

**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) **February 15, 2007 (February 14, 2007)**

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 February 14, 2007, the Registrant issued a press release relating to its financial results for the quarter and year ended December 31, 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

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

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

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

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

(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 February 14, 2007 for Corporate Office Properties Trust.

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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: February 15, 2007

CORPORATE OFFICE PROPERTIES TRUST

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

By: /s/ Stephen E. Riffie
Name: Stephen E. Riffie
Title: Executive Vice President and Chief Financial Officer

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Exhibit Title</u>
99.1	Press release dated February 14, 2007 for Corporate Office Properties Trust.



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NEWS RELEASE

FOR IMMEDIATE RELEASE

Contact:
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CORPORATE OFFICE PROPERTIES TRUST REPORTS 2006 FOURTH QUARTER AND YEAR END RESULTS

COLUMBIA, MD February 14, 2007 — Corporate Office Properties Trust (COPT) (NYSE: OFC) announced today financial and operating results for the full year and quarter ended December 31, 2006.

Shareholder Return

The Company's shareholders earned a total return of 46% for the year 2006, the sixth highest among all publicly traded office REITs. For the past five years, the Company's shareholders earned a total return of 426%, the second highest five year return among all publicly traded office REITs based on numbers compiled by NAREIT as of December 31, 2006. These return computations include the re-investment of dividends on the ex-dividend date and share price appreciation.

2006 Highlights

- 9.5% increase in Earnings per Share ("EPS") diluted to \$.69 for year ended 2006 from \$.63 per share diluted for the year ended 2005.
- 2.7% increase in Funds from Operations ("FFO") per diluted share to \$1.91 for the year ended 2006 from \$1.86 for 2005, including the \$.08 accounting charge for the write-off of issuance costs from Series E and F preferred shares at redemption. Excluding the \$.08 accounting charge, 2006 FFO would have been \$1.99 per diluted share, as adjusted, or an increase of 7.0%.
- \$180.1 million in acquisitions for 1.0 million square feet and over 980 acres of land.
- \$88.3 million in dispositions, representing 689,000 square feet.
- 793,000 square feet of development projects placed into service, that were 94.6% leased at December 31, 2006.
- 92.8% occupied and 95.5% leased for our wholly-owned portfolio as of December 31, 2006.

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- Redeemed all 1,150,000 outstanding 10.25% Series E preferred shares and all 1,425,000 outstanding 9.875% Series F preferred shares.
 - \$164.7 million in equity raised through the issuance of 2.0 million common shares and 3,390,000 shares of 7.625% Series J Cumulative Redeemable Preferred Shares.
 - \$200.0 million in debt raised through the issuance of 3.5% Exchangeable Senior Notes.
 - 55.4% renewal rate on expiring leases for the year, 1.1 million square feet renewed with an average capital cost of \$3.27 per square foot.
 - 60.3% Diluted FFO payout ratio, 79.9% Diluted Adjusted Funds from Operations ("AFFO") payout ratio for the year.
 - 10.7% increase in quarterly common dividend during September 2006.

"We made great strides during 2006 and are now well positioned for strong growth in 2007. We strengthened our team, continued to increase our land control in strategic locations, leased close to 1.0 million square feet of development space and strengthened our financial position by substantially reducing our floating rate debt," stated Randall M. Griffin, President and CEO, Corporate Office Properties Trust.

Fourth Quarter 2006 Highlights

- EPS diluted of \$.08 for the fourth quarter of 2006 as compared to \$.16 per diluted share for the fourth quarter of 2005.
- FFO per diluted share was \$.48 for the fourth quarter 2006, equal to the \$.48 per diluted share earned for fourth quarter 2005. Included in FFO is a \$.04 accounting charge for the write off of issuance costs associated with the Series F Preferred redemption. Without this accounting charge, FFO per diluted share would have been \$.52 for the fourth quarter 2006, or an increase of 8.3%.
- Acquired 500 of the 591 acres at Fort Ritchie, the former United States Army base located in Washington County, Maryland for \$5.0 million, adjusted pro rata for the property holdback. The balance of the site will be acquired during 2007, and in total can support 1.7 million square feet of office development and 673 residential units.
- 831,000 square feet under construction in 8 buildings that are 79.5% leased at December 31, 2006.
- 1.3 million square feet under development in 13 buildings at December 31, 2006.

