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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

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**FORM 8-K**

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**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 12, 2009 (February 11, 2009)**

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

On February 11, 2009, the Registrant issued a press release relating to its financial results for the three months and year ended December 31, 2008. 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.

Diluted earnings per share ("diluted EPS"), as adjusted for gain on early extinguishment of debt

This measure is defined as diluted EPS adjusted to eliminate the gain recognized on the repurchase of a portion of the Registrant's outstanding 3.5% Exchangeable Senior Notes, which the Registrant believes is not indicative of normal operations. As such, the Registrant believes that a measure that excludes this gain 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 effects of the early extinguishment of debt 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")

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 after adjustments for unconsolidated partnerships and joint ventures. Gains from the sale of real estate that are attributable to sales of non-operating properties are included in FFO. Gains from sales of newly-developed properties less accumulated depreciation, if any, required under GAAP are also 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 management and 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

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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.

#### Basic funds from operations (“Basic FFO”)

Basic FFO is FFO adjusted to (1) subtract (a) preferred share dividends and (b) issuance costs associated with redeemed preferred shares 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.

#### Diluted FFO per share

Diluted FFO per share is (1) Diluted FFO divided by (2) the sum of the (a) weighted average common

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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.

#### Diluted FFO, as adjusted for gain on early extinguishment of debt

This measure is defined as Diluted FFO adjusted to eliminate the gain recognized on the repurchase of a portion of the Registrant’s outstanding 3.5% Exchangeable Senior Notes, which the Registrant believes is not indicative of normal operations. As such, the Registrant believes that a measure that excludes this gain 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. This measure has essentially the same limitations as Diluted FFO, as well as the further limitation of not reflecting the effects of the early extinguishment of debt in accordance with GAAP; management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

#### Diluted FFO per share, as adjusted for gain on early extinguishment of debt

This measure is defined as (1) Diluted FFO, as adjusted for gain on early extinguishment of debt 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. As discussed above, the Registrant believes that the gain on early extinguishment of debt is not indicative of normal operations. As such, the Registrant believes that a measure that excludes this gain 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 effects of the early extinguishment of debt in accordance with GAAP; management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

#### Diluted adjusted funds from operations (“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

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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.

#### Diluted AFFO, as adjusted for gain on early extinguishment of debt

This measure is defined as Diluted AFFO adjusted to eliminate the gain recognized on the repurchase of a portion of the Registrant's outstanding 3.5% Exchangeable Senior Notes, which the Registrant believes is not indicative of normal operations. As such, the Registrant believes that a measure that excludes this gain 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. This measure has essentially the same limitations as Diluted AFFO, as well as the further limitation of not reflecting the effects of the early extinguishment of debt in accordance with GAAP; management compensates for these limitations in essentially the same manner as described above for Diluted AFFO.

#### 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

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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.

#### Cash NOI adjusted for lease termination fees

This measure is Cash NOI (defined above) adjusted to eliminate the effects of lease termination fees paid by tenants to terminate their lease obligations prior to the end of the agreed lease terms. Lease termination fees are often recognized as revenue in large one-time lump sum amounts upon the termination of tenant leases. The Registrant believes that Cash NOI adjusted for lease termination

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fees is a useful supplemental measure of operating performance in evaluating same-office property groupings because it provides a means of evaluating the effect that lease terminations had on the performance of the property groupings. As in the case of Cash NOI, since the measure adjusts for noncash items, it also 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 adjusted for termination fees. The measure has essentially the same limitations as Cash NOI as well as the further limitation of not reflecting the effect of lease termination fees in accordance with GAAP. 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.

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

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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 11, 2009 for Corporate Office Properties Trust. |

**SIGNATURES**

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

Dated: February 12, 2009

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ Randall M. Griffin  
Name: Randall M. Griffin

Title: President and Chief Executive Officer

By: /s/ Stephen E. Riffée

Name: Stephen E. Riffée

Title: Executive Vice President and  
Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number

Exhibit Title

99.1

Press release dated February 11, 2009 for Corporate Office Properties Trust.

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NYSE: OFC

NEWS RELEASE

FOR IMMEDIATE RELEASE

Contact:  
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Vice President and Treasurer  
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**CORPORATE OFFICE PROPERTIES TRUST**  
**REPORTS STRONG 2008 YEAR END RESULTS**

**COLUMBIA, MD February 11, 2009** — Corporate Office Properties Trust (COPT) (NYSE: OFC) announced today financial and operating results for the full year and quarter ended December 31, 2008.

**Shareholder Return**

The Company's shareholders earned a total return of 2% for the year 2008, the highest among all publicly traded office REITs and the ninth highest among all equity REITs. For the past ten years, the Company's shareholders earned a total return of 648%, the highest ten year return among all equity REITs based on numbers compiled by NAREIT as of December 31, 2008.

