

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 MARCH 31, 1999

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 (IRS Employer
incorporation or organization) Identification No.)

401 CITY AVENUE, SUITE 615, BALA CYNWYD, PA 19004
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (610) 538-1800

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 May 14, 1999, 16,801,876 shares of the Company's Common Shares of Beneficial Interest, \$0.01 par value, were outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CORPORATE OFFICE PROPERTIES TRUST
CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS)

<TABLE>
<CAPTION>

	March 31, 1999 ----- (unaudited) <C>	December 31, 1998 ----- <C>
ASSETS		
Commercial real estate properties:		
Operating properties, net	\$ 511,851	\$ 536,228
Projects under construction	16,178	10,659

Total commercial real estate properties, net	528,029	546,887
Cash and cash equivalents	3,615	2,349
Accounts receivable, net	3,486	2,986
Investment in and advances to Service Companies	4,701	2,351
Deferred rent receivable	2,824	2,263
Deferred charges, net	3,914	3,542
Prepaid and other assets	3,634	3,299

TOTAL ASSETS	\$ 550,203	\$ 563,677

LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Mortgage loans payable	\$ 290,836	\$ 306,824
Accounts payable and accrued expenses	3,265	3,395
Rents received in advance and security deposits	3,744	2,789
Dividends/distributions payable	4,743	4,692

Total liabilities	302,588	317,700

Minority interests:		
Preferred Units	52,500	52,500
Common Units	26,422	24,696

Total minority interests	78,922	77,196

Commitments and contingencies (Note 13)

Shareholders' equity:

Preferred Shares (\$0.01 par value; 5,000,000 authorized); 1,025,000 designated as Series A Convertible Preferred Shares of beneficial interest (\$0.01 par value, 984,308 shares issued and outstanding)	10	10
Common Shares of beneficial interest (\$0.01 par value; 45,000,000 authorized, 16,801,876 shares issued and outstanding)	168	168
Additional paid-in capital	175,532	175,802
Accumulated deficit	(7,017)	(7,199)

Total shareholders' equity	168,693	168,781

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 550,203	\$ 563,677

</TABLE>

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST
CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

<TABLE>
<CAPTION>

	For the three months ended March 31,	
	1999	1998
	<C>	<C>

REVENUES		
Rental income	\$ 16,179	\$ 4,919
Tenant recoveries and other income	2,344	606

Total revenues	18,523	5,525

EXPENSES		
Property operating	5,003	899
General and administrative	889	299
Interest	5,193	2,159
Amortization of deferred financing costs	225	64
Depreciation and other amortization	2,792	977
Reformation costs	--	637

Total expenses	14,102	5,035

Income before equity in income of Service Companies, gain on sales of rental properties, minority interests and extraordinary item	4,421	490
Equity in income of Service Companies	181	--

Income before gain on sales of rental properties, minority interests and extraordinary item	4,602	490
Gain on sales of rental properties	986	--

Income before minority interests and extraordinary item	5,588	490
Minority interests		
Preferred Units	(853)	(853)
Common Units	(496)	(136)

Income (loss) before extraordinary item	4,239	(499)
Extraordinary item - loss on early retirement of debt	(694)	--
NET INCOME (LOSS)	3,545	(499)
Preferred Share dividends	(338)	--
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	\$ 3,207	\$ (499)
BASIC EARNINGS (LOSS) PER COMMON SHARE		
Income before extraordinary item	\$ 0.23	\$ (0.22)
Extraordinary item	(0.04)	--
Net income	\$ 0.19	\$ (0.22)
DILUTED EARNINGS (LOSS) PER COMMON SHARE		
Income before extraordinary item	\$ 0.19	\$ (0.22)
Extraordinary item	(0.02)	--
Net income	\$ 0.17	\$ (0.22)

</TABLE>

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS)
(UNAUDITED)

<TABLE>
<CAPTION>

	For the three months ended March 31,	
	1999	1998
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 3,545	\$ (499)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Minority interests	1,349	989
Depreciation and amortization	2,792	977
Amortization of deferred financing costs	225	64
Equity in income of Service Companies	(181)	--
Gain on sales of properties	(986)	--
Increase in deferred rent receivable	(675)	(358)
Increase in accounts receivable and prepaid and other assets	(335)	(172)
Increase (decrease) in accounts payable, accrued expenses, rents received in advance and security deposits	736	(45)
Net cash provided by operating activities	6,470	956
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of and additions to commercial real estate properties	(13,864)	(82)
Proceeds from sales of operating properties	16,828	--
Investments in and advances to Service Companies	(2,169)	--
Leasing commissions paid	(373)	--
Increase in prepaid and other assets	(500)	(600)
Net cash used in investing activities	(78)	(682)

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage loans payable	19,075	--
Repayments of mortgage loans payable	(19,151)	(74)
Deferred financing costs paid	(358)	--
Net proceeds from issuance of Common Shares	--	27
Dividends/distributions paid	(4,692)	(1,276)

Net cash used in financing activities	(5,126)	(1,323)

Net increase (decrease) in cash and cash equivalents	1,266	(1,049)
CASH AND CASH EQUIVALENTS		
Beginning of period	2,349	3,395

End of period	\$ 3,615	\$ 2,346

</TABLE>

See accompanying notes to financial statements.

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CORPORATE OFFICE PROPERTIES TRUST
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

NOTE 1 ORGANIZATION

Corporate Office Properties Trust ("COPT") and subsidiaries (the "Company") is a full-service real estate investment trust ("REIT"). We focus principally on the ownership, development, management and acquisition of suburban office buildings in targeted suburban 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 March 31, 1999, our portfolio included 54 commercial real estate properties leased for office and retail purposes.

We conduct almost all of our operations through our operating partnership, Corporate Office Properties, L.P. (the "Operating Partnership"), for which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies ("LLCs"). The Operating Partnership also owns the principal economic interest and, collectively with our Chief Executive Officer and Chief Operating Officer, 49.5% of the voting stock of Corporate Office Management, Inc. ("COMI") (together with its subsidiaries defined as the "Service Companies"). A summary of our Operating Partnership's forms of ownership and the percentage of those ownership forms owned by COPT follows:

<TABLE>
<CAPTION>

	% Owned by COPT

<S>	<C>
Common Units (see Note 3)	84%
Series A Preferred Units	100%
Initial Preferred Units (see Note 3)	0%

</TABLE>

Throughout these consolidated financial statements, we use the term "Preferred Units" to define the combination of both Series A Preferred Units and Initial Preferred Units of our Operating Partnership. All Preferred Units are convertible into Common Units in the Operating Partnership.

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 1998 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 1998 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 two different accounting methods to report our investments in entities: the consolidation method and the equity method.

CONSOLIDATION METHOD

We use the consolidation method when we own most 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

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balances and transactions between companies when we consolidate these accounts. Our consolidated financial statements include the accounts of:

- - COPT,
- - the Operating Partnership and its subsidiary partnerships and LLCs, and
- - Corporate Office Properties Holdings, Inc. (we own 100%).

EQUITY METHOD

We use the equity method of accounting to report our investment in the Service Companies. Under the equity method, we report:

- - our ownership interest in the Service Companies' capital as an investment on our Consolidated Balance Sheets and
- - our percentage share of the earnings or losses from the Service Companies 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:

- - our reported amounts of assets and liabilities in our Consolidated Balance Sheets at the dates of the financial statements,
- - our disclosure of contingent assets and liabilities at the dates of the financial statements, and
- - our 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.

MINORITY INTERESTS

As discussed previously, we consolidate the accounts of our Operating Partnership into our financial statements. However, we do not own 100% of the Operating Partnership. The amounts reported for minority interests on our Consolidated Balance Sheets represent the portion of the Operating Partnership's equity that we do not own. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of the Operating Partnership's net income not allocated to us.

Common Units of the Operating Partnership are substantially similar economically to our Common Shares of beneficial interest ("Common Shares"). The Common Units are also exchangeable into our Common Shares, subject to certain conditions. We have accrued distributions related to Common Units owned by minority interests of \$527 at March 31, 1999 and \$488 at December 31, 1998.

The owners of our Operating Partnership's Initial Preferred Units are entitled to a 6.5% priority annual return. Income of our Operating Partnership is also allocated to holders of Initial Preferred Units using the 6.5% priority annual return. These units are convertible by unitholders at their option on or after October 1, 1999, into Common Units on the basis of 3.5714 Common Units for each Initial Preferred Unit, plus any accrued return. We have accrued distributions related to Initial Preferred Units owned by minority interests of \$853 at March 31, 1999 and December 31, 1998.

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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 outstanding during the period. Our computation of diluted EPS is similar

except that:

- - 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 now or in the future into our Common Shares were converted and
- - 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.

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 our basic and diluted EPS calculations for income (loss) before extraordinary item is as follows (dollars and shares in thousands):

<TABLE>
<CAPTION>

	THREE MONTHS ENDED MARCH 31,	
	1999	1998
<S>	<C>	<C>
Numerator:		
Net income (loss) available to Common Shareholders	\$ 3,207	\$(499)
Extraordinary loss	694	--
	-----	-----
Numerator for basic earnings per share before extraordinary item	3,901	(499)
Minority interests - Preferred Shares	338	--
Minority interests - Preferred Units	853	--
Minority interests - Common Units	496	--
	-----	-----
Numerator for diluted earnings per share before extraordinary item	\$ 5,588	\$(499)
	-----	-----
Denominator:		
Weighted average Common Shares - basic	16,802	2,268
Assumed conversion of share options	8	26
Conversion of Preferred Shares	1,845	--
Conversion of Initial Preferred Units	7,500	--
Conversion of Common Units	2,759	--
	-----	-----
Weighted average Common Shares - diluted	28,914	2,294
	-----	-----

</TABLE>

Our diluted EPS computation for income before extraordinary item for the three months ended March 31, 1999 as reported above assumes conversion of Preferred Shares, Initial Preferred Units and Common Units since such conversions would decrease diluted EPS in that period. Our diluted EPS computation for net income for the three months ended March 31, 1999 only assumes conversion of Initial Preferred Units because conversions of Preferred Shares and Common Units would increase diluted EPS in that period. Our diluted EPS computation for the three months ended March 31, 1998 does not assume conversion of Initial Preferred Units or Common Units since these conversions would increase diluted EPS in that period.

