

---

---

**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) **August 1, 2007 (July 31, 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 July 31, 2007, the Registrant issued a press release relating to its financial results for the quarter ended June 30, 2007. 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.

Funds from operations ("FFO")

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.

#### Diluted funds from operations or funds from operations-diluted ("Diluted FFO")

Diluted FFO is Basic FFO adjusted to add back any 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 other than common units in the Operating Partnership 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, discussed below. In addition, since most equity REITs provide Diluted FFO information to the investment community, the Registrant believes that Diluted FFO is a useful supplemental measure for comparing the Registrant to other equity REITs. The Registrant believes that the numerator for 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 per diluted share or diluted FFO per common share ("Diluted FFO per share")

Diluted FFO per share is (1) Diluted FFO 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 other than common units in the Operating Partnership 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 the Registrant's FFO results in the same manner that investors use earnings per share ("EPS") 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 that 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 above); 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

6

---

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 July 31, 2007 for Corporate Office Properties Trust.

7

---

**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: August 1, 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

8

---

EXHIBIT INDEX

**Exhibit Number**

**Exhibit Title**

99.1

Press release dated July 31, 2007 for Corporate Office Properties Trust.

---



6711 Columbia Gateway Drive, Suite 300  
 Columbia, Maryland 21046  
 Telephone 443-285-5400  
 Facsimile 443-285-7650  
 www.copt.com  
 NYSE: OFC

## 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 STRONG SECOND QUARTER 2007 RESULTS**

**COLUMBIA, MD July 31, 2007** - Corporate Office Properties Trust (COPT) (NYSE: OFC) announced today financial and operating results for the quarter ended June 30, 2007.

#### Highlights

- Earnings per diluted share ("EPS") of \$.08 for the second quarter 2007 compared to \$.13 per diluted share for the second quarter 2006, representing a 38.5% decrease per share. Included in second quarter 2007 is a \$9.3 million increase in depreciation and amortization associated with real estate operations, as compared to the second quarter 2006, contributing to the significant decline in EPS. The acquisition of the Nottingham portfolio generated depreciation and amortization of \$6.2 million, representing the majority of the \$9.3 million increase in depreciation and amortization. During the second quarter 2007, a \$1.0 million gain from the sale of a non-real estate investment, TractManager, Inc., was recognized.
- 16.3% increase in Funds from Operations ("FFO") per diluted share to \$.57 or \$31.8 million for second quarter 2007 compared to \$.49 or \$25.2 million for second quarter 2006.
- 14.1% increase in Adjusted Funds from Operations ("AFFO") diluted to \$21.6 million for second quarter 2007 as compared to \$18.9 million for second quarter 2006.
- 54.0% Diluted FFO payout ratio, 79.5% Diluted AFFO payout ratio for the quarter.
- \$14.0 million acquisition of the remaining 50.0% undivided interest in a 132 acre land parcel that can support 1.75 million square feet of office development in Colorado Springs, Colorado.
- 92.7% occupied and 93.3% leased for our wholly owned portfolio as of June 30, 2007.
- 3.1 million square feet under construction, development and redevelopment for a total projected cost of \$569.7 million.
- 69.3% of leases expiring during the quarter were renewed, with a 5.7% increase in total straight line rent for renewed space.

---

"We are pleased with our strong FFO growth for the quarter," stated Randall M. Griffin, President and Chief Executive Officer. "We placed 247,000 square feet of 100% leased development into service this quarter, almost half of the anticipated square feet to be placed into service by year end. We continue to see positive leasing activity and we are adding projects to our construction and development pipelines," he added.

#### Financial Results

EPS for the quarter ended June 30, 2007 totaled \$.08 per diluted share, or \$3.9 million of net income available to common shareholders, as compared to \$.13 per diluted share, or \$5.5 million for the quarter ended June 30, 2006. Included in the second quarter 2007 is a \$9.3 million increase in depreciation and amortization associated with real estate operations, as compared to the second quarter 2006, contributing to the significant decline in EPS. The acquisition of the Nottingham portfolio generated depreciation and amortization of \$6.2 million, the primary driver of the \$9.3 million increase. During the second quarter 2007, the Company recognized a \$1.0 million gain from the sale of a non-real estate investment, TractManager, Inc., as described below.