- Closed on a \$146.5 million ten-year non-recourse loan, with interest only payments at a fixed rate of 5.43%.
- 4.6% increase in Same Property NOI on a cash basis, representing 133 properties and 78.8% of the portfolio.

Financial Results

EPS for the year ended December 31, 2006 totaled \$.69 per diluted share and net income available to common shareholders totaled \$29.9 million, as compared to \$.63 per diluted share, and \$24.4 million net income available to common shareholders for the year ended December 31, 2005. Included in 2006 net income is approximately \$14.8 million in gain on sale of real estate properties net of minority interests, compared to a gain on sale net of minority interests of \$3.8 million in 2005. Also included in 2006 net income is an accounting charge of \$3.9 million, or \$.09 per share, for the write-off of initial issuance costs related to the Series E and F preferred share redemptions.

For the quarter ended December 31, 2006, EPS totaled \$.08 per diluted share and net income available to common shareholders totaled \$3.7 million, as compared to \$.16 per diluted share and \$6.6 million net income available to common shareholders for the quarter ended December 31, 2005. Included in fourth quarter 2006 net income is an accounting charge of \$2.1 million, or \$.05 per share, for the write-off of initial offering costs related to the Series F preferred share redemption.

Diluted FFO for the year ended December 31, 2006 totaled \$98.9 million, or \$1.91 per diluted share, as compared to \$88.8 million, or \$1.86 per diluted share, for the year ended December 31, 2005, representing a 2.7% increase on a per share basis. 2006 FFO included an \$.08 accounting charge for the write-off of issuance costs from Series E and F preferred share redemptions. Excluding the \$.08 accounting charge, 2006 FFO would have been \$1.99 per diluted share, as adjusted, or an increase of 7.0%.

The Company's diluted FFO for the three months ended December 31, 2006 totaled \$25.1 million, or \$.48 per diluted share, as compared to \$23.8 million, or \$.48 per diluted share, for the three months ended December 31, 2005, representing no change on a per share basis. Included in the FFO per diluted share is a \$2.1 million accounting charge associated with the Series F preferred share redemption. Without this accounting charge, FFO per diluted share, as adjusted, would have been \$0.52 per share, representing an increase of 8.3%.

Diluted FFO payout ratio was 60.3% for the year ended 2006 compared to 56.3% for the comparable 2005 period. The Company's diluted FFO payout ratio for the three months ended December 31, 2006 was 63.5%, as compared to 57.0% for the year ended 2005.

Diluted AFFO for the year ended December 31, 2006 totaled \$74.7 million, as compared to \$63.4 million for the year ended December 31, 2005, representing an increase of 17.8%. Diluted AFFO payout ratio was 79.9% for year ended 2006, compared to 78.8% for the year ended 2005.

Diluted AFFO for the three months ended December 31, 2006 totaled \$17.7 million, as compared to \$15.9 million for the three months ended December 31, 2005, representing a 11.3% increase. The Company's diluted AFFO payout ratio for the three months ended December 31, 2006 was 89.9%, as compared to 85.3% for the year ended 2005. A reconciliation of non GAAP measures to the comparable GAAP measures are included in the tables that follow the text of this press release.

Revenues from real estate operations in continuing operations for the year ended December 31, 2006 were \$301.3 million, as compared to the year ended December 31, 2005 of \$242.1 million. As of December 31, 2006, the Company had a total market capitalization of \$4.3 billion, with \$1.5 billion in debt outstanding, equating to a 34.9% debt-to-total market capitalization ratio. The Company's total quarterly weighted average interest rate was 6.0%. The Company had 88.3% of total debt subject to fixed interest rates.