**2008 Highlights**

- 18% increase in Diluted Funds from Operations ("Diluted FFO") per share to \$2.64 for the year ended 2008 from \$2.24 for 2007. Included in the 2008 Diluted FFO was a \$10.4 million gain recognized for the repurchase of a \$37.5 million aggregate principal amount of 3.5% Exchangeable Senior Notes. Excluding this gain, 2008 Diluted FFO per share would have been \$2.46, representing a year over year increase of 10%.
- 123% increase in diluted earnings per share ("Diluted EPS") to \$.87 for the year ended 2008 as compared to \$.39 per diluted share for the year ended 2007. Included in 2008 net income was a \$10.4 million gain recognized for the repurchase of a \$37.5 million aggregate principal amount of 3.5% Exchangeable Senior Notes. Excluding this gain, 2008 net income would have been \$.69 per share, representing a year over year increase of 77%.
- 23% increase in Adjusted Funds from Operations ("AFFO") diluted to \$111.8 million for the year ended 2008 as compared to \$90.8 million for the year ended 2007.
- 55% Diluted FFO payout ratio and 74% Diluted AFFO payout ratio for the year.
- 524,000 square feet in 9 development properties placed into service, with 2 of the properties containing an aggregate of 89,000 square feet placed into service during 2007. The space placed in service in these properties was 87.5% leased at December 31, 2008.
- 642,000 square feet of space under construction and development leased.

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- 93.2% occupied and 93.7% leased for our wholly-owned portfolio as of December 31, 2008.
  - \$139.2 million of net proceeds raised through the issuance of 3.7 million common shares at a public offering price of \$39.00 per share.
  - 78% renewal rate on expiring leases for the year, 1.9 million square feet renewed with an average capital cost of \$7.12 per square foot.
  - 4% increase in same office property cash NOI for the year, excluding the effect of a \$2.3 million reduction in lease termination fees. Including the effect of lower lease termination fees, same office property cash NOI increased 3% for the year. The Company's same office portfolio for the year ended December 31, 2008 represents 80% of the rentable square feet of its consolidated portfolio and consists of 162 properties.
  - 10% increase of quarterly common dividend in September 2008.

"We had excellent FFO growth in 2008 and are well positioned for continued growth in 2009. We have conservatively planned for a recession in our guidance," stated Randall M. Griffin, President and Chief Executive Officer, Corporate Office Properties Trust. "The Company is fortunate to begin 2009 with strong financial flexibility, a healthy capital position and a development pipeline, totally concentrated in the U.S. Government and Defense Information Technology sector where we continue to see strong demand," he stated.

**Financial Results**

Revenues from real estate operations for the year ended December 31, 2008 were \$399.6 million, as compared to the year ended December 31, 2007 of \$365.9 million.

As of December 31, 2008, the Company had a total market capitalization of \$3.9 billion, with \$1.9 billion in debt outstanding, equating to a 48% debt-to-total market capitalization ratio.

As of December 31, 2008, the Company's weighted average interest rate was 5% and the Company had 74% of the total debt subject to fixed interest rates.

For the fourth quarter 2008, the Company's EBITDA to interest expense coverage ratio was 3.7x, and the EBITDA fixed charge coverage ratio was 3.1x.

Reconciliations of non-GAAP measures to the most directly comparable GAAP measures are included in the tables that follow the text of this press release.

**Operating Results**

At December 31, 2008, the Company's wholly-owned portfolio of 238 office properties totaled 18.5 million square feet. The weighted average remaining lease term for the

portfolio was 4.8 years and the average rental rate (including tenant reimbursements) was \$22.40 per square foot.

For the year, 1.9 million square feet was renewed equating to a 78% renewal rate, at an average committed cost of \$7.12 per square foot. Total rent on renewed space increased 16% on a straight-line basis, as measured from the straight-line rent in effect preceding the renewal date and increased 6% on a cash basis. For renewed and retenanted space of 2.3 million square feet, total straight-line rent increased 12% and total rent on a cash basis increased 3%. The average committed cost for renewed and retenanted space was \$9.25 per square foot.

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For the quarter ended December 31, 2008, 315,000 square feet was renewed equating to a 79% renewal rate, at an average committed cost of \$10.38 per square foot. Total rent on renewed space increased 5% on a straight-line basis, as measured from the straight-line rent in effect preceding the renewal date and decreased 3% on a cash basis. For renewed and retenanted space of 347,000 square feet, total straight-line rent increased 5% and total rent on a cash basis decreased 3%. The average committed cost for renewed and retenanted space was \$11.08 per square foot.

The Company recognized lease termination fees of \$481,000, net of write-offs of related straight-line rents and write-off of previously unamortized deferred market revenue for the year ended December 31, 2008, as compared to \$4.1 million for the year ended December 31, 2007, representing a decrease of 88%.

For the fourth quarter 2008, the Company recognized lease termination fees of \$183,000, net of write-offs of related straight-line rents and accretion of intangible assets and liabilities, as compared to \$578,000 in the fourth quarter 2007, representing a decrease of 68%.

