

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549
FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2018**

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

to

Commission file number 1-14023 (Corporate Office Properties Trust)
Commission file number 333-189188 (Corporate Office Properties, L.P.)

Corporate Office Properties Trust
Corporate Office Properties, L.P.
(Exact name of registrant as specified in its charter)

Corporate Office Properties Trust

Maryland

23-2947217

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

Corporate Office Properties, L.P.

Delaware

23-2930022

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

6711 Columbia Gateway Drive, Suite 300, Columbia, MD

21046

(Address of principal executive offices)

(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

(Title of Each Class)	(Name of Exchange on Which Registered)
Common Shares of beneficial interest, \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Corporate Office Properties Trust Yes No
Corporate Office Properties, L.P. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Corporate Office Properties Trust Yes No
Corporate Office Properties, L.P. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Corporate Office Properties Trust Yes No
Corporate Office Properties, L.P. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Corporate Office Properties Trust Yes No
Corporate Office Properties, L.P. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act (Check one):

Corporate Office Properties Trust

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

Corporate Office Properties, L.P.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Corporate Office Properties Trust
Corporate Office Properties, L.P.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Corporate Office Properties Trust Yes No
Corporate Office Properties, L.P. Yes No

The aggregate market value of the voting and nonvoting shares of common stock held by non-affiliates of Corporate Office Properties Trust was approximately \$2.7 billion, as calculated using the closing price of such shares on the New York Stock Exchange and the number of outstanding shares as of June 30, 2018. For purposes of calculating this amount only, affiliates are defined as Trustees, executive owners and beneficial owners of more than 10% of Corporate Office Properties Trust’s outstanding common shares, \$0.01 par value. At January 31, 2019, 110,263,078 of Corporate Office Properties Trust’s common shares were outstanding.

The aggregate market value of the voting and nonvoting common units of limited partnership interest held by non-affiliates of Corporate Office Properties, L.P. was approximately \$84.4 million, as calculated using the closing price of the common shares of Corporate Office Properties Trust (into which common units not held by Corporate Office Properties Trust are exchangeable) on the New York Stock Exchange and the number of outstanding units as of June 30, 2018.

Portions of the proxy statement of Corporate Office Properties Trust for its 2019 Annual Meeting of Shareholders to be filed within 120 days after the end of the fiscal year covered by this Form 10-K are incorporated by reference into Part III of this Form 10-K.

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2018 of Corporate Office Properties Trust (“COPT”) and subsidiaries (collectively, the “Company”) and Corporate Office Properties, L.P. (“COPLP”) and subsidiaries (collectively, the “Operating Partnership”). Unless stated otherwise or the context otherwise requires, “we,” “our,” and “us” refer collectively to COPT, COPLP and their subsidiaries.

COPT is a real estate investment trust, or REIT, and the sole general partner of COPLP. As of December 31, 2018, COPT owned approximately 98.8% of the outstanding common units in COPLP; the remaining common units and all of the outstanding COPLP preferred units were owned by third parties. As the sole general partner of COPLP, COPT controls COPLP and can cause it to enter into major transactions including acquisitions, dispositions and refinancings and cause changes in its line of business, capital structure and distribution policies.

There are a few differences between the Company and the Operating Partnership which are reflected in this Form 10-K. We believe it is important to understand the differences between the Company and the Operating Partnership in the context of how the two operate as an interrelated, consolidated company. COPT is a REIT whose only material asset is its ownership of partnership interests of COPLP. As a result, COPT does not conduct business itself, other than acting as the sole general partner of COPLP, issuing public equity and guaranteeing certain debt of COPLP. COPT itself is not directly obligated under any indebtedness but guarantees some of the debt of COPLP. COPLP owns substantially all of the assets of COPT either directly or through its subsidiaries, conducts almost all of the operations of the business and is structured as a limited partnership with no publicly traded equity. Except for net proceeds from public equity issuances by COPT, which are contributed to COPLP in exchange for partnership units, COPLP generates the capital required by COPT’s business through COPLP’s operations, by COPLP’s direct or indirect incurrence of indebtedness or through the issuance of partnership units.

Noncontrolling interests, shareholders’ equity and partners’ capital are the main areas of difference between the consolidated financial statements of COPT and those of COPLP. The common limited partnership interests in COPLP not owned by COPT are accounted for as partners’ capital in COPLP’s consolidated financial statements and as noncontrolling interests in COPT’s consolidated financial statements. COPLP’s consolidated financial statements also reflect COPT’s noncontrolling interests in certain real estate partnerships and limited liability companies (“LLCs”); the differences between shareholders’ equity, partners’ capital and noncontrolling interests result from the differences in the equity issued at the COPT and COPLP levels and in COPT’s noncontrolling interests in these real estate partnerships and LLCs. The only other significant differences between the consolidated financial statements of COPT and those of COPLP are assets in connection with a non-qualified elective deferred compensation plan and the corresponding liability to the plan’s participants that are held directly by COPT.

We believe combining the annual reports on Form 10-K of the Company and the Operating Partnership into this single report results in the following benefits:

- combined reports better reflect how management, investors and the analyst community view the business as a single operating unit;
- combined reports enhance investors' understanding of the Company and the Operating Partnership by enabling them to view the business as a whole and in the same manner as management;
- combined reports are more efficient for the Company and the Operating Partnership and result in savings in time, effort and expense; and
- combined reports are more efficient for investors by reducing duplicative disclosure and providing a single document for their review.

To help investors understand the significant differences between the Company and the Operating Partnership, this report presents the following separate sections for each of the Company and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements:
 - Note 3, Fair Value Measurements of COPT and subsidiaries and COPLP and subsidiaries;
 - Note 9, Prepaid Expenses and Other Assets, Net of COPT and subsidiaries and COPLP and subsidiaries;
 - Note 13, Equity of COPT and subsidiaries;
 - Note 14, Equity of COPLP and subsidiaries;
 - Note 19, Earnings per Share of COPT and subsidiaries and Earnings per Unit of COPLP and subsidiaries; and
 - Note 21, Quarterly Data of COPT and subsidiaries and COPLP and subsidiaries.
- "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources of COPT"; and
- "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources of COPLP."

This report also includes separate sections under Part II, Item 9A. Controls and Procedures and separate Exhibit 31 and Exhibit 32 certifications for each of COPT and COPLP to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that COPT and COPLP are compliant with Rule 13a-15 and Rule 15d-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. §1350.

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FORWARD-LOOKING STATEMENTS

This Form 10-K contains “forward-looking” statements, as defined in the Private Securities Litigation Act of 1995, that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition and operations of our business. Additionally, documents we subsequently file with the SEC and incorporated by reference will contain forward-looking statements.

Forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “could,” “believe,” “anticipate,” “expect,” “estimate,” “plan” or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, we 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. We caution readers that forward-looking statements reflect our opinion only as of the date on which they were made. You should not place undue reliance on forward-looking statements. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- general economic and business conditions, which will, among other things, affect office property and data center demand and rents, tenant creditworthiness, interest rates, financing availability and property values;
- adverse changes in the real estate markets, including, among other things, increased competition with other companies;
- governmental actions and initiatives, including risks associated with the impact of a prolonged government shutdown or budgetary reductions or impasses, such as a reduction in rental revenues, non-renewal of leases and/or a curtailment of demand for additional space by our strategic customers;
- our ability to borrow on favorable terms;
- risks of real estate acquisition and development activities, 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 our joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with our objectives;
- changes in our plans for properties or views of market economic conditions or failure to obtain development rights, either of which could result in recognition of significant impairment losses;
- our ability to satisfy and operate effectively under Federal income tax rules relating to real estate investment trusts and partnerships;
- possible adverse changes in tax laws;
- the dilutive effects of issuing additional common shares;
- our ability to achieve projected results;
- security breaches relating to cyber attacks, cyber intrusions or other factors; and
- environmental requirements.

We undertake no obligation to publicly update or supplement forward-looking statements, whether as a result of new information, future events or otherwise. For further information on these and other factors that could affect us and the statements contained herein, you should refer to the section below entitled “Item 1A. Risk Factors.”

PART I

Item 1. Business

OUR COMPANY

General. Corporate Office Properties Trust (“COPT”) and subsidiaries (collectively, the “Company”) is a fully-integrated and self-managed real estate investment trust (“REIT”). Corporate Office Properties, L.P. (“COPLP”) and subsidiaries (collectively, the “Operating Partnership”) is the entity through which COPT, the sole general partner of COPLP, conducts almost all of its operations and owns almost all of its assets. Unless otherwise expressly stated or the context otherwise requires, “we”, “us” and “our” as used herein refer to each of the Company and the Operating Partnership. We own, manage, lease, develop and selectively acquire office and data center properties. The majority of our portfolio is in locations that support the United States Government and its contractors, most of whom are engaged in national security, defense and information technology (“IT”) related activities servicing what we believe are growing, durable, priority missions (“Defense/IT Locations”). We also own a portfolio of office properties located in select urban/urban-like submarkets in the Greater Washington, DC/Baltimore region with durable Class-A office fundamentals and characteristics (“Regional Office”). As of December 31, 2018, our properties included the following:

- 163 properties totaling 18.1 million square feet comprised of 15.1 million square feet in 145 office properties and 3.0 million square feet in 18 single-tenant data center shell properties (“data center shells”). We owned six of these data center shells through an unconsolidated real estate joint venture;
- a wholesale data center with a critical load of 19.25 megawatts;
- ten properties under construction or redevelopment (six office properties and four data center shells) that we estimate will total approximately 1.3 million square feet upon completion, including two partially-operational properties; and
- approximately 900 acres of land controlled for future development that we believe could be developed into approximately 1.7 million square feet and 150 acres of other land.

COPLP owns real estate directly and through subsidiary partnerships and limited liability companies (“LLCs”). In addition to owning real estate, COPLP also owns subsidiaries that provide real estate services such as property management and construction and development services primarily for our properties but also for third parties. Some of these services are performed by a taxable REIT subsidiary (“TRS”).

Equity interests in COPLP are in the form of common and preferred units. As of December 31, 2018, COPT owned 98.8% of the outstanding COPLP common units (“common units”); the remaining common units and all of the outstanding COPLP preferred units (“preferred units”) were owned by third parties. Common units not owned by COPT carry certain redemption rights. The number of common units owned by COPT is equivalent to the number of outstanding common shares of beneficial interest (“common shares”) of COPT, and the entitlement of all common units to quarterly distributions and payments in liquidation is substantially the same as those of COPT common shareholders. Similarly, in the case of any series of preferred units held by COPT, there would be a series of preferred shares of beneficial interest (“preferred shares”) in COPT that is equivalent in number and carries substantially the same terms as such series of COPLP preferred units. COPT’s common shares are publicly traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “OFC”.

Because COPLP is managed by COPT, and COPT conducts substantially all of its operations through COPLP, we refer to COPT’s executive officers as COPLP’s executive officers; similarly, although COPLP does not have a board of trustees, we refer to COPT’s Board of Trustees as COPLP’s Board of Trustees.

We believe that COPT is organized and has operated in a manner that satisfies the requirements for taxation as a REIT under the Internal Revenue Code of 1986, as amended, and we intend to continue to operate COPT in such a manner. If COPT continues to qualify for taxation as a REIT, it generally will not be subject to Federal income tax on its taxable income (other than that of its TRS entities) that is distributed to its shareholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it distribute to its shareholders at least 90% of its annual taxable income.

Our executive offices are located at 6711 Columbia Gateway Drive, Suite 300, Columbia, Maryland 21046 and our telephone number is (443) 285-5400.

Our Internet address is www.copt.com. We make available on our Internet website free of charge our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably possible after we file such material with the Securities and Exchange Commission (the “SEC”). In addition, we have made available on our Internet website under the heading “Corporate Governance” the charters for our Board of Trustees’ Audit, Nominating and Corporate Governance, Compensation and Investment Committees, as well as our Corporate

Governance Guidelines, Code of Business Conduct and Ethics and Code of Ethics for Financial Officers. We intend to make available on our website any future amendments or waivers to our Code of Business Conduct and Ethics and Code of Ethics for Financial Officers within four business days after any such amendments or waivers. The information on our Internet site is not part of this report.

The SEC maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. This Internet website can be accessed at www.sec.gov.

Business and Growth Strategies

Our primary goal is to create value and deliver attractive and competitive total returns to our shareholders. This section sets forth key components of our business and growth strategies that we have in place to support this goal.

Defense/IT Locations Strategy. We specialize in serving the unique requirements of tenants of our Defense/IT Locations properties. These properties are primarily occupied by United States Government and contractor tenants engaged in what we believe are high priority security, defense and IT missions. These tenants' missions pertain more to knowledge-based activities (i.e., cyber security, research and development and other highly technical defense and security areas) than to force structure (i.e., troops) and weapon system mass production. Our office and data center shell portfolio is significantly concentrated in Defense/IT Locations, which as of December 31, 2018 accounted for 154 of the portfolio's 163 properties, or 87.9% of its annualized rental revenue, and we control developable land to accommodate future growth. These properties generally have higher tenant renewal rates than is typical in commercial office space due in large part to: the importance of their proximity to defense installations or other key demand drivers; the ability of many of these properties to meet Anti-Terrorism Force Protection ("ATFP") requirements; and significant investments often made by tenants in their space for unique needs such as Secure Compartmented Information Facility ("SCIF"), critical power supply and operational redundancy.

Data center shells, which are properties leased to tenants to be operated as data centers in which the tenants fund the costs for the critical power, fiber connectivity and data center infrastructure, have been a significant growth driver for our Defense/IT Locations in recent years. From 2013 through 2018, we placed into service 17 data center shells totaling 2.8 million square feet, and we had an additional four under construction totaling 731,000 square feet as of December 31, 2018. We enter into long-term leases for these properties prior to commencing construction, with triple-net structures and multiple extension options and rent escalators to provide future growth. Additionally, our tenants fund the costs to fully power and equip these properties, significantly enhancing these properties' values and creating high barriers to exit for such tenants.

We believe that our properties and team collectively complement our Defense/IT Locations strategy due to our:

- properties' proximity to defense installations and other knowledge-based government demand drivers. Such proximity is generally preferred and often required for our tenants to execute their missions. Specifically, our:
 - office properties are proximate to such mission-critical facilities as Fort George G. Meade (which houses 119 organizations, including U.S. Cyber Command, Defense Information Systems Agency and other Department of Defense organizations and agencies engaged in signals intelligence) and Redstone Arsenal (which houses priority missions, such as Army procurement, missile defense, space exploration and research, development, testing and evaluation of advanced weapons systems); and
 - data center shells are primarily in the Northern Virginia area, proximate to the MAE-East Corridor, which is a major Network Access Point in the United States for interconnecting traffic between Internet service providers;
- well-established relationships with the United States Government and its contractors;
- extensive experience in developing:
 - high quality, highly-efficient office properties;
 - secured, specialized space, with the ability to satisfy the United States Government's unique needs (including SCIF and ATFP requirements); and
 - data center shells to customer specifications within very condensed timeframes to accommodate time-sensitive tenant demand; and
- depth of knowledge, specialized skills and credentialed personnel in operating highly-specialized properties with high security-oriented requirements.

Regional Office Strategy. While Defense/IT Locations are our primary focus, we focus secondarily on owning office properties located in select urban/urban-like submarkets in the Greater Washington, DC/Baltimore region due to our strong market knowledge in that region. We typically target submarkets with the following characteristics: (1) mixed-use, lifestyle oriented locations with a robust high-end residential and retail base; (2) proximity to public transportation and major transportation routes; (3) an educated workforce; (4) a diverse and growing employment base; and (5) constraints in supply of

office space. We believe that these types of submarkets provide better overall quality and opportunity for long-term, sustained growth than other commercial office submarkets. As of December 31, 2018, we owned seven Regional Office properties, representing 11.5% of our office and data center shell portfolio's annualized rental revenue; these properties were comprised of: three high-rise Baltimore City properties proximate to the city's waterfront; and four Northern Virginia properties proximate to existing or future Washington Metropolitan Area Metrorail stations and major interstates. In prior reporting periods, this segment also included other suburban properties not meeting these characteristics that were since disposed.

Asset Management Strategy: We aggressively manage our portfolio to maximize the value and operating performance of each property through: (1) proactive property management and leasing; (2) renewing tenant leases at increased rental rates where market conditions permit; (3) leasing vacant space; (4) achievement of operating efficiencies by increasing economies of scale and, where possible, aggregating vendor contracts to achieve volume pricing discounts; and (5) redevelopment when we believe property conditions and market demand warrant. In 2017, we completed seven years of programmatic property sales to improve the strategic focus of our portfolio and improve our balance sheet and overall capital position. In the future, we plan to continuously evaluate our portfolio and consider dispositions when properties no longer meet our strategic objectives, or when capital markets and the circumstances pertaining to such holdings otherwise warrant, in order to maximize our return on invested capital or support our property development and capital strategy.

We also aim to sustainably develop and operate our portfolio to create healthier work environments and reduce consumption of resources by: (1) constructing new buildings designed to use resources with a high level of efficiency and low impact on human health and the environment during their life cycles through our participation in the U.S. Green Building Council's Leadership in Energy and Environmental Design ("LEED") program; (2) investing in energy systems and other equipment that reduce energy consumption and operating costs; (3) adopting select LEED for Building Operations and Maintenance ("LEED O+M: Existing Buildings") prerequisites for much of our portfolio, including guidelines pertaining to cleaning and recycling practices and energy reduction; and (4) participating in the annual GRESB (or Global Real Estate Sustainability Benchmark) survey, which is widely recognized for measuring the environmental, social and governance ("ESG") performance of real estate companies and funds. We earned an overall score of "Green Star" on the GRESB survey in each of the last four years, representing the highest quadrant of achievement on the survey.

Property Development and Acquisition Strategy: We grow our operating portfolio primarily through property development opportunities in support of our Defense/IT Locations strategy, and we have significant land holdings that we believe can support that growth and also act as a barrier against competitive supply. We pursue development activities as market conditions and leasing opportunities support favorable risk-adjusted returns on investment, and therefore typically prefer properties to be significantly leased prior to commencing construction. To a lesser extent, we may also pursue growth through acquisitions, seeking to execute such transactions at attractive yields and below replacement cost.

Capital Strategy: Our capital strategy is aimed at maintaining access to capital in the face of differing market conditions in the most cost-effective manner by:

- maintaining an investment grade rating to enable us to use debt comprised of unsecured, primarily fixed-rate debt (including the effect of interest rate swaps) from public markets and banks;
- using secured nonrecourse debt from institutional lenders and banks;
- managing our debt by monitoring, among other things: (1) the relationship of certain measures of earnings to our debt level and to certain capital costs; (2) the timing of debt maturities to ensure that maturities in any one year do not exceed levels that we believe we can refinance; (3) the relationship of our variable-rate debt to our total debt; and (4) our total and secured debt levels relative to our overall capital structure;
- using equity raised through issuances of common shares in COPT and common units in COPLP, joint venture structures for certain investments and, to a lesser extent, issuances of preferred shares in COPT and preferred units in COPLP;
- monitoring capacity available under revolving credit facilities and equity offering programs to provide liquidity to fund investment activities;
- paying dividends at a level that is at least sufficient for us to maintain our REIT status;
- recycling proceeds from sales of interests in properties under our asset management strategy (discussed above) to fund our investment activities and/or reduce overall debt; and
- continuously evaluating the ability of our capital resources to accommodate our plans for future growth.

Industry Segments

As of December 31, 2018, our operations included the following reportable segments: Defense/IT Locations; Regional Office; Wholesale Data Center; and Other. Our Defense/IT Locations segment included the following sub-segments:

- Fort George G. Meade and the Baltimore/Washington Corridor (referred to herein as “Fort Meade/BW Corridor”);
- Northern Virginia Defense/IT Locations;
- Lackland Air Force Base in San Antonio, Texas;
- locations serving the U.S. Navy (referred to herein as “Navy Support Locations”). Properties in this sub-segment as of December 31, 2018 were proximate to the Washington Navy Yard, the Naval Air Station Patuxent River in Maryland and the Naval Surface Warfare Center Dahlgren Division in Virginia;
- Redstone Arsenal in Huntsville, Alabama;
- and
- data center shells, primarily in Northern Virginia (including six owned through an unconsolidated real estate joint venture).

As of December 31, 2018, Defense/IT Locations comprised 154 of our office and data center shell portfolio’s properties, representing 88.0% of its square feet in operations, while Regional Office comprised seven of the portfolio’s properties, or 11.1% of its square feet in operations. Our Wholesale Data Center segment is comprised of one property in Manassas, Virginia.

For information relating to our segments, refer to Note 17 to our consolidated financial statements, which is included in a separate section at the end of this Annual Report on Form 10-K beginning on page F-1.

Employees

As of December 31, 2018, we had 378 employees, none of whom were parties to collective bargaining agreements. We believe that our relations with our employees are good.

Competition

The commercial real estate market is highly competitive. Numerous commercial landlords compete with us for tenants. Some of the properties competing with ours may be newer or in more desirable locations, or the competing properties’ owners may be willing to accept lower rents. We also compete with our own tenants, many of whom have the right to sublease their space. The competitive environment for leasing is affected considerably by a number of factors including, among other things, changes in economic conditions and supply of and demand for space. These factors may make it difficult for us to lease existing vacant space and space associated with future lease expirations at rental rates that are sufficient to produce acceptable operating cash flows.

We occasionally compete for the acquisition of land and commercial properties with many entities, including other publicly-traded commercial office REITs. Competitors for such acquisitions may have substantially greater financial resources than ours. In addition, our competitors may be willing to accept lower returns on their investments or may be willing to incur higher leverage.

We also compete with many entities, including other publicly-traded commercial office REITs, for capital. This competition could adversely affect our ability to raise capital we may need to fulfill our capital strategy.

In addition, we compete with many entities for talent. If there is an increase in the costs for us to retain employees or if we otherwise fail to attract and retain such employees, our business and operating results could be adversely effected.

Item 1A. Risk Factors

Set forth below are risks and uncertainties relating to our business and the ownership of our securities. These risks and uncertainties may lead to outcomes that could adversely affect our financial position, results of operations, cash flows and ability to make expected distributions to our equityholders. You should carefully consider each of these risks and uncertainties and all of the information in this Annual Report on Form 10-K and its Exhibits, including our consolidated financial statements and notes thereto for the year ended December 31, 2018, which are included in a separate section at the end of this report beginning on page F-1.

Our performance and value are subject to risks associated with our properties and with the real estate industry. Real estate investments are subject to various risks and fluctuations in value and demand, many of which are beyond our control. Our performance and the value of our real estate assets may decline due to conditions in the general economy and the

real estate business which, in turn, could have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders. These conditions include, but are not limited to:

- downturns in national, regional and local economic environments, including increases in the unemployment rate and inflation or deflation;
- competition from other properties;
- trends in office real estate that may adversely affect future demand, including telecommuting and flexible workplaces that increase the population density per square foot;
- deteriorating local real estate market conditions, such as oversupply, reduction in demand and decreasing rental rates;
- declining real estate valuations;
- adverse developments concerning our tenants, which could affect our ability to collect rents and execute lease renewals;
- government actions and initiatives, including risks associated with the impact of prolonged government shutdowns and budgetary reductions or impasses, such as a reduction of rental revenues, non-renewal of leases and/or reduced or delayed demand for additional space by our strategic customers;
- increasing operating costs, including insurance, utilities, real estate taxes and other expenses, some of which we may not be able to pass through to tenants;
- increasing construction costs for materials and labor;
- increasing vacancies and the need to periodically repair, renovate and re-lease space;
- increasing interest rates and unavailability of financing on acceptable terms or at all;
- unavailability of financing for potential purchasers of our properties;
- adverse changes in taxation or zoning laws;
- potential inability to secure adequate insurance;
- adverse consequences resulting from civil disturbances, natural disasters, terrorist acts or acts of war; and
- potential liability under environmental or other laws or regulations.

We may be affected by adverse economic conditions. Our business may be affected by adverse economic conditions in the United States economy or real estate industry as a whole or by the local economic conditions in the markets in which our properties are located, including the impact of high unemployment and constrained credit. Adverse economic conditions could increase the likelihood of tenants encountering financial difficulties, including bankruptcy, insolvency or general downturn of business, and as a result could increase the likelihood of tenants defaulting on their lease obligations to us. Such conditions also could decrease our likelihood of successfully renewing tenants at favorable terms or leasing vacant space in existing properties or newly-constructed properties. In addition, such conditions could increase the level of risk that we may not be able to obtain new financing for development activities, acquisitions, refinancing of existing debt or other capital requirements at reasonable terms, if at all.

We may suffer adverse consequences as a result of our reliance on rental revenues for our income. We earn revenue from renting our properties. Our operating costs do not necessarily fluctuate in relation to changes in our rental revenue. This means that certain of our costs will not necessarily decline and may increase even if our revenues decline.

For new tenants or upon lease expiration for existing tenants, we generally must make improvements and pay other leasing costs for which we may not receive increased rents. We also make building-related capital improvements for which tenants may not reimburse us.

If our properties do not generate revenue sufficient to meet our operating expenses and capital costs, we may need to borrow additional amounts to cover these costs. In such circumstances, we would likely have lower profits or possibly incur losses. We may also find in such circumstances that we are unable to borrow to cover such costs, in which case our operations could be adversely affected.

In addition, the competitive environment for leasing is affected considerably by a number of factors including, among other things, changes due to economic factors such as supply and demand. These factors may make it difficult for us to lease existing vacant space and space associated with future lease expirations at rental rates that are sufficient to meet our short-term capital needs.

We rely on the ability of our tenants to pay rent and would be harmed by their inability to do so. Our performance depends on the ability of our tenants to fulfill their lease obligations by paying their rental payments in a timely manner. As a result, we would be harmed if one or more of our major tenants, or a number of our smaller tenants, were to experience financial difficulties, including bankruptcy, insolvency, prolonged government shutdown or general downturn of business.

We may be adversely affected by developments concerning our major tenants or the United States Government and its contractors, including prolonged shutdowns of the government and actual, or potential, reductions in government spending targeting knowledge-based activities. As of December 31, 2018, our 10 largest tenants accounted for 61.7% of our total annualized rental revenue, the four largest of these tenants accounted for 50.0%, and the United States Government, our largest tenant, accounted for 32.7%. We calculated annualized rental revenue by multiplying by 12 the sum of monthly contractual base rents and estimated monthly expense reimbursements under active leases in our portfolio as of December 31, 2018; with regard to properties owned through an unconsolidated real estate joint venture, we include the portion of annualized rental revenue allocable to our ownership interest. For additional information regarding our tenant concentrations, refer to the section entitled “Concentration of Operations” within the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Most of our leases with the United States Government provide for a series of one-year terms. The United States Government may terminate its leases if, among other reasons, the United States Congress fails to provide funding. We would be harmed if any of our four largest tenants fail to make rental payments to us over an extended period of time, including as a result of a prolonged government shutdown, or if the United States Government elects to terminate some or all of its leases and the space cannot be re-leased on satisfactory terms.

As of December 31, 2018, 87.9% of our office and data center shell properties’ total annualized rental revenue was from Defense/IT Locations, and we expect to maintain a similarly high revenue concentration of properties in these locations. A reduction in government spending targeting the activities of the government and its contractors (such as knowledge-based defense and security activities) in these locations could adversely affect our tenants’ ability to fulfill lease obligations, renew leases or enter into new leases and limit our future growth from properties in these locations. Moreover, uncertainty regarding the potential for future reduction in government spending targeting such activities could also decrease or delay leasing activity from tenants engaged in these activities.

We may suffer economic harm in the event of a decline in the real estate market or general economic conditions in the Mid-Atlantic region, particularly in the Greater Washington, DC/Baltimore region, or in particular business parks. Most of our properties are located in the Mid-Atlantic region of the United States, particularly in the Greater Washington, DC/Baltimore region. Our properties are also often concentrated in business parks in which we own most of the properties. Consequently, our portfolio of properties is not broadly distributed geographically. As a result, we would be harmed by a decline in the real estate market or general economic conditions in the Mid-Atlantic region, the Greater Washington, DC/Baltimore region or the business parks in which our properties are located.

We would suffer economic harm if we were unable to renew our leases on favorable terms. When leases expire, our tenants may not renew or may renew on terms less favorable to us than the terms of their original leases. If a tenant vacates a property, we can expect to experience a vacancy for some period of time, as well as incur higher leasing costs than we would likely incur if a tenant renews. As a result, we may be harmed if we experience a high volume of tenant departures at the end of their lease terms.

We may be adversely affected by trends in the office real estate industry. Some businesses increasingly permit employee telecommuting, flexible work schedules, open workplaces and teleconferencing. These practices enable businesses to reduce their space requirements. These trends could over time erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations.

We may encounter a decline in the value of our real estate. The value of our real estate could be adversely affected by general economic and market conditions connected to a specific property, a market or submarket, a broader economic region or the office real estate industry. Examples of such conditions include a broader economic recession, declining demand and decreases in market rental rates and/or market values of real estate assets. If our real estate assets decline in value, it could result in our recognition of impairment losses. Moreover, a decline in the value of our real estate could adversely affect the amount of borrowings available to us under future credit facilities and other loans.

We may not be able to compete successfully with other entities that operate in our industry. The commercial real estate market is highly competitive. Numerous commercial properties compete with our properties for tenants. Some of the properties competing with ours may be newer or in more desirable locations, or the competing properties’ owners may be willing to accept lower rates than are acceptable to us. In addition, we compete for the purchase of commercial property with many entities, including other publicly traded commercial office REITs.

Real estate investments are illiquid, and we may not be able to dispose of properties on a timely basis when we determine it is appropriate to do so. Real estate investments can be difficult to sell and convert to cash quickly, especially if

market conditions, including real estate lending conditions, are not favorable. Such illiquidity could limit our ability to fund capital needs or quickly change our portfolio of properties in response to changes in economic or other conditions. Moreover, under certain circumstances, the Internal Revenue Code imposes certain penalties on a REIT that sells property held for less than two years and limits the number of properties it can sell in a given year.

We are dependent on external sources of capital for growth. Because COPT is a REIT, it must distribute at least 90% of its annual taxable income to its shareholders. Due to this requirement, we are not able to significantly fund our development and acquisition activities using retained cash flow from operations. Therefore, our ability to fund these activities may be dependent on our ability to access debt or equity capital. Such capital could be in the form of new debt, common shares, preferred shares, common and preferred units in COPLP, joint venture funding or asset sales. These capital sources may not be available on favorable terms or at all. Moreover, additional debt financing may substantially increase our leverage and subject us to covenants that restrict management's flexibility in directing our operations, and additional equity offerings may result in substantial dilution of our equityholders' interests. Our inability to obtain capital when needed could have a material adverse effect on our ability to expand our business and fund other cash requirements.

We often use our Revolving Credit Facility to initially finance much of our investing activities and certain financing activities. Our lenders under this and other facilities could, for financial hardship or other reasons, fail to honor their commitments to fund our requests for borrowings under these facilities. If lenders default under these facilities by not being able or willing to fund a borrowing request, it would adversely affect our ability to access borrowing capacity under these facilities.

We may be unable to execute our plans to develop and construct additional properties. Although the majority of our investments are in operating properties, we also develop, construct and redevelop properties, including some that are not fully pre-leased. When we develop, construct and redevelop properties, we assume the risk of actual costs exceeding our budgets, conditions occurring that delay or preclude project completion and projected leasing not occurring. In addition, we may find that we are unable to successfully execute plans to obtain construction loans to fund property construction activities.

We may suffer adverse effects from acquisitions of commercial real estate properties. We may pursue acquisitions of existing commercial real estate properties as part of our property development and acquisition strategy. Acquisitions of commercial properties entail risks, such as the risk that we may not be in a position, or have the opportunity in the future, to make suitable property acquisitions on advantageous terms and/or that such acquisitions will fail to perform as expected.

We may pursue selective acquisitions of properties in regions where we have not previously owned properties. These acquisitions may entail risks in addition to those we face in other acquisitions where we are familiar with the regions, such as the risk that we do not correctly anticipate conditions or trends in a new market and therefore are not able to operate the acquired property profitably.

In addition, we may acquire properties that are subject to liabilities in situations where we have no recourse, or only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it. Examples of unknown liabilities with respect to acquired properties include, but are not limited to:

- liabilities for remediation of disclosed or undisclosed environmental contamination;
- claims by tenants, vendors or other persons dealing with the former owners of the properties;
- liabilities incurred in the ordinary course of business;
- and
- claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

Our wholesale data center may become obsolete. Wholesale data centers are much more expensive investments on a per square foot basis than office properties due to the level of infrastructure required to operate the centers. At the same time, technology, industry standards and service requirements for wholesale data centers are rapidly evolving and, as a result, the risk of investments we make in our wholesale data center becoming obsolete is higher than other commercial real estate properties. Our wholesale data center may become obsolete due to the development of new systems to deliver power to, or eliminate heat from, the servers housed in the properties, or due to other technological advances. In addition, we may not be able to efficiently upgrade or change power and cooling systems to meet new demands or industry standards without incurring significant costs that we may not be able to pass on to our tenants.

Data center space in certain of our properties may be difficult to reposition for alternative uses. Certain of our properties contain data center space, which is highly specialized space containing extensive electrical and mechanical systems

that are uniquely designed to run and maintain banks of computer servers. Data centers are subject to obsolescence risks. In the event that we needed to reposition data center space for another use, the renovations required to do so could be difficult and costly, and we may, as a result, deem such renovations to be impractical.

Our tenants and contractual counterparties could be designated “Prohibited Persons” by the Office of Foreign Assets Control. The Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”) maintains a list of persons designated as terrorists or who are otherwise blocked or banned (“Prohibited Persons”). OFAC regulations and other laws prohibit us from conducting business or engaging in transactions with Prohibited Persons. If a tenant or other party with whom we conduct business is placed on the OFAC list or is otherwise a party with whom we are prohibited from doing business, we may be required to terminate the lease or other agreement.

We may suffer adverse effects as a result of the indebtedness that we carry and the terms and covenants that relate to this debt. A few of our properties are pledged by us to support repayment of indebtedness. Any foreclosure on such properties could result in loss of income and/or assets.

Payments of principal and interest on our debt may leave us with insufficient cash to operate our properties or pay distributions to COPT’s shareholders required to maintain its qualification as a REIT. We are also subject to the risks that:

- we may not be able to refinance our existing indebtedness, or may refinance on terms that are less favorable to us than the terms of our existing indebtedness;
- in the event of our default under the terms of our Revolving Credit Facility, COPLP could be restricted from making cash distributions to COPT, which could result in reduced distributions to our equityholders or the need for us to incur additional debt to fund these distributions; and
- if we are unable to pay our debt service on time or are unable to comply with restrictive financial covenants for certain of our debt, our lenders could foreclose on our properties securing such debt and, in some cases, other properties and assets that we own.

Some of our unsecured debt is cross-defaulted, which means that failure to pay interest or principal on the debt above a threshold value will create a default on certain of our other debt.

If interest rates were to rise, our debt service payments on debt with variable interest rates would increase.

As of December 31, 2018, we had \$1.8 billion in debt, the future maturities of which are set forth in Note 10 to our consolidated financial statements. Our operations likely will not generate enough cash flow to repay all of this debt without additional borrowings, equity issuances and/or property sales. If we cannot refinance our debt, extend the repayment dates, or raise additional equity prior to the dates when our debt matures, we would default on our existing debt.

Our organizational documents do not limit the amount of indebtedness that we may incur. Therefore, we may incur additional indebtedness and become more highly leveraged, which could harm our financial position.

A downgrade in our credit ratings would materially adversely affect our business and financial condition. COPLP’s Senior Notes are currently rated investment grade by the three major rating agencies. These credit ratings are subject to ongoing evaluation by the credit rating agencies and can change. Any downgrades of our ratings or a negative outlook by the credit rating agencies would have a materially adverse impact on our cost and availability of capital and also could have a materially adverse effect on the market price of COPT’s common shares.

We have certain distribution requirements that reduce cash available for other business purposes. Since COPT is a REIT, it must distribute at least 90% of its annual taxable income, which limits the amount of cash that can be retained for other business purposes, including amounts to fund development activities and acquisitions. Also, it is possible that because of the differences between the time we actually receive revenue or pay expenses and the period during which we report those items for distribution purposes, we may have to borrow funds for COPT to meet the 90% distribution requirement.

We may be unable to continue to make distributions to our equityholders at expected levels. We expect to make regular quarterly cash distributions to our equityholders. However, our ability to make such distributions depends on a number of factors, some of which are beyond our control. Some of our loan agreements contain provisions that could, in the event of default, restrict future distributions. Our ability to make distributions at expected levels will also be dependent, in part, on other matters, including, but not limited to:

- continued property occupancy and timely receipt of rent from our tenants;

- the amount of future capital expenditures and expenses relating to our properties;
- our leasing activity and future rental rates;
- the strength of the commercial real estate market;
- our ability to compete;
- governmental actions and initiatives, including risks associated with the impact of a prolonged government shutdown or budgetary reductions or impasses;
- our costs of compliance with environmental and other laws;
- our corporate overhead levels;
- our amount of uninsured losses;
- and
- our decision to reinvest in operations rather than distribute available cash.

In addition, we can make distributions to the holders of our common shares/units only after we make preferential distributions to holders of preferred shares/units.

Our ability to pay distributions may be limited, and we cannot provide assurance that we will be able to pay distributions regularly. Our ability to pay distributions will depend on a number of things discussed elsewhere herein, including our ability to operate profitably and generate cash flow from our operations. We cannot guarantee that we will be able to pay distributions on a regular quarterly basis in the future. Additionally, the terms of some of COPLP's debt may limit its ability to make some types of payments and other distributions to COPT in the event of certain default situations. This in turn may limit our ability to make some types of payments, including payment of distributions on common or preferred shares/units, unless we meet certain financial tests or such payments or distributions are required to maintain COPT's qualification as a REIT. As a result, if we are unable to meet the applicable financial tests, we may not be able to pay distributions in one or more periods. Furthermore, any new common or preferred shares/units that may be issued in the future for raising capital, financing acquisitions, share-based compensation arrangements or otherwise will increase the cash required to continue to pay cash distributions at current levels.

Our ability to pay distributions is further limited by the requirements of Maryland law. As a Maryland REIT, COPT may not under applicable Maryland law make a distribution if either of the following conditions exists after giving effect to the distribution: (1) the REIT would not be able to pay its debts as the debts become due in the usual course of business; or (2) the REIT's total assets would be less than the sum of its total liabilities plus the amount that would be needed, if the REIT were dissolved at the time of the distribution, to satisfy upon dissolution the rights of equityholders whose preferential rights are superior to those receiving the distribution. Therefore, we may not be able to make expected distributions to our equityholders if either of the above described conditions exists for COPT after giving effect to the distribution.

We may issue additional common or preferred shares/units that dilute our equityholders' interests. We may issue additional common and preferred shares/units without shareholder approval. Similarly, COPT may cause COPLP to issue its common or preferred units for contributions of cash or property without approval by the limited partners of COPLP or COPT's shareholders. Our existing equityholders' interests could be diluted if such additional issuances were to occur.

We may suffer economic harm as a result of the actions of our partners in real estate joint ventures and other investments. We may invest in certain entities in which we are not the exclusive investor or principal decision maker. Investments in such entities may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that the other parties to these investments might become bankrupt or fail to fund their share of required capital contributions. Our partners in these entities may have economic, tax or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. Such investments may also lead to impasses on major decisions, such as whether or not to sell a property, because neither we nor the other parties to these investments may have full control over the entity. In addition, we may in certain circumstances be liable for the actions of the other parties to these investments.

Our business could be adversely affected by security breaches through cyber attacks, cyber intrusions or otherwise. We face risks associated with security breaches and other significant disruptions of our information technology networks and related systems, which are essential to our business operations. Such breaches and disruptions may occur through cyber attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to e-mails, persons inside our organization or persons with access to systems inside our organization. Because of our concentration on serving the United States Government and its contractors with a general focus on national security and information technology, we may be more likely to be targeted by cyber attacks, including by governments, organizations or persons hostile to our government. Despite our activities to maintain the security and integrity of our networks and related systems, as well as purchasing available insurance coverage, there can be no absolute assurance that these activities will be effective in mitigating these risks. A security breach involving

our networks and related systems could disrupt our operations in numerous ways, including by creating difficulties for our tenants that may reflect poorly on us.

We may be subject to possible environmental liabilities. We are subject to various Federal, state and local environmental laws, including air and water quality, hazardous or toxic substances and health and safety. These laws can impose liability on current and prior property owners or operators for the costs of removal or remediation of hazardous substances released on a property, even if the property owner was not responsible for, or even aware of, the release of the hazardous substances. Costs resulting from environmental liability could be substantial. The presence of hazardous substances on our properties may also adversely affect occupancy and our ability to sell or borrow against those properties. In addition to the costs of government claims under environmental laws, private plaintiffs may bring claims for personal injury or other reasons. Additionally, various laws impose liability for the costs of removal or remediation of hazardous substances at the disposal or treatment facility. Anyone who arranges for the disposal or treatment of hazardous substances at such a facility is potentially liable under such laws.

Although most of our properties have been subject to varying degrees of environmental assessment, many of these assessments are limited in scope and may not include or identify all potential environmental liabilities or risks associated with the property. Identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in cleanup or compliance requirements could result in significant costs to us.

We may be adversely affected by natural disasters and the effects of climate change. Natural disasters, including earthquakes, storms and hurricanes, as well as the potential consequences of climate change could adversely impact our properties. Over time, climate change could adversely affect demand for space in our properties or our ability to operate our properties; it could also have indirect effects on our business, including increasing the cost of (or making unavailable) property insurance, increasing the cost of energy and requiring us to expend funds as we seek to repair and protect our properties against such risks.

Terrorist attacks may adversely affect the value of our properties, our financial position and cash flows. We have significant investments in properties located in large metropolitan areas or near military installations. Future terrorist attacks could directly or indirectly damage our properties or cause losses that materially exceed our insurance coverage. After such an attack, tenants in these areas may choose to relocate their businesses to areas of the United States that may be perceived to be less likely targets of future terrorist activity, and fewer customers may choose to patronize businesses in these areas. This in turn would trigger a decrease in the demand for space in these areas, which could increase vacancies in our properties and force us to lease space on less favorable terms.

We may be subject to other possible liabilities that would adversely affect our financial position and cash flows. Our properties may be subject to other risks related to current or future laws, including laws relating to zoning, construction, fire and life safety requirements and other matters. These laws may require significant property modifications in the future and could result in the levy of fines against us. In addition, although we believe that we adequately insure our properties, we are subject to the risk that our insurance may not cover all of the costs to restore a property that is damaged by a fire or other catastrophic events, including acts of war or, as mentioned above, terrorism.

We may be subject to increased costs of insurance and limitations on coverage, particularly regarding acts of terrorism. Our portfolio of properties is insured for losses under our property, casualty and umbrella insurance policies. These policies include coverage for acts of terrorism. Future changes in the insurance industry's risk assessment approach and pricing structure may increase the cost of insuring our properties and decrease the scope of insurance coverage. Most of our loan agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs, or at all, in the future. In addition, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance and/or refinance our properties and execute our growth strategies.

Our business could be adversely affected by a negative audit by the United States Government. Agencies of the United States Government, including the Defense Contract Audit Agency and various agency Inspectors General, routinely audit and investigate government contractors. These agencies review a contractor's performance under its contracts, cost structure and compliance with applicable laws, regulations, and standards. The United States Government also reviews the adequacy of, and a contractor's compliance with, its internal control systems and policies. Any costs found to be misclassified may be subject to repayment. If an audit or investigation uncovers improper or illegal activities, we may be subject to civil or criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines, and suspension or prohibition from doing business with the United States Government. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us.

COPT's ownership limits are important factors. COPT's Declaration of Trust limits ownership of its common shares by any single shareholder to 9.8% of the number of the outstanding common shares or 9.8% of the value of the outstanding common shares, whichever is more restrictive. COPT's Declaration of Trust also limits ownership by any single shareholder of our common and preferred shares in the aggregate to 9.8% of the aggregate value of the outstanding common and preferred shares. We call these restrictions the "Ownership Limit." COPT's Declaration of Trust allows our Board of Trustees to exempt shareholders from the Ownership Limit. The Ownership Limit and the restrictions on ownership of our common shares may delay or prevent a transaction or a change of control that might involve a premium price for our common shares/units or otherwise be in the best interest of our equityholders.

COPT's Declaration of Trust includes other provisions that may prevent or delay a change of control. Subject to the requirements of the New York Stock Exchange, our Board of Trustees has the authority, without shareholder approval, to issue additional securities on terms that could delay or prevent a change in control. In addition, our Board of Trustees has the authority to reclassify any of our unissued common shares into preferred shares. Our Board of Trustees may issue preferred shares with such preferences, rights, powers and restrictions as our Board of Trustees may determine, which could also delay or prevent a change in control.

The Maryland business statutes impose potential restrictions that may discourage a change of control of our company. Various Maryland laws may have the effect of discouraging offers to acquire us, even if the acquisition would be advantageous to equityholders. Resolutions adopted by our Board of Trustees and/or provisions of our bylaws exempt us from such laws, but our Board of Trustees can alter its resolutions or change our bylaws at any time to make these provisions applicable to us.

