
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported) **July 28, 2004**

CORPORATE OFFICE PROPERTIES TRUST

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or Other Jurisdiction of
Incorporation)

1-14023
(Commission File Number)

23-2947217
(IRS Employer
Identification Number)

**8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045**
(Address of Principal Executive Offices)

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

Item 12. Results of Operations and Financial Condition

On July 28, 2004, the Registrant issued a press release relating to its financial results for the six months and quarter ended June 30, 2004. A copy of the press release is included as Exhibit 99.1 to this report and is incorporated herein by reference.

The information included herein, including the exhibits, shall not be deemed "filed" for any purpose, including the purposes of Section 18 of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), or subject to liabilities of that Section. The information included herein, including the exhibits, shall also not be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act regardless of any general incorporation language in such filing.

The Registrant uses non-GAAP financial measures in its earnings press release furnished to the Securities and Exchange Commission. The Registrant believes that these measures are helpful to investors in measuring its performance and comparing such performance to other real estate investment trusts ("REITs"). Descriptions of these measures are set forth below.

Earnings per share diluted excluding the repurchase of the Series C Preferred Units in excess of their recorded book value ("EPS diluted excluding the Series C Preferred Unit repurchase")

EPS diluted excluding the Series C Preferred Unit repurchase is EPS diluted adjusted to eliminate the one-time accounting charge associated with the repurchase of the Registrant's Series C Preferred Units in Corporate Office Properties, L.P. (the "Operating Partnership") for an amount in excess of their recorded book value. The Registrant believes that this measure is useful to investors because the accounting charge pertains to a restructuring of the Company's equity and is not indicative of normal operations. The Registrant believes that earnings per share diluted is the most comparable GAAP measure to this measure.

Funds from Operations ("FFO")

Funds from operations ("FFO") is defined as net income computed using GAAP, excluding gains (or losses) from sales of real estate, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Gains from sales of newly-developed properties less accumulated depreciation, if any, required under GAAP are included in FFO on the basis that development services are the primary revenue generating activity; the Registrant believes that inclusion of these development gains is in accordance with the National Association of Real Estate Investment Trusts' ("NAREIT") definition of FFO, although others may interpret the definition differently. Additionally, the repurchase of the Series C Preferred Units in the Operating Partnership for an amount in excess of their recorded book value was a transaction not contemplated in the NAREIT definition of FFO; the Registrant believes that the exclusion of such an amount from FFO is appropriate.

Accounting for real estate assets using historical cost accounting under GAAP assumes that the value of real estate assets diminishes predictably over time. NAREIT stated in its April 2002 White Paper on Funds from Operations that "since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves." As a result, the concept of FFO was created by NAREIT for the REIT industry to "address this problem." The Registrant agrees with the concept of FFO and believes that FFO is useful to investors as a supplemental measure of operating performance. In addition, since most equity REITs provide FFO information to the investment community, the Registrant believes that

comparable to the FFO presented by other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO. The Registrant believes that net income is the most directly comparable GAAP measure to FFO.

Basic Funds from Operations (“Basic FFO”)

Basic FFO is FFO adjusted to (1) subtract preferred share dividends and (2) add back GAAP net income allocated to common units in the Operating Partnership not owned by the Registrant. With these adjustments, Basic FFO represents FFO available to common shareholders and common unitholders. Common units in the Operating Partnership are substantially similar to common shares of beneficial interest in the Registrant (“common shares”); common units in the Operating Partnership are also exchangeable into common shares, subject to certain conditions. The Registrant believes that Basic FFO is useful to investors due to the close correlation of common units to common shares. The Registrant believes that net income is the most directly comparable GAAP measure to Basic FFO.

Diluted Funds from Operations (“Diluted FFO”)

Diluted FFO is Basic FFO adjusted to add back any convertible preferred share dividends and any other changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. However, the computation of Diluted FFO does not assume conversion of securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. The Registrant believes that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, a supplementary measure used by most equity REITs. In addition, since most equity REITs provide Diluted FFO information to the investment community, the Registrant believes Diluted FFO is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the numerator to diluted earnings per share is the most directly comparable GAAP measure to Diluted FFO.

Diluted Adjusted Funds from Operations (“Diluted AFFO”)

Diluted AFFO is Diluted FFO adjusted to eliminate the effect of noncash rental revenues (comprised of straight-line rental adjustments and the amortization of the value assigned to in-place operating leases of acquired properties in connection with Statement of Financial Accounting Standards No. 141, “Business Combinations” (“SFAS 141”) and recurring capital improvements (defined below). Under GAAP, rental revenue is recognized evenly over the term of tenant leases. Many leases provide for contractual rent increases and the effect of accounting under GAAP for such leases is to accelerate the recognition of lease revenue. Since some leases provide for periods under the lease in which rental concessions are provided to tenants, the effect of accounting under GAAP is to allocate rental revenue to such periods. Under SFAS 141, when a property is acquired, in-place operating leases carrying rents above or below market are valued as of the date of the acquisition; such value is then amortized into rental revenue over the lives of the related leases. The Registrant believes that Diluted AFFO is an important supplemental measure of liquidity for an equity REIT because it provides investors with an indication of its ability to incur and service debt and to fund dividends and other cash needs. In addition, since most equity REITs provide Diluted AFFO information to the investment community, the Registrant believes Diluted AFFO is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the numerator to diluted earnings per share is the most directly comparable GAAP measure to Diluted AFFO.

3

Recurring Capital Improvements

Recurring capital improvements are defined as capital improvements, tenant improvements and leasing costs associated with operating properties that are not (1) items contemplated prior to the acquisition of a property, (2) improvements associated with the expansion of a building or its improvements, (3) renovations to a building which change the underlying classification of the building (for example, from industrial to office or Class C office to Class B office) or (4) capital improvements that represent the addition of something new to the property rather than the replacement of something (for example, the addition of a new heating and air conditioning unit that is not replacing one that was previously there). The Registrant believes that recurring capital improvements is an important measure of performance for a REIT because it provides a measure of the capital improvements that the Registrant can expect to incur on an ongoing basis, which is significant to how the Registrant manages the business since these improvements are funded using cash flow from operations. As a result, the measure provides a further indication of the cash flow from operations that were available to fund other uses. The Registrant believes that tenant improvements, capital improvements and leasing costs associated with operating properties are the most directly comparable GAAP measures.