During 2008, the Company signed leases for 375,000 square feet of space at the Unisys Campus in Blue Bell, Pennsylvania. Included in this total are the following:

- a new lease with Merck, Inc. to continue occupancy of the entire 219,000 square foot property located at 785 Jolly Road.
- a renewal of Unisys Corporation for 156,000 square feet representing 75% of the property located at 760 Jolly Road.

#### **Development Activity**

At December 31, 2008, the Company had 2.3 million square feet under construction, development and redevelopment for a total projected cost of \$464.9 million.

The Company's land inventory (wholly-owned and joint venture) at December 31, 2008 totaled 1,885 acres that can support 17.0 million square feet of development.

The Company completed the formation of M Square Associates, LLC, a joint venture in which the Company holds a 45% economic interest, located adjacent to the University of Maryland campus in College Park, Maryland. The venture will develop, ground lease and manage the office buildings totaling approximately 750,000 square feet, including 222,000 square feet under construction at December 31, 2008 that is 77% leased.

#### **Acquisition Activity**

During the year, the Company acquired 3 buildings totaling 247,000 square feet for \$40.5 million.

Included in these totals, are the following assets:

- 124,000 square foot property for \$23.2 million, located in the Colorado Springs Airport Business Park, known as Cresterra, at 3535 Northrop Grumman Point in Colorado Springs, Colorado, 100% leased long term to Northrop Grumman Corporation.
- 123,000 square feet in two properties for \$17.3 million, located at 1560 Cable Ranch Road, known collectively as 151 Technology Center in San Antonio, Texas, 100% leased long term to Sears, Air Force Federal Credit Union and AFNI.

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#### **Disposition Activity**

During the year, the Company sold 223,000 square feet in 3 buildings for \$25.3 million and realized gains of \$2.6 million. The buildings were located in the Company's New Jersey and Baltimore County submarkets.

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

The Company executed the following transactions during the year:

- Closed on a \$221.4 million loan requiring interest only payments for the term at variable rate of LIBOR plus 225 basis points. The loan has a four year term with an option to extend by an additional year.
- Closed on a \$225.0 million construction loan facility that will be used to fund most of the Company's construction costs over the next several years. The facility has a three year term with a one year extension option, and requires interest only payments throughout the term.
- Repurchased a \$37.5 million aggregate principal amount in the Company's 3.5% Exchangeable Senior Notes for \$26.7 million, recognizing a gain of \$10.4 million during the fourth quarter 2008.

#### **Subsequent Events**

The Company executed the following transactions subsequent to quarter end:

- 54,000 square feet of the 82,000 square foot property to be constructed at North Gate Business Park in Aberdeen, Maryland was leased long-term to The MITRE Corporation.
- 67,000 square feet of the 175,000 square foot property located at 2900 Towerview Road in Herndon, Virginia was leased long-term to Qwest Corporation, bringing the property to 100% leased.

#### **Earnings Guidance**

The Company revised its 2009 EPS guidance from a range of \$.77 to \$.85 (adjusted for the change in accounting for interest on convertible debt effective January 1, 2009) to a range of \$.73 to \$.83 per diluted share.

The Company revised its 2009 FFO per share guidance from a range of \$2.52 to \$2.60 to a range of \$2.48 to \$2.58, representing growth of 4% to 8% compared to 2008 diluted FFO per share, as adjusted, of \$2.39 (which includes a reduction of \$.07 per share for the change in accounting for interest on convertible debt effective January 1, 2009).

### **Conference Call**

The Company will hold an investor/analyst conference call:

#### **Conference Call (within the United States)**

Date: Thursday, February 12, 2009  
Time: 11:00 a.m. Eastern Time  
Telephone Number: 888-679-8018

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Passcode: 33600894

#### **Conference Call (outside the United States)**

Date: Thursday, February 12, 2009  
Time: 11:00 a.m. Eastern Time  
Telephone Number: 617-213-4845  
Passcode: 33600894

Please use the following link to pre-register and view important information about this conference call. Pre-registering is not mandatory but is recommended as it will provide you immediate entry into the call and will facilitate the timely start of the conference. Pre-registration only takes a few moments and you may pre-register at anytime, including up to and after the call start time. To pre-register, please click on the below link:

<https://www.theconferencingservice.com/prereg/key.process?key=P8Y7M99DB>

You may also pre-register in the Investor Relations section of the Company's website at [www.copt.com](http://www.copt.com). Alternatively, you may be placed into the call by an operator by calling the number provided above at least 5 to 10 minutes before the start of the call. A replay of this call will be available beginning Thursday, February 12 at 3:00 p.m. Eastern Time through Thursday, February 26 at midnight Eastern Time. To access the replay within in the United States, please call 888-286-8010 and use passcode 41186431. To access the replay outside the United States, please call 617-801-6888 and use passcode 41186431.

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 non-GAAP measures to the most directly comparable GAAP measures are included in the attached tables.

