

**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) October 31, 2006 (October 30, 2006)

**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)

**6711 Columbia Gateway Drive, Suite 300**  
**Columbia, Maryland 21046**  
(Address of principal executive offices)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Item 2.02. Results of Operations and Financial Condition**

On October 30, 2006, the Registrant issued a press release relating to its financial results for the quarter ended September 30, 2006. 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 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 earnings press releases and information 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 diluted share ("diluted EPS"), as adjusted for issuance costs associated with redeemed preferred shares

This measure is defined as diluted EPS adjusted to eliminate an accounting charge for original issuance costs associated with the redemption of preferred shares of beneficial interest ("preferred shares"). The accounting charge pertains to a restructuring of the Company's equity and is not indicative of normal operations. As such, the Registrant believes that a measure that excludes the accounting charge is a useful supplemental measure in evaluating its operating performance. The Registrant believes that diluted EPS is the most comparable GAAP measure to this measure. A material limitation to this measure is that it does not reflect the effect of preferred share redemptions in accordance with GAAP; the Registrant compensates for this limitation by using diluted EPS and then supplementing its evaluation of that measure with the use of the non-GAAP 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.

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 because, by excluding gains and losses related to sales of previously depreciated operating real estate properties and excluding real estate-related depreciation and amortization, FFO can help one compare the Registrant’s operating performance

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between periods. In addition, since most equity REITs provide FFO information to the investment community, the Registrant believes that FFO is useful to investors as a supplemental measure for comparing its results to those of other equity REITs. The Registrant believes that net income is the most directly comparable GAAP measure to FFO.

Since FFO excludes certain items includable in net income, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. FFO is not necessarily an indication of the Registrant’s cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating the Registrant’s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant’s liquidity or ability to make cash distributions or pay debt service. The FFO presented by the Registrant may not be 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.

#### Funds from operations-Basic (“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 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. Basic FFO has essentially the same limitations as FFO; management compensates for these limitations in essentially the same manner as described above for FFO.

#### FFO per diluted share or diluted FFO per common share (“Diluted FFO per share”)

Diluted FFO per share is (1) 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 divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. However, the computation of Diluted FFO per share 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 per share is useful to investors because it provides investors with a further context for evaluating its FFO results in the same manner that investors use earnings per share in evaluating net income available to common shareholders. In addition, since most equity REITs provide Diluted FFO per share information to the investment community, the Registrant believes Diluted FFO per share is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share. Diluted FFO per share has most of the same limitations as Diluted FFO (described below); management compensates for these limitations in essentially the same manner as described below for Diluted FFO.

#### Diluted funds from operations or funds from operations-diluted (“Diluted FFO”)

Diluted FFO is Basic FFO adjusted to add back any convertible preferred share dividends and any

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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. 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 EPS is the most directly comparable GAAP measure to Diluted FFO. Since Diluted FFO excludes certain items includable in the numerator to diluted EPS, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. Diluted FFO is not necessarily an indication of the Registrant’s cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating the Registrant’s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant’s liquidity or ability to make cash distributions or pay debt service. The Diluted FFO presented by the Registrant may not be comparable to the Diluted FFO presented by other REITs.

#### FFO-diluted, as adjusted for issuance costs associated with redeemed preferred shares

This measure is defined as Diluted FFO adjusted to eliminate an accounting charge for original issuance costs associated with the redemption of preferred shares of beneficial interest. The accounting charge pertains to a restructuring of the Company’s equity and is not indicative of normal operations. As such, the Registrant believes that a measure that excludes the accounting charge is a useful supplemental measure in evaluating its operating performance. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure. Diluted FFO, as adjusted for issuance costs associated with redeemed preferred shares, has essentially the same limitations as Diluted FFO, as well as the further limitation of not reflecting the effect of the preferred share redemption in accordance with GAAP; management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

#### FFO per diluted share, as adjusted for issuance costs associated with redeemed preferred shares

This measure is defined as (1) Diluted FFO adjusted to eliminate an accounting charge for original issuance costs associated with the redemption of preferred shares of beneficial interest divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. However, the computation of the denominator for this measure does not assume conversion of securities that are convertible into common shares if the conversion of those securities would increase the measure in a given period. The accounting charge pertains to a restructuring of the Company’s equity and is not indicative of normal operations. As such, the Registrant believes that a measure that excludes the accounting charge is a useful supplemental measure in evaluating its operating performance. The Registrant believes that diluted EPS is the most directly comparable GAAP measure. This measure has most of the same limitations as Diluted FFO (described above), as well as the further limitation of not reflecting the effect of the preferred share redemption in accordance with GAAP; management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

#### Adjusted funds from operations-diluted (“Diluted AFFO”)

Diluted AFFO is Diluted FFO adjusted for the following: (1) the elimination of the effect of (a) noncash rental revenues (comprised of straight-line rental adjustments, which includes the amortization of recurring tenant incentives, and amortization of deferred market rental revenue, both

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of which are described under “Cash NOI” below) and (b) accounting charges for original issuance costs associated with redeemed preferred shares; and (2) recurring capital expenditures (defined below). The Registrant believes that Diluted AFFO is an important supplemental measure of liquidity for an equity REIT because it provides management and 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 that Diluted AFFO is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the numerator to diluted EPS is the most directly comparable GAAP measure to Diluted AFFO. Since Diluted AFFO excludes certain items includable in the numerator to diluted EPS, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. In addition, see the discussion below regarding the limitations of recurring capital expenditures, which is used to derive Diluted AFFO. Diluted AFFO is not necessarily an indication of the Registrant’s cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating the Registrant’s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant’s liquidity or ability to make cash distributions or pay debt service. The Diluted AFFO presented by the Registrant may not be comparable to similar measures presented by other equity REITs.

