Associates, LLC.

(2) This joint venture's property is located in Hanover, Maryland (located in the Baltimore/Washington Corridor).

(3) This joint venture's property is located in Hanover, Maryland.

(4) This joint venture's property is located in Charles County, Maryland (located in our Other business segment).

(5) This joint venture's property is located in Lanham, Maryland (located in the Suburban Maryland region).

Our commitments and contingencies pertaining to our real estate joint ventures are disclosed in Note 16.

## 6. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consisted of the following:

	<b>September 30, 2009</b>	<b>December 31, 2008</b>
Mortgage loans receivable	\$ 34,052	\$ 29,380
Construction contract costs incurred in excess of billings	29,737	21,934
Prepaid expenses	23,571	18,357
Furniture, fixtures and equipment, net	12,806	12,819
Investment in unconsolidated entity	9,655	6,055
Other assets	13,482	5,244
Prepaid expenses and other assets	\$ 123,303	\$ 93,789

(1) The fair value of our mortgage loans receivable totaled \$33,644 at September 30, 2009 and \$28,951 at December 31, 2008.

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Included in mortgage loans receivable are amounts loaned to the owner of a 474,000 square foot office tower, a parking lot, a utility distribution center and four waterfront lots, all of which are part of the Canton Crossing planned unit development in Baltimore, Maryland. These properties are referred to collectively herein as the Canton Properties. The balance of this mortgage loan receivable was \$29,278 at September 30, 2009 and \$25,797 at December 31, 2008. Through a series of transactions in October 2009, we acquired the Canton Properties in exchange for: (1) our cancellation of the mortgage loan and interest due to us from the seller totaling \$29,974; (2) cash payments from us totaling approximately \$90,400; and (3) our assumption of other liabilities of approximately \$5,000.

The investment in unconsolidated entity reflected above consists of common shares and warrants to purchase additional common shares in an entity whose primary activity is not real estate related. We use the equity method of accounting for our investment in the common shares. We account for the warrants as derivatives and recognize changes in the warrants fair value as interest and other income on our Consolidated Statements of Operations. The fair value of the warrants as of September 30, 2009 totaled \$2,676. We recognized \$969 in income for the three and nine months ended September 30, 2009 resulting from an increase in the fair value of the warrants. We recognized equity in the losses of the investee of \$664 in the three months ended September 30, 2009 and \$878 in the nine months ended September 30, 2009.

Table of Contents**7. Debt**

Our debt consisted of the following:

	Maximum Principal Amount at September 30, 2009	Carrying Value at		Stated Interest Rates at September 30, 2009	Scheduled Maturity Dates at September 30, 2009
		September 30, 2009	December 31, 2008		
<b>Mortgage and other loans payable:</b>					
Revolving Credit Facility	\$ 600,000	\$ 228,000	\$ 392,500	LIBOR + 0.75% to 1.25% (1)	September 30, 2011 (2)
<b>Mortgage and Other Secured Loans</b>					
Fixed rate mortgage loans (3)	N/A	1,182,216	967,617	5.20% - 7.94% (4)	2010 - 2034 (5)
Revolving Construction Facility	225,000	43,612	81,267	LIBOR + 1.60% to 2.00% (6)	May 2, 2011 (2)
Other variable rate secured loans	N/A	271,273	221,400	LIBOR + 2.25% to 3.00% (7)	2012-2014 (2)
Other construction loan facilities	23,400	16,753	40,589	LIBOR + 2.75% (8)	2011 (2)
Total mortgage and other secured loans		1,513,854	1,310,873		
<b>Note payable</b>					
Unsecured seller note	N/A	750	750	5.95%	2016
Total mortgage and other loans payable		1,742,604	1,704,123		
3.5% Exchangeable Senior Notes	N/A	155,248	152,628	3.50%	September 2026 (9)
Total debt		\$ 1,897,852	\$ 1,856,751		

(1) The interest rate on the Revolving Credit Facility was 1.07% at September 30, 2009.

(2) Includes loans that may be extended for a one-year period at our option, subject to certain conditions.

(3) Several of the fixed rate mortgages carry interest rates that were above or below market rates upon assumption and therefore were recorded at their fair value based on applicable effective interest rates. The carrying values of these loans reflect unamortized premiums totaling \$401 at September 30, 2009 and \$501 at December 31, 2008.

(4) The weighted average interest rate on these loans was 6.01% at September 30, 2009.

(5) A loan with a balance of \$4,681 at September 30, 2009 that matures in 2034 may be repaid in March 2014, subject to certain conditions.