Diluted FFO Excluding SFAS 141

Diluted FFO excluding SFAS 141 is Diluted FFO adjusted to eliminate the amortization of the value assigned to in-place operating leases of acquired properties in connection with SFAS 141. The Registrant believes that Diluted FFO excluding SFAS 141 is useful to investors in further understanding its Diluted FFO since the amortization to revenue recorded in connection with SFAS 141 does not have a cash component.

Payout-FFO Diluted and Payout-AFFO Diluted

Payout-FFO Diluted and Payout-AFFO Diluted are defined as (1) the sum of (A) dividends on common shares and convertible preferred shares and (B) distributions to holders of common units and convertible preferred units in the Operating Partnership not owned by the Registrant divided by (2) either Diluted FFO or Diluted AFFO. The Registrant believes that these ratios are useful to investors as supplemental measures of its ability to make distributions to investors. In addition, since most equity REITs provide these ratios, the Registrant believes they are useful supplemental measures for comparing the Registrant to other equity REITs. The Registrant believes that Earnings Payout Ratio is the most comparable GAAP measure. Earnings Payout Ratio is defined as dividends on common shares divided by net income available to common shareholders.

Total Debt to Undepreciated Book Value of Real Estate Assets

Total Debt to Undepreciated Book Value of Real Estate Assets is defined as mortgage loans payable divided by net investment in real estate presented on the Registrant’s balance sheet excluding the effect of accumulated depreciation incurred to date on such real estate and including net intangible assets on real estate acquisitions. The Registrant believes that the measure of Total Debt to Undepreciated Book Value of Real Estate Assets is useful to investors as a supplemental measure of its borrowing levels. In addition, since most equity REITs provide this information, the Registrant believes that Total Debt to Undepreciated Book Value of Real Estate Assets is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the measure of Debt to Total Assets, defined as mortgage loans payable divided by total assets, is the most comparable GAAP measure.

Earnings Before Interest, Income Taxes, Depreciation and Amortization (“EBITDA”)

EBITDA is net income adjusted for the effects of interest expense, depreciation and amortization, income taxes and minority interests. The Registrant believes that EBITDA is an important

4

measure of performance for a REIT because it provides a further tool to evaluate the Registrant’s ability to incur and service debt and to fund dividends and other cash needs that supplements the previously described non-GAAP measures. The Registrant believes that net income is the most directly comparable GAAP measure to EBITDA.

EBITDA Interest Coverage Ratio

EBITDA interest coverage ratio divides EBITDA by interest expense on continuing and discontinued operations. The Registrant believes that this ratio is a useful measure in evaluating the relationship of earnings to the total cash flow requirements for interest on loans associated with operating properties and, as such, is an important tool in the Registrant's finance policy management.

EBITDA Fixed Charge Ratio

EBITDA fixed charge ratio divides EBITDA by the sum of (1) interest expense on continuing and discontinued operations, (2) dividends on preferred shares and (3) distributions on preferred units in the Operating Partnership not owned by the Registrant. The Registrant believes that this ratio is a useful measure in evaluating the relationship of earnings to the total cash flow requirements of loans associated with operating properties and, as such, is an important tool in the Registrant's finance policy management.

Combined Net Operating Income ("NOI")

NOI is total rental revenue reduced by total property expenses associated with real estate operations, including discontinued operations. Total property expenses, as used in this definition, do not include depreciation, amortization or interest expense associated with real estate operations. The Registrant believes that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of the core real estate operations, rather than factoring in depreciation and amortization, financing and general and administrative expenses; this measure is particularly useful in the opinion of the Registrant in evaluating the performance of geographic segments, same-property groupings and individual properties. The Registrant believes that net income is the most directly comparable GAAP measure to NOI.

Cash Net Operating Income ("Cash NOI")

Cash NOI is NOI adjusted to eliminate the effects of noncash rental revenues (comprised of straight-line rental adjustments and the amortization of value assigned to in-place operating leases of acquired properties in connection with SFAS 141). The Registrant believes that Cash NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it makes adjustments to NOI for revenue that is not associated with cash to the Registrant. As is the case with NOI, the measure is useful in the opinion of the Registrant in evaluating and comparing the performance of geographic segments, same-property groupings and individual properties, although, since it adjusts for noncash items, it provides investors with a further indication of the Registrant's ability to incur and service debt and to fund dividends and other cash needs. The Registrant believes that net income is the most directly comparable GAAP measure to Cash NOI.

SIGNATURES

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

Dated: July 29, 2004

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ Randall M. Griffin
Name: Randall M. Griffin
Title: President and Chief Operating Officer

By: /s/ Roger A. Waesche, Jr.
Name: Roger A. Waesche, Jr.
Title: Chief Financial Officer



Corporate Office Properties Trust
 8815 Centre Park Drive, Suite 400
 Columbia, Maryland 21045
Telephone 410-730-9092
Facsimile 410-740-1174
Website www.copt.com

Contact:
 Mary Ellen Fowler
 Vice President
 Finance and Investor Relations
 410-992-7324
 maryellen.fowler@copt.com

NEWS RELEASE

For Immediate Release

CORPORATE OFFICE PROPERTIES TRUST REPORTS
STRONG SECOND QUARTER 2004 RESULTS

COLUMBIA, MD July 28, 2004 - Corporate Office Properties Trust (NYSE: OFC) announced today financial and operating results for the quarter ended June 30, 2004.

Highlights

- Earnings per Share ("EPS") diluted of \$.13 for the second quarter of 2004 as compared to (\$.30) per diluted share for the second quarter of 2003. Net Income Available to Common Shareholders diluted of \$4,408,000 for second quarter 2004 increased from (\$7,520,000) for the comparable 2003 period. Included in the second quarter 2003 net loss available to common shareholders of (\$.30) per share was recognition of an accounting charge of \$11,224,000 associated with our repurchase of convertible preferred units in excess of recorded book value, which contributed (\$.44) per share. Without this accounting charge, our net income available to common shareholders diluted, as adjusted, would have been \$.14 per share.
- 32% increase in Funds from Operations ("FFO") per diluted share to \$.50 for second quarter 2004 from \$.38 per diluted share for second quarter 2003. Included in FFO is a \$4.0 million lease termination fee for a partial termination of the VeriSign space at our One Dulles Tower building in Herndon, Virginia.
- 44% growth in second quarter total diluted FFO to \$21.4 million from \$14.9 million for second quarter 2003.
- 92.9% occupied and 94.4% leased as of June 30, 2004, up from 91.2% and 92.8% at 12/31/03.
- \$23.9 million in acquisitions for two buildings totaling 238,000 square feet.
- 530,000 square feet under construction, 51% leased at June 30, 2004.
- 2.5% increase in same property cash NOI representing 81% of the portfolio, compared to same quarter 2003.