For the fourth quarter 2006, EBITDA interest coverage ratio was 2.71x, and the EBITDA fixed charge ratio was 2.24x.

Operating Results

At December 31, 2006, the Company's wholly-owned portfolio of 170 office properties totaling 15.1 million square feet, was 92.8% occupied and 95.5% leased. The weighted average remaining lease term for the portfolio was 5.0 years and the average rental rate (including tenant reimbursements) was \$20.90 per square foot.

During 2006, the Company leased 2.9 million square feet including 1.8 million square feet of renewed and retenanted space, 250,000 square feet of previously unoccupied space and 922,000 square feet of new development space.

For the year, the Company renewed 1.1 million square feet or 55.4% of leases expiring (based on square footage), at an average capital cost of \$3.27 per square foot. For the 1.8 million square feet renewed and retenanted during the year, total rent increased 7.6% on a straight-line basis, as measured from the GAAP straight-line rent in effect preceding the renewal date. Total rent increased 0.5%, on a cash basis. The average capital cost for the renewed and retenanted space was \$11.04 per square foot.

For the quarter ended December 2006, 181,000 square feet was renewed, equating to a 34.3% renewal rate, at an average capital cost of \$5.49 per square foot. Total rent on renewed space decreased 6.5% on a straight-line basis and 13.2% on a cash basis. For renewed and retenanted space of 291,000 square feet, total straight-line rent increased 1.0% and total rent on a cash basis decreased 4.6%. The average committed capital cost for renewed and retenanted space was \$4.78 per square foot.

Same property Cash Net Operating Income increased 4.6% for fourth quarter 2006 as compared to the comparable 2005 period. The Company's same property portfolio consists of 133 buildings and represents 78.8% of the total square feet owned as of December 31, 2006.

Significant leases signed during the quarter total 417,000 square feet and include entire building leases for:

- 60,000 square feet at 1055 North Newport Road and 75,000 square feet at 9965 Federal Drive in Colorado Springs, Colorado;
- 103,000 square feet at 201 Technology Park Drive in Lebanon, Virginia;
- 126,000 square feet at 320 Sentinel Drive (320 NBP) in Annapolis Junction, Maryland; and
- 54,000 square feet at 940 Elkridge Landing Road (Airport Square VII) in Linthicum, Maryland.

In addition, the Company signed a 58,000 square foot lease with a large credit worthy tenant for the balance of the building at 15 West Gude Drive in Rockville, Maryland.

The Company recognized lease termination fees of \$3.4 million for the quarter, net of write-offs of related straight-line rents and accretion of intangible assets and liabilities, as compared to \$1.1 million in the fourth quarter of 2005.

Development Activity

At December 31, 2006, the Company's development pipeline consisted of:

- Eight buildings under construction totaling 831,000 square feet for a total projected cost of \$194.0 million, that are 79.5% leased.
- Thirteen buildings under development totaling 1.3 million square feet for a total projected cost of \$258.2 million.
- Four projects under redevelopment totaling 740,000 square feet for a total projected cost of \$88.8 million.

The Company's land inventory (wholly owned and joint venture) at December 31, 2006 totaled 1.4 million acres that can support 12.4 million square feet of development.

During the year, the Company placed seven buildings into service, two of which were partially placed into service during 2005, for a total of 793,000 square feet, that were 94.6% leased.

Acquisition Activity

During the year, the Company acquired \$180.1 million of property composed of \$128.9 million for 7 buildings with a total of 1.1 million square feet, and \$51.2 million in land composed of over 980 acres of land that can support 4.6 million square feet of office development. Included in these totals, are the following assets:

- 400,000 square feet and 44 acres of land with 525,000 developable square feet in Colorado Springs, Colorado for \$58.0 million.
- 31 acres of land with 375,000 developable square feet in San Antonio, Texas for \$7.2 million.
- 611,000 square feet and 222 acres of land with 1.4 million developable square feet in the Baltimore/Washington Corridor for \$106.7 million.
- 500 acres of land with 1.7 million developable square feet of office space and 673 residential units known as the former Fort Ritchie United States Army base located in Cascade, Washington County, Maryland for \$5.0 million, adjusted pro rata for the property holdback.