COPT's failure to qualify as a REIT would have adverse tax consequences, which would substantially reduce funds available to make distributions to our equityholders. We believe that COPT has qualified for taxation as a REIT for Federal income tax purposes since 1992. We plan for COPT to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. The determination that we are a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95% of COPT's gross income must come from certain sources that are specified in the REIT tax laws. COPT is also required to distribute to shareholders at least 90% of its annual taxable income. The fact that COPT holds most of its assets through COPLP and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize COPT's REIT status. Furthermore, Congress and the Internal Revenue Service might make changes to the tax laws and regulations and the courts might issue new rulings that make it more difficult or impossible for COPT to remain qualified as a REIT.

If COPT fails to qualify as a REIT, it would be subject to Federal income tax at regular corporate rates. Also, unless the Internal Revenue Service granted us relief under certain statutory provisions, COPT would remain disqualified as a REIT for four years following the year it first fails to qualify. If COPT fails to qualify as a REIT, it would have to pay significant income taxes and would therefore have less money available for investments or for distributions to our equityholders. In addition, if COPT fails to qualify as a REIT, it will no longer be required to pay distributions to shareholders. As a result of all these factors, COPT's failure to qualify as a REIT could impair our ability to expand our business and raise capital and would likely have a significant adverse effect on the value of our shares/units.

We may be adversely impacted by changes in tax laws. At any time, U.S. federal tax laws or the administrative interpretations of those laws may be changed. We cannot predict whether, when or to what extent new U.S. federal tax laws, regulations, interpretations or rulings will be issued. As a result, changes in U.S. federal tax laws could negatively impact our operating results, financial condition and business operations, and adversely impact our equityholders.

Occasionally, changes in state and local tax laws or regulations are enacted that may result in an increase in our tax liability. Shortfalls in tax revenues for states and municipalities may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets, revenue or income.

A number of factors could cause our security prices to decline. As is the case with any publicly-traded securities, certain factors outside of our control could influence the value of COPT's common and preferred shares. These conditions include, but are not limited to:

- market perception of REITs in general and office REITs in particular;
- market perception regarding our major tenants and sector concentrations;
- the level of institutional investor interest in COPT;

- general economic and business conditions;
- prevailing interest rates;
- our financial performance;
- our underlying asset value;
- market perception of our financial condition, performance, dividends and growth potential; and
- adverse changes in tax laws.

We may experience significant losses and harm to our financial condition if financial institutions holding our cash and cash equivalents file for bankruptcy protection. We believe that we maintain our cash and cash equivalents with high quality financial institutions. We have not experienced any losses to date on our deposited cash. However, we may incur significant losses and harm to our financial condition in the future if any of these financial institutions files for bankruptcy protection.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following table provides certain information about our operating property segments as of December 31, 2018 (dollars and square feet in thousands, except per square foot amounts):

Segment	Number of Properties	Rentable Square Feet or Megawatts ("MW")	Occupancy (1)	Annualized Rental Revenue (2)	Annualized Rental Revenue per Occupied Square Foot (2)(3)
Office and Data Center Shell Portfolio					
Defense/IT Locations:					
Fort Meade/BW Corridor:					
National Business Park (Annapolis Junction, MD)	31	3,816	87.8%	\$ 133,339	\$39.78
Howard County, MD	34	2,665	94.9%	71,473	28.26
Other	22	1,623	92.5%	42,557	28.33
Fort Meade/BW Corridor Subtotal / Average	87	8,104	91.1%	247,369	33.50
Northern Virginia Defense/IT	13	1,999	91.3%	59,926	32.84
Lackland Air Force Base	7	953	100.0%	51,721	54.27
Navy Support Locations	21	1,252	90.5%	31,301	27.62
Redstone Arsenal	8	669	99.0%	14,047	21.22
Data Center Shells					
Consolidated Properties	12	1,991	100.0%	29,474	14.80
Unconsolidated Joint Venture Properties (4)	6	962	100.0%	5,515	11.47
Defense/IT Locations Subtotal / Average	154	15,930	93.6%	439,353	29.84
Regional Office	7	2,007	89.2%	57,232	31.96
Other Properties	2	157	77.2%	3,196	26.33
Total Office and Data Center Shell Portfolio	163	18,094	93.0%	499,781	\$30.04
Wholesale Data Center	1	19.25 MW	87.6%	23,117	N/A
Total Operating Properties				\$ 522,898	
Total Consolidated Operating Properties				\$ 517,383	

- (1) This percentage is based upon all rentable square feet or megawatts under lease terms that were in effect as of December 31, 2018.
- (2) Annualized rental revenue is the monthly contractual base rent as of December 31, 2018 (ignoring free rent then in effect) multiplied by 12, plus the estimated annualized expense reimbursements under existing leases. With regard to properties owned through an unconsolidated real estate joint venture, we include the portion of annualized rental revenue allocable to our ownership interest. We consider annualized rental revenue to be a useful measure for analyzing revenue sources because, since it is point-in-time based, it does not contain increases and decreases in revenue associated with periods in which lease terms were not in effect; historical revenue under generally accepted accounting principles does contain such fluctuations. We find the measure particularly useful for leasing, tenant and segment analysis.
- (3) Annualized rental revenue per occupied square foot is a property's annualized rental revenue divided by that property's occupied square feet as of December 31, 2018. Our computation of annualized rental revenue excludes the effect of lease incentives. The annualized rent per occupied square foot, including the effect of lease incentives, was \$29.83 for our total office and data center shell portfolio, \$33.31 for the Fort Meade/BW Corridor (our largest Defense/IT Location sub-segment) and \$31.37 for our Regional Office portfolio.
- (4) Represents properties owned through an unconsolidated real estate joint venture. The amounts reported above reflect 100% of the properties' square footage but only reflect the portion of Annualized Rental Revenue that was allocable to our ownership interest.

The following table provides certain information about office and data center shell properties that were under construction, or had redevelopment underway, or otherwise approved, as of December 31, 2018 (dollars and square feet in thousands):

Property and Location	Estimated Rentable Square Feet Upon Completion	Percentage Leased	Calendar Quarter Anticipated to be Operational	Costs Incurred to Date (1)	Estimated Costs to Complete (1)
Under Construction					
Fort Meade/BW Corridor:					
5801 University Research Court (2) College Park, Maryland	71	100%	2Q 19	\$ 16,070	\$ 2,774
Redstone Arsenal:					
4100 Market Street Huntsville, Alabama	36	59%	4Q 19	4,898	2,561
4000 Market Street (2) Huntsville, Alabama	43	40%	4Q 19	6,973	2,126
8800 Redstone Gateway Huntsville, Alabama	76	0%	3Q 20	992	16,333
Subtotal / Average	155	25%		12,863	21,020
Data Center Shells:					
IN 1 Northern Virginia	150	100%	1Q 19	13,362	5,383
DC 23 Northern Virginia	149	100%	2Q 19	4,902	16,445
MP 1 Northern Virginia	216	100%	2Q 19	25,306	10,774
IN 2 Northern Virginia	216	100%	2Q 19	7,298	22,302
Subtotal / Average	731	100%		50,868	54,904
Regional Office:					
2100 L Street Washington, DC	190	43%	1Q 21	82,619	91,381
Total Under Construction	1,147	80%		162,420	170,079
Under Redevelopment					
Fort Meade/BW Corridor:					
6950 Columbia Gateway Columbia, Maryland	106	0%	2Q 20	\$ 11,642	\$ 13,492

- (1) Includes land, construction, leasing costs and allocated portion of structured parking and other shared infrastructure, if applicable.
- (2) These properties had occupied square feet in service as of December 31, 2018. Therefore, the properties and their occupied square feet are included in our operating property statistics, including the information set forth on the previous page.

The following table provides certain information about land that we owned or controlled as of December 31, 2018, including properties under ground lease to us (square feet in thousands):

Segment	Acres	Estimated Developable Square Feet
Defense/IT Locations:		
Fort Meade/BW Corridor:		
National Business Park	196	2,106
Howard County	19	290
Other	131	1,440
Total Fort Meade/BW Corridor	346	3,836
Northern Virginia Defense/IT Locations	59	1,965
Lackland Air Force Base	49	785
Navy Support Locations	44	109
Redstone Arsenal (1)	414	3,928
Data Center Shells	10	216
Total Defense/IT Locations	922	10,839
Regional Office	10	900
Total land owned/controlled for future development	932	11,739
Other land owned/controlled	150	1,638
Total Land Owned/Controlled	1,082	13,377

- (1) This land is owned by the United States Government and is controlled under a long-term, enhanced-use lease to a consolidated joint venture. As this land is developed in the future, the joint venture will execute site-specific leases under the master lease agreement. Rental payments will commence under the site-specific leases as cash rents under tenant leases commence at the respective properties.

Lease Expirations

The following table provides a summary schedule of lease expirations for leases in place at our operating properties as of December 31, 2018 based on the non-cancelable term of tenant leases determined in accordance with generally accepted accounting principles (dollars and square feet in thousands, except per square foot amounts):

Year of Lease Expiration	Square Footage of Leases Expiring	Annualized Rental Revenue of Expiring Leases (1)	Percentage of Total Annualized Rental Revenue Expiring (1)	Total Annualized Rental Revenue of Expiring Leases Per Occupied Square Foot
(in thousands)				
2019: Office and Data Center Shells	2,094	\$ 64,081	12.3%	\$30.61
Wholesale Data Center	N/A	2,014	0.4%	N/A
2020: Office and Data Center Shells	2,127	72,597	13.9%	34.14
Wholesale Data Center	N/A	16,837	3.2%	N/A
2021: Office and Data Center Shells	1,476	46,172	8.8%	31.29
Wholesale Data Center	N/A	116	—%	N/A
2022: Office and Data Center Shells	1,372	44,146	8.5%	32.16
Wholesale Data Center	N/A	1,941	0.4%	N/A
2023: Office and Data Center Shells	1,756	56,995	10.9%	32.46
Wholesale Data Center	N/A	1,981	0.4%	N/A
2024: Office and Data Center Shells	1,835	45,060	8.6%	26.54
2025: Office and Data Center Shells	2,097	70,983	13.6%	35.02
2026: Office and Data Center Shells	1,163	31,514	6.0%	27.10
2027: Office and Data Center Shells	652	13,522	2.6%	20.75
2028: Office and Data Center Shells	952	21,272	4.1%	22.34
Wholesale Data Center	N/A	224	—%	N/A
2029: Office and Data Center Shells	810	19,670	3.8%	24.28
Wholesale Data Center	N/A	4	—%	N/A
2030: Office and Data Center Shells	31	660	0.1%	21.47
2031: Office and Data Center Shells	216	3,143	0.6%	14.54
2033: Office and Data Center Shells	240	7,381	1.4%	30.75
2034: Office and Data Center Shells	—	2,323	0.4%	N/A
2037: Office and Data Center Shells	—	137	—%	N/A
2063: Office and Data Center Shells	—	125	—%	N/A
Total Operating Properties	16,821	\$ 522,898	100.0%	N/A
Total Office and Data Center Shells	16,821	\$ 499,781	100.0%	\$30.04

(1) Refer to definition provided on first page of Item 2 of this Annual Report on Form 10-K.

With regard to office and data center shell property leases expiring in 2019, we believe that the weighted average annualized rental revenue per occupied square foot for such leases as of December 31, 2018 was, on average, approximately 1% to 3% higher than estimated current market rents for the related space, with specific results varying by market.

Item 3. Legal Proceedings

We are not currently involved in any material litigation nor, to our knowledge, is any material litigation currently threatened against the Company or the Operating Partnership (other than routine litigation arising in the ordinary course of business, substantially all of which is expected to be covered by liability insurance).

Item 4. Mine Safety Disclosures

Not applicable.

PART II**Item 5. Market for Registrants' Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

COPT's common shares trade on the New York Stock Exchange ("NYSE") under the symbol "OFC." The number of holders of record of COPT's common shares was 457 as of January 31, 2019. This number does not include shareholders whose shares were held of record by a brokerage house or clearing agency, but does include any such brokerage house or clearing agency as one record holder.

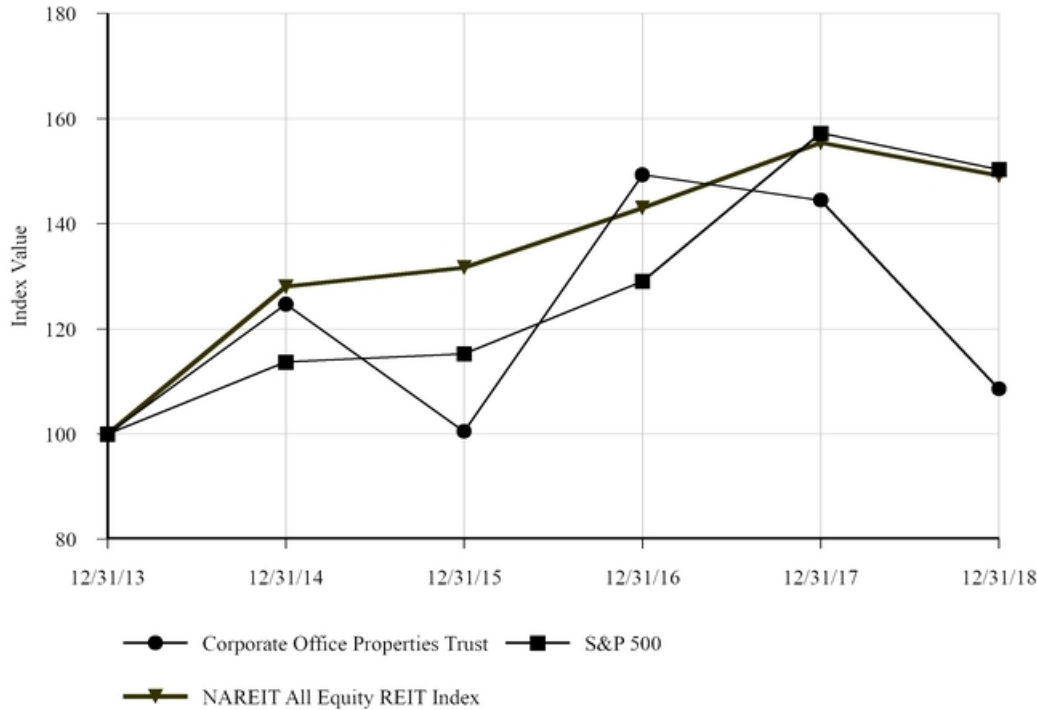
There is no established public trading market for COPLP's partnership units. Quarterly common unit distributions per unit were the same as quarterly common dividends per share declared by COPT. As of January 31, 2019, there were 29 holders of record of COPLP's common units.

Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended December 31, 2018, 8,988 of COPLP's common units were exchanged for 8,988 COPT common shares in accordance with COPLP's Second Amended and Restated Limited Partnership Agreement, as amended. The issuance of these common shares was effected in reliance upon the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

COPT's Common Shares Performance Graph

The graph and the table set forth below assume \$100 was invested on December 31, 2013 in COPT's common shares. The graph and the table compare the cumulative return (assuming reinvestment of dividends) of this investment with a \$100 investment at that time in the S&P 500 Index or the All Equity REIT Index of the National Association of Real Estate Investment Trusts ("NAREIT"):



Index	Period Ended					
	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18
Corporate Office Properties Trust	\$ 100.00	\$ 124.69	\$ 100.48	\$ 149.31	\$ 144.45	\$ 108.56
S&P 500	\$ 100.00	\$ 113.69	\$ 115.26	\$ 129.05	\$ 157.22	\$ 150.33
NAREIT All Equity REIT Index	\$ 100.00	\$ 128.03	\$ 131.64	\$ 143.00	\$ 155.41	\$ 149.12

Item 6. Selected Financial Data

The following tables set forth summary historical consolidated financial and operating data for COPT and COPLP and their respective subsidiaries as of and for each of the years ended December 31, 2014 through 2018. Our revenues relating to real estate operations are derived from rents and property operating expense reimbursements earned from tenant leases on our properties. Most of our expenses relating to our real estate operations take the form of property operating costs (such as real estate taxes, utilities and repairs and maintenance) and depreciation and amortization associated with our operating properties. Most of our profitability from real estate operations depends on our ability to maintain high levels of occupancy and increase rents, which is affected by a number of factors, including, among other things, our tenants' ability to fulfill their lease obligations and their continuing space needs based on variables such as employment levels, business confidence, competition, general economic conditions of the markets in which we operate and governmental actions and initiatives. You should read the following summary historical financial data in conjunction with the consolidated historical financial statements and notes thereto of COPT and its subsidiaries and COPLP and its subsidiaries and the section of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" for additional information.

Corporate Office Properties Trust and Subsidiaries
(in thousands, except per share data and number of properties)

	2018	2017	2016	2015	2014
Revenues					
Revenues from real estate operations	\$ 517,253	\$ 509,980	\$ 525,964	\$ 519,064	\$ 479,725
Construction contract and other service revenues	60,859	102,840	48,364	106,402	106,748
Total revenues	578,112	612,820	574,328	625,466	586,473
Operating expenses					
Property operating expenses	201,035	190,964	197,530	194,494	179,934
Depreciation and amortization associated with real estate operations	137,116	134,228	132,719	140,025	136,086
Construction contract and other service expenses	58,326	99,618	45,481	102,696	100,058
Impairment losses	2,367	15,123	101,391	23,289	1,416
General, administrative and leasing expenses	28,900	30,837	36,553	31,361	31,794
Business development expenses and land carry costs	5,840	6,213	8,244	13,507	5,573
Total operating expenses	433,584	476,983	521,918	505,372	454,861
Interest expense	(75,385)	(76,983)	(83,163)	(89,074)	(92,393)
Interest and other income	4,358	6,318	5,444	4,517	4,923
Gain on sales of real estate (1)	2,340	9,890	59,679	68,047	10,671
(Loss) gain on early extinguishment of debt	(258)	(513)	(1,110)	85,275	(9,552)
Income from continuing operations before equity in income of unconsolidated entities and income taxes	75,583	74,549	33,260	188,859	45,261
Equity in income of unconsolidated entities	2,697	1,490	752	62	229
Income tax benefit (expense)	363	(1,098)	(244)	(199)	(310)
Income from continuing operations	78,643	74,941	33,768	188,722	45,180
Discontinued operations (2)	—	—	—	156	26
Net income	78,643	74,941	33,768	188,878	45,206
Net income attributable to noncontrolling interests	(6,342)	(6,196)	(4,878)	(10,578)	(4,951)
Net income attributable to COPT	72,301	68,745	28,890	178,300	40,255
Preferred share dividends	—	(6,219)	(14,297)	(14,210)	(15,939)
Issuance costs associated with redeemed preferred shares (3)	—	(6,847)	(17)	—	(1,769)
Net income attributable to COPT common shareholders	<u>\$ 72,301</u>	<u>\$ 55,679</u>	<u>\$ 14,576</u>	<u>\$ 164,090</u>	<u>\$ 22,547</u>
Basic earnings per common share (4)					
Income from continuing operations	\$ 0.69	\$ 0.56	\$ 0.15	\$ 1.74	\$ 0.25
Net income	\$ 0.69	\$ 0.56	\$ 0.15	\$ 1.74	\$ 0.25
Diluted earnings per common share (4)					
Income from continuing operations	\$ 0.69	\$ 0.56	\$ 0.15	\$ 1.74	\$ 0.25
Net income	\$ 0.69	\$ 0.56	\$ 0.15	\$ 1.74	\$ 0.25
Weighted average common shares outstanding – basic	103,946	98,969	94,502	93,914	88,092
Weighted average common shares outstanding – diluted	104,125	99,155	94,594	97,667	88,263

	2018	2017	2016	2015	2014
Balance Sheet Data (as of year end):					
Total properties, net	\$ 3,250,626	\$ 3,141,105	\$ 3,073,362	\$ 3,349,748	\$ 3,296,914
Total assets	\$ 3,656,005	\$ 3,595,205	\$ 3,798,998	\$ 3,909,312	\$ 3,664,236
Debt	\$ 1,823,909	\$ 1,828,333	\$ 1,904,001	\$ 2,077,752	\$ 1,914,036
Total liabilities	\$ 2,002,697	\$ 2,103,773	\$ 2,163,242	\$ 2,273,530	\$ 2,124,935
Redeemable noncontrolling interests	\$ 26,260	\$ 23,125	\$ 22,979	\$ 19,218	\$ 18,417
Total equity	\$ 1,627,048	\$ 1,468,307	\$ 1,612,777	\$ 1,616,564	\$ 1,520,884
Other Financial Data (for the year ended December 31):					
Cash flows provided by (used in):					
Operating activities	\$ 180,482	\$ 230,121	\$ 234,270	\$ 205,733	\$ 203,457
Investing activities	\$ (232,918)	\$ (89,363)	\$ 71,174	\$ (309,072)	\$ (210,740)
Financing activities	\$ 49,555	\$ (338,546)	\$ (155,088)	\$ 156,338	\$ (41,509)
Numerator for diluted EPS	\$ 71,839	\$ 55,230	\$ 14,157	\$ 169,787	\$ 22,115
Diluted funds from operations ("FFO") (5)	\$ 211,942	\$ 199,170	\$ 178,601	\$ 249,454	\$ 155,296
Diluted FFO, as adjusted for comparability (5)	\$ 215,800	\$ 207,356	\$ 197,157	\$ 195,824	\$ 173,110
Diluted FFO per share (5)	\$ 1.97	\$ 1.94	\$ 1.82	\$ 2.55	\$ 1.69
Diluted FFO, as adjusted for comparability per share (5)	\$ 2.01	\$ 2.02	\$ 2.01	\$ 2.01	\$ 1.88
Cash dividends declared per common share	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10
Property Data (as of year end):					
Number of office and data center shells owned (6)	163	159	164	177	173
Total rentable square feet owned (6)	18,094	17,345	17,190	18,053	16,790

- (1) Reflects gain from sales of properties and unconsolidated real estate joint ventures not associated with discontinued operations.
- (2) Includes income derived from 31 operating properties disposed in 2013.
- (3) Reflects a decrease to net income available to common shareholders pertaining to the original issuance costs recognized in connection with the redemption of the Series K Preferred Shares (following shareholder notification of such redemption in December 2016) and Series L Preferred Shares in 2017 and the Series H Preferred Shares in 2014.
- (4) Basic and diluted earnings per common share are calculated based on amounts attributable to common shareholders of COPT.
- (5) For definitions and reconciliations of these measures to their comparable measures under generally accepted accounting principles, you should refer to the section entitled "Funds from Operations" within the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."
- (6) Amounts reported reflect only operating office and data center shell properties, including six owned through an unconsolidated real estate joint venture.

Note: Prior period amounts include retrospective adjustments in connection with our adoption of recent accounting pronouncements in 2018 to: revise the recognition pattern for a gain related to the partial sale of a real estate asset; remove the effect of changes in restricted cash from being reported as either operating or investing activities on our statements of cash flows; and revise the classification of certain cash receipts and cash payments on our statements of cash flows. Refer to the section of Note 2 to the consolidated financial statements entitled "Recent Accounting Pronouncements" for additional information.

Corporate Office Properties, L.P. and Subsidiaries
(in thousands, except per share data and number of properties)

	2018	2017	2016	2015	2014
Revenues					
Revenues from real estate operations	\$ 517,253	\$ 509,980	\$ 525,964	\$ 519,064	\$ 479,725
Construction contract and other service revenues	60,859	102,840	48,364	106,402	106,748
Total revenues	578,112	612,820	574,328	625,466	586,473
Operating expenses					
Property operating expenses	201,035	190,964	197,530	194,494	179,934
Depreciation and amortization associated with real estate operations	137,116	134,228	132,719	140,025	136,086
Construction contract and other service expenses	58,326	99,618	45,481	102,696	100,058
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General, administrative and leasing expenses	28,900	30,837	36,553	31,361	31,794
Business development expenses and land carry costs	5,840	6,213	8,244	13,507	5,573
Total operating expenses	433,584	476,983	521,918	505,372	454,861
Interest expense	(75,385)	(76,983)	(83,163)	(89,074)	(92,393)
Interest and other income	4,358	6,318	5,444	4,517	4,923
Gain on sales of real estate (1)	2,340	9,890	59,679	68,047	10,671
(Loss) gain on early extinguishment of debt	(258)	(513)	(1,110)	85,275	(9,552)
Income from continuing operations before equity in income of unconsolidated entities and income taxes	75,583	74,549	33,260	188,859	45,261
Equity in income of unconsolidated entities	2,697	1,490	752	62	229
Income tax benefit (expense)	363	(1,098)	(244)	(199)	(310)
Income from continuing operations	78,643	74,941	33,768	188,722	45,180
Discontinued operations (2)	—	—	—	156	26
Net income	78,643	74,941	33,768	188,878	45,206
Net income attributable to noncontrolling interests	(3,940)	(3,646)	(3,715)	(3,520)	(3,276)
Net income attributable to COPLP	74,703	71,295	30,053	185,358	41,930
Preferred unit distributions	(660)	(6,879)	(14,957)	(14,870)	(16,599)
Issuance costs associated with redeemed preferred units (3)	—	(6,847)	(17)	—	(1,769)
Net income attributable to COPLP common unitholders	\$ 74,043	\$ 57,569	\$ 15,079	\$ 170,488	\$ 23,562
Basic earnings per common unit (4)					
Income from continuing operations	\$ 0.69	\$ 0.56	\$ 0.15	\$ 1.74	\$ 0.25
Net income	\$ 0.69	\$ 0.56	\$ 0.15	\$ 1.74	\$ 0.25
Diluted earnings per common unit (4)					
Income from continuing operations	\$ 0.69	\$ 0.56	\$ 0.15	\$ 1.74	\$ 0.25
Net income	\$ 0.69	\$ 0.56	\$ 0.15	\$ 1.74	\$ 0.25
Weighted average common units outstanding – basic	106,414	102,331	98,135	97,606	91,989
Weighted average common units outstanding – diluted	106,593	102,517	98,227	97,667	92,160

	2018	2017	2016	2015	2014
Balance Sheet Data (as of year end):					
Total properties, net	\$ 3,250,626	\$ 3,141,105	\$ 3,073,362	\$ 3,349,748	\$ 3,296,914
Total assets	\$ 3,652,137	\$ 3,590,589	\$ 3,793,561	\$ 3,903,549	\$ 3,658,354
Debt	\$ 1,823,909	\$ 1,828,333	\$ 1,904,001	\$ 2,077,752	\$ 1,914,036
Total liabilities	\$ 1,998,829	\$ 2,099,157	\$ 2,157,805	\$ 2,267,767	\$ 2,119,053
Redeemable noncontrolling interests	\$ 26,260	\$ 23,125	\$ 22,979	\$ 19,218	\$ 18,417
Total equity	\$ 1,627,048	\$ 1,468,307	\$ 1,612,777	\$ 1,616,564	\$ 1,520,884

Other Financial Data (for the year ended December 31):

Cash flows provided by (used in):

Operating activities	\$ 180,482	\$ 230,121	\$ 234,270	\$ 205,733	\$ 203,457
Investing activities	\$ (232,918)	\$ (89,363)	\$ 71,174	\$ (309,072)	\$ (210,740)
Financing activities	\$ 49,555	\$ (338,546)	\$ (155,088)	\$ 156,338	\$ (41,509)
Numerator for diluted EPU	\$ 73,581	\$ 57,120	\$ 14,660	\$ 169,782	\$ 23,130
Cash distributions declared per common unit	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10	\$ 1.10

Property Data (as of year end):

Number of office and data center shells owned (5)	163	159	164	177	173
Total rentable square feet owned (5)	18,094	17,345	17,190	18,053	16,790

- (1) Reflects gain from sales of properties and unconsolidated real estate joint ventures not associated with discontinued operations.
- (2) Includes income derived from 31 operating properties disposed in 2013.
- (3) Reflects a decrease to net income available to common shareholders pertaining to the original issuance costs recognized in connection with the redemption of the Series K Preferred Units (following notification of such redemption in December 2016) and Series L Preferred Units in 2017 and the Series H Preferred Units in 2014.
- (4) Basic and diluted earnings per common unit are calculated based on amounts attributable to common unitholders of COPLP.
- (5) Amounts reported reflect only operating office and data center shell properties, including six owned through an unconsolidated real estate joint venture.

Note: Prior period amounts include retrospective adjustments in connection with our adoption of recent accounting pronouncements in 2018 to: revise the recognition pattern for a gain related to the partial sale of a real estate asset; remove the effect of changes in restricted cash from being reported as either operating or investing activities on our statements of cash flows; and revise the classification of certain cash receipts and cash payments on our statements of cash flows. Refer to the section of Note 2 to the consolidated financial statements entitled "Recent Accounting Pronouncements" for additional information.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should refer to our consolidated financial statements and the notes thereto and our Selected Financial Data table as you read this section.

This section contains “forward-looking” statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition and operations of our business. Forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “could,” “believe,” “anticipate,” “expect,” “estimate,” “plan” or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, we 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:

- general economic and business conditions, which will, among other things, affect office property and data center demand and rents, tenant creditworthiness, interest rates, financing availability and property values;
- adverse changes in the real estate markets, including, among other things, increased competition with other companies;
- governmental actions and initiatives, including risks associated with the impact of a prolonged government shutdown or budgetary reductions or impasses, such as a reduction in rental revenues, non-renewal of leases and/or reduced or delayed demand for additional space by our strategic customers;
- our ability to borrow on favorable terms;
- risks of real estate acquisition and development activities, 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 our joint venture partners may not fulfill their financial obligations as investors or may take actions that are inconsistent with our objectives;
- changes in our plans for properties or views of market economic conditions or failure to obtain development rights, either of which could result in recognition of significant impairment losses;
- our ability to satisfy and operate effectively under Federal income tax rules relating to real estate investment trusts and partnerships;
- possible adverse changes in tax laws;
- the dilutive effects of issuing additional common shares;
- our ability to achieve projected results;
- security breaches relating to cyber attacks, cyber intrusions or other factors; and
- environmental requirements.

We undertake no obligation to update or supplement forward-looking statements.

Overview

In 2018, we completed leasing on 4.2 million square feet, representing only the second time in the Company’s history that our annual leasing volume exceeded 4.0 million square feet. This leasing volume was highlighted by a historically:

- high volume of square feet renewed, which contributed to a tenant retention rate of 78.4% for the year (defined below in the section entitled “Occupancy and Leasing”); and
- near high volume of development space leasing driven primarily by demand for Data Center Shell space.

We believe that this leasing activity is reflective of strengthening demand for space in our Defense/IT Locations driven primarily by:

- a healthier and more predictable defense spending environment and bipartisan support to fund defense. Clarity regarding defense funding tends to improve the government’s process for awarding contracts to prospective tenants, which improves our ability to lease space in Defense/IT Locations properties. We believe that the government’s successive increases in defense funding for fiscal years 2016 and 2017 served to bring such clarity relative to prior years and, in turn, fueled much of the growth in demand for office space by the United States Government and its contractors that we observed in 2018. In addition, despite the government starting its fiscal year 2018 under yet another budget Continuing Resolution, the fiscal year: 2018 budget was ultimately signed into law during the year; and 2019 Department of Defense appropriations were

- enacted in September 2018, representing the first time in ten years that the department received its annual appropriations on time. These budgets included increased funding levels for the Department of Defense's discretionary base budget authority of 14% from fiscal year 2017 to 2018 and 2% from fiscal year 2018 to 2019; and
- continued strong demand for data center shell space. Data center shells have been a significant growth driver for our Defense/IT Locations in recent years. Development leasing of data center shells totaled 798,000 square feet in 2018, 743,000 square feet in 2017 and 728,000 square feet in 2016. All of this leasing pertained to properties in Northern Virginia, one of the largest data center markets in the world, and represented further expansion of our relationship with an existing tenant.

After ending 2017 with our office and data center shell portfolio 93.6% occupied, our highest year-end occupancy since 2005, we ended 2018 with the portfolio 93.0% occupied. This decrease in occupancy was due primarily to the addition in 2018 of unoccupied space in a newly-constructed property targeted for United States Government use that has taken longer than expected to lease. Our Same Properties (defined below) were 93.0% occupied as of December 31, 2018, an increase from 92.1% as of December 31, 2017, with average occupancy of 91.5% in 2018.

We had an active year for development activities in 2018, with 688,000 square feet placed in service in six newly-constructed and one redeveloped Defense/IT Location properties, including 514,000 square feet of data center shell space. These properties were 90.3% leased as of December 31, 2018. We also placed into service land that was 100% leased under a long-term contract as of December 31, 2018. As of December 31, 2018, we had ten properties under construction or redevelopment that we estimate will total approximately 1.3 million square feet upon completion, including two partially-operational properties.

From a capital perspective in 2018:

- we had cash outlays of \$160.0 million during the year to fund construction, development and redevelopment costs initially funded primarily from borrowings under our Revolving Credit Facility;
- COPT issued:
 - 5.9 million common shares under forward equity sale agreements originated in 2017 for net proceeds of \$172.5 million; and
 - 992,000 common shares at a weighted average price of \$30.46 per share under its existing at-the-market ("ATM") stock offering program (the "2016 ATM Program") for net proceeds of \$29.8 million.COPT contributed the net proceeds from these issuances to COPLP in exchange for an equal number of units in COPLP. The proceeds were used primarily to repay borrowings under our Revolving Credit Facility; and
- we ended 2018 with \$1.82 billion in debt, which was virtually unchanged from year end 2017.

While net operating income ("NOI") from real estate operations, our segment performance measure discussed further below, decreased by approximately \$3 million from 2017 to 2018 in total and for our Same Properties, these results varied significantly between our segments. Most notably, and as discussed further in the section below entitled "Results of Operations," our Same Properties NOI from real estate operations increased \$3.7 million for our Defense/IT Locations properties but decreased \$5.7 million for our Regional Office properties. Our net income increased \$3.7 million from 2017 to 2018, which included: a \$12.8 million decrease in impairment losses; offset in part by a \$7.6 million decrease in gain on sales of real estate.

We discuss significant factors contributing to changes in our net income over the last three years in the section below entitled "Results of Operations." The results of operations discussion is combined for COPT and COPLP because there are no material differences in the results of operations between the two reporting entities.

In addition, the section below entitled "Liquidity and Capital Resources" includes discussions of, among other things:

- how we expect to generate cash for short and long-term capital needs; and
- our commitments and contingencies.

We refer to the measure "annualized rental revenue" in various sections of the Management's Discussion and Analysis of Financial Condition and Results of Operations section of this Annual Report on Form 10-K. Annualized rental revenue is a measure that we use to evaluate the source of our rental revenue as of a point in time. It is computed by multiplying by 12 the sum of monthly contractual base rents and estimated monthly expense reimbursements under active leases as of a point in time (ignoring free rent then in effect). Our computation of annualized rental revenue excludes the effect of lease incentives, although the effect of this exclusion is not material. We consider annualized rental revenue to be a useful measure for analyzing revenue sources because, since it is point-in-time based, it does not contain increases and decreases in revenue

associated with periods in which lease terms were not in effect; historical revenue under generally accepted accounting principles in the United States of America (“GAAP”) does contain such fluctuations. We find the measure particularly useful for leasing, tenant, segment and industry analysis.

With regard to our operating portfolio square footage, occupancy and leasing statistics included below and elsewhere in this Annual Report on Form 10-K, amounts disclosed:

- include total information pertaining to six properties owned through an unconsolidated real estate joint venture except for amounts reported for annualized rental revenue, which represent the portion attributable to our ownership interest;
- exclude, for purposes of amounts reported as of December 31, 2017 and 2016, the unoccupied portion of two newly-constructed properties that were completed but reported as construction projects since they were held for future lease to the United States Government. Effective in 2018, these properties were fully included in our operating property statistics; and
- exclude, for purposes of amounts reported as of December 31, 2017, a property reported as held for sale that we sold in 2017 subject to our providing a financial guaranty to the buyer under which we indemnified it for up to \$20 million in losses it could incur related to a potential defined capital event occurring on the property; our financial guaranty to the buyer expired on October 1, 2018, resulting in no losses to us. Accordingly, we did not recognize the sale of this property for accounting purposes until the expiration of the guaranty on October 1, 2018.

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with GAAP, which require us to make certain estimates and assumptions. A summary of our significant accounting policies is provided in Note 2 to our consolidated financial statements. The following section is a summary of certain aspects of those accounting policies involving estimates and assumptions that (1) require our most difficult, subjective or complex judgments in accounting for uncertain matters or matters that are susceptible to change and (2) materially affect our reported operating performance or financial condition. It is possible that the use of different reasonable estimates or assumptions in making these judgments could result in materially different amounts being reported in our consolidated financial statements. While reviewing this section, refer to Note 2 to our consolidated financial statements, including terms defined therein.

Impairment of Long-Lived Assets

We assess each of our properties and related intangible assets for indicators of impairment quarterly or when circumstances indicate that a property may be impaired. We review our plans and intentions for our development projects and land parcels quarterly. If our analyses indicate that the carrying values of operating properties, properties in development or land held for future development may be impaired, we perform a recovery analysis for such properties. For long-lived assets to be held and used, we analyze recoverability based on the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets over, in most cases, a ten-year holding period. If we believe there is a significant possibility that we might dispose of the assets earlier, we analyze recoverability using a probability weighted analysis of the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets over the various possible holding periods. If the analysis indicates that the carrying value of a tested property is not recoverable from estimated future cash flows, it is written down to its estimated fair value and an impairment loss is recognized. If and when our plans change, we revise our recoverability analyses to use the cash flows expected from the operations and eventual disposition of each asset using holding periods that are consistent with our revised plans.

Property fair values are estimated based on contract prices, indicative bids, discounted cash flow analyses or comparable sales analyses. Estimated cash flows used in such analyses are based on our plans for the property and our views of market and economic conditions. The estimates consider items such as current and future rental rates, occupancies for the tested property and comparable properties, estimated operating and capital expenditures and recent sales data for comparable properties; most of these items are influenced by market data obtained from real estate leasing and brokerage firms and our direct experience with the properties and their markets. Determining the appropriate capitalization or yield rate also requires significant judgment and is typically based on many factors, including the prevailing rate for the market or submarket, as well as the quality and location of the property. Changes in the estimated future cash flows due to changes in our plans for a property (especially our expected holding period), views of market and economic conditions and/or our ability to obtain development rights could result in recognition of impairment losses which could be substantial.

Properties held for sale are carried at the lower of their carrying values (i.e., cost less accumulated depreciation and any impairment loss recognized, where applicable) or estimated fair values less costs to sell. Accordingly, decisions to sell certain operating properties, properties in development or land held for development will result in impairment losses if carrying values of the specific properties exceed their estimated fair values less costs to sell. The estimates of fair value consider matters such

as recent sales data for comparable properties and, where applicable, contracts or the results of negotiations with prospective purchasers. These estimates are subject to revision as market conditions, and our assessment of such conditions, change.

Acquisitions of Operating Properties

When we acquire properties, we allocate the purchase price to numerous tangible and intangible components. Most of the terms in this bullet section are discussed in further detail in Note 2 to the consolidated financial statements entitled "Acquisitions of Operating Properties." Our process for determining the allocation to these components requires many estimates and assumptions, including the following: (1) determination of market rental rates; (2) estimation of leasing and tenant improvement costs associated with the remaining term of acquired leases; (3) assumptions used in determining the in-place lease value, if-vacant value and tenant relationship value, including the rental rates, period of time that it would take to lease vacant space and estimated tenant improvement and leasing costs; (4) renewal probabilities; and (5) allocation of the if-vacant value between land and building. A change in any of the above key assumptions can materially change not only the presentation of acquired properties in our consolidated financial statements but also our reported results of operations. The allocation to different components affects the following:

- the amount of the purchase price allocated among different categories of assets and liabilities on our consolidated balance sheets; the amount of costs assigned to individual properties in multiple property acquisitions; and the amount of gain recognized in our consolidated statements of operations should we determine that the fair value of the acquisition exceeds its cost;
- where the amortization of the components appear over time in our consolidated statements of operations. Allocations to above- and below-market leases are amortized into rental revenue, whereas allocations to most of the other tangible and intangible assets are amortized into depreciation and amortization expense. As a REIT, this is important to us since much of the investment community evaluates our operating performance using non-GAAP measures such as funds from operations, the computation of which includes rental revenue but does not include depreciation and amortization expense; and
- the timing over which the items are recognized as revenue or expense in our consolidated statements of operations. For example, for allocations to the as-if vacant value, the land portion is not depreciated and the building portion is depreciated over a longer period of time than the other components (generally 40 years). Allocations to above- and below-market leases, in-place lease value and tenant relationship value are amortized over significantly shorter timeframes, and if individual tenants' leases are terminated early, any unamortized amounts remaining associated with those tenants are written off upon termination. These differences in timing can materially affect our reported results of operations. In addition, we establish lives for tenant relationship values based on our estimates of how long we expect the respective tenants to remain in the properties.

Assessment of Lease Term

As discussed above, a significant portion of our portfolio is leased to the United States Government, and the majority of those leases consist of a series of one-year renewal options, or provide for early termination rights. In addition, certain other leases in our portfolio provide early termination rights to tenants. Applicable accounting guidance requires us to recognize minimum rental payments on a straight-line basis over the terms of each lease and to assess the lease terms as including all periods for which failure to renew, or continue, the lease imposes a penalty on the lessee in such amounts that renewal, or continuation, appears, at the inception of the lease, to be reasonably assured. Factors we consider when determining whether a penalty is significant include the uniqueness of the purpose or location of the property, the availability of a comparable replacement property, the relative importance or significance of the property to the continuation of the lessee's line of business and the existence of leasehold improvements or other assets whose value would be impaired by the lessee vacating or discontinuing use of the leased property. For virtually all of our leases with the United States Government, we have concluded, based on the factors above, that exercise of existing renewal options, or continuation of such leases without exercising early termination rights, is reasonably assured. Changes in these assessments could result in the write-off of any recorded assets associated with straight-line rental revenue and acceleration of depreciation and amortization expense associated with costs we incurred related to these leases.

Revenue Recognition on Tenant Improvements

Most of our leases involve some form of improvements to leased space. When we are required to provide improvements under the terms of a lease, we need to determine whether the improvements constitute landlord assets or tenant assets. If the improvements are landlord assets, we capitalize the cost of the improvements and recognize depreciation expense associated with such improvements over the shorter of the useful life of the assets or the term of the lease and recognize any payments from the tenant as rental revenue over the term of the lease. If the improvements are tenant assets, we defer the cost of improvements funded by us as a lease incentive asset and amortize it as a reduction of rental revenue over the term of the lease. Our determination of whether improvements are landlord assets or tenant assets also may affect when we commence revenue recognition in connection with a lease.

In determining whether improvements constitute landlord or tenant assets, we consider numerous factors that may require subjective or complex judgments, including: whether the improvements are unique to the tenant or reusable by other tenants; whether the tenant is permitted to alter or remove the improvements without our consent or without compensating us for any lost fair value; whether the ownership of the improvements remains with us or remains with the tenant at the end of the lease term; and whether the economic substance of the lease terms is properly reflected.

Collectability of Accounts and Deferred Rent Receivable

Allowances for doubtful accounts and deferred rent receivable are established based on quarterly analyses of the risk of loss on specific accounts. The analyses place particular emphasis on past-due accounts and consider information such as the nature and age of the receivables, the payment history of the tenants, the financial condition of the tenants and our assessment of their ability to meet their lease obligations, the basis for any disputes and the status of related negotiations. Our estimate of the required allowance is subject to revision as these factors change and is sensitive to the effects of economic and market conditions on tenants.

Activities we conduct to monitor the credit quality of our tenants include the following: monitoring the timeliness of tenant lease payments; reviewing credit ratings of tenants that are rated by a nationally recognized credit agency prior to such tenants' entry into leases, and monitoring periodically thereafter; reviewing financial statements of tenants that are publicly available or that are required to be provided to us pursuant to the terms of such tenants' leases; and monitoring news reports regarding our tenants.

Accounting Method for Investments

We use three different accounting methods to report our investments in entities: the consolidation method; the equity method; or at fair value through net income (see Note 2 to our consolidated financial statements). We use the consolidation method when we own most of the outstanding voting interests in an entity and can control its operations. We also consolidate certain entities when control of such entities can be achieved through means other than voting rights ("variable interest entities" or "VIEs") if we are deemed to be the primary beneficiary. Generally, this applies to entities for which either: (1) the equity investors (if any) lack one or more of the essential characteristics of a controlling financial interest; (2) the equity investment at risk is insufficient to finance that entity's activities without additional subordinated financial support; or (3) the equity investors have voting rights that are not proportionate to their economic interests and the activities of the entity involve, or are conducted on behalf of, an investor with a disproportionately small voting interest. We use the equity method of accounting when we own an interest in an entity and can exert significant influence over, but cannot control, the entity's operations. We use the fair value method of accounting when we own an equity interest in an entity and cannot exert significant influence over its operations.

