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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2001

or

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

For the transition period from _____ to _____

Commission file number 0-20047

CORPORATE OFFICE PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

MARYLAND

23-2947217

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

8815 CENTRE PARK DRIVE, SUITE 400, COLUMBIA MD

21045

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (410) 730-9092

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

On November 8, 2001, 20,779,981 shares of the Company's Common Shares of Beneficial Interest, \$0.01 par value, were issued.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CORPORATE OFFICE PROPERTIES TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	September 30, 2001	December 31, 2000
	----- (unaudited)	-----
<S>	<C>	<C>
ASSETS		
Investment in real estate:		
Operating properties, net	\$ 793,902	\$ 711,413
Projects under construction or development	57,367	36,558
	-----	-----
Total commercial real estate properties, net	851,269	747,971
Investments in and advances to unconsolidated real estate joint ventures	8,005	3,616
	-----	-----
Investment in real estate, net	859,274	751,587
Cash and cash equivalents	7,881	4,981
Restricted cash	4,116	2,703
Accounts receivable, net	4,720	3,245
Investment in and advances to other unconsolidated entities	1,939	6,124
Deferred rent receivable	10,511	8,644
Deferred charges, net	16,561	12,905
Prepaid and other assets	8,145	4,501
Furniture, fixtures and equipment, net	1,699	147
	-----	-----
TOTAL ASSETS	\$ 914,846	\$ 794,837
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgage and other loans payable	\$ 508,715	\$ 474,349
Accounts payable and accrued expenses	8,923	10,227
Rents received in advance and security deposits	4,319	3,883
Dividends and distributions payable	8,346	7,090
Fair value of derivatives	3,894	--
Other liabilities	11,082	--
	-----	-----
Total liabilities	545,279	495,549
	-----	-----
Minority interests:		
Preferred Units in the Operating Partnership	24,367	24,367
Common Units in the Operating Partnership	80,720	81,069
Other consolidated partnerships	231	124
	-----	-----
Total minority interests	105,318	105,560
	-----	-----
Commitments and contingencies (Note 14)		
Shareholders' equity:		
Preferred Shares (\$0.01 par value; 5,000,000 shares authorized);		
40,693 designated as Series A Convertible Preferred Shares of beneficial interest (1 share issued)	--	--
1,725,000 designated as Series B Cumulative Redeemable Preferred Shares of beneficial interest (1,250,000 shares issued with an aggregate liquidation preference of \$31,250)	13	12
544,000 designated as Series D Cumulative Redeemable Preferred Shares of beneficial interest (544,000 shares issued with an aggregate liquidation preference of \$13,600 at September 30, 2001)	5	--
1,265,000 designated as Series E Cumulative Redeemable Preferred Shares of beneficial interest (1,150,000 shares issued with an aggregate liquidation preference of \$28,750 at September 30, 2001)	11	--
1,425,000 designated as Series F Cumulative Redeemable Preferred Shares of beneficial interest (1,425,000 shares issued with a		

liquidation preference of \$35,625 at September 30, 2001)	14	--
Common Shares of beneficial interest (\$0.01 par value; 45,000,000 shares authorized, shares issued of 20,756,647 at September 30, 2001 and 20,575,936 at December 31, 2000)		
Additional paid-in capital	208	206
Cumulative dividends in excess of net income	284,834	209,388
Value of unearned restricted Common Share grants	(13,618)	(11,064)
Treasury Shares, at cost (166,600 shares)	(3,229)	(3,399)
Accumulated other comprehensive loss	(1,415)	(1,415)
	(2,574)	--
Total shareholders' equity	264,249	193,728
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 914,846	\$ 794,837

</TABLE>

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>
<CAPTION>

ended,	For the three months ended,		For the nine months	
30,	September 30,		September	
	2001	2000	2001	
-----	-----	-----	-----	-
2000				

<S>	<C>	<C>	<C>	
<C>				
Real Estate Operations:				
Revenues				
Rental revenue	\$ 29,011	\$ 23,980	\$ 80,590	\$
69,040				
Tenant recoveries and other revenue	3,754	4,059	10,787	
11,277				
-----	-----	-----	-----	-
Revenue from real estate operations	32,765	28,039	91,377	
80,317				
-----	-----	-----	-----	-
Expenses				
Property operating	9,656	8,050	26,680	
23,095				
Interest	8,342	7,850	24,298	
22,188				
Amortization of deferred financing costs	397	349	1,326	
966				
Depreciation and other amortization	5,252	4,295	15,109	
12,475				
-----	-----	-----	-----	-
Expenses from real estate operations	23,647	20,544	67,413	
58,724				
-----	-----	-----	-----	-
Earnings from real estate operations before equity in income of unconsolidated real estate joint ventures	9,118	7,495	23,964	
21,593				
Equity in income of unconsolidated real estate joint ventures	27	--	181	
--				
-----	-----	-----	-----	-
Earnings from real estate operations	9,145	7,495	24,145	
21,593				
-----	-----	-----	-----	-
Service operations:				
Revenues	862	--	3,038	
--				
Expenses	(1,138)	--	(3,382)	
--				
Equity in loss of unconsolidated Service Companies	(102)	(111)	(220)	
(112)				
-----	-----	-----	-----	-

Losses from service operations (112)	(378)	(111)	(564)	
-----	-----	-----	-----	-
General and administrative expense (3,827)	(1,347)	(1,319)	(4,122)	
-----	-----	-----	-----	-
Income before gain on sales of properties, minority interests, income taxes, extraordinary item and cumulative effect of accounting change 17,654	7,420	6,065	19,459	
Gain on sales of properties 57	--	--	1,596	
-----	-----	-----	-----	-
Income before minority interests, income taxes, extraordinary item and cumulative effect of accounting change 17,711	7,420	6,065	21,055	
Minority interests:				
Common Units in the Operating Partnership (4,867)	(1,700)	(1,732)	(5,072)	
Preferred Units in the Operating Partnership (1,668)	(572)	(572)	(1,716)	
Other consolidated entities (17)	(7)	(6)	(61)	
-----	-----	-----	-----	-
Income before income taxes, extraordinary item and cumulative effect of accounting change 11,159	5,141	3,755	14,206	
Income tax benefit, net of minority interests --	81	--	133	
-----	-----	-----	-----	-
Income before extraordinary item and cumulative effect of accounting change 11,159	5,222	3,755	14,339	
Extraordinary item-loss on early retirement of debt, net of minority interests (112)	--	(70)	(136)	
-----	-----	-----	-----	-
Income before cumulative effect of accounting change 11,047	5,222	3,685	14,203	
Cumulative effect of accounting change, net of minority interests --	--	--	(174)	
-----	-----	-----	-----	-
NET INCOME 11,047	5,222	3,685	14,029	
Preferred Share dividends (3,020)	(1,830)	(781)	(4,324)	
-----	-----	-----	-----	-
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS 8,027	\$ 3,392	\$ 2,904	\$ 9,705	\$
=====	=====	=====	=====	
=====				
BASIC EARNINGS PER COMMON SHARE				
Income before extraordinary item and cumulative effect of accounting change 0.44	\$ 0.17	\$ 0.15	\$ 0.50	\$
Extraordinary item --	--	--	(0.01)	
Cumulative effect of accounting change --	--	--	(0.01)	
-----	-----	-----	-----	-
Net income 0.44	\$ 0.17	\$ 0.15	0.48	\$
-----	-----	-----	-----	-
DILUTED EARNINGS PER COMMON SHARE				
Income before extraordinary item and cumulative effect of accounting change 0.43	\$ 0.16	\$ 0.15	\$ 0.48	\$
Extraordinary item (0.01)	--	(0.01)	--	
Cumulative effect of accounting change --	--	--	(0.01)	
-----	-----	-----	-----	-

Net income	\$ 0.16	\$ 0.14	\$ 0.47	\$
0.42				

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</TABLE>

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>

<CAPTION>

	For the nine months ended September 30,	
	2001	2000
	-----	-----
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 14,029	\$ 11,047
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interests	6,760	6,513
Depreciation and other amortization	15,109	12,475
Amortization of deferred financing costs	1,326	966
Equity in loss of unconsolidated entities	39	112
Gain on sales of properties	(1,596)	(57)
Extraordinary item - loss on early retirement of debt	206	151
Cumulative effect of accounting change	263	--
Increase in deferred rent receivable	(2,184)	(3,311)
Increase in accounts receivable, restricted cash and prepaid and other assets	(1,822)	(3,394)
Increase in accounts payable, accrued expenses, rents received in advance and security deposits	1,098	2,532
Other	1,130	--
	-----	-----
Net cash provided by operating activities	34,358	27,034
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and additions to commercial real estate properties	(66,604)	(49,120)
Proceeds from sales of rental properties	3,797	602
Investments in and advances to unconsolidated real estate joint ventures	(15,043)	(8,606)
Cash from acquisition of real estate joint venture	688	--
Cash from acquisition of Service Companies	568	--
Investments in and advances to other unconsolidated entities	(564)	(525)
Leasing commissions paid	(2,767)	(5,730)
Advances to certain real estate joint ventures	(1,488)	--
Other	(473)	(2,671)
	-----	-----
Net cash used in investing activities	(81,886)	(66,050)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage and other loans payable	120,960	95,818
Repayments of mortgage and other loans payable	(119,452)	(33,496)
Deferred financing costs paid	(3,439)	(1,212)
Increase in other liabilities	1,472	--
Purchase of Treasury Shares	--	(1,415)
Net proceeds from issuance of Preferred Shares	72,623	--
Net proceeds from issuance of Common Shares	424	265
Net proceeds from issuance of share options	601	171
Dividends paid	(15,427)	(13,493)
Distributions paid	(7,334)	(6,739)
	-----	-----
Net cash provided by financing activities	50,428	39,899
	-----	-----
Net increase in cash and cash equivalents	2,900	883
CASH AND CASH EQUIVALENTS		
Beginning of period	4,981	2,376
	-----	-----
End of period	\$ 7,881	\$ 3,259
	=====	=====

</TABLE>

See accompanying notes to 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)

NOTE 1 ORGANIZATION

Corporate Office Properties Trust ("COPT") and subsidiaries (collectively, the "Company") is a fully integrated and self-managed real estate investment trust ("REIT"). We focus principally on the ownership, management, leasing, acquisition and development of suburban office properties located in select submarkets in the Mid-Atlantic region of the United States. COPT is qualified as a REIT as defined in the Internal Revenue Code and is the successor to a corporation organized in 1988. As of September 30, 2001, our portfolio included 97 office properties, including one owned through a joint venture.