(6) The weighted average interest rate on this loan was 1.87% at September 30, 2009.

(7) The loans in this category at September 30, 2009 are subject to floor interest rates ranging from 4.25% to 5.5%.

(8) The interest rate on this loan was 3.01% at September 30, 2009.

(9) As described further in our Current Report on Form 8-K filed on June 2, 2009, the notes have an exchange settlement feature that provides that they may, under certain circumstances, be exchangeable for cash (up to the principal amount of the notes) and, with respect to any excess exchange value, may be exchangeable into (at our option) cash, our common shares or a combination of cash and our common shares at an exchange rate (subject to adjustment) of 18.8834 shares per one thousand dollar principal amount of the notes (exchange rate is as of September 30, 2009 and is equivalent to an exchange price of \$52.96 per common share). The carrying value of these notes included a principal amount of \$162,500 and an unamortized discount totaling \$7,252 at September 30, 2009 and \$9,872 at December 31, 2008. The effective interest rate under the notes, including amortization of the discount, was 5.97%. The table below sets forth interest expense recognized on these notes before deductions for amounts capitalized:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Interest expense at stated interest rate	\$ 1,421	\$ 1,750	\$ 4,265	\$ 5,250
Interest expense associated with amortization of discount	886	1,027	2,620	3,038
<b>Total</b>	<b>\$ 2,307</b>	<b>\$ 2,777</b>	<b>\$ 6,885</b>	<b>\$ 8,288</b>

We capitalized interest costs of \$3,121 in the three months ended September 30, 2009, \$4,646 in the three months ended September 30, 2008, \$11,605 in the nine months ended September 30, 2009 and \$13,944 in the nine months ended September 30, 2008.

The following table sets forth information pertaining to the fair value of our debt:



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	September 30, 2009		December 31, 2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Fixed-rate debt	\$ 1,338,214	\$ 1,251,893	\$ 1,120,995	\$ 1,010,127
Variable-rate debt	559,638	537,646	735,756	702,092
	\$ 1,897,852	\$ 1,789,539	\$ 1,856,751	\$ 1,712,219

**8. Interest Rate Derivatives**

We are exposed to certain risks arising from changes in market conditions relating to interest rates. We use interest rate derivatives to assist in managing our exposure to these changes in market conditions by managing differences in the amount, timing, and duration of our known or expected cash payments related to our borrowings.

Our primary objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for our making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During 2009, these derivatives were used to hedge the variable cash flows associated with both existing and future variable-rate debt. We defer the effective portion of the changes in fair value of the designated cash flow hedges to accumulated other comprehensive loss ( AOCL ) and reclassify such deferrals to interest expense as interest expense is recognized on the hedged forecasted transactions. We recognize the ineffective portion of the change in fair value of interest rate derivatives directly in interest expense. We do not use interest rate derivatives for trading or speculative purposes and do not have any interest rate derivatives that were not designated as hedges as of September 30, 2009.

As of September 30, 2009, we had four outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk with an aggregate notional value of \$370,000. All four derivative instruments were interest rate swaps. Under one of these interest rate derivatives, we are hedging our exposure to the variability in future cash flows for forecasted transactions over the period ending January 1, 2010. The table below sets forth the fair value of our interest rate derivatives as well as their classification on our Consolidated Balance Sheet as of September 30, 2009:

Derivatives Designated as Hedging Instruments	September 30, 2009	
	Balance Sheet Location	Fair Value
Interest Rate Swaps	Other liabilities	(2,147)

The table below presents the effect of our interest rate derivatives on our Consolidated Statements of Operations and comprehensive income for the three and nine months ended September 30, 2009:

	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2009
Amount of loss recognized in AOCL (effective portion)	(2,771)	(2,494)
Amount of loss reclassified from AOCL into interest expense (effective portion)	(1,555)	(5,501)

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Amount of loss recognized in interest expense (ineffective portion and amount excluded from effectiveness testing)	(39)	(267)
--------------------------------------------------------------------------------------------------------------------	------	-------

Over the next 12 months, we estimate that approximately \$3,262 will be reclassified from AOCL as an increase to interest expense.

We have agreements with each of our interest rate derivative counterparties that contain provisions under which if we default or are capable of being declared in default on any of our indebtedness, we could also be declared in default on our derivative obligations. These agreements also incorporate the loan covenant provisions of our indebtedness with a lender affiliate of the derivative counterparties. Failure to comply with the loan covenant provisions would result in our being in default on any derivative instrument obligations covered by the agreements. As of September 30, 2009, the fair value of interest rate derivatives in a liability position related to these agreements

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was \$2,147, excluding the effects of accrued interest. As of September 30, 2009, we had not posted any collateral related to these agreements. We are not in default with any of these provisions. If we breached any of these provisions, we would be required to settle our obligations under the agreements at their termination value of \$2,519.