- \$58.4 million of common equity raised.
- 70% of expiring leases renewed, for a total of 288,000 square feet.

"We remain on track to deliver sector leading FFO per diluted share growth for 2004. At the same time, we continue to capitalize on opportunities that will support our long term growth. We are positioning the Company to take advantage of these opportunities, namely new development, strategic acquisitions and increased land control," stated Clay W. Hamlin, III, Chief Executive Officer.

Financial Results

EPS for the quarter ended June 30, 2004 totaled \$.13 per diluted share, or \$4.4 million of Net Income Available to Common Shareholders, as compared to (\$.30) per diluted share, or (\$7.5) million for the quarter ended June 30, 2003. Revenues from real estate operations for the quarter ended June 30, 2004 were \$53.9 million, as compared to revenue for the quarter ended June 30, 2003 of \$40.9 million.

Diluted FFO for the quarter ended June 30, 2004 totaled \$21.4 million, or \$.50 per diluted share, as compared to \$14.9 million, or \$.38 per diluted share, for the quarter ended June 30, 2003, representing a 32% increase on a per share basis. The Company recorded \$273,000 and \$569,000 of SFAS 141 revenues for the quarters ended June 30, 2004 and June 30, 2003, respectively. Excluding the effects of SFAS 141, the Company's FFO would have been \$.49 per diluted share for second quarter 2004 compared to \$.37 per diluted share for second quarter 2003, resulting in a 32% increase on a per share basis. FFO Payout ratio improved to 46.4% for second quarter 2004 compared to 60.3% for the comparable 2003 period.

Adjusted Funds From Operations ("AFFO") diluted increased 25% to \$14.0 million for second quarter 2004 as compared to \$11.2 million for second quarter 2003. The Company's AFFO payout ratio was 71.2% for second quarter 2004 compared to 80.5% for second quarter 2003.

As of June 30, 2004, the Company had a total market capitalization of \$2.1 billion, with \$820 million in debt outstanding, equating to a 39% debt-to-total market capitalization ratio. The Company's total quarterly weighted average interest rate was 5.53%, and 72% of total debt is subject to fixed interest rates. For the second quarter 2004, EBITDA interest coverage ratio was 3.5x and EBITDA Fixed Charge coverage was 2.5x.

"Our occupancy continues to move up and we are well on our way to meeting our year end goal of 94% occupancy. We are seeing improvements in all of our core markets with good renewal percentages and increasing rental rates on renewed and retented space. In addition, we continue to see acquisition opportunities that fit with our government and defense related strategy and are moving forward rapidly on new development starts to capitalize on the needs of our existing tenant base," stated Randall M. Griffin, President and Chief Operating Officer.

Operating Results

At June 30, 2004, the Company's portfolio of 132 office properties totaling 10.9 million square feet, including two joint venture properties, was 92.9% occupied and 94.4%

leased, up from 91.2% and 92.8% at year end 2003, respectively.

During the quarter, 287,673 square feet was renewed equating to a 70.1% renewal rate, at an average capital cost of \$9.47 per square foot. The Company achieved a 9.7% increase in base rent and a 5.6% increase in total rent on a straight line basis for 426,508 square feet of renewed and retenanted space. The average capital cost for renewed and retenanted space was \$11.59 per square foot. Base rent was flat and total rent was down slightly on a cash basis for the quarter on renewed and retenanted space.

Same property cash NOI increased 2.5% for the quarter, compared to the quarter ended June 30, 2003. The increase in cash NOI resulted from increased occupancy combined with higher rents.

Significant leases signed during the quarter include 150,622 square feet with Magellan Behavioral Health Services that was renewed for six years and 69,441 square feet renewed with Booz Allen Hamilton for five years.

Development Activity

At quarter end the Company had five buildings under construction. Three of these buildings, representing 274,000 square feet, will be operational this fall – 4230 Forbes Boulevard is partially in service and is 48% leased, and 220 NBP and Greens III are both 100% leased. During the quarter, the Company commenced construction on two buildings at The National Business Park (NBP): 318 NBP and 191 NBP. Since quarter end, construction has commenced on 304 NBP. These three buildings total 392,000 square feet. The Company has full building leases out for signature for two of the three buildings and a verbal commitment for the entire third building. Also, since quarter end, construction has commenced on the 216,000 square foot WTP II, located at Westfields Corporate Center in Northern Virginia. During the quarter, the Company started development on 306 NBP and 322 NBP for a total of 288,000 square feet. Excluding the three buildings that will be in operation, and including all other buildings mentioned above, by year end the Company will have a total of 896,000 square feet under construction or development.

Acquisition Activity

For the quarter ending June 30, 2004 the Company acquired two buildings comprising 238,000 square feet for a total cost of \$23.9 million that were 80% leased at closing. One building represents the first of two remaining buildings to be acquired as part of the St. Mary's County portfolio acquisition. This 59,000 square foot building was acquired for \$7.4 million. The second building acquired during the quarter for \$16.5 million, was a 179,000 square foot building located in Hunt Valley.

During the quarter, the Company exercised options to purchase two ground leases for \$4.0 million on the Greens I and II buildings in Westfields Corporate Center, Chantilly, Virginia. Also during the quarter, the Company purchased a 5.3 acre parcel for \$9.6 million adjacent to the Company's One Dulles Tower building in Herndon, Virginia.

Financing and Capital Transactions

The Company executed the following transaction during the quarter:

- \$58.4 million in equity raised through a 2.75 million common share offering on April 23, 2004. Proceeds from the offering were utilized to pay down the Company's line of credit and subsequently redeployed to prepay a \$26.0 million, 7.79% mortgage and to redeem our 10% Series B Preferred shares.

Subsequent Events

On July 15, 2004, the Company redeemed the 10% Series B Cumulative Redeemable Preferred Shares, totaling \$31.3 million.

The Company executed a commitment for a \$115 million seven year nonrecourse loan with a fixed interest rate of 5.5%.