We conduct almost all of our operations principally 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"). The Operating Partnership also owns Corporate Office Management, Inc. ("COMI") (together with its subsidiaries defined as the "Service Companies"). Prior to January 1, 2001, the Operating Partnership owned the principal economic interest in COMI but owned only 1% of COMI's voting stock (see Note 7). A summary of our Operating Partnership's forms of ownership and the percentage of those ownership forms owned by COPT as of September 30, 2001 follows:

	-% Owned by COPT -----
Common Units	66%
Series A Preferred Units	100%
Series B Preferred Units	100%
Series C Preferred Units	0%
Series D Preferred Units	100%
Series E Preferred Units	100%
Series F Preferred Units	100%

NOTE 2 BASIS OF PRESENTATION

These notes to our interim financial statements highlight significant changes to the notes to the financial statements included in our 2000 Annual Report on Form 10-K. As a result, these notes to our interim financial statements should be read together with the financial statements and notes thereto included in our 2000 Annual Report on Form 10-K. The interim financial statements on the previous pages reflect all adjustments which we believe are necessary for the fair presentation of our financial position and results of operations for the interim periods presented. These adjustments are of a normal recurring nature. The results of operations for such interim periods are not necessarily indicative of the results for a full year.

We use three different accounting methods to report our investments in entities: the consolidation method, the equity method and the cost method.

CONSOLIDATION METHOD

We use the consolidation method when we own the majority of the outstanding voting interests in an entity and can control its operations. This means the accounts of the entity are combined with our accounts. We eliminate balances and transactions between companies when we consolidate these accounts. Our consolidated financial statements include the accounts of:

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- o COPT;
- o the Operating Partnership and its subsidiaries; and
- o Corporate Office Properties Holdings, Inc. (we own 100%).

The Service Companies became a consolidated subsidiary of the Operating Partnership effective January 1, 2001 (see Note 7). Prior to that date, we accounted for our investment in the Service Companies using the equity method of accounting (discussed below).

EQUITY METHOD

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. Under the equity method, we report:

- o our ownership interest in the entity's capital as an investment on our Consolidated Balance Sheets and

- o our percentage share of the earnings or losses from the entity in our Consolidated Statements of Operations.

COST METHOD

We use the cost method of accounting when we own an interest in an entity and cannot exert significant influence over the entity's operations. Under the cost method, we report:

- o the cost of our investment in the entity as an investment on our Consolidated Balance Sheets and
- o distributions to us of the entity's earnings in our Consolidated Statements of Operations.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

We make estimates and assumptions when preparing financial statements under generally accepted accounting principles. These estimates and assumptions affect various matters, including:

- o the reported amounts of assets and liabilities in our Consolidated Balance Sheets at the dates of the financial statements;
- o the disclosure of contingent assets and liabilities at the dates of the financial statements; and
- o the reported amounts of revenues and expenses in our Consolidated Statements of Operations during the reporting periods.

These estimates involve judgements with respect to, among other things, future economic factors that are difficult to predict and are often beyond management's control. As a result, actual amounts could differ from these estimates.

ACCOUNTING FOR CERTAIN REAL ESTATE JOINT VENTURES

We contributed parcels of land into two real estate joint ventures. Each of these joint ventures is engaged in the construction of an office building. In exchange for the contributions of land, we received joint venture interests and \$9.6 million in cash. In each case, we have an option to acquire the joint venture partners' interests for a pre-determined purchase price over a limited period of time. We account for our interests in these joint ventures as follows:

- o the costs associated with these land parcels at the time of their respective contributions are reported as projects under construction or development on our Consolidated Balance Sheets;
- o the cash received from these joint ventures in connection with the land contributions is reported as other liabilities on our Consolidated Balance Sheets. These liabilities are being accreted towards the pre-determined purchase price over the period in which we have an option to acquire the joint venture partners' interests. We also report interest expense in connection with the accretion of these liabilities; and

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- o as construction of the buildings on these land parcels is completed and operations commence, we report 100% of the revenues and expenses associated with these properties on our Consolidated Statements of Operations.

We do not report ongoing construction costs and debt activity for these projects relating to periods after the respective land contributions.

DERIVATIVES

We are exposed to the effect of interest rate changes in the normal course of business. We use interest rate swap and interest rate cap agreements to reduce the impact of such interest rate changes. Interest rate differentials that arise under these contracts are recognized in interest expense over the life of the respective contracts. We do not use such derivatives for trading or speculative purposes. We also only enter into contracts with major financial institutions based upon their credit ratings and other risk factors.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." We adopted this standard beginning January 1, 2001. SFAS 133 establishes accounting and reporting standards for derivative financial instruments and for hedging activities. It requires that an entity recognize all derivatives as assets or liabilities in the balance sheet at fair value with the offset to:

- o the accumulated other comprehensive loss component of shareholders' equity ("AOCI"), net of the share attributable to minority interests, for any derivatives designated as cash flow hedges to the extent such derivatives are deemed effective;
- o other revenue or expense on our Statement of Operations for any derivatives

- designated as cash flow hedges to the extent such derivatives are deemed ineffective; or
- o other revenue or expense on our Statement of Operations for any derivatives designated as fair value hedges.

We use standard market conventions and techniques such as discounted cash flow analysis, option pricing models, replacement cost and termination cost in computing the fair value of derivatives at each balance sheet date.

The following table sets forth derivative contracts we had in place as of September 30, 2001 and their respective fair values ("FV"):

<TABLE>
<CAPTION>

Nature of Derivative	Notional Amount (in millions)	One-Month LIBOR base	Effective Date	Expiration Date	FV at 9/30/01
<S>	<C>	<C>	<C>	<C>	<C>
Interest rate cap	\$ 50.0	7.70%	5/25/00	5/31/02	\$ --
Interest rate cap	50.0	7.00%	9/13/00	10/13/01	--
Interest rate cap	25.0	7.00%	10/17/00	10/13/01	--
Interest rate swap	100.0	5.76%	1/2/01	1/2/03	(3,894)
Total					\$(3,894)

</TABLE>

We have designated each of these derivatives as cash flow hedges. At September 30, 2001, the interest rate swap is effective while the interest rate caps are not effective. At adoption on January 1, 2001, we reduced AOCL and minority interests in total by \$246 as a cumulative effect adjustment to recognize the net fair value of our interest rate swap contract on that date. We also recognized an unrealized loss of \$263 (\$174 net of minority interests' portion) on the book value associated with these derivatives at January 1, 2001; this loss is reported as a cumulative effect of an accounting change on our Consolidated Statements of Operations.

During the nine months ended September 30, 2001, we reduced AOCL and minority interests in total by an additional \$3,645 to recognize the decrease in the fair value of the interest rate swap during that period. We also recognized an unrealized loss of \$9 to recognize the change in the fair value of the interest rate caps; this loss is included in tenant recoveries and other revenue on the Consolidated Statements of Operations.

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Over time, the unrealized loss held in AOCL and minority interests associated with our interest rate swap will be reclassified to earnings. Within the next twelve months, we expect to reclassify to earnings an estimated \$3.1 million of the balances held in AOCL and minority interests.

MINORITY INTERESTS

As discussed previously, we consolidate the accounts of our Operating Partnership and its subsidiaries into our financial statements. However, we do not own 100% of the Operating Partnership. Our Operating Partnership also does not own 11% of one of its subsidiary partnerships. In addition, COMI does not own 20% of one of its subsidiaries. The amounts reported for minority interests on our Consolidated Balance Sheets represent the portion of these consolidated entities' equity that we do not own. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of these consolidated entities' net income not allocated to us.

EARNINGS PER SHARE ("EPS")

We present both basic and diluted EPS. We compute basic EPS by dividing income available to common shareholders by the weighted-average number of Common Shares of beneficial interest ("Common Shares") outstanding during the period. Our computation of diluted EPS is similar except that:

- o the denominator is increased to include 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
- o the numerator is adjusted to add back any convertible preferred dividends and any other changes in income or loss that would result from the assumed conversion into Common Shares.

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Our computation of diluted EPS does not assume conversion of securities into our Common Shares if conversion of those securities would increase our diluted EPS in a given period. A summary of the numerator and denominator for purposes of basic and diluted EPS calculations is as follows (dollars and shares in thousands, except per share data):

<TABLE>
<CAPTION>

	Three months ended September 30,		Nine months ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Numerator:				
Net income available to Common Shareholders	\$ 3,392	\$ 2,904	\$ 9,705	\$ 8,027
Add: Cumulative effect of accounting change, net	--	--	174	--
Add: Extraordinary item, net	--	70	136	112

Numerator for basic earnings per share before extraordinary item and cumulative effect of accounting change	3,392	2,974	10,015	8,139
Add: Series D Preferred Share dividends	136	--	372	--
Add: Expense on dilutive options	5	--	--	--

Numerator for diluted earnings per share before extraordinary item and cumulative effect of accounting change	3,533	2,974	10,387	8,139
Less: Extraordinary item, net	--	(70)	(136)	(112)

Numerator for diluted earnings per share for net income before cumulative effect of accounting change	3,533	2,904	10,251	8,027
Less: Cumulative effect of accounting change, net	--	--	(174)	--

Numerator for diluted earnings per share for net income	\$ 3,533	\$ 2,904	\$ 10,077	\$ 8,027
=====				
Denominator (all weighted averages):				
Common Shares - basic	20,141	19,934	20,070	18,439
Assumed conversion of share options	481	239	343	146
Assumed conversion of Common Unit warrants	--	--	--	316
Conversion of Series D Preferred Shares	1,197	--	1,091	--

Denominator for diluted earnings per share	21,819	20,173	21,504	18,901
=====				
Basic earnings per Common Share:				
Income before extraordinary item and cumulative effect of accounting change	\$ 0.17	\$ 0.15	\$ 0.50	\$ 0.44
Extraordinary item	--	--	(0.01)	--
Cumulative effect of accounting change	--	--	(0.01)	--

Net income	\$ 0.17	\$ 0.15	\$ 0.48	\$ 0.44
=====				
Diluted earnings per Common Share:				
Income before extraordinary item and cumulative effect of accounting change	\$ 0.16	\$ 0.15	\$ 0.48	\$ 0.43
Extraordinary item	--	(0.01)	--	(0.01)
Cumulative affect of accounting change	--	--	(0.01)	--

Net income	\$ 0.16	\$ 0.14	\$ 0.47	\$ 0.42
=====				

</TABLE>

Our diluted EPS computation for the three and nine months ended September 30, 2001 only assumes conversion of share options and Series D Cumulative Convertible Redeemable Preferred Shares of beneficial interest (the "Series D Preferred Shares") because conversions of Preferred Units, Series A Convertible Preferred Shares of beneficial interest (the "Series A Preferred Shares") and Common Units would increase diluted EPS in those periods. Our diluted EPS computation for the three months ended September 30, 2000 only assumes conversion of share options and our diluted EPS computation for the nine months ended September 30, 2000 only assumes conversion of share options and Common Unit Warrants because conversions of Series A Convertible Preferred Shares, Preferred Units and Common Units would increase diluted EPS in those periods.

RECLASSIFICATION

We reclassified certain amounts from prior periods to conform to the current period presentation of our consolidated financial statements. These reclassifications did not affect consolidated net income or shareholders' equity.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." ("SFAS 133"). We adopted this standard beginning January 1, 2001. SFAS 133 establishes accounting and reporting standards for derivative financial instruments and for hedging activities. See section above entitled "Derivatives" for further discussion of this pronouncement.