Disposition Activity

During the year, the Company sold 689,000 square feet in 8 buildings for \$87.4 million, and 1.6 acres of land for \$900,000. Included in these totals, are the following buildings:

- 335,000 square feet in 3 buildings in the Company's New Jersey portfolio, including 1 property held through a 20.0% joint venture ownership for \$33.8 million.
- 142,000 square feet in 2 buildings in Suburban Maryland for \$17.0 million.
- 212,000 square feet in 2 buildings in Suburban Baltimore for \$34.1 million.

Financing and Capital Transactions

The Company executed the following transactions during the year:

- \$82.6 million raised through issuance of 2.0 million common shares.
- Redeemed its 10.25% Series E Cumulative Redeemable Preferred Shares and its 9.875% Series F Cumulative Redeemable Preferred Shares and recognized a total of \$3.9 million for the write-off of original issuance costs related to these redemptions.
- \$82.1 million raised through issuance of 7.625% Series J Cumulative Redeemable Preferred Shares.
- \$200.0 million raised through issuance of 3.5% Exchangeable Senior Notes.
- Increased quarterly dividend 10.7% from \$.28 to \$.31 per share.
- Closed a \$146.5 million, ten year non-recourse secured loan, requiring interest only payments at a fixed rate of 5.43% which matures in January 2017.

Subsequent Events

The Company executed the following transaction subsequent to year end:

- Acquired 56 operating properties containing 2.4 million square feet that were 84.9% occupied at closing and 187 acres of land with a minimum of 2.0 million developable square feet for \$363.9 million, including approximately \$1.4 million in transaction costs. The buildings are located in Maryland in the submarkets of White Marsh, Columbia, BWI, Towson and Hunt Valley. The total price was funded through \$182.4 million in debt assumption and cash, with the seller receiving \$154.9 million in the form of common shares issued at a deemed value of \$49.00 per share and \$26.6 million in Series K convertible preferred shares with a fixed coupon of 5.6%.

Earnings Guidance

The Company's 2007 guidance remains unchanged. The 2007 EPS guidance is \$.39 to \$.48 per diluted share and the 2007 FFO guidance is \$2.18 to \$2.27 per diluted share.

Conference Call

The Company will hold an investor/analyst conference call:

Conference Call and Webcast Date: Thursday, February 15, 2007

Time: 4:00 p.m. EST

Dial In Number: 800-500-0177

Confirmation Code for the call: 8663054

A replay of this call will be available beginning Thursday, February 15, 2007 at 10:00 p.m. EST through Thursday, March 1, 2007 at midnight EST. To access the replay, please call 888-203-1112 and use confirmation code 8663054.

The conference call will also be available via live webcast in the Investor Relations section of the Company's website at 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.

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Definitions

Please refer to our Form 8K or our website (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 December 31, 2006, the Company owned 188 office properties totaling 15.9 million rentable square feet, which included 18 properties totaling 805,000 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.

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;
- 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 December 31,	
	2006	2005
Revenues		
Real estate revenues	\$ 81,467	\$ 64,948
Service operations revenues	14,844	13,889
Total revenues	<u>96,311</u>	<u>78,837</u>