The Company executed a contract to purchase the former Fort Ritchie Army base located in Cascade, Washington County, Maryland. This approximately 600 acre site is comprised of office space, support buildings, residential units, recreational and woodland areas. The contract provides for a 90 day due diligence period during which time the parties under the contract plan to reach agreement regarding the plan for redevelopment of the site.

Earnings Guidance

The Company is increasing the previous 2004 FFO guidance from \$1.66 to \$1.70 to \$1.70 to \$1.74 per diluted share and EPS guidance from \$0.47 to \$0.52 to \$0.50 to \$0.54 per share for 2004. The Company's 2004 annual guidance includes the (\$.04) per share charge that the Company will incur related to the Series B redemption in July 2004 and the \$.09 per share impact from the VeriSign lease termination fee.

Conference Call

The Company will hold an investor/analyst conference call:

Conference Call and Webcast Date: July 29, 2004

Time: 4:00 p.m. ET

Dial In Number: (800) 967-7140

Confirmation Code for the call: 710087

A replay of the conference call will begin on Thursday, July 29, 2004 at 7:00 p.m. ET and will be available through Thursday, August 12, 2004, midnight ET. The telephone number for the replay is (888) 203-1112. You will then need to enter the confirmation code. The live webcast may be accessed under the Investor Relations section of the Company's website at www.copt.com through November 4, 2004.

Company Information

Corporate Office Properties Trust is a fully integrated, self-managed, real estate investment trust which focuses on the ownership, management, leasing, acquisition and development of suburban office properties located in select Mid-Atlantic submarkets. The Company currently owns 132 office properties totaling 10.9 million rentable square feet, including two properties held through joint ventures. Corporate Development Services provides a wide range of development and construction management services. In addition, Corporate Office Services provides land planning, design/build services, consulting and merchant development to third party entities. The Company's shares are traded on the New York Stock Exchange under the symbol OFC. More information on Corporate Office Properties Trust can be found on the Internet at www.copt.com.

Forward-Looking Information

This press release may contain “forward-looking” statements, as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, that are based on the Company’s current expectations, estimates and projections about future events and financial trends affecting the Company. Forward-looking statements can be identified by the use of words such as “may”, “will”, “should”, “expect”, “estimate” or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which the Company cannot predict with accuracy and some of which the Company might not even anticipate. Accordingly, the Company can give no assurance that these expectations, estimates and projections will be achieved. Future events and actual results may differ materially from those discussed in the forward-looking statements.

Important factors that may affect these expectations, estimates, and projections include, but are not limited to:

- the Company’s ability to borrow on favorable terms;
- general economic and business conditions, which will, among other things, affect office property demand and rents, tenant creditworthiness, interest rates and financing availability;
- adverse changes in the real estate markets including, among other things, increased competition with other companies;
- risk of real estate acquisition and development, including, among other things, risks that development projects may not be completed on schedule, that tenants may not take occupancy or pay rent or that development or operating costs may be greater than anticipated;
- risks of investing through joint venture structures, including risks that the Company’s joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with the Company’s objectives;
- governmental actions and initiatives;
- and environmental requirements.

The Company undertakes no obligation to update or supplement any forward-looking statements. For further information, please refer to the Company’s filings with the Securities and Exchange Commission, particularly the section entitled “Risk Factors” in Item 1 of the Company’s Annual Report on Form 10-K for the year ended December 31, 2003.

Financial Tables Attached

Corporate Office Properties Trust
Summary Financial Data
(unaudited)
(Dollars in thousands, except per share data)

| | Three months ended June 30, | |
|---|--------------------------------|-------------------|
| | 2004 | 2003 |
| Revenues | | |
| Real estate revenues | \$ 53,892 | \$ 40,878 |
| Service operations revenues | 6,359 | 2,191 |
| Total revenues | 60,251 | 43,069 |
| Expenses | | |
| Property operating | 14,647 | 11,101 |
| Depreciation and other amortization associated with real estate operations | 15,884 | 9,229 |
| Service operations expenses | 6,121 | 2,272 |
| General and administrative expenses | 2,487 | 1,766 |
| Total operating expenses | 39,139 | 24,368 |
| Operating income | 21,112 | 18,701 |
| Interest expense | (10,514) | (10,037) |
| Amortization of deferred financing costs | (500) | (595) |
| Income from continuing operations before gain on sales of real estate, equity in loss of unconsolidated real estate joint ventures, income taxes and minority interests | 10,098 | 8,069 |
| Gain on sales of real estate, excluding discontinued operations | 24 | 21 |
| Equity in loss of unconsolidated real estate joint ventures | — | (33) |
| Income tax (expense) benefit | (30) | 30 |
| Income from continuing operations before minority interests | 10,092 | 8,087 |
| Minority interests in income from continuing operations of consolidated subsidiaries | (1,249) | (1,826) |
| Income from continuing operations | 8,843 | 6,261 |
| Income from discontinued operations, net of minority interests | — | (23) |
| Net income | 8,843 | 6,238 |
| Preferred share dividends | (4,435) | (2,534) |
| Repurchase of preferred units in excess of recorded book value | — | (11,224) |
| Net income (loss) available to common shareholders | \$ 4,408 | \$ (7,520) |
| Earnings per share “EPS” computation | | |
| Numerator: | | |
| Net income available to common shareholders | \$ 4,408 | \$ (7,520) |
| Denominator: | | |
| Weighted average common shares-basic | 32,743 | 25,443 |
| Assumed conversion of dilutive options | 1,639 | — |
| Assumed conversion of preferred shares | — | — |
| Weighted average common shares-diluted | 34,382 | 25,443 |
| EPS | | |
| Basic | \$ 0.13 | \$ (0.30) |
| Diluted | \$ 0.13 | \$ (0.30) |