In June 2001, the FASB issued Statements of Financial Accounting Standards No. 141 "Business Combinations" ("SFAS 141") and No. 142 "Goodwill and Other Intangible Assets" ("SFAS 142") which are effective July 1, 2001 and January 1, 2002, respectively. SFAS 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Under SFAS 142, amortization of goodwill, including goodwill recorded in past business combinations, will discontinue upon adoption of this standard. In addition, goodwill recorded as a result of business combinations completed during the six-month period ending December 31, 2001 will not be amortized. All goodwill and intangible assets will be tested for impairment in accordance with the provisions of the Statement. We are currently reviewing the provisions of SFAS 142 and assessing the impact of adoption.

In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 provides new guidance on recognition of impairment losses on long-lived assets to be held and used and broadens the definition of what constitutes a discontinued operation and how the results of discontinued operations are to be measured. SFAS No. 144 is effective January 1, 2002. We are currently reviewing the provisions of this standard and assessing the impact of adoption.

NOTE 4 COMMERCIAL REAL ESTATE PROPERTIES

Operating properties consisted of the following:

	September 30, 2001	December 31, 2000
	-----	-----
Land	\$ 157,789	\$ 140,018
Buildings and improvements	682,474	604,666
	-----	-----
	840,263	744,684
Less: accumulated depreciation	(46,361)	(33,271)
	-----	-----
	\$ 793,902	\$ 711,413
	=====	=====

Projects under construction or development consisted of the following:

	September 30, 2001	December 31, 2000
	-----	-----
Land	\$23,507	\$19,069
Construction in progress	33,860	17,489
	-----	-----
	\$57,367	\$36,558
	=====	=====

2001 ACQUISITIONS

We acquired the following properties during the nine months ended September 30, 2001:

<TABLE>
<CAPTION>

Project Name	Location	Date of Acquisition	Number of Buildings	Total Rentable Square Feet	Initial Cost
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
State Farm Properties (1)	Columbia, MD	5/14/01	3	141,530	\$15,502
Airport Square Partners Properties (2)	Linthicum, MD	7/2/01	5	314,594	33,836
Airport Square I	Linthicum, MD	8/3/01	1	97,161	11,465
Gateway 63 Properties	Columbia, MD	8/30/01	4	187,132	23,827

</TABLE>

(1) Includes a 30,855 square foot office building undergoing redevelopment.

(2) On March 7, 2001, we acquired a 40% interest in Airport Square Partners, LLC. On March 21, 2001, this joint venture acquired five office buildings for \$33,617. We accounted for this investment using the equity method of accounting until July 2, 2001, when we acquired the remaining 60% interest in Airport Square Partners, LLC. The amount reported on the table above is the recorded cost of the five office buildings upon completion of these transactions.

We also acquired two parcels of land located in Oxon Hill, Maryland that are contiguous to one of our existing operating properties for \$469 on July 30, 2001 from an affiliate of Constellation Real Estate, Inc. ("Constellation"). Constellation owned 43% of our Common Shares and controlled two of the nine positions on our Board of Trustees at September 30, 2001.

2001 CONSTRUCTION/DEVELOPMENT

During the nine months ended September 30, 2001, we completed the construction of one office building totaling 78,460 square feet located in Columbia, Maryland.

As of September 30, 2001, we had construction underway on six buildings in the Baltimore/Washington Corridor, including one building which is 52% complete that commenced operations in September 2001.

2001 DISPOSITION

We sold a 65,277 square foot office building located in Cranbury, New Jersey for \$11,525 on June 18, 2001. We realized a gain of \$1,596 on the sale of this property.

NOTE 5 INVESTMENTS IN UNCONSOLIDATED REAL ESTATE JOINT VENTURES

During 2001, we acquired interests in the following newly organized joint ventures:

- o 80% interest in MOR Montpelier LLC, which completed the construction of a 43,785 square foot office building in Columbia, Maryland, on February 1, 2001;
- o 40% interest in Airport Square Partners, LLC, which owns five office buildings in Linthicum, Maryland, on March 7, 2001. We acquired the remaining 60% interest in this joint venture on July 2, 2001, at which time the entity became a consolidated subsidiary (see Note 4);
- o 80% interest in Gateway 70 LLC, which is developing a parcel of land located in Columbia, Maryland, on April 5, 2001;
- o 40% interest in Airport Square XXII, LLC, which is developing a parcel of land located in Linthicum, Maryland, on May 3, 2001; and
- o 80% interest in MOR Forbes LLC, which is constructing a 55,000 square foot office property in Lanham, Maryland, on May 18, 2001.

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Our investment in and advances to unconsolidated real estate joint ventures are accounted for using the equity method of accounting and included the following:

	September 30, 2001	December 31, 2000
	-----	-----
Gateway 67, LLC	\$3,831	\$3,616
Gateway 70 LLC	2,283	--
MOR Montpelier LLC	963	--
MOR Forbes LLC	920	--
Airport Square XXII, LLC	8	--
	-----	-----
	\$8,005	\$3,616
	=====	=====

NOTE 6 ACCOUNTS RECEIVABLE

Our accounts receivable are reported net of an allowance for bad debts of \$201 at September 30, 2001 and \$74 at December 31, 2000.

NOTE 7 INVESTMENT IN AND ADVANCES TO OTHER UNCONSOLIDATED ENTITIES

From September 1998 through December 2000, the Operating Partnership owned 95% of the capital stock in COMI, including 1% of the voting common stock. COMI provided us with asset management, managerial, financial and legal support during that time period. On January 1, 2001, we acquired all of the stock in COMI which we did not previously own for \$26 and all of COMI's employees became employees of the Operating Partnership. We accounted for the acquisition of COMI using the purchase method of accounting. We also elected to have COMI treated as a taxable REIT subsidiary ("TRS") under the REIT Modernization Act effective January 1, 2001.

We accounted for our investment in COMI and its subsidiaries using the equity method of accounting through December 31, 2000. Since we own all of the voting interests in COMI and control its operations effective January 1, 2001, we began consolidating the accounts of COMI and its subsidiaries with our accounts on that date.

On February 28, 2001, we acquired a 7.7% interest in Paragon Smart Technologies, LLC ("Paragon"), an entity that provides a wide range of computer consulting services to businesses. Paragon also provides broadband Internet access and companion services to commercial real estate owners in the Baltimore/Washington Corridor. We account for our investment in Paragon using the equity method of accounting.

Our investment in and advances to other unconsolidated entities included the following:

	September 30, 2001	December 31, 2000
	-----	-----
Investment in MediTract, LLC	\$1,621	\$1,621
Investment in Paragon	318	--
Total investment in the Service Companies	--	4,503(1)
	-----	-----
	\$1,939	\$6,124
	=====	=====

(1) Our total investment in the Service Companies at December 31, 2000 included a \$2,005 note receivable and \$2,001 in advances receivable.

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NOTE 8 DEFERRED CHARGES

Deferred charges consisted of the following:

	September 30, 2001	December 31, 2000
	-----	-----
Deferred leasing costs	\$ 12,524	\$ 10,800
Deferred financing costs	9,051	6,108
Deferred other	1,975	--
	-----	-----
	23,550	16,908
Accumulated amortization	(6,989)	(4,003)
	-----	-----
Deferred charges, net	\$ 16,561	\$ 12,905
	=====	=====

NOTE 9 SHAREHOLDERS' EQUITY

In January 2001, we issued 544,000 Series D Preferred Shares to a foreign trust at a price of \$22.00 per share for proceeds totaling \$11,968. These shares are nonvoting and are redeemable for cash at \$25.00 per share at our option on or after January 25, 2006. These shares are also convertible by the holder on or after January 1, 2004 into Common Shares on the basis of 2.2 Common Shares for each Series D Preferred Share. Holders of these shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$1.00 per share, which is equal to 4% of the \$25.00 per share redemption price. We contributed the net proceeds to our Operating Partnership in exchange for 544,000 Series D Preferred Units. The Series D Preferred Units carry terms that are substantially the same as the Series D Preferred Shares.

In April 2001, we completed the sale of 1,150,000 Series E Cumulative Redeemable Preferred Shares of beneficial interest (the "Series E Preferred Shares") to the public at a price of \$25.00 per share. These shares are nonvoting and are redeemable for cash at \$25 per share at our option on or after July 15, 2006. Holders of these shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$2.5625 per share, which is equal to 10.25% of the \$25.00 per share redemption price. We contributed the net proceeds to our Operating Partnership in exchange for 1,150,00 Series E Preferred Units. The Series E Preferred Units carry terms that are substantially the same as the Series E Preferred Shares.

In September 2001, we completed the sale of 1,425,000 Series F Cumulative Redeemable Preferred Shares of beneficial interest (the "Series F Preferred Shares") to the public at a price of \$25.00 per share. These shares are nonvoting and are redeemable for cash at \$25 per share at our option on or after October 15, 2006. Holders of these shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$2.46875 per share, which is

equal to 9.875% of the \$25.00 per share redemption price. We contributed the net proceeds to our Operating Partnership in exchange for 1,425,000 Series F Preferred Units. The Series F Preferred Units carry terms that are substantially the same as the Series F Preferred Shares.

On December 16, 1999, we issued 471,875 Common Shares subject to forfeiture restrictions to certain officers. The forfeiture restrictions of specified percentages of these shares lapse annually through 2004 upon the Company's attainment of defined earnings or shareholder return growth targets. These shares may not be sold, transferred or encumbered while the forfeiture restrictions are in place. Forfeiture restrictions lapsed on 72,646 of these shares, including 48,428 shares that lapsed through September 30, 2001.

In July 2001, we issued 23,000 Common Shares subject to forfeiture restrictions to an officer. The forfeiture restrictions lapse annually through 2005 as the officer remains employed by us. These shares may not be sold, transferred or encumbered while the forfeiture restrictions are in place. Forfeiture restrictions lapsed on 4,600 of these shares in 2001.

We issued 77,192 Common Shares in connection with the exercise of share options in 2001.