### **Company Information**

Corporate Office Properties Trust (COPT) (NYSE: OFC) is a specialty office real estate investment trust (REIT) that focuses on strategic customer relationships and specialized tenant requirements in the U.S. Government, Defense Information Technology and Data sectors. The Company acquires, develops, manages and leases properties which are typically concentrated in large office parks primarily located adjacent to government demand drivers and/or in growth corridors. As of December 31, 2008, the Company owned 256 office and data properties totaling 19.2 million rentable square feet, which includes 18 properties totaling 769,000 square feet held through joint ventures. The Company's portfolio primarily consists of technically sophisticated buildings in visually appealing settings that are environmentally sensitive, sustainable and meet unique customer requirements. More information on COPT can be found at [www.copt.com](http://www.copt.com).

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### **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, 2007.

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

|  | Three Months Ended<br>December 31, |                 |
|--|------------------------------------|-----------------|
|  | 2008                               | 2007            |
| <b>Revenues</b>  |                                    |                 |
| Real estate revenues   | \$ 103,599                         | \$ 94,352       |
| Service operations revenues  | 65,345                             | 8,498           |
| Total revenues   | <u>168,944</u>                     | <u>102,850</u>  |
| <b>Expenses</b>  |                                    |                 |
| Property operating expenses  | 36,786                             | 31,090          |
| Depreciation and other amortization associated with real estate operations   | 27,290                             | 25,889          |
| Service operations expenses  | 64,052                             | 8,330           |
| General and administrative expenses  | 7,257                              | 5,758           |
| Total operating expenses   | <u>135,385</u>                     | <u>71,067</u>   |
| Operating income   | 33,559                             | 31,783          |
| Interest expense   | (20,512)                           | (21,689)        |
| Interest and other income  | 1,146                              | 215             |
| Gain on sales of non-real estate investments   | 10,376                             | —               |
| Income from continuing operations before equity in income (loss) of unconsolidated entities, income taxes and minority interests | 24,569                             | 10,309          |
| Equity in income (loss) of unconsolidated entities   | 20                                 | (27)            |
| Income tax expense   | (99)                               | (89)            |
| Income from continuing operations before minority interests  | 24,490                             | 10,193          |
| Minority interests in income from continuing operations  | (3,019)                            | (1,049)         |
| Income from continuing operations  | 21,471                             | 9,144           |
| Income from discontinued operations, net   | —                                  | 424             |
| Income before gain on sales of real estate   | 21,471                             | 9,568           |
| Gain on sales of real estate, net  | —                                  | 361             |
| Net income   | 21,471                             | 9,929           |
| Preferred share dividends  | (4,026)                            | (4,025)         |
| Net income available to common shareholders  | <u>\$ 17,445</u>                   | <u>\$ 5,904</u> |
| <b>Earnings per share "EPS" computation</b>  |                                    |                 |
| Numerator  | <u>\$ 17,445</u>                   | <u>\$ 5,904</u> |
| Denominator:   |                                    |                 |
| Weighted average common shares - basic   | 51,120                             | 46,947          |
| Dilutive effect of share-based compensation awards   | 640                                | 914             |
| Weighted average common shares - diluted   | <u>51,760</u>                      | <u>47,861</u>   |
| <b>EPS</b>   |                                    |                 |
| Basic  | <u>\$ 0.34</u>                     | <u>\$ 0.13</u>  |
| Diluted  | <u>\$ 0.34</u>                     | <u>\$ 0.12</u>  |

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

|  | Three Months Ended<br>December 31, |                  |
|--|------------------------------------|------------------|
|  | 2008                               | 2007             |
| Net income   | \$ 21,471                          | \$ 9,929         |
| Add: Real estate-related depreciation and amortization   | 27,290                             | 26,607           |
| Add: Depreciation and amortization on unconsolidated real estate entities                          | 159                                | 163              |
| Less: Depreciation and amortization allocable to minority interests in other consolidated entities | (72)                               | (51)             |
| Gain on sales of real estate, excluding development portion  | —                                  | (1,049)          |
| Funds from operations ("FFO")  | 48,848                             | 35,599           |
| Add: Minority interests-common units in the Operating Partnership                                  | 2,814                              | 1,258            |
| Less: Preferred share dividends  | (4,026)                            | (4,025)          |
| Basis and diluted funds from operations ("Basic and Diluted FFO")                                  | 47,636                             | 32,832           |
| Less: Straight-line rent adjustments   | (1,927)                            | (2,680)          |
| Less: Recurring capital expenditures   | (8,682)                            | (6,504)          |
| Less: Amortization of deferred market rental revenue   | (606)                              | (416)            |
| Diluted adjusted funds from operations ("Diluted AFFO")  | <u>\$ 36,421</u>                   | <u>\$ 23,232</u> |