#### Recurring capital expenditures

Recurring capital expenditures are defined as capital improvements, tenant improvements and incentives 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 expenditures is an important measure of performance for a REIT because it provides a measure of the capital expenditures that the Registrant can expect to incur on an ongoing basis, which is significant to how the Registrant manages its business since these expenditures are funded using cash flow from operations. As a result, the measure provides a further indication of the cash flow from operations that is available to fund other uses. The Registrant believes that tenant improvements and incentives, capital improvements and leasing costs associated with operating properties are the most directly comparable GAAP measures. Recurring capital expenditures do not reflect all capital expenditures incurred by the Registrant for the periods reported; the Registrant compensates for this limitation by also using the comparable GAAP measure. The recurring capital expenditures presented by the Registrant may not be comparable to the recurring capital expenditures presented by other REITs.

#### Net operating income (“NOI”)

NOI is total revenue from real estate operations, including rental revenue and tenant recoveries and other 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 or corporate 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-office property groupings and individual properties. The

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Registrant believes that net income is the most directly comparable GAAP measure to NOI. The measure excludes many items that are includable in net income, including construction contract and other service operations revenues, as well as expenses including those mentioned above; management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant’s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant’s liquidity or ability to make cash distributions or pay debt service. NOI presented by the Registrant may not be comparable to NOI presented by other equity REITs that define the measure differently.

#### Cash net operating income (“Cash NOI”)

Cash NOI is NOI (defined above) adjusted to eliminate the effects of noncash rental revenues (comprised of straight-line rental adjustments, which includes the amortization of recurring tenant incentives, and amortization of deferred market rental revenue). 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. Also under GAAP, 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 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-office property groupings and individual properties, although, since it adjusts for noncash items, it provides management and 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. The measure excludes many items that are includable in net income; management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant’s financial performance or to cash flow from operating, investing and financing activities when evaluating the Registrant’s liquidity or ability to make cash distributions or pay debt service. The Cash NOI that the Registrant presents may not be comparable to similar measures presented by other equity REITs.

#### 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 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 and to compare the Registrant’s operating performance with that of other companies. The Registrant believes that net income is the most directly comparable GAAP measure to EBITDA. EBITDA excludes items that are included in net income, including some that require cash outlays; management compensates for this limitation by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. It should not be used as an alternative to net income when evaluating the Registrant’s financial performance or to cash flow from operating, investing and financing activities when

evaluating the Registrant's liquidity or ability to make cash distributions or pay debt service. Additionally, EBITDA as reported by the Registrant may not be comparable to EBITDA reported by other equity REITs.

**EBITDA Interest Coverage Ratio**

This measure 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 Coverage Ratio**

This measure 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 cash flow requirements of (1) interest expense on loans associated with operating properties and (2) dividends to preferred equity holders and, as such, is an important tool in the Registrant's finance policy management.

**Diluted FFO Payout Ratio and Diluted AFFO Payout Ratio**

These measures are defined as (1) the sum of (A) dividends on common shares and (B) dividends on restricted common and convertible preferred shares and distributions to holders of interests in the Operating Partnership when such dividends and distributions are included in Diluted FFO and Diluted AFFO, 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. Since Payout-FFO Diluted and Payout-AFFO Diluted are derived from Diluted FFO and Diluted AFFO, they share the limitations previously discussed for those measures; management compensates for these limitations by using the measures simply as supplemental measures that are weighed in the balance with other GAAP and non-GAAP measures.

**Debt to Undepreciated Book Value of Real Estate Assets**

This measure is defined as mortgage loans payable divided by net investment in real estate presented on the Registrant's consolidated balance sheet excluding the effect of accumulated depreciation incurred to date on such real estate. The Registrant believes that this measure is useful to management and investors as a supplemental measure of its borrowing levels. In addition, since most equity REITs provide Debt to Undepreciated Book Value of Real Estate Asset information, the Registrant believes that this measure 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. Debt to Undepreciated Book Value of Real Estate Assets excludes the effect of accumulated depreciation, other assets and other liabilities; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed with the comparable GAAP measure and other GAAP and non-GAAP measures.

**Item 9.01. Financial Statements and Exhibits**

(a) Financial Statements of Businesses Acquired

None

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(b) Pro Forma Financial Information

None

(c) Shell Company Transactions

None

(d) Exhibits

<u>Exhibit Number</u>	<u>Exhibit Title</u>
99.1	Press release dated October 30, 2006 for Corporate Office Properties Trust.

**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: October 31, 2006

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ RANDALL M. GRIFFIN  
 Name: Randall M. Griffin  
 Title: President and Chief Executive Officer

By: STEPHEN RIFKIN  
 Name: Stephen Riffkin  
 Title: Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

**Exhibit Number**

**Exhibit Title**

99.1

Press release dated October 30, 2006 for Corporate Office Properties Trust.