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A summary of the activity in the accumulated other comprehensive loss component of shareholders' equity for the nine months ended September 30, 2001 follows:

Balance, December 31, 2000	\$ --
Cumulative effect adjustment on January 1, 2001 for unrealized loss on interest rate swap, net of minority interests	(163)
Unrealized loss on interest rate swap for nine months ended September 30, 2001, net of minority interests	(2,411)

Balance, September 30, 2001	\$(2,574)
	=====

NOTE 10 DIVIDENDS AND DISTRIBUTIONS

The following summarizes our dividends/distributions for the nine months ended September 30, 2001:

<TABLE>
<CAPTION>

	Record Date -----	Payable Date -----	Dividend/ Distribution Per Share/Unit -----	Total Dividend/ Distribution -----
<S>	<C>	<C>	<C>	<C>
Series B Preferred Shares:				
Fourth Quarter 2000	December 29, 2000	January 16, 2001	\$ 0.625	\$ 781
First Quarter 2001	March 31, 2001	April 16, 2001	\$ 0.625	\$ 781
Second Quarter 2001	June 29, 2001	July 16, 2001	\$ 0.625	\$ 781
Third Quarter 2001	September 28, 2001	October 15, 2001	\$ 0.625	\$ 781
Series D Preferred Shares:				
First Quarter 2001	March 31, 2001	April 16, 2001	\$ 0.2222	\$ 121
Second Quarter 2001	June 29, 2001	July 16, 2001	\$ 0.2500	\$ 136
Third Quarter 2001	September 28, 2001	October 15, 2001	\$ 0.2500	\$ 136
Series E Preferred Shares:				
Second Quarter 2001	June 29, 2001	July 16, 2001	\$ 0.7047	\$ 810
Third Quarter 2001	September 28, 2001	October 15, 2001	\$ 0.6406	\$ 737
Series F Preferred Shares:				
Third Quarter 2001	September 28, 2001	October 15, 2001	\$0.21944	\$ 313
Common Shares:				
Fourth Quarter 2000	December 29, 2000	January 16, 2001	\$ 0.20	\$3,990
First Quarter 2001	March 31, 2001	April 16, 2001	\$ 0.20	\$4,003
Second Quarter 2001	June 29, 2001	July 16, 2001	\$ 0.20	\$4,023
Third Quarter 2001	September 28, 2001	October 15, 2001	\$ 0.21	\$4,233
Series C Preferred Units:				
Fourth Quarter 2000	December 29, 2000	January 16, 2001	\$ 0.5625	\$ 572
First Quarter 2001	March 31, 2001	April 16, 2001	\$ 0.5625	\$ 572
Second Quarter 2001	June 29, 2001	July 16, 2001	\$ 0.5625	\$ 572
Third Quarter 2001	September 28, 2001	October 15, 2001	\$ 0.5625	\$ 572
Common Units:				
Fourth Quarter 2000	December 29, 2000	January 16, 2001	\$ 0.20	\$1,878
First Quarter 2001	March 31, 2001	April 16, 2001	\$ 0.20	\$1,878

Second Quarter 2001	June 29, 2001	July 16, 2001	\$ 0.20	\$1,861
Third Quarter 2001	September 28, 2001	October 15, 2001	\$ 0.21	\$1,977

</TABLE>

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NOTE 11 SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For the nine months ended September 30,	
	2001	2000
	-----	-----
	<C>	<C>
<S>		
Supplemental schedule of non-cash investing and financing activities:		
Purchase of commercial real estate properties by acquiring joint venture partner interest:		
Operating properties	\$ 33,926	\$ --
Investments in and advances to unconsolidated real estate joint ventures	(10,835)	--
Restricted cash	86	--
Deferred costs	197	--
Prepaid and other assets	182	--
Mortgage and other loans payable	(24,068)	--
Rents received in advance and security deposits	(176)	--
	-----	-----
Cash from purchase	\$ (688)	\$ --
	=====	=====
Acquisition of Service Companies:		
Investments in and advances to other unconsolidated entities	\$ (4,529)	\$ --
Restricted cash	5	--
Accounts receivable, net	2,005	--
Deferred costs, net	1,537	--
Prepaid and other assets	1,033	--
Furniture, fixtures and equipment, net	1,603	--
Mortgage and other loans payable	(40)	--
Accounts payable and accrued expenses	(2,106)	--
Rents received in advance and security deposits	(20)	--
Other liabilities	(10)	--
Minority interest	(46)	--
	-----	-----
Cash from acquisition of Service Companies	\$ (568)	\$ --
	=====	=====
Debt repaid in connection with sales of rental properties	\$ 7,000	\$ 2,432
	=====	=====
Debt repaid using proceeds from new debt	\$ 106,551	\$ --
	=====	=====
Debt assumed in connection with acquisitions	\$ 15,750	\$ 6,179
	=====	=====
Decrease in accrued capital improvements	\$ (4,466)	\$ (1,119)
	=====	=====
Reclassification of other liabilities from projects under construction or development (see Note 3)	\$ 9,600	\$ --
	=====	=====
Dividends/distributions payable	\$ 8,346	\$ 7,090
	=====	=====
Book value of derivatives reclassified from deferred costs, net to fair value of derivatives	\$ 268	\$ --
	=====	=====
Decrease in fair value of derivatives applied to accumulated other comprehensive loss and minority interests	\$ 3,890	\$ --
	=====	=====
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	\$ (739)	\$ 2,408
	=====	=====
Decrease in minority interests and increase in shareholders' equity in connection with conversion of Common Units into Common Shares	\$ 808	\$ 8,527
	=====	=====
Increase in minority interests resulting from issuance of Common Units in connection with acquisitions	\$ 3,249	\$ --
	=====	=====

</TABLE>

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NOTE 12 INCOME TAXES

Corporate Office Properties Trust elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code. As a REIT, we generally will not be subject to Federal income tax if we distribute at least 90% of our REIT taxable income to our shareholders and satisfy certain other requirements (see discussion below). If we fail to qualify as a REIT in any tax year, we will be subject to Federal income tax on our taxable income at regular corporate rates.

In December 1999, legislation containing the REIT Modernization Act was signed into law. This law was effective January 1, 2001 and included the following changes:

- o REITs are now allowed to own up to 100% investments in the stock of a TRS, subject to certain restrictions relating to the size of such investments. TRSs can provide services to REIT tenants and others without adversely impacting the income requirements to which REITs are subject;
- o REITs are no longer able to enter into new arrangements to own more than 10% of the vote or value of the securities in a non-REIT C corporation unless such C corporation elects to be treated as a TRS; and
- o the percentage of REIT taxable income that REITs are required to distribute to shareholders was reduced from 95% to 90%.

On January 1, 2001, we acquired all of the stock in COMI which we did not previously own. We also elected to have COMI treated as a TRS effective January 1, 2001. COMI is subject to Federal and state income taxes. COMI's income tax benefit for the nine months ended September 30, 2001 consisted of the following:

Current	
Federal	\$ 89
State	12

	101

Deferred	
Federal	83
State	18

	101

Total	\$202
	====

Items contributing to temporary differences that lead to deferred taxes include depreciation and amortization, certain accrued compensation, compensation made in the form of contributions to a deferred nonqualified compensation plan and expenses associated with share options.

COMI's combined Federal and state effective tax rate for the nine months ended September 30, 2001 was approximately 40%.

NOTE 13 INFORMATION BY BUSINESS SEGMENT

We have six business segments: Baltimore/Washington Corridor office, Greater Philadelphia office, Northern/Central New Jersey office, Greater Harrisburg office, retail (the last of which was sold in 2000) and service operations. Our office properties represent our core-business. We manage our retail properties and service operations each as single segments since they are considered outside of our core-business.

The table below reports segment financial information. Our retail and service operations segments are not reported separately since they do not meet the reporting thresholds. We measure the performance of our office property segments based on total revenues less property operating expenses. Accordingly, we do not report other expenses by segment in the table below.

<TABLE>
<CAPTION>

	Baltimore/ Washington Corridor Office	Greater Philadelphia Office	Northern/ Central New Jersey Office	Greater Harrisburg Office	Other	
Total	-----					
<S>	<C>	<C>	<C>	<C>	<C>	
<C>						
Three months ended September 30, 2001:						
Revenues from real estate operations	\$ 22,558	\$ 2,507	\$ 4,758	\$ 2,174	\$ 768	\$
32,765						

Property operating expenses 9,656	7,019	30	1,938	669	--	
-----	-----	-----	-----	-----	-----	-----
Income from real estate operations 23,109	\$ 15,539	\$ 2,477	\$ 2,820	\$ 1,505	\$ 768	\$
=====	=====	=====	=====	=====	=====	=====
Commercial real estate property expenditures \$ 75,980	\$ 75,512	\$ 130	\$ 257	\$ 81	\$ --	
=====	=====	=====	=====	=====	=====	=====
Three months ended September 30, 2000:						
Revenues from real estate operations 28,039	\$ 17,197	\$ 2,506	\$ 5,326	\$ 2,228	\$ 782	\$
Property operating expenses 8,050	5,535	24	1,868	544	79	
-----	-----	-----	-----	-----	-----	-----
Income from real estate operations 19,989	\$ 11,662	\$ 2,482	\$ 3,458	\$ 1,684	\$ 703	\$
=====	=====	=====	=====	=====	=====	=====
Commercial real estate property expenditures \$ 11,893	\$ 8,074	\$ 140	\$ 3,559	\$ 134	\$ (14)	
=====	=====	=====	=====	=====	=====	=====
Nine months ended September 30, 2001:						
Revenues \$ 91,377	\$ 59,785	\$ 7,519	\$ 14,678	\$ 7,446	\$ 1,949	
Property operating expenses 26,680	18,927	88	5,655	2,010	--	
-----	-----	-----	-----	-----	-----	-----
Income from operations 64,697	\$ 40,858	\$ 7,431	\$ 9,023	\$ 5,436	\$ 1,949	\$
=====	=====	=====	=====	=====	=====	=====
Commercial real estate property expenditures \$124,663	\$121,219	\$ 390	\$ 2,203	\$ 851	\$ --	
=====	=====	=====	=====	=====	=====	=====
Segment assets at September 30, 2001 \$914,846	\$592,136	\$105,399	\$109,803	\$ 71,032	\$ 36,476	
=====	=====	=====	=====	=====	=====	=====
Nine months ended September 30, 2000:						
Revenues \$ 80,317	\$ 49,324	\$ 7,519	\$ 15,000	\$ 6,898	\$ 1,576	
Property operating expenses 23,095	15,452	78	5,608	1,757	200	
-----	-----	-----	-----	-----	-----	-----
Income from operations 57,222	\$ 33,872	\$ 7,441	\$ 9,392	\$ 5,141	\$ 1,376	\$
=====	=====	=====	=====	=====	=====	=====
Commercial real estate property expenditures \$ 54,180	\$ 44,333	\$ 217	\$ 8,708	\$ 860	\$ 62	
=====	=====	=====	=====	=====	=====	=====
Segment assets at September 30, 2000 \$784,865	\$455,611	\$106,566	\$120,838	\$ 71,928	\$ 29,922	
=====	=====	=====	=====	=====	=====	=====

</TABLE>

The following table reconciles our income from operations for reportable segments to income before income taxes, extraordinary item and cumulative effect of accounting change as reported in our Consolidated Statements of Operations.

<TABLE>
<CAPTION>

Three Months Ended September 30,		Nine Months Ended September 30,	
-----		-----	
2001	2000	2001	2000

<S>	<C>	<C>	<C>	<C>
Income from operations for reportable segments	\$ 23,109	\$ 19,989	\$ 64,697	\$ 57,222
Equity in income of unconsolidated real estate joint ventures	27	--	181	--
Losses from service operations	(378)	(111)	(564)	(112)
Add: Gain on sales of properties	--	--	1,596	57
Less:				
General and administrative	(1,347)	(1,319)	(4,122)	(3,827)
Interest	(8,342)	(7,850)	(24,298)	(22,188)
Amortization of deferred financing costs	(397)	(349)	(1,326)	(966)
Depreciation and other amortization	(5,252)	(4,295)	(15,109)	(12,475)
Minority interests	(2,279)	(2,310)	(6,849)	(6,552)
Income before income taxes, extraordinary item and cumulative effect of accounting change	\$ 5,141	\$ 3,755	\$ 14,206	\$ 11,159

</TABLE>

We did not allocate gain on sales of properties, interest expense, amortization of deferred financing costs and depreciation and other amortization to segments since they are not included in the measure of segment profit reviewed by management. We also did not allocate equity in income of unconsolidated real estate joint ventures, losses from service operations, general and administrative and minority interests since these items represent general corporate items not attributable to segments.