NOTE 4 COMMERCIAL REAL ESTATE PROPERTIES

Operating properties consisted of the following:

<TABLE>
<CAPTION>

	March 31,	December 31,
	1999	1998
<S>	<C>	<C>
Land	\$ 103,255	\$ 108,433
Buildings and improvements	418,472	436,932
Furniture, fixtures and equipment	332	332
	-----	-----

	522,059	545,697
Less: accumulated depreciation	(10,208)	(9,469)
	-----	-----
	\$ 511,851	\$ 536,228
	-----	-----
	-----	-----

</TABLE>

Projects we had under development consisted of the following:

<TABLE>
<CAPTION>

	March 31, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
Land	\$ 8,962	\$ 8,941
Construction in progress	7,216	1,718
	-----	-----
	\$ 16,178	\$ 10,659
	-----	-----
	-----	-----

</TABLE>

1999 ACQUISITIONS

On February 23, 1999, we acquired an office building located in Linthicum, Maryland (the "Airport XXI Property"). We acquired the property for \$6,751, including transaction costs, using \$6,650 in borrowings under our recourse revolving credit facility with Bankers Trust Company (the "Revolving Credit Facility") and cash reserves for the balance.

1999 CONSTRUCTION IN PROGRESS

At March 31, 1999, we had construction underway on two new buildings. We also had a project underway that will expand the rentable square footage of one of our properties.

1999 DISPOSITIONS

On January 22, 1999, we sold a retail property located in Westminster, Maryland. We sold the property for \$18,900, of which \$9,513 was used to pay off the mortgage loan payable on the property. We realized no gain on this sale and net proceeds totaled \$9,068.

We sold three of our retail properties located in the Midwest region of the United States. On February 26, 1999, we sold a property located in Delafield, Wisconsin for \$3,303, of which \$1,802 was used to pay off the mortgage loan payable on the property. On March 9, 1999, we sold properties located in Indianapolis, Indiana and Plymouth, Minnesota for \$11,200, of which \$4,597 was used to pay off mortgage loans payable on the properties. We realized a gain of \$986 on the sale of the three Midwest region retail properties, including the value of the transaction involving Glacier Realty LLC (see Note 10). Net proceeds from these sales totaled \$7,760.

NOTE 5 ACCOUNTS RECEIVABLE

Our accounts receivable are reported net of an allowance for bad debts of \$34 at March 31, 1999 and \$50 at December 31, 1998.

NOTE 6 INVESTMENT IN AND ADVANCES TO SERVICE COMPANIES

We account for our investment in COMI and its subsidiaries, Corporate Realty Management, LLC ("CRM") and Corporate Development Services, LLC ("CDS"), using the equity method of accounting. Our investment in and advances to these Service Companies included the following:

<TABLE>
<CAPTION>

	March 31, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
Notes receivable	\$ 3,205	\$ 3,205

Equity investment in Service Companies	790	609
Advances receivable (payable)	706	(1,463)
	-----	-----
Total	\$ 4,701	\$ 2,351
	-----	-----

</TABLE>

NOTE 7 DEFERRED CHARGES

Deferred charges consisted of the following:

	March 31, 1999	December 31, 1998
	-----	-----
<S>	<C>	<C>
Deferred financing costs	\$ 2,942	\$ 2,611
Deferred leasing costs	1,756	1,468
Deferred other	24	24
	-----	-----
Accumulated amortization	4,722 (808)	4,103 (561)
	-----	-----
Deferred charges, net	\$ 3,914	\$ 3,542
	-----	-----

</TABLE>

NOTE 8 MORTGAGE LOANS PAYABLE

On January 5, 1999, we entered into an interest rate swap agreement with Bankers Trust Company. This swap agreement fixes our one-month LIBOR base at 5.085% per annum on a notional amount of \$30,000 through May 2001.

On January 13, 1999, we entered into a \$9,825 construction loan with FMB Bank to finance the construction of a building at our 134 National Business Parkway property. This loan has an interest rate of LIBOR plus 1.6%. This loan matures on February 1, 2001 and may be extended for a one-year period, subject to certain conditions. Borrowings under this loan totaled \$4,866 at March 31, 1999.

On February 8, 1999, we entered into a \$10,875 construction loan with Provident Bank of Maryland to finance the construction of a building at our Woodlands II property. This loan has an interest rate of LIBOR plus 1.75%. This loan matures on February 8, 2001 and may be extended for a one-year period, subject to certain conditions. Borrowings under this loan totaled \$2,736 at March 31, 1999.

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NOTE 9 DIVIDENDS AND DISTRIBUTIONS

On February 24, 1999, we declared the following dividends and distributions that were paid on April 15, 1999:

	Preferred Shares	Common Shares	Preferred Units held by Minority Interests	Common Units held by Minority Interests	Total
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Total dividends/distributions	\$ 338	\$3,025	\$ 853	\$ 527	\$4,743
Dividend/distribution per share/unit	\$0.34375	\$ 0.18	\$0.40625	\$0.18	N/A

</TABLE>

NOTE 10 RELATED PARTY TRANSACTIONS

MANAGEMENT

We have a contract with COMI under which COMI provides asset management,

managerial, financial and legal support. Under the terms of this contract, we reimburse COMI for personnel and other overhead-related expenses. During the three months ended March 31, 1999, we incurred management fees and related costs of \$774 under this contract.

We have a management agreement with CRM under which CRM provides property management services to most of our properties. Under the terms of this arrangement, CRM is entitled to a fee equal to 3% of revenue from tenant billings. CRM is also entitled to reimbursement for direct labor and out-of-pocket costs. We incurred property management fees and related costs of \$843 with CRM during the three months ended March 31, 1999.

We had a management agreement with Glacier Realty LLC ("Glacier"), a company partially owned by one of our Trustees. Under the management agreement, Glacier was responsible for the management of our retail properties for a base annual fee of \$250 plus a percentage of Average Invested Assets (as defined in the management agreement). Glacier was also entitled to fees upon our acquisition or sale of any net-leased retail real estate property, a fee that increased in the event that all or substantially all of the net-leased retail real estate properties were sold. The management agreement, entered into on October 14, 1997, had a term of five years. A fee was also due in the event that the management agreement was terminated, including for non-renewal. We incurred fees under this agreement of \$63 in each of the three month periods ended March 31, 1999 and March 31, 1998. On March 19, 1999, our Operating Partnership issued 200,000 Common Units valued at \$1,487 (\$7.4375 per unit) in exchange for all of the ownership interests in Glacier. For accounting purposes, we recorded the value of this transaction against the gain on the sale of our retail properties in the Midwest region of the United States.

We also have a management agreement with a company for which one of our Trustees serves on the Board of Directors. We incurred management fees and related costs under this contract of \$27 for the three months ended March 31, 1999 and \$20 for the three months ended March 31, 1998.

CONSTRUCTION COSTS

We have entered into a contract with CDS under which CDS provides construction and development services. Under the terms of this contract, we reimburse CDS for these services based on actual time incurred at market rates. During the three months ended March 31, 1999, we incurred \$262 under this contract, a substantial portion of which was capitalized into the cost of the related activities.

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RENTAL INCOME

During the three months ended March 31, 1999, we recognized revenue of \$99 on office space leased to COMI and CRM. During the three months ended March 31, 1999, we recognized revenue of \$227 on office space leased to Constellation Real Estate, Inc. ("Constellation"), which owns 42% of our Common Shares and 100% of our Preferred Shares, and its affiliate, Baltimore Gas and Electric Company ("BGE").

INTEREST INCOME

During the three months ended March 31, 1999, we earned interest income of \$72 on notes receivable from the Service Companies.

CONSTRUCTION FEES

During the three months ended March 31, 1999, the Service Companies earned construction management fees of \$42 from an entity owned by an officer and Trustee of ours.

LEASING COMMISSION

During the three months ended March 31, 1999, the Service Companies earned a leasing commission of \$56 from an entity owned by an officer and Trustee of ours.

FEES EARNED FROM CONSTELLATION AND BGE

During the three months ended March 31, 1999, the Service Companies earned \$450 from a project consulting and management agreement with Constellation. The Service Companies also earned \$130 in fees and expense reimbursements during the three months ended March 31, 1999 under a property management agreement with BGE.

UTILITIES EXPENSE

During the three months ended March 31, 1999, BGE provided utility services to most of our properties in the Baltimore/Washington Corridor.

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NOTE 11 SUPPLEMENTAL INFORMATION TO STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For the Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
Supplemental schedule of non-cash investing and financing activities:		
Debt repaid in connection with sales of properties	\$ 15,912	\$ --
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	\$ (270)	\$ --
Increase in accrued capital improvements	\$ 89	\$ --
Dividends/distributions payable	\$ 4,743	\$ 4,692
Increase in minority interests resulting from issuance of Common Units in connection with Glacier acquisition	\$ 1,487	\$ --

</TABLE>

NOTE 12 INFORMATION BY BUSINESS SEGMENT

We have five segments: Baltimore/Washington office, Greater Philadelphia office, Northern/Central New Jersey office, Greater Harrisburg office and retail. Our office properties represent our core-business. We manage our retail properties as a single segment since they are considered outside of our core-business.