|   |           |           |
|---|-----------|-----------|
| Weighted average shares   |           |           |
| Weighted average common shares  | 51,120    | 46,947    |
| Conversion of weighted average common units                                     | 7,993     | 8,167     |
| Weighted average common shares/units - basic FFO per share                      | 59,113    | 55,114    |
| Dilutive effect of share-based compensation awards                              | 640       | 914       |
| Weighted average common shares/units - diluted FFO per share                    | 59,753    | 56,028    |
| Diluted FFO per share   | \$ 0.80   | \$ 0.59   |
| Dividends/distributions per common share/unit                                   | \$ 0.3725 | \$ 0.3400 |
| Earnings payout ratio   | 110.5%    | 272.6%    |
| Diluted FFO payout ratio  | 46.7%     | 57.5%     |
| Diluted AFFO payout ratio   | 61.0%     | 81.2%     |
| EBITDA interest coverage ratio  | 3.74 x    | 2.95 x    |
| EBITDA fixed charge coverage ratio  | 3.08 x    | 2.45 x    |
| <b>Reconciliation of denominators for diluted EPS and diluted FFO per share</b> |           |           |
| Denominator for diluted EPS   | 51,760    | 47,861    |
| Weighted average common units   | 7,993     | 8,167     |
| Denominator for diluted FFO per share   | 59,753    | 56,028    |

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

|   | Year Ended<br>December 31, |            |
|---|----------------------------|------------|
|   | 2008                       | 2007       |
| <b>Revenues</b>   |                            |            |
| Real estate revenues  | \$ 399,633                 | \$ 365,914 |
| Service operations revenues   | 188,385                    | 41,225     |
| Total revenues  | 588,018                    | 407,139    |
| <b>Expenses</b>   |                            |            |
| Property operating expenses   | 141,139                    | 123,258    |
| Depreciation and other amortization associated with real estate operations  | 102,720                    | 104,700    |
| Service operations expenses   | 184,142                    | 39,793     |
| General and administrative expenses   | 25,329                     | 21,704     |
| Total operating expenses  | 453,330                    | 289,455    |
| Operating income  | 134,688                    | 117,684    |
| Interest expense  | (83,646)                   | (85,576)   |
| Interest and other income   | 2,070                      | 3,030      |
| Gain on early extinguishment of debt  | 10,376                     | —          |
| Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests | 63,488                     | 35,138     |
| Equity in loss of unconsolidated entities   | (147)                      | (224)      |
| Income tax expense  | (201)                      | (569)      |
| Income from continuing operations before minority interests   | 63,140                     | 34,345     |
| Minority interests in income from continuing operations   | (7,488)                    | (3,331)    |
| Income from continuing operations   | 55,652                     | 31,014     |
| Income from discontinued operations, net  | 2,179                      | 2,210      |
| Income before gain on sales of real estate  | 57,831                     | 33,224     |
| Gain on sales of real estate, net   | 837                        | 1,560      |
| Net income  | 58,668                     | 34,784     |
| Preferred share dividends   | (16,102)                   | (16,068)   |
| Net income available to common shareholders   | \$ 42,566                  | \$ 18,716  |
| <b>Earnings per share "EPS" computation</b>   |                            |            |
| Numerator   | \$ 42,566                  | \$ 18,716  |
| <b>Denominator:</b>   |                            |            |
| Weighted average common shares - basic  | 48,132                     | 46,527     |
| Dilutive effect of share-based compensation awards  | 733                        | 1,103      |
| Weighted average common shares - diluted  | 48,865                     | 47,630     |
| <b>EPS</b>  |                            |            |
| Basic   | \$ 0.88                    | \$ 0.40    |
| Diluted   | \$ 0.87                    | \$ 0.39    |

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

|  | Year Ended<br>December 31, |           |
|--|----------------------------|-----------|
|  | 2008                       | 2007      |
| Net income   | \$ 58,668                  | \$ 34,784 |
| Add: Real estate-related depreciation and amortization   | 102,772                    | 106,260   |
| Add: Depreciation and amortization on unconsolidated real estate entities                          | 648                        | 666       |
| Less: Depreciation and amortization allocable to minority interests in other consolidated entities | (270)                      | (188)     |
| Gain on sales of real estate, excluding development portion  | (2,630)                    | (3,827)   |
| FFO  | 159,188                    | 137,695   |
| Add: Minority interests-common units in the Operating Partnership                                  | 7,315                      | 3,682     |
| Less: Preferred share dividends  | (16,102)                   | (16,068)  |
| Basic and Diluted FFO  | 150,401                    | 125,309   |
| Less: Straight-line rent adjustments   | (10,211)                   | (11,722)  |
| Less: Recurring capital expenditures   | (26,293)                   | (20,835)  |
| Less: Amortization of deferred market rental revenue   | (2,064)                    | (1,985)   |
| Diluted AFFO   | \$ 111,833                 | \$ 90,767 |
| <b>Weighted average shares</b>   |                            |           |
| Weighted average common shares   | 48,132                     | 46,527    |
| Conversion of weighted average common units  | 8,107                      | 8,296     |
| Weighted average common shares/units - basic FFO per share   | 56,239                     | 54,823    |
| Dilutive effect of share-based compensation awards   | 733                        | 1,103     |
| Weighted average common shares/units - diluted FFO per share                                       | 56,972                     | 55,926    |
| Diluted FFO per share  | \$ 2.64                    | \$ 2.24   |
| Dividends/distributions per common share/unit  | \$ 1.425                   | \$ 1.300  |
| Earnings payout ratio  | 166.4%                     | 327.7%    |
| Diluted FFO payout ratio   | 54.8%                      | 57.5%     |
| Diluted AFFO payout ratio  | 73.6%                      | 79.3%     |
| EBITDA interest coverage ratio   | 3.21 x                     | 2.82 x    |
| EBITDA fixed charge coverage ratio   | 2.65 x                     | 2.35 x    |
| <b>Reconciliation of denominators for diluted EPS and diluted FFO per share</b>                    |                            |           |
| Denominator for diluted EPS  | 48,865                     | 47,630    |
| Weighted average common units  | 8,107                      | 8,296     |
| Denominator for diluted FFO per share  | 56,972                     | 55,926    |