NOTE 14 COMMITMENTS AND CONTINGENCIES

In the normal course of business, we are involved in legal actions arising from our ownership and administration of properties. In management's opinion, any liabilities that may result are not expected to have a materially adverse effect on our financial position, operations or liquidity. We are subject to various Federal, state and local environmental regulations related to our property ownership and operation. We have performed environment assessments of our properties the results of which have not revealed any environmental liability that we believe would have a materially adverse effect on our financial position, operations or liquidity.

NOTE 15 PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

We accounted for our 2000 and 2001 acquisitions and dispositions using the purchase method of accounting. We included the results of operations for the acquisitions in our Consolidated Statements of Operations from their respective purchase dates through September 30, 2001.

We prepared the pro forma condensed consolidated financial information presented below as if all of our 2000 and 2001 acquisitions and dispositions had occurred on January 1, 2000. Accordingly, we were required to make pro forma adjustments where deemed necessary. The pro forma financial information is unaudited and is not necessarily indicative of the results which actually would have occurred if these acquisitions had occurred on January 1, 2000, nor does it intend to represent our results of operations for future periods.

	Nine months ended September 30,	
	2001	2000
Pro forma total revenues	\$100,061	\$87,560
Pro forma net income available to Common Shareholders	9,321	7,416
Pro forma earnings per Common Share		
Basic	0.46	0.40
Diluted	0.45	0.39

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In this section, we discuss our financial condition and results of operations for the three and nine months ended September 30, 2001. This section includes discussions on:

- o why various components of our Consolidated Statements of Operations changed for the three and nine months ended September 30, 2001 compared to the same periods in 2000;
- o what our primary sources and uses of cash were in the nine months ended September 30, 2001;

- o how we raised cash for acquisitions and other capital expenditures during the nine months ended September 30, 2001;
- o how we intend to generate cash for future capital expenditures; and
- o the computation of our funds from operations.

You should refer to our consolidated financial statements and accompanying notes and operating data variance analysis set forth below as you read this section.

This report contains "forward-looking" statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition of our business. Such statements address, among other things, the availability of cash provided from operations to meet short-term capital needs and sources of funds to meet long-term capital needs. When used in this report, the words "anticipate," "believe," "estimate" and similar expressions are generally intended to identify forward looking statements, but are not exclusive expressions of forward-looking statements. These statements are not guarantees of future performance, events or results and involve potential risks and uncertainties. Accordingly, actual results may differ materially. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Important factors that affect these expectations, estimates or projections include, but are not limited to: our ability to borrow on favorable terms; general economic and business conditions, which will, among other things, affect office property demand and rents, tenant creditworthiness and financing availability; interest rates; adverse changes in the real estate markets including, among other things, competition with other companies; risks of real estate acquisition and development; governmental actions and initiatives; environmental requirements; and the other factors described in our most recent Annual Report on Form 10-K under the heading "Risk Factors."

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CORPORATE OFFICE PROPERTIES TRUST
OPERATING DATA VARIANCE ANALYSIS

(DOLLARS FOR THIS TABLE ARE IN THOUSANDS, EXCEPT PER SHARE DATA)

September 30,		Three Months Ended September 30,				Nine Months Ended		
Variance	% Change	2001	2000	Variance	% Change	2001	2000	-----
		-----	-----	-----	-----	-----	-----	-----
		<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real Estate Operations:								
Revenues								
Rental revenue		\$ 29,011	\$ 23,980	\$ 5,031	21%	\$ 80,590	\$ 69,040	\$
11,550	17%							
Tenant recoveries and other revenue		3,754	4,059	(305)	(8%)	10,787	11,277	
(490)	(4%)							
		-----	-----	-----	-----	-----	-----	-----
Revenues from real estate operations		32,765	28,039	4,726	17%	91,377	80,317	
11,060	14%							
		-----	-----	-----	-----	-----	-----	-----
Expenses								
Property operating		9,656	8,050	1,606	20%	26,680	23,095	
3,585	16%							
Interest and amortization of deferred		8,739	8,199	540	7%	25,624	23,154	
2,470	11%							
financing costs								
Depreciation and other amortization		5,252	4,295	957	22%	15,109	12,475	
2,634	21%							
		-----	-----	-----	-----	-----	-----	-----
Expenses from real estate operations		23,647	20,544	3,103	15%	67,413	58,724	
8,689	15%							
		-----	-----	-----	-----	-----	-----	-----
Earnings from real estate operations before								
equity in income of unconsolidated real								
estate joint ventures		9,118	7,495	1,623	22%	23,964	21,593	

2,371	11%							
Equity in income of unconsolidated real estate joint ventures		27	--	27	N/A	181	--	
181	N/A							

Earnings from real estate operations		9,145	7,495	1,650	22%	24,145	21,593	
2,552	12%							
Losses from service operations		(378)	(111)	(267)	241%	(564)	(112)	
(452)	404%							
General and administrative		(1,347)	(1,319)	(28)	2%	(4,122)	(3,827)	
(295)	8%							
Gain on sales of properties		--	--	--	N/A	1,596	57	
1,539	2,700%							

Income before minority interests, income taxes, extraordinary item and cumulative effect of accounting change								
		7,420	6,065	1,355	22%	21,055	17,711	
3,344	19%							
Minority interests		(2,279)	(2,310)	31	(1%)	(6,849)	(6,552)	
(297)	5%							
Income tax benefit, net		81	--	81	N/A	133	--	
133	N/A							
Extraordinary item - loss on early retirement of debt, net		--	(70)	70	(100%)	(136)	(112)	
(24)	21%							
Cumulative effect of accounting change, net		--	--	--	N/A	(174)	--	
(174)	N/A							

Net income		5,222	3,685	1,537	42%	14,029	11,047	
2,982	27%							
Preferred Share dividends		(1,830)	(781)	(1,049)	134%	(4,324)	(3,020)	
(1,304)	43%							

Net income available to Common Shareholders		\$ 3,392	\$ 2,904	\$ 488	17%	\$ 9,705	\$ 8,027	\$
1,678	21%							
=====								
Basic earnings per Common Share								
Income before extraordinary item and cumulative effect of accounting change								
		\$ 0.17	\$ 0.15	\$ 0.02	13%	\$ 0.50	\$ 0.44	\$
0.06	14%							
Net income		\$ 0.17	\$ 0.15	\$ 0.02	13%	\$ 0.48	\$ 0.44	\$
0.04	9%							
Diluted earnings per Common Share								
Income before extraordinary item and cumulative effect of accounting change								
		\$ 0.16	\$ 0.15	\$ 0.01	7%	\$ 0.48	\$ 0.43	\$
0.05	12%							
Net income		\$ 0.16	\$ 0.14	\$ 0.02	14%	\$ 0.47	\$ 0.42	\$
0.05	12%							

</TABLE>

RESULTS OF OPERATIONS
COMPARISON OF THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Our revenues from real estate operations increased \$4.7 million or 17%, of which \$5.0 million was generated by rental revenue, offset by a decrease in tenant recoveries and other revenue of \$305,000. Included in this change are the following:

- o \$5.3 million increase attributable to 13 properties acquired and five newly-constructed properties placed in service since June 30, 2000;
- o \$337,000 increase attributable to fees earned for other real estate services;
- o \$15,000 decrease attributable to 79 office properties owned throughout both reporting periods that includes the following:
 - o \$818,000 decrease in tenant recoveries and other revenue resulting mostly from a decrease in anticipated operating cost levels in 2001 compared to 2000 and a change in our tenant composition; and
 - o \$803,000 increase in rental revenue due primarily to additional lease cancellation revenue, increased occupancy at certain of our properties and increases in rental rates on renewed and re-tenanted space; and
- o \$771,000 decrease attributable to properties sold during 2000 and 2001.

Our expenses from real estate operations increased \$3.1 million or 15% due to the effects of the increases in property operating, interest expense and amortization of deferred financing costs and depreciation and other amortization described below.

Our property operating expenses increased \$1.6 million or 20%. Included in this change are the following:

- o \$1.1 million increase attributable to 13 properties acquired and five newly-constructed properties placed in service since June 30, 2000;
- o \$730,000 increase attributable to 79 office properties owned throughout both reporting periods that includes the following:
 - o \$415,000 due to increased repair and maintenance costs related primarily to building exterior and ground improvement projects occurring in the three months ended September 30, 2001;
 - o \$134,000 due to increases in real estate taxes resulting from increased assessments of property value; and
 - o \$96,000 due to increased expense associated with doubtful or uncollectible receivables; and
- o \$195,000 decrease attributable to properties sold during 2000 and 2001.

We expect to incur increased losses from uncollectible receivables relative to what we have incurred in recent years due to poorer general economic conditions in the United States and the regions we operate.

Our interest expense and amortization of deferred financing costs increased \$540,000 or 7% due primarily to a 14% increase in our average outstanding debt balance resulting predominantly from our 2000 and 2001 acquisitions and construction activity, offset somewhat by a decrease in our weighted average interest rates. Our depreciation and other amortization expense increased \$957,000 or 22%, \$617,000 of which is attributable to 13 properties acquired and five newly-constructed properties placed in service during 2000 and 2001.

Our losses from service operations increased \$267,000 and our general and administrative expenses increased \$28,000 or 2%.

As a result of the above factors, income before minority interests, income taxes, extraordinary items and cumulative effect of accounting change increased by \$1.4 million or 22%. The amounts reported for minority interests on our Consolidated Statements of Operations represent primarily the portion of the Operating Partnership's net income not allocated to us. Our income allocation to minority interests before giving effect to income tax benefit, extraordinary item and cumulative effect of accounting change decreased \$31,000 or 1%.

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Our income tax benefit of \$81,000 in the three months ended September 30, 2001 was due to our losses from the service operations that reside in our taxable REIT subsidiary.

Our net income available to Common Shareholders increased \$488,000 or 17% due to the factors discussed above coupled with a \$70,000 decrease in extraordinary losses on early retirement of debt, offset by a \$1.0 million increase in Preferred Share dividends resulting from our Series D, Series E and Series F Preferred Share issuances. Our diluted earnings per share on net income of \$0.16 increased by \$0.02 or 14%.