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

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<TABLE>
<CAPTION>

	Baltimore/ Washington Office	Greater Philadelphia Office	Northern/ Central New Jersey Office	Other	Total
<S>	<C>	<C>	<C>	<C>	<C>
Three Months Ended March 31, 1999:					
Revenues	\$ 10,314	\$ 2,506	\$ 4,096	\$ 1,607	\$ 18,523
Direct property operating expenses	3,000	6	1,478	400	4,884
Income from operations	\$ 7,314	\$ 2,500	\$ 2,618	\$ 1,207	\$ 13,639
Commercial real estate property expenditures	\$ 7,085	\$ --	\$ 780	\$ 6,088	\$ 13,953
Segment assets at March 31, 1999	\$279,274	\$108,568	\$ 97,711	\$ 64,650	\$550,203
Three Months Ended March 31, 1998:					
Revenues	\$ --	\$ 2,506	\$ 1,620	\$ 1,399	\$ 5,525

Direct property operating expenses	--	3	584	312	899
	-----	-----	-----	-----	-----
Income from operations	\$ --	\$ 2,503	\$ 1,036	\$ 1,087	\$ 4,626
	-----	-----	-----	-----	-----
Commercial real estate property expenditures	\$ --	\$ --	\$ --	\$ 82	\$ 82
	-----	-----	-----	-----	-----
Segment assets at March 31, 1998	\$ --	\$109,830	\$ 31,941	\$ 50,885	\$192,656
	-----	-----	-----	-----	-----

</TABLE>

The following table reconciles our income from operations for reportable segments to income before equity in income of Service Companies, gain on sales of rental properties, minority interests and extraordinary item as reported in our Consolidated Statements of Operations.

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998
	-----	-----
<S>	<C>	<C>
Income from operations for reportable segments	\$ 13,639	\$ 4,626
Less:		
Indirect property operating expenses	119	--
General and administrative	889	299
Interest	5,193	2,159
Amortization of deferred financing costs	225	64
Depreciation and amortization	2,792	977
Reformation costs	--	637
	-----	-----
Income before equity in income of Service Companies, gain on sales of rental properties, minority interests and extraordinary item	\$ 4,421	\$ 490
	-----	-----

</TABLE>

We did not allocate indirect property operating expenses, 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 general and administrative, reformation costs and termination of advisory agreement costs since these items represent general corporate expenses not attributable to segments.

NOTE 13 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

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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 14 PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

We accounted for our 1999 and 1998 acquisitions 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 March 31, 1999.

We prepared our pro forma condensed consolidated financial information presented below as if all of our 1999 and 1998 acquisitions and dispositions had occurred on January 1, 1998. 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 and dispositions had occurred on January 1, 1998, nor does it intend to represent our results of operations for future periods.

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	1999	1998
<S>	<C>	<C>
Pro forma total revenues	\$18,412	\$15,361
	-----	-----
Pro forma net income available to Common Shareholders	\$ 3,048	\$ 1,570
	-----	-----
Pro forma earnings per Common Share		
Basic	\$ 0.18	\$ 0.09
	-----	-----
Diluted	\$ 0.16	\$ 0.09
	-----	-----

</TABLE>

NOTE 15 SUBSEQUENT EVENTS

On April 8, 1999, we obtained a \$12,500 mortgage loan payable from FMB Bank, \$9,000 of which is nonrecourse. The loan provides for monthly payments of interest, at a rate of LIBOR plus 1.75%, and principal of \$23 in the loan's first year, \$25 in the second year and \$27 in the third year. The loan matures on May 1, 2002. We pledged three of our operating properties and one parcel of land as collateral to the lender. We use the term collateralize to describe all such arrangements.

On April 16, 1999, we acquired two office buildings located in Hanover, Maryland (the "Parkway Crossing Properties"). We acquired these properties for \$9,343, including transaction costs, by assuming \$4,974 in debt, issuing 326,768 Common Units in our Operating Partnership valued at \$3,431 (\$10.50 per unit) and using \$938 in borrowings under our Revolving Credit Facility.

On April 28, 1999, we acquired eight office buildings and a contiguous parcel of land located in Hanover, Maryland (the "Commons Corporate Portfolio"). We purchased these properties for \$25,891, including transaction costs, using \$24,750 in borrowings under our Revolving Credit Facility and cash reserves for the balance.

On May 4, 1999, we sold a retail property located in Glendale, Wisconsin for \$1,900, of which \$988 was used to pay off the mortgage loan payable on the property. We realized a gain of \$100 on this sale and net proceeds totaled \$791.

On May 5, 1999, we obtained a \$10,000 loan from Bankers Trust Company. The loan bears interest at a rate of LIBOR plus 1.75% and provides for monthly payments of interest only. The loan matures on November 5, 1999 and is collateralized by the Commons Corporate Portfolio.

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

OVERVIEW

Over the last year, we completed a significant number of acquisitions. Our portfolio consisted of seven retail properties and ten office properties at March 31, 1998. During the last three quarters of 1998, we acquired 38 office and two retail properties. We financed these acquisitions using debt and issuing Common Shares, Preferred Shares and ownership interests in our Operating Partnership. To accommodate our growth and changing needs as an organization, we entered into a management arrangement with COMI in September 1998 (see Note 1 to the financial statements for a description of our interests in COMI). During the first quarter of 1999, we acquired one office property and sold four of our retail properties. As of March 31, 1999, our portfolio included 54 commercial real estate properties leased for office and retail purposes. Due to these significant changes, our results of operations changed dramatically.

In this section, we discuss our financial condition and results of operations for the three months ended March 31, 1999. This section includes discussions on:

- - why various components of our Consolidated Statements of Operations changed for the three months ended March 31, 1999 compared to the three months ended March 31, 1998,
- - what our primary sources and uses of cash were in the three months ended March 31, 1999,
- - how we raised cash for investing and financing activities during the three months ended March 31, 1999,
- - how we intend to generate cash for future capital expenditures, and
- - the computation of our funds from operations for the three months ended March 31, 1999 and 1998.

It may be helpful as you read this section to refer to our consolidated financial statements and accompanying notes and operating data variance analysis set forth above.

This section 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. Statements that are not historical facts, including statements about our beliefs and expectations, are 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 publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Important facts that may 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; 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 and environmental requirements.

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RESULTS OF OPERATIONS

COMPARISON OF THE THREE MONTHS ENDED MARCH 31, 1999 AND 1998:

CORPORATE OFFICE PROPERTIES TRUST OPERATING DATA VARIANCE ANALYSIS

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

<TABLE>
<CAPTION>

	Three Months Ended March 31,			% Change
	1999	1998	Variance	
<S>	<C>	<C>	<C>	<C>
Revenues				
Rental income	\$ 16,179	\$ 4,919	\$ 11,260	229%
Tenant recoveries and other income	2,344	606	1,738	287%
Total revenues	18,523	5,525	12,998	235%
Expenses				
Property operating	5,003	899	4,104	457%
General and administrative	889	299	590	197%
Interest expense and amortization of finance costs	5,418	2,223	3,195	144%
Depreciation and other amortization	2,792	977	1,815	186%
Reformation costs	--	637	(637)	(100%)
Total expenses	14,102	5,035	9,067	180%
Income before equity in income of Service Companies, gain on sale of rental properties, minority interests and extraordinary item	4,421	490	3,931	802%
Equity in income of Service Companies	181	--	181	N/A
Gain on sales of rental properties	986	--	986	N/A
Income before minority interests	5,588	490	5,098	1,040%
Minority interests	(1,349)	(989)	(360)	36%
Extraordinary item	(694)	--	(694)	N/A
Net income (loss)	3,545	(499)	4,044	N/A

Preferred Dividends	(338)	--	(338)	N/A
Net income (loss) available to Common Shareholders	\$ 3,207	\$ (499)	\$ 3,706	N/A
Earnings (loss) per Common Share				
Basic	\$ 0.19	\$ (0.22)	\$ 0.41	N/A
Diluted	\$ 0.17	\$ (0.22)	\$ 0.39	N/A

</TABLE>

Our total revenues increased \$13 million or 235%, of which \$11.3 million was generated by rental income and \$1.7 million by tenant recoveries and other income. Tenant recovery income includes payments from tenants as reimbursement for property taxes, insurance and other property operating expenses. Our growth in revenues was due mostly to our property acquisitions in 1998 and 1999, although revenues increased \$220,000 due to increases in operating expense reimbursements and other income at properties we owned since the beginning of 1998 and decreased \$92,000 due to our Midwest region retail property sales.

Our total expenses increased \$9.1 million or 180% due mostly to the effects of the increases in property operating, interest expense and amortization of deferred finance costs, depreciation and amortization and general and administrative expenses described below. However, our expenses for the three months ended March 31, 1998 also included \$637,000 in nonrecurring costs associated with our reformation into a Maryland REIT in March 1998.

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Our property operating expenses increased \$4.1 million or 457% due mostly to our property acquisitions, although \$85,000 of the increase is attributable to increases relating to properties we owned since the beginning of 1998. Our interest expense and amortization of deferred financing costs increased \$3.2 million or 144% due mostly to our borrowings and assumptions of debt needed to finance property acquisitions, although a decrease of \$51,000 is attributable to our Midwest region retail property sales. Our depreciation and amortization expense increased \$1.8 million or 186% due mostly to our property acquisitions.

Our general and administrative expenses increased \$590,000 or 197%. Much of this increase is due to the arrangement we entered into with COMI necessitated by our growing portfolio of properties and the desire to enhance our organizational infrastructure to more efficiently meet tenant needs and further the growth of the Company. Approximately \$100,000 of this increase is due to additional professional fees for audit, legal and tax preparation required to support the increased complexity of our organization resulting from our growth and creation of our Operating Partnership and the Service Companies. In addition, approximately \$80,000 of this increase resulted from external costs we incurred for public relations and marketing. However, our general and administrative expenses decreased as a percentage of total revenue.

Our income before minority interests for the three months ended March 31, 1999 includes our equity in income from the Service Companies and the gain we realized on the sale of four of our retail properties, items that were not present for the three months ended March 31, 1998.

As a result of the above factors, income before minority interests increased by \$5.1 million, or 1,040%. Our income allocation to minority interests increased \$360,000 or 36%. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of the Operating Partnership's net income not allocated to us. Minority interests owned 15% of the Operating Partnership during the three months ended March 31, 1999 versus 79% during the three months ended March 31, 1998. Accordingly, the increase in income allocated to minority interests is due to the increase in the Operating Partnership's net income, offset by the decreased percentage of income allocated to minority interests.

Our net income available to Common Shareholders increased \$3.7 million due to the factors discussed above partially offset by a \$694,000 loss on the retirement of debt and \$338,000 in dividends declared on our Series A Preferred Shares, items that were not present for the three months ended March 31, 1998. Our diluted earnings per Common Share increased \$0.41 per share due to the effect of the increase in net income being proportionately greater than the dilutive effects of (i) our share offering in April 1998, (ii) the issuance of Common Shares and Common Units in our Operating Partnership in connection with our property acquisitions during the later portion of 1998 and (iii) the issuance of Common Units in connection with the acquisition of Glacier in March 1999.