In making these determinations, we must consider both our and our partner's ability to participate in the management of the entity's operations and make decisions that could significantly affect the entity's performance and allow the parties to manage their economic risks. We need to make subjective estimates and judgments regarding the entity's planned activities and expected future operating performance, financial condition, future valuation and other variables that may affect the cash flows of the entity. We may also need to estimate the probability of different scenarios taking place over time and their effect on the partners' cash flows. The conclusion reached as a result of this process affects whether or not we use the consolidation method in accounting for our investment or the equity method. Whether or not we consolidate an investment can materially affect our consolidated financial statements.

Concentration of Operations

Customer Concentration of Property Operations

The table below sets forth the 20 largest tenants in our portfolio of operating properties (including our office and data center shell properties and wholesale data center) based on percentage of annualized rental revenue:

Tenant	Percentage of Annualized Rental Revenue of Operating Properties for 20 Largest Tenants as of December 31,		
	2018	2017	2016
United States Government	32.7%	31.7%	29.8%
VADATA, Inc.	8.9%	7.6%	5.6%
General Dynamics Corporation (1)	4.7%	3.5%	4.1%
The Boeing Company (1)	3.8%	4.2%	4.1%
CACI International Inc.	2.4%	1.5%	1.5%
Northrop Grumman Corporation (1)	2.3%	2.2%	4.6%
CareFirst Inc.	2.2%	2.1%	2.2%
Booz Allen Hamilton, Inc.	2.0%	2.0%	1.9%
University of Maryland	1.4%	1.0%	1.0%
Wells Fargo & Company (1)	1.3%	1.7%	1.5%
Science Applications International Corp. (1)	1.3%	0.9%	0.9%
The Raytheon Company (1)	1.1%	1.1%	1.2%
Miles and Stockbridge, PC	1.1%	1.1%	1.0%
KEYW Corporation	1.0%	1.2%	1.2%
Kratos Defense and Security Solutions (1)	1.0%	1.0%	0.9%
Transamerica Life Insurance Company	0.9%	0.9%	1.0%
The MITRE Corporation	0.8%	0.9%	0.9%
Accenture Federal Services, LLC	0.7%	0.7%	N/A
AT&T Corporation (1)	0.7%	1.2%	1.2%
International Business Machines Corp.	0.7%	N/A	N/A
Harris Corporation	N/A	N/A	1.0%
CSRA Inc. (1)	N/A	2.3%	2.2%
Subtotal of 20 largest tenants	71.0%	68.8%	67.8%
All remaining tenants	29.0%	31.2%	32.2%
Total	100.0%	100.0%	100.0%
Total annualized rental revenue	\$ 522,898	\$ 501,212	\$ 492,363

(1) Includes affiliated organizations.

The United States Government's concentration increased each of the last two years due primarily to its occupancy of newly-constructed properties in 2018 and 2017 and our disposition in 2017 of properties in which it was not a tenant.

Concentration of Office and Data Center Shell Properties by Segment

The table below sets forth the segment allocation of our annualized rental revenue of office and data center shell properties as of the end of the last three calendar years:

Region	Percentage of Annualized Rental Revenue of Office and Data Center Shell Properties as of December 31,			Number of Properties as of December 31,		
	2018	2017	2016	2018	2017	2016
Defense/IT Locations:						
Fort Meade/BW Corridor	49.5%	51.6%	50.3%	87	87	86
Northern Virginia Defense/IT	12.0%	10.8%	10.7%	13	12	12
Lackland Air Force Base	10.3%	9.9%	9.4%	7	7	7
Navy Support Locations	6.3%	6.5%	5.6%	21	21	21
Redstone Arsenal	2.8%	3.0%	2.9%	8	7	7
Data Center Shells	7.0%	5.6%	5.6%	18	15	13
Total Defense/IT Locations	87.9%	87.4%	84.5%	154	149	146
Regional Office	11.5%	12.1%	14.5%	7	7	13
Other	0.6%	0.5%	1.0%	2	3	5
	100.0%	100.0%	100.0%	163	159	164

The changes reflected above between year end 2017 and 2018 were attributable primarily to growth in our Data Center Shells sub-segment from newly-constructed properties placed in service and increased occupancy in our Northern Virginia Defense/IT sub-segment. The changes reflected above between year end 2016 and 2017 were attributable primarily to dispositions of Regional Office properties and newly constructed properties placed into service in certain of our Defense/IT Location sub-segments; the Data Center Shells sub-segment's concentration was unchanged between year end 2016 and 2017 because the growth from newly-constructed properties placed in service was offset by the sale of two data center shells that were outside of our core markets.

Occupancy and Leasing

Office and Data Center Shell Portfolio

The tables below set forth occupancy information pertaining to our portfolio of office and data center shell properties:

	December 31,		
	2018	2017	2016
Occupancy rates at period end			
Total	93.0%	93.6%	92.1%
Defense/IT Locations:			
Fort Meade/BW Corridor	91.1%	95.6%	94.3%
Northern Virginia Defense/IT	91.3%	89.1%	85.0%
Lackland Air Force Base	100.0%	100.0%	100.0%
Navy Support Locations	90.5%	87.7%	72.7%
Redstone Arsenal	99.0%	98.2%	96.4%
Data Center Shells	100.0%	100.0%	100.0%
Total Defense/IT Locations	93.6%	95.2%	92.6%
Regional Office	89.2%	89.5%	95.2%
Other	77.2%	34.4%	52.9%
Average contractual annualized rental rate per square foot at year end (1)	\$ 30.04	\$ 29.84	\$ 30.16

(1) Includes estimated expense reimbursements. The decrease between year end 2016 and 2017 was attributable primarily to lower rents per square foot being in place for our properties placed in service in 2017 relative to the properties we sold since most of the properties we placed into service were data center shells and most of the ones sold were full service office properties.

	Rentable Square Feet	Occupied Square Feet
	(in thousands)	
December 31, 2017	17,345	16,227
Vacated upon lease expiration (1)	—	(789)
Occupancy for new leases (2)	—	578
Constructed or redeveloped (3)	1,018	811
Removed from operations (4)	(241)	—
Other changes	(28)	(6)
December 31, 2018	18,094	16,821

- (1) Includes lease terminations and space reductions occurring in connection with lease renewals.
- (2) Excludes occupancy of vacant square feet acquired or developed.
- (3) Includes the addition of 330,000 square feet in two properties that were completed in 2016 but reported as construction projects through December 31, 2017 since they were held for future lease to the United States Government. These square feet were 48.5% occupied as of December 31, 2018 and unoccupied as of December 31, 2017.
- (4) Includes the removal of one property for which we have no leasing plan or intention to allocate future capital and one property reclassified as redevelopment.

The decrease in occupancy rate from December 31, 2017 to December 31, 2018, in total and for the Fort Meade/BW Corridor sub-segment, was due in large part to the addition in 2018 of unoccupied space in a newly-constructed property targeted for United States Government use that has taken longer than expected to lease. With regard to other segment occupancy trends:

- Northern Virginia Defense/IT and Navy Support Locations: Occupancy increased due to progress we made in leasing previously vacant space in these sub-segments;
- Regional Office: Includes properties in Baltimore City and two sub-markets in Northern Virginia. While total occupancy in this segment decreased only slightly from year end 2017 to 2018, occupancy decreases in our Northern Virginia submarkets (which were 79.5% occupied as of December 31, 2018) more than offset the effect of an increase in Baltimore City (which was 93.4% occupied as of December 31, 2018). As of December 31, 2018, we had scheduled lease expirations in 2019 for 22,000 square feet, constituting 4% of these Northern Virginia sub-markets' occupied square feet.
- Other: As of December 31, 2018, our Other segment included two properties totaling 157,000 square feet in Aberdeen, Maryland that we are not expecting to hold long-term.

In 2018, we completed 4.2 million square feet of leasing, including 1.1 million square feet of construction and redevelopment space. Our construction and redevelopment leasing was highlighted by five data center shells in Northern Virginia totaling 798,000 square feet and an office property in our Northern Virginia Defense/IT sub-segment totaling 159,000 square feet.

In 2018, we renewed leases on 2.5 million square feet, representing 78.4% of the square footage of our lease expirations (including the effect of early renewals). The annualized rents of these renewals (totaling \$31.74 per square foot) decreased on average by approximately 2.0% and the GAAP rents (totaling \$32.58 per square foot) increased on average by approximately 6.8% relative to the leases previously in place for the space. The renewed leases had a weighted average lease term of approximately 3.8 years and the per annum average estimated tenant improvements and lease costs associated with completing the leasing was approximately \$2.09 per square foot.

In 2018, we also completed 596,000 square feet in leasing of vacant space. The annualized rents of this leasing totaled \$23.48 per square foot and the GAAP rents totaled \$23.82 per square foot; these leases had a weighted average lease term of approximately 7.4 years and the per annum average estimated tenant improvements and lease costs associated with completing this leasing was approximately \$5.72 per square foot.

Wholesale Data Center

Our 19.25 megawatt wholesale data center had 16.86 megawatts leased as of December 31, 2018 and 2017.

Lease Expirations

The table below sets forth as of December 31, 2018 our scheduled lease expirations based on the non-cancelable term of tenant leases determined in accordance with generally accepted accounting principles for our operating properties by segment/sub-segment in terms of percentage of annualized rental revenue:

	Expiration of Annualized Rental Revenue of Operating Properties						Total
	2019	2020	2021	2022	2023	Thereafter	
Defense/IT Locations							
Fort Meade/BW Corridor	8.5%	7.0%	5.9%	3.8%	8.6%	13.5%	47.3%
Northern Virginia Defense/IT	1.4%	1.0%	0.6%	0.9%	0.9%	6.7%	11.5%
Lackland Air Force Base	0.0%	2.2%	0.0%	0.0%	0.0%	7.7%	9.9%
Navy Support Locations	0.9%	1.8%	1.4%	0.6%	0.5%	0.8%	6.0%
Redstone Arsenal	0.2%	1.0%	0.7%	0.0%	0.0%	0.8%	2.7%
Data Center Shells	0.5%	0.0%	0.0%	0.0%	0.0%	6.2%	6.7%
Regional Office	0.7%	0.7%	0.2%	3.1%	0.9%	5.3%	10.9%
Other	0.1%	0.1%	0.1%	0.0%	0.0%	0.3%	0.6%
Wholesale Data Center	0.4%	3.2%	0.0%	0.4%	0.4%	0.0%	4.4%
Total	12.7%	17.0%	8.9%	8.8%	11.3%	41.3%	100.0%

For our office and data center shell properties, our weighted average lease term as of December 31, 2018 was approximately 4.9 years. We believe that the weighted average annualized rental revenue per occupied square foot for our office and data center shell property leases expiring in 2019 was, on average, approximately 1% to 3% higher than estimated current market rents for the related space, with specific results varying by segment. Our wholesale data center had scheduled lease expirations in 2020 for 73% of its annualized rental revenue.

Most of the leases with our largest tenant, the United States Government, provide for consecutive one-year terms with automatic renewals; most of the leasing statistics set forth above assume that the United States Government will remain in the space that they lease through the end of the respective arrangements without ending consecutive one-year leases prematurely.

Results of Operations

We evaluate the operating performance of our properties using NOI from real estate operations, our segment performance measure, which includes: real estate revenues and property operating expenses; and the net of revenues and property operating expenses of real estate operations owned through unconsolidated real estate joint ventures (“UJVs”) that is allocable to COPT’s ownership interest (“UJV NOI allocable to COPT”). We view our NOI from real estate operations as comprising the following primary categories:

- office and data center shell properties:
 - continually owned and 100% operational throughout the two years being compared, excluding properties held for sale. We define these as changes from “Same Properties.” For further discussion of the concept of “operational,” refer to the section of Note 2 of the consolidated financial statements entitled “Properties”;
 - constructed or redeveloped and placed into service that were not 100% operational throughout the two years being compared;
 - and
 - disposed (including a property reported as held for sale since December 31, 2017, the sale of which in 2017 was not recognized for accounting purposes until the expiration of the guaranty on October 1, 2018); and
- our wholesale data center.

In addition to owning properties, we provide construction management and other services. The primary manner in which we evaluate the operating performance of our construction management and other service activities is through a measure we define as NOI from service operations, which is based on the net of the revenues and expenses from these activities. The revenues and expenses from these activities consist primarily of subcontracted costs that are reimbursed to us by customers along with a management fee. The operating margins from these activities are small relative to the revenue. We believe NOI

from service operations is a useful measure in assessing both our level of activity and our profitability in conducting such operations.

Since both of the measures discussed above exclude certain items includable in net income, reliance on these measures has limitations; management compensates for these limitations by using the measures simply as supplemental measures that are considered alongside other GAAP and non-GAAP measures. A reconciliation of NOI from real estate operations and NOI from service operations to net income reported on the consolidated statements of operations of COPT and subsidiaries is provided in Note 17 to our consolidated financial statements.

Comparison of Statements of Operations for the Years Ended December 31, 2018 and 2017

	For the Years Ended December 31,		
	2018	2017	Variance
	(in thousands)		
Revenues			
Revenues from real estate operations	\$ 517,253	\$ 509,980	\$ 7,273
Construction contract and other service revenues	60,859	102,840	(41,981)
Total revenues	578,112	612,820	(34,708)
Operating expenses			
Property operating expenses	201,035	190,964	10,071
Depreciation and amortization associated with real estate operations	137,116	134,228	2,888
Construction contract and other service expenses	58,326	99,618	(41,292)
Impairment losses	2,367	15,123	(12,756)
General, administrative and leasing expenses	28,900	30,837	(1,937)
Business development expenses and land carry costs	5,840	6,213	(373)
Total operating expenses	433,584	476,983	(43,399)
Interest expense	(75,385)	(76,983)	1,598
Interest and other income	4,358	6,318	(1,960)
Gain on sales of real estate	2,340	9,890	(7,550)
Loss on early extinguishment of debt	(258)	(513)	255
Equity in income of unconsolidated entities	2,697	1,490	1,207
Income tax benefit (expense)	363	(1,098)	1,461
Net income	<u>\$ 78,643</u>	<u>\$ 74,941</u>	<u>\$ 3,702</u>

NOI from Real Estate Operations

	For the Years Ended December 31,		
	2018	2017	Variance
(Dollars in thousands, except per square foot data)			
Revenues			
Same Properties revenues			
Rental revenue, excluding lease termination revenue	\$ 357,076	\$ 354,984	\$ 2,092
Lease termination revenue	3,231	2,911	320
Tenant recoveries and other real estate operations revenue	95,002	94,430	572
Same Properties total revenues	455,309	452,325	2,984
Constructed and redeveloped properties placed in service	28,788	11,545	17,243
Wholesale data center	31,892	28,875	3,017
Dispositions	140	14,652	(14,512)
Other	1,124	2,583	(1,459)
	517,253	509,980	7,273
Property operating expenses			
Same Properties			
Constructed and redeveloped properties placed in service	(175,318)	(169,446)	(5,872)
Wholesale data center	(8,851)	(3,690)	(5,161)
Dispositions	(16,342)	(13,551)	(2,791)
Other	16	(2,834)	2,850
	(540)	(1,443)	903
	(201,035)	(190,964)	(10,071)
Same Properties UJV NOI allocable to COPT	4,818	4,805	13
NOI from real estate operations			
Same Properties			
Constructed and redeveloped properties placed in service	284,809	287,684	(2,875)
Wholesale data center	19,937	7,855	12,082
Dispositions	15,550	15,324	226
Other	156	11,818	(11,662)
	584	1,140	(556)
	\$ 321,036	\$ 323,821	\$ (2,785)
Same Properties NOI from real estate operations by segment			
Defense/IT Locations			
Regional Office	\$ 252,215	\$ 248,501	\$ 3,714
Other	30,784	36,521	(5,737)
	1,810	2,662	(852)
	\$ 284,809	\$ 287,684	\$ (2,875)
Same Properties rent statistics			
Average occupancy rate	91.5%	91.6%	-0.1 %
Average straight-line rent per occupied square foot (1)	\$ 25.72	\$ 25.51	\$ 0.21

(1) Includes minimum base rents, net of abatements, and lease incentives on a straight-line basis for the years set forth above.

Our Same Properties pool consisted of 147 properties, comprising 89.6% of our office and data center shell portfolio's square footage as of December 31, 2018. This pool of properties included the following changes from the pool used for purposes of comparing 2017 and 2016 in our 2017 Annual Report on Form 10-K: the addition of 14 properties placed in service and 100% operational on or before January 1, 2017 (including six unconsolidated real estate joint venture properties and two properties added to our rentable square feet in 2018 that were previously reported as construction projects since they were held for future lease to the United States Government); and the removal of one property in 2018 for which we have no leasing plan or intention to allocate future capital and one property reclassified as redevelopment.

As reflected above, our decrease in Same Properties NOI from real estate operations was due to a 15.7% decrease in our Regional Office segment from 2017 to 2018, offset in part by a 1.5% increase in our Defense/IT Locations from 2017 to 2018. The decrease in the Regional Office segment was due primarily to decreased occupancy in the segment's Northern Virginia submarkets and an increase in operating expenses, net of tenant recovery revenue, in our Baltimore City properties.

Our NOI from constructed and redeveloped properties placed in service included 16 properties and land under a long-term contract placed in service in 2017 and 2018.

Our property operating expense included bad debt expense of \$339,000 in 2018 and \$378,000 in 2017, each representing 0.07% of our revenue from real estate operations for the respective years.

NOI from Service Operations

	For the Years Ended December 31,		
	2018	2017	Variance
	(in thousands)		
Construction contract and other service revenues	\$ 60,859	\$ 102,840	\$ (41,981)
Construction contract and other service expenses	58,326	99,618	(41,292)
NOI from service operations	\$ 2,533	\$ 3,222	\$ (689)

Construction contract and other service revenue and expenses decreased due primarily to a lower volume of construction activity in connection with several of our tenants. Construction contract activity is inherently subject to significant variability depending on the volume and nature of projects undertaken by us (primarily on behalf of tenants). Service operations are an ancillary component of our overall operations that typically contribute an insignificant amount of income relative to our real estate operations.

Impairment Losses

As discussed further below, the decrease in impairment losses was attributable primarily to impairment losses recognized in our Aberdeen, Maryland ("Aberdeen") portfolio in 2017.

2018

In the fourth quarter of 2018, we abandoned plans to redevelop a property in our Fort Meade/BW Corridor sub-segment after we completed leasing on the property that did not require any redevelopment. Accordingly, we recognized an impairment loss of \$2.4 million representing pre-development costs associated with the property.

2017

In the fourth quarter of 2017, our assessment of weakening leasing prospects and expected enduring vacancy in our Aberdeen portfolio indicated that these properties could be impaired. We performed recovery analyses on the properties considering weakening tenant demand, high vacancy and low investor demand for office properties in the submarket and concluded that the carrying values of these properties were not likely to be recovered from the expected undiscounted cash flows from the operation and eventual disposition of these properties. Accordingly, we recognized \$9.0 million of impairment losses on the operating properties in Aberdeen (included in our Other segment). In addition, and also considering these conditions, we determined that we would not likely recover the carrying amount of land in this submarket and recognized a \$4.7 million impairment loss on it. We previously recognized impairment losses on these properties in the second quarter of 2016 as discussed below. We determined that the declines in values that have occurred since the initial losses were recognized were due to deteriorating market conditions.

During 2017, we performed recoverability analyses for our properties classified as held for sale, which resulted in impairment losses of \$1.6 million in the second quarter of 2017. These impairment losses were primarily on properties in White Marsh, Maryland ("White Marsh") (included in our Regional Office and Other segments) that we reclassified to held for sale during the period and adjusted to fair value less costs to sell. These properties were sold in the third quarter of 2017.

Changes in the expected future cash flows due to changes in our plans for specific properties (especially our expected holding period) could result in the recognition of additional impairment losses. In addition, because properties held for sale are carried at the lower of carrying value or estimated fair values less costs to sell, declines in their estimated fair values due to market conditions and other factors could result in the recognition of additional impairment losses.

General, Administrative and Leasing Expenses

We capitalize compensation and indirect costs associated with properties, or portions thereof, undergoing construction, development and redevelopment activities. We also capitalize compensation costs associated with obtaining new tenant leases or extending existing tenants. Capitalized compensation and indirect costs were as follows:

	For the Years Ended December 31,	
	2018	2017
	(in thousands)	
Construction, development, redevelopment, capital and tenant improvements	\$ 8,163	\$ 7,879
Leasing and other	2,912	1,396
Total	<u>\$ 11,075</u>	<u>\$ 9,275</u>

The increase in capitalized costs for leasing and other from 2017 to 2018 was due to our implementation of an enterprise resource planning software package.

Interest Expense

The table below sets forth components of our interest expense:

	For the Years Ended December 31,		
	2018	2017	Variance
	(in thousands)		
Interest on Unsecured Senior Notes	\$ 53,254	\$ 53,190	\$ 64
Interest on mortgage and other secured debt	6,933	6,766	167
Interest on unsecured term debt	11,216	11,257	(41)
Amortization of deferred financing costs	1,954	2,928	(974)
Interest expense recognized on interest rate swaps	(407)	3,216	(3,623)
Interest on Revolving Credit Facility	5,873	2,419	3,454
Other interest	2,491	2,436	55
Capitalized interest	(5,929)	(5,229)	(700)
Interest expense	<u>\$ 75,385</u>	<u>\$ 76,983</u>	<u>\$ (1,598)</u>

Our average outstanding debt was \$1.9 billion in 2018 and 2017, and our weighted average effective interest rate on debt was approximately 4.1% in 2018 and 2017.

Gain on Sales of Real Estate

Gains on sales of real estate decreased due to fewer disposition transactions in 2018 relative to 2017.

Comparison of Statements of Operations for the Years Ended December 31, 2017 and 2016

	For the Years Ended December 31,		
	2017	2016	Variance
	(in thousands)		
Revenues			
Revenues from real estate operations	\$ 509,980	\$ 525,964	\$ (15,984)
Construction contract and other service revenues	102,840	48,364	54,476
Total revenues	612,820	574,328	38,492
Operating expenses			
Property operating expenses	190,964	197,530	(6,566)
Depreciation and amortization associated with real estate operations	134,228	132,719	1,509
Construction contract and other service expenses	99,618	45,481	54,137
Impairment losses	15,123	101,391	(86,268)
General, administrative and leasing expense	30,837	36,553	(5,716)
Business development expenses and land carry costs	6,213	8,244	(2,031)
Total operating expenses	476,983	521,918	(44,935)
Interest expense	(76,983)	(83,163)	6,180
Interest and other income	6,318	5,444	874
Gain on sales of real estate	9,890	59,679	(49,789)
Loss on early extinguishment of debt	(513)	(1,110)	597
Equity in income of unconsolidated entities	1,490	752	738
Income tax expense	(1,098)	(244)	(854)
Net income	\$ 74,941	\$ 33,768	\$ 41,173

NOI from Real Estate Operations

	For the Years Ended December 31,		
	2017	2016	Variance
(Dollars in thousands, except per square foot data)			
Revenues			
Same Properties revenues			
Rental revenue, excluding lease termination revenue	\$ 343,425	\$ 336,254	\$ 7,171
Lease termination revenue	2,911	2,279	632
Tenant recoveries and other real estate operations revenue	92,732	94,763	(2,031)
Same Properties	439,068	433,296	5,772
Constructed and redeveloped properties placed in service	24,112	7,749	16,363
Wholesale data center	28,875	26,869	2,006
Dispositions	14,652	54,531	(39,879)
Other	3,273	3,519	(246)
	509,980	525,964	(15,984)
Property operating expenses			
Same Properties	(166,099)	(166,196)	97
Constructed and redeveloped properties placed in service	(6,601)	(2,330)	(4,271)
Wholesale data center	(13,551)	(11,512)	(2,039)
Dispositions	(2,834)	(15,495)	12,661
Other	(1,879)	(1,997)	118
	(190,964)	(197,530)	6,566
UJV NOI allocable to COPT	4,805	2,145	2,660
NOI from real estate operations			
Same Properties	272,969	267,100	5,869
Constructed and redeveloped properties placed in service	17,511	5,419	12,092
Wholesale data center	15,324	15,357	(33)
Dispositions	11,818	39,036	(27,218)
UJV NOI allocable to COPT	4,805	2,145	2,660
Other	1,394	1,522	(128)
	\$ 323,821	\$ 330,579	\$ (6,758)
Same Properties NOI from real estate operations by segment			
Defense/IT Locations	\$ 234,146	\$ 226,258	\$ 7,888
Regional Office	36,521	38,522	(2,001)
Other	2,302	2,320	(18)
	\$ 272,969	\$ 267,100	\$ 5,869
Same Properties rent statistics			
Average occupancy rate	92.4%	91.4%	1.0%
Average straight-line rent per occupied square foot (1)	\$ 25.99	\$ 25.76	\$ 0.23

(1) Includes minimum base rents, net of abatements, and lease incentives on a straight-line basis for the years set forth above.

Our Same Properties pool consisted of 134 properties, comprising 82.4% of our office and data center shell portfolio's square footage as of December 31, 2017. This pool of properties changed from the pool used for purposes of comparing 2017 and 2016 in our 2017 Annual Report on Form 10-K due to the addition of two properties with qualifying ground leases reclassified to same office and the removal of one property reclassified as redevelopment.

As reflected above, our decrease in Same Properties NOI from real estate operations was due to a 3.5% increase in our Defense/IT Locations from 2016 to 2017, offset in part by a 5.2% decrease in our Regional Office segment from 2016 to 2017. These changes were due primarily to occupancy changes in the respective segments.

Our NOI from constructed properties placed in service included 17 properties placed in service in 2016 and 2017.

Our property operating expense included bad debt expense of \$378,000 in 2017 and none in 2016.

NOI from Service Operations

	For the Years Ended December 31,		
	2017	2016	Variance
	(in thousands)		
Construction contract and other service revenues	\$ 102,840	\$ 48,364	\$ 54,476
Construction contract and other service expenses	99,618	45,481	54,137
NOI from service operations	<u>\$ 3,222</u>	<u>\$ 2,883</u>	<u>\$ 339</u>

Construction contract and other service revenue and expenses increased due primarily to a greater volume of construction activity in connection with several of our tenants.

Impairment Losses

As discussed further below, the decrease in impairment losses was attributable primarily to decisions by us in 2016 to either sell, or abandon plans to develop, properties.

Refer to 2017 impairment losses described above in our explanation for 2018 losses as compared to 2017.

2016

In the first quarter of 2016, we set a goal to raise cash from sales of properties in 2016 considerably in excess of our assets held for sale at December 31, 2015. The specific properties we would sell to achieve this goal had not been identified when the goal was established. Throughout 2016, we engaged in the process of identifying properties we would sell.

In the first quarter of 2016, we reclassified: most of our properties in Greater Philadelphia (included in our Regional Office segment); two properties in the Fort Meade/BW Corridor sub-segment; and our remaining land holdings in Colorado Springs, Colorado ("Colorado Springs") to held for sale and recognized \$2.4 million of impairment losses. As of March 31, 2016, we had \$225.9 million of assets held for sale.

During the second quarter of 2016, as part of our closing process, we conducted our quarterly review of our portfolio for indicators of impairment considering the refined investment strategy of our then newly-appointed Chief Executive Officer and the goals of the asset sales program and concluded that we would: (1) not hold our operating properties in Aberdeen for the long-term; (2) not develop commercial properties on land in Frederick, Maryland; (3) sell specific properties in our Northern Virginia Defense/IT and Fort Meade/BW Corridor sub-segments; and (4) sell the remaining operating property in Greater Philadelphia that had not previously been classified as held for sale. Accordingly, we performed recoverability analyses for each of these properties and recorded the following impairment losses:

- \$34.4 million on operating properties in Aberdeen (included in our Other segment). After shortening our estimated holding period for these properties, we determined that the carrying amount of the properties would not likely be recovered from the operation and eventual dispositions of the properties during the shortened holding period. Accordingly, we adjusted the properties to their estimated fair values;
- \$4.4 million on land in Aberdeen. In performing our analysis related to the operating properties in Aberdeen, we determined that the weakening leasing and overall commercial real estate conditions in that market indicated that our land holdings in the market may be impaired. As a result, we determined that the carrying amount of the land was not recoverable and adjusted the land to its estimated fair value;
- \$8.2 million on land in Frederick, Maryland. We determined that the carrying amount of the land would not likely be recovered from its sale and adjusted the land to its estimated fair value;
- \$14.1 million on operating properties in our Northern Virginia and Fort Meade/BW Corridor sub-segments that we reclassified to held for sale during the period whose carrying amounts exceeded their estimated fair values less costs to sell;

- \$6.2 million on the property in Greater Philadelphia (included in our Regional Office segment) that we reclassified to held for sale during the period and adjusted to fair value less costs to sell; and
- \$2.4 million primarily on land in Colorado Springs and operating properties in White Marsh (included in our Regional Office Segment) classified as held for sale whose carrying amounts exceeded their estimated fair values less costs to sell based on updated negotiations with prospective buyers.

There were no property sales in the second quarter of 2016 and as of June 30, 2016, we had \$300.6 million of assets held for sale.

During the third quarter of 2016, as part of our closing process, we conducted our quarterly review of our portfolio for indicators of impairment considering refinements to our disposition strategy made during the third quarter of 2016 to sell an additional operating property in our Northern Virginia Defense/IT sub-segment, an additional operating property in our Fort Meade/BW Corridor sub-segment and our remaining operating properties and land in White Marsh that had not previously been classified as held for sale. In connection with our determinations that we planned to sell these properties, we performed recoverability analyses for each of these properties and recorded the following impairment losses:

- \$13.3 million on the operating property in our Northern Virginia Defense/IT sub-segment. Communication with a major tenant in the building during the quarter led us to conclude that there was significant uncertainty with respect to the tenant renewing its lease expiring in 2019. As a result of this information and continuing sub-market weakness, we determined that this property no longer met our long-term hold strategy and we placed it into our asset sales program. Accordingly, we adjusted the carrying amount of the property to its estimated fair value less costs to sell; and
- \$2.9 million on the other properties that we reclassified as held for sale, primarily associated with a land parcel in White Marsh. As of June 30, 2016, this land was under a sales contract subject to a re-zoning contingency. During the third quarter, we were denied favorable re-zoning and the contract was canceled. As a result, we determined this property will be sold as is, reclassified it to held for sale and adjusted its carrying value to its estimated fair value less costs to sell.

During our review we also recognized additional impairment losses of \$11.5 million on properties previously classified as held for sale. Approximately \$10.0 million of these losses pertained to properties in White Marsh due to our assessment that certain significant tenants will likely exercise lease termination rights and to reflect market conditions. The remainder of these losses pertained primarily to properties in San Antonio, Texas (included in our Other segment), where prospective purchasers reduced offering prices late in the third quarter. We executed property sales of \$210.7 million in the third quarter of 2016 (discussed further in Note 5), and had \$161.5 million of assets held for sale as of September 30, 2016.

We executed property sales of \$54.1 million in the fourth quarter of 2016 (discussed further in Note 5), and had \$94.7 million of assets held for sale as of December 31, 2016. As part of our closing process for the fourth quarter, we conducted our quarterly review of our portfolio for indicators of impairment and found there to be no impairment losses for the quarter other than additional impairment losses of \$1.3 million on properties previously classified as held for sale in White Marsh, where prospective purchasers reduced offering prices, and \$0.3 million of losses on properties that were sold during the period.

Changes in the expected future cash flows due to changes in our plans for specific properties (especially our expected holding period) could result in the recognition of additional impairment losses. In addition, because properties held for sale are carried at the lower of carrying value or estimated fair values less costs to sell, declines in their estimated fair values due to market conditions and other factors could result in the recognition of additional impairment losses.

General, Administrative and Leasing Expenses

The decrease in general, administrative and leasing expenses from 2016 to 2017 was attributable primarily to \$6.5 million of executive transition costs incurred in 2016, representing mostly severance and termination benefits in connection with the departures of former executive officers, compared to \$732,000 in such costs recognized in 2017. Capitalized compensation and indirect costs were as follows:

	For the Years Ended December 31,	
	2017	2016
	(in thousands)	
Construction, development, redevelopment, capital and tenant improvements	\$ 7,879	\$ 7,418
Leasing and other	1,396	1,115
Total	\$ 9,275	\$ 8,533

Interest Expense

The table below sets forth components of our interest expense:

	For the Years Ended December 31,		
	2017	2016	Variance
	(in thousands)		
Interest on Unsecured Senior Notes	\$ 53,190	\$ 53,129	\$ 61
Interest on mortgage and other secured debt	6,766	12,487	(5,721)
Interest on unsecured term debt	11,257	10,543	714
Amortization of deferred financing costs	2,928	4,573	(1,645)
Interest expense recognized on interest rate swaps	3,216	4,230	(1,014)
Interest on Revolving Credit Facility	2,419	1,511	908
Other interest	2,436	2,413	23
Capitalized interest	(5,229)	(5,723)	494
Interest expense	<u>\$ 76,983</u>	<u>\$ 83,163</u>	<u>\$ (6,180)</u>

Our average outstanding debt decreased from \$2.0 billion in 2016 to \$1.9 billion in 2017, and our weighted average effective interest rate on debt was approximately 4.1% in 2017 and 2016.

Gain on Sales of Real Estate

In 2017, we recognized gain on sales of real estate of \$5.4 million in connection with land sales and \$4.5 million on sales of operating properties. In 2016, we recognized gain on sales of real estate of \$17.9 million on our sale of a 50% interest in six single-tenant data center properties, \$15.9 million on sales of other operating properties and \$7.2 million on land sales.

Funds from Operations

Funds from operations (“FFO”) is defined as net income computed using GAAP, excluding gains on sales of, and impairment losses on, previously depreciated operating properties, plus real estate-related depreciation and amortization. When multiple properties consisting of both operating and non-operating properties exist on a single tax parcel, we classify all of the gains on sales of, and impairment losses on, the tax parcel as all being for previously depreciated operating properties when most of the value of the parcel is associated with operating properties on the parcel. FFO also includes adjustments to net income for the effects of the items noted above pertaining to UJVs that were allocable to our ownership interest in the UJVs. We believe that we use the National Association of Real Estate Investment Trusts (“NAREIT”) definition of FFO, although others may interpret the definition differently and, accordingly, our presentation of FFO may differ from those of other REITs. We believe that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains related to sales of, and impairment losses on, previously depreciated operating properties, net of related tax benefit, and excluding real estate-related depreciation and amortization, FFO can help one compare our operating performance between periods. In addition, since most equity REITs provide FFO information to the investment community, we believe that FFO is useful to investors as a supplemental measure for comparing our results to those of other equity REITs. We believe 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 balance with other GAAP and non-GAAP measures. FFO is not necessarily an indication of our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating our financial performance or to cash flow from operating, investing and financing activities when evaluating our liquidity or ability to make cash distributions or pay debt service.

Basic FFO available to common share and common unit holders (“Basic FFO”) is FFO adjusted to subtract (1) preferred share dividends, (2) issuance costs associated with redeemed preferred shares, (3) income attributable to noncontrolling interests through ownership of preferred units in the Operating Partnership or interests in other consolidated entities not owned by us, (4) depreciation and amortization allocable to noncontrolling interests in other consolidated entities and (5) Basic FFO allocable to restricted shares. With these adjustments, Basic FFO represents FFO available to common shareholders and common unitholders. Common units in the Operating Partnership are substantially similar to our common shares and are exchangeable into common shares, subject to certain conditions. We believe that Basic FFO is useful to investors due to the close correlation of common units to common shares. We believe 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 FFO available to common share and common unit holders (“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. We believe that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, discussed below. We believe that net income 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 our cash flow available to fund cash needs. Additionally, it should not be used as an alternative to net income when evaluating our financial performance or to cash flow from operating, investing and financing activities when evaluating our liquidity or ability to make cash distributions or pay debt service.

Diluted FFO available to common share and common unit holders, as adjusted for comparability is defined as Diluted FFO adjusted to exclude: operating property acquisition costs; gains on sales of, and impairment losses on, properties other than previously depreciated operating properties, net of associated income tax; gain or loss on early extinguishment of debt; FFO associated with properties securing non-recourse debt on which we have defaulted and which we have extinguished, or expect to extinguish, via conveyance of such properties, including property NOI, interest expense and gains on debt extinguishment (discussed further below); loss on interest rate derivatives; demolition costs on redevelopment and nonrecurring improvements; executive transition costs; and issuance costs associated with redeemed preferred shares. This measure also includes adjustments for the effects of the items noted above pertaining to UJVs that were allocable to our ownership interest in the UJVs. We believe this to be a useful supplemental measure alongside Diluted FFO as it excludes gains and losses from certain investing and financing activities and certain other items that we believe are not closely correlated to (or associated with) our operating performance. The adjustment for FFO associated with properties securing non-recourse debt on which we have defaulted pertains to the periods subsequent to our default on one loan’s payment terms, which was the result of our decision to not support payments on the loan since the estimated fair value of the properties was less than the loan balance. While we continued as the legal owner of the properties during this period up until the transfer of ownership, all cash flows produced by them went directly to the lender and we did not fund any debt service shortfalls, which included incremental additional interest under the default rate of \$5.3 million in 2015 and \$5.8 million in 2014. We believe that net income 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 excluded items; we compensate for these limitations in essentially the same manner as described above for Diluted FFO.

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. We believe that Diluted FFO per share is useful to investors because it provides investors with a further context for evaluating our 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, we believe that Diluted FFO per share is a useful supplemental measure for comparing us to other equity REITs. We believe 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 per share, as adjusted for comparability is (1) Diluted FFO, as adjusted for comparability 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. We believe that this measure is useful to investors because it provides investors with a further context for evaluating our FFO results. We believe this to be a useful supplemental measure alongside Diluted FFO per share as it excludes gains and losses from certain investing and financing activities and certain other items that we believe are not closely correlated to (or associated with) our operating performance. We believe that diluted EPS is the most directly comparable GAAP measure to this per share 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 excluded items; we compensate for these limitations in essentially the same manner as described above for Diluted FFO.

The computations for all of the above measures on a diluted basis assume the conversion of common units in COPLP but do not assume the conversion of other securities that are convertible into common shares if the conversion of those securities would increase per share measures in a given period.

We use measures called payout ratios as supplemental measures of our ability to make distributions to investors based on each of the following: FFO; Diluted FFO; and Diluted FFO, adjusted for comparability. These measures are defined as (1) the sum of (a) dividends on unrestricted common shares and (b) distributions to holders of interests in COPLP and dividends on convertible preferred shares when such distributions and dividends are included in Diluted FFO divided by either (2) FFO, Diluted FFO or Diluted FFO, adjusted for comparability.

The table below sets forth the computation of the above stated measures for the years ended December 31, 2014 through 2018 and provides reconciliations to the GAAP measures of COPT and subsidiaries associated with such measures:

For the Years Ended December 31,

	2018	2017	2016	2015	2014
	(Dollars and shares in thousands, except per share data)				
Net income	\$ 78,643	\$ 74,941	\$ 33,768	\$ 188,878	\$ 45,206
Add: Real estate-related depreciation and amortization	137,116	134,228	132,719	140,025	136,086
Add: Depreciation and amortization on UJV allocable to COPT	2,256	2,252	938	—	—
Add: Impairment losses on previously depreciated operating properties	6	10,455	83,346	4,110	1,370
Less: Gain on sales of previously depreciated operating properties	(2,340)	(4,491)	(52,482)	(64,062)	(5,117)
FFO	215,681	217,385	198,289	268,951	177,545
Less: Noncontrolling interests-preferred units in the Operating Partnership	(660)	(660)	(660)	(660)	(660)
Less: FFO allocable to other noncontrolling interests	(3,768)	(3,675)	(4,020)	(3,586)	(3,216)
Less: Preferred share dividends	—	(6,219)	(14,297)	(14,210)	(15,939)
Less: Issuance costs associated with redeemed preferred shares	—	(6,847)	(17)	—	(1,769)
Basic and diluted FFO allocable to share-based compensation awards	(851)	(814)	(694)	(1,041)	(665)
Basic FFO available to common shares and common unit holders	210,402	199,170	178,601	249,454	155,296
Redeemable noncontrolling interests	1,540	—	—	—	—
Diluted FFO available to common shares and common unit holders	211,942	199,170	178,601	249,454	155,296
Operating property acquisition costs	—	—	—	4,134	—
Gain on sales of non-operating properties	—	(5,399)	(7,197)	(3,985)	(5,578)
Impairment losses on non-operating properties	2,361	4,668	18,045	19,413	49
Income tax expense associated with FFO comparability	—	800	—	—	—
(Gain) loss on interest rate derivatives	—	(234)	(378)	386	—
Loss (gain) on early extinguishment of debt	258	513	1,110	(85,655)	9,668
Issuance costs associated with redeemed preferred shares	—	6,847	17	—	1,769
Demolition costs on redevelopment and nonrecurring improvements	462	294	578	1,396	—
Executive transition costs	793	732	6,454	—	1,056
Add: Negative FFO of properties conveyed to extinguish debt in default	—	—	—	10,456	10,928
Diluted FFO comparability adjustments allocable to share-based compensation awards	(16)	(35)	(73)	225	(78)
Diluted FFO available to common share and common unit holders, as adjusted for comparability	\$ 215,800	\$ 207,356	\$ 197,157	\$ 195,824	\$ 173,110
Weighted average common shares	103,946	98,969	94,502	93,914	88,092
Conversion of weighted average common units	2,468	3,362	3,633	3,692	3,897
Weighted average common shares/units - Basic FFO	106,414	102,331	98,135	97,606	91,989
Dilutive effect of share-based compensation awards	134	132	92	61	171
Dilutive effect of forward equity sale agreements	45	54	—	—	—
Redeemable noncontrolling interests	936	—	—	—	—
Weighted average common shares/units - Diluted FFO	107,529	102,517	98,227	97,667	92,160
Diluted FFO per share	\$ 1.97	\$ 1.94	\$ 1.82	\$ 2.55	\$ 1.69
Diluted FFO per share, as adjusted for comparability	\$ 2.01	\$ 2.02	\$ 2.01	\$ 2.01	\$ 1.88
Denominator for diluted EPS	104,125	99,155	94,594	97,667	88,263
Weighted average common units	2,468	3,362	3,633	—	3,897
Redeemable noncontrolling interests	936	—	—	—	—
Denominator for diluted FFO per share measures	107,529	102,517	98,227	97,667	92,160
Dividends on unrestricted common shares	\$ 116,285	\$ 109,489	\$ 104,811	\$ 103,552	\$ 97,512
Common unit distributions	2,498	3,661	3,990	4,046	4,270
Dividends and distributions for payout ratios	\$ 118,783	\$ 113,150	\$ 108,801	\$ 107,598	\$ 101,782
FFO payout ratio	55.1%	52.1%	54.9%	40.0%	57.3%
Diluted FFO payout ratio	56.0%	56.8%	60.9%	43.1%	65.5%
Diluted FFO payout ratio, as adjusted for comparability	55.0%	54.6%	55.2%	54.9%	58.8%

Property Additions

The table below sets forth the major components of our additions to properties for 2018 and 2017:

	For the Years Ended December 31,		
	2018	2017	Variance
	(in thousands)		
Construction, development and redevelopment	\$ 169,671	\$ 204,278	\$ (34,607)
Tenant improvements on operating properties (1)	31,876	32,978	(1,102)
Capital improvements on operating properties	22,977	22,292	685
	<u>\$ 224,524</u>	<u>\$ 259,548</u>	<u>\$ (35,024)</u>

(1) Tenant improvement costs incurred on newly-constructed properties are classified in this table as construction, development and redevelopment.

Cash Flows

Net cash flow from operating activities decreased \$49.6 million from 2017 to 2018 due primarily to our payment in 2018 of construction costs on a contract that the customer pre-funded to us in prior years.

Net cash flow used in investing activities increased \$143.6 million from 2017 to 2018 due to a \$180.8 million decrease in property sales in 2018 relative to 2017, offset in part by a \$40.5 million decrease in cash outlays for construction, development and redevelopment.

Net cash flow provided by financing activities in 2018 was \$49.6 million and included the following:

- net proceeds from the issuance of common shares (or units) of \$202.1 million; offset in part by
- dividends and/or distributions to equity holders of \$118.0 million;
- payments on a capital lease obligation of \$15.4 million; and
- net repayments of debt borrowings of \$3.8 million;

Net cash flow used in financing activities in 2017 was \$338.5 million and included the following:

- redemption of preferred shares (or units) of \$199.1 million;
- dividends and/or distributions to equity holders of \$122.9 million; and
- net repayments of debt borrowings of \$78.1 million; offset in part by
- net proceeds from the issuance of common shares (or units) of \$69.5 million.

Liquidity and Capital Resources of COPT

COPLP is the entity through which COPT, the sole general partner of COPLP, conducts almost all of its operations and owns almost all of its assets. COPT occasionally issues public equity but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company that are fully reimbursed by COPLP. COPT itself does not hold any indebtedness, and its only material asset is its ownership of partnership interests of COPLP. COPT's principal funding requirement is the payment of dividends on its common and preferred shares. COPT's principal source of funding for its dividend payments is distributions it receives from COPLP.

As of December 31, 2018, COPT owned 98.8% of the outstanding common units in COPLP; the remaining common units and all of the outstanding preferred units were owned by third parties. As the sole general partner of COPLP, COPT has the full, exclusive and complete responsibility for COPLP's day-to-day management and control.