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Facsimile 443-285-7650  
www.copt.com  
NYSE: OFC

Exhibit 99.1

## NEWS RELEASE

FOR IMMEDIATE RELEASE

Contact:  
Mary Ellen Fowler  
Vice President and Treasurer  
443-285-5450  
maryellen.fowler@copt.com

### CORPORATE OFFICE PROPERTIES TRUST REPORTS THIRD QUARTER 2006 RESULTS

**COLUMBIA, MD October 30, 2006** -Corporate Office Properties Trust (COPT) (NYSE: OFC) announced today financial and operating results for the quarter ended September 30, 2006.

#### Highlights

- Earnings per Share ("EPS") diluted of \$.33 for the third quarter of 2006 as compared to \$.18 per diluted share for the third quarter of 2005. Net Income Available to Common Shareholders of \$14.5 million for third quarter 2006 increased from \$6.9 million for the comparable 2005 period. Included in third quarter 2006 net income is \$12.7 million of gain on sales of real estate including amounts in income from discontinued operations, net of minority interests. Also included is an accounting charge of \$1.8 million or (\$.04) per share reflecting the issuance costs of the Series E preferred shares redeemed July 15, 2006. Without this accounting charge, earnings per share — diluted, as adjusted, would have been \$.37 per share.
- Funds from Operations ("FFO") per diluted share of \$.46 for the third quarter 2006 down from \$.47 per diluted share for third quarter 2005, representing a decrease of 2.1%. FFO diluted of \$24.3 million for third quarter 2006, increased from \$22.1 million for the comparable 2005 quarter. Included in the third quarter 2006 FFO was the accounting charge of \$1.8 million or (\$.04) per share for the Series E preferred share redemption. Without this charge, FFO per diluted share, as adjusted, would have been \$.50 per share representing an increase of 6.5%. The Company also incurred approximately \$250,000 of costs related to its headquarters move and write-offs of \$217,000 for unamortized loan fees related to early repayment of long term and short term debt.
- \$178.8 million in acquisitions including \$49.8 million of land, so far this year.
- \$88.3 million of dispositions including joint venture assets closed this year, toward the \$100.0 million goal for 2006.

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- 94.0% occupied and 95.3% leased for the Company's wholly owned portfolio as of September 30, 2006.
  - 1.2 million square feet in 10 buildings under construction that are currently 67.4% leased.
  - Redeemed all 1,150,000 outstanding 10.25% Series E Preferred Shares on July 15, 2006.
  - \$200.0 million in convertible notes with 3.5% fixed rate coupon issued September 18, 2006.
  - 10.7% increase in quarterly common dividend from \$.28 to \$.31 per share.

"We continue to position the Company for the future, gaining significant land control in our core markets. Our most recent acquisition, the former Fort Ritchie United States Army base, is approved for up to 1.7 million square feet of office space and 673 residential units. We now have over 1,200 acres under control that can support up to 11.2 million square feet of office development," stated Randall M. Griffin, President and Chief Executive Officer. "As reflected by our 2007 guidance, you will now start to see the impact of this development pipeline as we increasingly place projects into service," he added.

#### Financial Results

EPS for the quarter ended September 30, 2006 totaled \$.33 per diluted share, or \$14.5 million of Net Income Available to Common Shareholders, as compared to \$.18 per diluted share, or \$6.9 million for the quarter ended September 30, 2005, representing an increase of 83.3% per share. Included in third quarter 2006 net income is \$12.7 million of gain on sales of real estate including amounts in income from discontinued operations, net of minority interests. Also included is an accounting charge of \$1.8 million reflecting the issuance costs of the Series E preferred shares redeemed July 15, 2006. Without this accounting charge, net income available to common shareholders — diluted, as adjusted, would have been \$.37 per share.

Diluted FFO for the quarter ended September 30, 2006 totaled \$24.3 million, or \$.46 per diluted share, as compared to \$22.1 million, or \$.47 per diluted share, for the quarter ended September 30, 2005, representing a decrease of 2.1% per share. Included in the third quarter 2006 FFO was the accounting charge of \$1.8 million for the Series E preferred share redemption. Without this charge, FFO per diluted share, as adjusted, would have been \$.50 per share representing an increase of 6.5%. The Company also incurred costs of \$250,000 related to its headquarters move and \$217,000 of write-offs related to unamortized loan fees upon early repayment of long term and short term debt.

Diluted FFO payout ratio was 65.4% for third quarter 2006 compared to 60.6% for the comparable 2005 period.

Adjusted Funds From Operations ("AFFO") diluted totaled \$19.2 million for third quarter 2006 as compared to \$15.9 million for third quarter 2005, representing an increase of 20.6%. The Company's diluted AFFO payout ratio was 83.0% for third quarter 2006 compared to 84.4% for third quarter 2005.

coverage ratio was 3.60x and EBITDA fixed charge coverage ratio was 2.89x.

### **Operating Results**

At September 30, 2006, the Company's wholly owned portfolio of 168 office properties totaling 14.6 million square feet, was 94.0% occupied and 95.3% leased.

The weighted average remaining lease term for the portfolio was 4.9 years and the average rental rate (including tenant reimbursements of operating costs) was \$20.74 per square foot.

During the quarter, 239,000 square feet was renewed, equating to a 60.7% renewal rate, at an average capital cost of \$3.53 per square foot. Total rent on renewed space increased 18.2% on a straight-line basis and 10.2% on a cash basis.

For renewed and retenanted space of 553,000 square feet, total straight-line rent increased 2.9% and total rent on cash basis decreased 3.4%. The average committed capital cost for renewed and retenanted space was \$18.17 per square foot.