CAPITALIZATION AND LIQUIDITY

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

We have financed our property acquisitions using a combination of borrowings secured by our properties and the equity issuances of Common and Preferred Units in our Operating Partnership and Common and Preferred Shares. We use our 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. As of May 11, 1999, the maximum amount available under the Revolving Credit Facility was \$100.0 million, of which \$15.0 million was unused.

Our debt strategy favors long-term, fixed-rate debt over variable-rate debt to minimize the risk of short-term increases in interest rates. As of March 31, 1999, 79% of our mortgage loans payable balance carried fixed interest rates. Our scheduled principal payment requirements in 1999 and 2000 will be limited to normal debt service that we expect to fund using property cash flow, assuming we exercise existing options to extend loan maturity dates.

Mortgage loans payable at March 31, 1999 consisted of the following (dollars in thousands):

<TABLE>

<S>	<C>
Term Credit Facility, 7.50%, maturing October 2000 (1)	\$100,000
TIAA Mortgage, 6.89%, maturing November 2008	84,482
Revolving Credit Facility, LIBOR + 1.75%, maturing May 2000 (2)	81,950
Aegon USA Realty Advisors, Inc., 8.29%, maturing May 2007	6,332
FMB Bank, LIBOR + 1.6%, maturing February 2001 (3)	4,866
Provident Bank of Maryland, LIBOR + 1.75%, maturing September 2000	2,886
Provident Bank of Maryland, LIBOR + 1.75%, maturing February 2001 (4)	2,736
Other Mortgages - Retail Properties, fixed rates ranging from 7.63% to 8.0%, maturities ranging from 2011 to 2014 (5)	7,584

	\$290,836

</TABLE>

- (1) May be extended for two one-year periods, subject to certain conditions.
- (2) May be extended for a one-year period, subject to certain conditions.
- (3) Construction loan with a total commitment of \$9,825.
- (4) Construction loan with a total commitment of \$10,875.
- (5) Repaid \$988 on May 4, 1999 using proceeds from the Glendale sale.

We have no contractual obligations for property acquisitions or material capital costs, other than the April and May 1999 property acquisitions and dispositions discussed below, and the completion of the two development projects discussed below and tenant improvements in the ordinary course of business. We expect to meet our long-term capital needs through a combination of cash from operations, additional borrowings and additional equity issuances of Common Shares, Preferred Shares, Common Units and/or Preferred Units. We have effective a Form S-3 shelf registration statement on file with the Securities and Exchange Commission, under which we may sell up to \$250 million in equity securities depending upon our needs and market conditions. We also expect to generate cash proceeds from the sale of our four remaining retail properties.

INVESTING AND FINANCING ACTIVITIES FOR THE THREE MONTHS ENDED MARCH 31, 1999:

During the three months ended March 31, 1999, our property acquisitions activity consisted solely of the acquisition of Airport XXI Property, an office building located in Linthicum, Maryland totaling approximately 68,000 square feet. We acquired the property for \$6.8 million, including \$201,000 in transaction costs, using \$6.7 million in borrowings under our Revolving Credit Facility and cash reserves for the balance.

During the three months ended March 31, 1999, we had construction underway on an aggregate of 198,000 square feet of new office space at our Woodlands II and 134 National Business Parkway properties. We entered into \$20.7 million in construction loans during this period to finance the construction of these projects. Borrowings under these loans totaled \$7.6 million at March 31, 1999.

During the three months ended March 31, 1999, we sold four retail properties for \$33.4 million, of which \$15.9 million was used to pay off the mortgage loans payable on the properties. We realized a gain of \$986,000 on the sales of these properties, including the value of the transaction involving Glacier (discussed below). Net proceeds from these sales totaled \$16.8 million, \$14.7 million of which was used to repay a portion of our Revolving Credit Facility and the remainder was applied to working capital.

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On March 19, 1999, our Operating Partnership issued 200,000 Common Units valued at \$1,487 (\$7.4375 per unit) in exchange for all of the ownership interests in Glacier. For accounting purposes, we recorded the value of this transaction against the gain on the sale of our retail properties in the Midwest region of the United States.

INVESTING AND FINANCING ACTIVITIES SUBSEQUENT TO THE THREE MONTHS ENDED MARCH 31, 1999:

On April 8, 1999, we obtained a \$12.5 million mortgage loan payable from FMB Bank, \$9.0 million of which is nonrecourse. The loan provides for monthly payments of interest, at a rate of LIBOR plus 1.75%, and principal of \$23,000 in the loan's first year, \$25,000 in the second year and \$27,000 in the third year. The loan matures on May 1, 2002. This loan is collateralized by three of our operating properties and one parcel of land. The proceeds from this loan were used to pay down our Revolving Credit Facility.

On April 16, 1999, we acquired the Parkway Crossing Properties, two office buildings located in Hanover, Maryland totaling approximately 99,000 square feet. We acquired these properties for \$9.3 million, including transaction costs, by assuming \$5.0 million in debt, issuing 326,768 Common Units in our Operating Partnership valued at \$3.4 million (\$10.50 per unit) and using \$938,000 in borrowings under our Revolving Credit Facility.

In connection with the acquisition of the Parkway Crossing Properties, we assumed three nonrecourse mortgage loans payable collateralized by these buildings. One of these loans is with IDS Life Insurance Company. This loan has a balance of \$3.1 million, bears interest at a fixed rate of 8.375% and provides for monthly principal and interest payments of \$44,000. This loan matures on June 1, 2007. The other two loans are with the seller. The two loans with the seller, which carry identical terms, have a combined balance of \$1.9 million, bear interest at the lesser of Prime plus 0.5% or 9.38% (currently 8.25%) and provide for monthly payments of interest plus fixed principal payments of \$4,000. These loans mature on May 25, 2007.

On April 28, 1999, we acquired the Commons Corporate Portfolio, eight office buildings totaling approximately 250,000 square feet and a contiguous parcel of land located in Hanover, Maryland. We purchased these properties for \$25.9 million, including transaction costs, using \$24.8 million in borrowings under our Revolving Credit Facility and cash reserves for the balance.

On May 4, 1999, we sold a retail property located in Glendale, Wisconsin for \$1.9 million of which \$988,000 was used to pay off the mortgage payable on the property. We realized a gain of \$100,000 on this sale and net proceeds of \$791,000. The proceeds from this sale were applied to our cash reserves.

On May 5, 1999, we obtained a \$10.0 million loan from Bankers Trust Company. The loan bears interest at a rate of LIBOR plus 1.75% and provides for monthly payments of interest only. The proceeds from this loan were used to pay down our Revolving Credit Facility. The loan matures on November 5, 1999 and is collateralized by the Commons Corporate Portfolio.

STATEMENT OF CASH FLOWS

We generated net cash flow from operations of \$6.5 million in the three months ended March 31, 1999, an increase of \$5.5 million from the three months ended March 31, 1998. Our increase in cash flows from operations is due mostly to income generated from our newly acquired properties. Our net cash flow used in investing activities for the three months ended March 31, 1999 decreased \$604,000 from the three months ended March 31, 1998 due mostly to the \$16.8 million in proceeds generated from our retail property sales, offset by \$13.8

million in additional cash outlays associated with purchases of and improvements to real estate properties during the period and \$2.2 million in advances made to the Service Companies (see Note 1 to the financial statements). Our net cash flow used in financing activities for the three months ended March 31, 1999 increased \$3.8 million from the three months ended March 31, 1998 due mostly to \$19.1 million in additional repayments of mortgage loans payable and \$3.4 million in additional dividend and distribution payments during the period, offset by \$19.1 million in additional proceeds from mortgage loans payable.

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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 generally accepted accounting principles, 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. Further, if the conversion of securities into common shares is dilutive, we exclude any GAAP income allocated to these securities in computing FFO. 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 months ended March 31, 1999 and 1998 are summarized in the following table.

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<TABLE>
<CAPTION>

	For the three months ended March 31,	
	----- (Dollars and shares for this table are in thousands)	
	1999	1998
	-----	-----
<S>	<C>	<C>
Income before minority interests.....	\$ 5,588	\$ 490
Add: Nonrecurring charges		
Reformation costs.....	--	637
Add: Real estate related depreciation and amortization.....	2,774	972
Less: Preferred Unit distributions.....	(853)	(853)
Less: Preferred Share dividends.....	(338)	--
Less: Gain on sales of rental properties.....	(986)	--
	-----	-----
Funds from operations.....	6,185	1,246
Add: Preferred Unit distributions.....	853	853
Add: Preferred Share dividends.....	338	--
	-----	-----
Funds from operations assuming conversion of Preferred Units and Preferred Shares.....	7,376	2,099
Less: Straight line rent adjustments.....	(675)	(359)
Less: Recurring capital improvements.....	(669)	--
	-----	-----
Adjusted funds from operations assuming conversion of Preferred Units and Preferred Shares.....	\$ 6,032	\$ 1,740
	-----	-----
Weighted average Common Shares.....	16,802	2,268
Conversion of Common Units.....	2,759	2,582
	-----	-----
Weighted average Common Shares/Units.....	19,561	4,850
Assumed conversion of share options.....	8	26
Conversion of Preferred Shares.....	1,845	--
Conversion of Preferred Units.....	7,500	7,500
	-----	-----
Weighted average Common Shares/Units assuming conversion of Preferred Units and Preferred Shares	28,914	12,376
	-----	-----

</TABLE>

INFLATION

We have not been significantly impacted by inflation during the periods presented in this report. This is mostly because of the relatively low inflation rates in our markets. Most of our tenants are contractually obligated to pay their share of operating expenses, thereby reducing exposure to increases in such costs resulting from inflation.

IMPACT OF THE YEAR 2000 ISSUE

Many older computer software programs refer to years in terms of their final two digits only. Such programs may interpret the year 2000 to mean the year 1900 instead. If not corrected, this could result in a system failure or miscalculations causing disruption of operations, including a temporary inability to process transactions, prepare financial statements, send invoices or engage in similar normal business activity.