Diluted FFO per share for the quarter ended June 30, 2007 increased 16.3% to \$.57 per diluted share, or \$31.8 million, as compared to \$.49 per diluted share, or \$25.2 million, for the quarter ended June 30, 2006. Included in FFO is a \$1.0 million gain from the sale of TractManager, Inc. The Company's Diluted FFO payout ratio was 54.0% for second quarter 2007 compared to 56.4% for the comparable 2006 period.

Diluted AFFO for the quarter ended June 30, 2007 increased 14.1% to \$21.6 million, as compared to \$18.9 million for the quarter ended June 30, 2006. The Company's AFFO Payout ratio was 79.5% for second quarter 2007 compared to 75.0% for the comparable 2006 period.

As of June 30, 2007, the Company had a total market capitalization of \$4.3 billion, with \$1.8 billion in debt outstanding, equating to a 41.2% debt-to-total market capitalization ratio. The Company's total quarterly weighted average interest rate was 5.9% and 83.4% of total debt is subject to fixed interest rates. For the second quarter 2007, EBITDA Interest coverage ratio was 2.77x and EBITDA Fixed Charge coverage was 2.31x.

#### Operating Results

At June 30, 2007, the Company's wholly owned portfolio of 229 office properties totaling 17.7 million square feet was 92.7% occupied and 93.3% 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 \$21.09 per square foot.

During the quarter, 476,000 square feet was renewed, equating to a 69.3% renewal rate, at an average committed capital cost of \$4.91 per square foot. Total rent on renewed space increased 5.7% on a straight line basis and decreased 1.1% on a cash basis. For renewed and retenanting space of 612,000 square feet, total straight-line rent increased

6.1%, and total cash rent increased 0.5%. The average capital cost for renewed and retented space was \$7.55 per square foot.

Same property cash NOI increased by 2.9%, or \$1.3 million for the quarter compared to the quarter ended June 30, 2006. Same office property cash NOI was positively impacted by an increase in occupancy, primarily in our Northern Virginia region. The Company's same office portfolio consists of 157 properties and represents 74.4% of our wholly owned portfolio as of June 30, 2007.

2

---

The Company recognized lease termination fees of \$708,000 for the quarter, net of write-offs of related straight line rents and the write-off of previously unamortized deferred market revenue, as compared to \$665,000 in the second quarter 2006.

#### **Development Activity**

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

- Ten buildings under construction totaling 1.0 million square feet for a total projected cost of \$211.7 million, that are 48.5% leased.
- Twelve buildings under development totaling 1.3 million square feet for a total projected cost of \$265.8 million.
- Three projects under redevelopment totaling 741,000 square feet for a total projected cost of \$92.2 million.

The Company's land inventory (wholly owned and joint venture) at quarter end totaled 1,576 acres that can support 13.9 million square feet of development.

During the quarter, the Company placed two buildings totaling 247,000 square feet into service. The largest building is a 193,000 square foot development property fully leased through June 2022 to the Northrop Grumman Corporation. The building will house the Virginia Information Technologies Agency (VITA) and Northrop Grumman operations.

#### **Acquisition Activity**

During the quarter, the Company acquired the remaining 50.0% undivided interest in 132 acres of land that can support 1.75 million square feet of office development in Colorado Springs, Colorado for \$14.0 million. In connection with this transaction, 262,165 common units were issued by the Company's operating partnership and were valued at \$12.5 million, or \$47.68 per unit.

#### **Disposition Activity**

During the quarter, the Company disposed of most of its investment in TractManager, Inc., as part of their merger with Tudor Ventures and GE Healthcare Financial Services. The Company received \$2.5 million and recognized a \$1.0 million gain in connection with the disposition. TractManager, Inc. is an entity that developed an Internet-based contract imaging and management system for sale to real estate owners and healthcare providers. The Company will continue to use the cost method of accounting for its \$128,000 remaining investment.