The liquidity of COPT is dependent on COPLP's ability to make sufficient distributions to COPT. The primary cash requirement of COPT is its payment of dividends to its shareholders. COPT also guarantees some of the Operating Partnership's debt, as discussed further in Note 10 of the notes to consolidated financial statements included herein. If the Operating Partnership fails to fulfill certain of its debt requirements, which trigger COPT's guarantee obligations, then COPT will be required to fulfill its cash payment commitments under such guarantees. However, COPT's only significant asset is its investment in COPLP.

As discussed further below, we believe that the Operating Partnership's sources of working capital, specifically its cash flow from operations, and borrowings available under its Revolving Credit Facility, are adequate for it to make its distribution payments to COPT and, in turn, for COPT to make its dividend payments to its shareholders.

COPT's short-term liquidity requirements consist primarily of funds to pay for future dividends expected to be paid to its shareholders. COPT periodically accesses the public equity markets to raise capital by issuing common and/or preferred shares.

For COPT to maintain its qualification as a REIT, it must pay dividends to its shareholders aggregating annually to at least 90% of its ordinary taxable income. As a result of this distribution requirement, it cannot rely on retained earnings to fund its ongoing operations to the same extent that some other companies can. COPT may need to continue to raise capital in the equity markets to fund COPLP's working capital needs, development activities and acquisitions.

Liquidity and Capital Resources of COPLP

COPLP's primary cash requirements are for operating expenses, debt service, development of new properties, improvements to existing properties and acquisitions, to the extent they are pursued in the future. We expect COPLP to continue to use cash flow provided by operations as the primary source to meet its short-term capital needs, including property operating expenses, general and administrative expenses, interest expense, scheduled principal amortization of debt, distributions to its security holders and improvements to existing properties. As of December 31, 2018, COPLP had \$8.1 million in cash and cash equivalents.

COPLP's senior unsecured debt is currently rated investment grade by the three major rating agencies. We aim to maintain an investment grade rating to enable COPLP to use debt comprised of unsecured, primarily fixed-rate debt (including the effect of interest rate swaps) from public markets and banks. COPLP also uses secured nonrecourse debt from institutional lenders and banks for joint venture financing. In addition, COPLP periodically raises equity from COPT when COPT accesses the public equity markets by issuing common and/or preferred shares.

COPLP uses its Revolving Credit Facility to initially finance much of its investing activities. COPLP subsequently pays down the facility using cash available from operations and proceeds from long-term borrowings, equity issuances and sales of interests in properties. The lenders' aggregate commitment under the facility is \$800.0 million, with the ability for COPLP to increase the lenders' aggregate commitment to \$1.25 billion, provided that there is no default under the facility and subject to the approval of the lenders. The facility matures in March 2023, and may be extended by two six-month periods at COPLP's option, provided that there is no default under the facility and COPLP pays an extension fee of 0.075% of the total availability under the facility for each extension period. As of December 31, 2018, the maximum borrowing capacity under this facility totaled \$800.0 million, of which \$587.0 million was available.

As of December 31, 2018, COPT had forward equity sale agreements in place with 1.6 million shares available for future issuance with a settlement value of \$46.4 million that we expect to use to fund development costs in March 2019.

In November 2018, COPT replaced its 2016 ATM Program with a new program under which it may offer and sell common shares in at-the-market stock offerings having an aggregate gross sales price of up to \$300 million (the "2018 ATM Program"). Under the 2018 ATM Program, COPT may also, at its discretion, sell common shares under forward equity sales agreements. The use of a forward equity sales agreement would enable us to lock in a price on a sale of common shares when the agreement is executed but defer receiving the proceeds from the sale until a later date.

We believe that COPLP's liquidity and capital resources are adequate for its near-term and longer-term requirements without necessitating property sales. However, we may dispose of interests in properties opportunistically or when capital markets otherwise warrant.

The following table summarizes our contractual obligations as of December 31, 2018 (in thousands):

	For the Years Ending December 31,							Total
	2019	2020	2021	2022	2023	Thereafter		
Contractual obligations (1)								
Debt (2)								
Balloon payments due upon maturity	\$ —	\$ 12,133	\$ 300,000	\$ 263,578	\$ 626,578	\$ 613,252	\$ 1,815,541	
Scheduled principal payments (3)	4,387	4,023	3,875	4,033	3,012	3,633	22,963	
Interest on debt (3)(4)	75,758	75,510	68,443	63,068	37,450	27,566	347,795	
Development and redevelopment obligations (5)(6)	235,068	6,012	—	—	—	—	241,080	
Third-party construction obligations (6)(7)	38,753	9,110	—	—	—	—	47,863	
Tenant and other capital improvements (3)(6)(8)	25,478	13,080	5,590	—	—	—	44,148	
Capital lease obligation (principal and interest)	—	660	—	—	—	—	660	
Operating leases (3)	1,320	1,294	1,278	1,164	1,119	83,373	89,548	
Other obligations (3)	330	232	182	178	178	800	1,900	
Total contractual cash obligations	\$ 381,094	\$ 122,054	\$ 379,368	\$ 332,021	\$ 668,337	\$ 728,624	\$ 2,611,498	

(1) The contractual obligations set forth in this table exclude property operations contracts that may be terminated with notice of one month or less and also exclude accruals and payables incurred (with the exclusion of debt) and therefore reflected in our reported liabilities.

(2) Represents scheduled principal amortization payments and maturities only and therefore excludes net debt discounts and deferred financing costs of \$14.6 million. As of December 31, 2018, maturities included \$213.0 million in 2023 that may be extended to 2024, subject to certain conditions.

(3) We expect to pay these items using cash flow from operations.

(4) Represents interest costs for our outstanding debt as of December 31, 2018 for the terms of such debt. For variable rate debt, the amounts reflected above used December 31, 2018 interest rates on variable rate debt in computing interest costs for the terms of such debt. We expect to pay these items using cash flow from operations.

(5) Represents contractual obligations pertaining to new development and redevelopment activities.

(6) Due to the long-term nature of certain construction and development contracts and leases included in these lines, the amounts reported in the table represent our estimate of the timing for the related obligations being payable.

(7) Represents contractual obligations pertaining to projects for which we are acting as construction manager on behalf of unrelated parties who are our clients. We expect to be reimbursed in full for these costs by our clients.

(8) Represents contractual obligations pertaining to capital expenditures for our operating properties. We expect to pay these costs primarily using cash flow from operating activities.

We expect to spend \$250 million to \$300 million on construction and development costs and approximately \$65 million on improvements and leasing costs for operating properties (including the commitments set forth in the table above) in 2019. We expect to fund the construction and development costs initially using primarily borrowings under our Revolving Credit Facility and proceeds from common shares issued under COPT's forward equity sale agreements. We expect to fund improvements to existing operating properties using cash flow from operating activities.

Certain of our debt instruments require that we comply with a number of restrictive financial covenants, including maximum leverage ratio, unencumbered leverage ratio, minimum net worth, minimum fixed charge coverage, minimum unencumbered interest coverage ratio, minimum debt service and maximum secured indebtedness ratio. As of December 31, 2018, we were compliant with these covenants.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements during 2018.

Inflation

Most of our tenants are obligated to pay their share of a property's operating expenses to the extent such expenses exceed amounts established in their leases, which are based on historical expense levels. Some of our tenants are obligated to pay their full share of a building's operating expenses. These arrangements somewhat reduce our exposure to increases in such costs resulting from inflation.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements for information regarding recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks, one of the most predominant of which is a change in interest rates. Increases in interest rates can result in increased interest expense under our Revolving Credit Facility and other variable rate debt. Increases in interest rates can also result in increased interest expense when our fixed rate debt matures and needs to be refinanced.

The following table sets forth as of December 31, 2018 our debt obligations and weighted average interest rates on debt maturing each year (dollars in thousands):

	For the Years Ending December 31,							Total
	2019	2020	2021	2022	2023	Thereafter		
Debt:								
Fixed rate debt (1)	\$ 3,991	\$ 3,718	\$ 303,875	\$ 4,033	\$ 416,590	\$ 616,885	\$ 1,349,092	
Weighted average interest rate	4.36%	3.96%	3.70%	3.98%	3.70%	5.00%	4.30%	
Variable rate debt (2)	\$ 396	\$ 12,438	\$ —	\$ 263,578	\$ 213,000	\$ —	\$ 489,412	
Weighted average interest rate (3)	4.20%	4.20%	—%	3.66%	3.49%	—%	3.60%	

- (1) Represents principal maturities only and therefore excludes net discounts and deferred financing costs of \$14.6 million.
- (2) As of December 31, 2018, maturities included \$213.0 million in 2023 that may be extended to 2024, subject to certain conditions.
- (3) The amounts reflected above used interest rates as of December 31, 2018 for variable rate debt.

The fair value of our debt was \$1.9 billion as of December 31, 2018 and 2017. If interest rates had been 1% lower, the fair value of our fixed-rate debt would have increased by approximately \$56 million as of December 31, 2018 and \$68 million as of December 31, 2017.

See Note 11 to our consolidated financial statements for information pertaining to interest rate swap contracts in place as of December 31, 2018 and 2017 and their respective fair values.

Based on our variable-rate debt balances, including the effect of interest rate swap contracts, our interest expense would have increased by \$1.7 million in 2018 and \$1.3 million in 2017 if the applicable LIBOR rate was 1% higher. Interest expense in 2018 was more sensitive to a change in interest rates than 2017 due primarily to our having a higher average variable-rate debt balance in 2018.

Item 8. Financial Statements and Supplementary Data

This item is included in a separate section at the end of this report beginning on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

I. Internal Control Over Financial Reporting

COPT

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of COPT's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2018. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that COPT's disclosure controls and procedures as of December 31, 2018 were functioning effectively to provide reasonable assurance that the information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to its management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(a) Management's Report on Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting is included in a separate section at the end of this report on page F-2.

(b) Report of Independent Registered Public Accounting Firm

The Report of Independent Registered Public Accounting Firm is included in a separate section at the end of this report on page F-4.

(c) Change in Internal Control over Financial Reporting

No change in COPT's internal control over financial reporting occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

COPLP

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of COPLP's disclosure controls and procedures (as defined in Rule 15d-15(e) under the Exchange Act) as of December 31, 2018. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that COPLP's disclosure controls and procedures as of December 31, 2018 were functioning effectively to provide reasonable assurance that the information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to its management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(a) Management's Report on Internal Control Over Financial Reporting

Management's Report on Internal Control Over Financial Reporting is included in a separate section at the end of this report on page F-3.

(b) Report of Independent Registered Public Accounting Firm

The Report of Independent Registered Public Accounting Firm is included in a separate section at the end of this report on page F-5.

(c) Change in Internal Control over Financial Reporting

No change in the COPLP's internal control over financial reporting occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Items 10, 11, 12, 13 & 14. Directors, Executive Officers and Corporate Governance; Executive Compensation; Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters; Certain Relationships and Related Transactions, and Director Independence; and Principal Accountant Fees and Services

For the information required by Item 10, Item 11, Item 12, Item 13 and Item 14, you should refer to COPT's definitive proxy statement relating to the 2019 Annual Meeting of COPT's Shareholders to be filed with the Securities and Exchange Commission no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are filed as exhibits to this Form 10-K:

1. **Financial Statements.** See "Index to consolidated financial statements" on page F-1 of this Annual Report on Form 10-K.
2. **Financial Statement Schedules.** See "Index to consolidated financial statements" on page F-1 of this Annual Report on Form 10-K.
3. **See section below entitled "Exhibits."**

(b) Exhibits. Refer to the Exhibit Index that follows. Unless otherwise noted, the file number of all documents incorporated by reference is 1-14023.

EXHIBIT NO.	DESCRIPTION
3.1	Articles Supplementary of Corporate Office Properties Trust filed with the State Department of Assessments and Taxation of Maryland on September 22, 2014 (filed with the Company's Current Report on Form 8-K dated September 24, 2014 and incorporated herein by reference).
3.2	Amended and Restated Declaration of Trust of Corporate Office Properties Trust, as amended through May 15, 2018 (filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 and incorporated herein by reference).
3.3	Amended and Restated Bylaws of Corporate Office Properties Trust, as amended through May 2017 (filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 and incorporated herein by reference).
3.4	Form of certificate for the Registrant's Common Shares of Beneficial Interest, \$0.01 par value per share (filed with the Company's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
10.1	Third Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P. (filed with the Company's Current Report on Form 8-K dated December 6, 2018 and incorporated herein by reference).
10.2.1*	Corporate Office Properties Trust Supplemental Nonqualified Deferred Compensation Plan (filed with the Company's Current Report on Form 8-K dated December 10, 2008 and incorporated herein by reference).
10.2.2*	First Amendment to the Corporate Office Properties Trust Supplemental Nonqualified Deferred Compensation Plan dated December 4, 2008 (filed with the Company's Current Report on Form 8-K dated December 10, 2008 and incorporated herein by reference).
10.3.1*	Corporate Office Properties Trust 2008 Omnibus Equity and Incentive Plan (included in Annex B to the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on April 9, 2008 and incorporated herein by reference).
10.3.2*	Corporate Office Properties Trust Amended and Restated 2008 Omnibus Equity and Incentive Plan (included in Annex A to the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 30, 2010 and incorporated herein by reference).
10.3.3*	Corporate Office Properties Trust First Amendment to the Amended and Restated 2008 Omnibus Equity and Incentive Plan (filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated herein by reference).

EXHIBIT NO.	DESCRIPTION
10.4.1*	<u>Corporate Office Properties Trust 2017 Omnibus Equity and Incentive Plan (included in Annex B to the Company's Definitive Proxy Statement on Schedule 14A filed with the Securities and Exchange Commission on March 27, 2017 and incorporated herein by reference).</u>
10.4.2*	<u>First Amendment to the Corporate Office Properties Trust 2017 Omnibus Equity and Incentive Plan (filed with the Company's Current Report on Form 8-K dated December 6, 2018 and incorporated herein by reference).</u>
10.5.1*	<u>Form of Corporate Office Properties Trust Performance-Based Restricted Share Unit Award Certificate (2017 Omnibus Equity and Incentive Plan) (filed with the Company's Current Report on Form 8-K dated August 23, 2017 and incorporated herein by reference).</u>
10.5.2*	<u>Form of Corporate Office Properties Trust Performance-Based Restricted Share Unit Award Certificate (2017 Omnibus Equity and Incentive Plan) (filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference).</u>
10.6*	<u>Corporate Office Properties Trust and Corporate Office Properties, L.P. Executive Change in Control and Severance Plan (filed with the Company's Current Report on Form 8-K dated March 13, 2013 and incorporated herein by reference).</u>
10.7*	<u>Letter Agreement, dated May 12, 2016, between Corporate Office Properties Trust, Corporate Office Properties, L.P., and Stephen E. Budorick (filed with the Company's Current Report on Form 8-K dated May 17, 2016 and incorporated herein by reference).</u>
10.8*	<u>Letter Agreement, dated November 1, 2016, between Corporate Office Properties Trust, Corporate Office Properties, L.P., and Anthony Mifsud (filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference).</u>
10.9*	<u>Letter Agreement, dated November 1, 2016, between Corporate Office Properties Trust, Corporate Office Properties, L.P., and Gregory J. Thor (filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference).</u>
10.10*	<u>Letter Agreement, dated November 28, 2016, between Corporate Office Properties Trust, Corporate Office Properties, L.P., and Paul R. Adkins (filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference).</u>
10.11	<u>Amended and Restated Registration Rights Agreement, dated March 16, 1998, for the benefit of certain shareholders of the Company (filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).</u>
10.12	<u>Indenture, dated as of May 6, 2013, among Corporate Office Properties, L.P., as issuer, Corporate Office Properties Trust, as guarantor, and U.S. Bank National Association, as trustee (filed with the Company's Current Report on Form 8-K dated May 7, 2013 and incorporated herein by reference).</u>
10.13	<u>Registration Rights Agreement, dated May 6, 2013, among Corporate Office Properties, L.P., Corporate Office Properties Trust, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC (filed with the Company's Current Report on Form 8-K dated May 7, 2013 and incorporated herein by reference).</u>
10.14	<u>Indenture, dated as of September 16, 2013, by and among Corporate Office Properties, L.P., as issuer, Corporate Office Properties Trust, as guarantor, and U.S. Bank National Association, as trustee (filed with the Company's Current Report on Form 8-K dated September 19, 2013 and incorporated herein by reference).</u>
10.15	<u>First Supplemental Indenture, dated September 16, 2013, by and among Corporate Office Properties, L.P., as issuer, Corporate Office Properties Trust, as guarantor, and U.S. Bank National Association, as trustee (filed with the Company's Current Report on Form 8-K dated September 19, 2013 and incorporated herein by reference).</u>
10.16	<u>Second Supplemental Indenture, dated as of May 14, 2014, among Corporate Office Properties, L.P., as issuer, Corporate Office Properties Trust, as guarantor, and U.S. Bank National Association, as trustee. (filed with the Company's Current Report on Form 8-K dated May 20, 2014 and incorporated herein by reference).</u>
10.17	<u>Third Supplemental Indenture, dated as of June 29, 2015, among Corporate Office Properties, L.P., as issuer, Corporate Office Properties Trust, as guarantor, and U.S. Bank National Association, as trustee (filed with the Company's Current Report on Form 8-K dated July 1, 2015 and incorporated herein by reference).</u>
10.18.1	<u>Term Loan Agreement, dated as of December 17, 2015, by and among Corporate Office Properties, L.P.; Corporate Office Properties Trust; Capital One, National Association, PNC Capital Markets LLC and Regions Capital Markets, a division of Regions Bank, PNC Bank, National Association and Regions Bank (filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and incorporated herein by reference).</u>

EXHIBIT NO.	DESCRIPTION
10.18.2	First Amendment to Term Loan Agreement, dated as of September 15, 2016, by and among Corporate Office Properties, L.P.; Corporate Office Properties Trust; Capital One, National Association, PNC Capital Markets LLC and Regions Capital Markets, a division of Regions Bank, PNC Bank, National Association and Regions Bank (filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30 2016 and incorporated herein by reference).
10.18.3	Second Amendment to Term Loan Agreement, dated as of December 18, 2017, by and among Corporate Office Properties, L.P.; Corporate Office Properties Trust; Capital One, National Association, PNC Capital Markets LLC and Regions Capital Markets, a division of Regions Bank, PNC Bank, National Association and Regions Bank (filed with the Company’s Annual Report on Form 10-K for the year ended December 31, 2017 and incorporated herein by reference).
10.18.4	Third Amendment to Term Loan Agreement, dated as of November 7, 2018, by and among Corporate Office Properties, L.P.; Corporate Office Properties Trust; Capital One, National Association, PNC Capital Markets LLC and Regions Capital Markets, a division of Regions Bank, PNC Bank, National Association and Regions Bank (filed herewith).
10.19	Credit Agreement, dated as of October 10, 2018, by and among Corporate Office Properties, L.P.; Corporate Office Properties Trust; KeyBank National Association; KeyBanc Capital Markets, Inc.; JPMorgan Chase Bank, N.A.; Citibank, N.A.; Wells Fargo Bank, National Association; Barclays Bank PLC; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Bank of America, N.A.; U.S. Bank National Association; Capital One National Association; Manufacturers and Traders Trust Company; PNC Bank, National Association; Regions Bank; and TD Bank, N.A. (filed with the Company’s Current Report on Form 8-K dated October 16, 2018 and incorporated herein by reference).
21.1	Subsidiaries of COPT (filed herewith).
21.2	Subsidiaries of COPLP (filed herewith).
23.1	COPT’s Consent of Independent Registered Public Accounting Firm (filed herewith).
23.2	COPLP’s Consent of Independent Registered Public Accounting Firm (filed herewith).
31.1	Certification of the Chief Executive Officer of Corporate Office Properties Trust required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of the Chief Financial Officer of Corporate Office Properties Trust required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.3	Certification of the Chief Executive Officer of Corporate Office Properties, L.P. required by Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.4	Certification of the Chief Financial Officer of Corporate Office Properties, L.P. required by Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of the Chief Executive Officer of Corporate Office Properties Trust required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith).
32.2	Certification of the Chief Financial Officer of Corporate Office Properties Trust required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith).
32.3	Certification of the Chief Executive Officer of Corporate Office Properties, L.P. required by Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith).
32.4	Certification of the Chief Financial Officer of Corporate Office Properties, L.P. required by Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith).
101.INS	XBRL Instance Document (filed herewith).

EXHIBIT NO.	DESCRIPTION
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.LAB	XBRL Extension Labels Linkbase (filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).

* - Indicates a compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

(c) Not applicable.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORPORATE OFFICE PROPERTIES TRUST

Date: February 21, 2019

By: /s/ Stephen E. Budorick
Stephen E. Budorick
President and Chief Executive Officer

Date: February 21, 2019

By: /s/ Anthony Mifsud
Anthony Mifsud
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
_____ /s/ Thomas F. Brady (Thomas F. Brady)	Chairman of the Board and Trustee	February 21, 2019
_____ /s/ Stephen E. Budorick (Stephen E. Budorick)	President and Chief Executive Officer and Trustee	February 21, 2019
_____ /s/ Anthony Mifsud (Anthony Mifsud)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2019
_____ /s/ Gregory J. Thor (Gregory J. Thor)	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2019
_____ /s/ Robert L. Denton (Robert L. Denton)	Trustee	February 21, 2019
_____ /s/ Philip L. Hawkins (Philip L. Hawkins)	Trustee	February 21, 2019
_____ /s/ David M. Jacobstein (David M. Jacobstein)	Trustee	February 21, 2019
_____ /s/ Steven D. Kesler (Steven D. Kesler)	Trustee	February 21, 2019
_____ /s/ C. Taylor Pickett (C. Taylor Pickett)	Trustee	February 21, 2019
_____ /s/ Lisa G. Trimberger (Lisa G. Trimberger)	Trustee	February 21, 2019

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust,
its General Partner

Date: February 21, 2019

By: /s/ Stephen E. Budorick

Stephen E. Budorick
President and Chief Executive Officer

Date: February 21, 2019

By: /s/ Anthony Mifsud

Anthony Mifsud
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Thomas F. Brady</u> (Thomas F. Brady)	Chairman of the Board and Trustee	February 21, 2019
<u>/s/ Stephen E. Budorick</u> (Stephen E. Budorick)	President and Chief Executive Officer and Trustee	February 21, 2019
<u>/s/ Anthony Mifsud</u> (Anthony Mifsud)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 21, 2019
<u>/s/ Gregory J. Thor</u> (Gregory J. Thor)	Senior Vice President, Controller and Chief Accounting Officer (Principal Accounting Officer)	February 21, 2019
<u>/s/ Robert L. Denton</u> (Robert L. Denton)	Trustee	February 21, 2019
<u>/s/ Philip L. Hawkins</u> (Philip L. Hawkins)	Trustee	February 21, 2019
<u>/s/ David M. Jacobstein</u> (David M. Jacobstein)	Trustee	February 21, 2019
<u>/s/ Steven D. Kesler</u> (Steven D. Kesler)	Trustee	February 21, 2019
<u>/s/ C. Taylor Pickett</u> (C. Taylor Pickett)	Trustee	February 21, 2019
<u>/s/ Lisa G. Trimberger</u> (Lisa G. Trimberger)	Trustee	February 21, 2019

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Consolidated Financial Statements of Corporate Office Properties, L.P.

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Corporate Office Properties Trust Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2018. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and trustees; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018 based upon criteria in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that our internal control over financial reporting was effective as of December 31, 2018 based on the criteria in Internal Control - Integrated Framework (2013) issued by the COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Corporate Office Properties, L.P. Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, and for performing an assessment of the effectiveness of internal control over financial reporting as of December 31, 2018. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and trustees; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management performed an assessment of the effectiveness of our internal control over financial reporting as of December 31, 2018 based upon criteria in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our assessment, management determined that our internal control over financial reporting was effective as of December 31, 2018 based on the criteria in Internal Control - Integrated Framework (2013) issued by the COSO.

The effectiveness of our internal control over financial reporting as of December 31, 2018 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of
Corporate Office Properties Trust:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Corporate Office Properties Trust and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland

February 21, 2019

We have served as the Company's auditor since 1997.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Unitholders of
Corporate Office Properties, L.P.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Corporate Office Properties, L.P. and its subsidiaries (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of operations, of comprehensive income, of equity and of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland

February 21, 2019

We have served as the Company's auditor since 2013.

Corporate Office Properties Trust and Subsidiaries
Consolidated Balance Sheets
(in thousands, except share data)

	December 31,	
	2018	2017
Assets		
Properties, net:		
Operating properties, net	\$ 2,847,265	\$ 2,737,611
Projects in development or held for future development	403,361	403,494
Total properties, net	3,250,626	3,141,105
Assets held for sale, net	—	42,226
Cash and cash equivalents	8,066	12,261
Investment in unconsolidated real estate joint venture	39,845	41,787
Accounts receivable (net of allowance for doubtful accounts of \$830 and \$607, respectively)	26,277	31,802
Deferred rent receivable (net of allowance of \$264 and \$364, respectively)	89,350	86,710
Intangible assets on real estate acquisitions, net	43,470	59,092
Deferred leasing costs (net of accumulated amortization of \$31,994 and \$29,560, respectively)	50,191	48,322
Investing receivables	56,982	57,493
Interest rate derivatives	5,617	3,073
Prepaid expenses and other assets, net	85,581	71,334
Total assets	\$ 3,656,005	\$ 3,595,205
Liabilities and equity		
Liabilities:		
Debt, net	\$ 1,823,909	\$ 1,828,333
Accounts payable and accrued expenses	92,855	108,137
Rents received in advance and security deposits	30,079	25,648
Dividends and distributions payable	30,856	28,921
Deferred revenue associated with operating leases	9,125	11,682
Deferred property sale	—	43,377
Capital lease obligation	660	15,853
Other liabilities	15,213	41,822
Total liabilities	2,002,697	2,103,773
Commitments and contingencies (Note 20)		
Redeemable noncontrolling interests	26,260	23,125
Equity:		
Corporate Office Properties Trust's shareholders' equity:		
Common Shares of beneficial interest (\$0.01 par value; 150,000,000 shares authorized; shares issued and outstanding of 110,241,868 at December 31, 2018 and 101,292,299 at December 31, 2017)	1,102	1,013
Additional paid-in capital	2,431,355	2,201,047
Cumulative distributions in excess of net income	(846,808)	(802,085)
Accumulated other comprehensive (loss) income	(238)	2,167
Total Corporate Office Properties Trust's shareholders' equity	1,585,411	1,402,142
Noncontrolling interests in subsidiaries:		
Common units in COPLP	19,168	45,097
Preferred units in COPLP	8,800	8,800
Other consolidated entities	13,669	12,268
Noncontrolling interests in subsidiaries	41,637	66,165
Total equity	1,627,048	1,468,307
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,656,005	\$ 3,595,205

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per share data)

	For the Years Ended December 31,		
	2018	2017	2016
Revenues			
Rental revenue	\$ 407,686	\$ 405,722	\$ 417,711
Tenant recoveries and other real estate operations revenue	109,567	104,258	108,253
Construction contract and other service revenues	60,859	102,840	48,364
Total revenues	<u>578,112</u>	<u>612,820</u>	<u>574,328</u>
Operating expenses			
Property operating expenses	201,035	190,964	197,530
Depreciation and amortization associated with real estate operations	137,116	134,228	132,719
Construction contract and other service expenses	58,326	99,618	45,481
Impairment losses	2,367	15,123	101,391
General, administrative and leasing expenses	28,900	30,837	36,553
Business development expenses and land carry costs	5,840	6,213	8,244
Total operating expenses	<u>433,584</u>	<u>476,983</u>	<u>521,918</u>
Interest expense	(75,385)	(76,983)	(83,163)
Interest and other income	4,358	6,318	5,444
Gain on sales of real estate	2,340	9,890	59,679
Loss on early extinguishment of debt	(258)	(513)	(1,110)
Income before equity in income of unconsolidated entities and income taxes	<u>75,583</u>	<u>74,549</u>	<u>33,260</u>
Equity in income of unconsolidated entities	2,697	1,490	752
Income tax benefit (expense)	363	(1,098)	(244)
Net income	<u>78,643</u>	<u>74,941</u>	<u>33,768</u>
Net income attributable to noncontrolling interests:			
Common units in COPLP	(1,742)	(1,890)	(507)
Preferred units in COPLP	(660)	(660)	(660)
Other consolidated entities	(3,940)	(3,646)	(3,711)
Net income attributable to COPT	<u>72,301</u>	<u>68,745</u>	<u>28,890</u>
Preferred share dividends	—	(6,219)	(14,297)
Issuance costs associated with redeemed preferred shares	—	(6,847)	(17)
Net income attributable to COPT common shareholders	<u>\$ 72,301</u>	<u>\$ 55,679</u>	<u>\$ 14,576</u>
Earnings per common share: (1)			
Net income attributable to COPT common shareholders - basic	<u>\$ 0.69</u>	<u>\$ 0.56</u>	<u>\$ 0.15</u>
Net income attributable to COPT common shareholders - diluted	<u>\$ 0.69</u>	<u>\$ 0.56</u>	<u>\$ 0.15</u>

(1) Basic and diluted earnings per common share are calculated based on amounts attributable to common shareholders of Corporate Office Properties Trust.
See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries
Consolidated Statements of Comprehensive Income
(in thousands)

	For the Years Ended December 31,		
	2018	2017	2016
Net income	\$ 78,643	\$ 74,941	\$ 33,768
Other comprehensive (loss) income			
Unrealized (loss) gain on interest rate derivatives	(2,373)	684	(2,915)
(Gain) loss on interest rate derivatives recognized in interest expense	(407)	3,304	4,230
Equity in other comprehensive income (loss) of equity method investee	210	39	(184)
Other comprehensive (loss) income	(2,570)	4,027	1,131
Comprehensive income	76,073	78,968	34,899
Comprehensive income attributable to noncontrolling interests	(6,453)	(6,325)	(4,902)
Comprehensive income attributable to COPT	\$ 69,620	\$ 72,643	\$ 29,997

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries
Consolidated Statements of Equity
(Dollars in thousands)

	Preferred Shares	Common Shares	Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
Balance at December 31, 2015 (94,531,512 common shares outstanding)	\$ 199,083	\$ 945	\$ 2,004,507	\$ (657,172)	\$ (2,838)	\$ 72,039	\$ 1,616,564
Reclassification of preferred shares to be redeemed to liability (531,667 shares)	(26,583)	—	17	(17)	—	—	(26,583)
Conversion of common units to common shares (87,000 shares)	—	1	1,166	—	—	(1,167)	—
Common shares issued under at-the-market program (3,721,227 shares)	—	37	109,016	—	—	—	109,053
Share-based compensation (158,912 shares issued, net of redemptions)	—	2	7,451	—	—	—	7,453
Redemption of vested equity awards	—	—	(2,466)	—	—	—	(2,466)
Adjustments to noncontrolling interests resulting from changes in ownership of COPLP	—	—	(2,158)	—	—	2,158	—
Comprehensive income	—	—	—	28,890	1,107	2,659	32,656
Dividends	—	—	—	(119,526)	—	—	(119,526)
Distributions to owners of common and preferred units in COPLP	—	—	—	—	—	(4,650)	(4,650)
Contributions from noncontrolling interests in other consolidated entities	—	—	—	—	—	1,244	1,244
Distributions to noncontrolling interest in other consolidated entities	—	—	—	—	—	(16)	(16)
Adjustment to arrive at fair value of redeemable noncontrolling interests	—	—	(621)	—	—	—	(621)
Tax loss from share-based compensation	—	—	(331)	—	—	—	(331)
Balance at December 31, 2016 (98,498,651 common shares outstanding)	172,500	985	2,116,581	(747,825)	(1,731)	72,267	1,612,777
Redemption of preferred shares (6,900,000 shares)	(172,500)	—	6,847	(6,847)	—	—	(172,500)
Conversion of common units to common shares (339,513 shares)	—	3	4,633	—	—	(4,636)	—
Common shares issued under forward equity sale agreements (1,678,913 shares)	—	17	49,927	—	—	—	49,944
Common shares issued under at-the-market program (591,042 shares)	—	6	19,662	—	—	—	19,668
Exercise of share options (5,000 shares)	—	—	150	—	—	—	150
Share-based compensation (179,180 shares issued, net of redemptions)	—	2	6,093	—	—	—	6,095
Redemption of vested equity awards	—	—	(1,973)	—	—	—	(1,973)
Adjustments to noncontrolling interests resulting from changes in ownership of COPLP	—	—	(1,486)	—	—	1,486	—
Comprehensive income	—	—	—	68,745	3,898	3,987	76,630
Dividends	—	—	—	(116,158)	—	—	(116,158)
Distributions to owners of common and preferred units in COPLP	—	—	—	—	—	(4,322)	(4,322)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	—	(2,617)	(2,617)
Adjustment to arrive at fair value of redeemable noncontrolling interests	—	—	626	—	—	—	626
Tax loss from share-based compensation	—	—	(13)	—	—	—	(13)
Balance at December 31, 2017 (101,292,299 common shares outstanding)	—	1,013	2,201,047	(802,085)	2,167	66,165	1,468,307
Cumulative effect of accounting change for adoption of hedge accounting guidance	—	—	—	(276)	276	—	—
Balance at December 31, 2017, as adjusted	—	1,013	2,201,047	(802,361)	2,443	66,165	1,468,307
Conversion of common units to common shares (1,904,615 shares)	—	19	27,394	—	—	(27,413)	—
Redemption of common units	—	—	—	—	—	(339)	(339)
Common shares issued under forward equity sale agreements (5,907,000 shares)	—	59	172,235	—	—	—	172,294
Common shares issued under at-the-market program (991,664 shares)	—	10	29,722	—	—	—	29,732
Share-based compensation (146,290 shares issued, net of redemptions)	—	1	6,962	—	—	—	6,963
Redemption of vested equity awards	—	—	(1,702)	—	—	—	(1,702)
Adjustments to noncontrolling interests resulting from changes in ownership of COPLP	—	—	(2,466)	—	—	2,466	—
Comprehensive income	—	—	—	72,301	(2,681)	3,930	73,550
Dividends	—	—	—	(116,748)	—	—	(116,748)
Distributions to owners of common and preferred units in COPLP	—	—	—	—	—	(3,157)	(3,157)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	—	(15)	(15)
Adjustment to arrive at fair value of redeemable noncontrolling interests	—	—	(1,837)	—	—	—	(1,837)
Balance at December 31, 2018 (110,241,868 common shares outstanding)	\$ —	\$ 1,102	\$ 2,431,355	\$ (846,808)	\$ (238)	\$ 41,637	\$ 1,627,048

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	For the Years Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Revenues from real estate operations received	\$ 528,066	\$ 510,551	\$ 514,098
Construction contract and other service revenues received	33,579	102,531	76,824
Property operating expenses paid	(197,647)	(186,577)	(196,352)
Construction contract and other service expenses paid	(79,386)	(82,707)	(46,318)
General, administrative, leasing, business development and land carry costs paid	(27,006)	(32,673)	(34,877)
Interest expense paid	(72,460)	(73,079)	(77,982)
Lease incentives paid	(7,679)	(9,725)	(2,760)
Income taxes paid	(21)	(31)	(5)
Other	3,036	1,831	1,642
Net cash provided by operating activities	<u>180,482</u>	<u>230,121</u>	<u>234,270</u>
Cash flows from investing activities			
Construction, development and redevelopment	(159,994)	(200,504)	(161,519)
Tenant improvements on operating properties	(35,098)	(33,409)	(34,275)
Other capital improvements on operating properties	(24,223)	(22,882)	(26,345)
Proceeds from dispositions of properties	—	180,839	262,866
Proceeds from partial sales of properties, net of related debt	—	—	43,089
Leasing costs paid	(10,926)	(14,581)	(10,296)
Other	(2,677)	1,174	(2,346)
Net cash (used in) provided by investing activities	<u>(232,918)</u>	<u>(89,363)</u>	<u>71,174</u>
Cash flows from financing activities			
Proceeds from debt			
Revolving Credit Facility	381,000	352,000	495,500
Other debt proceeds	13,406	—	255,000
Repayments of debt			
Revolving Credit Facility	(294,000)	(226,000)	(539,000)
Scheduled principal amortization	(4,240)	(4,062)	(5,595)
Other debt repayments	(100,000)	(200,000)	(322,907)
Deferred financing costs paid	(8,292)	(500)	(825)
Payments on capital lease obligations	(15,379)	—	—
Net proceeds from issuance of common shares	202,065	69,534	109,069
Redemption of preferred shares	—	(199,083)	—
Common share dividends paid	(114,286)	(109,174)	(104,135)
Preferred share dividends paid	—	(9,305)	(14,210)
Distributions paid to noncontrolling interests in COPLP	(3,699)	(4,426)	(4,619)
Distributions paid to redeemable noncontrolling interests	(1,382)	(8,215)	(15,206)
Redemption of vested equity awards	(1,702)	(1,973)	(2,466)
Other	(3,936)	2,658	(5,694)
Net cash provided by (used in) financing activities	<u>49,555</u>	<u>(338,546)</u>	<u>(155,088)</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(2,881)	(197,788)	150,356
Cash and cash equivalents and restricted cash			
Beginning of year	14,831	212,619	62,263
End of year	<u>\$ 11,950</u>	<u>\$ 14,831</u>	<u>\$ 212,619</u>

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries
Consolidated Statements of Cash Flows (continued)
(in thousands)

	For the Years Ended December 31,		
	2018	2017	2016
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$ 78,643	\$ 74,941	\$ 33,768
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and other amortization	139,063	136,501	134,870
Impairment losses	2,367	15,116	101,341
Amortization of deferred financing costs and net debt discounts	3,393	4,307	5,885
Increase in deferred rent receivable	(4,621)	(2,651)	(145)
Gain on sales of real estate	(2,340)	(9,890)	(59,679)
Share-based compensation	6,376	5,615	6,843
Other	(2,733)	(4,216)	(2,605)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	5,673	2,783	(5,262)
(Increase) decrease in prepaid expenses and other assets, net	(987)	7,219	(16,559)
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(49,179)	4,309	43,163
Increase (decrease) in rents received in advance and security deposits	4,827	(3,913)	(7,350)
Net cash provided by operating activities	<u>\$ 180,482</u>	<u>\$ 230,121</u>	<u>\$ 234,270</u>
Reconciliation of cash and cash equivalents and restricted cash:			
Cash and cash equivalents at beginning of period	\$ 12,261	\$ 209,863	\$ 60,310
Restricted cash at beginning of period	2,570	2,756	1,953
Cash and cash equivalents and restricted cash at beginning of period	<u>\$ 14,831</u>	<u>\$ 212,619</u>	<u>\$ 62,263</u>
Cash and cash equivalents at end of period	\$ 8,066	\$ 12,261	\$ 209,863
Restricted cash at end of period	3,884	2,570	2,756
Cash and cash equivalents and restricted cash at end of period	<u>\$ 11,950</u>	<u>\$ 14,831</u>	<u>\$ 212,619</u>
Supplemental schedule of non-cash investing and financing activities:			
Increase (decrease) in accrued capital improvements, leasing and other investing activity costs	\$ 6,570	\$ (10,654)	\$ 5,950
Increase in property in connection with capital lease obligation	\$ —	\$ 16,127	\$ —
Increase in property and redeemable noncontrolling interests in connection with property contributed into a joint venture	\$ —	\$ —	\$ 22,600
Non-cash changes from recognition of property sale previously accounted for as financing arrangement:			
Decrease in assets held for sale, net	\$ (42,226)	\$ —	\$ —
Decrease in deferred property sale	\$ 43,377	\$ —	\$ —
Non-cash changes from partial sale of properties, net of debt:			
Decrease in properties, net	\$ —	\$ —	\$ (114,597)
Increase in investment in unconsolidated real estate joint venture	\$ —	\$ —	\$ 44,373
Decrease in debt	\$ —	\$ —	\$ 59,534
Other net decreases in assets and liabilities	\$ —	\$ —	\$ 4,211
Increase in fair value of derivatives applied to accumulated other comprehensive income and noncontrolling interests	\$ 2,915	\$ 3,845	\$ 1,315
Decrease in redeemable noncontrolling interests and increase in other liabilities in connection with distribution payable to redeemable noncontrolling interests	\$ —	\$ —	\$ 6,675
Equity in other comprehensive income (loss) of an equity method investee	\$ 210	\$ 39	\$ (184)
Reclassification of preferred shares to be redeemed to liability	\$ —	\$ —	\$ 26,583
Dividends/distributions payable	\$ 30,856	\$ 28,921	\$ 31,335
Decrease in noncontrolling interests and increase in shareholders' equity in connection with the conversion of common units into common shares	\$ 27,413	\$ 4,636	\$ 1,167
Adjustments to noncontrolling interests resulting from changes in COPLP ownership	\$ 2,466	\$ 1,486	\$ 2,158
Increase (decrease) in redeemable noncontrolling interests and decrease (increase) in equity to carry redeemable noncontrolling interests at fair value	\$ 1,837	\$ (626)	\$ 621

See accompanying notes to consolidated financial statements.

Corporate Office Properties, L.P. and Subsidiaries
Consolidated Balance Sheets
(in thousands, except unit data)

	December 31,	
	2018	2017
Assets		
Properties, net:		
Operating properties, net	\$ 2,847,265	\$ 2,737,611
Projects in development or held for future development	403,361	403,494
Total properties, net	3,250,626	3,141,105
Assets held for sale, net	—	42,226
Cash and cash equivalents	8,066	12,261
Investment in unconsolidated real estate joint venture	39,845	41,787
Accounts receivable (net of allowance for doubtful accounts of \$830 and \$607, respectively)	26,277	31,802
Deferred rent receivable (net of allowance of \$264 and \$364, respectively)	89,350	86,710
Intangible assets on real estate acquisitions, net	43,470	59,092
Deferred leasing costs (net of accumulated amortization of \$31,994 and \$29,560, respectively)	50,191	48,322
Investing receivables	56,982	57,493
Interest rate derivatives	5,617	3,073
Prepaid expenses and other assets, net	81,713	66,718
Total assets	\$ 3,652,137	\$ 3,590,589
Liabilities and equity		
Liabilities:		
Debt, net	\$ 1,823,909	\$ 1,828,333
Accounts payable and accrued expenses	92,855	108,137
Rents received in advance and security deposits	30,079	25,648
Distributions payable	30,856	28,921
Deferred revenue associated with operating leases	9,125	11,682
Deferred property sale	—	43,377
Capital lease obligation	660	15,853
Other liabilities	11,345	37,206
Total liabilities	1,998,829	2,099,157
Commitments and contingencies (Note 20)		
Redeemable noncontrolling interests	26,260	23,125
Equity:		
Corporate Office Properties, L.P.'s equity:		
Preferred units held by limited partner, 352,000 preferred units outstanding at December 31, 2018 and 2017	8,800	8,800
Common units, 110,241,868 and 101,292,299 held by the general partner and 1,332,886 and 3,250,878 held by limited partners at December 31, 2018 and 2017, respectively	1,604,655	1,445,022
Accumulated other comprehensive (loss) income	(121)	2,173
Total Corporate Office Properties, L.P.'s equity	1,613,334	1,455,995
Noncontrolling interests in subsidiaries	13,714	12,312
Total equity	1,627,048	1,468,307
Total liabilities, redeemable noncontrolling interests and equity	\$ 3,652,137	\$ 3,590,589

See accompanying notes to consolidated financial statements.

Corporate Office Properties, L.P. and Subsidiaries
Consolidated Statements of Operations
(in thousands, except per unit data)

	For the Years Ended December 31,		
	2018	2017	2016
Revenues			
Rental revenue	\$ 407,686	\$ 405,722	\$ 417,711
Tenant recoveries and other real estate operations revenue	109,567	104,258	108,253
Construction contract and other service revenues	60,859	102,840	48,364
Total revenues	578,112	612,820	574,328
Operating expenses			
Property operating expenses	201,035	190,964	197,530
Depreciation and amortization associated with real estate operations	137,116	134,228	132,719
Construction contract and other service expenses	58,326	99,618	45,481
Impairment losses	2,367	15,123	101,391
General, administrative and leasing expenses	28,900	30,837	36,553
Business development expenses and land carry costs	5,840	6,213	8,244
Total operating expenses	433,584	476,983	521,918
Interest expense	(75,385)	(76,983)	(83,163)
Interest and other income	4,358	6,318	5,444
Gain on sales of real estate	2,340	9,890	59,679
Loss on early extinguishment of debt	(258)	(513)	(1,110)
Income before equity in income of unconsolidated entities and income taxes	75,583	74,549	33,260
Equity in income of unconsolidated entities	2,697	1,490	752
Income tax benefit (expense)	363	(1,098)	(244)
Net income	78,643	74,941	33,768
Net income attributable to noncontrolling interests in consolidated entities	(3,940)	(3,646)	(3,715)
Net income attributable to COPLP	74,703	71,295	30,053
Preferred unit distributions	(660)	(6,879)	(14,957)
Issuance costs associated with redeemed preferred units	—	(6,847)	(17)
Net income attributable to COPLP common unitholders	\$ 74,043	\$ 57,569	\$ 15,079
Earnings per common unit: (1)			
Net income attributable to COPLP common unitholders - basic	\$ 0.69	\$ 0.56	\$ 0.15
Net income attributable to COPLP common unitholders - diluted	\$ 0.69	\$ 0.56	\$ 0.15

(1) Basic and diluted earnings per common unit are calculated based on amounts attributable to common unitholders of Corporate Office Properties, L.P.
See accompanying notes to consolidated financial statements.