Our accounting software system was certified as Year 2000 compliant by its manufacturer. Accordingly, we do not anticipate problems in processing the billing and collection of revenue, paying of expenditures, recording of financial transactions, preparing financial statements and maintaining and generating system driven managerial information. Our information technology and accounting groups are conducting internal tests to

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ensure compliance. This testing process is estimated to be completed by the second quarter of 1999. Our accounting department has developed a plan that will enable a certain amount of manual processing to take place in the unlikely event that problems arise with our accounting software.

Our property management team has been continually evaluating the impact of the Year 2000 Issue on the various facets of property operating systems since the beginning of 1998. This evaluation process will continue through the second quarter of 1999. Based on the current status of this evaluation process, we do not anticipate any material adverse consequences on property operations. Our property management team has alternative plans in place to address unexpected problems that may arise with the property operating systems. Additional property management staff will also be on-call to respond to any such problems beginning January 1, 2000.

We rely on third party suppliers for a number of key services. Interruption of supplier operations due to the Year 2000 Issue could affect our operations. We also are dependent upon our tenants for revenue and cash flow. Interruptions in tenant operations due to the Year 2000 Issue could result in reduced revenue, increased receivable levels and cash flow reductions. Our property management team contacted our significant tenants and suppliers regarding their Year 2000 readiness and is currently in the process of evaluating responses. We are being continually updated on the status of this process, which is estimated to be completed by the second quarter of 1999.

Based on information currently available from our internal assessment, we do not expect significant incremental costs associated with our Year 2000 activities during 1999. We will also evaluate Year 2000 issues for all future property acquisitions and development.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to certain market risks associated with our financial instruments, 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 mortgage loans payable carrying fixed interest rate terms mature and need to be refinanced.

Based on our variable rate debt balances during the three months ended March 31, 1999, our interest expense would have increased \$150,000 if interest rates were 1% higher.

On January 5, 1999, we entered into an interest rate swap agreement with Bankers Trust Company that fixes our one-month LIBOR base to 5.085% per annum on a notional amount of \$30.0 million through May 2001. While this swap agreement reduces the impact of an increase in interest rates, the nonperformance of Bankers Trust Company in this swap agreement, while remote, could result in

material losses. We expect to continue to use such swap agreements to reduce the impact of interest rate changes.

PART II

ITEM 1. LEGAL PROCEEDINGS

We are not currently involved in any material litigation nor, to the best of our knowledge, is any material litigation currently threatened against us (other than routine litigation arising in the ordinary course of business, substantially all of which is expected to be covered by liability insurance).

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ITEM 2. CHANGES IN SECURITIES

a. None

b. None

c. On March 19, 1999, our Operating Partnership issued 200,000 Common Units in exchange for all of the ownership interests in Glacier. The issuance of these Common Units is exempt 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. None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

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EXHIBIT NO.	DESCRIPTION
2.1	Agreement and Plan of Merger, dated January 31, 1998, among the Registrant, the Maryland Company and the Company (filed with the Trust's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
2.2	Assignment of Partnership Interests, dated April 30, 1998, between Airport Square Limited Partnership, Airport Square Corporation, Camp Meade Corporation and COPT Airport Square One LLC and COPT Airport Square Two LLC. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.3	Assignment of Purchase and Sale Agreement, dated April 30, 1998, between Aetna Life Insurance Company and the Operating Partnership. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.4	Assignment of Loan Purchase and Sale Agreement, dated April 30, 1998, between Constellation Real Estate, Inc. and the Operating Partnership. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.5	Purchase and Sale Agreement, dated April 1, 1998, between Aetna Life Insurance Company and Airport Square Limited Partnership (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
2.6.1	Loan Purchase and Sale Agreement, dated March 13, 1998, between Aetna Life Insurance Company and Constellation Real Estate, Inc. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).

- 2.6.2 Amendment to Loan Purchase and Sale Agreement, dated April 16, 1998, between Aetna Life Insurance Company and Constellation Real Estate, Inc. (filed with the Company's Current Report on Form 8-K on May 14, 1998 and incorporated herein by reference).
- 2.7.1 Purchase and Sale Agreement, dated March 4, 1998, between 695 Rt. 46 Realty, LLC, 710 Rt. 46 Realty, LLC and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
- 2.7.2 Letter Amendment to Purchase and Sale Agreement, dated March 26, 1998, between 695 Rt. 46 Realty, LLC, 710 Rt. 46 Realty, LLC and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
- 2.8.1 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).
- 2.8.2 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).

EXHIBIT NO.	DESCRIPTION
2.8.3	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).
2.9	Service Company Asset Contribution Agreement between the Company and the Operating Partnership and certain Constellation affiliates (filed as Exhibit B of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.10.1	Option Agreement, dated May 14, 1998, between the Operating Partnership and NBP-III, LLC (a Constellation affiliate) (filed as Exhibit C of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.10.2	First Amendment to Option Agreement, dated June 22, 1998, between the Operating Partnership and NBP-III, LLC (a Constellation affiliate) (filed as Exhibit E of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.11.1	Option Agreement, dated May 14, 1998, between the Operating Partnership and Constellation Gatespring II, LLC (a Constellation affiliate) (filed as Exhibit D of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.11.2	First Amendment to Option Agreement, dated June 22, 1998, between the Operating Partnership and Constellation Gatespring II, LLC (a Constellation affiliate) (filed as Exhibit F of the Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).
2.12	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).
2.13	Right of First Refusal Agreement, dated September 28, 1998, between Constellation Properties, Inc. and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
2.14	Right of First Refusal Agreement, dated September 28, 1998, between 257 Oxon, LLC and the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
2.15	Development Property Acquisition Agreement, dated May 14, 1998, between the Operating Partnership and CPI Piney Orchard Village Center, Inc. (a Constellation affiliate) (filed as Exhibit H of the

Company's Schedule 14A Information on June 26, 1998 and incorporated herein by reference).

- 2.16 Contribution Agreement, dated September 30, 1998, between COPT Acquisitions, Inc. and M.O.R. XXIX Associates Limited Partnership (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).

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EXHIBIT NO.	DESCRIPTION
2.17	Purchase and Sale Agreement, dated September 30, 1998, between New England Life Pension Properties II: A Real Estate Limited Partnership and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
2.18.1	Sale-Purchase Agreement, dated August 20, 1998 between South Middlesex Industrial Park Associates, L.P. and SM Monroe Associates and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
2.18.2	First Amendment to Sale-Purchase Agreement, dated October 30, 1998, between South Middlesex Industrial Park Associates, L.P. and SM Monroe Associates, L.P. and COPT Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on November 16, 1998 and incorporated herein by reference).
2.19	Contribution Agreement, dated December 31, 1998, between the Operating Partnership and M.O.R. 44 Gateway Associates L.P., RA & DM, Inc. and M.R.U. L.P. (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
2.20.1	Purchase and Sale Agreement, dated December 31, 1998, between Metropolitan Life Insurance Company and Corporate Office Acquisitions, Inc. (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
2.20.2	Amendment to Purchase and Sale Agreement, dated December 31, 1998, between Metropolitan Life Insurance Company, DPA/Gateway L.P., Corporate Office Acquisitions, Inc., COPT Gateway, LLC and the Operating Partnership (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
2.21	Contribution Agreement, dated February 24, 1999, between the Operating Partnership and John Parsinen, John D. Parsinen, Jr., Enterprise Nautical, Inc. and Vernon Beck.
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	Amended and Restated Limited Partnership Agreement of the Operating Partnership,

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EXHIBIT NO.	DESCRIPTION
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dated March 16, 1998 (filed with the Company's Quarterly Report on Form 10-Q on August 12, 1998 and incorporated herein by reference).

- 4.4.2 First Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated September 28, 1998 (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 4.4.3 Second Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated October 13, 1998 (filed with the Company's Current Report on Form 8-K on October 28, 1998 and incorporated herein by reference).
- 4.4.4 Third Amendment to Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 31, 1998 (filed with the Company's Current Report on Form 8-K on January 14, 1999 and incorporated herein by reference).
- 4.5 Registration Rights Agreement, dated September 28, 1998, for the benefit of certain shareholders of the Company.
- 10.1 Clay W. Hamlin III Employment Agreement, dated October 14, 1997, with the Operating Partnership (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
- 10.2 Employment Agreement, dated October 20, 1997, between the Operating Partnership and Thomas D. Cassel (filed with the Company's Annual Report on Form 10-K on March 25, 1998 and incorporated herein by reference).
- 10.3 Employment Agreement, dated September 28, 1998, between Corporate Office Management, Inc. and Randall M. Griffin (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.4 Employment Agreement, dated September 28, 1998, between Corporate Office Management, Inc. and Roger A. Waesche, Jr. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.5 Management Agreement between Registrant and Glacier Realty, LLC (filed with the Company's Current Report on Form 8-K on October 29, 1997, and incorporated herein by reference).
- 10.6 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).
- 10.7 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).
- 10.8 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).
- 10.9 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).
- 10.10 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation,

EXHIBIT NO.	DESCRIPTION
	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).
10.11	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).
10.12	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 Secured Promissory Note, dated April 29, 1997, between 710 Rt. 46 Realty, LLC and Life Investors Insurance Company of America (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
- 10.14 Mortgage and Security Agreement, dated April 29, 1997, between 710 Rt. 46 Realty, LLC and Life Investors Insurance Company of America (filed with the Company's Current Report on Form 8-K on June 10, 1998 and incorporated herein by reference).
- 10.15 Amended and Restated Deed of Trust Note, dated October 6, 1995, between Cranberry-140 Limited Partnership and Security Life of Denver Insurance Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.16.1 Promissory Note, dated September 15, 1995, between Tred Lightly Limited Liability Company and Provident Bank of Maryland (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.16.2 Allonge to Promissory Note, dated September 28, 1998, between Tred Lightly Limited Liability Company and Provident Bank of Maryland (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.17.1 Third Loan Modification and Extension Agreement, dated November 12, 1997, between St. Barnabus Limited Partnership, Constellation Properties, Inc. and NationsBank, N.A. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.17.2 Fourth Loan Modification Agreement, dated September 28, 1998, between St. Barnabus Limited Partnership, Constellation Properties, Inc. and NationsBank, N.A. (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
- 10.18.1 Deed of Trust Note, dated September 20, 1988, between Brown's Wharf Limited Partnership and Mercantile-Safe Deposit and Trust Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).