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

|   | December 31,<br>2008 | December 31,<br>2007 |
|---|----------------------|----------------------|
| <b>Balance Sheet Data (in thousands) (as of period end)</b> |                      |                      |
| Investment in real estate, net of accumulated depreciation  | \$ 2,776,889         | \$ 2,603,939         |
| Total assets  | 3,112,867            | 2,931,853            |
| Debt  | 1,866,623            | 1,825,842            |
| Total liabilities   | 2,041,688            | 1,979,116            |
| Minority interests  | 137,865              | 130,095              |
| Beneficiaries' equity                                       | 933,314              | 822,642              |
| Debt to total assets  | 60.0 %               | 62.3 %               |
| Debt to undepreciated book value of real estate assets      | 58.1 %               | 60.8 %               |
| Debt to total market capitalization                         | 47.6 %               | 48.0 %               |

| <b>Property Data (wholly owned properties) (as of period end)</b> |        |        |
|---|--------|--------|
| Number of operating properties owned                              | 238    | 228    |
| Total net rentable square feet owned (in thousands)               | 18,462 | 17,832 |
| Occupancy   | 93.2 % | 92.6 % |

**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                                   | \$ 3,112,867 | \$ 2,931,853 |
| Assets other than assets included in investment in real estate         | (335,978)    | (327,914)    |
| Accumulated depreciation on real estate assets                         | 343,110      | 288,747      |
| Intangible assets on real estate acquisitions, net                     | 91,848       | 108,661      |
| Denominator for debt to undepreciated book value of real estate assets | \$ 3,211,847 | \$ 3,001,347 |

|  | Three Months Ended<br>December 31, |          | Year Ended<br>December 31, |           |
|--|------------------------------------|----------|----------------------------|-----------|
|  | 2008                               | 2007     | 2008                       | 2007      |
| <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   | \$ 5,472                           | \$ 2,692 | \$ 20,355                  | \$ 21,487 |
| Total capital improvements on operating properties   | 4,434                              | 4,748    | 11,261                     | 11,230    |
| Total leasing costs on operating properties  | 1,269                              | 1,850    | 4,033                      | 7,562     |
| Less: Nonrecurring tenant improvements and incentives on operating properties  | (1,615)                            | (811)    | (5,692)                    | (12,192)  |

|   |                 |                 |                  |                  |
|---|-----------------|-----------------|------------------|------------------|
| Less: Nonrecurring capital improvements on operating properties                 | (836)           | (1,442)         | (3,503)          | (4,494)          |
| Less: Nonrecurring leasing costs incurred on operating properties               | (49)            | (575)           | (318)            | (2,856)          |
| Add: Recurring improvements on operating properties held through joint ventures | 7               | 42              | 157              | 98               |
| Recurring capital expenditures  | <u>\$ 8,682</u> | <u>\$ 6,504</u> | <u>\$ 26,293</u> | <u>\$ 20,835</u> |

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

|   | Three Months Ended<br>December 31, |                  | Year Ended<br>December 31, |                  |
|---|------------------------------------|------------------|----------------------------|------------------|
|   | 2008                               | 2007             | 2008                       | 2007             |
| <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  | \$ 19,283                          | \$ 16,097        | \$ 70,836                  | \$ 61,331        |
| Common unit distributions   | <u>2,946</u>                       | <u>2,777</u>     | <u>11,510</u>              | <u>10,682</u>    |
| Dividends and distributions for FFO & AFFO payout ratio   | <u>\$ 22,229</u>                   | <u>\$ 18,874</u> | <u>\$ 82,346</u>           | <u>\$ 72,013</u> |