#### **Financing and Capital Transactions**

During the quarter, the Company closed a \$150.0 million, 5.65% fixed interest rate loan which matures on June 1, 2017 and requires interest only payments. \$120.5 million of the loan proceeds were used to retire existing indebtedness scheduled to mature June 2007. The remaining proceeds and cash reserves were used to repay \$30.0 million of borrowings outstanding under the Company's unsecured revolving credit facility.

#### **Earnings Guidance**

The Company has revised its 2007 EPS guidance from \$.37 – \$.44 to \$.34 – \$.39 per diluted share. The Company has also updated its 2007 FFO guidance to a range of \$2.20 – \$2.25 per diluted share from \$2.18 – \$2.25 per diluted share.

3

---

#### **Conference Call**

The Company will hold an investor/analyst conference call:

**Conference Call and Webcast Date:** Wednesday, August 1, 2007

**Time:** 11:00 a.m. Eastern Time

**Dial In Number:** 866-713-8566

**Passcode:** 97519594

A replay of this call will be available beginning Wednesday, August 1, 2007 at 2:00 p.m. Eastern Time through Wednesday, August 15, 2007 at midnight Eastern Time. To access the replay, please call 888-286-8010 and use passcode 18361175.

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 8-K 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 June 30, 2007, the Company owned 247 office properties totaling 18.5 million rentable square feet, which includes 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;

4

- 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, 2006.

5

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

	Three Months Ended June 30,	
	2007	2006
<b>Revenues</b>		
Real estate revenues	\$ 90,952	\$ 70,769
Service operations revenues	11,693	14,140
Total revenues	<u>102,645</u>	<u>84,909</u>
<b>Expenses</b>		
Property operating expenses	29,038	21,640
Depreciation and other amortization associated with real estate operations	27,429	18,095
Service operations expenses	11,262	13,461
General and administrative expenses	5,085	3,705
Total operating expenses	<u>72,814</u>	<u>56,901</u>
Operating income	29,831	28,008
Interest expense	(20,541)	(17,132)
Amortization of deferred financing costs	(921)	(606)
Gain on sale of non-real estate investment	1,033	—
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	9,402	10,270
Equity in loss of unconsolidated entities	(57)	(32)
Income tax expense	(178)	(206)
Income from continuing operations before minority interests	9,167	10,032
Minority interests in income from continuing operations	(959)	(1,235)
Income from continuing operations	8,208	8,797
(Loss) income from discontinued operations, net of minority interests	(492)	294
Income before gain on sales of real estate	7,716	9,091
Gain on sales of real estate, net	161	25
Net income	7,877	9,116
Preferred share dividends	(4,025)	(3,653)
<b>Net income available to common shareholders</b>	<u>\$ 3,852</u>	<u>\$ 5,463</u>
<b>Earnings per share "EPS" computation</b>		
Numerator	<u>\$ 3,852</u>	<u>\$ 5,463</u>
Denominator:		



Weighted average common shares - basic	46,686	41,510
Dilutive effect of share-based compensation awards	1,105	1,721
Weighted average common shares - diluted	<u>47,791</u>	<u>43,231</u>
<b>EPS</b>		
Basic	<u>\$ 0.08</u>	<u>\$ 0.13</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.13</u>