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EXHIBIT
NO.

DESCRIPTION

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- 10.18.2 Extension Agreement and Allonge to Deed of Trust Note, dated July 1, 1994, between Brown's Wharf Limited Partnership and Mercantile-Safe Deposit and Trust Company (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
 - 10.19 Consulting Services Agreement, dated April 28, 1998, between the Company and Net Lease Finance Corp., doing business as Corporate Office Services (filed with the Company's Current Report on Form 8-K on October 13, 1998 and incorporated herein by reference).
 - 10.20 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).
 - 10.21 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).
 - 10.22 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).
 - 10.23 Agreement for Services, dated September 28, 1998, between the Company and Corporate Office Management, Inc.
 - 10.24.1 Lease Agreement, dated September 28, 1998, between St. Barnabus Limited Partnership and Constellation Properties, Inc.
 - 10.24.2 First Amendment to Lease, dated December 31, 1998, between St. Barnabus, LLC and Constellation Properties, Inc.

- 10.25.1 Lease Agreement, dated August 3, 1998, between Constellation Real Estate, Inc. and Constellation Properties, Inc.
- 10.25.2 First Amendment to Lease, dated December 30, 1998, between Three Centre Park, LLC and Constellation Properties, Inc.
- 10.26.1 Lease Agreement, dated April 27, 1993, between Constellation Properties, Inc. and Baltimore Gas and Electric Company.
- 10.26.2 First Amendment to Lease, dated December 9, 1998, between COPT Brandon, LLC and Baltimore Gas and Electric Company.
- 27 Financial Data Schedule.

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c. Reports on Form 8-K

We filed the following Current Report on Form 8-K in the three months ended March 31, 1999:

Item 2 dated January 14, 1999 in connection with acquisitions of a newly constructed office building located in Anne Arundel County, Maryland on December 30, 1998 and three office buildings and a contiguous parcel of developed land located in Columbia, Maryland on December 31, 1998, amended February 2, 1999 to include relevant financial statements and pro forma financial information.

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: May 14, 1999

By: /s/ Randall M. Griffin

Randall M. Griffin
President and Chief Operating Officer

Date: May 14, 1999

By: /s/ Roger A. Waesche, Jr.

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

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CONTRIBUTION AGREEMENT

Between

CORPORATE OFFICE PROPERTIES, L.P.

And

JOHN PARSINEN, JOHN D. PARSINEN, JR., ENTERPRISE NAUTICAL, INC. AND VERNON R. BECK

Dated as of February 24, 1999

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE UPREIT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SECURITIES REFERENCED HEREIN HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THESE SECURITIES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISK OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

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THIS CONTRIBUTION AGREEMENT (this "AGREEMENT") is made and entered into as of the 24th day of February, 1999 (the "CONTRACT DATE"), by among JOHN PARSINEN, JOHN D. PARSINEN, JR. and ENTERPRISE NAUTICAL, INC., a Minnesota corporation (collectively, "CONTRIBUTORS"); VERNON R. BECK ("BECK"); and CORPORATE OFFICE PROPERTIES, L.P., a Delaware limited partnership ("UPREIT").

BACKGROUND

A. Contributors collectively own 100% of the membership interests (the "INTERESTS") in Glacier Realty LLC, a Minnesota limited liability company ("GLACIER REALTY"). The Interests are owned as follows: John Parsinen owns 90 units (I.E. 45% of the Interests), John D. Parsinen, Jr. owns 10 units (I.E. 5% of the Interests) and Enterprise Nautical, Inc. owns 100 units (I.E. 50% of the Interests). Beck is the sole stockholder of Enterprise Nautical, Inc. and shall benefit from the terms of this Agreement.

B. Glacier Realty has entered into a Management Agreement dated October 14, 1997 with Royale Investments, Inc., the predecessor in interest to Corporate

Office Properties Trust, the general partner of UPREIT ("COPT"). Such Management Agreement relates to various management acquisition and disposition services to be performed by Glacier Realty for, and fees due to Glacier Realty from, various commercial and retail properties owned by COPT or UPREIT, which properties are intended to be sold. The parties have agreed to enter this Agreement to facilitate the disposition of those commercial and retail properties.

C. Contributors, Beck and UPREIT desire to enter into this Agreement relating to the contribution and conveyance of the Interests to UPREIT in exchange for 200,000 LP Units (as defined below).

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, intending to be legally bound, the parties agree as follows:

1. DEFINITIONS.

All terms which are not otherwise defined in this Agreement shall have the meaning set forth in this Section 1.

1.1. "ACCREDITED INVESTOR" shall have the meaning set forth in Regulation D promulgated under the Securities Act of 1933, as amended.

1.2. "AFFILIATES(S)" shall mean any entity affiliated with or related to the REIT or the UPREIT.

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1.3. "AMENDMENT" shall have the meaning set forth in Section 4.1.1.

1.4. "CLOSING" or "CLOSING DATE" shall have the meaning set forth in Section 11.2 of this Agreement.

1.5. "CONTRIBUTORS" shall have the meaning set forth in the opening paragraph to this Agreement.

1.6. "CONVERSION SHARES" shall have the meaning set forth in Section 4.1.3.

1.7. "EXCHANGE" shall have the meaning set forth in Section 4.6.

1.8. "GOVERNMENTAL AUTHORITY/AUTHORITIES" shall mean any agency, commission, department or body of any municipal, township, county, local, state or federal governmental or quasi-governmental regulatory unit, entity or authority having jurisdiction or authority over the matter.

1.9. "INDEMNIFIED PARTIES" shall have the meaning set forth in Section 7.

1.10. "INFORMATIONAL MATERIALS" shall have the meaning set forth in Section 4.2. below.

1.11. "INVESTOR MATERIALS" shall have the meaning set forth in Section 4.1.2.

1.12. "LOCK-UP PERIOD," as to the LP Units issued at the Closing, shall mean the period ending 13 months following the Closing.

1.13. "LOSSES" shall have the meaning set forth in Section 7.

1.14. "LP UNITS" shall mean the common units in the UPREIT.

1.15. "PARTNERSHIP AGREEMENT" shall mean the agreement of limited partnership of the UPREIT, as amended from time to time.

1.16. "RECORDS" shall mean all books, records, tax returns, correspondence, financial data, leases, and all other documents and matters, public or private, maintained by Glacier Realty or its agents, relating to receipts and expenditures pertaining to all of the Property and the Interests for the three most recent full calendar years and the current calendar year and all contracts, rental agreements and all other documents and matters, public and private, maintained by Glacier Realty or its agents, relating to operations of the Property or the Interests.

1.17. "REGISTRATION RIGHTS AGREEMENT" shall mean the Registration Rights Agreement to be entered into between the Contributors and UPREIT at the Closing.

1.18. "REIT" means Corporate Office Properties Trust, a,

publicly traded Maryland real estate investment trust.

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1.19. "SECURITIES ACT" shall mean the Securities Act of 1933, as amended.

1.20. "TAXES" shall have the meaning set forth in Section 5.1.2.3.

1.21. "TAX RETURN" shall have the meaning set forth in Section 5.1.2.3.

1.22. "UPREIT" means Corporate Office Properties, L.P., a Delaware limited partnership.

2. CONTRIBUTION. Subject to the terms and conditions set forth in this Agreement, at the Closing Contributors shall contribute, transfer and convey to the UPREIT, and the UPREIT shall accept from Contributors, all of Contributors' rights, title and interests in and to the Interests, free and clear of all liens, claims and encumbrances. At the Closing, Contributors shall relinquish any rights they may have to any net worth, equity, capital accounts, loan accounts, cash flow distributions and any other distributions, withdrawals, or payments of any kind from Glacier Realty.

3. CONSIDERATION. In consideration of the contribution of the Interests to the UPREIT, and subject to the terms of this Agreement, at the Closing the UPREIT shall issue 200,000 LP Units (the "Units") to the Contributors.

4. LP UNITS; INVESTOR MATERIALS.

4.1. LP UNITS GENERALLY.

4.1.1. The LP Units shall be redeemable for shares of common shares of the REIT on a one-for-one basis or cash (or a combination thereof) in accordance with the procedures described in the Partnership Agreement. Contributors acknowledge that the LP Units are not certificated and that, therefore, the issuance of the LP Units shall be evidenced by the execution and delivery of an amendment to the Partnership Agreement, which amendment shall be executed and delivered by the REIT as general partner at the Closing (the "AMENDMENT").

4.1.2. Contributors and Beck shall deliver to UPREIT prior to Closing a Certification which provides, among other things, information concerning Contributors' and Beck's status as Accredited Investors (or in the case of John D. Parsinen, Jr., his status as a sophisticated investor). Contributors and Beck shall provide or cause to be provided to UPREIT, or to any other party designated by UPREIT, such other information and documentation as may reasonably be requested by UPREIT in furtherance of the issuance of the LP Units as contemplated hereby (together with such Certification, the "INVESTOR MATERIALS").

4.1.3. Contributors and Beck hereby covenant and agree that they shall deliver to UPREIT, or to any other party designated by UPREIT, any documentation that may be required under the Partnership Agreement or any charter document of the REIT, and such other information and documentation as may reasonably be requested by UPREIT, at such time as the

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LP Units are redeemed for shares of common shares of the REIT ("CONVERSION SHARES"). The preceding covenant shall survive the Closing.