Same office property cash NOI increased by 0.6% or \$231,000 for the quarter compared to the quarter ended September 30, 2005. The Company's same office portfolio consists of 120 properties and represents 73.7% of our wholly owned portfolio as of September 30, 2006.

Significant leases signed during the quarter include 81,000 square feet with KSI Services, Inc. to retenant the former PwC space at Pinnacle Towers in McLean, Virginia. This lease brings Pinnacle Towers to 96.9% leased and brings COPT's Northern Virginia portfolio to 99.3% leased.

The Company recognized lease termination fees of \$1.3 million, net of write-offs of related straight-line rents and accretion of intangible assets and liabilities, as compared to \$1.0 million in the third quarter of 2005.

### **Development Activity**

At quarter end September 30, the Company's development pipeline consisted of:

- Ten buildings under construction totaling 1.2 million square feet for a total projected cost of \$252.9 million, that are 67.4% leased.
- Nine buildings under development totaling 1.0 million square feet for a total projected cost of \$216.4 million.
- Four projects under redevelopment totaling 727,000 square feet for a total projected cost of \$87.8 million.

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The Company's land inventory (wholly owned and joint venture) at quarter end totaled 752 acres that can support 9.5 million square feet of development.

During the quarter the Company placed a 50,000 square foot development property that is 100.0% leased into service. The building, known as Patriot Park View, is located at 745 Space Center Drive in Colorado Springs, Colorado.

### **Disposition Activity**

During the quarter, the Company disposed of the following assets:

- Two office buildings totaling 259,000 square feet within its New Jersey portfolio for \$42.8 million. This sale consisted of 695 Route 46, a joint venture property in which COPT owned a 20.0% interest and 710 Route 46, a wholly owned property.
- 107,000 square foot office building in Hunt Valley, Maryland for \$13.8 million.
- 104,000 square foot office building in Baltimore City, Maryland for \$20.3 million.

### **Financing and Capital Transactions**

The Company completed the following transactions during the quarter:

- Increased its borrowing capacity under the Company's unsecured line of credit from \$400.0 million to \$500.0 million and simultaneously repaid \$60.2 million on two fixed rate loans with a weighted average interest rate of 7.8%.
- Redeemed all of its 1,150,000 outstanding 10.25% Series E Cumulative Redeemable Preferred Shares, at a price of \$25.00.
- Issued 3,390,000 Series J Cumulative Redeemable Preferred Shares with a \$25.00 per share par value and an annual dividend of 7.625%, generating net proceeds of \$82.1 million after payment of the underwriters discount, but before offering expenses.
- Issued \$200.0 million of Exchangeable Senior Notes. The notes are interest only with a fixed rate of 3.5% and may be exchanged at any time on or after September 20, 2011. Interest is payable semi-annually commencing March 15, 2007 and the notes mature in 2026. In connection with this offering, the Company repaid \$186.4 million of floating rate debt at an average interest rate of 6.7%.
- Early repayment of fixed and floating rate debt during the quarter generated a \$217,000 write-off in unamortized loan fees.
- 10.7% increase in quarterly common dividend from \$.28 to \$.31 per share.

### **Subsequent Events**

Since September 30, 2006, the Company has:

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- Acquired approximately 500 acres of the 591 acre former Fort Ritchie United States Army base located in Cascade, Washington County, Maryland for \$5.0 million, adjusted pro rata for the property holdback.
- Redeemed all of its 1,425,000 outstanding 9.875% Series F Cumulative Redeemable Preferred Shares at a price of \$25.00, on October 15, 2006. The Company recognized a \$2.1 million accounting charge to net income available to common shareholders related to the original issuance costs of the Series F. The Company projects that the accounting charge will reduce EPS for the quarter end and year ending December 2006 by (\$.05) and FFO per share diluted by (\$.04).
- Placed into service the 126,000 square foot development property at 322 Sentinel Drive (known as 322 NBP), that is 100.0% leased.
- Placed into service the 224,000 square foot development property at 15010 Conference Center Drive (known as WTP II), that is 100.0% leased.
- Executed a long term lease for a 60,000 square foot to be built office building located in Aerotech Commerce Park in Colorado Springs, Colorado.

### **Earnings Guidance**

The Company has revised its EPS guidance from \$.61 — \$.67 to \$.81 — \$.83 per diluted share for 2006. The Company has also updated its 2006 FFO guidance to a range of \$1.99 — \$2.01 per diluted share from \$1.99 - \$2.05 per diluted share. With the estimated \$.08 charge to diluted FFO per share and \$.08 charge to diluted EPS that the Company has incurred for the Series E and Series F preferred share redemptions, 2006 FFO guidance is \$1.91 to \$1.93, and EPS guidance is \$.72 - \$.74. The Company's 2007 EPS guidance is \$.44 — \$.53 per diluted share, excluding any potential gains or losses from building sales. The 2007 FFO guidance is \$2.18 — \$2.27 per diluted share. The Company will discuss the assumptions for the 2007 guidance during the earnings conference call.

### **Conference Call**

The Company will hold an investor/analyst conference call:

**Conference Call and Webcast Date:** Tuesday, October 31, 2006

**Time:** 3:00 p.m. ET

**Dial In Number:** 800-500-0177

**Confirmation Code for the call:** 3083457

A replay of this call will be available beginning Tuesday, October 31, 2006 at 9:00 p.m. ET through Tuesday, November 14, 2006 at midnight ET. To access the replay, please call 888-203-1112 and use confirmation code 3083457.