(Amounts in thousands, except per share data and ratios)

| | Three months ended June 30, | |
|--|--------------------------------|------------------|
| | 2004 | 2003 |
| Net income | \$ 8,843 | \$ 6,238 |
| Add: Real estate-related depreciation and amortization | 15,785 | 9,108 |
| Depreciation and amortization on unconsolidated real estate entities | — | 61 |
| Less: Gain on sales of real estate, excluding development portion | (24) | (8) |
| Funds from operations ("FFO") | 24,604 | 15,399 |
| Add: Minority interests-common units in the Operating Partnership | 1,241 | 1,338 |
| Less: Preferred share dividends | (4,435) | (2,534) |
| Funds from Operations - basic ("Basic FFO") | 21,410 | 14,203 |
| Add: Preferred unit distributions | — | 477 |
| Add: Convertible preferred share dividends | — | 136 |
| Add: Restricted common share dividends | — | 90 |
| Expense associated with dilutive options | — | 3 |
| Funds from Operations - diluted ("Diluted FFO") | 21,410 | 14,909 |
| Less: Straight-line rent adjustments | (2,184) | (1,309) |
| Less: Recurring capital improvements | (4,997) | (1,864) |
| Less: Amortization of origination value of leases on acquired properties into rental revenue | (273) | (569) |
| Adjusted Funds from Operations - diluted ("Diluted AFFO") | \$ 13,956 | \$ 11,167 |
| Basic weighted average shares | | |
| Weighted average common shares | 32,743 | 25,443 |
| Conversion of weighted average common units | 8,765 | 8,963 |
| Basic weighted average common shares/units | 41,508 | 34,406 |
| Conversion of weighted average convertible preferred units | — | 2,022 |
| Conversion of share options | 1,639 | 1,274 |
| Conversion of weighted average convertible preferred shares | — | 1,197 |
| Restricted common shares | — | 334 |
| Diluted weighted average common shares/units | 43,147 | 39,233 |
| Diluted FFO per common share | \$ 0.50 | \$ 0.38 |
| Dividends/distributions per common share/unit | \$ 0.235 | \$ 0.220 |
| Earnings payout ratio | 179% | N/A |
| Diluted FFO payout ratio | 46% | 60% |
| Diluted AFFO payout ratio | 71% | 81% |
| Interest coverage for the quarter ended (on EBITDA) | 3.52 | 2.78 |
| Reconciliation of denominators for diluted EPS and diluted FFO per share | | |
| Denominator for diluted EPS | 34,382 | 25,443 |
| Weighted average common units | 8,765 | 8,963 |
| Convertible preferred units | — | 2,022 |
| Convertible preferred shares | — | 1,197 |
| Additional dilutive options | — | 1,274 |
| Restricted common shares | — | 334 |
| Denominator for diluted FFO per share | 43,147 | 39,233 |

Corporate Office Properties Trust
Summary Financial Data
(unaudited)
(Dollars in thousands, except per share data)

| | Six months ended June 30, | |
|---|------------------------------|-----------|
| | 2004 | 2003 |
| Revenues | | |
| Real estate revenues | \$ 102,863 | \$ 82,396 |
| Service operations revenues | 14,217 | 6,660 |
| Total revenues | 117,080 | 89,056 |
| Expenses | | |
| Property operating | 29,686 | 24,755 |
| Depreciation and other amortization associated with real estate operations | 26,243 | 17,273 |
| Service operations expenses | 13,237 | 6,822 |
| General and administrative expenses | 4,773 | 3,714 |
| Total operating expenses | 73,939 | 52,564 |
| Operating income | 43,141 | 36,492 |
| Interest expense | (20,776) | (20,172) |
| Amortization of deferred financing costs | (1,359) | (1,184) |
| Income from continuing operations before gain on sales of real estate, equity in loss of unconsolidated real estate joint ventures, income taxes and minority interests | 21,006 | 15,136 |
| Gain on sales of real estate, excluding discontinued operations | (198) | 425 |
| Equity in loss of unconsolidated real estate joint ventures | (88) | (186) |
| Income tax (expense) benefit | (230) | 59 |
| Income from continuing operations before minority interests | 20,490 | 15,434 |
| Minority interests in income from continuing operations of consolidated subsidiaries | (2,654) | (3,621) |
| Income from continuing operations | 17,836 | 11,813 |
| Income from discontinued operations, net of minority interests | — | 2,412 |
| Net income | 17,836 | 14,225 |
| Preferred share dividends | (8,891) | (5,067) |

| | | |
|--|-----------------|-------------------|
| Repurchase of preferred units in excess of recorded book value | — | (11,224) |
| Net income (loss) available to common shareholders | \$ 8,945 | \$ (2,066) |
| EPS Computation | | |
| Numerator: | | |
| Net income available to common shareholders | \$ 8,945 | \$ (2,066) |
| Dividends on convertible preferred shares | 21 | — |
| Numerator for diluted EPS | <u>\$ 8,966</u> | <u>\$ (2,066)</u> |
| Denominator: | | |
| Weighted average common shares-basic | 31,278 | 24,389 |
| Assumed conversion of dilutive options | 1,691 | — |
| Assumed conversion of preferred shares | 270 | — |
| Weighted average common shares-diluted | <u>33,239</u> | <u>24,389</u> |
| EPS | | |
| Basic | \$ 0.29 | \$ (0.08) |
| Diluted | \$ 0.27 | \$ (0.08) |

Corporate Office Properties Trust
Summary Financial Data
(unaudited)
(Amounts in thousands, except per share data and ratios)

| | Six months ended June 30, | |
|--|------------------------------|------------------|
| | 2004 | 2003 |
| Net income | \$ 17,836 | \$ 14,225 |
| Add: Real estate-related depreciation and amortization | 26,046 | 17,052 |
| Depreciation and amortization on unconsolidated real estate entities | 106 | 97 |
| Less: Gain on sales of real estate, excluding development portion | (47) | (2,851) |
| Funds from operations ("FFO") | 43,941 | 28,523 |
| Add: Minority interests-common units in the Operating Partnership | 2,646 | 3,571 |
| Less: Preferred share dividends | (8,891) | (5,067) |
| Funds from Operations - basic ("Basic FFO") | 37,696 | 27,027 |
| Add: Preferred unit distributions | — | 1,049 |
| Add: Convertible preferred share dividends | 21 | 272 |
| Add: Restricted common share dividends | — | 173 |
| Expense associated with dilutive options | — | 9 |
| Funds from Operations - diluted ("Diluted FFO") | 37,717 | 28,530 |
| Less: Straight-line rent adjustments | (2,950) | (2,486) |
| Less: Recurring capital improvements | (8,020) | (4,620) |
| Less: Amortization of origination value of leases on acquired properties into rental revenue | (582) | (1,118) |
| Adjusted Funds from Operations - diluted ("Diluted AFFO") | \$ 26,165 | \$ 20,306 |
| Basic weighted average shares | | |
| Weighted average common shares | 31,278 | 24,389 |
| Conversion of weighted average common units | 8,814 | 8,976 |
| Basic weighted average common shares/units | 40,092 | 33,365 |
| Conversion of weighted average convertible preferred units | — | 2,220 |
| Conversion of share options | 1,691 | 1,189 |
| Conversion of weighted average convertible preferred shares | 270 | 1,197 |
| Restricted common shares | — | 314 |
| Diluted weighted average common shares/units | <u>42,053</u> | <u>38,285</u> |
| Diluted FFO per common share | \$ 0.90 | \$ 0.75 |
| Dividends/distributions per common share/unit | \$ 0.47 | \$ 0.44 |
| Earnings payout ratio | 168% | N/A |
| Diluted FFO payout ratio | 51% | 59% |
| Diluted AFFO payout ratio | 73% | 83% |
| Reconciliation of denominators for diluted EPS and diluted FFO per share | | |
| Denominator for diluted EPS | 33,239 | 24,389 |
| Weighted average common units | 8,814 | 8,976 |
| Convertible preferred units | — | 2,220 |
| Convertible preferred shares | — | 1,197 |
| Additional dilutive options | — | 1,189 |
| Restricted common shares | — | 314 |
| Denominator for diluted FFO per share | <u>42,053</u> | <u>38,285</u> |