4.2. CERTAIN INFORMATIONAL MATERIALS. Contributors and Beck hereby acknowledge and agree that the ownership of LP Units by Contributors and their respective rights and obligations as limited partner of the UPREIT (including, without limitation, the right to transfer, encumber, pledge and exchange the LP Units) shall be subject to all of the express limitations, terms, provisions and restrictions set forth in this Agreement and in the Partnership Agreement. In that regard, Contributors and Beck hereby covenant and agree that they shall execute any and all documentation reasonably required by the UPREIT and the REIT to formally memorialize the foregoing. Contributors and Beck acknowledge that they have received and reviewed, prior to the Closing Date, (i) the Partnership Agreement, (ii) the charter documents and bylaws of the REIT, (iii) the REIT's Form 10-K for the year ended December 31, 1997, (iv) all Form 10-Qs and Form 8-Ks that have been filed by the REIT since December 31, 1997, and (v) copies of all material press releases, proxy statements and reports to shareholders issued since December 31, 1997, and have otherwise had an opportunity to conduct a due diligence review of the affairs of the UPREIT and the REIT and have been afforded the opportunity to ask questions of, and receive additional information from, the REIT regarding the REIT and the UPREIT. UPREIT represents that all Federal and state income tax returns required to be filed by UPREIT and REIT have been so filed.

4.3. LOCK-UP PERIOD. Contributors agrees that during the Lock-Up Period, they shall not, in any way or to any extent, redeem (pursuant to the Partnership Agreement or otherwise), sell, transfer, assign or otherwise convey any or all of the LP Units delivered to them in connection with this transaction.

4.4. TRANSFER REQUIREMENTS. During the Lock-Up Period the Contributors may only pledge or encumber, and after the Lock-Up Period the Contributors may only sell, transfer, assign, pledge, encumber or otherwise convey, any or all of the LP Units delivered to them and, if applicable, any Conversion Shares, in strict compliance with this Agreement, the Partnership Agreement, the charter documents of the REIT, the registration and other provisions of the Securities Act (and the rules promulgated thereunder), any state securities laws, the rules of the New York Stock Exchange and the Registration Rights Agreement, in each case as may be applicable. A legend may be placed on the face of the certificates evidencing the Conversion Shares to notify the holder of the restrictions on transfer under applicable federal or state securities laws.

4.5. TRADING RESTRICTIONS. During the two-year period following the expiration of the Lock-Up Period, the aggregate amount of Conversion Shares that the Contributors may sell during any 10-trading day period shall not exceed 30 percent (30%) of the average of the daily trading volume of such shares (as reported in The Wall Street Journal) for the 30 trading days immediately preceding the date on which the first sale of such shares during any such 10-day period occurs.

4.6. DISCLAIMER OF TAX MATTERS. Contributors and Beck acknowledge that they may incur significant income tax by virtue of Contributors' ownership of the LP Units under

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various circumstances, including but not limited to a reduction or repayment of debt by the UPREIT or a disposition of Glacier Realty or the Interests acquired. Contributors and Beck acknowledge that they have relied on the advice of their own tax counsel in connection with the contribution of the Interests and all other tax matters relating to the Interests and the LP Units. Contributors and Beck hereby release the REIT and UPREIT and their officers, directors, partners, agents, attorneys, accountants and consultants from any and all claims, losses, or damages resulting from the tax consequences arising to the Contributors and Beck, including but not limited to adverse tax consequences arising from the method of allocation selected under Section 4.8 of this Agreement. Contributors and Beck acknowledge that UPREIT and REIT make no representations or promises whatsoever as to retaining any debt or providing tax basis to Contributors, nor is UPREIT or REIT making any representations or warranties as to forbearing from selling any or all assets directly or indirectly owned by it except as provided in Section 4.9 hereof. Neither UPREIT nor the REIT warrant, nor shall any of them be responsible for, the federal, state or local tax consequences to Contributors or Beck resulting from either (i) the transactions contemplated by this Agreement or (ii) the allocation, if any, of losses and liabilities of the UPREIT to Contributors under the Partnership Agreement, the Internal Revenue Code (the "Code") or Treasury Regulations promulgated under the Code. Neither the UPREIT nor the REIT shall incur any liability under any document or agreement required to be executed or delivered in connection with the exchange of the Interests for the LP Units hereunder (the "Exchange").

4.7 FINAL TAX RETURN. As the contribution of the Interests to the UPREIT will constructively terminate Glacier Realty for federal income tax purposes, the Contributors acknowledge that UPREIT shall file, and Contributors will have no right to file, tax returns for Glacier Realty after Closing.

4.8 SECTION 704(c) METHOD. Contributors and Beck agree that the REIT shall have the sole authority to elect a method of allocation under Section 704(c) of the Internal Revenue Code (the "Code") and the Treasury Regulations promulgated thereunder in connection with the Exchange. Contributors and Beck acknowledge that adverse tax consequences may result to them depending on such method chosen.

4.9. LIMITED COVENANT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED OR IMPLIED IN THIS AGREEMENT, UPREIT hereby covenants and agrees that (a) prior to October 14, 2002, it will not sell the Interests or Glacier Realty in a taxable disposition, (b) prior to October 14, 2002, it shall not terminate or dissolve Glacier Realty such that Glacier Realty shall be deemed to have been sold in a taxable disposition and (c) it will not extend the term of the Management Agreement (as defined in Section 5.1.9) beyond October 14, 2002. This covenant shall not apply however to (a) any termination or dissolution of Glacier Realty which would not be deemed a taxable disposition of Glacier Realty and (b) to the extent the fiduciary obligations of UPREIT or REIT would require otherwise.

5.1. REPRESENTATIONS AND WARRANTIES OF CONTRIBUTORS AND BECK.

In order to induce UPREIT to enter into this Agreement and to issue the LP Units in consideration for the

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Interests, the Contributors and Beck make the following representations and warranties as of the Contract Date and as of the Closing, each of which is material and shall survive the contribution hereof without limitation, notwithstanding any investigation at any time made by or on behalf of UPREIT.

5.1.1. AUTHORITY. The execution and delivery of this Agreement by Contributors and Beck, and the performance of this Agreement by Contributors and Beck, have been duly authorized by Contributors and Beck, and this Agreement is binding on Contributors and Beck and enforceable against them in accordance with its terms. Any required consent of any creditor, investor, partner, shareholder, tenant-in-common, judicial or administrative body, Governmental Authority, or other governmental body or agency, or other party to such execution, delivery and performance by Contributors and Beck has been obtained. Neither the execution of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in a breach of, default under, or acceleration of, any agreement to which Contributors, Beck or Glacier Realty is a party or by which Contributors, Beck or Glacier Realty are bound; or (ii) violate any restriction, court order, agreement or other legal obligation to which Contributors, Beck or Glacier Realty are subject.

5.1.2. LIMITED LIABILITY COMPANY AND TAX-RELATED ISSUES.

5.1.2.1 Glacier Realty is, and at all times has been, properly treated as a limited liability company for federal income tax purposes and not as an "association" or "publicly traded partnership" taxable as a corporation. Glacier Realty's principal place of business is in Minnesota and it does not conduct business in any other state.

5.1.2.2 No owner of Glacier Realty has pledged or otherwise encumbered its membership interest in Glacier Realty.

5.1.2.3. Glacier Realty has filed or caused to be filed in a timely manner (within any applicable extension periods) all tax, information or other returns required to be filed by the Code or by applicable state, or local tax laws (collectively "TAX RETURNS"). Such Tax Returns are true, correct and complete in all respects; and all federal, state or local income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium unemployment, disability, personal property, sales, use, transfer, registration, estimated, or other tax of any kind whatsoever, including any interest, penalty or other addition thereto, whether disputed or not, (collectively, "TAXES") due, and Taxes due in respect of any person for which Glacier Realty had an obligation to withhold and/or otherwise pay over Taxes, have been timely paid in full or will be timely paid in full by the due date thereof (and whether or not shown on a Tax Return). With respect to any taxable year for which a statute of limitations (or similar provision) has not yet run, none of the Tax Returns of Glacier Realty have been audited by a government or taxing authority, nor is any such audit or other proceeding in process, pending, threatened (either in writing or verbally, formally or informally) or expected to be asserted with respect to Taxes (or collection of Taxes) of Glacier Realty, and Glacier Realty has not received notice (either in writing or verbally, formally or informally) or expects to receive notice that it has not filed a Tax Return or not paid Taxes required to be filed, withheld, or paid by it. Glacier Realty has disclosed on its federal income tax returns all positions taken therein that could give

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rise to a substantial understatement penalty within the meaning of Code Section 6662. No claim has ever been made by an authority in a jurisdiction where Glacier Realty does not file Tax Returns that it is or may be subject to taxation by that jurisdiction.

5.1.2.4. The financial statements (including balance sheets) of Glacier Realty attached hereto as Exhibit 5.1.2.4 are true, correct and complete. There are no liabilities or obligations, contingent or otherwise, of Glacier Realty except as shown on the financial statements.

5.1.3 UNITED STATES PERSON. Each Contributor is a "United States Person" within the meaning of Section 1445(f)(3) of the Code, as amended, and shall have executed and delivered an "Entity Transferor" certification at Closing.

5.1.4. INVESTMENT REPRESENTATION. Contributors and Beck represent that the LP Units are being acquired by Contributors with the present intention of holding such LP Units for purposes of investment, and not with a view towards sale or any other distribution (other than a distribution which may take place from Enterprise Nautical, Inc. to Beck, its sole stockholder).

Contributors and Beck recognize that they may be required to bear the economic risk of an investment in the LP Units for an indefinite period of time. Contributors and Beck are each an Accredited Investor. Contributors and Beck have such knowledge and experience in financial and business matters so as to be fully capable of evaluating the merits and risks of an investment in the LP Units. No LP Units will be issued, delivered or distributed to any person or entity who either (i) is a resident of the State of California or New York or (ii) is other than an Accredited Investor with respect to whom there has been delivered to UPREIT satisfactory Investor Materials confirming the status of such person or entity as an Accredited Investor. Contributors and Beck have been furnished with the informational materials described in Section 4.2 above (collectively, the "INFORMATIONAL MATERIALS"), and have read and reviewed the Informational Materials and understand the contents thereof. Contributors and Beck have been afforded the opportunity to ask questions of those persons they consider appropriate and to obtain any additional information they desire in respect of the LP Units and the business, operations, conditions (financial and otherwise) and current prospects of the UPREIT and REIT. Contributors and Beck have consulted their own financial, legal and tax advisors with respect to the economic, legal and tax consequences of delivery of the LP Units and have not relied on the Informational Materials, the UPREIT, the REIT or any of their officers, directors, affiliates or professional advisors for such advice as to such consequences. All consents necessary in order to consummate the transactions contemplated by this Agreement have been obtained. John D. Parsinen, Jr. is domiciled in the State of Illinois. John Parsinen and Beck are domiciled in and Enterprise Nautical, Inc. is formed under the laws of the State of Minnesota.