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Our revenues from real estate operations increased \$11.1 million or 14%, of which \$11.6 million was generated by rental revenue, offset by a decrease in tenant recoveries and other revenue of \$490,000. Included in this change are the following:

- o \$12.0 million increase attributable to 14 properties acquired and eight newly-constructed properties placed in service during 2000 and 2001;
- o \$1.4 million increase attributable to fees earned for other real estate services;
- o \$850,000 decrease attributable to 75 office properties owned throughout both reporting periods that includes the following:
 - o \$2.2 million decrease in tenant recoveries and other revenue resulting mostly from a decrease in anticipated operating cost levels in 2001 compared to 2000 and a change in our tenant composition and
 - o \$1.3 million increase in rental revenue due primarily to increased occupancy at certain of our properties and increases in rental rates on renewed and re-tenanted space; and
- o \$1.3 million decrease attributable to properties sold during 2000 and 2001.

Our expenses from real estate operations increased \$8.7 million or 15% due to the effects of the increases in property operating, interest expense and amortization of deferred financing costs and depreciation and other amortization described below.

Our property operating expenses increased \$3.6 million or 16%. Included in this change are the following:

- o \$2.7 million increase attributable to 14 properties acquired and eight newly-constructed properties placed in service during 2000 and 2001;
- o \$1.3 million increase attributable to 75 office properties owned throughout

both reporting periods that includes the following:

- o \$370,000 due to increased repair and maintenance costs related primarily to building exterior and ground improvement projects and heating and ventilation units;
- o \$308,000 due to increases in real estate taxes resulting from increased assessments of property value; and
- o \$265,000 due to increased expense associated with doubtful or uncollectible receivables; and
- o \$371,000 decrease attributable to properties sold during 2000 and 2001.

Our interest expense and amortization of deferred financing costs increased \$2.5 million or 11% due primarily to a 14% increase in our average outstanding debt balance resulting from our 2000 and 2001 acquisitions and construction activity, offset somewhat by a decrease in our weighted average interest rates. Our depreciation and other amortization expense increased \$2.6 million or 21%, \$1.7 million of which is attributable to 14 properties acquired and eight newly-constructed properties placed in service during 2000 and 2001.

Our losses from service operations increased \$452,000 and our general and administrative expenses increased \$295,000 or 8%. We also had a \$1.5 million increase in our gain from sales of properties.

As a result of the above factors, income before minority interests, income taxes, extraordinary items and cumulative effect of accounting change increased by \$3.3 million or 19%. Our income allocation to minority

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interests before giving effect to income tax benefit, extraordinary item and cumulative effect of accounting change increased \$297,000 or 5% due primarily to an increase in our Operating Partnership's net income. Our income tax benefit of \$133,000 in 2001 was due to our losses from the service operations that reside in our taxable REIT subsidiary.

Our net income available to Common Shareholders increased \$1.7 million or 21% due to the factors discussed above, offset by a \$1.3 million increase in Preferred Share dividends resulting from our Series D, Series E and Series F Preferred Share issuances, combined with a \$24,000 increase in extraordinary losses on early retirement of debt and a \$174,000 loss due to the cumulative effect of an accounting change resulting from our adoption of Statement of Financial Accounting Standards No. 133 (discussed in Note 3 to our Consolidated Financial Statements). Our diluted earnings per share on net income of \$0.47 increased by \$0.05 or 12%.

LIQUIDITY AND CAPITAL RESOURCES

Cash provided from operations represents our primary source of liquidity to fund dividends and distributions, pay debt service and fund working capital requirements. We expect to continue to use cash provided by operations to meet our short-term capital needs, including all property expenses, general and administrative expenses, debt service, dividend and distribution requirements and recurring capital improvements and leasing commissions. We do not anticipate borrowing to meet these requirements.

We historically have financed our property acquisitions using a combination of borrowings secured by our properties, proceeds from sales of properties and the equity issuances of Common and Preferred Units in our Operating Partnership and Common and Preferred Shares. We use our secured revolving credit facility with Deutsche Banc Alex. Brown (the "Revolving Credit Facility") to finance much of our investing and financing activities. We pay down our Revolving Credit Facility using proceeds from long-term borrowings collateralized by our properties as attractive financing conditions arise and equity issuances as attractive equity market conditions arise. Amounts available under the Revolving Credit Facility are generally computed based on 65% of the appraised value of properties pledged as collateral. As of November 9, 2001, the maximum amount available under our Revolving Credit Facility was \$125.0 million, of which \$49.2 million was unused. We had a \$50.0 million line of credit with Prudential Securities Credit Corporation that expired in June 2001.

As of September 30, 2001, we had \$91.0 million in mortgage and other loans payable maturing in 2001, representing our Term Credit Facility with Deutsche Banc Alex. Brown. We repaid this loan in October 2001 using borrowings from our Revolving Credit Facility.

We expect to meet our long-term capital needs through a combination of cash from operations, additional borrowings from existing credit facilities and new loans and additional equity issuances of Common Shares, Preferred Shares, Common Units and/or Preferred Units.

We have no material contractual obligations as of September 30, 2001 for property acquisitions or material capital costs other than the completion of construction and development projects that were underway and tenant improvements and leasing costs in the ordinary course of business.

Mortgage and other loans payable at September 30, 2001 consisted of the following (dollars in thousands):

<TABLE>	<C>
<S>	
Deutsche Banc Alex. Brown, Term Credit Facility, LIBOR + 1.75%, maturing October 2001 (1)	\$90,954
Teachers Insurance and Annuity Association of America, 6.89%, maturing November 2008	81,025
Teachers Insurance and Annuity Association of America, 7.72%, maturing October 2006	58,369
Mutual of New York Life Insurance Company, 7.79%, maturing August 2004	27,073
Transamerica Life Insurance and Annuity Company, 7.18%, maturing August 2009	26,504
State Farm Life Insurance Company, 7.9%, maturing April 2008	25,831
Transamerica Occidental Life Insurance Company, 7.3%, maturing May 2008	21,074
Allstate Life Insurance Company, 6.93%, maturing July 2008	20,921
Deutsche Banc Alex. Brown, Revolving Credit Facility, LIBOR + 1.75%, maturing March 2004	17,700
Transamerica Life Insurance and Annuity Company, 8.3%, maturing October 2005	17,430
Keybank National Association, LIBOR + 1.75%, maturing March 2002 (2)	16,215
Allstate Life Insurance Company, 7.14%, maturing September 2007	15,980
Mercantile-Safe Deposit and Trust Company, Prime rate, maturing February 2003	15,750
IDS Life Insurance Company, 7.9%, maturing March 2008	13,511
Allfirst Bank, LIBOR + 1.75%, maturing April 1, 2003 (3)	11,000
Bank of America, LIBOR + 1.75, maturing December 2002 (4)	8,952
Teachers Insurance and Annuity Association of America, 8.35%, maturing October 2006	7,891
Provident Bank of Maryland, LIBOR + 1.75%, maturing July 2002 (5)	6,900
Fleet Bank, LIBOR + 1.75%, maturing February 2003 (6)	6,716
Allfirst Bank, LIBOR + 1.75%, maturing July 2002 (7)	6,500
Aegon USA Realty Advisors, Inc., 8.29%, maturing May 2007	5,911
Citibank Federal Savings Bank, 6.93%, maturing July 2008	4,981
Seller loan, 8.0%, maturing May 2007	1,527

	\$508,715
	=====

</TABLE>

- (1) Loan was repaid in October 2001 using proceeds from our Revolving Credit Facility.
- (2) May be extended for a six-month period, subject to certain conditions. An additional \$8,785 was borrowed under this loan in October 2001.
- (3) Loan with a total commitment of \$12,000. Loan may be extended for a one-year period subject to certain conditions.
- (4) Construction loan with a total commitment of \$15,750. Loan may be extended for a one-year period, subject to certain conditions.
- (5) Construction loan with a total commitment of \$11,855. Loan may be extended for a one-year period subject to certain conditions.
- (6) Loan was repaid in November 2001.
- (7) May be extended for a one-year period, subject to certain conditions.

INVESTING AND FINANCING ACTIVITIES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001:

During the nine months ended September 30, 2001, we acquired for \$84.6 million 12 office buildings totaling 709,562 square feet and a 30,855 square foot office building undergoing redevelopment. These acquisitions were financed by:

- o using \$33.1 million in borrowings from our Revolving Credit Facility;
- o using \$24.1 million in borrowings from mortgage loans payable;
- o assuming \$15.8 million in mortgage loans payable;
- o issuing 310,342 Common Units in our Operating Partnership valued at \$3.3 million; and
- o using cash reserves for the balance.

During the nine months ended September 30, 2001, we completed the construction of one office building totaling 78,460 square feet. Costs incurred on this building through September 30, 2001 totaled \$13.5 million. We borrowed \$6.5 million under a construction loan facility which was repaid on April 6, 2001. The balance of the costs was funded primarily using proceeds from our Revolving Credit Facility and cash from operations.

As of September 30, 2001, we had construction activities underway on six buildings totaling 532,000 square feet that were 47.2% pre-leased, including one

building which is 52% complete that commenced operations in September 2001. Estimated costs upon completion for these projects total approximately \$89.1 million. Costs incurred on these buildings through September 30, 2001 totaled \$62.0 million. We have construction loan facilities in place totaling \$61.9 million to finance the construction of four of these projects. Borrowings under these facilities totaled \$31.4 million at September 30, 2001. We also used borrowings from our Revolving Credit Facility and proceeds from debt refinancings to fund these activities. In addition, we used \$9.6 million in contributions from joint venture partners to finance the construction of two of these buildings. We have experienced a slower rate of leasing in our construction projects than in recent years due in part to additional competing space being available in the markets where these projects are located and slower economic growth in these markets than in previous years.

During the nine months ended September 30, 2001, our investments in unconsolidated real estate joint ventures increased by \$4.4 million primarily due to our investment in four new joint ventures: MOR Montpelier LLC, Airport Square XXII, LLC, Gateway 70 LLC and MOR Forbes LLC.

During the nine months ended September 30, 2001, we sold an office building for \$11.5 million. The net proceeds from this sale after property level debt repayment and transaction costs totaled \$3.8 million, all of which was applied to our cash reserves.

During the nine months ended September 30, 2001, we borrowed \$191.1 million under mortgages and other loans payable other than our Revolving Credit Facility, the proceeds of which were used as follows:

- o \$94.8 million to repay other loans;
- o \$39.8 million to finance acquisitions;
- o \$25.5 million to pay down our Revolving Credit Facility;
- o \$16.8 million to finance construction activities; and
- o the balance to fund cash reserves.

In January 2001, we issued 544,000 Series D Preferred Shares to a foreign trust at a price of \$22.00 per share for proceeds totaling approximately \$12.0 million. These shares are nonvoting and are redeemable for cash at \$25.00 per share at our option on or after January 25, 2006. These shares are also convertible by the holder on or after January 1, 2004 into Common Shares on the basis of 2.2 Common Shares for each Series D Preferred Share. Holders of these shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$1.00 per share, which is equal to 4% of the \$25.00 per share redemption price. We contributed the net proceeds to our Operating Partnership in exchange for 544,000 Series D Preferred Units. The Series D Preferred Units carry terms that are substantially the same as the Series D Preferred Shares. The Operating Partnership used most of the proceeds to pay down the Revolving Credit Facility.