Expenses		
Property operating expenses	25,806	19,313
Depreciation and other amortization associated with real estate operations	20,081	15,106
Service operations expenses	14,220	13,595
General and administrative expenses	5,041	3,774
Total operating expenses	65,148	51,788
Operating income	31,163	27,049
Interest expense	(18,885)	(14,912)
Amortization of deferred financing costs	(948)	(729)
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	11,330	11,408
Equity in loss of unconsolidated entities	(52)	(88)
Income tax expense	(264)	265
Income from continuing operations before minority interests	11,014	11,585
Minority interests in income from continuing operations	(1,346)	(1,592)
Income from continuing operations	9,668	9,993
(Loss) income from discontinued operations, net of minority interests	(81)	268
Income before gain on sales of real estate	9,587	10,261
Gain on sales of real estate, net	—	21
Net income	9,587	10,282
Preferred share dividends	(3,790)	(3,654)
Issuance costs associated with redeemed preferred shares	(2,067)	—
Net income available to common shareholders	\$ 3,730	\$ 6,628
Earnings per share “EPS” computation		
Numerator:	\$ 3,730	\$ 6,628
Denominator:		
Weighted average common shares - basic	42,439	39,297
Dilutive effect of share-based compensation awards	1,641	1,678
Weighted average common shares - diluted	44,080	40,975
EPS		
Basic	\$ 0.09	\$ 0.17
Diluted	\$ 0.08	\$ 0.16

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

	Three Months Ended December 31,	
	2006	2005
Net income	\$ 9,587	\$ 10,282
Add: Real estate-related depreciation and amortization	19,768	15,410
Add: Depreciation and amortization on unconsolidated real estate entities	345	182
Less: Depreciation and amortization allocable to minority interests in other consolidated entities	(41)	(29)
Add (less): Loss (gain) on sales of real estate, excluding development portion	71	(14)
Less: Issuance costs associated with redeemed preferred shares	(2,067)	—
Funds from operations (“FFO”)	27,663	25,831
Add: Minority interests-common units in the Operating Partnership	1,204	1,520
Less: Preferred share dividends	(3,790)	(3,654)
Funds from Operations - basic (“Basic FFO”)	25,077	23,697
Add: Restricted common share dividends	—	107
Funds from Operations - diluted (“Diluted FFO”)	25,077	23,804
Less: Straight-line rent adjustments	(2,484)	(2,292)
Less: Recurring capital expenditures	(6,387)	(5,226)
Less: Amortization of deferred market rental revenue	(578)	(394)
Add: Issuance costs associated with redeemed preferred shares	2,067	—
Adjusted Funds from Operations - diluted (“Diluted AFFO”)	\$ 17,695	\$ 15,892
Weighted average shares		
Weighted average common shares	42,439	39,297
Conversion of weighted average common units	8,495	8,688
Weighted average common shares/units - basic FFO per share	50,934	47,985
Dilutive effect of share-based compensation awards	1,641	1,902
Weighted average common shares/units - diluted FFO per share	52,575	49,887
Diluted FFO per common share	\$ 0.48	\$ 0.48
Dividends/distributions per common share/unit	\$ 0.31	\$ 0.28

Earnings payout ratio	356.4%	167.0%
Diluted FFO payout ratio	63.5%	57.0%
Diluted AFFO payout ratio	89.9%	85.3%
EBITDA interest coverage ratio	2.71x	2.82x
EBITDA fixed charge coverage ratio	2.24x	2.26x
Reconciliation of denominators for diluted EPS and diluted FFO per share		
Denominator for diluted EPS	44,080	40,975
Weighted average common units	8,495	8,688
Dilutive effect of additional share-based compensation awards	—	224
Denominator for diluted FFO per share	52,575	49,887