**9. Shareholders Equity****Common Shares**

In April 2009, we issued 2.99 million common shares in an underwritten public offering made in conjunction with our inclusion in the S&P MidCap 400 Index effective April 1, 2009. The shares were issued at a public offering price of \$24.35 per share for net proceeds of \$72,078 after underwriting discounts but before offering expenses.

During the nine months ended September 30, 2009, we converted 2,824,000 common units in our Operating Partnership into common shares on the basis of one common share for each common unit.

See Note 13 for disclosure of common share activity pertaining to our share-based compensation plans.

**Accumulated Other Comprehensive Loss**

The table below sets forth activity in the accumulated other comprehensive loss component of shareholders equity:

	<b>For the Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
Beginning balance	\$ (4,749)	\$ (2,372)
Amount of loss recognized in AOCL (effective portion)	(2,494)	(1,249)
Amount of loss reclassified from AOCL to income	5,501	2,097
Adjustment to AOCL attributable to noncontrolling interests	(549)	(152)
Ending balance	\$ (2,291)	\$ (1,676)

The table below sets forth total comprehensive income and total comprehensive income attributable to COPT:

**For the Three Months**

**For the Nine Months**

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	Ended September 30,		Ended September 30,	
	2009	2008	2009	2008
Net income	\$ 15,536	\$ 13,788	\$ 51,753	\$ 39,879
Amount of (loss) gain recognized in AOCL (effective portion)	(2,771)	201	(2,494)	(1,249)
Amount of loss reclassified from AOCL to income	1,555	931	5,501	2,097
Total comprehensive income	14,320	14,920	54,760	40,727
Net income attributable to noncontrolling interests	(1,081)	(1,542)	(4,512)	(4,757)
Other comprehensive loss (income) attributable to noncontrolling interests	102	(171)	(314)	(127)
Total comprehensive income attributable to COPT	\$ 13,341	\$ 13,207	\$ 49,934	\$ 35,843

Table of Contents**10. Dividends and Distributions**

The following table summarizes our dividends and distributions when either the payable dates or record dates occurred during the nine months ended September 30, 2009:

	<b>Record Date</b>	<b>Payable Date</b>		<b>Dividend/ Distribution Per Share/Unit</b>
<b>Series G Preferred Shares:</b>				
Fourth Quarter 2008	December 31, 2008	January 15, 2009	\$	0.5000
First Quarter 2009	March 31, 2009	April 15, 2009	\$	0.5000
Second Quarter 2009	June 30, 2009	July 15, 2009	\$	0.5000
Third Quarter 2009	September 30, 2009	October 15, 2009	\$	0.5000
<b>Series H Preferred Shares:</b>				
Fourth Quarter 2008	December 31, 2008	January 15, 2009	\$	0.4688
First Quarter 2009	March 31, 2009	April 15, 2009	\$	0.4688
Second Quarter 2009	June 30, 2009	July 15, 2009	\$	0.4688
Third Quarter 2009	September 30, 2009	October 15, 2009	\$	0.4688
<b>Series J Preferred Shares:</b>				
Fourth Quarter 2008	December 31, 2008	January 15, 2009	\$	0.4766
First Quarter 2009	March 31, 2009	April 15, 2009	\$	0.4766
Second Quarter 2009	June 30, 2009	July 15, 2009	\$	0.4766
Third Quarter 2009	September 30, 2009	October 15, 2009	\$	0.4766
<b>Series K Preferred Shares:</b>				
Fourth Quarter 2008	December 31, 2008	January 15, 2009	\$	0.7000
First Quarter 2009	March 31, 2009	April 15, 2009	\$	0.7000
Second Quarter 2009	June 30, 2009	July 15, 2009	\$	0.7000
Third Quarter 2009	September 30, 2009	October 15, 2009	\$	0.7000
<b>Common Shares:</b>				
Fourth Quarter 2008	December 31, 2008	January 15, 2009	\$	0.3725
First Quarter 2009	March 31, 2009	April 15, 2009	\$	0.3725
Second Quarter 2009	June 30, 2009	July 15, 2009	\$	0.3725
Third Quarter 2009	September 30, 2009	October 15, 2009	\$	0.3925
<b>Series I Preferred Units:</b>				
Fourth Quarter 2008	December 31, 2008	January 15, 2009	\$	0.4688
First Quarter 2009	March 31, 2009	April 15, 2009	\$	0.4688
Second Quarter 2009	June 30, 2009	July 15, 2009	\$	0.4688
Third Quarter 2009	September 30, 2009	October 15, 2009	\$	0.4688
<b>Common Units:</b>				
Fourth Quarter 2008	December 31, 2008	January 15, 2009	\$	0.3725
First Quarter 2009	March 31, 2009	April 15, 2009	\$	0.3725
Second Quarter 2009	June 30, 2009	July 15, 2009	\$	0.3725
Third Quarter 2009	September 30, 2009	October 15, 2009	\$	0.3925