In April 2001, we completed the sale of 1,150,000 Series E Preferred Shares to the public at a price of \$25.00 per share. These shares are nonvoting and are redeemable for cash at \$25 per share at our option on or after July 15, 2006. Holders of these shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$2.5625 per share, which is equal to 10.25% of the \$25.00 per share redemption price. We contributed the net proceeds to our Operating Partnership in exchange for 1,150,000 Series E Preferred Units. The Series E Preferred Units carry terms that are substantially the same as the Series E Preferred Shares. The Operating Partnership used most of the proceeds to pay down our Revolving Credit Facility.

In September 2001, we completed the sale of 1,425,000 Series F Preferred Shares to the public at a price of \$25.00 per share. These shares are nonvoting and are redeemable for cash at \$25 per share at our option on or after October 15, 2006. Holders of these shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$2.46875 per share, which is equal to 9.875% of the \$25.00 per share redemption price. We contributed the net proceeds to our Operating Partnership in exchange for 1,425,000 Series F Preferred Units. The Series F Preferred Units

carry terms that are substantially the same as the Series F Preferred Shares. The Operating Partnership used most of the proceeds to pay down our Revolving Credit Facility.

INVESTING AND FINANCING ACTIVITY SUBSEQUENT TO THE NINE MONTHS ENDED
SEPTEMBER 30, 2001

In November 2001, we obtained a \$36.0 million mortgage loan payable with Keybank National Association. The loan has a two-year term with an option to renew for one additional year and carries interest at LIBOR plus 1.75%. The proceeds from this loan were used to pay down our Revolving Credit Facility

by \$29.0 million and to repay our \$6.7 million loan with Fleet Bank.

STATEMENT OF CASH FLOWS

We generated net cash flow from operating activities of \$34.4 million for the nine months ended September 30, 2001, an increase of \$7.3 million from the nine months ended September 30, 2000. Our increase in cash flow from operating activities is due primarily to income generated from our newly acquired and newly constructed properties. Our net cash flow used in investing activities for the nine months ended September 30, 2001 increased \$15.8 million from the nine months ended September 30, 2000 due primarily to a \$17.5 million increase in cash outlays associated with purchases of and additions to commercial real estate properties. Our net cash flow provided by financing activities for the nine months ended September 30, 2001 increased \$10.5 million from the nine months ended September 30, 2000 due primarily to \$72.6 million in proceeds from the issuance of our Series D, Series E and Series F Preferred Shares in 2001 and a \$25.1 million increase in proceeds from mortgage and other loans payable, offset by a \$86.0 million increase in repayments of mortgage and other loans payable.

FUNDS FROM OPERATIONS

We consider Funds from Operations ("FFO") to be meaningful to investors as a measure of the financial performance of an equity REIT when considered with the financial data presented under generally accepted accounting principles ("GAAP"). Under the National Association of Real Estate Investment Trusts' ("NAREIT") definition, FFO means net income (loss) computed using GAAP, excluding gains (or losses) from debt restructuring and sales of property, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures, although we have included gains from the sales of properties to the extent such gains related to redevelopment services provided. The FFO we present may not be comparable to the FFO of other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO. FFO is not the same as cash generated from operating activities or net income determined in accordance with GAAP. FFO is not necessarily an indication of our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating our financial performance or to cash flow from operating, investing and financing when evaluating our liquidity or ability to make cash distributions or pay debt service. Our FFO for the three and nine months ended September 30, 2001 and 2000 are summarized in the following table:

(Dollar and shares for this table are in thousands)

<TABLE>
<CAPTION>

	For the three months ended September 30,		For the nine months ended September 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Income before minority interests, income taxes, extraordinary item and cumulative effect of accounting change	\$ 7,420	\$ 6,065	\$ 21,055	\$ 17,711
Add: Real estate-related depreciation and amortization	5,186	4,272	14,924	12,406
Less: Preferred Unit distributions	(572)	(572)	(1,716)	(1,668)
Less: Preferred Share dividends	(1,830)	(781)	(4,324)	(3,020)
Less: Minority interests in other consolidated entities	(7)	(6)	(61)	(17)
Less: Gain on sales of properties excluding redevelopment portion (1)	--	--	(416)	(57)
Income tax benefit, gross	124	--	202	--
Funds from operations	10,321	8,978	29,664	25,355
Add: Preferred Unit distributions	572	572	1,716	1,668
Add: Convertible Preferred Share dividends	136	--	372	677
Add: Expense on dilutive share options	5	--	--	--
Funds from operations assuming conversion of share options, Common Unit warrants, Preferred Units and Preferred Shares	11,034	9,550	31,752	27,700
Less: Preferred Unit distributions	--	(572)	--	(1,668)
Less: Straight line rent adjustments	(717)	(1,872)	(2,223)	(3,307)
Less: Recurring capital improvements	(1,211)	(415)	(3,480)	(2,067)
Adjusted funds from operations assuming conversion of share options, Common Unit warrants, Preferred Units and Preferred Shares	\$ 9,106	\$ 6,691	\$ 26,049	\$ 20,658

Weighted average Common Shares	20,141	19,934	20,070	18,439
Weighted average Common Units	9,415	9,388	9,379	9,740
Weighted average Common Shares/Units	29,556	29,322	29,449	28,179
Assumed conversion of share options	481	239	343	146
Assumed conversion of Common Unit warrants	--	--	--	316
Conversion of weighted average convertible Preferred Shares	1,197	--	1,091	1,226
Conversion of weighted average Preferred Units	2,421	2,421	2,421	2,355
Weighted average Common Shares/Units for funds from operations assuming conversion of share options, Common Unit warrants, Preferred Units and Preferred Shares	33,655	31,982	33,304	32,222
Weighted average Common Shares/Units for adjusted funds from operations assuming conversion of share options, Common Unit warrants, Preferred Units and Preferred Shares (2)	33,655	29,561	33,304	29,867

</TABLE>

- (1) A portion of the gain from the sale of an office building in June 2001 is included in FFO since it related to redevelopment services performed on the property.
- (2) Preferred Units are not included in our computation of AFFO for the periods ending September 30, 2000.

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INFLATION

We have not been significantly impacted by inflation during the periods presented in this report due mostly to the relatively low inflation rates in our markets. Most of our tenants are obligated to pay their share of a building's operating expenses to the extent such expenses exceed amounts established in their leases, based on historical expense levels. In addition, some of our tenants are obligated to pay their share of all of a building's operating expenses. These arrangements reduce our exposure to increases in such costs resulting from inflation.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks, the most predominant of which is changes in interest rates. Increases in interest rates can result in increased interest expense under our Revolving Credit Facility and our other mortgage loans payable carrying variable interest rate terms. Increases in interest rates can also result in increased interest expense when our loans payable carrying fixed interest rate terms mature and need to be refinanced. Our debt strategy favors long-term, fixed rate, secured debt over variable-rate debt to minimize the risk of short-term increases in interest rates. As of September 30, 2001, 64.5% of our mortgage and other loans payable balance carried fixed interest rates. We also use interest rate swap and interest rate cap agreements to reduce the impact of interest rate changes.

The following table sets forth our long-term debt obligations, principal cash flows by scheduled maturity, weighted average interest rates and estimated fair value ("FV") at September 30, 2001 (dollars in thousands):

<TABLE>
<CAPTION>

FV	For the Period Ended December 31,						Total
	2001 (1)	2002 (2)	2003 (3)	2004	2005	Thereafter	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Long term debt:							
Fixed rate	\$ 1,328	\$ 5,562	\$ 5,989	\$31,992	\$ 22,649	\$260,508	\$328,028
\$346,952							
Average interest rate	7.41%	7.41%	7.41%	7.43%	7.45%	7.34%	7.41%
Variable rate	\$91,023	\$38,891	\$33,073	\$17,700	\$ --	\$ --	\$180,687
\$160,687							
Average interest rate	5.33%	5.20%	5.12%	5.08%	--	--	5.20%

</TABLE>

- (1) Includes \$90.9 million that was repaid in October 2001.
- (2) Includes 13.4 million in maturities in July that may be extended for one-year terms, subject to certain conditions. Also includes a \$9.0 million

maturity in December that may be extended for a one-year period, subject to certain conditions.

- (3) Includes an \$11.0 million maturity in April that may be extended for a one-year term, subject to certain conditions.

The following table sets forth derivative contracts we had in place as of September 30, 2001 and their respective fair values ("FV"):

<TABLE>
<CAPTION>

Nature of Derivative	Notional Amount (in millions)	One-Month LIBOR base	Effective Date	Expiration Date	FV at 9/30/01 (in thousands)
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Interest rate cap	\$ 50.0	7.70%	5/25/00	5/31/02	\$ --
Interest rate cap	50.0	7.00%	9/13/00	10/13/01	--
Interest rate cap	25.0	7.00%	10/17/00	10/13/01	--
Interest rate swap	100.0	5.76%	1/2/01	1/2/03	(3,894)

Total					\$ (3,894)
					=====

</TABLE>

Based on our variable rate debt balances, during the nine months ended September 30, 2001, our interest expense would have increased \$842,000 if interest rates were 1% higher.

PART II

ITEM 1. LEGAL PROCEEDINGS

N/A

ITEM 2. CHANGES IN SECURITIES

a. N/A

b. N/A

c. On August 30, 2001, we issued 310,342 Common Units in our Operating Partnership in connection with the acquisition of the Gateway 63 Properties. The issuance of these Common Units was made in reliance upon the exemption from registration under Section 4(2) of the Securities Act of 1933, as amended. These Common Units are exchangeable into our Common Shares, subject to certain conditions.

d. N/A

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

N/A

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

N/A

ITEM 5. OTHER INFORMATION

N/A

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. Exhibits:

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION
-----	-----
<S>	<C>
2.1.1	Contribution Agreement between the Company and the Operating Partnership and certain Constellation affiliates (filed as Exhibit A of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.1.2	First Amendment to Contribution Agreement, dated July 16, 1998, between Constellation Properties, Inc. and certain entities controlled by Constellation Properties, Inc. (filed with the

Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

- 2.1.3 Second Amendment to Contribution Agreement, dated September 28, 1998, between Constellation Properties, Inc. and certain entities controlled by Constellation Properties, Inc. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 2.2 Service Company Asset Contribution Agreement between the Company and the Operating Partnership and certain Constellation affiliates (filed as Exhibit B of the Company's

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<CAPTION>
EXHIBIT
NO.