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The conference call will also be available via live webcast in the Investor Relations section of the Company's website at [www.copt.com](http://www.copt.com). A replay of the conference call will be immediately available via webcast in the Investor Relations section of the Company's website.

### **Definitions**

Please refer to our Form 8K or our website ([www.copt.com](http://www.copt.com)) for definitions of certain terms used in this press release. Reconciliations of GAAP and non-GAAP measurements are included in the attached tables.

### **Company Information**

Corporate Office Properties Trust (COPT) is a fully integrated, self-managed real estate investment trust (REIT) that focuses on the ownership, management, leasing, acquisition and development of suburban office properties located primarily in submarkets within the Greater Washington, DC region. As of September 30, 2006, the Company owned 186 office properties totaling 15.4 million rentable square feet, which included 18 properties totaling 806,000 square feet held through joint ventures. The Company has implemented a core customer expansion strategy that is built around meeting, through acquisitions and development, the multi-location requirements of the Company's existing strategic tenants. The Company's property management services team provides comprehensive property and asset management to company owned properties and select third party clients. The Company's development and construction services team provides a wide range of development and construction management services for company owned properties, as well as land planning, design/build services, consulting, and merchant development to select third party clients. 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](http://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;*

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- our ability to satisfy and operate effectively under federal income tax rules relating to real estate investment trusts and partnerships;
- 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, 2005.

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

	Three Months Ended September 30,	
	2006	2005
<b>Revenues</b>		
Real estate revenues	\$ 78,136	\$ 61,008
Service operations revenues	14,791	29,784
Total revenues	<u>92,927</u>	<u>90,792</u>
<b>Expenses</b>		
Property operating expenses	25,430	18,272
Depreciation and other amortization associated with real estate operations	21,680	17,522
Service operations expenses	13,960	29,326
General and administrative expenses	4,226	3,318
Total operating expenses	<u>65,296</u>	<u>68,438</u>
Operating income	27,631	22,354
Interest expense	(17,974)	(13,894)
Amortization of deferred financing costs	(736)	(639)
Income from continuing operations before equity in income of unconsolidated entities, income taxes and minority interests	8,921	7,821
Equity in income of unconsolidated entities	15	—
Income tax expense	(202)	(263)
Income from continuing operations before minority interests	8,734	7,558
Minority interests in income from continuing operations	(935)	(898)
Income from continuing operations	7,799	6,660
Income from discontinued operations, net of minority interests	12,191	3,870
Income before gain on sales of real estate	19,990	10,530
Gain on sales of real estate, net	597	59
Net income	20,587	10,589
Preferred share dividends	(4,307)	(3,653)
Issuance costs associated with redeemed preferred shares	(1,829)	—
<b>Net income available to common shareholders</b>	<b><u>\$ 14,451</u></b>	<b><u>\$ 6,936</u></b>
<b>Earnings per share "EPS" computation</b>		
Numerator:	<u>\$ 14,451</u>	<u>\$ 6,936</u>
Denominator:		
Weighted average common shares - basic	42,197	36,913
Dilutive effect of share-based compensation awards	1,649	1,667
Weighted average common shares - diluted	<u>43,846</u>	<u>38,580</u>
<b>EPS</b>		
Basic	<b><u>\$ 0.34</u></b>	<b><u>\$ 0.19</u></b>
Diluted	<b><u>\$ 0.33</u></b>	<b><u>\$ 0.18</u></b>

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

	Three Months Ended September 30,	
	2006	2005
<b>Net income</b>	\$ 20,587	\$ 10,589
Add: Real estate-related depreciation and amortization	21,305	17,848
Add: Depreciation and amortization on unconsolidated real estate entities	362	—
Less: Depreciation and amortization allocable to minority interests in other consolidated entities	(36)	(23)

Add (less): Loss (gain) on sales of real estate, excluding development portion	(15,262)	(4,360)
Less: Issuance costs associated with redeemed preferred shares	(1,829)	—
Funds from operations (“FFO”)	25,127	24,054
Add: Minority interests-common units in the Operating Partnership	3,509	1,726
Less: Preferred share dividends	(4,307)	(3,653)
<b>Funds from Operations - basic and diluted (“Basic and Diluted FFO”)</b>	<b>24,329</b>	<b>22,127</b>
Less: Straight-line rent adjustments	(2,819)	(1,519)
Less: Recurring capital expenditures	(3,890)	(4,945)
Less: Amortization of deferred market rental revenue	(276)	229
Add: Issuance costs associated with redeemed preferred shares	1,829	—
<b>Adjusted Funds from Operations - diluted (“Diluted AFFO”)</b>	<b>\$ 19,173</b>	<b>\$ 15,892</b>
Weighted average shares		
Weighted average common shares	42,197	36,913
Conversion of weighted average common units	8,562	8,758
Weighted average common shares/units - basic FFO per share	50,759	45,671
Dilutive effect of share-based compensation awards	1,649	1,667
Weighted average common shares/units - diluted FFO per share	52,408	47,338
Diluted FFO per common share	\$ 0.46	\$ 0.47
Dividends/distributions per common share/unit	\$ 0.31	\$ 0.28
Earnings payout ratio	91.8%	158.1%
Diluted FFO payout ratio	65.4%	60.6%
Diluted AFFO payout ratio	83.0%	84.4%
EBITDA interest coverage ratio	3.60x	3.17x
EBITDA fixed charge coverage ratio	2.89x	2.51x
<b>Reconciliation of denominators for diluted EPS and diluted FFO per share</b>		
Denominator for diluted EPS	43,846	38,580
Weighted average common units	8,562	8,758
Denominator for diluted FFO per share	52,408	47,338