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

	Year Ended December 31,	
	2006	2005
Revenues		
Real estate revenues	\$ 301,319	\$ 242,073
Service operations revenues	60,084	79,234
Total revenues	<u>361,403</u>	<u>321,307</u>
Expenses		
Property operating expenses	94,504	72,253
Depreciation and other amortization associated with real estate operations	78,712	61,049
Service operations expenses	57,345	77,287
General and administrative expenses	16,936	13,534
Total operating expenses	<u>247,497</u>	<u>224,123</u>
Operating income	113,906	97,184
Interest expense	(71,378)	(54,872)
Amortization of deferred financing costs	(2,847)	(2,229)
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	39,681	40,083
Equity in loss of unconsolidated entities	(92)	(88)
Income tax expense	(887)	(668)
Income from continuing operations before minority interests	38,702	39,327
Minority interests in income from continuing operations	(4,584)	(5,245)
Income from continuing operations	34,118	34,082
Income from discontinued operations, net of minority interests	14,377	4,681
Income before gain on sales of real estate	48,495	38,763
Gain on sales of real estate, net	732	268
Net income	49,227	39,031
Preferred share dividends	(15,404)	(14,615)
Issuance costs associated with redeemed preferred shares	(3,896)	—
Net income available to common shareholders	<u>\$ 29,927</u>	<u>\$ 24,416</u>
Earnings per share "EPS" computation		
Numerator:	<u>\$ 29,927</u>	<u>\$ 24,416</u>
Denominator:		
Weighted average common shares - basic	41,463	37,371
Dilutive effect of share-based compensation awards	1,799	1,626
Weighted average common shares - diluted	<u>43,262</u>	<u>38,997</u>
EPS		
Basic	<u>\$ 0.72</u>	<u>\$ 0.65</u>
Diluted	<u>\$ 0.69</u>	<u>\$ 0.63</u>

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

Year Ended December 31,	
2006	2005

Net income	\$ 49,227	\$ 39,031
Add: Real estate-related depreciation and amortization	78,631	62,850
Add: Depreciation and amortization on unconsolidated real estate entities	910	182
Less: Depreciation and amortization allocable to minority interests in other consolidated entities	(163)	(114)
Less: Gain on sales of real estate, excluding development portion	(17,644)	(4,422)
Less: Issuance costs associated with redeemed preferred shares	(3,896)	—
Funds from operations (“FFO”)	107,065	97,527
Add: Minority interests-common units in the Operating Partnership	7,276	5,889
Less: Preferred share dividends	(15,404)	(14,615)
Funds from Operations - basic and diluted (“Basic and Diluted FFO”)	98,937	88,801
Less: Straight-line rent adjustments	(9,740)	(6,763)
Less: Recurring capital expenditures	(16,510)	(18,198)
Less: Amortization of deferred market rental revenue	(1,904)	(426)
Add: Issuance costs associated with redeemed preferred shares	3,896	—
Adjusted Funds from Operations - diluted (“Diluted AFFO”)	\$ 74,679	\$ 63,414
Weighted average shares		
Weighted average common shares	41,463	37,371
Conversion of weighted average common units	8,511	8,702
Weighted average common shares/units - basic FFO per share	49,974	46,073
Dilutive effect of share-based compensation awards	1,799	1,626
Weighted average common shares/units - diluted FFO per share	51,773	47,699
Diluted FFO per common share	\$ 1.91	\$ 1.86
Dividends/distributions per common share/unit	\$ 1.18	\$ 1.07
Earnings payout ratio	166.0%	166.9%
Diluted FFO payout ratio	60.3%	56.3%
Diluted AFFO payout ratio	79.9%	78.8%
Reconciliation of denominators for diluted EPS and diluted FFO per share		
Denominator for diluted EPS	43,262	38,997
Weighted average common units	8,511	8,702
Denominator for diluted FFO per share	51,773	47,699

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

	December 31, 2006	December 31, 2005
Balance Sheet Data (in thousands) (as of period end):		
Investment in real estate, net of accumulated depreciation	\$ 2,111,310	\$ 1,888,106
Total assets	2,425,883	2,129,759
Loans payable	1,498,537	1,348,351
Total liabilities	1,635,393	1,442,036
Minority interests	116,187	105,210
Beneficiaries' equity	674,303	582,513
Debt to Total Assets	61.8%	63.3%
Debt to Undepreciated Book Value of Real Estate Assets	62.0%	62.6%
Debt to Total Market Capitalization	34.9%	41.5%
Property Data (wholly owned properties) (as of period end):		
Number of operating properties owned	170	165
Total net rentable square feet owned (in thousands)	15,050	13,708
Occupancy	92.8%	94.0%
Reconciliation of denominator for debt to total assets to denominator for debt to undepreciated book value of real estate assets		
Denominator for debt to total assets	\$ 2,425,883	\$ 2,129,759
Assets other than assets included in investment in real estate	(314,573)	(241,653)
Accumulated depreciation on real estate assets	219,574	174,935
Intangible assets on real estate acquisitions, net	87,325	90,984
Denominator for debt to undepreciated book value of real estate assets	\$ 2,418,209	\$ 2,154,025