5.1.5 AUTHORITY. Contributors and Beck has the right, power and authority to enter into this Agreement and to contribute the Interests to UPREIT. All consents necessary for the contribution of the Interests to the UPREIT have been obtained.

5.1.6 OWNERSHIP OF INTERESTS. Contributors own the Interests, free and clear of all liens, charges, encumbrances, restrictive agreements and assessments. UPREIT has received good and absolute title thereto, free of all liens, charges, encumbrances, restrictive

agreements and assessments whatsoever. There are no outstanding options, contracts, calls, commitments or demands of any nature relating to the Interests. Any buy-sell agreement among the Contributors regarding the Interests has been terminated.

5.1.7 OWNERSHIP OF ENTERPRISE NAUTICAL, INC. Beck is the only beneficial owner of Enterprise Nautical, Inc. and no other entity or person holds any beneficial interest therein.

5.1.8 GOVERNING DOCUMENTS. The Operating Agreement and Member Control Agreement of Glacier Realty has been provided to UPREIT and there have been no further amendments thereto.

5.1.9 MANAGEMENT AGREEMENT. The Management Agreement between Glacier Realty and Royale Investments, Inc. dated October 14, 1997 (the "Management Agreement") has been provided to UPREIT and is in full force and effect.

5.1.10. NO OUTSTANDING OBLIGATIONS. All liabilities, obligations, costs and expenses of Glacier Realty have been paid in full, and there are no contingent liabilities of Glacier Realty.

6. COVENANTS OF CONTRIBUTORS AND BECK.

6.1 GOOD FAITH. All actions required pursuant to this Agreement that are necessary to effectuate the transaction contemplated herein will be taken promptly and in good faith by Contributors, and Contributors and Beck shall furnish UPREIT with such documents or further assurances as UPREIT may reasonably require.

6.2 AVAILABILITY OF RECORDS.

6.2.1 Upon UPREIT's reasonable request, for a period of two years after the Closing, Contributors shall make the Records available to UPREIT for inspection, copying and audit by UPREIT's designated accountants.

6.2.2 In addition, during such two year period Contributors and Beck shall provide, and cooperate in all reasonable respects in providing, UPREIT with copies of, or access to, such factual information as may be reasonably requested by UPREIT, and in the possession or control of Contributors and Beck, to enable the REIT to issue one or more press releases concerning the transaction that is the subject of this Agreement, to file a Current Report on Form 8-K, if, as and when such filing may be required by the SEC and to make any other filings that may be required by any Governmental Authority.

6.3 OPERATIONS. From the Contract Date through the Closing, Glacier Realty (a) shall not enter into any contract or incur any

obligations or liabilities, (b) shall continue to be operated in the same manner as existed prior to the Contract Date and (c) shall not be in default of any of its obligations under the Management Agreement or any other contract.

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7. INDEMNITY. Contributors and Beck jointly and severally, do hereby agree to and do hereby indemnify, defend and hold harmless the UPREIT and the REIT and each of their respective partners, officers, directors, shareholders, agents and employees, and each of their successors and assigns (collectively the "INDEMNIFIED PARTIES"), from and against any and all claims, losses, demands, liabilities, suits, administrative proceedings, causes of action, costs and damages suffered by any Indemnified Party, and reasonable attorneys' fees of counsel selected by any Indemnified Party and other costs of defense, incurred, arising against, or suffered by any Indemnified Party, both known and unknown, present and future, at law or in equity (collectively "LOSSES"), arising out of, by virtue of or related in any way to, a breach of any representation, warranty or covenant of Contributors or Beck set forth in this Agreement, and any liabilities, obligations, expenses and costs, known or unknown, existing or contingent, relating to Glacier Realty as of the Closing (including but not limited to obligations under the Management Agreement), whether discovered before or after Closing.

8. LIMITATION OF LIABILITY. Neither the UPREIT, REIT or any Affiliate or their respective members, partners and shareholders shall incur any liability under any document or agreement required in connection with this Agreement, and UPREIT shall not be required (in connection with this Agreement) to execute any document or agreement that does not expressly exculpate and release such parties and their respective successors, assigns, affiliates, officers, shareholders, partners, employees, agents and representatives from any liability or obligation arising out of, or in connection with, this Agreement. Neither the UPREIT nor the REIT shall assume or discharge any debts, obligations, liabilities or commitments of Glacier Realty whether accrued now or hereafter, fixed or contingent, known or unknown, other than obligations incurred under the Management Agreement after the Closing.

9. BROKERAGE. UPREIT, Contributors and Beck each represents to the other that it has not dealt with any broker or agent in connection with this transaction. Each party hereby indemnifies and holds harmless the other party from all loss, cost and expense (including reasonable attorneys' fees) arising out of a breach of its representation or undertaking set forth in this Section 9.

10. REASONABLE EFFORTS. Contributors and Beck shall use its reasonable, diligent and good faith efforts, to perform as may be necessary or otherwise reasonably requested by UPREIT to effectuate the Exchange, and to otherwise carry out the purposes of this Agreement.

11. CLOSING.

11.1. CONTINGENCY. The Exchange and the transactions contemplated hereunder shall be contingent upon (a) the approval of this Agreement by the Board of Directors of the REIT (the "Board Approval") and (b) the representations contained in Section 5 remaining true and correct as of the Closing. If such Board Approval has not been given prior to March 31, 1999, then either Contributors or UPREIT, or if such representations are not true and correct then UPREIT, may elect in writing to terminate this Agreement, in which case none of the parties hereunder shall have any further obligations hereunder.

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11.2. CLOSING. The Closing of the Exchange and the transactions contemplated hereunder shall take place on a date (the "Closing Date") specified by UPREIT which shall be no later than 10 days after the Board Approval. Closing shall occur at the offices of UPREIT at 8815 Centre Park Drive, Columbia, Maryland 21045 or such other place as may be mutually agreed upon by the parties.

11.3. CONTRIBUTORS' DELIVERIES. At the Closing, the Contributors and Beck shall deliver to UPREIT the following, each in form and substance satisfactory to UPREIT and its counsel:

11.3.1. An Assignment of Membership Interests conveying the Interests to UPREIT.

11.3.2. The certification described in Section 5.1.3. of this Agreement.

11.3.3 An amendment to the governing documents of Glacier Realty reflecting the withdrawal of the Contributors as members thereof.

11.3.4. The Amendment

11.3.5. A closing certificate, signed by the

Contributors and Beck, certifying that the representations and warranties of Contributors and Beck contained in this Agreement are true and correct as of the Closing Date and that all covenants required to be performed by Contributors and Beck prior to the Closing Date have been performed.

11.3.6. A release from Contributors and Beck in favor of UPREIT, REIT and Glacier Realty.

11.3.7. Such other documents as may be reasonably requested by UPREIT in order to consummate the Exchange.

11.4. UPREIT'S DELIVERIES. At the Closing, UPREIT shall cause the following to be delivered to Contributors:

11.4.1. The Registration Rights Agreement.

11.4.2. The Amendment

11.4.3. An opinion of counsel to UPREIT, in form and substance reasonably satisfactory to Contributors, to the effect that the Exchange falls within Section 721 of the Code.

11.5. WITHDRAWALS. Prior to the Closing, the Contributors shall be entitled to withdraw from Glacier Realty all cash and cash equivalents owned by Glacier Realty, provided that all liabilities, obligations and expenses of Glacier Realty shall have been paid in full.

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12. MISCELLANEOUS.

12.1. ENTIRE AGREEMENT. This Agreement constitutes the entire understanding between the parties with respect to the transaction contemplated herein, and all prior or contemporaneous oral agreements, understandings, representations and statements, and all prior written agreements, understandings, letters of intent and proposals are merged into this Agreement. Neither this Agreement nor any provisions hereof may be waived, modified, amended, discharged or terminated except by an instrument in writing signed by the party against which the enforcement of such waiver, modification, amendment, discharge or termination is sought, and then only to the extent set forth in such instrument.

12.2. CONSTRUCTION. This Agreement shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the parties, it being recognized that Contributors, Beck and UPREIT have contributed substantially and materially to the preparation of this Agreement. The headings of various Sections in this Agreement are for convenience only, and are not to be utilized in construing the content or meaning of the substantive provisions hereof.

12.3. GOVERNING LAW. This Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.

12.4. PARTIAL INVALIDITY. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or enforceability of any one provision shall not affect the validity of enforceability of any other provision hereof.

12.5. EXPENSES. Each party shall bear its own individual costs and expenses relating to the transaction contemplated hereby, including, without limitation, fees and expenses of legal counsel or other representatives for the services used, hired or connected with the proposed transactions mentioned above.

12.6. COUNTERPARTS. This Agreement may be executed in any number of identical counterparts, any of which may contain the signatures of less than all parties, and all of which together shall constitute a single agreement.

12.7. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors.

12.8. FURTHER ASSURANCES. Contributors and Beck agree to execute and acknowledge and deliver any further agreements, documents or instruments that are necessary or desirable in the judgment of UPREIT to carry out the transactions contemplated hereby.

1.9 SURVIVAL. All representations, warranties, covenants and indemnities contained herein shall survive this Agreement.

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IN WITNESS WHEREOF, the parties hereto have executed this Contribution Agreement the day and year first above written.

CONTRIBUTORS:

/s/ John Parsinen (SEAL)

JOHN PARSINEN

/s/ John D. Parsinen, Jr. (SEAL)

JOHN D. PARSINEN, JR.

ENTERPRISE NAUTICAL, INC.

By: /s/ Vernon R. Beck (SEAL)

Vernon R. Beck, President

UPREIT:

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust,
Its general partner

By: /s/ Randall M. Griffin (SEAL)

Name: Randall M. Griffin

Title: President

BECK:

/s/ Vernon R. Beck (SEAL)

VERNON R. BECK

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