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

	Nine Months Ended September 30,	
	2006	2005
<b>Revenues</b>		
Real estate revenues	\$ 219,852	\$ 177,125
Service operations revenues	45,240	65,345
Total revenues	265,092	242,470
<b>Expenses</b>		
Property operating expenses	68,698	52,940
Depreciation and other amortization associated with real estate operations	58,631	45,943
Service operations expenses	43,125	63,692
General and administrative expenses	11,895	9,760
Total operating expenses	182,349	172,335
Operating income	82,743	70,135
Interest expense	(52,493)	(39,960)
Amortization of deferred financing costs	(1,899)	(1,500)
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	28,351	28,675
Equity in loss of unconsolidated entities	(40)	—
Income tax expense	(623)	(933)
Income from continuing operations before minority interests	27,688	27,742
Minority interests in income from continuing operations	(3,238)	(3,653)
Income from continuing operations	24,450	24,089
Income from discontinued operations, net of minority interests	14,458	4,413
Income before gain on sales of real estate	38,908	28,502
Gain on sales of real estate, net	732	247
Net income	39,640	28,749
Preferred share dividends	(11,614)	(10,961)
Issuance costs associated with redeemed preferred shares	(1,829)	—
<b>Net income available to common shareholders</b>	<b>\$ 26,197</b>	<b>\$ 17,788</b>
<b>Earnings per share “EPS” computation</b>		
Numerator:	\$ 26,197	\$ 17,788
Denominator:		
Weighted average common shares—basic	41,134	36,721
Dilutive effect of share-based compensation awards	1,785	1,595
Weighted average common shares—diluted	42,919	38,316
<b>EPS</b>		
<b>Basic</b>	<b>\$ 0.64</b>	<b>\$ 0.48</b>

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

	Nine Months Ended September 30,	
	2006	2005
<b>Net income</b>	\$ 39,640	\$ 28,749
Add: Real estate-related depreciation and amortization	58,863	47,440
Add: Depreciation and amortization on unconsolidated real estate entities	565	—
Less: Depreciation and amortization allocable to minority interests in other consolidated entities	(122)	(85)
Less: Gain on sales of real estate, excluding development portion	(17,715)	(4,408)
Less: Issuance costs associated with redeemed preferred shares	(1,829)	—
<b>Funds from operations ("FFO")</b>	<b>79,402</b>	<b>71,696</b>
Add: Minority interests-common units in the Operating Partnership	6,072	4,369
Less: Preferred share dividends	(11,614)	(10,961)
<b>Funds from Operations - basic and diluted ("Basic and Diluted FFO")</b>	<b>73,860</b>	<b>65,104</b>
Less: Straight-line rent adjustments	(7,256)	(4,471)
Less: Recurring capital expenditures	(10,123)	(12,972)
Less: Amortization of deferred market rental revenue	(1,326)	(32)
Add: Issuance costs associated with redeemed preferred shares	1,829	—
<b>Adjusted Funds from Operations - diluted ("Diluted AFFO")</b>	<b>\$ 56,984</b>	<b>\$ 47,629</b>
Weighted average shares		
Weighted average common shares	41,134	36,721
Conversion of weighted average common units	8,516	8,707
Weighted average common shares/units - basic FFO per share	49,650	45,428
Dilutive effect of share-based compensation awards	1,785	1,595
Weighted average common shares/units - diluted FFO per share	51,435	47,023
Diluted FFO per common share	\$ 1.44	\$ 1.38
Dividends/distributions per common share/unit	\$ 0.870	\$ 0.790
Earnings payout ratio	138.9%	166.9%
Diluted FFO payout ratio	59.2%	56.1%
Diluted AFFO payout ratio	76.8%	76.7%
<b>Reconciliation of denominators for diluted EPS and diluted FFO per share</b>		
Denominator for diluted EPS	42,919	38,316
Weighted average common units	8,516	8,707
Denominator for diluted FFO per share	51,435	47,023

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

	September 30, 2006	December 31, 2005
<b>Balance Sheet Data (in thousands) (as of period end):</b>		
Investment in real estate, net of accumulated depreciation	\$ 2,055,686	\$ 1,888,106
Total assets	2,355,922	2,129,759
Loans payable	1,406,682	1,348,351
Total liabilities	1,523,997	1,442,036
Minority interests	117,772	105,210
Beneficiaries' equity	714,153	582,513
Debt to Total Assets	59.7%	63.3%
Debt to Undepreciated Book Value of Real Estate Assets	59.8%	62.6%
Debt to Total Market Capitalization	35.7%	41.5%
<b>Property Data (wholly owned properties) (as of period end):</b>		
Number of operating properties owned	168	165
Total net rentable square feet owned (in thousands)	14,590	13,708
Occupancy	94.0%	94.0%
<b>Reconciliation of denominator for debt to total assets to denominator for debt to undepreciated book value of real estate assets</b>		
Denominator for debt to total assets	\$ 2,355,922	\$ 2,129,759
Assets other than assets included in investment in real estate	(300,236)	(241,653)
Accumulated depreciation on real estate assets	205,529	174,935
Intangible assets on real estate acquisitions, net	92,061	90,984
Denominator for debt to undepreciated book value of real estate assets	\$ 2,353,276	\$ 2,154,025