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

	Three Months Ended June 30,	
	2007	2006
<b>Net income</b>	\$ 7,877	\$ 9,116
Add: Real estate-related depreciation and amortization	27,087	18,490
Add: Depreciation and amortization on unconsolidated real estate entities	169	109
Less: Depreciation and amortization allocable to minority interests in other consolidated entities	(47)	(44)
Loss on sales of real estate, excluding development portion	11	6
Funds from operations ("FFO")	35,097	27,677
Add: Minority interests-common units in the Operating Partnership	765	1,157
Less: Preferred share dividends	(4,025)	(3,653)
<b>Funds from Operations - basic and diluted ("Basic and Diluted FFO")</b>	<b>31,837</b>	<b>25,181</b>
Less: Straight-line rent adjustments	(3,224)	(2,315)
Less: Recurring capital expenditures	(6,526)	(3,425)
Less: Amortization of deferred market rental revenue	(473)	(495)
<b>Adjusted Funds from Operations - diluted ("Diluted AFFO")</b>	<b>\$ 21,614</b>	<b>\$ 18,946</b>
<b>Weighted average shares</b>		
Weighted average common shares	46,686	41,510
Conversion of weighted average common units	8,313	8,465
Weighted average common shares/units - basic FFO per share	54,999	49,975
Dilutive effect of share-based compensation awards	1,105	1,721
Weighted average common shares/units - diluted FFO per share	<u>56,104</u>	<u>51,696</u>
Diluted FFO per common share	\$ 0.57	\$ 0.49
Dividends/distributions per common share/unit	\$ 0.31	\$ 0.28
Earnings payout ratio	379.4%	217.0%
Diluted FFO payout ratio	54.0%	56.4%
Diluted AFFO payout ratio	79.5%	75.0%
EBITDA interest coverage ratio	2.77x	2.70x
EBITDA fixed charge coverage ratio	2.31x	2.22x
<b>Reconciliation of denominators for diluted EPS and diluted FFO per share</b>		
Denominator for diluted EPS	47,791	43,231
Weighted average common units	8,313	8,465
Denominator for diluted FFO per share	<u>56,104</u>	<u>51,696</u>

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

	Six Months Ended June 30,	
	2007	2006
<b>Revenues</b>		
Real estate revenues	\$ 180,627	\$ 139,991
Service operations revenues	21,770	30,449
Total revenues	<u>202,397</u>	<u>170,440</u>
<b>Expenses</b>		
Property operating expenses	60,786	42,701
Depreciation and other amortization associated with real estate operations	53,998	36,767
Service operations expenses	21,150	29,165
General and administrative expenses	9,699	7,668
Total operating expenses	<u>145,633</u>	<u>116,301</u>
Operating income	56,764	54,139
Interest expense	(40,417)	(34,161)
Amortization of deferred financing costs	(1,805)	(1,162)
Gain on sale of non-real estate investment	1,033	—
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	<u>15,575</u>	<u>18,816</u>

Equity in loss of unconsolidated entities	(151)	(55)
Income tax expense	(283)	(421)
Income from continuing operations before minority interests	15,141	18,340
Minority interests in income from continuing operations	(1,385)	(2,193)
Income from continuing operations	13,756	16,147
(Loss) income from discontinued operations, net of minority interests	(493)	2,771
Income before gain on sales of real estate	13,263	18,918
Gain on sales of real estate, net	161	135
Net income	13,424	19,053
Preferred share dividends	(8,018)	(7,307)
<b>Net income available to common shareholders</b>	<b>\$ 5,406</b>	<b>\$ 11,746</b>
<b>Earnings per share "EPS" computation</b>		
Numerator	\$ 5,406	\$ 11,746
Denominator:		
Weighted average common shares - basic	46,185	40,594
Dilutive effect of share-based compensation awards	1,305	1,801
Weighted average common shares - diluted	47,490	42,395
<b>EPS</b>		
<b>Basic</b>	<b>\$ 0.12</b>	<b>\$ 0.29</b>
<b>Diluted</b>	<b>\$ 0.11</b>	<b>\$ 0.28</b>

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

	Six Months Ended June 30,	
	2007	2006
<b>Net income</b>	\$ 13,424	\$ 19,053
Add: Real estate-related depreciation and amortization	53,387	37,558
Add: Depreciation and amortization on unconsolidated real estate entities	337	194
Less: Depreciation and amortization allocable to minority interests in other consolidated entities	(89)	(77)
Loss (gain) on sales of real estate, excluding development portion	11	(2,453)
Funds from operations ("FFO")	67,070	54,275
Add: Minority interests-common units in the Operating Partnership	1,073	2,563
Less: Preferred share dividends	(8,018)	(7,307)
<b>Funds from Operations - basic and diluted ("Basic and Diluted FFO")</b>	<b>60,125</b>	<b>49,531</b>
Less: Straight-line rent adjustments	(5,795)	(4,437)
Less: Recurring capital expenditures	(9,667)	(6,233)
Less: Amortization of deferred market rental revenue	(984)	(1,050)
<b>Adjusted Funds from Operations - diluted ("Diluted AFFO")</b>	<b>\$ 43,679</b>	<b>\$ 37,811</b>
Weighted average shares		
Weighted average common shares	46,185	40,594
Conversion of weighted average common units	8,361	8,493
Weighted average common shares/units - basic FFO per share	54,546	49,087
Dilutive effect of share-based compensation awards	1,305	1,801
Weighted average common shares/units - diluted FFO per share	55,851	50,888
Diluted FFO per common share	\$ 1.08	\$ 0.97
Dividends/distributions per common share/unit	\$ 0.62	\$ 0.56
Earnings payout ratio	539.1%	196.7%
Diluted FFO payout ratio	57.0%	56.2%
Diluted AFFO payout ratio	78.5%	73.6%
<b>Reconciliation of denominators for diluted EPS and diluted FFO per share</b>		
Denominator for diluted EPS	47,490	42,395
Weighted average common units	8,361	8,493
Denominator for diluted FFO per share	55,851	50,888