Table of Contents**11. Supplemental Information to Statements of Cash Flows**

	<b>For the Nine Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Supplemental schedule of non-cash investing and financing activities:</b>		
Increase (decrease) in accrued capital improvements, leasing, and acquisition costs	\$ 6,297	\$ (14,326)
Consolidation of real estate joint venture:		
Real estate assets	\$	\$ 14,208
Prepaid and other assets		(10,859)
Noncontrolling interests		(3,349)
Net adjustment	\$	\$
Increase in fair value of derivatives applied to AOCL and noncontrolling interests	\$ 2,962	\$ 802
Dividends/distribution payable	\$ 28,411	\$ 25,774

Table of Contents**12. Information by Business Segment**

As of September 30, 2009, we had nine primary office property segments: Baltimore/Washington Corridor; Northern Virginia; Suburban Baltimore; Colorado Springs; Suburban Maryland; Greater Philadelphia; St. Mary's and King George Counties; San Antonio; and Central New Jersey.

The table below reports segment financial information. Our segment entitled "Other" includes assets and operations not specifically associated with the other defined segments, including corporate assets and investments in unconsolidated entities. We measure the performance of our segments based on total revenues less property operating expenses, a measure we define as net operating income ("NOI"). We believe that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of the core operations that is unaffected by depreciation, amortization, financing and general and administrative expenses; this measure is particularly useful in our opinion in evaluating the performance of geographic segments, same-office property groupings and individual properties.

	Baltimore/ Washington Corridor	Northern Virginia	Suburban Baltimore	Colorado Springs	Suburban Maryland	Greater Philadelphia	St. Mary's & King George Counties	San Antonio	Central New Jersey	Intersegment Other	Elimination	Total
Three Months Ended September 30, 2009												
Revenues	\$ 49,568	\$ 19,158	\$ 14,540	\$ 6,275	\$ 4,754	\$ 1,343	\$ 3,545	\$ 3,269	\$ 601	\$ 2,731	\$ (941)	\$ 104,843
Property operating expenses	17,837	7,451	5,784	1,796	2,067	574	865	1,231	43	955	(20)	38,583
NOI	\$ 31,731	\$ 11,707	\$ 8,756	\$ 4,479	\$ 2,687	\$ 769	\$ 2,680	\$ 2,038	\$ 558	\$ 1,776	\$ (921)	\$ 66,260
Additions to properties, net	\$ 12,513	\$ 2,883	\$ 5,394	\$ 2,179	\$ 696	\$ (139)	\$ 1,054	\$ 11,535	\$ 2	\$ (1,800)	\$ (6)	\$ 34,311
Three Months Ended September 30, 2008												
Revenues	\$ 46,139	\$ 19,523	\$ 13,912	\$ 5,612	\$ 4,966	\$ 2,507	\$ 3,328	\$ 2,641	\$ 591	\$ 2,772	\$ (902)	\$ 101,089
Property operating expenses	16,463	7,518	5,994	1,859	1,998	43	857	696	58	787	(407)	35,866
NOI	\$ 29,676	\$ 12,005	\$ 7,918	\$ 3,753	\$ 2,968	\$ 2,464	\$ 2,471	\$ 1,945	\$ 533	\$ 1,985	\$ (495)	\$ 65,223
Additions to properties, net	\$ 8,521	\$ 2,121	\$ 3,993	\$ 9,131	\$ 9,683	\$ 428	\$ 904	\$ 11,333	\$	\$ 8,744	\$ (16)	\$ 54,842
Nine Months												