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
Reconciliation of tenant improvements and incentives, capital improvements and leasing costs for operating properties to recurring capital expenditures				

Total tenant improvements and incentives on operating properties	\$ 9,907	\$ 6,146	\$ 20,649	\$ 30,452
Total capital improvements on operating properties	3,844	2,944	11,779	9,782
Total leasing costs on operating properties	2,827	3,743	8,610	9,843
Less: Nonrecurring tenant improvements and incentives on operating properties	(7,489)	(4,872)	(13,862)	(21,505)
Less: Nonrecurring capital improvements on operating properties	(1,364)	(954)	(5,418)	(4,522)
Less: Nonrecurring leasing costs incurred on operating properties	(2,171)	(1,969)	(6,388)	(6,040)
Add: Recurring improvements on operating properties held through joint ventures	833	188	1,140	188
Recurring capital expenditures	<u>\$ 6,387</u>	<u>\$ 5,226</u>	<u>\$ 16,510</u>	<u>\$ 18,198</u>

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

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2005	2006	2005
Reconciliation of dividends for Earnings Payout Ratio to dividends and distributions for FFO & AFFO Payout Ratio				
Common share dividends for earnings payout ratio	\$ 13,292	\$ 11,069	\$ 49,670	\$ 40,755
Common unit distributions	2,622	2,386	9,996	9,222
Common share dividends on restricted shares	—	107	—	—
Dividends and distributions for FFO & AFFO payout ratio	<u>\$ 15,914</u>	<u>\$ 13,562</u>	<u>\$ 59,666</u>	<u>\$ 49,977</u>
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				
Numerator for diluted EPS, as reported	\$ 3,730	\$ 6,628	\$ 29,927	\$ 24,416
Add: Issuance costs associated with redeemed preferred shares	2,067	—	3,896	—
Numerator for diluted EPS, as adjusted	<u>\$ 5,797</u>	<u>\$ 6,628</u>	<u>\$ 33,823</u>	<u>\$ 24,416</u>
Numerator for diluted FFO, as reported	\$ 25,077	\$ 23,804	\$ 98,937	\$ 88,801
Add: Issuance costs associated with redeemed preferred shares	2,067	—	3,896	—
Numerator for diluted FFO, as adjusted	<u>\$ 27,144</u>	<u>\$ 23,804</u>	<u>\$ 102,833</u>	<u>\$ 88,801</u>
Reconciliation of GAAP net income to earnings before interest, income taxes, depreciation and amortization (“EBITDA”)				
Net income	\$ 9,587	\$ 10,282		
Interest expense on continuing operations	18,885	14,912		
Interest expense on discontinued operations	—	462		
Income tax expense (benefit)	264	(264)		
Real estate-related depreciation and amortization	19,768	15,410		
Amortization of deferred financing costs-continuing operations	948	729		
Amortization of deferred financing costs-discontinued operations	1	3		
Other depreciation and amortization	313	194		
Minority interests	1,329	1,658		
EBITDA	<u>\$ 51,095</u>	<u>\$ 43,386</u>		
Reconciliation of interest expense from continuing operations to the denominators for interest coverage-EBITDA and fixed charge coverage-EBITDA				
Interest expense from continuing operations	\$ 18,885	\$ 14,912		
Interest expense from discontinued operations	—	462		
Denominator for interest coverage-EBITDA	18,885	15,374		
Preferred share dividends	3,790	3,654		
Preferred unit distributions	165	165		
Denominator for fixed charge coverage-EBITDA	<u>\$ 22,840</u>	<u>\$ 19,193</u>		
Reconciliation of same property net operating income to same property cash net operating income				
Same property net operating income	\$ 46,246	\$ 45,398		
Less: Straight-line rent adjustments	(1,021)	(1,969)		
Less: Amortization of deferred market rental revenue	(207)	(394)		
Same property cash net operating income	<u>\$ 45,018</u>	<u>\$ 43,035</u>		