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

	June 30, 2007	December 31, 2006
<b>Balance Sheet Data (in thousands) (as of period end):</b>		
Investment in real estate, net of accumulated depreciation	\$ 2,524,573	\$ 2,111,310
Total assets	2,854,729	2,419,601
Debt	1,752,478	1,498,537
Total liabilities	1,886,209	1,629,111
Minority interests	130,751	116,187
Beneficiaries' equity	837,769	674,303
Debt to Total Assets	61.4%	61.9%
Debt to Undepreciated Book Value of Real Estate Assets	60.4%	62.0%
Debt to Total Market Capitalization	41.2%	34.9%

<b>Property Data (wholly owned properties) (as of period end):</b>		
Number of operating properties owned	229	170
Total net rentable square feet owned (in thousands)	17,710	15,050
Occupancy	92.7%	92.8%

**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	\$ 2,854,729	\$ 2,419,601
Assets other than assets included in investment in real estate	(330,156)	(308,291)
Accumulated depreciation on real estate assets	255,248	219,574
Intangible assets on real estate acquisitions, net	123,861	87,325
Denominator for debt to undepreciated book value of real estate assets	<u>\$ 2,903,682</u>	<u>\$ 2,418,209</u>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
<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	\$ 7,673	\$ 3,317	\$ 14,190	\$ 6,190
Total capital improvements on operating properties	2,387	2,536	3,968	5,659
Total leasing costs on operating properties	2,014	1,421	4,993	2,367
Less: Nonrecurring tenant improvements and incentives on operating properties	(3,636)	(1,752)	(9,494)	(3,033)
Less: Nonrecurring capital improvements on operating properties	(1,446)	(1,068)	(1,854)	(3,587)
Less: Nonrecurring leasing costs incurred on operating properties	(494)	(1,076)	(2,192)	(1,434)
Add: Recurring improvements on operating properties held through joint ventures	28	47	56	71
Recurring capital expenditures	<u>\$ 6,526</u>	<u>\$ 3,425</u>	<u>\$ 9,667</u>	<u>\$ 6,233</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
<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	\$ 14,613	\$ 11,853	\$ 29,142	\$ 23,110
Common unit distributions	2,574	2,357	5,128	4,731
Dividends and distributions for FFO & AFFO payout ratio	<u>\$ 17,187</u>	<u>\$ 14,210</u>	<u>\$ 34,270</u>	<u>\$ 27,841</u>

**Reconciliation of GAAP net income to earnings before interest, income taxes, depreciation and amortization ("EBITDA")**

Net income	\$ 7,877	\$ 9,116
Interest expense on continuing operations	20,541	17,132
Interest expense on discontinued operations	533	504
Income tax expense	181	206
Real estate-related depreciation and amortization	27,087	18,490
Amortization of deferred financing costs-continuing operations	921	606
Amortization of deferred financing costs-discontinued operations	—	3
Other depreciation and amortization	342	260
Minority interests	899	1,297
EBITDA	<u>\$ 58,381</u>	<u>\$ 47,614</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	\$ 20,541	\$ 17,132
Interest expense from discontinued operations	533	504
Denominator for interest coverage-EBITDA	21,074	17,636
Preferred share dividends	4,025	3,653
Preferred unit distributions	165	165
Denominator for fixed charge coverage-EBITDA	<u>\$ 25,264</u>	<u>\$ 21,454</u>