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Ended September 30, 2009													
Revenues	\$ 148,691	\$ 60,728	\$ 42,161	\$ 16,956	\$ 14,970	\$ 6,356	\$ 10,433	\$ 9,761	\$ 1,823	\$ 8,326	\$ (2,800)	\$ 317,405	
Property operating expenses	53,973	22,823	18,304	4,827	6,156	673	2,529	3,031	126	2,621	(285)	114,778	
NOI	\$ 94,718	\$ 37,905	\$ 23,857	\$ 12,129	\$ 8,814	\$ 5,683	\$ 7,904	\$ 6,730	\$ 1,697	\$ 5,705	\$ (2,515)	\$ 202,627	
Additions to properties, net	\$ 47,500	\$ 5,251	\$ 14,297	\$ 20,246	\$ 18,455	\$ 4,272	\$ 1,579	\$ 30,912	\$ 13	\$ 6,816	\$ (20)	\$ 149,321	
Segment assets at September 30, 2009	\$ 1,288,844	\$ 454,116	\$ 440,194	\$ 269,495	\$ 179,393	\$ 100,129	\$ 94,986	\$ 127,573	\$ 20,588	\$ 256,324	\$ (995)	\$ 3,230,647	
Nine Months Ended September 30, 2008													
Revenues	\$ 138,142	\$ 57,454	\$ 41,324	\$ 14,475	\$ 14,457	\$ 7,519	\$ 9,622	\$ 6,548	\$ 1,929	\$ 7,609	\$ (2,687)	\$ 296,392	
Property operating expenses	48,364	21,757	18,008	5,179	5,249	147	2,346	1,572	305	2,600	(964)	104,563	
NOI	\$ 89,778	\$ 35,697	\$ 23,316	\$ 9,296	\$ 9,208	\$ 7,372	\$ 7,276	\$ 4,976	\$ 1,624	\$ 5,009	\$ (1,723)	\$ 191,829	
Additions to properties, net	\$ 62,802	\$ 3,850	\$ 11,730	\$ 62,662	\$ 31,779	\$ 1,040	\$ 2,140	\$ 29,581	\$ 43	\$ 11,033	\$ (45)	\$ 216,615	
Segment assets at September 30, 2008	\$ 1,249,995	\$ 466,793	\$ 441,058	\$ 244,656	\$ 149,520	\$ 95,004	\$ 95,124	\$ 90,841	\$ 21,929	\$ 246,892	\$ (981)	\$ 3,100,831	

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The following table reconciles our segment revenues to total revenues as reported on our Consolidated Statements of Operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Segment revenues	\$ 104,843	\$ 101,089	\$ 317,405	\$ 296,392
Construction contract revenues	94,962	89,653	272,254	121,688
Other service operations revenues	359	349	1,280	1,352
Less: Revenues from discontinued real estate operations (Note 15)		(3)		(358)
Total revenues	\$ 200,164	\$ 191,088	\$ 590,939	\$ 419,074

The following table reconciles our segment property operating expenses to property operating expenses as reported on our Consolidated Statements of Operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Segment property operating expenses	\$ 38,583	\$ 35,866	\$ 114,778	\$ 104,563
Less: Property operating expenses from discontinued real estate operations (Note 15)		(12)		(210)
Total property operating expenses	\$ 38,583	\$ 35,854	\$ 114,778	\$ 104,353

As previously discussed, we own 100% of a number of entities that provide real estate services such as property management, construction and development and heating and air conditioning services primarily for our properties but also for third parties. The revenues and costs associated with these services include subcontracted costs that are reimbursed to us by the customer at no mark up. As a result, the operating margins from these operations are small relative to the revenue. We use the net of such revenues and expenses to evaluate the performance of our service operations since we view such service operations to be an ancillary component of our overall operations that we expect to continue to be a small contributor to our operating income relative to our real estate operations. The table below sets forth the computation of our income from service operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
Construction contract revenues	\$ 94,962	\$ 89,653	\$ 272,254	\$ 121,688
Other service operations revenues	359	349	1,280	1,352
Construction contract expenses	(93,450)	(87,111)	(266,995)	(118,488)
Other service operations expenses	(355)	(546)	(1,294)	(1,602)
Income from service operations	\$ 1,516	\$ 2,345	\$ 5,245	\$ 2,950

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The following table reconciles our NOI for reportable segments to income from continuing operations as reported on our Consolidated Statements of Operations:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2008	2009	2008
NOI for reportable segments	\$ 66,260	\$ 65,223	\$ 202,627	\$ 191,829
Income from service operations	1,516	2,345	5,245	2,950
Interest and other income	2,619	559	4,949	924
Equity in loss of unconsolidated entities	(758)	(57)	(1,075)	(167)