**Reconciliation of diluted AFFO and numerators for diluted EPS and diluted FFO, as reported, to diluted AFFO and numerators for diluted EPS and diluted FFO excluding gain on early extinguishment of debt**

|   |                  |                  |                   |                   |
|---|------------------|------------------|-------------------|-------------------|
| Numerator for diluted EPS, as reported                                      | \$ 17,445        | \$ 5,904         | \$ 42,566         | \$ 18,716         |
| Less: Gain on early extinguishment of debt                                  | (10,376)         | —                | (10,376)          | —                 |
| Add: Minority interests share of gain on early extinguishment of debt       | 1,438            | —                | 1,438             | —                 |
| Numerator for diluted EPS, as adjusted                                      | <u>\$ 8,507</u>  | <u>\$ 5,904</u>  | <u>\$ 33,628</u>  | <u>\$ 18,716</u>  |
| Diluted EPS, as adjusted for gain on early extinguishment of debt           | <u>\$ 0.16</u>   | <u>\$ 0.12</u>   | <u>\$ 0.69</u>    | <u>\$ 0.39</u>    |
| Numerator for diluted FFO per share, as reported                            | \$ 47,636        | \$ 32,832        | \$ 150,401        | \$ 125,309        |
| Less: Gain on early extinguishment of debt                                  | (10,376)         | —                | (10,376)          | —                 |
| Numerator for diluted FFO per share, as adjusted                            | <u>\$ 37,260</u> | <u>\$ 32,832</u> | <u>\$ 140,025</u> | <u>\$ 125,309</u> |
| Diluted FFO per share, as adjusted for gain on early extinguishment of debt | <u>\$ 0.62</u>   | <u>\$ 0.59</u>   | <u>\$ 2.46</u>    | <u>\$ 2.24</u>    |
| Diluted AFFO, as reported   | \$ 36,421        | \$ 23,232        | \$ 111,833        | \$ 90,767         |
| Less: Gain on early extinguishment of debt                                  | (10,376)         | —                | (10,376)          | —                 |
| Diluted AFFO, as adjusted   | <u>\$ 26,045</u> | <u>\$ 23,232</u> | <u>\$ 101,457</u> | <u>\$ 90,767</u>  |

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

|   |                  |                  |                   |                   |
|---|------------------|------------------|-------------------|-------------------|
| Net income  | \$ 21,471        | \$ 9,929         | \$ 58,668         | \$ 34,784         |
| Interest expense on continuing operations         | 20,512           | 21,689           | 83,646            | 85,576            |
| Interest expense on discontinued operations       | —                | 80               | 51                | 1,382             |
| Income tax expense                                | 99               | 1,201            | 779               | 1,684             |
| Real estate-related depreciation and amortization | 27,290           | 26,607           | 102,772           | 106,260           |
| Other depreciation and amortization               | 393              | 358              | 1,570             | 1,365             |
| Minority interests                                | 3,019            | 1,391            | 8,147             | 4,220             |
| EBITDA  | <u>\$ 72,784</u> | <u>\$ 61,255</u> | <u>\$ 255,633</u> | <u>\$ 235,271</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   | \$ 20,512        | \$ 21,689        | \$ 83,646        | \$ 85,576         |
| Interest expense from discontinued operations | —                | 80               | 51               | 1,382             |
| Less amortization of deferred financing costs | (1,073)          | (970)            | (3,955)          | (3,676)           |
| Denominator for interest coverage-EBITDA      | <u>19,439</u>    | <u>20,799</u>    | <u>79,742</u>    | <u>83,282</u>     |
| Preferred share dividends                     | 4,026            | 4,025            | 16,102           | 16,068            |
| Preferred unit distributions                  | 165              | 165              | 660              | 660               |
| Denominator for fixed charge coverage-EBITDA  | <u>\$ 23,630</u> | <u>\$ 24,989</u> | <u>\$ 96,504</u> | <u>\$ 100,010</u> |

**Reconciliation of same property net operating income to same property cash net operating income and same property cash net operating income, adjusted for lease termination fees**

|  |                  |                  |                   |                   |
|--|------------------|------------------|-------------------|-------------------|
| Same property net operating income   | \$ 60,792        | \$ 60,641        | \$ 210,570        | \$ 207,792        |
| Less: Straight-line rent adjustments   | (1,057)          | (2,025)          | (4,452)           | (7,081)           |
| Less: Amortization of deferred market rental revenue                         | (436)            | (342)            | (1,385)           | (1,902)           |
| Same property cash net operating income                                      | <u>\$ 59,299</u> | <u>\$ 58,274</u> | <u>\$ 204,733</u> | <u>\$ 198,809</u> |
| Less: Lease termination fees, gross  | (200)            | (688)            | (554)             | (2,891)           |
| Same property cash net operating income, adjusted for lease termination fees | <u>\$ 59,099</u> | <u>\$ 57,586</u> | <u>\$ 204,179</u> | <u>\$ 195,918</u> |