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

Same property net operating income	\$ 48,419	\$ 47,686
Less: Straight-line rent adjustments	(1,532)	(2,065)
Less: Amortization of deferred market rental revenue	(245)	(300)
Same property cash net operating income	<u>\$ 46,642</u>	<u>\$ 45,321</u>

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

	Year Ending December 31, 2007	
	Low	High
<b>Reconciliation of projected EPS-diluted to projected diluted FFO per share</b>		
<u>Reconciliation of numerators</u>		
Numerator for projected EPS-diluted	\$ 16,350	\$ 18,750
Real estate-related depreciation and amortization	103,544	103,544
Minority interests-common units	3,017	3,460
Numerator for projected diluted FFO per share	<u>\$ 122,911</u>	<u>\$ 125,754</u>
<u>Reconciliation of denominators</u>		
Denominator for projected EPS-diluted	47,616	47,616
Weighted average common units	8,340	8,340
Denominator for projected diluted FFO per share	<u>55,956</u>	<u>55,956</u>
Projected EPS - diluted	<u>\$ 0.34</u>	<u>\$ 0.39</u>
Projected diluted FFO per share	<u>\$ 2.20</u>	<u>\$ 2.25</u>

**Top Twenty Office Tenants of Wholly Owned Properties as of June 30, 2007 (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)	50	2,314,064	14.1%	\$ 51,895	15.0%	6.1
Northrop Grumman Corporation	(6)	21	954,163	5.8%	23,320	6.7%	6.6
Booz Allen Hamilton, Inc.		9	723,409	4.4%	19,641	5.7%	7.0
Computer Sciences Corporation	(6)	4	454,645	2.8%	11,347	3.3%	3.9
L-3 Communications Holdings, Inc.	(6)	4	221,635	1.4%	8,844	2.6%	6.5
Unisys Corporation	(7)	4	760,145	4.6%	8,665	2.5%	2.2
General Dynamics Corporation		8	270,456	1.6%	7,005	2.0%	2.7
Wachovia Corporation	(6)	5	189,478	1.2%	6,745	1.9%	10.9
The Aerospace Corporation		2	221,785	1.4%	6,504	1.9%	7.4
AT&T Corporation	(6)	9	337,052	2.1%	6,013	1.7%	5.3
Comcast Corporation		9	280,586	1.7%	5,242	1.5%	4.5
The Boeing Company	(6)	4	143,480	0.9%	4,079	1.2%	2.5
Ciena Corporation		3	221,609	1.4%	3,675	1.1%	4.7
Science Applications International Corp.		12	170,839	1.0%	3,244	0.9%	0.4
Lockheed Martin Corporation		6	163,685	1.0%	3,048	0.9%	2.0
Magellan Health Services, Inc.		3	142,199	0.9%	3,021	0.9%	3.4
BAE Systems PLC	(6)	7	212,339	1.3%	2,841	0.8%	3.5
Merck & Co., Inc. (Unisys)	(7)	2	227,273	1.4%	2,621	0.8%	2.0
The Johns Hopkins University		4	115,854	0.7%	2,478	0.7%	8.5
Wyle Laboratories, Inc.		4	174,792	1.1%	2,435	0.7%	5.2
<b>Subtotal Top 20 Office Tenants</b>		<b>170</b>	<b>8,299,488</b>	<b>50.6%</b>	<b>182,661</b>	<b>52.8%</b>	<b>5.6</b>
All remaining tenants		772	8,113,632	49.4%	163,509	47.2%	4.2
Total/Weighted Average		<u>942</u>	<u>16,413,120</u>	<u>100.0%</u>	<u>\$ 346,170</u>	<u>100.0%</u>	<u>4.9</u>

(1) Table excludes owner occupied leasing activity which represents 147,004 square feet with a weighted average remaining lease term of 7.5 years as of June 30, 2007.

- (2) Total Annualized Rental Revenue is the monthly contractual base rent as of June 30, 2007, 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.
-