Corporate Office Properties, L.P. and Subsidiaries
Consolidated Statements of Comprehensive Income
(in thousands)

	For the Years Ended December 31,		
	2018	2017	2016
Net income	\$ 78,643	\$ 74,941	\$ 33,768
Other comprehensive (loss) income			
Unrealized (loss) gain on interest rate derivatives	(2,373)	684	(2,915)
(Gain) loss on interest rate derivatives recognized in interest expense	(407)	3,304	4,230
Equity in other comprehensive income (loss) of equity method investee	210	39	(184)
Other comprehensive (loss) income	(2,570)	4,027	1,131
Comprehensive income	76,073	78,968	34,899
Comprehensive income attributable to noncontrolling interests	(3,940)	(3,646)	(3,715)
Comprehensive income attributable to COPLP	\$ 72,133	\$ 75,322	\$ 31,184

See accompanying notes to consolidated financial statements.

Corporate Office Properties, L.P. and Subsidiaries
Consolidated Statements of Equity
(Dollars in thousands)

	Limited Partner Preferred Units		General Partner Preferred Units		Common Units		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Equity
	Units	Amount	Units	Amount	Units	Amount			
Balance at December 31, 2015	352,000	\$8,800	7,431,667	\$199,083	98,208,903	\$1,400,745	\$ (2,985)	\$ 10,921	\$1,616,564
Reclassification of preferred units to be redeemed to liability	—	—	(531,667)	(26,583)	—	—	—	—	(26,583)
Issuance of common units resulting from common shares issued under COPT at-the-market program	—	—	—	—	3,721,227	109,053	—	—	109,053
Share-based compensation (units net of redemption)	—	—	—	—	158,912	7,453	—	—	7,453
Redemptions of vested equity awards	—	—	—	—	—	(2,466)	—	—	(2,466)
Comprehensive income	—	660	—	14,297	—	15,096	1,131	1,472	32,656
Distributions to owners of common and preferred units	—	(660)	—	(14,297)	—	(109,219)	—	—	(124,176)
Contributions from noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	1,244	1,244
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(16)	(16)
Adjustment to arrive at fair value of redeemable noncontrolling interests	—	—	—	—	—	(621)	—	—	(621)
Tax loss from share-based compensation	—	—	—	—	—	(331)	—	—	(331)
Balance at December 31, 2016	352,000	8,800	6,900,000	172,500	102,089,042	1,419,710	(1,854)	13,621	1,612,777
Reclassification of preferred units to be redeemed to liability	—	—	(6,900,000)	(172,500)	—	—	—	—	(172,500)
Issuance of common units resulting from public issuance of common shares	—	—	—	—	1,678,913	49,944	—	—	49,944
Issuance of common units resulting from common shares issued under COPT at-the-market program	—	—	—	—	591,042	19,668	—	—	19,668
Issuance of common units resulting from exercise of share options	—	—	—	—	5,000	150	—	—	150
Share-based compensation (units net of redemption)	—	—	—	—	179,180	6,095	—	—	6,095
Redemptions of vested equity awards	—	—	—	—	—	(1,973)	—	—	(1,973)
Comprehensive income	—	660	—	6,219	—	64,416	4,027	1,308	76,630
Distributions to owners of common and preferred units	—	(660)	—	(6,219)	—	(113,601)	—	—	(120,480)
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(2,617)	(2,617)
Adjustment to arrive at fair value of redeemable noncontrolling interests	—	—	—	—	—	626	—	—	626
Tax loss from share-based compensation	—	—	—	—	—	(13)	—	—	(13)
Balance at December 31, 2017	352,000	8,800	—	—	104,543,177	1,445,022	2,173	12,312	1,468,307
Cumulative effect of accounting change for adoption of hedge accounting guidance	—	—	—	—	—	(276)	276	—	—
Balance at December 31, 2017, as adjusted	352,000	8,800	—	—	104,543,177	1,444,746	2,449	12,312	1,468,307
Redemption of common units	—	—	—	—	(13,377)	(339)	—	—	(339)
Issuance of common units resulting from common shares issued under COPT forward equity sale agreements	—	—	—	—	5,907,000	172,294	—	—	172,294
Issuance of common units resulting from common shares issued under COPT at-the-market program	—	—	—	—	991,664	29,732	—	—	29,732
Share-based compensation (units net of redemption)	—	—	—	—	146,290	6,963	—	—	6,963
Redemptions of vested equity awards	—	—	—	—	—	(1,702)	—	—	(1,702)
Comprehensive income	—	660	—	—	—	74,043	(2,570)	1,417	73,550
Distributions to owners of common and preferred units	—	(660)	—	—	—	(119,245)	—	—	(119,905)
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(15)	(15)
Adjustment to arrive at fair value of redeemable noncontrolling interests	—	—	—	—	—	(1,837)	—	—	(1,837)
Balance at December 31, 2018	352,000	\$8,800	—	\$ —	111,574,754	\$1,604,655	\$ (121)	\$ 13,714	\$1,627,048

See accompanying notes to consolidated financial statements.

Corporate Office Properties, L.P. and Subsidiaries
Consolidated Statements of Cash Flows
(in thousands)

	For the Years Ended December 31,		
	2018	2017	2016
Cash flows from operating activities			
Revenues from real estate operations received	\$ 528,066	\$ 510,551	\$ 514,098
Construction contract and other service revenues received	33,579	102,531	76,824
Property operating expenses paid	(197,647)	(186,577)	(196,352)
Construction contract and other service expenses paid	(79,386)	(82,707)	(46,318)
General, administrative, leasing, business development and land carry costs paid	(27,006)	(32,673)	(34,877)
Interest expense paid	(72,460)	(73,079)	(77,982)
Lease incentives paid	(7,679)	(9,725)	(2,760)
Income taxes paid	(21)	(31)	(5)
Other	3,036	1,831	1,642
Net cash provided by operating activities	<u>180,482</u>	<u>230,121</u>	<u>234,270</u>
Cash flows from investing activities			
Construction, development and redevelopment	(159,994)	(200,504)	(161,519)
Tenant improvements on operating properties	(35,098)	(33,409)	(34,275)
Other capital improvements on operating properties	(24,223)	(22,882)	(26,345)
Proceeds from dispositions of properties	—	180,839	262,866
Proceeds from partial sales of properties, net of related debt	—	—	43,089
Leasing costs paid	(10,926)	(14,581)	(10,296)
Other	(2,677)	1,174	(2,346)
Net cash (used in) provided by investing activities	<u>(232,918)</u>	<u>(89,363)</u>	<u>71,174</u>
Cash flows from financing activities			
Proceeds from debt			
Revolving Credit Facility	381,000	352,000	495,500
Other debt proceeds	13,406	—	255,000
Repayments of debt			
Revolving Credit Facility	(294,000)	(226,000)	(539,000)
Scheduled principal amortization	(4,240)	(4,062)	(5,595)
Other debt repayments	(100,000)	(200,000)	(322,907)
Deferred financing costs paid	(8,292)	(500)	(825)
Payments on capital lease obligations	(15,379)	—	—
Net proceeds from issuance of common units	202,065	69,534	109,069
Redemption of preferred units	—	(199,083)	—
Common unit distributions paid	(117,325)	(112,940)	(108,094)
Preferred unit distributions paid	(660)	(9,965)	(14,870)
Distributions paid to redeemable noncontrolling interests	(1,382)	(8,215)	(15,206)
Redemption of vested equity awards	(1,702)	(1,973)	(2,466)
Other	(3,936)	2,658	(5,694)
Net cash provided by (used in) financing activities	<u>49,555</u>	<u>(338,546)</u>	<u>(155,088)</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	<u>(2,881)</u>	<u>(197,788)</u>	<u>150,356</u>
Cash and cash equivalents and restricted cash			
Beginning of year	14,831	212,619	62,263
End of year	<u>\$ 11,950</u>	<u>\$ 14,831</u>	<u>\$ 212,619</u>

See accompanying notes to consolidated financial statements.

Corporate Office Properties, L.P. and Subsidiaries
Consolidated Statements of Cash Flows (Continued)
(in thousands)

	For the Years Ended December 31,		
	2018	2017	2016
Reconciliation of net income to net cash provided by operating activities:			
Net income	\$ 78,643	\$ 74,941	\$ 33,768
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and other amortization	139,063	136,501	134,870
Impairment losses	2,367	15,116	101,341
Amortization of deferred financing costs and net debt discounts	3,393	4,307	5,885
Increase in deferred rent receivable	(4,621)	(2,651)	(145)
Gain on sales of real estate	(2,340)	(9,890)	(59,679)
Share-based compensation	6,376	5,615	6,843
Other	(2,733)	(4,216)	(2,605)
Changes in operating assets and liabilities:			
Decrease (increase) in accounts receivable	5,673	2,783	(5,262)
(Increase) decrease in prepaid expenses and other assets, net	(1,735)	6,398	(16,885)
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(48,431)	5,130	43,489
Increase (decrease) in rents received in advance and security deposits	4,827	(3,913)	(7,350)
Net cash provided by operating activities	<u>\$ 180,482</u>	<u>\$ 230,121</u>	<u>\$ 234,270</u>
Reconciliation of cash and cash equivalents and restricted cash:			
Cash and cash equivalents at beginning of period	\$ 12,261	\$ 209,863	\$ 60,310
Restricted cash at beginning of period	2,570	2,756	1,953
Cash and cash equivalents and restricted cash at beginning of period	<u>\$ 14,831</u>	<u>\$ 212,619</u>	<u>\$ 62,263</u>
Cash and cash equivalents at end of period	\$ 8,066	\$ 12,261	\$ 209,863
Restricted cash at end of period	3,884	2,570	2,756
Cash and cash equivalents and restricted cash at end of period	<u>\$ 11,950</u>	<u>\$ 14,831</u>	<u>\$ 212,619</u>
Supplemental schedule of non-cash investing and financing activities:			
Increase (decrease) in accrued capital improvements, leasing and other investing activity costs	\$ 6,570	\$ (10,654)	\$ 5,950
Increase in property in connection with capital lease obligation	\$ —	\$ 16,127	\$ —
Increase in property and redeemable noncontrolling interests in connection with property contributed into a joint venture	\$ —	\$ —	\$ 22,600
Non-cash changes from recognition of property sale previously accounted for as financing arrangement:			
Decrease in assets held for sale, net	\$ (42,226)	\$ —	\$ —
Decrease in deferred property sale	\$ 43,377	\$ —	\$ —
Non-cash changes from partial sale of properties, net of debt:			
Decrease in properties, net	\$ —	\$ —	\$ (114,597)
Increase in investment in unconsolidated real estate joint venture	\$ —	\$ —	\$ 44,373
Decrease in debt	\$ —	\$ —	\$ 59,534
Other net decreases in assets and liabilities	\$ —	\$ —	\$ 4,211
Increase in fair value of derivatives applied to accumulated other comprehensive income and noncontrolling interests	\$ 2,915	\$ 3,845	\$ 1,315
Decrease in redeemable noncontrolling interests and increase in other liabilities in connection with distribution payable to redeemable noncontrolling interests	\$ —	\$ —	\$ 6,675
Equity in other comprehensive income (loss) of an equity method investee	\$ 210	\$ 39	\$ (184)
Reclassification of preferred units to be redeemed to liability	\$ —	\$ —	\$ 26,583
Distributions payable	\$ 30,856	\$ 28,921	\$ 31,335
Increase (decrease) in redeemable noncontrolling interests and decrease (increase) in equity to carry redeemable noncontrolling interests at fair value	\$ 1,837	\$ (626)	\$ 621

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements

1. Organization

Corporate Office Properties Trust (“COPT”) and subsidiaries (collectively, the “Company”) is a fully-integrated and self-managed real estate investment trust (“REIT”). Corporate Office Properties, L.P. (“COPLP”) and subsidiaries (collectively, the “Operating Partnership”) is the entity through which COPT, the sole general partner of COPLP, conducts almost all of its operations and owns almost all of its assets. Unless otherwise expressly stated or the context otherwise requires, “we”, “us” and “our” as used herein refer to each of the Company and the Operating Partnership. We own, manage, lease, develop and selectively acquire office and data center properties. The majority of our portfolio is in locations that support the United States Government and its contractors, most of whom are engaged in national security, defense and information technology (“IT”) related activities servicing what we believe are growing, durable, priority missions (“Defense/IT Locations”). We also own a portfolio of office properties located in select urban/urban-like submarkets in the Greater Washington, DC/Baltimore region with durable Class-A office fundamentals and characteristics (“Regional Office”). As of December 31, 2018, our properties included the following (all references to number of properties, square footage, acres and megawatts are unaudited):

- 163 properties totaling 18.1 million square feet comprised of 15.1 million square feet in 145 office properties and 3.0 million square feet in 18 single-tenant data center shell properties (“data center shells”). We owned six of these data center shells through an unconsolidated real estate joint venture;
- a wholesale data center with a critical load of 19.25 megawatts;
- ten properties under construction or redevelopment (six office properties and four data center shells) that we estimate will total approximately 1.3 million square feet upon completion, including two partially-operational properties; and
- approximately 900 acres of land controlled for future development that we believe could be developed into approximately 1.7 million square feet and 150 acres of other land.

COPLP owns real estate directly and through subsidiary partnerships and limited liability companies (“LLCs”). In addition to owning real estate, COPLP also owns subsidiaries that provide real estate services such as property management and construction and development services primarily for our properties but also for third parties. Some of these services are performed by a taxable REIT subsidiary (“TRS”).

Equity interests in COPLP are in the form of common and preferred units. As of December 31, 2018, COPT owned 98.8% of the outstanding COPLP common units (“common units”); the remaining common units and all of the outstanding COPLP preferred units (“preferred units”) were owned by third parties. Common units not owned by COPT carry certain redemption rights. The number of common units owned by COPT is equivalent to the number of outstanding common shares of beneficial interest (“common shares”) of COPT, and the entitlement of all common units to quarterly distributions and payments in liquidation is substantially the same as those of COPT common shareholders. Similarly, in the case of any series of preferred units held by COPT, there is a series of preferred shares of beneficial interest (“preferred shares”) in COPT that is equivalent in number and carries substantially the same terms as such series of COPLP preferred units. COPT’s common shares are publicly traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “OFC”.

Because COPLP is managed by COPT, and COPT conducts substantially all of its operations through COPLP, we refer to COPT’s executive officers as COPLP’s executive officers; similarly, although COPLP does not have a board of trustees, we refer to COPT’s Board of Trustees as COPLP’s Board of Trustees.

2. Summary of Significant Accounting Policies

Basis of Presentation

The COPT consolidated financial statements include the accounts of COPT, the Operating Partnership, their subsidiaries and other entities in which COPT has a majority voting interest and control. The COPLP consolidated financial statements include the accounts of COPLP, its subsidiaries and other entities in which COPLP has a majority voting interest and control. We also consolidate certain entities when control of such entities can be achieved through means other than voting rights (“variable interest entities” or “VIEs”) if we are deemed to be the primary beneficiary of such entities. We eliminate all intercompany balances and transactions in consolidation.

We use the equity method of accounting when we own an interest in an entity and can exert significant influence over but cannot control the entity’s operations. We discontinue equity method accounting if our investment in an entity (and net

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

advances) is reduced to zero unless we have guaranteed obligations of the entity or are otherwise committed to provide further financial support for the entity.

When we own an equity investment in an entity and cannot exert significant influence over its operations:

- prior to January 1, 2018, we used the cost method of accounting;
and
- effective January 1, 2018, we measure the investment at fair value, with changes recognized through net income. For an investment without a readily determinable fair value, we measure the investment at cost, less any impairments, plus or minus changes resulting from observable price changes for an identical or similar investment of the same issuer.

Use of Estimates in the Preparation of Financial Statements

We make estimates and assumptions when preparing financial statements under generally accepted accounting principles (“GAAP”). These estimates and assumptions affect various matters, including:

- the reported amounts of assets and liabilities in our consolidated balance sheets at the dates of the financial statements;
- the disclosure of contingent assets and liabilities at the dates of the financial statements;
and
- the reported amounts of revenues and expenses in our consolidated statements of operations during the reporting periods.

Significant estimates are inherent in the presentation of our financial statements in a number of areas, including the evaluation of the collectability of accounts and deferred rent receivable, the allocation of property acquisition costs, the determination of estimated useful lives of assets, the determination of lease terms, the evaluation of impairment of long-lived assets, the amount of impairment losses recognized, the amount of revenue recognized relating to tenant improvements, the level of expense recognized in connection with share-based compensation and the determination of accounting method for investments. Actual results could differ from these and other estimates.

Acquisitions of Operating Properties

Upon completion of operating property acquisitions, we allocate the purchase price to tangible and intangible assets and liabilities associated with such acquisitions based on our estimates of their fair values. We determine these fair values by using market data and independent appraisals available to us and making numerous estimates and assumptions. We allocate operating property acquisitions to the following components:

- properties based on a valuation performed under the assumption that the property is vacant upon acquisition (the “if-vacant value”). The if-vacant value is allocated between land and buildings or, in the case of properties under development, construction in progress. We also allocate additional amounts to properties for in-place tenant improvements based on our estimate of improvements per square foot provided under market leases that would be attributable to the remaining non-cancelable terms of the respective leases;
- above- and below-market lease intangible assets or liabilities based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the difference between: (1) the contractual amounts to be received pursuant to the in-place leases; and (2) our estimate of fair market lease rates for the corresponding space, measured over a period equal to the remaining non-cancelable term of the lease. The capitalized above- and below-market lease values are amortized as adjustments to rental revenue over the remaining lease terms of the respective leases, and to renewal periods in the case of below-market leases;
- in-place lease value based on our estimates of: (1) the present value of additional income to be realized as a result of leases being in place on the acquired properties; and (2) costs to execute similar leases. Our estimate of additional income to be realized includes carrying costs, such as real estate taxes, insurance and other operating expenses, and revenues during the expected lease-up periods considering current market conditions. Our estimate of costs to execute similar leases includes leasing commissions, legal and other related costs;
- tenant relationship value based on our evaluation of the specific characteristics of each tenant’s lease and our overall relationship with that respective tenant. Characteristics we consider in determining these values include the nature and extent of our existing business relationships with the tenant, growth prospects for developing new business with the tenant, the tenant’s credit quality and expectations of lease renewals, among other factors; and
- above- and below-market cost arrangements (such as real estate tax treaties or above- or below-market ground leases) based on the present value of the expected benefit from any such arrangements in place on the property at the time of acquisition.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Intangible Assets and Deferred Revenue on Real Estate Acquisitions

We amortize the intangible assets and deferred revenue on real estate acquisitions discussed above as follows:

Asset Type	Amortization Period
Above- and below-market leases	Related lease terms
In-place lease value	Related lease terms
Tenant relationship value	Estimated period of time that tenant will lease space in property
Above- and below-market cost arrangements	Term of arrangements

We recognize the amortization of acquired above-market and below-market leases as adjustments to rental revenue. We recognize the amortization of above- and below-market cost arrangements as adjustments to property operating expenses. We recognize the amortization of other intangible assets on property acquisitions as amortization expense.

Properties

We report properties to be developed or held and used in operations at our depreciated cost, reduced for impairment losses. The preconstruction stage of the development or redevelopment of an operating property includes efforts and related costs to secure land control and zoning, evaluate feasibility and complete other initial tasks which are essential to development.

We capitalize direct and indirect project costs (including related compensation and other indirect costs), interest expense and real estate taxes associated with properties, or portions thereof, undergoing construction, development and redevelopment activities. In capitalizing interest expense, if there is a specific borrowing for a property undergoing construction, development and redevelopment activities, we apply the interest rate of that borrowing to the average accumulated expenditures that do not exceed such borrowing; for the portion of expenditures exceeding any such specific borrowing, we apply our weighted average interest rate on other borrowings to the expenditures. We continue to capitalize costs while construction, development or redevelopment activities are underway until a property becomes "operational," which occurs when lease terms commence (generally when the tenant has control of the leased space and we have delivered the premises to the tenant as required under the terms of such lease), but no later than one year after the cessation of major construction activities. When leases commence on portions of a newly-constructed or redeveloped property in the period prior to one year from the cessation of major construction activities, we consider that property to be "partially operational." When a property is partially operational, we allocate the costs associated with the property between the portion that is operational and the portion under construction. We start depreciating newly-constructed and redeveloped properties as they become operational.

Most of our leases involve some form of improvements to leased space. When we are required to provide improvements under the terms of a lease, we determine whether the improvements constitute landlord assets or tenant assets. If the improvements are landlord assets, we capitalize the cost of the improvements and recognize depreciation expense associated with such improvements over the shorter of the useful life of the assets or the term of the lease and recognize any payments from the tenant as rental revenue over the term of the lease. If the improvements are tenant assets, we defer the cost of improvements funded by us as a lease incentive asset and amortize it as a reduction of rental revenue over the term of the lease. In determining whether improvements constitute landlord or tenant assets, we consider numerous factors, including: whether the improvements are unique to the tenant or reusable by other tenants; whether the tenant is permitted to alter or remove the improvements without our consent or without compensating us for any lost fair value; whether the ownership of the improvements remains with us or remains with the tenant at the end of the lease term; and whether the economic substance of the lease terms is properly reflected.

We depreciate our fixed assets using the straight-line method over their estimated useful lives as follows:

	Estimated Useful Lives
Buildings and building improvements	10-40 years
Land improvements	10-20 years
Tenant improvements on operating properties	Related lease term
Equipment and personal property	3-10 years

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

We assess each of our properties for indicators of impairment quarterly or when circumstances indicate that a property may be impaired. If our analyses indicate that the carrying values of operating properties, properties in development or land held for future development may be impaired, we perform a recovery analysis for such properties. For long-lived assets to be held and used, we analyze recoverability based on the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets over, in most cases, a ten-year holding period. If we believe there is a significant possibility that we might dispose of the assets earlier, we analyze recoverability using a probability weighted analysis of the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets over the various possible holding periods. If the recovery analysis indicates that the carrying value of a tested property is not recoverable from estimated future cash flows, it is written down to its estimated fair value and an impairment loss is recognized. If and when our plans change, we revise our recoverability analyses to use the cash flows expected from the operations and eventual disposition of each asset using holding periods that are consistent with our revised plans. Changes in holding periods may require us to recognize significant impairment losses.

Fair values are estimated based on contract prices, indicative bids, discounted cash flow analyses, yield analyses or sales comparison approach. Estimated cash flows used in such analyses are based on our plans for the property and our views of market and economic conditions. The estimates consider factors such as current and future rental rates, occupancies for the tested property and comparable properties, estimated operating and capital expenditures and recent sales data for comparable properties; most of these factors are influenced by market data obtained from real estate leasing and brokerage firms and our direct experience with the properties and their markets.

When we determine that a property is held for sale, we stop depreciating the property and estimate the property's fair value, net of selling costs; if we then determine that the estimated fair value, net of selling costs, is less than the net book value of the property, we recognize an impairment loss equal to the difference and reduce the net book value of the property. For periods in which a property is classified as held for sale, we classify the assets of the property as held for sale on our consolidated balance sheet for such periods.

When we dispose of, or classify as held for sale, a component or group of components that represents a strategic shift having a major effect on our operations and financial results (such as a major geographical area of operations, a major line of business or a major equity method investment), we classify the associated results of operations as discontinued operations. We had no properties newly classified as discontinued operations in the last three years.

Sales of Interests in Real Estate

We recognize gains from sales of interests in real estate using the full accrual method, provided that various criteria relating to the terms of sale and any subsequent involvement by us with the real estate sold are met.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments that mature three months or less from when they are purchased. Cash equivalents are reported at cost, which approximates fair value. We maintain our cash in bank accounts in amounts that may exceed Federally insured limits at times. We have not experienced any losses in these accounts in the past and believe that we are not exposed to significant credit risk because our accounts are deposited with major financial institutions.

Investments in Marketable Securities

We classify marketable securities as trading securities when we have the intent to sell such securities in the near term, and classify other marketable securities as available-for-sale securities. We determine the appropriate classification of investments in marketable securities at the acquisition date and re-evaluate the classification at each balance sheet date. We report investments in marketable securities classified as trading securities at fair value (which is included in the line entitled "Prepaid expenses and other assets, net" on our consolidated balance sheets), with unrealized gains and losses recognized through earnings; on our consolidated statements of cash flows, we classify cash flows from these securities as operating activities.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Accounts and Deferred Rents Receivable and Investing Receivables

We maintain allowances for estimated losses resulting from the failure of our customers or borrowers to satisfy their payment obligations. We use judgment in estimating these allowances based primarily upon the payment history and credit status of the entities associated with the individual receivables. We write off these receivables when we believe the facts and circumstances indicate that continued pursuit of collection is no longer warranted. When cash is received in connection with receivables for which we have established allowances, we reduce the amount of losses previously recognized.

We evaluate the collectability of both interest and principal of loans whenever events or changes in circumstances indicate such amounts may not be recoverable. A loan is impaired when it is probable that we will be unable to collect all amounts due according to the existing contractual terms. When a loan is impaired, the amount of the loss accrual is calculated by comparing the carrying amount of the investment to the present value of expected future cash flows discounted at the loan's effective interest rate and the value of any collateral under such loan.

Interest on impaired loans is recognized when received in cash.

Deferred Leasing Costs

We defer costs incurred to obtain new tenant leases or extend existing tenant leases, including related compensation costs. We amortize these costs evenly over the lease terms. We classify leasing costs paid as an investing activity on our statements of cash flows since such costs are necessary in order for us to generate long-term future cash flows from our properties. When tenant leases are terminated early, we expense any unamortized deferred leasing costs associated with those leases over the shortened term of the lease.

Deferred Financing Costs

We defer costs of financing arrangements and recognize these costs as interest expense over the related debt terms on a straight-line basis, which approximates the amortization that would occur under the effective interest method of amortization. We expense any unamortized loan costs when loans are retired early. We present deferred costs of financing arrangements as a direct deduction from the related debt liability, except for costs attributable to line-of-credit arrangements and interest rate derivatives, which we present in the balance sheet in the line entitled "prepaid expenses and other assets, net".

Noncontrolling Interests

COPT's consolidated noncontrolling interests are comprised of interests in COPLP not owned by COPT (discussed further in Note 14) and interests in consolidated real estate joint ventures not owned by us (discussed further in Note 6). COPLP's consolidated noncontrolling interests are comprised primarily of interests in our consolidated real estate joint ventures. Also included in COPLP's consolidated noncontrolling interests are interests in several real estate entities owned directly by COPT, or a wholly owned subsidiary of COPT, that generally do not exceed 1% of interests in such entities. We evaluate whether noncontrolling interests are subject to redemption features outside of our control. For noncontrolling interests that are currently redeemable for cash at the option of the holders of such interests or deemed probable to eventually become redeemable, we classify such interests as redeemable noncontrolling interests in the mezzanine section of our consolidated balance sheets; we adjust these interests each period to the greater of their fair value or carrying amount (initial amount as adjusted for allocations of income and losses and contributions and distributions), with a corresponding offset to additional paid-in capital on COPT's consolidated balance sheets or common units on COPLP's balance sheet, and only recognize reductions in such interests to the extent of their carrying amount. Our other noncontrolling interests are reported in the equity section of our consolidated balance sheets. The amounts reported for noncontrolling interests on our consolidated statements of operations represent the portion of these entities' income or losses not attributable to us.

Revenue Recognition

Real Estate Operations Revenue

We recognize minimum rents, net of abatements, on a straight-line basis over the noncancelable term of tenant leases. A lease term commences when: (1) the tenant has control of the leased space (legal right to use the property); and (2) we have delivered the premises to the tenant as required under the terms of such lease. The noncancelable term of a lease includes

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

periods when a tenant: (1) may not terminate its lease obligation early without incurring a penalty in such an amount that the continuation of the lease appears reasonably assured; (2) possesses renewal rights and the tenant's failure to exercise such rights imposes a penalty on the tenant material enough such that renewal appears reasonably assured; or (3) possesses bargain renewal options for such periods. We report the amount by which our minimum rental revenue recognized on a straight-line basis under leases exceeds the contractual rent billings associated with such leases as deferred rent receivable on our consolidated balance sheets. Amounts by which our minimum rental revenue recognized on a straight-line basis under leases are less than the contractual rent billings associated with such leases are reported in liabilities as deferred revenue associated with operating leases on our consolidated balance sheets.

In connection with a tenant's entry into, or modification of, a lease, if we make cash payments to, or on behalf of, the tenant for purposes other than funding the construction of landlord assets, we defer the amount of such payments as lease incentives. As discussed above, when we are required to provide improvements under the terms of a lease, we determine whether the improvements constitute landlord assets or tenant assets; if the improvements are tenant assets, we defer the cost of improvements funded by us as a lease incentive asset. We amortize lease incentives as a reduction of rental revenue over the term of the lease.

We recognize tenant recovery revenue in the same periods in which we incur the related expenses. Tenant recovery revenue includes payments from tenants as reimbursement for property taxes, utilities and other property operating expenses.

We recognize fees received for lease terminations as revenue and write off against such revenue any (1) deferred rents receivable, and (2) deferred revenue, lease incentives and intangible assets that are amortizable into rental revenue associated with the leases; the resulting net amount is the net revenue from the early termination of the leases. When a tenant's lease for space in a property is terminated early but the tenant continues to lease such space under a new or modified lease in the property, the net revenue from the early termination of the lease is recognized evenly over the remaining life of the new or modified lease in place on that property.

Construction Contract and Other Service Revenues

We enter into construction contracts to complete various design and construction services primarily for our United States Government tenants. The revenues and expenses from these services consist primarily of subcontracted costs that are reimbursed to us by our customers along with a fee. These services are an ancillary component of our overall operations, with small operating margins relative to the revenue. We review each contract to determine the performance obligations and allocate the transaction price based on the standalone selling price, as discussed further below. We recognize revenue under these contracts as services are performed in an amount that reflects the consideration we expect to receive in exchange for those services. Our performance obligations are satisfied over time as work progresses. Revenue recognition is determined using the input method based on costs incurred as of point in time relative to the total estimated costs at completion to measure progress toward satisfying our performance obligations. We believe incurred costs of work performed best depicts the transfer of control of the services being transferred to the customer.

In determining whether the performance obligations of each construction contract should be accounted for separately versus together, we consider numerous factors that may require significant judgment, including: whether the components contracted are substantially the same with the same pattern of transfer; whether the customer could contract with another party to perform construction based on our design project; and whether the customer can elect not to move forward after the design phase of the contract. Most of our contracts have a single performance obligation as the promise to transfer the services is not separately identifiable from other obligations in the contracts and, therefore, are not distinct. Some contracts have multiple performance obligations, most commonly due to having distinct project phases for design and construction for which our customer is making decisions and managing separately. In these cases, we allocate the transaction price between these performance obligations based on the relative standalone selling prices, which we determine by evaluating: the relative costs of each performance obligation; the expected operating margins (which typically do not vary significantly between obligations); and amounts set forth in the contracts for each obligation. Contract modifications, such as change orders, are routine for our construction contracts and are generally determined to be additions to the existing performance obligations because they would have been part of the initial performance obligations if they were identified at the initial contract date.

We have three main types of compensation arrangements for our construction contracts: guaranteed maximum price ("GMP"); firm fixed price ("FFP"); and cost-plus fee.

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Notes to Consolidated Financial Statements (Continued)

- GMP contracts provide for revenue equal to costs incurred plus a fee equal to a percentage of such costs, up to a maximum contract amount. We generally enter into GMP contracts for projects that are significant in nature based on the size of the project and total fees, and for which the full scope of the project has not been determined as of the contract date. GMP contracts are lower risk to us than FFP contracts since the costs and revenue move proportionately to one another.
- FFP contracts provide for revenue equal to a fixed fee. These contracts are typically lower in value and scope relative to GMP contracts, and are generally entered into when the scope of the project is well defined. Typically, we assume more risk with FFP contracts than GMP contracts since the revenue is fixed and we could realize losses or less than expected profits if we incur more costs than originally estimated. However, these types of contracts offer the opportunity for additional profits when we complete the work for less than originally estimated.
- Cost-plus fee contracts provide for revenue equal to costs incurred plus a fee equal to a percentage of such costs but, unlike GMP contracts, do not have a maximum contract amount. Similar to GMP contracts, cost-plus fee contracts are low risk to us since the costs and revenue move proportionately to one another.

Construction contract cost estimates are based primarily on contracts in place with subcontractors to complete most of the work, but may also include assumptions, such as performance of subcontractors and cost and availability of materials, to project the outcome of future events over the course of the project. We review and update these estimates regularly as a significant change could affect the profitability of our construction contracts. We recognize adjustments in estimated profit on contracts under the cumulative catch-up method as the modification does not create a new performance obligation. Under this method, the impact of the adjustment on profit recorded to date on a contract is recognized in the period the adjustment is identified. Revenue and profit in future periods are recognized using the adjusted estimate. If at any time the estimate of contract profitability indicates an anticipated loss on the contract, we recognize the total loss in the quarter it is identified.

Our timing of revenue recognition for construction contracts generally differs from the timing of invoicing to customers. We recognize such revenue as we satisfy our performance obligations. Payment terms and conditions vary by contract type. Under most of our contracts, we bill customers monthly, as work progresses, in accordance with the contract terms, with payment due in 30 days, although customers occasionally pay in advance of services being provided. We have determined that our contracts generally do not include a significant financing component. The primary purpose of the timing of our invoicing is for convenience, not to receive financing from our customers or to provide customers with financing. Additionally, the timing of transfer of the services is often at the discretion of the customer.

Under most of our contracts, we bill customers one month subsequent to revenue recognition, resulting in contract assets representing unbilled construction revenue.

Our contract liabilities consist of advance payments from our customers or billings in excess of construction contract revenue recognized.

Interest Rate Derivatives

Our primary objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for our making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Derivatives are used to hedge the cash flows associated with interest rates on existing debt as well as future debt. We recognize all derivatives as assets or liabilities on our consolidated balance sheet at fair value.

Prior to our adoption of guidance issued by the FASB effective January 1, 2018, we: deferred only the effective portion of changes in fair value of the designated cash flow hedges to accumulated other comprehensive income ("AOCI") or loss ("AOCL"), reclassifying such deferrals to interest expense as interest expense was recognized on the hedged forecasted transactions; and recognized the ineffective portion of the change in fair value of interest rate derivatives directly in interest expense. Effective January 1, 2018, we defer all changes in the fair value of designated cash flow hedges to AOCI or AOCL, reclassifying such deferrals to interest expense as interest expense is recognized on the hedged forecasted transactions. When an interest rate swap designated as a cash flow hedge no longer qualifies for hedge accounting and the hedged transactions are probable not to occur, we recognize changes in fair value of the hedge previously deferred to AOCI or AOCL, along with any changes in fair value occurring thereafter, through earnings. We do not use interest rate derivatives for trading or speculative purposes. We manage counter-party risk by only entering into contracts with major financial institutions based upon their credit ratings and other risk factors.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

We use standard market conventions and techniques such as discounted cash flow analysis, option pricing models, replacement cost and termination cost in computing the fair value of derivatives at each balance sheet date. We made an accounting policy election to use an exception provided for in the applicable accounting guidance with respect to measuring counterparty credit risk for derivative instruments; this election enables us to measure the fair value of groups of assets and liabilities associated with derivative instruments consistently with how market participants would price the net risk exposure as of the measurement date.

Refer to the section below entitled “Recent Accounting Pronouncements” for additional disclosure pertaining to the effect of the new hedge accounting guidance that we adopted effective January 1, 2018 and Note 11 for additional disclosure pertaining to our interest rate derivatives.

Expense Classification

We classify as property operations expense costs incurred for property taxes, ground rents, utilities, property management, insurance, repairs, exterior and interior maintenance and tenant revenue collection losses, as well as associated labor and indirect costs attributable to these costs.

We classify as general, administrative and leasing expenses costs incurred for corporate-level management, public company administration, asset management, leasing, investor relations, marketing and corporate-level insurance (including general business and director and officers) and leasing prospects, as well as associated labor and indirect costs attributable to these expenses.

Share-Based Compensation

We issue three forms of share-based compensation: restricted COPT common shares (“restricted shares”), deferred share awards (also known as restricted share units) and performance share units (also known as performance share awards) (“PSUs”). We also issued options to purchase COPT common shares (“options”) in prior years. We account for share-based compensation in accordance with authoritative guidance provided by the FASB that establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services, focusing primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. The guidance requires us to measure the cost of employee services received in exchange for an award of equity instruments based generally on the fair value of the award on the grant date; such cost is then recognized over the period during which the employee is required to provide service in exchange for the award. No compensation cost is recognized for equity instruments for which employees do not render the requisite service. The guidance also requires that share-based compensation be computed based on awards that are ultimately expected to vest; as a result, future forfeitures of awards are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. If an award is voluntarily cancelled by an employee, we recognize the previously unrecognized cost associated with the original award on the date of such cancellation. We capitalize costs associated with share-based compensation attributable to employees engaged in construction and development activities.

When we adopted the authoritative guidance on accounting for share-based compensation, we elected to adopt the alternative transition method for calculating the tax effects of share-based compensation. This method enabled us to use a simplified method to establishing the beginning balance of the additional paid-in capital pool related to the tax effects of employee share-based compensation that was available to absorb tax deficiencies recognized subsequent to the adoption of this guidance.

We compute the fair value of restricted shares and deferred share awards based on the fair value of COPT common shares on the grant date. We compute the fair value of PSUs using a Monte Carlo model. Significant assumptions used for that model include the following: the baseline common share value is the market value on the grant date; the risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant; and expected volatility is based on historical volatility of COPT’s common shares.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Income Taxes

COPT elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code. To qualify as a REIT, COPT must meet a number of organizational and operational requirements, including a requirement that it distribute at least 90% of the Company's adjusted taxable income to its shareholders. As a REIT, COPT generally will not be subject to Federal income tax on taxable income that it distributes to its shareholders. If COPT fails to qualify as a REIT in any tax year, it will be subject to Federal income tax on its taxable income at regular corporate rates and may not be able to qualify as a REIT for four subsequent tax years.

COPLP is a limited partnership and is not subject to federal income tax. Its partners are required to report their respective share of the Operating Partnership's taxable income on their respective tax returns. COPT's share of the Operating Partnership's taxable income is reported on COPT's income tax return.

For Federal income tax purposes, dividends to shareholders may be characterized as ordinary income, capital gains or return of capital. The characterization of dividends paid on COPT's common and preferred shares during each of the last three years was as follows:

	Common Shares			Preferred Shares		
	For the Years Ended December 31,			For the Years Ended December 31,		
	2018	2017	2016	2018	2017	2016
Ordinary income	83.1%	86.5%	48.0%	N/A	100.0%	100.0%
Return of capital	16.9%	13.5%	52.0%	N/A	0.0%	0.0%

We distributed all of COPT's REIT taxable income in 2018, 2017 and 2016 and, as a result, did not incur Federal income tax in those years.

The net basis of our consolidated assets and liabilities for tax reporting purposes was approximately \$47 million lower than the amount reported on our consolidated balance sheet as of December 31, 2018 which was primarily related to differences in basis for net properties, intangible assets on property acquisitions and deferred rent receivable.

We are subject to certain state and local income and franchise taxes. The expense associated with these state and local taxes is included in general and administrative expense and property operating expenses on our consolidated statements of operations. We did not separately state these amounts on our consolidated statements of operations because they are insignificant.

Reclassification

We reclassified certain amounts from prior periods to conform to the current period presentation of our consolidated financial statements with no effect on previously reported net income or equity, including restricted cash and marketable securities that were reclassified to the line entitled "prepaid expenses and other assets, net" on our consolidated balance sheets after having been reported on a separate line in our Quarterly Reports on Form 10-Q filed in prior years and previous Annual Reports on Form 10-K.

Recent Accounting Pronouncements

We adopted guidance issued by the Financial Accounting Standards Board ("FASB") effective January 1, 2018 regarding the recognition of revenue from contracts with customers ("Topic 606"). Under this guidance, an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance also requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We determined that Topic 606 is applicable to our construction contract and other service revenues, which includes predominantly construction and design projects performed primarily for tenants of our properties. We used the modified retrospective method for contracts that were not completed as of January 1, 2018. Under this method, the cumulative effect of initially applying the guidance is recognized as an adjustment to the opening balance of retained earnings as of the date of initial application. Our adoption of Topic 606 effective January 1, 2018 did not affect our consolidated financial statements other than additional disclosure provided in accordance with the guidance. We did not elect to use any of the practical expedients provided for under the guidance. As

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

discussed further below, Topic 606 will also apply to lease revenue deemed to be non-lease components (such as common area maintenance and provision of utilities) once the new guidance setting forth principles for the recognition, measurement, presentation and disclosure of leases goes into effect on January 1, 2019.

We adopted, prospectively effective January 1, 2018, guidance issued by the FASB that requires entities to measure equity investments at fair value through net income, except for those that result in consolidation or are accounted for under the equity method of accounting. For equity investments without readily determinable fair values, the guidance permits the application of a measurement alternative using the cost of the investment, less any impairments, plus or minus changes resulting from observable price changes for an identical or similar investment of the same issuer. Our adoption of this guidance had no effect on our consolidated financial statements.

We adopted, retrospectively effective January 1, 2018, guidance issued by the FASB pertaining to reporting on the statement of cash flows that:

- clarifies how entities should classify certain cash receipts and cash payments on the statement of cash flows with the objective of reducing the existing diversity in practice related to eight specific cash flow issues. The areas addressed in the new guidance relate to debt prepayment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned and bank-owned life insurance policies, distributions received from equity method investments, beneficial interest in securitization transactions and separately identifiable cash flows and application of the predominance principle; and
- requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents and amounts described as restricted cash or restricted cash equivalents. Under the new guidance, amounts described as restricted cash and restricted cash equivalents will be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows. As a result of our adoption of this guidance, the change in restricted cash is no longer reported as either operating or investing activities on our statements of cash flows. Our restricted cash primarily consists of cash escrowed under mortgage debt for capital improvements and real estate taxes and certain tenant security deposits.

Our adoption of this guidance had the following effects on our consolidated statements of cash flows for the years ended December 31, 2017 and December 31, 2016 (in thousands):

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted	As Previously Reported	Impact of Adoption	As Adjusted
Net cash provided by operating activities	\$ 230,654	\$ (533)	\$ 230,121	\$ 232,538	\$ 1,732	\$ 234,270
Net cash (used in) provided by investing activities	\$ (89,710)	\$ 347	\$ (89,363)	\$ 71,449	\$ (275)	\$ 71,174
Net cash used in financing activities	\$ (338,546)	\$ —	\$ (338,546)	\$ (154,434)	\$ (654)	\$ (155,088)
Net (decrease) increase in cash and cash equivalents and restricted cash	\$ (197,602)	\$ (186)	\$ (197,788)	\$ 149,553	\$ 803	\$ 150,356
Beginning of period cash and cash equivalents and restricted cash	\$ 209,863	\$ 2,756	\$ 212,619	\$ 60,310	\$ 1,953	\$ 62,263
End of period cash and cash equivalents and restricted cash	\$ 12,261	\$ 2,570	\$ 14,831	\$ 209,863	\$ 2,756	\$ 212,619

We adopted guidance issued by the FASB that clarifies the scope of provisions and accounting for nonfinancial asset derecognition, including partial sales of real estate assets, effective January 1, 2018 using the full retrospective method. The new guidance requires recognition of a sale of real estate and resulting gain or loss when control transfers and the buyer has the ability to direct use of, or obtain substantially all of the remaining benefit from, the asset (which generally will occur on the closing date); the factor of continuing involvement is no longer a specific consideration for the timing of recognition. The new guidance eliminates the need to consider adequacy of buyer investment, which was replaced by additional judgments regarding collectability and intent and/or ability to pay. The new guidance also requires an entity to derecognize nonfinancial assets and in-substance nonfinancial assets once it transfers control of such assets. When an entity transfers its controlling interest in a nonfinancial asset but retains a noncontrolling ownership interest, the entity is required to measure any non-controlling interest

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

it receives or retains at fair value and recognize a full gain or loss on the transaction; as a result, sales and partial sales of real estate assets are now subject to the same derecognition model as all other nonfinancial assets. We had a transaction in July 2016 accounted for as a partial sale under the previous guidance that meets the criteria for immediate full gain recognition under the new guidance; as a result, we retrospectively recognized an additional \$18 million in income in 2016 that was being amortized into income in subsequent periods under the previous guidance. The recognition pattern for our other sales of real estate were not changed by this new guidance. The full retrospective method requires adjustment of each reporting period presented at the time of adoption.