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

|   | Year Ending<br>December 31, 2009 |                   |
|---|----------------------------------|-------------------|
|   | Low                              | High              |
| <b>Reconciliation of numerators</b>                   |                                  |                   |
| Numerator for projected EPS-diluted                   | \$ 38,300                        | \$ 43,475         |
| Real estate-related depreciation and amortization (1) | 105,600                          | 105,600           |
| Minority interests-common units                       | 6,100                            | 6,925             |
| Numerator for projected diluted FFO per share         | <u>\$ 150,000</u>                | <u>\$ 156,000</u> |
| <b>Reconciliation of denominators</b>                 |                                  |                   |
| Denominator for projected EPS-diluted                 | 52,600                           | 52,600            |
| Weighted average common units                         | 7,900                            | 7,900             |
| Denominator for projected diluted FFO per share       | <u>60,500</u>                    | <u>60,500</u>     |
| Projected EPS - diluted                               | <u>\$ 0.73</u>                   | <u>\$ 0.83</u>    |
| Projected diluted FFO per share                       | <u>\$ 2.48</u>                   | <u>\$ 2.58</u>    |

(1) The estimate of real estate-related depreciation and amortization excludes any impact of potential write-offs resulting from lease terminations.

**Top Twenty Office Tenants of Wholly Owned Properties as of December 31, 2008 (1)**  
(Dollars in thousands)

| Tenant                                       | Number of<br>Leases | Total<br>Occupied<br>Square Feet | Percentage of<br>Total<br>Occupied<br>Square Feet | Total<br>Annualized<br>Rental<br>Revenue (2) (3) | Percentage<br>of Total<br>Annualized Rental<br>Revenue | Weighted<br>Average<br>Remaining<br>Lease Term (4) |
|--|---------------------|----------------------------------|---|--|--|--|
| United States of America (5)                 | 67                  | 2,584,112                        | 15.0%   | \$ 66,782  | 17.3%  | 6.3  |
| Northrop Grumman Corporation (6)             | 16                  | 1,139,591                        | 6.6%  | 28,375   | 7.4%   | 7.7  |
| Booz Allen Hamilton, Inc.                    | 8                   | 710,692                          | 4.1%  | 19,985   | 5.2%   | 5.6  |
| Computer Sciences Corporation (6)            | 4                   | 454,645                          | 2.6%  | 11,875   | 3.1%   | 2.6  |
| L-3 Communications Holdings, Inc. (6)        | 5                   | 267,354                          | 1.6%  | 9,730  | 2.5%   | 5.3  |
| Unisys Corporation (7)                       | 5                   | 760,145                          | 4.4%  | 9,052  | 2.3%   | 4.7  |
| General Dynamics Corporation (6)             | 10                  | 293,329                          | 1.7%  | 7,753  | 2.0%   | 1.6  |
| The Aerospace Corporation                    | 3                   | 245,598                          | 1.4%  | 7,301  | 1.9%   | 6.1  |
| ITT Corporation (6)                          | 9                   | 290,312                          | 1.7%  | 6,820  | 1.8%   | 5.5  |
| Wachovia Corporation (6)                     | 4                   | 183,577                          | 1.1%  | 6,622  | 1.7%   | 9.6  |
| Comcast Corporation (6)                      | 11                  | 342,266                          | 2.0%  | 6,514  | 1.7%   | 3.2  |
| AT&T Corporation (6)                         | 8                   | 306,988                          | 1.8%  | 5,692  | 1.5%   | 4.5  |
| The Boeing Company (6)                       | 4                   | 143,480                          | 0.8%  | 4,241  | 1.1%   | 4.7  |
| Ciena Corporation                            | 4                   | 229,848                          | 1.3%  | 4,200  | 1.1%   | 3.3  |
| BAE Systems PLC (6)                          | 7                   | 212,339                          | 1.2%  | 3,171  | 0.8%   | 3.9  |
| The Johns Hopkins Institutions (6)           | 4                   | 128,827                          | 0.7%  | 3,011  | 0.8%   | 7.7  |
| Science Applications International Corp. (6) | 9                   | 137,142                          | 0.8%  | 2,957  | 0.8%   | 0.8  |
| Merck & Co., Inc. (Unisys) (6) (7)           | 2                   | 225,900                          | 1.3%  | 2,719  | 0.7%   | 3.6  |
| Magellan Health Services, Inc.               | 2                   | 113,727                          | 0.7%  | 2,673  | 0.7%   | 2.6  |
| AARP   | 1                   | 104,695                          | 0.6%  | 2,571  | 0.7%   | 12.9   |
| <b>Subtotal Top 20 Office Tenants</b>        | <b>183</b>          | <b>8,874,567</b>                 | <b>51.6%</b>                                      | <b>212,044</b>                                   | <b>55.0%</b>   | <b>5.7</b>   |
| All remaining tenants                        | 778                 | 8,333,261                        | 48.4%   | 173,326  | 45.0%  | 3.7  |
| Total/Weighted Average                       | <u>961</u>          | <u>17,207,828</u>                | <u>100.0%</u>                                     | <u>\$ 385,370</u>                                | <u>100.0%</u>  | <u>4.8</u>   |

- (1) Table excludes owner occupied leasing activity which represents 149,601 square feet with a weighted average remaining lease term of 6.5 years as of December 31, 2008.
- (2) Total Annualized Rental Revenue is the monthly contractual base rent as of December 31, 2008, 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.