Corporate Office Properties Trust
Summary Financial Data
(Unaudited)
(Dollars in thousands)

| | June 30, 2004 | December 31, 2003 |
|--|------------------|----------------------|
| Balance Sheet Data (in thousands) (as of period end): | | |
| Investment in real estate, net of accumulated depreciation | \$ 1,329,088 | \$ 1,189,258 |
| Total assets | 1,490,689 | 1,332,076 |

| | | |
|--|---------|---------|
| Mortgage and other loans payable | 820,344 | 738,698 |
| Total liabilities | 899,031 | 801,899 |
| Minority interests | 90,446 | 79,796 |
| Beneficiaries' equity | 501,212 | 450,381 |
| Debt to Total Assets | 55.0 % | 55.5 % |
| Debt to Undepreciated Book Value of Real Estate Assets | 54.5 % | 54.8 % |
| Debt to Total Market Capitalization | 39.4 % | 42.1 % |

**Property Data, including joint ventures
(as of period ended):**

| | | |
|---|--------|--------|
| Number of properties owned | 132 | 110 |
| Total net rentable square feet owned (in thousands) | 10,873 | 10,033 |
| Occupancy | 92.9 % | 91.2 % |

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------|------------------------------|-----------|
| | 2004 | 2003 | 2004 | 2003 |
| Reconciliation of FFO diluted, as reported, to FFO diluted excluding the effects of amortization of origination value of leases on acquired properties | | | | |
| Numerator for FFO diluted, as reported | \$ 21,410 | \$ 14,909 | \$ 37,717 | \$ 28,530 |
| Less: Amortization of origination value of leases on acquired properties | (273) | (569) | (582) | (1,118) |
| Numerator for FFO-diluted excluding effects of SFAS 141 | \$ 21,137 | \$ 14,340 | \$ 37,135 | \$ 27,412 |
| Diluted weighted average common shares | 43,147 | 39,233 | 42,053 | 38,285 |
| Diluted FFO per common share excluding the effects of amortization of origination value of leases on acquired properties | \$ 0.49 | \$ 0.37 | \$ 0.88 | \$ 0.72 |

| | Three Months Ended June 30, | |
|--|--------------------------------|------------------|
| | 2004 | 2003 |
| Reconciliation of GAAP net income to earnings before interest, income taxes, depreciation and amortization ("EBITDA") | | |
| Net income | \$ 8,843 | \$ 6,238 |
| Interest expense on continuing operations | 10,514 | 10,037 |
| Income tax benefit, gross | 30 | (30) |
| Depreciation and amortization on real estate operations | 15,785 | 9,108 |
| Amortization of deferred financing costs | 500 | 595 |
| Other depreciation and amortization | 99 | 121 |
| Minority interests, gross | 1,249 | 1,815 |
| EBITDA | \$ 37,020 | \$ 27,884 |

Corporate Office Properties Trust
Summary Financial Data
(Unaudited)
(Dollars in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|----------|------------------------------|-----------|
| | 2004 | 2003 | 2004 | 2003 |
| Reconciliation of dividends for Earnings Payout Ratio to dividends and distributions for FFO & AFFO Payout Ratio | | | | |
| Common share dividends for Earnings Payout Ratio | \$ 7,878 | \$ 6,322 | \$ 15,056 | \$ 11,461 |
| Convertible preferred share dividends | — | 136 | 21 | 272 |
| Common unit distributions | 2,057 | 1,968 | 4,131 | 3,946 |
| Common share dividends on restricted shares | — | 90 | — | 173 |
| Convertible preferred unit distributions | — | 477 | — | 1,049 |
| Dividends and distributions for FFO & AFFO Payout Ratio | \$ 9,935 | \$ 8,993 | \$ 19,208 | \$ 16,901 |

Reconciliation of same property net operating income to same property cash net operating income

| | | |
|--|-----------|-----------|
| Same property net operating income | \$ 28,985 | \$ 28,945 |
| Less: Straight-line rent adjustments | (445) | (1,191) |
| Less: Amortization of origination value of leases on acquired properties | (685) | (588) |
| Same property cash net operating income | \$ 27,855 | \$ 27,166 |

Reconciliation of interest expense from continuing operations to the denominator for fixed charge coverage-EBITDA

| | | |
|--|-----------|-----------|
| Interest expense from continuing operations | \$ 10,514 | \$ 10,037 |
| Preferred share dividends | 4,435 | 2,534 |
| Preferred unit distributions | — | 478 |
| Denominator for fixed charge coverage-EBITDA | \$ 14,949 | \$ 13,049 |

Reconciliation of denominator for debt to total assets to denominator for debt to undepreciated book value of real estate assets

| | June 30, 2004 | December 31, 2003 |
|--|------------------|----------------------|
| Denominator for debt to total assets | \$ 1,490,689 | \$ 1,332,076 |
| Assets other than assets included in investment in real estate | (161,601) | (142,818) |
| Accumulated depreciation on real estate assets | 121,630 | 103,070 |
| Intangible assets on real estate acquisitions, net | 53,874 | 55,692 |

Denominator for debt to undepreciated book value of real estate assets \$ 1,504,592 \$ 1,348,020