	2006	2005	2006	2005
<b>Reconciliation of tenant improvements and incentives, capital improvements and leasing costs for operating properties to recurring capital expenditures</b>				
Total tenant improvements and incentives on operating properties	\$ 4,552	\$ 3,484	\$ 10,742	\$ 24,306
Total capital improvements on operating properties	2,276	2,760	7,935	6,838
Total leasing costs on operating properties	3,416	3,017	5,783	4,652
Less: Nonrecurring tenant improvements and incentives on operating properties	(3,340)	(1,199)	(6,373)	(16,633)
Less: Nonrecurring capital improvements on operating properties	(467)	(1,047)	(4,054)	(3,568)
Less: Nonrecurring leasing costs incurred on operating properties	(2,783)	(2,070)	(4,217)	(2,623)
Add: Recurring improvements on operating properties held through joint ventures	236	—	307	—
Recurring capital expenditures	<u>\$ 3,890</u>	<u>\$ 4,945</u>	<u>\$ 10,123</u>	<u>\$ 12,972</u>

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
<b>Reconciliation of dividends for Earnings Payout Ratio to dividends and distributions for FFO &amp; AFFO Payout Ratio</b>				
Common share dividends for earnings payout ratio	\$ 13,265	\$ 10,966	\$ 36,378	\$ 29,686
Common unit distributions	2,643	2,452	7,374	6,836
Dividends and distributions for FFO & AFFO payout ratio	<u>\$ 15,908</u>	<u>\$ 13,418</u>	<u>\$ 43,752</u>	<u>\$ 36,522</u>
<b>Reconciliation of numerators for diluted EPS and diluted FFO as reported to numerators for diluted EPS and diluted FFO excluding issuance costs associated with redeemed preferred shares</b>				
Numerator for diluted EPS, as reported	\$ 14,451	\$ 6,936	\$ 26,197	\$ 17,788
Add: Issuance costs associated with redeemed preferred shares	1,829	—	1,829	—
Numerator for diluted EPS, as adjusted	<u>\$ 16,280</u>	<u>\$ 6,936</u>	<u>\$ 28,026</u>	<u>\$ 17,788</u>
Numerator for diluted FFO, as reported	\$ 24,329	\$ 22,127	\$ 73,860	\$ 65,104
Add: Issuance costs associated with redeemed preferred shares	1,829	—	1,829	—
Numerator for diluted FFO, as adjusted	<u>\$ 26,158</u>	<u>\$ 22,127</u>	<u>\$ 75,689</u>	<u>\$ 65,104</u>
<b>Reconciliation of GAAP net income to earnings before interest, income taxes, depreciation and amortization ("EBITDA")</b>				
Net income	\$ 20,587	\$ 10,589		
Interest expense on continuing operations	17,974	13,894		
Interest expense on discontinued operations	210	602		
Income tax expense	202	294		
Real estate-related depreciation and amortization	21,305	17,848		
Amortization of deferred financing costs-continuing operations	736	639		
Amortization of deferred financing costs-discontinued operations	128	2		
Other depreciation and amortization	601	179		
Minority interests	3,636	1,872		
EBITDA	<u>\$ 65,379</u>	<u>\$ 45,919</u>		
<b>Reconciliation of interest expense from continuing operations to the denominators for interest coverage-EBITDA and fixed charge coverage-EBITDA</b>				
Interest expense from continuing operations	\$ 17,974	\$ 13,894		
Interest expense from discontinued operations	210	602		
Denominator for interest coverage-EBITDA	18,184	14,496		
Preferred share dividends	4,307	3,653		
Preferred unit distributions	165	165		
Denominator for fixed charge coverage-EBITDA	<u>\$ 22,656</u>	<u>\$ 18,314</u>		
<b>Reconciliation of same property net operating income to same property cash net operating income</b>				
Same property net operating income	\$ 40,330	\$ 39,983		
Less: Straight-line rent adjustments	(1,330)	(1,355)		
Less: Amortization of deferred market rental revenue	126	267		
Same property cash net operating income	<u>\$ 39,126</u>	<u>\$ 38,895</u>		

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

	Year Ending December 31, 2006		Year Ending December 31, 2007	
	Low	High	Low	High
<b>Reconciliation of projected EPS-diluted to projected diluted FFO per share</b>				
<b>Reconciliation of numerators</b>				
Numerator for projected EPS-diluted	\$ 31,200	\$ 32,100	\$ 19,550	\$ 23,500
Gain on sales of real estate, excluding development portion	(18,054)	(18,054)	—	—

Real estate-related depreciation and amortization	78,986	78,986	90,597	90,597
Minority interests-common units	6,682	6,875	4,093	4,919
Numerator for projected diluted FFO per share	<u>\$ 98,814</u>	<u>\$ 99,907</u>	<u>\$ 114,240</u>	<u>\$ 119,016</u>
<b>Reconciliation of denominators</b>				
Denominator for projected EPS-diluted	43,183	43,183	43,975	43,975
Weighted average common units	8,518	8,518	8,525	8,525
Denominator for projected diluted FFO per share	<u>51,701</u>	<u>51,701</u>	<u>52,500</u>	<u>52,500</u>
Projected EPS - diluted	<u>\$ 0.72</u>	<u>\$ 0.74</u>	<u>\$ 0.44</u>	<u>\$ 0.53</u>
Projected diluted FFO per share	<u>\$ 1.91</u>	<u>\$ 1.93</u>	<u>\$ 2.18</u>	<u>\$ 2.27</u>

This projection includes the impact on EPS - diluted and diluted FFO per share from the write-off of issuance costs associated with the redemptions of our Series E and Series F Preferred Shares.