The tables below set forth the impact of the adoption of this guidance for amounts previously reported on the consolidated financial statements of COPT and subsidiaries (in thousands, except per share data):

	As of December 31, 2017			As of December 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted	As Previously Reported	Impact of Adoption	As Adjusted
Consolidated Balance Sheets						
Investment in unconsolidated real estate joint venture	\$ 25,066	\$ 16,721	\$ 41,787	\$ 25,548	\$ 18,113	\$ 43,661
Cumulative distributions in excess of net income	\$ (818,190)	\$ 16,105	\$ (802,085)	\$ (765,276)	\$ 17,451	\$ (747,825)
Noncontrolling interests in subsidiaries	\$ 65,549	\$ 616	\$ 66,165	\$ 71,605	\$ 662	\$ 72,267
Consolidated Statements of Operations and Comprehensive Income						
	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted	As Previously Reported	Impact of Adoption	As Adjusted
Gain on sales of real estate	\$ 9,890	\$ —	\$ 9,890	\$ 40,986	\$ 18,693	\$ 59,679
Income before equity in income of unconsolidated entities and income taxes	\$ 74,549	\$ —	\$ 74,549	\$ 14,567	\$ 18,693	\$ 33,260
Equity in income of unconsolidated entities	\$ 2,882	\$ (1,392)	\$ 1,490	\$ 1,332	\$ (580)	\$ 752
Net income	\$ 76,333	\$ (1,392)	\$ 74,941	\$ 15,655	\$ 18,113	\$ 33,768
Net (income) loss attributable to noncontrolling interests - Common units in COPLP	\$ (1,936)	\$ 46	\$ (1,890)	\$ 155	\$ (662)	\$ (507)
Net income attributable to COPT	\$ 70,091	\$ (1,346)	\$ 68,745	\$ 11,439	\$ 17,451	\$ 28,890
Net income (loss) attributable to COPT common shareholders	\$ 57,025	\$ (1,346)	\$ 55,679	\$ (2,875)	\$ 17,451	\$ 14,576
Earnings per common share - basic and diluted	\$ 0.57	\$ (0.01)	\$ 0.56	\$ (0.03)	\$ 0.18	\$ 0.15
Comprehensive income	\$ 80,360	\$ (1,392)	\$ 78,968	\$ 16,786	\$ 18,113	\$ 34,899
Comprehensive income attributable to COPT	\$ 73,989	\$ (1,346)	\$ 72,643	\$ 12,546	\$ 17,451	\$ 29,997

The tables below set forth the impact of the adoption of this guidance for amounts previously reported on the consolidated financial statements of COPLP and subsidiaries (in thousands, except per unit data):

	As of December 31, 2017			As of December 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted	As Previously Reported	Impact of Adoption	As Adjusted
Consolidated Balance Sheets						
Investment in unconsolid. real estate joint venture	\$ 25,066	\$ 16,721	\$ 41,787	\$ 25,548	\$ 18,113	\$ 43,661
Common units	\$ 1,428,301	\$ 16,721	\$ 1,445,022	\$ 1,401,597	\$ 18,113	\$ 1,419,710

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Notes to Consolidated Financial Statements (Continued)

	For the Year Ended December 31, 2017			For the Year Ended December 31, 2016		
	As Previously Reported	Impact of Adoption	As Adjusted	As Previously Reported	Impact of Adoption	As Adjusted
<u>Consolidated Statements of Operations and Comprehensive Income</u>						
Gain on sales of real estate	\$ 9,890	\$ —	\$ 9,890	\$ 40,986	\$ 18,693	\$ 59,679
Income before equity in income of unconsolidated entities and income taxes	\$ 74,549	\$ —	\$ 74,549	\$ 14,567	\$ 18,693	\$ 33,260
Equity in income of unconsolidated entities	\$ 2,882	\$ (1,392)	\$ 1,490	\$ 1,332	\$ (580)	\$ 752
Net income	\$ 76,333	\$ (1,392)	\$ 74,941	\$ 15,655	\$ 18,113	\$ 33,768
Net income attributable to COPLP	\$ 72,687	\$ (1,392)	\$ 71,295	\$ 11,940	\$ 18,113	\$ 30,053
Net income (loss) attributable to COPLP common unitholders	\$ 58,961	\$ (1,392)	\$ 57,569	\$ (3,034)	\$ 18,113	\$ 15,079
Earnings per common unit - basic and diluted	\$ 0.57	\$ (0.01)	\$ 0.56	\$ (0.04)	\$ 0.19	\$ 0.15
Comprehensive income	\$ 80,360	\$ (1,392)	\$ 78,968	\$ 16,786	\$ 18,113	\$ 34,899
Comprehensive income attributable to COPLP	\$ 76,714	\$ (1,392)	\$ 75,322	\$ 13,071	\$ 18,113	\$ 31,184

Adoption of this guidance had no impact to cash provided by or used in operating, financing or investing activities on our consolidated statements of cash flows for the years ended December 31, 2017 and December 31, 2016.

We early adopted guidance issued by the FASB effective January 1, 2018 that makes targeted improvements to hedge accounting. This new guidance simplifies the application of hedge accounting and better aligns financial reporting for hedging activities with companies' economic objectives in undertaking those activities. Under the new guidance, all changes in the fair value of highly effective cash flow hedges will be recorded in other comprehensive income instead of income. The new guidance also eases the administrative burden of hedge documentation requirements and assessing hedge effectiveness. We adopted this guidance using the modified retrospective transition method under which we eliminated \$276,000 in previously-recorded cumulative hedge ineffectiveness as of January 1, 2018 by means of a cumulative-effect adjustment to our beginning balance of accumulated other comprehensive income ("AOCI"), with a corresponding adjustment to the beginning balance of: cumulative distributions in excess of net income for COPT and subsidiaries; and common units for COPLP and subsidiaries.

We adopted amendments by the Securities and Exchange Commission to its rules effective November 5, 2018 to simplify or eliminate outdated, duplicative or overlapping disclosure requirements. The amendments also expanded certain disclosure requirements, such as requiring (effective January 1, 2019) current and comparative quarter and year-to-date reporting of changes in shareholders' equity in interim periods. The resulting changes in disclosure were not material to the consolidated financial statements included herein.

In February 2016, the FASB issued guidance that sets forth principles for the recognition, measurement, presentation and disclosure of leases. This guidance requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase of the leased asset by the lessee. The resulting classification determines whether the lease expense is recognized based on an effective interest method or straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The guidance requires lessors of real estate to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. We adopted this guidance on January 1, 2019 using a modified retrospective transition approach under which we apply the guidance effective January 1, 2019, with a cumulative-effect adjustment as of such date, and not adjust prior comparative reporting periods. The guidance permits lessees and lessors to elect to apply a package of practical expedients that allow them not to reassess upon adoption: the lease classification for any expired or existing leases; their deferred recognition of incremental direct costs of leasing for any expired or existing leases; and whether any expired or existing contracts are, or contain, leases. The guidance also permits lessors to elect a practical expedient (by class of underlying asset) to avoid separating non-lease components that otherwise would need to be accounted for under the recently-adopted revenue accounting guidance (such as common area maintenance and provision of utilities) from the associated lease component if (1) the non-lease components have the same timing and pattern of transfer as the associated lease component and (2) the lease component, if accounted for separately, would be classified as an operating lease. Once this practical expedient is adopted, the lessor would be able to account for the combination of the lease component and non-lease components as an operating lease as long as the lease component is the predominant component of the combined components. We elected each of these practical expedients. Below is a summary of the effects of this guidance on our accounting and reporting.

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Notes to Consolidated Financial Statements (Continued)

- Real estate leases in which we are the lessor:
 - Balance sheet reporting: We will apply an approach under the new guidance that is similar to the current accounting for operating leases, in which we will continue to recognize the underlying leased asset as property on our balance sheet.
 - Deferral of non-incremental lease costs: Under the new lease guidance, we will be expensing future non-incremental costs in connection with new or extended tenant leases the recognition of which would have been deferred under current accounting; these deferrals totaled \$1.2 million in 2018 and \$1.1 million in each of 2017 and 2016.
- Leases in which we are the lessee:
 - Our most significant leases as lessee are ground leases. We will be required to recognize right-of-use assets and lease liabilities for the present value of these minimum lease payments. These types of leases will be classified as finance leases under the new guidance, which would result in the interest component of each lease payment being recorded as interest expense and the right-of-use asset being amortized into expense using the straight-line method over the life of the lease; however, we elected to apply the package of practical expedients under which we will continue to account for our existing ground leases as operating leases upon adoption of the guidance. Upon adoption of this guidance on January 1, 2019, in connection with our ground leases, we recognized right-of-use assets and offsetting lease liabilities totaling approximately \$14 million to \$19 million, and also reclassified amounts previously presented elsewhere on our balance sheet in connection with these leases to the right-of-use assets.

In June 2016, the FASB issued guidance that changes how entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The guidance replaces the current incurred loss model with an expected loss approach, resulting in a more timely recognition of such losses. The guidance will apply to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases, and off-balance-sheet credit exposures (e.g. loan commitments). Under the new guidance, an entity will recognize its estimate of expected credit losses as an allowance, as the guidance requires that financial assets be measured on an amortized cost basis and to be presented at the net amount expected to be collected. The guidance is effective for us beginning January 1, 2020, with early adoption permitted after December 2018. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

In August 2018, the FASB issued guidance that modifies disclosure requirements for fair value measurements. This guidance is effective for us beginning January 1, 2020. Early adoption is permitted for this guidance, and entities are permitted to early adopt with respect to any removed or modified disclosures while delaying adoption of additional disclosure requirements until the effective date. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In August 2018, the FASB issued guidance that aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. FASB guidance did not previously address the accounting for such implementation costs. The guidance is effective for us beginning January 1, 2020, with early adoption permitted. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

3. Fair Value Measurements

Accounting standards define fair value as the exit price, or the amount that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. The standards also establish a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability developed based on market data obtained from sources independent of us. Unobservable inputs are inputs that reflect our assumptions about the factors market participants would use in valuing the asset or liability developed based upon the best information available in the circumstances. The hierarchy of these inputs is broken down into three levels: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 inputs include (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in inactive markets and (3) inputs (other than quoted prices) that are observable for the asset or liability, either directly or indirectly; and Level 3 inputs are unobservable inputs for the asset or liability. Categorization within the valuation hierarchy is based upon the lowest level of input that is most significant to the fair value measurement.

Recurring Fair Value Measurements

COPT has a non-qualified elective deferred compensation plan for Trustees and certain members of our management team that permits participants to defer up to 100% of their compensation on a pre-tax basis and receive a tax-deferred return on such deferrals. The assets held in the plan (comprised primarily of mutual funds and equity securities) and the corresponding liability to the participants are measured at fair value on a recurring basis on COPT's consolidated balance sheets using quoted market prices, as are other marketable securities that we hold. The balance of the plan, which was fully funded, totaled \$3.9 million as of December 31, 2018 and \$4.6 million as of December 31, 2017, and is included in the line entitled "prepaid expenses and other assets, net" on COPT's consolidated balance sheets. The offsetting liability associated with the plan is adjusted to fair value at the end of each accounting period based on the fair value of the plan assets and reported in other liabilities on COPT's consolidated balance sheets. The assets of the plan are classified in Level 1 of the fair value hierarchy, while the offsetting liability is classified in Level 2 of the fair value hierarchy.

The fair values of our interest rate derivatives are determined using widely accepted valuation techniques, including a discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate market data and implied volatilities in such interest rates. While we determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our interest rate derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default. However, as of December 31, 2018 and 2017, we assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivatives and determined that these adjustments are not significant. As a result, we determined that our interest rate derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, other assets (excluding investing receivables) and accounts payable and accrued expenses are reasonable estimates of their fair values because of the short maturities of these instruments. The fair values of our investing receivables, as disclosed in Note 8, were based on the discounted estimated future cash flows of the loans (categorized within Level 3 of the fair value hierarchy); the discount rates used approximate current market rates for loans with similar maturities and credit quality, and the estimated cash payments include scheduled principal and interest payments. For our disclosure of debt fair values in Note 10, we estimated the fair value of our unsecured senior notes based on quoted market rates for publicly-traded debt (categorized within Level 2 of the fair value hierarchy) and estimated the fair value of our other debt based on the discounted estimated future cash payments to be made on such debt (categorized within Level 3 of the fair value hierarchy); the discount rates used approximate current market rates for loans, or groups of loans, with similar maturities and credit quality, and the estimated future payments include scheduled principal and interest payments. Fair value estimates are made as of a specific point in time, are subjective in nature and involve uncertainties and matters of significant judgment. Settlement at such fair value amounts may not be possible and may not be a prudent management decision.

For additional fair value information, refer to Note 8 for investing receivables, Note 10 for debt and Note 11 for interest rate derivatives.

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Notes to Consolidated Financial Statements (Continued)

COPT and Subsidiaries

The tables below set forth financial assets and liabilities of COPT and subsidiaries that are accounted for at fair value on a recurring basis as of December 31, 2018 and 2017 and the hierarchy level of inputs used in measuring their respective fair values under applicable accounting standards (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>December 31, 2018:</i>				
Assets:				
Marketable securities in deferred compensation plan (1)				
Mutual funds	\$ 3,819	\$ —	\$ —	\$ 3,819
Other	49	—	—	49
Interest rate derivatives	—	5,617	—	5,617
Total assets	\$ 3,868	\$ 5,617	\$ —	\$ 9,485
Liabilities:				
Deferred compensation plan liability (2)	\$ —	\$ 3,868	\$ —	\$ 3,868
Interest rate derivatives (2)	—	5,459	—	5,459
Total liabilities	\$ —	\$ 9,327	\$ —	\$ 9,327

December 31, 2017:

Assets:				
Marketable securities in deferred compensation plan (1)				
Mutual funds	\$ 4,547	\$ —	\$ —	\$ 4,547
Other	69	—	—	69
Interest rate derivatives	—	3,073	—	3,073
Total assets	\$ 4,616	\$ 3,073	\$ —	\$ 7,689
Liabilities:				
Deferred compensation plan liability (2)	\$ —	\$ 4,616	\$ —	\$ 4,616

(1) Included in the line entitled "prepaid expenses and other assets, net" on COPT's consolidated balance sheet.

(2) Included in the line entitled "other liabilities" on COPT's consolidated balance sheet.

COPLP and Subsidiaries

The tables below set forth financial assets and liabilities of COPLP and subsidiaries that are accounted for at fair value on a recurring basis as of December 31, 2018 and 2017 and the hierarchy level of inputs used in measuring their respective fair values under applicable accounting standards (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
<i>December 31, 2018:</i>				
Assets:				
Interest rate derivatives	\$ —	\$ 5,617	\$ —	\$ 5,617
Liabilities:				
Interest rate derivatives (1)	\$ —	\$ 5,459	\$ —	\$ 5,459
<i>December 31, 2017:</i>				
Assets:				
Interest rate derivatives	\$ —	\$ 3,073	\$ —	\$ 3,073

(1) Included in the line entitled "other liabilities" on COPLP's consolidated balance sheet.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

2017 Nonrecurring Fair Value Measurements

As part of our closing process for each quarter in 2017, we conducted our review of our portfolio of long-lived assets to be held and used for indicators of impairment and found there to be no impairment losses in the first, second and third quarters. In the fourth quarter of 2017, our assessment of weakening leasing prospects and expected enduring vacancy in our Aberdeen, Maryland (“Aberdeen”) portfolio indicated that these properties could be impaired. We have performed recovery analyses on the properties considering weakening tenant demand, high vacancy and low investor demand for office properties in the surrounding submarkets and concluded that the carrying values of these properties were not likely to be recovered from the expected undiscounted cash flows from the operation and eventual disposition of these properties. Accordingly, we recognized \$9.0 million of impairment losses on the operating properties in Aberdeen (included in our Other segment). In addition, and also considering these conditions, we determined that we would not likely recover the carrying amount of land in this submarket and recognized a \$4.7 million impairment loss on it. We previously recognized impairment losses on these properties in the second quarter of 2016 as discussed below. We determined that the declines in values that have occurred since the initial losses were recognized were due to declining market conditions.

For the respective quarters in 2017, we also performed recoverability analyses for our properties classified as held for sale, which resulted in impairment losses of \$1.6 million in the second quarter of 2017. These impairment losses were primarily on properties in White Marsh, Maryland (“White Marsh”) (included in our Regional Office and Other segments) that we reclassified to held for sale during the period and adjusted to fair value less costs to sell. These properties were sold in the third quarter of 2017.

Changes in the expected future cash flows due to changes in our plans for specific properties (especially our expected holding period) could result in the recognition of impairment losses. In addition, because properties held for sale are carried at the lower of carrying value or estimated fair values less costs to sell, declines in their estimated fair values due to market conditions and other factors could result in the recognition of impairment losses.

The table below sets forth the fair value hierarchy of the valuation technique we used to determine nonrecurring fair value measurements of properties as of December 31, 2017 (in thousands):

Description	Fair Values as of December 31, 2017			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Operating properties, net	\$ —	\$ —	\$ 3,850	\$ 3,850
Projects in development or held for future development	\$ —	\$ —	\$ 1,755	\$ 1,755

The table below sets forth quantitative information about significant unobservable inputs used for the Level 3 fair value measurements reported above as of December 31, 2017 (dollars in thousands):

Valuation Technique	Fair Values on Measurement Date	Unobservable Input	Range (Weighted Average)
Discounted cash flow	\$ 3,850	Discount rate	14% - 16% (14%)
		Terminal capitalization rate	12% (1)
Comparable sales analysis	\$ 1,755	Comparable sales prices	N/A

(1) Only one fair value applied for this unobservable input.

2016 Nonrecurring Fair Value Measurements

In the first quarter of 2016, we set a goal to raise cash from sales of properties in 2016 considerably in excess of the \$96.8 million in assets held for sale at December 31, 2015. The specific properties we would sell to achieve this goal had not been identified when the goal was established. Throughout 2016, we engaged in the process of identifying properties we would sell.

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Notes to Consolidated Financial Statements (Continued)

In the first quarter of 2016, we reclassified: most of our properties in Greater Philadelphia (included in our Regional Office segment); two properties in the Fort Meade/BW Corridor sub-segment; and our remaining land holdings in Colorado Springs, Colorado ("Colorado Springs") to held for sale and recognized \$2.4 million of impairment losses. As of March 31, 2016, we had \$225.9 million of assets held for sale.

During the second quarter of 2016, as part of our closing process, we conducted our quarterly review of our portfolio for indicators of impairment considering the refined investment strategy of our then newly-appointed Chief Executive Officer and the goals of the asset sales program and concluded that we would: (1) not hold our operating properties in Aberdeen; (2) not develop commercial properties on land in Frederick, Maryland; (3) sell specific properties in our Northern Virginia Defense/IT and Fort Meade/BW Corridor sub-segments; and (4) sell the remaining operating property in Greater Philadelphia that had not previously been classified as held for sale. Accordingly, we performed recoverability analyses for each of these properties and recorded the following impairment losses:

- \$34.4 million on operating properties in Aberdeen. After shortening our estimated holding period for these properties, we determined that the carrying amount of the properties would not likely be recovered from the operation and eventual dispositions of the properties during the shortened holding period. Accordingly, we adjusted the properties to their estimated fair values;
- \$4.4 million on land in Aberdeen. In performing our analysis related to the operating properties in Aberdeen, we determined that the weakening leasing and overall commercial real estate conditions in that market indicated that our land holdings in the market may be impaired. As a result, we determined that the carrying amount of the land was not recoverable and adjusted the land to its estimated fair value;
- \$8.2 million on land in Frederick, Maryland. We determined that the carrying amount of the land would not likely be recovered from its sale and adjusted the land to its estimated fair value;
- \$14.1 million on operating properties in our Northern Virginia and Fort Meade/BW Corridor sub-segments that we reclassified to held for sale during the period whose carrying amounts exceeded their estimated fair values less costs to sell;
- \$6.2 million on the property in Greater Philadelphia that we reclassified to held for sale during the period and adjusted to fair value less costs to sell;
- and
- \$2.4 million primarily on land in Colorado Springs and operating properties in White Marsh (included in our Regional Office Segment) classified as held for sale whose carrying amounts exceeded their estimated fair values less costs to sell based on updated negotiations with prospective buyers.

There were no property sales in the second quarter of 2016 and as of June 30, 2016, we had \$300.6 million of assets held for sale.

During the third quarter of 2016, as part of our closing process, we conducted our quarterly review of our portfolio for indicators of impairment considering refinements to our disposition strategy made during the third quarter of 2016 to sell an additional operating property in our Northern Virginia Defense/IT sub-segment, an additional operating property in our Fort Meade/BW Corridor sub-segment and our remaining operating properties and land in White Marsh that had not previously been classified as held for sale. In connection with our determinations that we planned to sell these properties, we performed recoverability analyses for each of these properties and recorded the following impairment losses:

- \$13.3 million on the operating property in our Northern Virginia Defense/IT sub-segment. Communication with a major tenant in the building during the quarter led us to conclude that there was significant uncertainty with respect to the tenant renewing its lease expiring in 2019. As a result of this information and continuing sub-market weakness, we determined that this property no longer met our long-term hold strategy and we placed it into our asset sales program. Accordingly, we adjusted the carrying amount of the property to its estimated fair value less costs to sell; and
- \$2.9 million on the other properties that we reclassified as held for sale, primarily associated with a land parcel in White Marsh. As of June 30, 2016, this land was under a sales contract subject to a re-zoning contingency. During the third quarter, we were denied favorable re-zoning and the contract was canceled. As a result, we determined this property will be sold as is, reclassified it to held for sale and adjusted its carrying value to its estimated fair value less costs to sell.

During our review we also recognized additional impairment losses of \$11.5 million on properties previously classified as held for sale. Approximately \$10.0 million of these losses pertained to properties in White Marsh due to our assessment that certain significant tenants will likely exercise lease termination rights and to reflect market conditions. The remainder of these losses pertained primarily to properties in San Antonio, Texas (included in our Other segment), where prospective purchasers reduced

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Notes to Consolidated Financial Statements (Continued)

offering prices late in the third quarter. We executed property sales of \$210.7 million in the third quarter of 2016 (discussed further in Note 5), and had \$161.5 million of assets held for sale as of September 30, 2016.

We executed property sales of \$54.1 million in the fourth quarter of 2016 (discussed further in Note 5), and had \$94.7 million of assets held for sale as of December 31, 2016. As part of our closing process for the fourth quarter, we conducted our quarterly review of our portfolio for indicators of impairment and found there to be no impairment losses for the quarter other than additional impairment losses of \$1.3 million on properties previously classified as held for sale in White Marsh, where prospective purchasers reduced offering prices, and \$0.3 million of losses on properties that were sold during the period.

Changes in the expected future cash flows due to changes in our plans for specific properties (especially our expected holding period) could result in the recognition of additional impairment losses. In addition, because properties held for sale are carried at the lower of carrying value or estimated fair value less costs to sell, declines in their estimated fair values due to market conditions and other factors could result in the recognition of additional impairment losses.

4. Concentration of Revenue

A large concentration of our revenue from real estate operations was earned from our largest tenant, the United States Government, including 24% of our rental revenue in 2018, 22% in 2017 and 21% in 2016 (excluding tenant recoveries and other real estate operations revenue). Our rental revenue from the United States Government was earned primarily from properties in the Fort Meade/BW Corridor, Lackland Air Force Base and Northern Virginia Defense/IT reportable sub-segments (see Note 17). No other individual tenants accounted for 10% or more of our revenue from real estate operations. We also derived 95% of our construction contract revenue from the United States Government in 2018, 98% in 2017 and 87% in 2016.

We derived large concentrations of our revenue from real estate operations from certain business segments as set forth in Note 17.

5. Properties, Net

Operating properties, net consisted of the following (in thousands):

	December 31,	
	2018	2017
Land	\$ 503,274	\$ 455,680
Buildings and improvements	3,241,894	3,068,124
Less: Accumulated depreciation	(897,903)	(786,193)
Operating properties, net	<u>\$ 2,847,265</u>	<u>\$ 2,737,611</u>

Properties we had in development or held for future development consisted of the following (in thousands):

	December 31,	
	2018	2017
Land	\$ 207,760	\$ 240,825
Development in progress, excluding land	195,601	162,669
Projects in development or held for future development	<u>\$ 403,361</u>	<u>\$ 403,494</u>

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Notes to Consolidated Financial Statements (Continued)

Our property held for sale as of December 31, 2017 was 11751 Meadowville Lane, an operating property totaling 193,000 square feet in Chester, Virginia (in our Data Center Shells sub-segment). We contractually closed on the sale of this property on October 27, 2017 for \$44.0 million. We provided a financial guaranty to the buyer under which we provided an indemnification for up to \$20 million in losses it could incur related to a potential defined capital event occurring on the property; our financial guaranty to the buyer expired on October 1, 2018, resulting in no losses to us. We accounted for this transaction as a financing arrangement. Accordingly, we did not recognize the sale of this property for accounting purposes until the expiration of the guaranty on October 1, 2018, and we reported the sales proceeds as a liability on the consolidated balance sheets as of December 31, 2017 in the line entitled "deferred property sale." In the fourth quarter of 2018, we recognized a gain on this sale of \$1.5 million. The table below sets forth the components of this property's assets as of December 31, 2017 (in thousands):

Properties, net	\$	38,670
Deferred rent receivable		3,237
Deferred leasing costs, net		319
Assets held for sale, net	\$	<u>42,226</u>

2018 Construction Activities

In 2018, we placed into service 666,000 square feet in six newly-constructed properties (including two partially- operational properties), 22,000 square feet in one redeveloped property and land under a long-term contract. As of December 31, 2018, we had nine properties under construction (including two partially-operational properties), or which we were contractually committed to construct, that we estimate will total 1.1 million square feet upon completion and one property under redevelopment that we estimate will total 106,000 square feet upon completion.

In the fourth quarter of 2018, we abandoned plans to redevelop a property in our Fort Meade/BW Corridor sub-segment after we completed leasing on the property that did not require any redevelopment. Accordingly, we recognized an impairment loss of \$2.4 million representing pre-development costs associated with the property.

2017 Dispositions

In 2017, we sold the following operating properties (dollars in thousands):

Project Name	City, State	Segment	Date of Sale	Number of Buildings	Total Rentable Square Feet	Transaction Value	Gain on Sale
3120 Fairview Park Drive	Falls Church, VA	Northern Virginia Defense/IT	2/15/2017	1	190,000	\$ 39,000	\$ —
1334 Ashton Road	Hanover, MD	Fort Meade/BW Corridor	6/9/2017	1	37,000	2,300	—
Remaining White Marsh Properties (1)	White Marsh, MD	Regional Office and Other	7/28/2017	8	412,000	47,500	1,180
201 Technology Drive	Lebanon, VA	Data Center Shells	10/27/2017	1	103,000	29,500	3,625
7320 Parkway Drive	Hanover, MD	Fort Meade/BW Corridor	12/15/2017	1	57,000	7,529	831
				<u>12</u>	<u>799,000</u>	<u>\$ 125,829</u>	<u>\$ 5,636</u>

(1) This sale also included land.

We also sold other land for \$14.3 million and recognized a gain on sale of \$4.2 million.

2017 Construction Activities

In 2017, we placed into service 1.1 million square feet in eight newly-constructed properties (including a partially- operational property) and 94,000 square feet in three redeveloped properties.

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Notes to Consolidated Financial Statements (Continued)

2016 Dispositions

In 2016, we sold the following operating properties (dollars in thousands):

Project Name	City, State	Segment	Date of Sale	Number of Buildings	Total Rentable Square Feet	Transaction Value	Gain on Sale
Arborcrest Corporate Campus (1)	Philadelphia, PA	Regional Office	8/4/2016	4	654,000	\$ 142,800	\$ 4,742
8003 Corporate Drive	White Marsh, MD	Regional Office	8/17/2016	1	18,000	2,400	—
1341 & 1343 Ashton Road	Hanover, MD	Fort Meade/BW Corridor	9/9/2016	2	25,000	2,900	848
8007, 8013, 8015, 8019 and 8023-8027 Corporate Drive (1)	White Marsh, MD	Regional Office	9/21/2016	5	130,000	14,513	1,906
1302, 1304 and 1306 Concourse Drive	Linthicum, MD	Fort Meade/BW Corridor	9/29/2016	3	299,000	48,100	8,375
2900 Towerview Road	Herndon, VA	Northern Virginia Defense/IT	10/19/2016	1	151,000	12,100	—
4940 Campbell Boulevard	White Marsh, MD	Regional Office	11/17/2016	1	50,000	5,200	—
1560 A and B Cable Ranch Road	San Antonio, TX	Other	11/30/2016	2	120,000	10,300	—
1331 Ashton Road	Hanover, MD	Fort Meade/BW Corridor	12/19/2016	1	29,000	2,625	—
900 Elkridge Landing Road	Linthicum, MD	Fort Meade/BW Corridor	12/22/2016	1	101,000	7,800	—
				<u>21</u>	<u>1,577,000</u>	<u>\$ 248,738</u>	<u>\$ 15,871</u>

(1) This sale also included land.

We also sold:

- a 50% interest in six triple-net leased, single-tenant data center properties in Virginia by contributing them into a newly-formed joint venture, GI-COPT DC Partnership LLC (“GI-COPT”), for an aggregate property value of \$147.6 million on July 21, 2016. We obtained \$60.0 million in non-recourse mortgage loans on the properties through the joint venture immediately prior to the sale of our interest and received the net proceeds. Our partner in the joint venture acquired the 50% interest in the joint venture from us for \$44.3 million. We account for our 50% interest in the joint venture using the equity method of accounting as described further in Note 6. We recognized a gain on the sale of our interest of \$17.9 million; and
- other land for \$21.8 million and recognized a gain on sale of \$7.2 million.

2016 Construction Activities

In 2016, we placed into service 639,000 square feet in six newly constructed properties and 61,000 square feet in three redeveloped properties.

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Notes to Consolidated Financial Statements (Continued)

6. Real Estate Joint Ventures

Consolidated Real Estate Joint Ventures

We consolidate the real estate joint ventures described below because of our: (1) power to direct the matters that most significantly impact their activities, including development, leasing and management of the properties constructed by the VIEs; and (2) right to receive returns on our fundings and, in many cases, the obligation to fund the activities of the ventures to the extent that third-party financing is not obtained, both of which could be potentially significant to the VIEs.

The table below sets forth information pertaining to our investments in consolidated real estate joint ventures as of December 31, 2018 (dollars in thousands):

	Date Acquired	Nominal ownership % as of 12/31/2018	Nature of Activity	December 31, 2018 (1)		
				Total Assets	Encumbered Assets	Total Liabilities
LW Redstone Company, LLC	3/23/2010	85%	Development and operation of real estate (2)	\$ 169,533	\$ 72,800	\$ 50,530
M Square Associates, LLC	6/26/2007	50%	Development and operation of real estate (3)	75,339	43,631	43,869
Stevens Investors, LLC	8/11/2015	95%	Development of real estate (4)	83,118	82,618	16,017
				<u>\$ 327,990</u>	<u>\$ 199,049</u>	<u>\$ 110,416</u>

(1) Excludes amounts eliminated in consolidation.

(2) This joint venture's properties are in Huntsville, Alabama.

(3) This joint venture's properties are in College Park, Maryland.

(4) This joint venture's property is in Washington, DC.

In January 2016, our partner in Stevens Investors, LLC contributed to the joint venture, for a value of \$22.6 million, interests in contracts controlling land to be developed (including a purchase agreement and a ground lease). Our partner subsequently received cash distributions from the joint venture that we funded of \$6.7 million in 2017 and \$13.4 million in 2016.

With regard to our consolidated joint ventures:

- for LW Redstone, LLC, we anticipate funding certain infrastructure costs (up to a maximum of \$76.0 million excluding accrued interest thereon) due to be reimbursed by the City of Huntsville as discussed further in Note 8. We had advanced \$40.0 million to the City through December 31, 2018 to fund such costs. We also expect to fund additional development and construction costs through equity contributions to the extent that third party financing is not obtained. Our partner was credited with a \$9.0 million capital account upon formation and is not required to make any future equity contributions. While net cash flow distributions to the partners vary depending on the source of the funds distributed, cash flows are generally distributed as follows:
 - cumulative preferred returns on capital invested to fund the project's infrastructure costs on a pro rata basis to us and our partner;
 - cumulative preferred returns on our capital invested to fund the project's vertical construction;
 - return of our invested capital;
 - return of our partner's capital;
 - any remaining residual 85% to us and 15% to our partner.
- Our partner has the right to require us to acquire its interest for fair value beginning in March 2020; accordingly, we classify the fair value of our partner's interest as redeemable noncontrolling interests in the mezzanine section of our consolidated balance sheets. We have the right to acquire our partner's interest at fair value upon the earlier of five years following the project's achievement of a construction commencement threshold of 4.4 million square feet or March 2040; the project had achieved 751,000 square feet of construction commencement through December 31, 2018. Our partner has the right to receive some or all of the consideration for the acquisition of its interests in the form of common units in COPLP;
- for M Square Associates, LLC, net cash flows of this entity will be distributed to the partners as follows: (1) member loans and accrued interest; (2) our preferred return and capital contributions used to fund infrastructure costs; (3) the partners' preferred returns and capital contributions used to fund all other costs, including the base land value credit, in proportion to the accrued returns and capital accounts; and (4) residual amounts distributed 50% to each member; and
 - for Stevens Investors, LLC, net cash flows of this entity will be distributed to the partners as follows: (1) member loans and accrued interest; (2) pro rata return of the partners' capital; (3) pro rata return of the partners' respective unpaid preferred

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returns; and (4) varying splits of 85% to 60% to us and the balance to our partners as we reach specified return hurdles. Our partners have the right to require us to acquire some or all of their interests for fair value for a defined period of time following the construction completion and stabilization (as defined in the operating agreement) of the joint venture's office property; accordingly, we classify the fair value of our partners' interest as redeemable noncontrolling interests in the mezzanine section of our consolidated balance sheets. Our partners have the right to receive some or all of the consideration for the acquisition of their interests in the form of common units in COPLP.

We disclose the activity of our redeemable noncontrolling interests in Note 12.

The ventures discussed above include only ones in which parties other than COPLP and COPT own interests. Our commitments and contingencies pertaining to our real estate joint ventures are disclosed in Note 20.

Unconsolidated Real Estate Joint Venture

As described further in Note 5, on July 21, 2016, we sold a 50% interest in six triple-net leased, single-tenant data center properties in Virginia by contributing them into GI-COPT, a newly-formed joint venture. Under the terms of the joint venture agreement, we and our partner receive returns in proportion to our investments in the joint venture. We account for our 50% interest in the joint venture using the equity method of accounting. We had an investment balance in GI-COPT of \$39.8 million as of December 31, 2018 and \$41.8 million as of December 31, 2017.

7. Intangible Assets on Real Estate Acquisitions

Intangible assets on real estate acquisitions consisted of the following (in thousands):

	December 31, 2018			December 31, 2017		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
In-place lease value	\$ 132,276	\$ 117,520	\$ 14,756	\$ 132,276	\$ 110,814	\$ 21,462
Tenant relationship value	60,028	39,703	20,325	60,028	32,198	27,830
Below-market cost arrangements	8,880	1,507	7,373	15,102	7,507	7,595
Above-market leases	13,841	13,164	677	13,944	12,092	1,852
Other	1,333	994	339	1,333	980	353
	<u>\$ 216,358</u>	<u>\$ 172,888</u>	<u>\$ 43,470</u>	<u>\$ 222,683</u>	<u>\$ 163,591</u>	<u>\$ 59,092</u>

Amortization of the intangible asset categories set forth above totaled \$5.6 million in 2018, \$19.3 million in 2017 and \$20.0 million in 2016. The approximate weighted average amortization periods of the categories set forth above follow: in-place lease value: seven years; tenant relationship value: nine years; below-market cost arrangements: 33 years; above-market leases: six years; and other: 24 years. The approximate weighted average amortization period for all of the categories combined is 12 years. The estimated amortization (to amortization associated with real estate operations, rental revenue and property operating expenses) associated with the intangible asset categories set forth above for the next five years is: \$8.3 million for 2019; \$5.5 million for 2020; \$5.3 million for 2021; \$3.8 million for 2022; and \$3.4 million for 2023.

8. Investing Receivables

Investing receivables, including accrued interest thereon, consisted of the following (in thousands):

	December 31,	
	2018	2017
Notes receivable from City of Huntsville	\$ 53,961	\$ 54,472
Other investing loans receivable	3,021	3,021
	<u>\$ 56,982</u>	<u>\$ 57,493</u>

Our notes receivable from the City of Huntsville funded infrastructure costs in connection with our LW Redstone Company, LLC joint venture (see Note 6) and carry an interest rate of 9.95%. These notes and the accrued and unpaid interest thereon, which is compounded annually on March 1, will be repaid using the real estate taxes generated by the properties constructed by

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the joint venture. When these tax revenues are sufficient to cover the debt service on a certain increment of municipal bonds, the City of Huntsville will be required to issue bonds to repay the notes receivable and the accrued and unpaid interest thereon. Each note has a maturity date of the earlier of 30 years from the date issued or the expiration of the tax increment district comprising the constructed properties in 2045.

We did not have an allowance for credit losses in connection with our investing receivables as of December 31, 2018 or December 31, 2017. The fair value of these receivables was approximately \$58.2 million as of December 31, 2018 and \$58.3 million as of December 31, 2017.

9. Prepaid Expenses and Other Assets, Net

Prepaid expenses and other assets, net consisted of the following (in thousands):

	December 31,	
	2018	2017
Prepaid expenses	\$ 25,658	\$ 24,670
Lease incentives, net	21,258	19,011
Furniture, fixtures and equipment, net	8,630	5,256
Non-real estate equity investments	5,940	5,056
Deferred financing costs, net (1)	4,733	1,202
Restricted cash	3,884	2,570
Construction contract costs incurred in excess of billings	3,189	4,884
Deferred tax asset, net	2,084	1,892
Other assets	6,337	2,177
Total for COPLP and subsidiaries	81,713	66,718
Marketable securities in deferred compensation plan	3,868	4,616
Total for COPT and subsidiaries	<u>\$ 85,581</u>	<u>\$ 71,334</u>

(1) Represents deferred costs, net of accumulated amortization, attributable to our Revolving Credit Facility and interest rate derivatives.

Deferred tax asset, net reported above includes the following tax effects of temporary differences and carry forwards of our TRS (in thousands):

	December 31,	
	2018	2017
Operating loss carry forward	\$ 4,354	\$ 3,209
Share-based compensation	28	7
Accrued payroll	2	49
Property	427	43
Valuation allowance	(2,727)	(1,416)
Deferred tax asset, net	<u>\$ 2,084</u>	<u>\$ 1,892</u>

We recognize a valuation allowance on our deferred tax asset if we believe all or some portion of the asset may not be realized. An increase or decrease in the valuation allowance resulting from a change in circumstances that causes a change in our judgment about the realizability of our deferred tax asset is included in income. The deferred tax asset valuation allowance is due to a decrease in future projected income in our TRS resulting primarily from our dispositions of certain properties to which the TRS provided amenity services and our planned reduction in amenity services provided by the TRS at certain other properties. We believe it is more likely than not that the results of future operations in our TRS will generate sufficient taxable income to realize our December 31, 2018 net deferred tax asset.

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10. Debt, Net

Debt Summary

Our debt consisted of the following (dollars in thousands):

	Carrying Value (1) as of		December 31, 2018	
	December 31, 2018	December 31, 2017	Stated Interest Rates	Scheduled Maturity
Mortgage and Other Secured Debt:				
Fixed rate mortgage debt (2)	\$ 147,141	\$ 150,723	3.82% - 7.87% (3)	2019-2026
Variable rate secured loans (4)	23,282	13,115	LIBOR + 1.85% to 2.35% (5)	2020-2022
Total mortgage and other secured debt	170,423	163,838		
Revolving Credit Facility (6)	213,000	126,000	LIBOR + 0.775% to 1.45% (7)	March 2023 (6)
Term Loan Facilities (8)	248,273	347,959	LIBOR + 0.85% to 1.65% (9)	2022
Unsecured Senior Notes (10)				
3.600%, \$350,000 aggregate principal	347,986	347,551	3.60% (11)	May 2023
5.250%, \$250,000 aggregate principal	247,136	246,645	5.25% (12)	February 2024
3.700%, \$300,000 aggregate principal	298,815	298,322	3.70% (13)	June 2021
5.000%, \$300,000 aggregate principal	297,109	296,731	5.00% (14)	July 2025
Unsecured note payable	1,167	1,287	0% (15)	May 2026
Total debt, net	\$ 1,823,909	\$ 1,828,333		

- (1) The carrying values of our debt other than the Revolving Credit Facility reflect net deferred financing costs of \$7.2 million as of December 31, 2018 and \$5.0 million as of December 31, 2017.
- (2) Certain of the fixed rate mortgages carry interest rates that, upon assumption, were above or below market rates and therefore were recorded at their fair value based on applicable effective interest rates. The carrying values of these loans reflect net unamortized premiums totaling \$281,000 as of December 31, 2018 and \$349,000 as of December 31, 2017.
- (3) The weighted average interest rate on our fixed rate mortgage debt was 4.17% as of December 31, 2018.
- (4) Includes a construction loan with \$98.4 million in remaining borrowing capacity as of December 31, 2018.
- (5) The weighted average interest rate on our variable rate secured debt was 4.47% as of December 31, 2018.
- (6) As discussed further below, we entered into a credit agreement on October 10, 2018 to replace our existing revolving credit facility with a new facility.
- (7) The weighted average interest rate on the Revolving Credit Facility was 3.49% as of December 31, 2018.
- (8) As discussed below, we have the ability to borrow an additional \$150.0 million in the aggregate under the remaining term loan facility, provided that there is no default under the facilities and subject to the approval of the lenders.
- (9) The interest rate on the remaining term loan facility was 3.60% as of December 31, 2018.
- (10) Refer to the paragraphs below for further disclosure.
- (11) The carrying value of these notes reflects an unamortized discount totaling \$1.4 million as of December 31, 2018 and \$1.7 million as of December 31, 2017. The effective interest rate under the notes, including amortization of the issuance costs, was 3.70%.
- (12) The carrying value of these notes reflects an unamortized discount totaling \$2.6 million as of December 31, 2018 and \$3.0 million as of December 31, 2017. The effective interest rate under the notes, including amortization of the issuance costs, was 5.49%.
- (13) The carrying value of these notes reflects an unamortized discount totaling \$943,000 as of December 31, 2018 and \$1.3 million as of December 31, 2017. The effective interest rate under the notes, including amortization of the issuance costs, was 3.85%.
- (14) The carrying value of these notes reflects an unamortized discount totaling \$2.4 million as of December 31, 2018 and \$2.7 million as of December 31, 2017. The effective interest rate under the notes, including amortization of the issuance costs, was 5.15%.
- (15) This note carries an interest rate that, upon assumption, was below market rates and it therefore was recorded at its fair value based on applicable effective interest rates. The carrying value of this note reflects an unamortized discount totaling \$294,000 as of December 31, 2018 and \$373,000 as of December 31, 2017.

All debt is owed by COPLP. While COPT is not directly obligated by any debt, it has guaranteed COPLP's Revolving Credit Facility, Term Loan Facilities and Unsecured Senior Notes.

Certain of our debt instruments require that we comply with a number of restrictive financial covenants, including maximum leverage ratio, unencumbered leverage ratio, minimum fixed charge coverage, minimum unencumbered interest coverage ratio, minimum debt service and maximum secured indebtedness ratio. In addition, the terms of some of COPLP's debt may limit its ability to make certain types of payments and other distributions to COPT in the event of default or when

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such payments or distributions may prompt failure of debt covenants. As of December 31, 2018, we were within the compliance requirements of these financial covenants.

Our debt matures on the following schedule (in thousands):

2019	\$	4,387
2020		16,156
2021		303,875
2022		267,611
2023		629,590
Thereafter		616,885
Total	\$	1,838,504 (1)

(1) Represents scheduled principal amortization and maturities only and therefore excludes net discounts and deferred financing costs of \$14.6 million.

We capitalized interest costs of \$5.9 million in 2018, \$5.2 million in 2017 and \$5.7 million in 2016.

The following table sets forth information pertaining to the fair value of our debt (in thousands):

	December 31, 2018		December 31, 2017	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Fixed-rate debt				
Unsecured Senior Notes	\$ 1,191,046	\$ 1,219,603	\$ 1,189,249	\$ 1,229,398
Other fixed-rate debt	148,308	147,106	152,010	152,485
Variable-rate debt	484,555	486,497	487,074	485,694
	<u>\$ 1,823,909</u>	<u>\$ 1,853,206</u>	<u>\$ 1,828,333</u>	<u>\$ 1,867,577</u>

Revolving Credit Facility

On October 10, 2018, we entered into a credit agreement with a group of lenders to replace our existing unsecured revolving credit facility with a new facility (the prior facility and new facility are referred to collectively herein as our "Revolving Credit Facility"). The lenders' aggregate commitment under the new facility is \$800.0 million, with the ability for us to increase the lenders' aggregate commitment to \$1.25 billion, provided that there is no default under the facility and subject to the approval of the lenders. The new facility matures on March 10, 2023, with the ability for us to further extend such maturity by two six-month periods at our option, provided that there is no default under the facility and we pay an extension fee of 0.075% of the total availability under the facility for each extension period. The interest rate on the new facility is based on LIBOR plus 0.775% to 1.450%, as determined by the credit ratings assigned to COPLP by Standard & Poor's Ratings Services, Moody's Investors Service, Inc. or Fitch Ratings Ltd. (collectively, the "Ratings Agencies"). The new facility also carries a quarterly fee that is based on the lenders' aggregate commitment under the facility multiplied by a per annum rate of 0.125% to 0.300%, as determined by the credit ratings assigned to COPLP by the Ratings Agencies. As of December 31, 2018, the maximum borrowing capacity under this facility totaled \$800.0 million, of which \$587.0 million was available.