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(unaudited)
(Amounts in thousands, except per share data)

	Year Ending December 31, 2007	
	Low	High
Reconciliation of projected EPS-diluted to projected diluted FFO per share		
Reconciliation of numerators		
Numerator for projected EPS-diluted	\$ 18,600	\$ 22,800
Real estate-related depreciation and amortization	99,335	99,335
Minority interests-common units	3,612	4,427
Numerator for projected diluted FFO per share	<u>\$ 121,547</u>	<u>\$ 126,562</u>
Reconciliation of denominators		
Denominator for projected EPS-diluted	47,388	47,388
Weighted average common units	8,459	8,459
Denominator for projected diluted FFO per share	<u>55,847</u>	<u>55,847</u>
Projected EPS - diluted	\$ 0.39	\$ 0.48
Projected diluted FFO per share	<u>\$ 2.18</u>	<u>\$ 2.27</u>

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Top Twenty Office Tenants of Wholly Owned Properties as of December 31, 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)	45	2,182,610	15.6%	\$ 47,584	16.3%	6.6
Booz Allen Hamilton, Inc.		10	779,936	5.6%	20,145	6.9%	7.2
Northrop Grumman Corporation		15	538,967	3.9%	12,375	4.2%	2.6
Computer Sciences Corporation	(6)	4	454,645	3.3%	11,076	3.8%	4.4
Unisys Corporation	(7)	4	760,145	5.4%	8,665	3.0%	2.7
L-3 Communications Holdings, Inc.	(6)	4	221,635	1.6%	8,621	3.0%	7.0
General Dynamics Corporation		9	278,239	2.0%	7,037	2.4%	3.0
AT&T Corporation	(6)	9	324,373	2.3%	6,758	2.3%	1.4
The Aerospace Corporation		2	221,785	1.6%	6,240	2.1%	7.9
Wachovia Corporation		5	188,994	1.4%	6,131	2.1%	11.4
The Boeing Company	(6)	4	143,480	1.0%	3,975	1.4%	3.0
Ciena Corporation		3	221,609	1.6%	3,558	1.2%	3.7
Science Applications International Corp.		12	170,839	1.2%	3,193	1.1%	0.3
Lockheed Martin Corporation		6	163,685	1.2%	2,953	1.0%	2.5
Magellan Health Services, Inc.		3	142,199	1.0%	2,910	1.0%	3.9
BAE Systems PLC	(6)	7	212,339	1.5%	2,795	1.0%	3.8
Merck & Co., Inc. (Unisys)	(7)	1	219,065	1.6%	2,466	0.8%	2.5
Wyle Laboratories, Inc.		4	174,792	1.3%	2,399	0.8%	5.6
Harris Corporation		4	84,040	0.6%	2,295	0.8%	3.6
EDO Corporation		6	98,812	0.7%	2,209	0.8%	6.6
Subtotal Top 20 Office Tenants		157	7,582,189	54.3%	163,384	56.0%	5.3
All remaining tenants		492	6,380,653	45.7%	128,380	44.0%	4.5
Total/Weighted Average		<u>649</u>	<u>13,962,842</u>	<u>100.0%</u>	<u>\$ 291,763</u>	<u>100.0%</u>	<u>5.0</u>

- (1) Table excludes owner occupied leasing activity which represents 142,958 square feet with a weighted average remaining lease term of 6.1, as of December 31, 2006.
- (2) Total Annualized Rental Revenue is the monthly contractual base rent as of December 31, 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.

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