Corporate Office Properties Trust
Summary Financial Data
(Unaudited)
(Amounts in thousands, except per share data)

| | Three months ended June 30, | | Six months ended June 30, | |
|---|--------------------------------|-----------------|------------------------------|-----------------|
| | 2004 | 2003 | 2004 | 2003 |
| Reconciliation of tenant improvements, capital improvements and leasing costs for operating properties to recurring capital improvements | | | | |
| Total tenant improvements on operating properties | \$ 4,420 | \$ 1,612 | \$ 6,688 | \$ 3,927 |
| Total capital improvements on operating properties | 1,723 | 1,599 | 2,559 | 1,895 |
| Total leasing costs incurred on operating properties | 5,793 | 588 | 6,359 | 1,060 |
| Less: Nonrecurring tenant improvements on operating properties | (1,655) | (584) | (1,767) | (618) |
| Less: Nonrecurring capital improvements on operating properties | (841) | (1,306) | (1,346) | (1,558) |
| Less: Nonrecurring leasing costs incurred on operating properties | (4,443) | (45) | (4,473) | (86) |
| Recurring capital improvements | <u>\$ 4,997</u> | <u>\$ 1,864</u> | <u>\$ 8,020</u> | <u>\$ 4,620</u> |

Reconciliation of numerator and denominator for diluted EPS as reported to numerator and denominator for diluted EPS without the repurchase of preferred units in excess of recorded book value

| | |
|---|-----------------|
| Numerator for diluted EPS, as reported | \$ (7,520) |
| Add: Repurchase of preferred units in excess of recorded book value | 11,224 |
| Dividends on convertible preferred shares | 136 |
| Expense on dilutive options | 3 |
| Numerator for dilutive EPS, as adjusted | <u>\$ 3,843</u> |
| Denominator for dilutive EPS, as reported | 25,443 |
| Conversion of weighted average convertible preferred shares | 1,274 |
| Assumed conversion of additional share options | 1,197 |
| Numerator for dilutive EPS, as adjusted | <u>27,914</u> |

| Twelve Months Ending December 31, 2004 | |
|---|------|
| Low | High |

Reconciliation of projected EPS-diluted to projected diluted FFO per share

| | | | |
|---|------------------|------------------|--|
| Reconciliation of numerators | | | |
| Numerator for projected EPS-diluted | \$ 17,000 | \$ 18,500 | |
| Real estate related depreciation and amortization | 51,170 | 51,170 | |
| Minority interests-common units (gross) | 4,876 | 5,307 | |
| Numerator for projected diluted FFO per share | <u>\$ 73,046</u> | <u>\$ 74,977</u> | |
| Reconciliation of denominators | | | |
| Denominator for projected EPS-diluted | 34,259 | 34,259 | |
| Common units | 8,784 | 8,784 | |
| Denominator for projected diluted FFO per share | <u>43,043</u> | <u>43,043</u> | |
| Earnings per share - diluted | <u>\$ 0.50</u> | <u>\$ 0.54</u> | |
| Funds from operations per share - diluted | <u>\$ 1.70</u> | <u>\$ 1.74</u> | |

Top Twenty Office Tenants as of June 30, 2004
(Dollars and square feet in thousands)

| Tenant | Number of Leases | Total Occupied Square Feet | Percentage of Total Occupied Square Feet | Total Annualized Rental Revenue (1) | Percentage of Total Annualized Rental Revenue | Weighted Average Remaining Lease Term (2) | |
|-------------------------------|------------------|----------------------------|--|-------------------------------------|---|---|-----|
| United States of America | (3) | 29 | 1,302,205 | 12.9% | \$ 27,478 | 14.0% | 5.2 |
| Computer Sciences Corporation | (4) | 6 | 513,866 | 5.1% | 11,809 | 6.0% | 5.9 |
| Booz Allen Hamilton, Inc. | | 9 | 454,752 | 4.5% | 10,893 | 5.6% | 8.2 |
| AT&T Corporation | (4) | 8 | 459,220 | 4.5% | 9,544 | 4.9% | 3.0 |
| General Dynamics Corporation | | 10 | 396,083 | 3.9% | 7,914 | 4.0% | 4.9 |
| Unisys | (5) | 3 | 741,284 | 7.3% | 7,745 | 4.0% | 5.0 |
| Northrop Grumman Corporation | | 7 | 261,696 | 2.6% | 5,824 | 3.0% | 3.6 |
| The Boeing Company | (4) | 8 | 162,699 | 1.6% | 3,975 | 2.0% | 4.6 |
| Ciena Corporation | | 4 | 278,749 | 2.8% | 3,952 | 2.0% | 1.9 |

| | | | | | | | |
|---------------------------------------|------------|-------------------|---------------|-------------------|---------------|------------|-----|
| VeriSign, Inc. | 1 | 162,841 | 1.6% | 3,893 | 2.0% | 10.1 | |
| The Aerospace Corporation | 2 | 134,272 | 1.3% | 3,501 | 1.8% | 10.4 | |
| Magellan Health Services | 2 | 150,622 | 1.5% | 2,903 | 1.5% | 7.1 | |
| Commonwealth of Pennsylvania | (4) | 5 | 185,940 | 1.8% | 2,731 | 1.4% | 5.2 |
| Johns Hopkins University | (4) | 7 | 106,473 | 1.1% | 2,401 | 1.2% | 3.2 |
| Titan Corporation | (4) | 6 | 88,615 | 0.9% | 2,341 | 1.2% | 4.9 |
| Merck & Co. | (5) | 1 | 219,065 | 2.2% | 2,326 | 1.2% | 5.0 |
| CareFirst, Inc. and Subsidiaries | (4) | 3 | 94,223 | 0.9% | 2,200 | 1.1% | 3.5 |
| Usinternetworking, Inc. | 1 | 155,000 | 1.5% | 1,935 | 1.0% | 13.8 | |
| Comcast Corporation | 1 | 98,897 | 1.0% | 1,776 | 0.9% | 5.3 | |
| Rewardplus of America | 2 | 92,183 | 0.9% | 1,743 | 0.9% | 6.4 | |
| Subtotal Top 20 Office Tenants | 115 | 6,058,685 | 60.0% | 116,886 | 59.7% | 5.6 | |
| All remaining tenants | 452 | 4,044,558 | 40.0% | 78,801 | 40.3% | 3.5 | |
| Total/Weighted Average | 567 | 10,103,243 | 100.0% | \$ 195,686 | 100.0% | 4.7 | |

- (1) Total Annualized Rental Revenue is the monthly contractual base rent as of June 30, 2004 multiplied by 12 plus the estimated annualized expense reimbursements under existing office leases excluding development properties.
- (2) The weighting of the lease term was computed using Total Rental Revenue.
- (3) Many of the government leases are subject to early termination provisions, which are customary to government leases. The weighted average remaining lease term was computed assuming no exercise of such early termination rights.
- (4) Includes affiliated organizations or agencies.
- (5) Merck & Co., Inc. subleases 219,065 rentable square feet from Unisys' 960,349 leased rentable square feet.