Weighted average borrowings under our Revolving Credit Facility totaled \$188.1 million in 2018 and \$97.8 million in 2017. The weighted average interest rate on our Revolving Credit Facility was 3.08% in 2018 and 2.44% in 2017.

Term Loan Facilities

Effective December 17, 2015, we entered into an unsecured term loan agreement with an initial commitment of \$250.0 million; we borrowed \$100.0 million under this loan on December 17, 2015 and \$150.0 million on December 28, 2016. We also have the ability to borrow \$150.0 million above the initial commitment, provided that there is no default under the loan and subject to the approval of the lenders. The term loan matures on December 17, 2022, and carries a variable interest rate based on the LIBOR rate (customarily the 30-day rate) plus 0.85% to 1.65%, as determined by the credit ratings assigned to COPLP by the Ratings Agencies.

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In addition to the term loan discussed above, we also had the following term loans that were repaid prior to December 31, 2018:

- for a term loan originating in 2012, we repaid \$200.0 million in May 2017 and the remaining balance of \$100.0 million in November 2018; and
- for a term loan originating in 2012, we repaid the remaining balance of \$120.0 million in 2016.

In connection with our new Revolving Credit Facility discussed above, we have the ability to borrow up to \$500.0 million under new term loans from the facility's lender group provided that there is no default under the facility and subject to the approval of the lenders.

Unsecured Senior Notes

We may redeem our unsecured senior notes, in whole at any time or in part from time to time, at our option, at a redemption price equal to the greater of (1) the aggregate principal amount of the notes being redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to its present value, on a semi-annual basis at an adjusted treasury rate plus a spread (30 basis points for the 3.600% Senior Notes, 40 basis points for the 5.250% Senior Notes, 25 basis points for the 3.700% Senior Notes and 45 basis points for the 5.000% Senior Notes), plus, in each case, accrued and unpaid interest thereon to the date of redemption. However, in each case, if this redemption occurs on or after three months prior to the maturity date, the redemption price will be equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest thereon to, but not including, the applicable redemption date. These notes are unconditionally guaranteed by COPT.

11. Interest Rate Derivatives

The following table sets forth the key terms and fair values of our interest rate swap derivatives, each of which was designated as a cash flow hedge of interest rate risk (dollars in thousands):

Notional Amount	Fixed Rate	Floating Rate Index	Effective Date	Expiration Date	Fair Value at December 31,	
					2018	2017
\$ 100,000	1.7300%	One-Month LIBOR	9/1/2015	8/1/2019	\$ 472	\$ 252
12,834 (1)	1.3900%	One-Month LIBOR	10/13/2015	10/1/2020	239	213
100,000	1.9013%	One-Month LIBOR	9/1/2016	12/1/2022	1,968	1,046
100,000	1.9050%	One-Month LIBOR	9/1/2016	12/1/2022	1,967	1,051
50,000	1.9079%	One-Month LIBOR	9/1/2016	12/1/2022	971	511
75,000	3.1760%	Three-Month LIBOR	6/30/2020	6/30/2030	(2,676)	—
75,000	3.1920%	Three-Month LIBOR	6/30/2020	6/30/2030	(2,783)	—
					<u>\$ 158</u>	<u>\$ 3,073</u>

(1) The notional amount of this instrument is scheduled to amortize to \$12.1 million.

The table below sets forth the fair value of our interest rate derivatives as well as their classification on our consolidated balance sheets (in thousands):

Derivatives	Balance Sheet Location	Fair Value at December 31,	
		2018	2017
Interest rate swaps designated as cash flow hedges	Interest rate derivatives	\$ 5,617	\$ 3,073
Interest rate swaps designated as cash flow hedges	Other liabilities	(5,459)	—

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The table below presents the effect of our interest rate derivatives on our consolidated statements of operations and comprehensive income (in thousands):

Derivatives in Hedging Relationships	Amount of (Loss) Gain Recognized in AOCI on Derivatives			Amount of Gain (Loss) Reclassified from AOCI into Interest Expense on Statement of Operations		
	For the Years Ended December 31,			For the Years Ended December 31,		
	2018	2017	2016	2018	2017	2016
Interest rate derivatives	\$ (2,373)	\$ 684	\$ (2,915)	\$ 407	\$ (3,304)	\$ (4,230)

Over the next 12 months, we estimate that approximately \$2.1 million of gains will be reclassified from AOCI as a decrease to interest expense.

We have agreements with each of our interest rate derivative counterparties that contain provisions under which, if we default or are capable of being declared in default on defined levels of our indebtedness, we could also be declared in default on our derivative obligations. Failure to comply with the loan covenant provisions could result in our being declared in default on any derivative instrument obligations covered by the agreements. We are not in default with any of these provisions. As of December 31, 2018, the fair value of interest rate derivatives in a liability position related to these agreements was \$5.5 million, excluding the effects of accrued interest and credit valuation adjustments. As of December 31, 2018, we had not posted any collateral related to these agreements. We are not in default with any of these provisions. If we breached any of these provisions, we could be required to settle our obligations under the agreements at their termination value of \$5.5 million.

12. Redeemable Noncontrolling Interests

As discussed further in Note 6, our partners in two real estate joint ventures, LW Redstone Company, LLC and Stevens Investors, LLC, have the right to require us to acquire their respective interests at fair value; accordingly, we classify the fair value of our partners' interests as redeemable noncontrolling interests in the mezzanine section of our consolidated balance sheets. The table below sets forth the activity for these redeemable noncontrolling interests (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Beginning balance	\$ 23,125	\$ 22,979	\$ 19,218
Contributions from noncontrolling interests	186	—	22,779
Distributions to noncontrolling interests	(1,411)	(1,566)	(21,881)
Net income attributable to noncontrolling interests	2,523	2,338	2,242
Adjustment to arrive at fair value of interests	1,837	(626)	621
Ending balance	\$ 26,260	\$ 23,125	\$ 22,979

We determine the fair value of the interests based on unobservable inputs after considering the assumptions that market participants would make in pricing the interest. We apply a discount rate to the estimated future cash flows allocable to our partners from the properties underlying the respective joint ventures. Estimated cash flows used in such analyses are based on our plans for the properties and our views of market and economic conditions, and consider items such as current and future rental rates, occupancy projections and estimated operating and development expenditures.

13. Equity - COPT and Subsidiaries

Preferred Shares

As of December 31, 2018, COPT had 25.0 million preferred shares authorized and unissued at \$0.01 par value per share. In 2017, COPT redeemed all of its outstanding preferred shares, including:

- the 5.600% Series K Cumulative Redeemable Preferred Shares (the "Series K Preferred Shares") redeemed effective January 21, 2017 at a price of \$50.00 per share, or \$26.6 million in the aggregate, plus accrued and unpaid dividends thereon through the date of redemption. Concurrently with this redemption, COPLP redeemed its Series K Preferred Units on the same terms. Since we made an irrevocable notification to holders of the Series K Preferred Shares in December 2016 of our intention to redeem such shares, we presented the liquidation preference of the shares as a liability on COPT's

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consolidated balance sheet as of December 31, 2016; we also recognized a \$17,000 decrease to net income available to common shareholders in 2016 pertaining to the original issuance costs incurred on the shares; and

- the 7.375% Series L Cumulative Preferred Shares (the “Series L Preferred Shares”) redeemed effective June 27, 2017 at a price of \$25.00 per share, or \$172.5 million in the aggregate, plus accrued and unpaid dividends thereon up to but not including the date of redemption. Concurrently with this redemption, COPLP redeemed its Series L Preferred Units on the same terms. We also recognized a \$6.8 million decrease to net income available to common shareholders in 2017 pertaining to the original issuance costs incurred on the shares.

Common Shares

In September 2016, COPT established an at-the-market (“ATM”) stock offering program under which it may, from time to time, offer and sell common shares in “at the market” stock offerings having an aggregate gross sales price of up to \$200.0 million (the “2016 ATM Program”). COPT issued the following common shares under this ATM program:

- 992,000 shares in 2018 at a weighted average price of \$30.46 per share. Net proceeds from the shares issued totaled \$29.8 million, after payment of \$0.5 million in commissions to sales agents;
- 591,000 shares in 2017 at a weighted average price of \$33.84 per share. Net proceeds from the shares issued totaled \$19.7 million, after payment of \$0.3 million in commissions to sales agents; and
- 3.7 million shares in the three months ended December 31, 2016 at a weighted average price of \$29.56 per share. Net proceeds from the shares issued totaled \$109.1 million, after payment of \$0.9 million in commissions to sales agents.

COPT contributed the net proceeds from these issuances to COPLP in exchange for an equal number of units in COPLP.

In November 2018, COPT replaced its 2016 ATM Program with a new program under which it may offer and sell common shares in at-the-market stock offerings having an aggregate gross sales price of up to \$300 million (the “2018 ATM Program”). Under the 2018 ATM Program, COPT may also, at its discretion, sell common shares under forward equity sales agreements. As of December 31, 2018, COPT has not issued any shares under the 2018 ATM Program.

On November 2, 2017, COPT entered into forward equity sale agreements to issue 9.2 million common shares at an initial gross offering price of \$285.2 million, or \$31.00 per share, before underwriting discounts, commissions and offering expenses. The forward sale price that we expect to receive upon physical settlement of the agreements will be subject to adjustment on a daily basis based on a floating interest rate factor equal to the overnight bank funding rate less a spread, and will be decreased on each of certain dates specified in the agreements during the term of the agreements. COPT issued the following common shares under these forward equity sale agreements:

- 5.9 million shares in 2018 for net proceeds of \$172.5 million; and
- 1.7 million shares in 2017 for net proceeds of \$50.0 million.

COPT contributed the net proceeds from these issuances to COPLP in exchange for an equal number of units in COPLP. COPT’s remaining capacity under the forward equity sale agreements was 1.6 million common shares, with a settlement value of \$46.4 million as of December 31, 2018.

Certain holders of COPLP common units converted their units into COPT common shares on the basis of one common share for each common unit in the amount of 1.9 million in 2018, 339,513 in 2017 and 87,000 in 2016.

COPT declared dividends per common share of \$1.10 in 2018, 2017 and 2016.

COPT pays dividends at the discretion of its Board of Trustees. COPT’s ability to pay cash dividends will be dependent upon: (1) the cash flow generated from our operations; (2) cash generated or used by our financing and investing activities; and (3) the annual distribution requirements under the REIT provisions of the Code described in Note 2 and such other factors as the Board of Trustees deems relevant. COPT’s ability to make cash dividends will also be limited by the terms of COPLP’s Partnership Agreement, as well as by limitations imposed by state law. In addition, COPT is prohibited from paying cash dividends in excess of the amount necessary for it to qualify for taxation as a REIT if a default or event of default exists pursuant to the terms of our Revolving Credit Facility; this restriction does not currently limit COPT’s ability to pay dividends, and COPT does not believe that this restriction is reasonably likely to limit its ability to pay future dividends because it expects to comply with the terms of our Revolving Credit Facility.

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See Note 15 for disclosure of common share activity pertaining to our share-based compensation plans.

14. Equity - COPLP and Subsidiaries

General Partner Preferred Units

In 2017, COPLP redeemed all of the outstanding units of the following series of preferred units held by COPT:

- the 5.600% Series K Preferred Shares effective on January 21, 2017. Since notification of this redemption occurred in December 2016, we present the liquidation preference of the related units as a liability on COPLP's consolidated balance sheet as of December 31, 2016; we also recognized at a price of \$50.00 per unit, or \$26.6 million in the aggregate, plus accrued and unpaid distributions thereon through the date of redemption, and recognized a \$17,000 decrease to net income available to common unitholders pertaining to the units' original issuance costs at the time of redemption; and
- the 7.375% Series L Cumulative Preferred Units on June 27, 2017 at a price of \$25.00 per unit, or \$172.5 million in the aggregate, plus accrued and unpaid distributions thereon through the date of redemption, and recognized a \$6.8 million decrease to net income available to common unitholders pertaining to the units' original issuance costs at the time of redemption.

Following the completion of these redemptions in 2017, COPT held no preferred units in COPLP.

Limited Partner Preferred Units

COPLP has 352,000 Series I Preferred Units issued to an unrelated party that have an aggregate liquidation preference of \$8.8 million (\$25.00 per unit), plus any accrued and unpaid distributions of return thereon (as described below), and may be redeemed for cash by COPLP at COPLP's option any time after September 22, 2019. The owner of these units is entitled to a priority annual cumulative return equal to 7.5% of their liquidation preference through September 22, 2019; the annual cumulative preferred return increases for each subsequent five-year period, subject to certain maximum limits. These units are convertible into common units on the basis of 0.5 common units for each Series I Preferred Unit; the resulting common units would then be exchangeable for COPT common shares in accordance with the terms of COPLP's agreement of limited partnership.

Common Units

COPT owned 98.8% of COPLP's common units as of December 31, 2018 and 96.9% as of December 31, 2017.

From 2016 through 2018, COPT acquired additional common units through the following common share issuances under its 2016 ATM Program:

- 992,000 shares in 2018 at a weighted average price of \$30.46 per share. Net proceeds from the shares issued totaled \$29.8 million, after payment of \$0.5 million in commissions to sales agents;
- 591,000 shares in 2017 at a weighted average price of \$33.84 per share. Net proceeds from the shares issued totaled \$19.7 million, after payment of \$0.3 million in commissions to sales agents; and
- 3.7 million shares in 2016 at a weighted average price of \$29.56 per share. Net proceeds from the shares issued totaled \$109.1 million, after payment of \$0.9 million in commissions to sales agents.

In 2018 and 2017, COPT also acquired additional common units through the following common share issuances under its forward equity sale agreements:

- 5.9 million shares in 2018 for net proceeds of \$172.5 million;
and
- 1.7 million shares in 2017 for net proceeds of \$50.0 million.

Limited partners in COPLP holding common units have the right to require COPLP to redeem all or a portion of their common units. COPLP (or COPT as the general partner) has the right, in its sole discretion, to deliver to such redeeming limited partners for each partnership unit either one COPT common share (subject to anti-dilution adjustment) or a cash payment equal to the then fair market value of such share (so adjusted) (based on the formula for determining such value set

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forth in the partnership agreement). Certain limited partners holding common units redeemed their units into common shares on the basis of one common share for each common unit in the amount of 1.9 million in 2018, 339,513 in 2017 and 87,000 in 2016. In addition, we redeemed 13,377 common units for cash payments totaling \$339,000 in 2018.

COPLP declared distributions per common unit of \$1.10 in 2018, 2017 and 2016.

15. Share-Based Compensation and Other Compensation Matters

Share-Based Compensation Plans

In May 2017, COPT adopted the 2017 Omnibus Equity and Incentive Plan (the "2017 Plan") following the approval of such plan by our common shareholders. COPT may issue equity-based awards under this plan to officers, employees, non-employee trustees and any other key persons of us and our subsidiaries, as defined in the plan. The plan provides for a maximum of 3.4 million common shares in COPT to be issued in the form of options, share appreciation rights, restricted share unit awards, restricted share awards, unrestricted share awards, dividend equivalent rights and other equity-based awards and for the granting of cash-based awards. In November 2018, we amended the 2017 Plan to provide for the future grant of awards in the form of Profit Interest Units, which will be similar to restricted shares and PSUs, except that upon vesting recipients will receive common units in COPLP. This plan expires on May 11, 2027.

In May 2010, COPT adopted the Amended and Restated 2008 Omnibus Equity and Incentive Plan following the approval of such plan by our common shareholders. This plan, which was replaced by the 2017 Plan, provided for the award of options, share appreciation rights, deferred share awards, restricted share awards, unrestricted share awards, performance shares, dividend equivalent rights and other equity-based awards and for the granting of cash-based awards.

Awards under these plans to nonemployee Trustees generally vest on the first anniversary of the grant date provided that the Trustee remains in his or her position. Awards granted to employees vest based on increments and over periods of time set forth under the terms of the respective awards provided that the employees remain employed by us. Options expire ten years after the date of grant. Shares for each of the share-based compensation plans are issued under registration statements on Form S-8 that became effective upon filing with the Securities and Exchange Commission. In connection with awards of common shares granted by COPT under such share-based compensation plans, COPLP issues to COPT an equal number of equity instruments with identical terms.

The table below sets forth our reporting for share based compensation cost (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
General, administrative and leasing expenses	\$ 5,415	\$ 4,649	\$ 5,816
Property operating expenses	961	966	1,027
Capitalized to development activities	587	480	610
Share-based compensation cost	<u>\$ 6,963</u>	<u>\$ 6,095</u>	<u>\$ 7,453</u>

The amounts included in our consolidated statements of operations for share-based compensation reflected an estimate of pre-vesting forfeitures of 0% for PSUs and deferred share awards and 0% to 6% for restricted shares.

As of December 31, 2018, unrecognized compensation costs related to unvested awards included:

- \$7.9 million on restricted shares expected to be recognized over a weighted average period of approximately two years;
- \$1.7 million on PSUs expected to be recognized over a weighted average performance period of approximately two years; and
- \$137,000 on deferred share awards expected to be recognized through May 2019.

Our TRS is subject to Federal and state income taxes. We realized a windfall tax loss of \$13,000 in 2017 and \$331,000 in 2016 on options exercised and vesting restricted shares in connection with employees of that subsidiary.

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Restricted Shares

The following table summarizes restricted shares under the share-based compensation plans for 2016, 2017 and 2018:

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Unvested as of December 31, 2015	378,200	\$ 27.58
Granted	231,937	24.77
Forfeited	(22,907)	25.31
Vested	(215,983)	27.19
Unvested as of December 31, 2016	371,247	26.20
Granted	239,479	33.84
Forfeited	(27,056)	27.80
Vested	(158,044)	26.27
Unvested as of December 31, 2017	425,626	30.37
Granted	219,716	25.62
Forfeited	(25,419)	30.02
Vested	(181,238)	29.49
Unvested as of December 31, 2018	438,685	\$ 28.38
Unvested shares as of December 31, 2018 that are expected to vest	413,273	\$ 28.35

The aggregate intrinsic value of restricted shares that vested was \$4.6 million in 2018, \$5.3 million in 2017 and \$5.4 million in 2016.

PSUs

We made the following grants of PSUs to executives from 2014 through 2018 (dollars in thousands):

<u>Grant Date</u>	<u>Number of PSUs Granted</u>	<u>Performance Period Commencement Date</u>	<u>Performance Period End Date</u>	<u>Grant Date Fair Value</u>	<u>Number of PSUs Outstanding as of December 31, 2018</u>
3/6/2014	49,103	1/1/2014	12/31/2016	\$ 1,723	—
3/5/2015	45,656	1/1/2015	12/31/2017	\$ 1,678	—
3/1/2016	26,299	1/1/2016	12/31/2018	\$ 1,005	24,850
1/1/2017	39,351	1/1/2017	12/31/2019	\$ 1,415	39,351
1/1/2018	59,110	1/1/2018	12/31/2020	\$ 1,890	59,110

In 2017, we also modified certain provisions of the PSUs granted in 2015, 2016 and 2017, resulting in incremental compensation cost totaling \$236,000 based on the difference between the pre-modification and post-modification award fair values on the date of modification.

The PSUs each have three-year performance periods concluding on the earlier of the respective performance period end dates set forth above or the date of: (1) termination by us without cause, death or disability of the executive or constructive discharge of the executive (collectively, “qualified termination”); or (2) a sale event. The number of PSUs earned (“earned PSUs”) at the end of the performance period will be determined based on the percentile rank of COPT’s total shareholder return relative to a peer group of companies, as set forth in the following schedule:

<u>Percentile Rank</u>	<u>Earned PSUs Payout %</u>
75th or greater	200% of PSUs granted
50th or greater	100% of PSUs granted
25th or greater	50% of PSUs granted
Below 25th	0% of PSUs granted

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If the percentile rank exceeds the 25th percentile and is between two of the percentile ranks set forth in the table above, then the percentage of the earned PSUs will be interpolated between the ranges set forth in the table above to reflect any performance between the listed percentiles. At the end of the performance period, we will settle the award by issuing fully-vested COPT shares equal to the number of earned PSUs in settlement of the award plan and either:

- for awards granted January 1, 2017 and prior thereto, issuing fully-vested COPT shares equal to the aggregate dividends that would have been paid with respect to the common shares issued in settlement of the earned PSUs through the date of settlement had such shares been issued on the grant date, divided by the share price on such settlement date, as defined under the terms of the agreement; or
- for awards issued subsequent to January 1, 2017, paying cash equal to the aggregate dividends that would have been paid with respect to the common shares issued in settlement of the earned PSUs through the date of settlement had such shares been issued on the grant date.

If a performance period ends due to a sale event or qualified termination, the number of earned PSUs is prorated based on the portion of the three-year performance period that has elapsed. If employment is terminated by the employee or by us for cause, all PSUs are forfeited. PSUs do not carry voting rights.

Based on COPT's total shareholder return relative to its peer group of companies:

- for the 2014 and 2015 PSUs issued to a former executive who departed on March 31, 2016, we issued 10,326 common shares on May 30, 2016 in settlement of such PSUs;
- for the 2014 and 2015 PSUs issued to a former executive who departed on May 12, 2016, we issued 20,569 common shares on July 12, 2016 in settlement of such PSUs;
- for the 2014, 2015 and 2016 PSUs issued to a former executive who departed on August 31, 2016, we issued 2,248 common shares on October 30, 2016 in settlement of such PSUs;
- for the 2014 PSUs issued to Steven E. Budorick, our Chief Executive Officer, that vested on December 31, 2016, we issued 9,763 common shares in settlement of the PSUs on February 7, 2017; and
- for the 2015 PSUs issued to executives that vested on December 31, 2017, we issued 3,328 common shares in settlement of the PSUs on February 22, 2018.

We computed grant date fair values for PSUs using Monte Carlo models and are recognizing these values over the performance periods. The grant date fair value and certain of the assumptions used in the Monte Carlo models for the PSUs granted in 2016, 2017 and 2018 are set forth below:

Grant Date	Grant Date Fair Value Per Share	Baseline Common Share Value	Expected Volatility of Common Shares	Risk-free Interest Rate
3/1/2016	\$ 38.21	\$ 23.90	20.4%	0.96%
1/1/2017	\$ 38.43	\$ 31.22	19.0%	1.47%
1/1/2018	\$ 31.97	\$ 29.20	17.0%	2.04%

Deferred Share Awards

We made the following grants of deferred share awards to nonemployee members of our Board of Trustees in 2016, 2017 and 2018 (dollars in thousands, except per share data):

Year of Grant	Number of Deferred Share Awards Granted	Aggregate Grant Date Fair Value	Grant Date Fair Value Per Share
2016	24,944	\$ 671	\$ 26.89
2017	10,032	\$ 326	\$ 32.47
2018	13,832	\$ 388	\$ 28.08

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Deferred share awards vest on the first anniversary of the grant date, provided that the Trustee remains in his or her position. We settle deferred share awards by issuing an equivalent number of common shares upon vesting of the awards or a later date elected by the Trustee (generally upon cessation of being a Trustee). We issued the following common shares in settlement of deferred shares in 2016, 2017 and 2018 (dollars in thousands, except per share data):

	For the Years Ended December 31,		
	2018	2017	2016
Number of common shares issued	5,515	15,590	12,028
Grant date fair value per share	\$ 29.32	\$ 26.89	\$ 26.70
Aggregate intrinsic value	\$ 154	\$ 508	\$ 322

Options

We have not issued options since 2009, and all of our options were vested and fully expensed prior to 2018. The table below sets forth information regarding our outstanding options as of the following dates (dollars in thousands, except per share data):

	Options Outstanding and Exercisable	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
December 31, 2015	425,347	\$42.75	1	\$ —
December 31, 2016	201,100	\$43.35	1	\$ 31
December 31, 2017	60,000	\$35.17	1	\$ —
December 31, 2018	30,000	\$32.52	0.4	\$ —

The aggregate intrinsic value of options exercised was \$18,000 in 2017. No options were exercised in 2018 or 2016.

Executive Transition Costs

Our Board of Trustees appointed Stephen E. Budorick, our Executive Vice President and Chief Operating Officer since September 2011, to become our President and Chief Executive Officer effective May 12, 2016, the date of the Company's 2016 Annual Meeting of Shareholders. On that date, our previous President and Chief Executive Officer, left the Company to pursue other interests, and he was not nominated for reelection as a Trustee. In addition, other executives departed the Company to pursue other interests effective March 31, 2016 and August 31, 2016. We recognized executive transition costs of approximately \$6.5 million in 2016 primarily for termination benefits in connection with these departures.

16. Operating Leases

We lease our properties to tenants under operating leases with various expiration dates extending to the year 2063. Gross minimum future rentals on noncancelable leases in our properties as of December 31, 2018 were as follows (in thousands):

<u>Year Ending December 31,</u>	
2019	\$ 400,617
2020	337,646
2021	280,369
2022	246,329
2023	194,888
Thereafter	523,932
	<u>\$ 1,983,781</u>

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17. Information by Business Segment

We have the following reportable segments: Defense/IT Locations; Regional Office; Wholesale Data Center; and Other. We also report on Defense/IT Locations sub-segments, which include the following: Fort George G. Meade and the Baltimore/Washington Corridor (referred to herein as “Fort Meade/BW Corridor”); Northern Virginia Defense/IT Locations; Lackland Air Force Base (in San Antonio); locations serving the U.S. Navy (“Navy Support Locations”), which included properties proximate to the Washington Navy Yard, the Naval Air Station Patuxent River in Maryland and the Naval Surface Warfare Center Dahlgren Division in Virginia; Redstone Arsenal (in Huntsville); and data center shells (properties leased to tenants to be operated as data centers in which the tenants generally fund the costs for the power, fiber connectivity and data center infrastructure). As of December 31, 2018 and 2017, our Regional Office segment included properties located in select urban/urban-like submarkets in the Greater Washington, DC/Baltimore region with durable Class-A office fundamentals and characteristics; during 2017 and 2016, this segment also included suburban properties not meeting these characteristics that were since disposed.

We measure the performance of our segments through the measure we define as net operating income from real estate operations (“NOI from real estate operations”), which includes: real estate revenues and property operating expenses; and the net of revenues and property operating expenses of real estate operations owned through unconsolidated real estate joint ventures (“UJVs”) that is allocable to COPT’s ownership interest (“UJV NOI allocable to COPT”). Amounts reported for segment assets represent long-lived assets associated with consolidated operating properties (including the carrying value of properties, intangible assets, deferred leasing costs, deferred rents receivable and lease incentives) and the carrying value of investments in UJVs owning operating properties. Amounts reported as additions to long-lived assets represent additions to existing consolidated operating properties, excluding transfers from non-operating properties, which we report separately.

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The table below reports segment financial information for our reportable segments (in thousands):

	Operating Property Segments										Total
	Defense/Information Technology Locations							Regional Office	Operating Wholesale Data Center	Other	
	Fort Meade/BW Corridor	Northern Virginia Defense/IT	Lackland Air Force Base	Navy Support Locations	Redstone Arsenal	Data Center Shells	Total Defense/IT Locations				
<u>Year Ended December 31, 2018</u>											
Revenues from real estate operations	\$ 248,927	\$ 53,518	\$ 46,286	\$ 31,927	\$ 14,745	\$ 25,650	\$ 421,053	\$ 61,181	\$ 31,892	\$ 3,127	\$ 517,253
Property operating expenses	(82,975)	(20,330)	(26,888)	(13,536)	(6,050)	(3,225)	(153,004)	(30,253)	(16,342)	(1,436)	(201,035)
UJV NOI allocable to COPT	—	—	—	—	—	4,818	4,818	—	—	—	4,818
NOI from real estate operations	\$ 165,952	\$ 33,188	\$ 19,398	\$ 18,391	\$ 8,695	\$ 27,243	\$ 272,867	\$ 30,928	\$ 15,550	\$ 1,691	\$ 321,036
Additions to long-lived assets	\$ 38,612	\$ 7,956	\$ —	\$ 6,535	\$ 573	\$ —	\$ 53,676	\$ 19,730	\$ 856	\$ 480	\$ 74,742
Transfers from non-operating properties	\$ 35,648	\$ 10,231	\$ 14,718	\$ (116)	\$ 4,167	\$ 99,191	\$ 163,839	\$ —	\$ 2,304	\$ —	\$ 166,143
Segment assets at December 31, 2018	\$1,279,571	\$399,339	\$139,731	\$188,911	\$108,010	\$353,165	\$2,468,727	\$395,380	\$ 216,640	\$ 4,115	\$3,084,862
<u>Year Ended December 31, 2017</u>											
Revenues from real estate operations	\$ 245,613	\$ 47,118	\$ 47,209	\$ 29,540	\$ 14,322	\$ 24,320	\$ 408,122	\$ 68,262	\$ 28,875	\$ 4,721	\$ 509,980
Property operating expenses	(80,697)	(16,938)	(27,812)	(12,619)	(5,783)	(2,709)	(146,558)	(28,982)	(13,551)	(1,873)	(190,964)
UJV NOI allocable to COPT	—	—	—	—	—	4,805	4,805	—	—	—	4,805
NOI from real estate operations	\$ 164,916	\$ 30,180	\$ 19,397	\$ 16,921	\$ 8,539	\$ 26,416	\$ 266,369	\$ 39,280	\$ 15,324	\$ 2,848	\$ 323,821
Additions to long-lived assets	\$ 26,659	\$ 8,115	\$ 71	\$ 8,451	\$ 1,056	\$ —	\$ 44,352	\$ 25,299	\$ 3,580	\$ 110	\$ 73,341
Transfers from non-operating properties	\$ 43,370	\$ 48,328	\$ —	\$ 474	\$ 2,159	\$107,854	\$ 202,185	\$ —	\$ 8	\$ 18	\$ 202,211
Segment assets at December 31, 2017	\$1,263,567	\$402,076	\$128,755	\$194,476	\$108,119	\$301,996	\$2,398,989	\$400,512	\$ 224,422	\$ 4,082	\$3,028,005
<u>Year Ended December 31, 2016</u>											
Revenues from real estate operations	\$ 245,354	\$ 48,964	\$ 46,803	\$ 28,197	\$ 13,056	\$ 23,836	\$ 406,210	\$ 85,805	\$ 26,869	\$ 7,080	\$ 525,964
Property operating expenses	(83,684)	(17,824)	(27,357)	(12,690)	(4,476)	(2,674)	(148,705)	(34,095)	(11,512)	(3,218)	(197,530)
UJV NOI allocable to COPT	—	—	—	—	—	2,145	2,145	—	—	—	2,145
NOI from real estate operations	\$ 161,670	\$ 31,140	\$ 19,446	\$ 15,507	\$ 8,580	\$ 23,307	\$ 259,650	\$ 51,710	\$ 15,357	\$ 3,862	\$ 330,579
Additions to long-lived assets	\$ 26,267	\$ 17,344	\$ —	\$ 9,168	\$ 4,352	\$ —	\$ 57,131	\$ 12,559	\$ 299	\$ 335	\$ 70,324
Transfers from non-operating properties	\$ 49,937	\$ 28,230	\$ 240	\$ —	\$ 3,169	\$103,367	\$ 184,943	\$ 82	\$ (377)	\$ (8)	\$ 184,640
Segment assets at December 31, 2016	\$1,255,230	\$404,438	\$131,957	\$196,486	\$110,395	\$227,796	\$2,326,302	\$442,811	\$ 231,954	\$21,293	\$3,022,360

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

The following table reconciles our segment revenues to total revenues as reported on our consolidated statements of operations (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Segment revenues from real estate operations	\$ 517,253	\$ 509,980	\$ 525,964
Construction contract and other service revenues	60,859	102,840	48,364
Total revenues	\$ 578,112	\$ 612,820	\$ 574,328

The following table reconciles UJV NOI allocable to COPT to equity in income of unconsolidated entities as reported on our consolidated statements of operations (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
UJV NOI allocable to COPT	\$ 4,818	\$ 4,805	\$ 2,145
Less: Income from UJV allocable to COPT attributable to depreciation and amortization expense and interest expense	(3,314)	(3,310)	(1,413)
Add: Equity in income (loss) of unconsolidated non-real estate entities	1,193	(5)	20
Equity in income of unconsolidated entities	\$ 2,697	\$ 1,490	\$ 752

As previously discussed, we provide real estate services such as property management and construction and development services primarily for our properties but also for third parties. The primary manner in which we evaluate the operating performance of our service activities is through a measure we define as net operating income from service operations (“NOI from service operations”), which is based on the net of revenues and expenses from these activities. Construction contract and other service revenues and expenses consist primarily of subcontracted costs that are reimbursed to us by the customer along with a management fee. The operating margins from these activities are small relative to the revenue. We believe NOI from service operations is a useful measure in assessing both our level of activity and our profitability in conducting such operations. The table below sets forth the computation of our NOI from service operations (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Construction contract and other service revenues	\$ 60,859	\$ 102,840	\$ 48,364
Construction contract and other service expenses	(58,326)	(99,618)	(45,481)
NOI from service operations	\$ 2,533	\$ 3,222	\$ 2,883

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

The following table reconciles our NOI from real estate operations for reportable segments and NOI from service operations to net income as reported on our consolidated statements of operations (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
NOI from real estate operations	\$ 321,036	\$ 323,821	\$ 330,579
NOI from service operations	2,533	3,222	2,883
Interest and other income	4,358	6,318	5,444
Gain on sales of real estate	2,340	9,890	59,679
Equity in income of unconsolidated entities	2,697	1,490	752
Income tax benefit (expense)	363	(1,098)	(244)
Depreciation and other amortization associated with real estate operations	(137,116)	(134,228)	(132,719)
Impairment losses	(2,367)	(15,123)	(101,391)
General, administrative and leasing expenses	(28,900)	(30,837)	(36,553)
Business development expenses and land carry costs	(5,840)	(6,213)	(8,244)
Interest expense	(75,385)	(76,983)	(83,163)
Less: UJV NOI allocable to COPT included in equity in income of unconsolidated entities	(4,818)	(4,805)	(2,145)
Loss on early extinguishment of debt	(258)	(513)	(1,110)
Net income	<u>\$ 78,643</u>	<u>\$ 74,941</u>	<u>\$ 33,768</u>

The following table reconciles our segment assets to the consolidated total assets of COPT and subsidiaries (in thousands):

	As of December 31,	
	2018	2017
Segment assets	\$ 3,084,862	\$ 3,028,005
Non-operating property assets	410,671	411,041
Other assets	160,472	156,159
Total COPT consolidated assets	<u>\$ 3,656,005</u>	<u>\$ 3,595,205</u>

The accounting policies of the segments are the same as those used to prepare our consolidated financial statements. In the segment reporting presented above, we did not allocate interest expense, depreciation and amortization, impairment losses, gain on sales of real estate, loss on early extinguishment of debt and equity in income of unconsolidated entities not included in NOI to our real estate segments since they are not included in the measure of segment profit reviewed by management. We also did not allocate general, administrative and leasing expenses, business development expenses and land carry costs, interest and other income, income taxes and noncontrolling interests because these items represent general corporate or non-operating property items not attributable to segments.

18. Construction Contract and Other Service Revenues

We disaggregate our construction contract and other service revenues by compensation arrangement and by service type as we believe it best depicts the nature, timing and uncertainty of our revenue. The table below reports construction contract and other service revenues by compensation arrangement (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Construction contract revenues:			
GMP	\$ 34,050	\$ 78,401	\$ 22,405
FFP	20,327	22,607	24,571
Cost-plus fee	5,540	801	464
Other	942	1,031	924
	<u>\$ 60,859</u>	<u>\$ 102,840</u>	<u>\$ 48,364</u>

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

The table below reports construction contract and other service revenues by service type (in thousands):

	For the Years Ended December 31,		
	2018	2017	2016
Construction contract revenues:			
Construction	\$ 57,986	\$ 94,471	\$ 46,989
Design	1,931	7,338	451
Other	942	1,031	924
	<u>\$ 60,859</u>	<u>\$ 102,840</u>	<u>\$ 48,364</u>

We recognized revenue of \$349,000, \$586,000 and \$483,000 in 2018, 2017 and 2016, respectively, from performance obligations satisfied (or partially satisfied) in previous periods.

Accounts receivable related to our construction contract services is included in accounts receivable, net on our consolidated balance sheets. The beginning and ending balances of accounts receivable related to our construction contracts were as follows (in thousands):

	For the Years Ended December 31,	
	2018	2017
Beginning balance	\$ 4,577	\$ 4,131
Ending balance	\$ 6,701	\$ 4,577

Contract assets, which we refer to herein as construction costs in excess of billings, are included in prepaid expenses and other assets, net reported on our consolidated balance sheets. The beginning and ending balances of our contract assets were as follows (in thousands):

	For the Years Ended December 31,	
	2018	2017
Beginning balance	\$ 4,884	\$ 10,350
Ending balance	\$ 3,189	\$ 4,884

Contract liabilities are included in other liabilities reported on our consolidated balance sheets. Changes in contract liabilities were as follows (in thousands):

	For the Years Ended December 31,	
	2018	2017
Beginning balance	\$ 27,402	\$ 32,650
Ending balance	\$ 568	\$ 27,402
Portion of beginning balance recognized in revenue during the year	\$ 27,296	\$ 32,650

The change in the contract liabilities balance reported above for 2018 was due primarily to our satisfaction of performance obligations during the period on a contract on which we previously received advance payments from a customer.

Revenue allocated to the remaining performance obligations under existing contracts as of December 31, 2018 that will be recognized as revenue in future periods was \$58.1 million, all of which we expect to recognize in 2019.

We have no deferred incremental costs incurred to obtain or fulfill our construction contracts or other service revenues, and had no impairment losses on construction contracts receivable or unbilled construction revenue in 2018, 2017 and 2016.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

19. Earnings Per Share (“EPS”) and Earnings Per Unit (“EPU”)

COPT and Subsidiaries EPS

We present both basic and diluted EPS. We compute basic EPS by dividing net income available to common shareholders allocable to unrestricted common shares under the two-class method by the weighted average number of unrestricted common shares outstanding during the period. Our computation of diluted EPS is similar except that:

- the denominator is increased to include: (1) the weighted average number of potential additional common shares that would have been outstanding if securities that are convertible into COPT common shares were converted; and (2) the effect of dilutive potential common shares outstanding during the period attributable to COPT’s forward equity sale agreements and our share-based compensation using the treasury stock or if-converted methods; and
- the numerator is adjusted to add back any changes in income or loss that would result from the assumed conversion into common shares that we added to the denominator.

Summaries of the numerator and denominator for purposes of basic and diluted EPS calculations are set forth below (in thousands, except per share data):

	For the Years Ended December 31,		
	2018	2017	2016
Numerator:			
Net income attributable to COPT	\$ 72,301	\$ 68,745	\$ 28,890
Preferred share dividends	—	(6,219)	(14,297)
Issuance costs associated with redeemed preferred shares	—	(6,847)	(17)
Income attributable to share-based compensation awards	(462)	(449)	(419)
Numerator for basic and diluted EPS on net income attributable to COPT common shareholders	<u>\$ 71,839</u>	<u>\$ 55,230</u>	<u>\$ 14,157</u>
Denominator (all weighted averages):			
Denominator for basic EPS (common shares)	103,946	98,969	94,502
Dilutive effect of share-based compensation awards	134	132	92
Dilutive effect of forward equity sale agreements	45	54	—
Denominator for diluted EPS (common shares)	<u>104,125</u>	<u>99,155</u>	<u>94,594</u>
Basic EPS	\$ 0.69	\$ 0.56	\$ 0.15
Diluted EPS	\$ 0.69	\$ 0.56	\$ 0.15

Our diluted EPS computations do not include the effects of the following securities since the conversions of such securities would increase diluted EPS for the respective periods (in thousands):

	Weighted Average Shares Excluded from Denominator		
	for the Years Ended December 31,		
	2018	2017	2016
Conversion of common units	2,468	3,362	3,633
Conversion of redeemable noncontrolling interests	936	689	809
Conversion of Series I preferred units	176	176	176
Conversion of Series K preferred shares	—	—	434

The following share-based compensation securities were also excluded from the computation of diluted EPS because their effect was antidilutive:

- weighted average restricted shares and deferred share awards of 452,000 for 2018, 433,000 for 2017 and 385,000 for 2016; and
- weighted average options of 42,000 for 2018, 70,000 for 2017 and 285,000 for 2016.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

COPLP and Subsidiaries EPU

We present both basic and diluted EPU. We compute basic EPU by dividing net income available to common unitholders allocable to unrestricted common units under the two-class method by the weighted average number of unrestricted common units outstanding during the period. Our computation of diluted EPU is similar except that:

- the denominator is increased to include: (1) the weighted average number of potential additional common units that would have been outstanding if securities that are convertible into our common units were converted; and (2) the effect of dilutive potential common units outstanding during the period attributable to COPT's forward equity sale agreements and our share-based compensation using the treasury stock or if-converted methods; and
- the numerator is adjusted to add back any changes in income or loss that would result from the assumed conversion into common units that we added to the denominator.

Summaries of the numerator and denominator for purposes of basic and diluted EPU calculations are set forth below (in thousands, except per unit data):

	For the Years Ended December 31,		
	2018	2017	2016
Numerator:			
Net income attributable to COPLP	\$ 74,703	\$ 71,295	\$ 30,053
Preferred unit distributions	(660)	(6,879)	(14,957)
Issuance costs associated with redeemed preferred units	—	(6,847)	(17)
Income attributable to share-based compensation awards	(462)	(449)	(419)
Numerator for basic and diluted EPU on net income attributable to COPLP common unitholders	<u>\$ 73,581</u>	<u>\$ 57,120</u>	<u>\$ 14,660</u>
Denominator (all weighted averages):			
Denominator for basic EPU (common units)	106,414	102,331	98,135
Dilutive effect of share-based compensation awards	134	132	92
Dilutive effect of forward equity sale agreements	45	54	—
Denominator for diluted EPU (common units)	<u>106,593</u>	<u>102,517</u>	<u>98,227</u>
Basic EPU	\$ 0.69	\$ 0.56	\$ 0.15
Diluted EPU	\$ 0.69	\$ 0.56	\$ 0.15

Our diluted EPU computations do not include the effects of the following securities since the conversions of such securities would increase diluted EPU for the respective periods (in thousands):

	Weighted Average Units Excluded from Denominator for the Years Ended December 31,		
	2018	2017	2016
Conversion of redeemable noncontrolling interests	936	689	809
Conversion of Series I preferred units	176	176	176
Conversion of Series K preferred units	—	—	434

The following share-based compensation securities were also excluded from the computation of diluted EPU because their effect was antidilutive:

- weighted average restricted units and deferred share awards of 452,000 for 2018, 433,000 for 2017 and 385,000 for 2016; and
- weighted average options of 42,000 for 2018, 70,000 for 2017 and 285,000 for 2016.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

20. Commitments and Contingencies

Litigation and Claims

In the normal course of business, we are subject to legal actions and other claims. We record losses for specific legal proceedings and claims when we determine that a loss is probable and the amount of loss can be reasonably estimated. Management believes that it is reasonably possible that we could incur losses pursuant to such claims but do not believe such losses would materially affect our financial position, liquidity or results of operations. Our assessment of the potential outcomes of these matters involves significant judgment and is subject to change based on future developments.

Environmental

We are subject to various Federal, state and local environmental regulations related to our property ownership and operation. We have performed environmental assessments of our properties, the results of which have not revealed any environmental liability that we believe would have a materially adverse effect on our financial position, operations or liquidity.

In connection with a lease and subsequent sale in 2008 and 2010 of three properties in Dayton, New Jersey, we agreed to provide certain environmental indemnifications limited to \$19 million in the aggregate. We have insurance coverage in place to mitigate much of any potential future losses that may result from these indemnification agreements.

Tax Incremental Financing Obligation

In August 2010, Anne Arundel County, Maryland issued \$30 million in tax incremental financing bonds to third-party investors in order to finance public improvements needed in connection with our project known as National Business Park North. The real estate taxes on increases in assessed value of a development district encompassing National Business Park North are to be transferred to a special fund pledged to the repayment of the bonds. While we are obligated to fund, through a special tax, any future shortfalls between debt service of the bonds and real estate taxes available to repay the bonds, as of December 31, 2018, we do not expect any such future fundings will be required.