DESCRIPTION

- <S>
- <C>
Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
- 2.3 Contribution Agreement, dated February 24, 1999, between the Operating Partnership and John Parsinen, John D. Parsinen, Jr., Enterprise Nautical, Inc. and Vernon Beck (filed with the Company's Quarterly Report on Form 10-Q on May 14, 1999 and incorporated herein by reference).
 - 2.4 Agreement to Sell Partnership Interests, dated August 12, 1999, between Gateway Shannon Development Corporation, Clay W. Hamlin, III and COPT Acquisitions, Inc. (filed with the Company's Quarterly Report on Form 10-Q on November 8, 1999 and incorporated herein by reference).
 - 2.5 Agreement of Purchase and Sale, dated July 21, 1999, between First Industrial Financing Partnership, L.P. and COPT Acquisitions, Inc. (filed with the Company's Quarterly Report on Form 10-Q on November 8, 1999 and incorporated herein by reference).
 - 2.6.1 Contract of Sale, dated August 9, 1999, between Jolly Acres Limited Partnership and the Operating Partnership (filed with the Company's Annual Report on Form 10-K on March 22, 2001 and incorporated herein by reference).
 - 2.6.2 Amendment to Contract of Sale, dated April 28, 2000, between Jolly Acres Limited Partnership and the Operating Partnership (filed with the Company's Annual Report on Form 10-K on March 22, 2001 and incorporated herein by reference).
 - 2.7 Contract of Sale, dated March 14, 2000, between Arbitrage Land Limited Partnership, Jolly Acres Limited Partnership and the Operating Partnership (filed with the Company's Annual Report on Form 10-K on March 22, 2001 and incorporated herein by reference).
 - 3.1 Amended and Restated Declaration of Trust of Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
 - 3.2 Bylaws of Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
 - 4.1 Form of certificate for the Registrant's Common Shares of Beneficial Interest, \$0.01 par value per share (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
 - 4.2 Amended and Restated Registration Rights Agreement, dated March 16, 1998, for the benefit of certain shareholders of the Company (filed with the Company's Quarterly Report on Form 10-Q on August 12, 1998 and incorporated herein by reference).
 - 4.3 Articles Supplementary of Corporate Office Properties Trust Series A Convertible Preferred Shares, dated September 28, 1998 (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
 - 4.4.1 Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 7, 1999 (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and

incorporated herein by reference).

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<CAPTION>

EXHIBIT NO. -----	DESCRIPTION -----
<S>	<C>
4.4.2	First Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 21, 1999 (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
4.4.3	Second Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 21, 1999 (filed with the Company's Post Effective Amendment No. 2 to Form S-3 dated November 1, 2000 (Registration Statement No. 333-71807) and incorporated herein by reference).
4.4.4	Third Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated September 29, 2000 (filed with the Company's Post Effective Amendment No. 2 to Form S-3 dated November 1, 2000 (Registration Statement No. 333-71807) and incorporated herein by reference).
4.4.5	Sixth Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated April 3, 2001 (filed with the Company's Current Report on Form 8-K dated March 30, 2001 and incorporated herein by reference).
4.5	Articles Supplementary of Corporate Office Properties Trust Series B Convertible Preferred Shares, dated July 2, 1999 (filed with the Company's Current Report on Form 8-K on July 7, 1999 and incorporated herein by reference).
4.6.1	Contribution Rights Agreement, dated June 23, 1999, between the Operating Partnership and United Properties Group, Incorporated (filed with the Company's Quarterly Report on Form 10-Q on August 13, 1999 and incorporated herein by reference).
4.6.2	Contribution Agreement, dated December 21, 1999, between United Properties Group, Incorporated and COPT Acquisitions, Inc. (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
4.7	Articles Supplementary of Corporate Office Properties Trust Series D Cumulative Convertible Redeemable Preferred Shares, dated January 25, 2001 (filed with the Company's Annual Report on Form 10-K on March 22, 2001 and incorporated herein by reference).
4.8	Registration Rights Agreement, dated January 25, 2001, for the benefit of Barony Trust Limited (filed with the Company's Annual Report on Form 10-K on March 22, 2001 and incorporated herein by reference).
4.9	Articles Supplementary of Corporate Office Properties Trust Series E Cumulative Redeemable Preferred Shares, dated April 3, 2001 (filed with the Registrant's Current Report on Form 8-K on April 4, 2001 and incorporated herein by reference).
4.10	Articles Supplementary of Corporate Office Properties Trust Series F Cumulative Redeemable Preferred Shares, dated September 13, 2001 (filed with the Registrant's Current Report on Form 8-K on September 14, 2001 and incorporated herein by reference).
10.1	Employment Agreement, dated December 16, 1999, between Corporate Office Management, Inc., COPT and Clay W. Hamlin, III (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).

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<CAPTION>

EXHIBIT NO. -----	DESCRIPTION -----
<S>	<C>
10.2	Employment Agreement, dated December 16, 1999, between Corporate Office Management, Inc., COPT and Randall M. Griffin (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).

- 10.3 Employment Agreement, dated December 16, 1999, between Corporate Office Management, Inc., COPT and Roger A. Waesche, Jr. (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.4 Employment Agreement, dated December 16, 1999, between Corporate Development Services, LLC, COPT and Dwight Taylor (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.5 Employment Agreement, dated December 16, 1999, between Corporate Realty Management, LLC, COPT and Michael D. Kaiser (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.6 Restricted Share Agreement, dated December 16, 1999, between Corporate Office Properties Trust and Randall M. Griffin (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.7 Restricted Share Agreement, dated December 16, 1999, between Corporate Office Properties Trust and Roger A. Waesche, Jr. (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.8 Restricted Share Agreement, dated December 16, 1999, between Corporate Office Properties Trust and Dwight Taylor (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.9 Restricted Share Agreement, dated December 16, 1999, between Corporate Office Properties Trust and Michael D. Kaiser (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.10.1 Corporate Office Properties Trust 1998 Long Term Incentive Plan (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.10.2 Amendment No. 1 to Corporate Office Properties Trust 1998 Long Term Incentive Plan (filed with the Company's Quarterly Report on Form 10-Q on August 13, 1999 and incorporated herein by reference).
- 10.11 Stock Option Plan for Directors (filed with Royale Investments, Inc.'s Form 10-KSB for the year ended December 31, 1993 (Commission File No. 0-20047) and incorporated herein by reference).
- 10.12.1 Senior Secured Credit Agreement, dated October 13, 1997, (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
- 10.12.2 Amended and Restated Senior Secured Credit Agreement, dated as of August 31, 1998 (filed with the Company's Current Report on Form 8-K on September 7, 2001, and incorporated herein by reference).

<CAPTION>

EXHIBIT
NO.

DESCRIPTION

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- 10.13.1 Senior Secured Revolving Credit Agreement, dated May 28, 1998, between the Company, the Operating Partnership, Any Mortgaged Property Subsidiary and Bankers Trust Company (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
- 10.13.2 First Amended and Restated Senior Secured Revolving Credit Agreement, dated as of March 28, 2001, between the Company, the Operating Partnership, Any Mortgaged Property Subsidiary and Bankers Trust Company (filed with the Company's Current Report on Form 8-K on September 7, 2001 and incorporated herein by reference).
- 10.14 Promissory Note, dated October 22, 1998, between Teachers Insurance and Annuity Association of America and the Operating Partnership (filed with the Company's Quarterly Report on Form

10-Q on November 13, 1998 and incorporated herein by reference).

- 10.15 Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated October 22, 1998, by affiliates of the Operating Partnership for the benefit of Teachers Insurance and Annuity Association of America (filed with the Company's Quarterly Report on Form 10-Q on November 13, 1998 and incorporated herein by reference).
- 10.16 Promissory Note, dated September 30, 1999, between Teachers Insurance and Annuity Association of America and the Operating Partnership (filed with the Company's Quarterly Report on Form 10-Q on November 8, 1999 and incorporated herein by reference).
- 10.17 Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated September 30, 1999, by affiliates of the Operating Partnership for the benefit of Teachers Insurance and Annuity Association of America (filed with the Company's Quarterly Report on Form 10-Q on November 8, 1999 and incorporated herein by reference).
- 10.18 Revolving Credit Agreement, dated December 29, 1999, between Corporate Office Properties, L.P. and Prudential Securities Credit Corp. (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.19 Letter Agreement for Interest Rate Swap Transaction, dated December 26, 2000, between Corporate Office Properties, L.P. and Deutsche Bank AG (filed with the Company's Annual Report on Form 10-K on March 22, 2001 and incorporated herein by reference).
- 10.20 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation dated March 12, 1997 with respect to lot A (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.21 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation, dated March 12, 1997, with respect to lot B (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).

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EXHIBIT
NO.

DESCRIPTION

- <S>
- 10.22 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation, dated March 12, 1997, with respect to lot C (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
 - 10.23 Project Consulting and Management Agreement, dated September 28, 1998, between Constellation Properties, Inc. and COMI (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
 - 10.24 Agreement for Services, dated September 28, 1998, between the Company and Corporate Office Management, Inc. (filed with the Company's Annual Report on Form 10-K on March 30, 1999 and incorporated herein by reference).
 - 10.25.1 Lease Agreement, dated September 28, 1998, between St. Barnabas Limited Partnership and Constellation Properties, Inc. (filed with the Company's Annual Report on Form 10-K on March 30, 1999 and incorporated herein by reference).
 - 10.25.2 Fourth Amendment to Agreement of Lease, dated June 12, 2000, between St. Barnabas, LLC and Constellation Real Estate, Inc. (filed with the Company's Annual Report on Form 10-K on March 22, 2001 and incorporated herein by reference).
 - 10.26.1 Lease Agreement, dated August 3, 1998, between Constellation Real Estate, Inc. and Constellation Properties, Inc. (filed with the Company's Annual Report on Form 10-K on March 30, 1999 and incorporated herein by reference).
 - 10.26.2 First Amendment to Lease, dated December 30, 1998, between Three Centre Park, LLC and Constellation Properties, Inc. (filed with

the Company's Annual Report on Form 10-K on March 30, 1999 and incorporated herein by reference).

- 10.27 Option agreement, dated March 1998, between Corporate Office Properties, L.P. and Blue Bell Land, L.P. (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.28 Option agreement, dated March 1998, between Corporate Office Properties, L.P. and Comcourt Land, L.P. (filed with the Company's Annual Report on Form 10-K on March 16, 2000 and incorporated herein by reference).
- 10.29 Option Agreement, dated September 28, 1998, between Jolly Acres Limited Partnership, Arbitrage Land Limited Partnership and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

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b. We filed the following Current Reports on Form 8-K in the third quarter of the year ended December 31, 2001:

Item 7 and Item 9 dated July 26, 2001 that was filed in connection with our release of earnings on July 26, 2001. Through this filing, we also made available certain additional information pertaining to our properties and operations as of and for the period ended June 30, 2001.

Item 5 dated September 5, 2001 in connection with the acquisition of the Airport Square Properties and the probable acquisition of the Gateway 63 Properties.

Item 5 dated September 13, 2001 that was filed in connection with our entry into an underwriting agreement with several firms for the public offering of our Series F Preferred Shares.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORPORATE OFFICE PROPERTIES TRUST

Date: November 13, 2001

By: /s/ RANDALL M. GRIFFIN

Randall M. Griffin
President and Chief Operating Officer

Date: November 13, 2001

By: /s/ ROGER A. WAESCHE, JR.

Roger A. Waesche, Jr.
Senior Vice President and Chief
Financial Officer

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