

CORPORATE OFFICE PROPERTIES TRUST  
Form 10-Q  
April 30, 2010  
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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 March 31, 2010**

**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 April 16, 2010, 58,929,245 of the Company's Common Shares of Beneficial Interest, \$0.01 par value, were issued and outstanding.

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(Dollars in thousands)

(unaudited)

	March 31, 2010	December 31, 2009
<b>Assets</b>		
Properties, net:		
Operating properties, net	\$ 2,493,891	\$ 2,510,277
Properties held for sale, net	18,546	18,533
Projects under construction or development	552,525	501,090
Total properties, net	3,064,962	3,029,900
Cash and cash equivalents	10,180	8,262
Restricted cash and marketable securities	18,981	16,549
Accounts receivable, net	13,982	17,459
Deferred rent receivable	74,113	71,805
Intangible assets on real estate acquisitions, net	94,925	100,671
Deferred charges, net	52,797	53,421
Prepaid expenses and other assets	68,412	81,955
<b>Total assets</b>	<b>\$ 3,398,352</b>	<b>\$ 3,380,022</b>
<b>Liabilities and equity</b>		
Liabilities:		
Mortgage and other loans payable, net	\$ 1,950,070	\$ 1,897,694
3.5% Exchangeable Senior Notes, net	157,061	156,147
Accounts payable and accrued expenses	86,650	116,455
Rents received in advance and security deposits	32,575	32,177
Dividends and distributions payable	28,556	28,440
Deferred revenue associated with operating leases	13,827	14,938
Distributions in excess of investment in unconsolidated real estate joint venture	5,238	5,088
Other liabilities	13,836	8,451
Total liabilities	2,287,813	2,259,390
Commitments and contingencies (Note 15)		
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 March 31, 2010 and December 31, 2009)	81	81
Common Shares of beneficial interest (\$0.01 par value; 75,000,000 shares authorized, shares issued and outstanding of 58,927,117 at March 31, 2010 and 58,342,673 at December 31, 2009)	589	583
Additional paid-in capital	1,244,046	1,238,704
Cumulative distributions in excess of net income	(227,189)	(209,941)

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Accumulated other comprehensive loss	(3,278)	(1,907)
Total Corporate Office Properties Trust s shareholders equity	1,014,249	1,027,520
Noncontrolling interests in subsidiaries:		
Common units in the Operating Partnership	68,113	73,892
Preferred units in the Operating Partnership	8,800	8,800
Other consolidated real estate joint ventures	19,377	10,420
Noncontrolling interests in subsidiaries	96,290	93,112
Total equity	1,110,539	1,120,632
<b>Total liabilities and equity</b>	\$ 3,398,352	\$ 3,380,022

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)**

	<b>For the Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Revenues</b>		
Rental revenue	\$ 91,010	\$ 88,845
Tenant recoveries and other real estate operations revenue	21,218	17,263
Construction contract and other service revenues	37,365	74,889
<b>Total revenues</b>	<b>149,593</b>	<b>180,997</b>
<b>Expenses</b>		
Property operating expenses	48,135	38,964
Depreciation and amortization associated with real estate operations	27,596	26,277
Construction contract and other service expenses	36,399	73,323
General and administrative expenses	5,900	5,543
Business development expenses	155	646
<b>Total operating expenses</b>	<b>118,185</b>	<b>144,753</b>
<b>Operating income</b>	<b>31,408</b>	<b>36,244</b>
Interest expense	(22,638)	(19,363)
Interest and other income	1,302	1,078
Income from continuing operations before equity in loss of unconsolidated entities and income taxes	10,072	17,959
Equity in loss of unconsolidated entities	(205)	(115)
Income tax expense	(41)	(70)
<b>Income from continuing operations</b>	<b>9,826</b>	<b>17,774</b>
Discontinued operations	832	392
Income before gain on sales of real estate	10,658	18,166
Gain on sales of real estate, net of income taxes	17	
<b>Net income</b>	<b>10,675</b>	<b>18,166</b>
Less net income attributable to noncontrolling interests:		
Common units in the Operating Partnership	(527)	(1,804)
Preferred units in the Operating Partnership	(165)	(165)
Other	(45)	(50)
<b>Net income attributable to Corporate Office Properties Trust</b>	<b>9,938</b>	<b>16,147</b>
Preferred share dividends	(4,025)	(4,025)
<b>Net income attributable to Corporate Office Properties Trust common shareholders</b>	<b>\$ 5,913</b>	<b>\$ 12,122</b>
<b>Net income attributable to Corporate Office Properties Trust:</b>		
Income from continuing operations	\$ 9,174	\$ 15,804
Discontinued operations, net	764	343
<b>Net income attributable to Corporate Office Properties Trust</b>	<b>\$ 9,938</b>	<b>\$ 16,147</b>
<b>Basic earnings per common share (1)</b>		
Income from continuing operations	\$ 0.08	\$ 0.22
Discontinued operations	0.02	0.01
<b>Net income attributable to COPT common shareholders</b>	<b>\$ 0.10</b>	<b>\$ 0.23</b>
<b>Diluted earnings per common share (1)</b>		
Income from continuing operations	\$ 0.08	\$ 0.22
Discontinued operations	0.02	0.01

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Net income attributable to COPT common shareholders	\$	0.10	\$	0.23
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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	Total
Balance at December 31, 2009 (58,342,673 common shares outstanding)	\$ 81	\$ 583	\$ 1,238,704	\$ (209,941)	\$ (1,907)	\$ 93,112	\$ 1,120,632
Conversion of common units to common shares (309,497 shares)		3	4,512			(4,515)	
Costs associated with common shares issued to the public			(18)				(18)
Exercise of share options (128,461 shares)		1	2,055				2,056
Share-based compensation		2	2,609				2,611
Restricted common share redemptions (96,970 shares)			(3,610)				(3,610)
Adjustments to noncontrolling interests resulting from changes in ownership of Operating Partnership by COPT			(180)			180	
Adjustments related to derivatives designated as cash flow hedges					(1,371)	(103)	(1,474)
Net income				9,938		737	10,675
Dividends				(27,186)			(27,186)
Distributions to owners of common and preferred units in the Operating Partnership						(2,032)	(2,032)
Contributions from noncontrolling interests in other consolidated real estate joint ventures						9,247	9,247
Distributions to noncontrolling interests in other consolidated real estate joint ventures			(26)			(336)	(362)
Balance at March 31, 2010 (58,927,117 common shares outstanding)	\$ 81	\$ 589	\$ 1,244,046	\$ (227,189)	\$ (3,278)	\$ 96,290	\$ 1,110,539
Balance at December 31, 2008 (51,790,442 common shares outstanding)	\$ 81	\$ 518	\$ 1,112,734	\$ (162,572)			