**Change in projected EPS-diluted and projected diluted FFO per share due to redemption of Series E and Series F Preferred Shares**

Numerator for projected EPS-diluted	\$ 31,200	\$ 32,100
Issuance costs associated with redemption of preferred shares	3,896	3,896
Numerator for projected EPS-diluted, as adjusted	<u>\$ 35,096</u>	<u>\$ 35,996</u>
Denominator for projected EPS-diluted	43,183	43,183
Projected EPS - diluted, as adjusted for redemption of preferred shares	<u>\$ 0.81</u>	<u>\$ 0.83</u>
Projected EPS - diluted	<u>0.72</u>	<u>0.74</u>
Change in projected EPS-diluted for redemption of preferred shares	<u>\$ 0.09</u>	<u>\$ 0.09</u>
Numerator for projected diluted FFO per share	\$ 98,814	\$ 99,907
Issuance costs associated with redemption of preferred shares	3,896	3,896
Numerator for projected diluted FFO per share, as adjusted	<u>\$ 102,710</u>	<u>\$ 103,803</u>
Denominator for projected diluted FFO per share	51,701	51,701
Projected diluted FFO per share, as adjusted for redemption of preferred shares	<u>\$ 1.99</u>	<u>\$ 2.01</u>
Projected diluted FFO per share	<u>1.91</u>	<u>1.93</u>
Change in projected diluted FFO per share for redemption of preferred shares	<u>\$ 0.08</u>	<u>\$ 0.08</u>

**Top Twenty Office Tenants of Wholly Owned Properties as of September 30, 2006 (1)**  
(Dollars in thousands)

Tenant	Number of Leases	Total Occupied Square Feet	Percentage of Total Occupied Square Feet	Total Annualized Rental Revenue(2)(3)	Percentage of Total Annualized Rental Revenue	Weighted Average Remaining Lease Term(4)
United States of America(5)	44	2,060,177	15.0%	\$ 43,702	15.4%	6.5
Booz Allen Hamilton, Inc.	9	680,815	5.0%	17,533	6.2%	7.2
Northrop Grumman Corporation	15	538,967	3.9%	12,308	4.3%	2.0
Computer Sciences Corporation(6)	4	454,645	3.3%	11,076	3.9%	4.7
L-3 Communications Holdings, Inc(6)	5	239,153	1.7%	8,906	3.1%	6.9
Unisys Corporation(7)	4	760,145	5.5%	8,665	3.0%	3.0
AT&T Corporation(6)	9	361,451	2.6%	7,733	2.7%	2.3
General Dynamics Corporation	9	278,239	2.0%	7,037	2.5%	3.2
The Aerospace Corporation	2	221,785	1.6%	6,207	2.2%	8.2
Wachovia Corporation	5	188,994	1.4%	6,118	2.2%	11.7
The Boeing Company(6)	4	143,480	1.0%	3,962	1.4%	2.8
Ciena Corporation	3	221,609	1.6%	3,558	1.3%	4.0
Science Applications International Corp.	12	170,839	1.2%	3,189	1.1%	0.5
VeriSign, Inc.(8)	1	99,121	0.7%	3,144	1.1%	0.0
Magellan Health Services, Inc.	2	142,199	1.0%	2,910	1.0%	4.8
Lockheed Martin Corporation	6	160,577	1.2%	2,860	1.0%	2.7
BAE Systems PLC(6)	7	212,339	1.5%	2,788	1.0%	4.1
Merck & Co., Inc. (Unisys)(7)	1	219,065	1.6%	2,466	0.9%	2.8
Wyle Laboratories, Inc.	4	174,792	1.3%	2,399	0.8%	5.8
Harris Corporation	4	84,040	0.6%	2,271	0.8%	3.8
<b>Subtotal Top 20 Office Tenants</b>	<b>150</b>	<b>7,412,432</b>	<b>54.1%</b>	<b>158,833</b>	<b>55.8%</b>	<b>5.2</b>
All remaining tenants	490	6,298,660	45.9%	125,585	44.2%	4.5
Total/Weighted Average	<u>640</u>	<u>13,711,092</u>	<u>100.0%</u>	<u>\$ 284,419</u>	<u>100.0%</u>	<u>4.9</u>

(1) Table excludes owner occupied leasing activity which represents 136,951 square feet with a weighted average remaining lease term of 6.3 as of September 30, 2006.

(2) Total Annualized Rental Revenue is the monthly contractual base rent as of September 30, 2006 multiplied by 12 plus the estimated annualized expense reimbursements under existing office leases.

(3) Order of tenants is based on Annualized Rent.

(4) The weighting of the lease term was computed using Total Rental Revenue.

(5) Many of our 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.

(6) Includes affiliated organizations or agencies.

- (7) Merck & Co., Inc. subleases 219,065 rentable square feet from Unisys' 960,349 leased rentable square feet in our Greater Philadelphia region.
- (8) This tenant will be vacating in the fourth quarter of 2006; however, its entire square footage has already been retenanting to our second-largest tenant, Booz Allen Hamilton, Inc.