Reclassifications and Definitions

| | |
|---|--|
| NAREIT | National Association of Real Estate Investment Trusts. |
| GAAP | Generally accepted accounting principles. |
| Funds from Operations (FFO) | Under NAREIT's definition, FFO means net income (loss) computed using GAAP, excluding gains (or losses) from sales of real estate, plus real estate-related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. Gains from sales of newly-developed properties less accumulated depreciation, if any, required under GAAP are included in FFO on the basis that development services are the primary revenue generating activity; the Company believes that the inclusion of these development gains is in compliance with the NAREIT definition of FFO, although others may interpret the definition differently. Additionally, the repurchase of the Series C preferred units for an amount in excess of recorded book value was a transaction not contemplated in the NAREIT definition of FFO; the Company believes that the exclusion of such amount is appropriate. The FFO the Company presents 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. |
| Basic FFO | Basic FFO is FFO adjusted to (1) subtract preferred share dividends and (2) add back GAAP net income allocated to common units in Corporate Office Properties, L.P. (the "Operating Partnership") not owned by the Company. With these adjustments, Basic FFO represents FFO available to common shareholders and common unitholders. |
| Diluted FFO | Diluted FFO is Basic FFO adjusted to add back any convertible preferred share dividends and any other changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. However, the computation of Diluted FFO does not assume conversion of securities that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. Diluted FFO is the numerator used to compute Diluted FFO per share. |
| Diluted FFO excluding SFAS 141 | Diluted FFO adjusted to eliminate the amortization of the value assigned to in-place operating leases of acquired properties in connection with SFAS 141. |
| Diluted Adjusted Funds from Operations (AFFO) | Diluted AFFO is Diluted FFO adjusted to eliminate the effect of noncash rental revenues (comprised of straight-line rental adjustments and the amortization of the value assigned to in-place operating leases of acquired properties in connection with SFAS 141) and recurring capital expenditures. |
| Earnings Payout Ratio | Total dividends on common shares divided by net income (loss) available to common shareholders. |
| Diluted FFO Payout Ratio | Diluted FFO Payout Ratio is defined as (1) the sum of (A) dividends on common shares and convertible preferred shares and (B) distributions to holders of common units and convertible preferred units in the Operating Partnership not owned by the Company divided by (2) Diluted FFO. |

| | |
|---|--|
| Diluted AFFO Payout Ratio | Diluted AFFO Payout Ratio is defined as (1) the sum of (A) dividends on common shares and convertible preferred shares and (B) distributions to holders of common units and convertible preferred units in the Operating Partnership not owned by the Company divided by (2) Diluted AFFO assuming conversion of share options, common unit warrants, preferred units and preferred shares. |
| Recurring Capital Expenditures | Capital improvements, tenant improvements and leasing costs associated with operating properties that are not (1) items contemplated prior to the acquisition of a property, (2) improvements associated with the expansion of a building or its improvements, (3) renovations to a building which change the underlying classification of the building (for example, from industrial to office or Class C office to Class B office) or (4) capital improvements that represent the addition of something new to the property rather than the replacement of something (for example, the addition of a new heating and air conditioning unit that is not replacing one that was previously there). |
| Debt to Undepreciated Book Value of Real Estate Assets | Mortgage loans payable divided by gross investment in real estate as computed by adding accumulated depreciation to the net investment in real estate as presented on the Company's balance sheet. |
| Earnings Before Interest, Income Taxes and Depreciation and Amortization (EBITDA) | EBITDA is net income adjusted for the effects of interest expense, depreciation and amortization, income taxes, gain on sales of real estate (excluding sales of non-operating properties and development services provided on operating properties), minority interests and preferred share dividends. |
| Interest Coverage Ratio – EBITDA | EBITDA divided by interest expense on continuing and discontinued operations. |
| Fixed Charge Ratio – EBITDA | EBITDA divided by the sum of (1) interest expense on continuing and discontinued operations, (2) dividends on preferred shares and (3) distributions on preferred units in Corporate Office Properties, L.P. not owned by the Company. |
| Base rent – straight-line or straight-line rent | Contractual minimum rent under leases recorded into rental revenue using the average contractual rent over the lease term in accordance with GAAP. |
| Total Rent – straight –line | Contractual minimum rent under leases recorded into rental revenue using the average contractual rent over the lease term in accordance with GAAP plus estimated operating expense reimbursements, or total rent. |
| <hr/> | |
| Base rent – cash | Contractual minimum rent under leases remitted by the replacement tenant at lease commencement or the predecessor tenant at date of lease expiration. |
| Total rent – cash | Contractual minimum rent under leases plus estimated operating expense reimbursements, or total rent, as remitted by the replacement tenant at lease commencement or the predecessor tenant at date of lease expiration. |
| Combined Net Operating Income (“NOI”) | Total revenues from real estate operations less total property expenses from real estate operations, including discontinued operations. Total property operating expenses, as used in this definition, do not include depreciation, amortization and interest expense associated with real estate operations. |
| Cash Net Operating Income (“Cash NOI”) | Cash NOI is Combined NOI adjusted to eliminate the effects of noncash rental revenues (comprised of straight-line rental adjustments and the amortization of value assigned to in-place operating leases of acquired properties in connection with SFAS 141). Under GAAP, rental revenue is recognized evenly over the term of tenant leases. Many leases provide for contractual rent increases and the effect of accounting under GAAP for such leases is to accelerate the recognition of lease revenue. Since some leases provide for periods under the lease in which rental concessions are provided to tenants, the effect of accounting under GAAP is to allocate rental revenue to such periods. Under SFAS 141, when a property is acquired, in-place operating leases carrying rents above or below market are valued as of the date of the acquisition; such value is then amortized into rental revenue over the lives of the related leases. |
| <hr/> | |