Operating Leases

We are obligated as lessee under operating leases (mostly ground leases) with various expiration dates extending to the year 2100. Future minimum rental payments due under the terms of these operating leases as of December 31, 2018 follow (in thousands):

<u>Year Ending December 31,</u>		
2019	\$	1,320
2020		1,294
2021		1,278
2022		1,164
2023		1,119
Thereafter		83,373
	<u>\$</u>	<u>89,548</u>

Capital Lease

On May 25, 2017, we entered into a ground lease on land under development in Washington, DC through our Stevens Investors, LLC joint venture. The lease has a 99-year term, and we possess an option to purchase the property for one dollar (estimated to occur in 2020). Upon inception of the lease, we recorded a \$16.1 million capital lease liability on our consolidated balance sheets based on the present value of the future minimum rental payments and have since paid down most of this liability. The remaining capital lease obligation as of December 31, 2018 was \$660,000, which is due in 2020.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

Contractual Obligations

We had amounts remaining to be incurred under various contractual obligations as of December 31, 2018 that included the following (excluding amounts incurred and therefore reflected as liabilities reported on our consolidated balance sheets):

- development and redevelopment obligations of \$241.1 million;
- tenant and other capital improvements of \$44.1 million;
- third party construction obligations of \$47.9 million;
- and
- other obligations of \$1.9 million.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Notes to Consolidated Financial Statements (Continued)

21. Quarterly Data (Unaudited)

The tables below set forth selected quarterly information for the years ended December 31, 2018 and 2017 (in thousands, except per share/unit data).

	For the Year Ended December 31, 2018				For the Year Ended December 31, 2017			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
COPT and Subsidiaries								
Revenues	\$ 155,476	\$ 146,743	\$ 137,411	\$ 138,482	\$ 139,801	\$ 151,435	\$ 157,017	\$ 164,567
Net income	\$ 18,780	\$ 21,085	\$ 20,322	\$ 18,456	\$ 22,740	\$ 18,859	\$ 22,334	\$ 11,008
Net income attributable to noncontrolling interests	(1,630)	(1,651)	(1,625)	(1,436)	(1,721)	(1,333)	(1,755)	(1,387)
Net income attributable to COPT	17,150	19,434	18,697	17,020	21,019	17,526	20,579	9,621
Preferred share dividends	—	—	—	—	(3,180)	(3,039)	—	—
Issuance costs associated with redeemed preferred shares	—	—	—	—	—	(6,847)	—	—
Net income attributable to COPT common shareholders	\$ 17,150	\$ 19,434	\$ 18,697	\$ 17,020	\$ 17,839	\$ 7,640	\$ 20,579	\$ 9,621
Basic EPS	\$ 0.17	\$ 0.19	\$ 0.18	\$ 0.16	\$ 0.18	\$ 0.08	\$ 0.21	\$ 0.10
Diluted EPS	\$ 0.17	\$ 0.19	\$ 0.18	\$ 0.16	\$ 0.18	\$ 0.08	\$ 0.21	\$ 0.10
COPLP and Subsidiaries								
Revenues	\$ 155,476	\$ 146,743	\$ 137,411	\$ 138,482	\$ 139,801	\$ 151,435	\$ 157,017	\$ 164,567
Net income	\$ 18,780	\$ 21,085	\$ 20,322	\$ 18,456	\$ 22,740	\$ 18,859	\$ 22,334	\$ 11,008
Net income attributable to noncontrolling interests	(921)	(878)	(1,080)	(1,061)	(934)	(907)	(897)	(908)
Net income attributable to COPLP	17,859	20,207	19,242	17,395	21,806	17,952	21,437	10,100
Preferred unit distributions	(165)	(165)	(165)	(165)	(3,345)	(3,204)	(165)	(165)
Issuance costs associated with redeemed preferred units	—	—	—	—	—	(6,847)	—	—
Net income attributable to COPLP common unitholders	\$ 17,694	\$ 20,042	\$ 19,077	\$ 17,230	\$ 18,461	\$ 7,901	\$ 21,272	\$ 9,935
Basic EPU	\$ 0.17	\$ 0.19	\$ 0.18	\$ 0.16	\$ 0.18	\$ 0.08	\$ 0.21	\$ 0.10
Diluted EPU	\$ 0.17	\$ 0.19	\$ 0.18	\$ 0.16	\$ 0.18	\$ 0.08	\$ 0.21	\$ 0.10

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Schedule II—Valuation and Qualifying Accounts
Years Ended December 31, 2018, 2017 and 2016
(in thousands)

	Balance at Beginning of Year	Charged to Costs and Expenses (1)	Charged to Other Accounts (2)	Deductions (3)	Balance at End of Year
Accounts Receivables-Allowance for doubtful accounts					
Year ended December 31, 2018	\$ 607	\$ 319	\$ —	\$ (96)	\$ 830
Year ended December 31, 2017	\$ 603	\$ 368	\$ (36)	\$ (328)	\$ 607
Year ended December 31, 2016	\$ 1,525	\$ (17)	\$ 235	\$ (1,140)	\$ 603
Allowance for Deferred Rent Receivable					
Year ended December 31, 2018	\$ 364	\$ —	\$ (100)	\$ —	\$ 264
Year ended December 31, 2017	\$ 373	\$ —	\$ (9)	\$ —	\$ 364
Year ended December 31, 2016	\$ 1,962	\$ —	\$ (1,589)	\$ —	\$ 373
Allowance for Deferred Tax Asset					
Year ended December 31, 2018	\$ 1,416	\$ 668	\$ —	\$ —	\$ 2,084
Year ended December 31, 2017	\$ 2,062	\$ (646)	\$ —	\$ —	\$ 1,416
Year ended December 31, 2016	\$ 2,062	\$ —	\$ —	\$ —	\$ 2,062

(1) Amounts charged to costs and expenses are net of recoveries. The change in the allowance for deferred tax asset was due primarily to: for 2018, additional losses reported for tax purposes during the year that we do not expect to realize; and for 2017, a decrease in the corporate tax rate.

(2) Allowances for certain accounts receivables were charged to service company revenue. Deferred rent receivable allowances were charged to rental revenue.

(3) Deductions reflect adjustments to reserves due to actual write-offs of accounts.

Corporate Office Properties Trust and Subsidiaries and Corporate Office Properties, L.P. and Subsidiaries
Schedule III—Real Estate and Accumulated Depreciation
December 31, 2018
(Dollars in thousands)

Property (Type) (1)	Location	Encumbrances (2)	Initial Cost			Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried At Close of Period			Accumulated Depreciation (5)	Year Built or Renovated	Date Acquired (6)
			Land	Building and Land Improvements			Land	Building and Land Improvements	Total (3) (4)			
100 Light Street (O)	Baltimore, MD	\$ 48,473	\$ 26,715	\$ 58,343	\$ 8,065	\$ 26,715	\$ 66,408	\$ 93,123	\$ (13,232)	1973/2011	8/7/2015	
1000 Redstone Gateway (O)	Huntsville, AL	10,390	—	20,533	5	—	20,538	20,538	(2,978)	2013	3/23/2010	
1100 Redstone Gateway (O)	Huntsville, AL	10,917	—	19,593	6	—	19,599	19,599	(2,435)	2014	3/23/2010	
114 National Business Parkway (O)	Annapolis Junction, MD	—	364	3,109	118	364	3,227	3,591	(1,401)	2002	6/30/2000	
1200 Redstone Gateway (O)	Huntsville, AL	12,616	—	22,389	—	—	22,389	22,389	(2,824)	2013	3/23/2010	
1201 M Street (O)	Washington, DC	—	—	49,785	8,619	—	58,404	58,404	(14,892)	2001	9/28/2010	
1201 Winterson Road (O)	Linthicum, MD	—	2,130	16,601	488	2,130	17,089	19,219	(4,665)	1985/2017	4/30/1998	
1220 12th Street, SE (O)	Washington, DC	—	—	42,464	7,355	—	49,819	49,819	(13,674)	2003	9/28/2010	
1243 Winterson Road (L)	Linthicum, MD	—	630	—	—	630	—	630	—	(7)	12/19/2001	
131 National Business Parkway (O)	Annapolis Junction, MD	—	1,906	7,623	3,962	1,906	11,585	13,491	(6,697)	1990	9/28/1998	
132 National Business Parkway (O)	Annapolis Junction, MD	—	2,917	12,259	4,666	2,917	16,925	19,842	(9,325)	2000	5/28/1999	
133 National Business Parkway (O)	Annapolis Junction, MD	—	2,517	10,068	5,584	2,517	15,652	18,169	(9,639)	1997	9/28/1998	
134 National Business Parkway (O)	Annapolis Junction, MD	—	3,684	7,517	4,108	3,684	11,625	15,309	(6,036)	1999	11/13/1998	
1340 Ashton Road (O)	Hanover, MD	—	905	3,620	1,516	905	5,136	6,041	(2,971)	1989	4/28/1999	
13450 Sunrise Valley Road (O)	Herndon, VA	—	1,386	5,576	4,592	1,386	10,168	11,554	(5,295)	1998	7/25/2003	
13454 Sunrise Valley Road (O)	Herndon, VA	—	2,899	11,986	8,191	2,899	20,177	23,076	(10,176)	1998	7/25/2003	
135 National Business Parkway (O)	Annapolis Junction, MD	—	2,484	9,750	6,075	2,484	15,825	18,309	(8,783)	1998	12/30/1998	
1362 Mellon Road (O)	Hanover, MD	—	950	3,864	206	950	4,070	5,020	(414)	2006	2/10/2006	
13857 McLearn Road (O)	Herndon, VA	—	3,507	30,177	2,806	3,507	32,983	36,490	(10,850)	2007	7/11/2012	
140 National Business Parkway (O)	Annapolis Junction, MD	—	3,407	24,167	1,487	3,407	25,654	29,061	(9,577)	2003	12/31/2003	
141 National Business Parkway (O)	Annapolis Junction, MD	—	2,398	9,538	4,815	2,398	14,353	16,751	(8,006)	1990	9/28/1998	
14280 Park Meadow Drive (O)	Chantilly, VA	—	3,731	15,953	3,039	3,731	18,992	22,723	(7,982)	1999	9/29/2004	
1460 Dorsey Road (L)	Hanover, MD	—	1,577	67	—	1,577	67	1,644	—	(7)	2/28/2006	
14840 Conference Center Drive (O)	Chantilly, VA	—	1,572	8,175	3,433	1,572	11,608	13,180	(5,964)	2000	7/25/2003	
14850 Conference Center Drive (O)	Chantilly, VA	—	1,615	8,358	3,108	1,615	11,466	13,081	(6,416)	2000	7/25/2003	
14900 Conference Center Drive (O)	Chantilly, VA	—	3,436	14,402	7,817	3,436	22,219	25,655	(10,959)	1999	7/25/2003	
1501 South Clinton Street (O)	Baltimore, MD	—	27,964	51,990	15,417	27,964	67,407	95,371	(22,475)	2006	10/27/2009	
15049 Conference Center Drive (O)	Chantilly, VA	—	4,415	20,365	15,729	4,415	36,094	40,509	(13,957)	1997	8/14/2002	
15059 Conference Center Drive (O)	Chantilly, VA	—	5,753	13,615	3,979	5,753	17,594	23,347	(8,680)	2000	8/14/2002	
1550 West Nursery Road (O)	Linthicum, MD	—	14,071	16,930	—	14,071	16,930	31,001	(5,390)	2009	10/28/2009	
1560 West Nursery Road (O)	Linthicum, MD	—	1,441	113	—	1,441	113	1,554	(13)	2014	10/28/2009	
1610 West Nursery Road (O)	Linthicum, MD	—	259	246	—	259	246	505	(11)	2016	4/30/1998	
1616 West Nursery Road (O)	Linthicum, MD	—	393	3,323	—	393	3,323	3,716	(98)	2017	4/30/1998	
1622 West Nursery Road (O)	Linthicum, MD	—	393	2,542	—	393	2,542	2,935	(116)	2016	4/30/1998	

Property (Type) (1)	Location	Encumbrances (2)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried At Close of Period			Accumulated Depreciation (5)	Year Built or Renovated	Date Acquired (6)
			Land	Building and Land Improvements		Land	Building and Land Improvements	Total (3) (4)			
			16442 Commerce Drive (O)	Dahlgren, VA		—	613	2,582			
16480 Commerce Drive (O)	Dahlgren, VA	—	1,856	7,154	2,170	1,856	9,324	11,180	(3,624)	2000	12/28/2004
16501 Commerce Drive (O)	Dahlgren, VA	—	522	2,090	976	522	3,066	3,588	(1,112)	2002	12/21/2004
16539 Commerce Drive (O)	Dahlgren, VA	—	688	2,860	2,188	688	5,048	5,736	(2,517)	1990	12/21/2004
16541 Commerce Drive (O)	Dahlgren, VA	—	773	3,094	1,794	773	4,888	5,661	(2,197)	1996	12/21/2004
16543 Commerce Drive (O)	Dahlgren, VA	—	436	1,742	716	436	2,458	2,894	(972)	2002	12/21/2004
1751 Pinnacle Drive (O)	McLean, VA	—	10,486	42,339	29,880	10,486	72,219	82,705	(32,435)	1989/1995	9/23/2004
1753 Pinnacle Drive (O)	McLean, VA	—	8,275	34,353	20,778	8,275	55,131	63,406	(20,770)	1976/2004	9/23/2004
206 Research Boulevard (O)	Aberdeen, MD	—	—	—	—	—	—	—	—	2012	9/14/2007
209 Research Boulevard (O)	Aberdeen, MD	—	134	1,711	265	134	1,976	2,110	(381)	2010	9/14/2007
210 Research Boulevard (O)	Aberdeen, MD	—	113	1,402	204	113	1,606	1,719	(271)	2010	9/14/2007
2100 L Street (O)	Washington, DC	13,577	56,351	19,446	—	56,351	19,446	75,797	—	(8)	8/11/2015
2100 Rideout Road (O)	Huntsville, AL	—	—	5,492	2,881	—	8,373	8,373	(866)	2016	3/23/2010
22289 Exploration Drive (O)	Lexington Park, MD	—	1,422	5,594	1,867	1,422	7,461	8,883	(3,598)	2000	3/24/2004
22299 Exploration Drive (O)	Lexington Park, MD	—	1,362	5,685	2,550	1,362	8,235	9,597	(4,040)	1998	3/24/2004
22300 Exploration Drive (O)	Lexington Park, MD	—	1,094	4,929	2,522	1,094	7,451	8,545	(2,658)	1997	11/9/2004
22309 Exploration Drive (O)	Lexington Park, MD	—	2,243	10,419	7,983	2,243	18,402	20,645	(6,799)	1984/1997	3/24/2004
23535 Cottonwood Parkway (O)	California, MD	—	692	3,051	571	692	3,622	4,314	(1,695)	1984	3/24/2004
250 W Pratt St (O)	Baltimore, MD	—	8,057	34,588	10,557	8,057	45,145	53,202	(10,084)	1985	3/19/2015
2500 Riva Road (O)	Annapolis, MD	—	2,791	12,193	1	2,791	12,194	14,985	(6,467)	2000	3/4/2003
2600 Park Tower Drive (O)	Vienna, VA	—	20,304	34,443	711	20,304	35,154	55,458	(4,939)	1999	4/15/2015
2691 Technology Drive (O)	Junction, MD	—	2,098	17,334	5,557	2,098	22,891	24,989	(10,541)	2005	5/26/2000
2701 Technology Drive (O)	Junction, MD	—	1,737	15,266	5,034	1,737	20,300	22,037	(10,559)	2001	5/26/2000
2711 Technology Drive (O)	Junction, MD	—	2,251	21,611	2,282	2,251	23,893	26,144	(12,299)	2002	11/13/2000
2720 Technology Drive (O)	Junction, MD	—	3,863	29,272	1,218	3,863	30,490	34,353	(11,349)	2004	1/31/2002
2721 Technology Drive (O)	Junction, MD	—	4,611	14,597	2,801	4,611	17,398	22,009	(8,280)	2000	10/21/1999
2730 Hercules Road (O)	Junction, MD	—	8,737	31,612	8,697	8,737	40,309	49,046	(20,174)	1990	9/28/1998
30 Light Street (O)	Baltimore, MD	4,078	—	12,101	867	—	12,968	12,968	(1,113)	2009	8/7/2015
300 Sentinel Drive (O)	Junction, MD	—	1,517	59,165	1,201	1,517	60,366	61,883	(13,166)	2009	11/14/2003
302 Sentinel Drive (O)	Junction, MD	—	2,648	29,687	777	2,648	30,464	33,112	(8,381)	2007	11/14/2003
304 Sentinel Drive (O)	Junction, MD	—	3,411	24,917	1,814	3,411	26,731	30,142	(8,441)	2005	11/14/2003
306 Sentinel Drive (O)	Junction, MD	—	3,260	22,592	1,239	3,260	23,831	27,091	(7,357)	2006	11/14/2003
308 Sentinel Drive (O)	Junction, MD	—	1,422	26,208	2,330	1,422	28,538	29,960	(5,245)	2010	11/14/2003
310 Sentinel Way (O)	Junction, MD	—	2,372	39,990	—	2,372	39,990	42,362	(2,956)	2016	11/14/2003
310 The Bridge Street (O)	Huntsville, AL	—	261	26,531	4,088	261	30,619	30,880	(8,677)	2009	8/9/2011
312 Sentinel Way (O)	Junction, MD	—	3,138	27,797	—	3,138	27,797	30,935	(2,999)	2014	11/14/2003
314 Sentinel Way (O)	Junction, MD	—	1,254	7,741	—	1,254	7,741	8,995	(781)	2008	11/14/2003
316 Sentinel Way (O)	Junction, MD	—	2,748	38,156	145	2,748	38,301	41,049	(6,475)	2011	11/14/2003
318 Sentinel Way (O)	Junction, MD	—	2,185	28,426	560	2,185	28,986	31,171	(9,182)	2005	11/14/2003

Property (Type) (1)	Location	Encumbrances (2)	Initial Cost			Gross Amounts Carried At Close of Period					
			Land	Building and Land Improvements	Costs Capitalized Subsequent to Acquisition	Land	Building and Land Improvements	Total (3) (4)	Accumulated Depreciation (5)	Year Built or Renovated	Date Acquired (6)
320 Sentinel Way (O)	Annapolis Junction, MD	—	2,067	21,623	65	2,067	21,688	23,755	(5,935)	2007	11/14/2003
322 Sentinel Way (O)	Annapolis Junction, MD	—	2,605	22,827	1,900	2,605	24,727	27,332	(7,047)	2006	11/14/2003
324 Sentinel Way (O)	Annapolis Junction, MD	—	1,656	23,018	—	1,656	23,018	24,674	(4,805)	2010	6/29/2006
4000 Market Street (O)	Huntsville, AL	—	—	6,820	—	—	6,820	6,820	(7)	2018 (8)	3/23/2010
4100 Market Street (O)	Huntsville, AL	—	—	4,612	—	—	4,612	4,612	—	(8)	3/23/2010
410 National Business Parkway (O)	Annapolis Junction, MD	—	1,831	23,257	119	1,831	23,376	25,207	(3,497)	2012	6/29/2006
420 National Business Parkway (O)	Annapolis Junction, MD	—	2,370	27,751	108	2,370	27,859	30,229	(3,340)	2013	6/29/2006
430 National Business Parkway (O)	Annapolis Junction, MD	—	1,852	21,563	127	1,852	21,690	23,542	(3,680)	2011	6/29/2006
44408 Pecan Court (O)	California, MD	—	817	1,464	1,691	817	3,155	3,972	(1,079)	1986	3/24/2004
44414 Pecan Court (O)	California, MD	—	405	1,619	1,065	405	2,684	3,089	(1,137)	1986	3/24/2004
44417 Pecan Court (O)	California, MD	—	434	3,794	208	434	4,002	4,436	(1,624)	1989/2015	3/24/2004
44420 Pecan Court (O)	California, MD	—	344	880	270	344	1,150	1,494	(423)	1989	11/9/2004
44425 Pecan Court (O)	California, MD	—	1,309	3,506	2,123	1,309	5,629	6,938	(2,750)	1997	5/5/2004
45310 Abell House Lane (O)	California, MD	—	2,272	13,808	471	2,272	14,279	16,551	(2,455)	2011	8/30/2010
46579 Expedition Drive (O)	Lexington Park, MD	—	1,406	5,796	1,831	1,406	7,627	9,033	(3,664)	2002	3/24/2004
46591 Expedition Drive (O)	Lexington Park, MD	—	1,200	7,199	1,977	1,200	9,176	10,376	(3,052)	2005	3/24/2004
4851 Stonecroft Boulevard (O)	Chantilly, VA	—	1,878	11,558	34	1,878	11,592	13,470	(4,116)	2004	8/14/2002
540 National Business Parkway (O)	Annapolis Junction, MD	—	2,035	29,608	—	2,035	29,608	31,643	(934)	2017	6/29/2006
5520 Research Park Drive (O)	Catonsville, MD	—	—	20,072	1,327	—	21,399	21,399	(4,886)	2009	4/4/2006
5522 Research Park Drive (O)	Catonsville, MD	—	—	4,550	210	—	4,760	4,760	(1,313)	2007	3/8/2006
5801 University Research Court (O)	College Park, MD	—	—	15,936	—	—	15,936	15,936	(240)	2018 (8)	11/9/2016
5825 University Research Court (O)	College Park, MD	20,875	—	22,771	783	—	23,554	23,554	(5,680)	2008	1/29/2008
5850 University Research Court (O)	College Park, MD	22,085	—	31,906	405	—	32,311	32,311	(7,165)	2008	1/29/2008
6700 Alexander Bell Drive (O)	Columbia, MD	—	1,755	7,019	7,509	1,755	14,528	16,283	(7,484)	1988	5/14/2001
6708 Alexander Bell Drive (O)	Columbia, MD	—	897	12,631	1,622	897	14,253	15,150	(4,111)	1988/2016	5/14/2001
6711 Columbia Gateway Drive (O)	Columbia, MD	—	2,683	23,239	1,550	2,683	24,789	27,472	(7,598)	2006-2007	9/28/2000
6716 Alexander Bell Drive (O)	Columbia, MD	—	1,242	4,969	4,285	1,242	9,254	10,496	(5,506)	1990	12/31/1998
6721 Columbia Gateway Drive (O)	Columbia, MD	—	1,753	34,090	122	1,753	34,212	35,965	(8,373)	2009	9/28/2000
6724 Alexander Bell Drive (O)	Columbia, MD	—	449	5,039	1,535	449	6,574	7,023	(2,946)	2001	5/14/2001
6731 Columbia Gateway Drive (O)	Columbia, MD	—	2,807	19,098	4,921	2,807	24,019	26,826	(11,156)	2002	3/29/2000
6740 Alexander Bell Drive (O)	Columbia, MD	—	1,424	5,696	3,441	1,424	9,137	10,561	(5,875)	1992	12/31/1998
6741 Columbia Gateway Drive (O)	Columbia, MD	—	675	1,711	154	675	1,865	2,540	(521)	2008	9/28/2000
6750 Alexander Bell Drive (O)	Columbia, MD	—	1,263	12,461	4,981	1,263	17,442	18,705	(9,484)	2001	12/31/1998
6760 Alexander Bell Drive (O)	Columbia, MD	—	890	3,561	3,830	890	7,391	8,281	(4,272)	1991	12/31/1998
6940 Columbia Gateway Drive (O)	Columbia, MD	—	3,545	9,916	7,330	3,545	17,246	20,791	(9,035)	1999	11/13/1998
6950 Columbia Gateway Drive (O)	Columbia, MD	—	3,596	15,738	3,220	3,596	18,958	22,554	(10,912)	1998 (8)	10/22/1998
7000 Columbia Gateway Drive (O)	Columbia, MD	—	3,131	12,103	6,479	3,131	18,582	21,713	(7,126)	1999	5/31/2002
7005 Columbia Gateway Drive (L)	Columbia, MD	—	3,036	747	—	3,036	747	3,783	—	(7)	6/26/2014
7015 Albert Einstein Drive (O)	Columbia, MD	412	2,058	6,093	3,319	2,058	9,412	11,470	(3,746)	1999	12/1/2005

Property (Type) (1)	Location	Initial Cost				Gross Amounts Carried At Close of Period						
		Encumbrances (2)	Building and Land Improvements		Costs Capitalized Subsequent to Acquisition	Building and Land Improvements		Total (3) (4)	Accumulated Depreciation (5)	Year Built or Renovated	Date Acquired (6)	
			Land	Improvements		Land	Improvements					
7061 Columbia Gateway Drive (O)	Columbia, MD	—	729	3,094	2,018	729	5,112	5,841	(2,747)	2000	8/30/2001	
7063 Columbia Gateway Drive (O)	Columbia, MD	—	902	3,684	3,416	902	7,100	8,002	(3,553)	2000	8/30/2001	
7065 Columbia Gateway Drive (O)	Columbia, MD	—	919	3,763	3,095	919	6,858	7,777	(4,070)	2000	8/30/2001	
7067 Columbia Gateway Drive (O)	Columbia, MD	—	1,829	11,823	4,480	1,829	16,303	18,132	(7,496)	2001	8/30/2001	
7125 Columbia Gateway Drive (O)	Columbia, MD	—	20,487	46,994	18,044	20,487	65,038	85,525	(23,141)	1973/1999	6/29/2006	
7130 Columbia Gateway Drive (O)	Columbia, MD	—	1,350	4,359	2,559	1,350	6,918	8,268	(3,396)	1989	9/19/2005	
7134 Columbia Gateway Drive (O)	Columbia, MD	—	704	4,700	353	704	5,053	5,757	(1,540)	1990/2016	9/19/2005	
7138 Columbia Gateway Drive (O)	Columbia, MD	—	1,104	3,518	2,843	1,104	6,361	7,465	(3,658)	1990	9/19/2005	
7142 Columbia Gateway Drive (O)	Columbia, MD	—	1,342	7,158	2,608	1,342	9,766	11,108	(3,137)	1994/2018	9/19/2005	
7150 Columbia Gateway Drive (O)	Columbia, MD	—	1,032	3,429	813	1,032	4,242	5,274	(1,557)	1991	9/19/2005	
7150 Riverwood Drive (O)	Columbia, MD	—	1,821	4,388	1,824	1,821	6,212	8,033	(2,570)	2000	1/10/2007	
7160 Riverwood Drive (O)	Columbia, MD	—	2,732	7,006	2,490	2,732	9,496	12,228	(4,050)	2000	1/10/2007	
7170 Riverwood Drive (O)	Columbia, MD	—	1,283	3,096	1,704	1,283	4,800	6,083	(2,026)	2000	1/10/2007	
7175 Riverwood Drive (O)	Columbia, MD	—	1,788	7,269	—	1,788	7,269	9,057	(934)	1996/2013	7/27/2005	
7200 Redstone Gateway (O)	Huntsville, AL	6,121	—	8,348	5	—	8,353	8,353	(963)	2013	3/23/2010	
7200 Riverwood Road (O)	Columbia, MD	—	4,089	22,630	4,538	4,089	27,168	31,257	(11,024)	1986	10/13/1998	
7205 Riverwood Drive (O)	Columbia, MD	—	1,367	21,419	—	1,367	21,419	22,786	(2,916)	2013	7/27/2005	
7272 Park Circle Drive (O)	Hanover, MD	—	1,479	6,300	4,578	1,479	10,878	12,357	(4,427)	1991/1996	1/10/2007	
7318 Parkway Drive (O)	Hanover, MD	—	972	3,888	1,250	972	5,138	6,110	(2,566)	1984	4/16/1999	
7400 Redstone Gateway (O)	Huntsville, AL	6,713	—	9,223	—	—	9,223	9,223	(813)	2015	3/23/2010	
7467 Ridge Road (O)	Hanover, MD	—	1,565	3,116	4,428	1,565	7,544	9,109	(2,699)	1990	4/28/1999	
7740 Milestone Parkway (O)	Hanover, MD	17,786	3,825	34,176	567	3,825	34,743	38,568	(7,395)	2009	7/2/2007	
7770 Backlick Road (O)	Springfield, VA	—	6,387	76,593	300	6,387	76,893	83,280	(11,016)	2012	3/10/2010	
7880 Milestone Parkway (O)	Hanover, MD	—	4,857	25,925	200	4,857	26,125	30,982	(2,023)	2015	9/17/2013	
8621 Robert Fulton Drive (O)	Columbia, MD	—	2,317	12,642	6,437	2,317	19,079	21,396	(4,777)	2005-2006	6/10/2005	
8661 Robert Fulton Drive (O)	Columbia, MD	—	1,510	3,764	2,453	1,510	6,217	7,727	(2,926)	2002	12/30/2003	
8671 Robert Fulton Drive (O)	Columbia, MD	—	1,718	4,280	4,233	1,718	8,513	10,231	(4,021)	2002	12/30/2003	
870 Elkridge Landing Road (O)	Linthicum, MD	—	2,003	9,442	9,301	2,003	18,743	20,746	(9,936)	1981	8/3/2001	
8800 Redstone Gateway (O)	Huntsville, AL	—	—	992	—	—	992	992	—	(8)	3/23/2010	
891 Elkridge Landing Road (O)	Linthicum, MD	—	1,165	4,772	3,450	1,165	8,222	9,387	(4,582)	1984	7/2/2001	
901 Elkridge Landing Road (O)	Linthicum, MD	—	1,156	4,437	3,383	1,156	7,820	8,976	(3,955)	1984	7/2/2001	
911 Elkridge Landing Road (O)	Linthicum, MD	—	1,215	4,861	2,901	1,215	7,762	8,977	(4,170)	1985	4/30/1998	
938 Elkridge Landing Road (O)	Linthicum, MD	—	922	4,748	1,446	922	6,194	7,116	(2,828)	1984	7/2/2001	
939 Elkridge Landing Road (O)	Linthicum, MD	—	939	3,756	4,438	939	8,194	9,133	(4,642)	1983	4/30/1998	
9651 Hombaker Road (D)	Manassas, VA	—	6,050	251,367	4,689	6,050	256,056	262,106	(50,191)	2010	9/14/2010	
Arundel Preserve (L)	Hanover, MD	—	13,401	9,583	—	13,401	9,583	22,984	—	(7)	7/2/2007	
Bethlehem Tech. Park - DC 18 (O)	Manassas, VA	—	3,599	26,636	—	3,599	26,636	30,235	(964)	2017	6/17/2016	
Bethlehem Tech. Park - DC 19 (O)	Manassas, VA	—	3,708	16,606	—	3,708	16,606	20,314	(865)	2016	6/9/2016	
Bethlehem Tech. Park - DC 20 (O)	Manassas, VA	—	3,599	24,062	—	3,599	24,062	27,661	(965)	2017	6/9/2016	

Property (Type) (1)	Location	Encumbrances (2)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried At Close of Period					
			Land	Building and Land Improvements		Land	Building and Land Improvements	Total (3) (4)	Accumulated Depreciation (5)	Year Built or Renovated	Date Acquired (6)
Bethlehem Tech. Park - DC 23 (O)	Manassas, VA	—	—	4,883	—	—	4,883	4,883	—	(8)	6/9/2016
BLC 1 (O)	Northern Virginia	—	12,034	17,917	—	12,034	17,917	29,951	(245)	2018	12/28/2017
BLC 2 (O)	Northern Virginia	—	12,034	17,659	—	12,034	17,659	29,693	(210)	2018	12/28/2017
Canton Crossing Land (L)	Baltimore, MD	—	17,285	8,179	—	17,285	8,179	25,464	—	(7)	10/27/2009
Canton Crossing Util Distr Ctr (O)	Baltimore, MD	—	6,100	10,450	1,192	6,100	11,642	17,742	(5,053)	2006	10/27/2009
Columbia Gateway - Southridge (L)	Columbia, MD	—	6,387	3,722	—	6,387	3,722	10,109	—	(7)	9/20/2004
Dahlgren Technology Center (L)	Dahlgren, VA	—	978	178	—	978	178	1,156	—	(7)	3/16/2005
Expedition VII (L)	Lexington Park, MD	—	705	730	—	705	730	1,435	—	(7)	3/24/2004
IN 1 (O)	Northern Virginia	—	1,815	11,532	—	1,815	11,532	13,347	—	(8)	8/31/2016
IN 2 (O)	Northern Virginia	—	2,627	4,655	—	2,627	4,655	7,282	—	(8)	8/31/2016
M Square Research Park (L)	College Park, MD	—	—	3,202	—	—	3,202	3,202	—	(7)	1/29/2008
MP 1 (O)	Northern Virginia	—	9,426	15,865	—	9,426	15,865	25,291	—	(8)	11/20/2017
MP 2 (O)	Northern Virginia	—	9,426	25,191	—	9,426	25,191	34,617	—	2018	11/20/2017
MR Land (L)	Northern Virginia	—	9,038	55	—	9,038	55	9,093	—	(7)	11/8/2018
National Business Park North (L)	Annapolis Junction, MD	—	28,060	47,371	—	28,060	47,371	75,431	—	(7)	6/29/2006
North Gate Business Park (L)	Aberdeen, MD	—	1,755	—	—	1,755	—	1,755	—	(7)	9/14/2007
Northwest Crossroads (L)	San Antonio, TX	—	7,430	847	—	7,430	847	8,277	—	(7)	1/20/2006
NOVA Office A (O) (9)	Chantilly, VA	—	2,096	46,840	—	2,096	46,840	48,936	(4,577)	2015	7/31/2002
NOVA Office B (O) (9)	Chantilly, VA	—	739	33,881	—	739	33,881	34,620	(1,817)	2016	7/31/2002
NOVA Office D (O) (9)	Chantilly, VA	—	6,587	40,525	—	6,587	40,525	47,112	(1,417)	2017	7/31/2002
Old Annapolis Road (O)	Columbia, MD	—	1,637	5,500	6,531	1,637	12,031	13,668	(3,898)	1974/1985	12/14/2000
Paragon Park - DC 21 (O)	Sterling, VA	—	7,828	19,999	—	7,828	19,999	27,827	(560)	2017	5/8/2017
Paragon Park - DC 22 (O)	Sterling, VA	—	7,828	18,755	—	7,828	18,755	26,583	(515)	2017	5/8/2017
Patriot Point - DC 15 (O)	Ashburn, VA	—	12,156	17,175	—	12,156	17,175	29,331	(1,180)	2016	10/15/2015
Patriot Point - DC 16 (O)	Ashburn, VA	—	12,156	17,043	—	12,156	17,043	29,199	(1,135)	2016	10/15/2015
Patriot Point - DC 17 (O)	Ashburn, VA	—	6,078	16,408	—	6,078	16,408	22,486	(930)	2016	10/15/2015
Patriot Ridge (L)	Springfield, VA	—	18,517	14,505	—	18,517	14,505	33,022	—	(7)	3/10/2010
Project EX (O) (10)	Confidential-USA	—	8,958	5,744	—	8,958	5,744	14,702	—	2018	7/16/2008
Redstone Gateway (L)	Huntsville, AL	—	—	21,807	—	—	21,807	21,807	—	(7)	3/23/2010
Route 15/Biggs Ford Road (L)	Frederick, MD	—	1,129	—	—	1,129	—	1,129	—	(7)	8/28/2008
Sentry Gateway (L)	San Antonio, TX	—	4,052	1,833	—	4,052	1,833	5,885	—	(7)	3/30/2005
Sentry Gateway - T (O)	San Antonio, TX	—	14,020	38,804	13	14,020	38,817	52,837	(11,532)	1982/2008	3/30/2005
Sentry Gateway - V (O)	San Antonio, TX	—	—	1,066	—	—	1,066	1,066	(268)	2007	3/30/2005
Sentry Gateway - W (O)	San Antonio, TX	—	—	1,884	71	—	1,955	1,955	(444)	2009	3/30/2005
Sentry Gateway - X (O)	San Antonio, TX	—	1,964	21,178	—	1,964	21,178	23,142	(4,316)	2010	1/20/2006
Sentry Gateway - Y (O)	San Antonio, TX	—	1,964	21,298	—	1,964	21,298	23,262	(4,342)	2010	1/20/2006
Sentry Gateway - Z (O)	San Antonio, TX	—	1,964	30,573	—	1,964	30,573	32,537	(2,908)	2015	6/14/2005
Westfields - Park Center (L)	Chantilly, VA	—	16,418	12,097	—	16,418	12,097	28,515	—	(7)	7/18/2002
Westfields Corporate Center (L)	Chantilly, VA	—	7,141	1,576	—	7,141	1,576	8,717	—	(7)	7/31/2002

Property (Type) (1)	Location	Encumbrances (2)	Initial Cost		Gross Amounts Carried At Close of Period			Accumulated Depreciation (5)	Year Built or Renovated	Date Acquired (6)	
			Land	Building and Land Improvements	Costs Capitalized Subsequent to Acquisition	Land	Building and Land Improvements				Total (3)(4)
Other Developments, including intercompany eliminations (V)	Various	—	8	121	373	8	494	502	(77)	Various	Various
		\$ 174,043	\$ 711,034	\$ 3,002,155	\$ 435,340	\$ 711,034	\$ 3,437,495	\$ 4,148,529	\$ (897,903)		

- (1) A legend for the Property Type follows: (O) = Office or Data Center Shell Property; (L) = Land held or pre-construction; (D) = Wholesale Data Center; and (V) = Various.
- (2) Excludes our Revolving Credit Facility of \$213.0 million, term loan facilities of \$248.3 million, unsecured senior notes of \$1.2 billion, unsecured notes payable of \$1.2 million, and deferred financing costs, net of premiums, on the remaining loans of \$3.6 million.
- (3) The aggregate cost of these assets for Federal income tax purposes was approximately \$3.5 billion as of December 31, 2018.
- (4) As discussed in Note 5 to our Consolidated Financial Statements, we recognized an impairment loss of \$2.4 million in connection with an operating property still owned as of December 31, 2018.
- (5) The estimated lives over which depreciation is recognized follow: Building and land improvements: 10-40 years; and tenant improvements: related lease terms.
- (6) The acquisition date of multi-parcel properties reflects the date of the earliest parcel acquisition.
- (7) Held as of December 31, 2018.
- (8) Under construction or redevelopment as of December 31, 2018.
- (9) The carrying amounts of these properties exclude allocated costs of the garage being constructed to support the properties.
- (10) This property represents land under a long-term contract.

The following table summarizes our changes in cost of properties for the years ended December 31, 2018, 2017 and 2016 (in thousands):

	2018	2017	2016
Beginning balance	\$ 3,980,813	\$ 3,874,715	\$ 4,158,616
Improvements and other additions	224,524	259,548	251,960
Sales	(53,547)	(138,216)	(268,038)
Impairments	(2,493)	(15,116)	(143,502)
Other dispositions	(768)	(118)	(124,321)
Ending balance	\$ 4,148,529	\$ 3,980,813	\$ 3,874,715

The following table summarizes our changes in accumulated depreciation for the same time periods (in thousands):

	2018	2017	2016
Beginning balance	\$ 801,038	\$ 715,951	\$ 718,680
Depreciation expense	112,610	107,772	105,763
Sales	(14,845)	(22,567)	(56,607)
Impairments	(132)	—	(42,161)
Other dispositions	(768)	(118)	(9,724)
Ending balance	\$ 897,903	\$ 801,038	\$ 715,951

THIRD AMENDMENT TO TERM LOAN AGREEMENT

THIS THIRD AMENDMENT TO TERM LOAN AGREEMENT (this “Amendment”) dated as of November 7, 2018, by and among CORPORATE OFFICE PROPERTIES, L.P., a limited partnership formed under the laws of the State of Delaware (the “Borrower”), CORPORATE OFFICE PROPERTIES TRUST, a real estate investment trust formed under the laws of the State of Maryland (the “Parent”), the Lenders, and CAPITAL ONE, NATIONAL ASSOCIATION, as Administrative Agent (the “Agent”).

WHEREAS, the Borrower, the Parent, the Lenders, the Agent and the other parties thereto have entered into that certain Term Loan Agreement dated as of December 17, 2015, as amended by that certain First Amendment to Term Loan Agreement dated as of September 15, 2016, as amended by that certain Second Amendment to Term Loan Agreement dated as of December 18, 2017 (as amended, supplemented, restated or otherwise modified from time to time, the “Term Loan Agreement”); and

WHEREAS, the Borrower, the Parent, the Lenders and the Agent desire to amend certain provisions of the Term Loan Agreement on the terms and conditions contained herein;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto hereby agree as follows:

Section 1. Definitions. Capitalized terms used in this Amendment and not otherwise defined herein shall have the respective meanings given such terms in the Term Loan Agreement.

Section 2. Amendments. The parties hereto hereby agree, to (i) delete the red stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the blue underlined text (indicated textually in the same manner as the following example: underlined text) as set forth in the Term Loan Agreement attached as Exhibit A hereto and (ii) replace the Schedules to the Term Loan Agreement with Exhibit B hereto.

Section 3. Conditions Precedent. The effectiveness of this Amendment is subject to the following:

- (a) Receipt by the Agent of each of the following, each in form and substance satisfactory to the Agent:
- (i) a counterpart of this Amendment duly executed by the Borrower, the Parent and each of the Lenders;
 - (ii) the Reaffirmation of Obligations substantially in the form of Exhibit C attached hereto duly executed by each Guarantor;
 - (iii) a Compliance Certificate calculated as of September 30, 2018, giving pro forma effect to this Amendment;
-

(iv) evidence that all fees, expenses and reimbursement amounts due and payable to the Agent, including without limitation, the reasonable fees and expenses of counsel to the Agent, have been paid; and

(v) such other documents, instruments and agreements as the Agent may reasonably request; and

(b) In the good faith judgment of the Agent and the Lenders:

(i) There shall not have occurred or become known to the Agent or any of the Lenders any event, condition, situation or status since the date of the information contained in the financial and business projections, budgets, pro forma data and forecasts concerning the Borrower and its Subsidiaries delivered to the Agent and the Lenders prior to the date hereof that has had or could reasonably be expected to result in a Material Adverse Effect;

(ii) No litigation, action, suit, investigation or other arbitral, administrative or judicial proceeding shall be pending or threatened which could reasonably be expected to (1) result in a Material Adverse Effect or (2) restrain or enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party; and

(iii) There shall not have occurred or exist any other material disruption of financial or capital markets that could reasonably be expected to materially and adversely affect the transactions contemplated by the Loan Documents.

Section 4. Representations. The Borrower and the Parent represent and warrant to the Agent and the Lenders that:

(a) Authorization. Each of the Parent and the Borrower has the right and power, and has taken all necessary action to authorize the execution and delivery of this Amendment and to perform its obligations thereunder and under the Term Loan Agreement, as amended by this Amendment, in accordance with their respective terms. This Amendment has been duly executed and delivered by a duly authorized officer of the Parent and the Borrower or a general partner of the Borrower, as applicable, and both this Amendment and the Term Loan Agreement, as amended by this Amendment, are legal, valid and binding obligations of the Parent and the Borrower and are enforceable against such Persons in accordance with their respective terms except as the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors rights generally and the availability of equitable remedies for the enforcement of certain obligations (other than payment of principal) contained herein or therein and as may be limited by equitable principles generally.

(b) Compliance with Laws, etc. The execution, delivery and performance of this Amendment and the other Loan Documents to which any Loan Party is a party do not and will not, by the passage of time, the giving of notice, or both: (i) require any Governmental Approval or violate any Applicable Law relating to any Loan Party; (ii) conflict with, result in a breach of or constitute a default under the organizational documents of any Loan Party, or any indenture, agreement or other instrument to which any Loan Party is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by any Loan Party.

(c) No Default. No Default or Event of Default has occurred and is continuing as of the date hereof nor will exist immediately after giving effect to this Amendment.

Section 5. Reaffirmation of Representations. Each of the Parent and the Borrower hereby represents, repeats and reaffirms all representations and warranties made by such Person to the Agent and the Lenders in the Term Loan Agreement and the other Loan Documents to which such Person is a party on and as of the date hereof with the same force and effect as if such representations and warranties were set forth in this Amendment in full except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties were true and accurate on and as of such earlier date) and except for changes in factual circumstances not prohibited under the Loan Documents.

Section 6. Certain References. Each reference to the Term Loan Agreement in any of the Loan Documents shall be deemed to be a reference to the Term Loan Agreement as amended by this Amendment. This Amendment shall constitute a Loan Document.

Section 7. Expenses. The Borrower hereby agrees to reimburse the Agent upon demand for all costs and expenses (including attorneys' fees) incurred by the Agent in connection with the preparation, negotiation and execution of this Amendment and the other agreements and documents executed and delivered in connection herewith.

Section 8. Benefits. This Amendment shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

Section 9. GOVERNING LAW. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 10. Effect. Except as expressly herein amended, the terms and conditions of the Term Loan Agreement and the other Loan Documents remain in full force and effect. Except as set forth in this Amendment, this Amendment shall not be construed to be a waiver or amendment of, or constitute a novation of any of the obligations arising under, any of the other terms and conditions of the Term Loan Agreement and the other Loan Documents or to limit, impair or otherwise affect the rights and remedies of the Lenders under the Loan Documents. The amendments contained herein shall be deemed to have prospective application only, unless otherwise specifically stated herein.

Section 11. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall be deemed to be an original and shall be binding upon all parties, their successors and assigns.

[Signatures on Next Page]

IN WITNESS WHEREOF, the parties hereto have caused this Third Amendment to Term Loan Agreement to be executed as of the date first above written.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its sole
general partner

By: /s/ Anthony Mifsud

Anthony Mifsud

Executive Vice President

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ Anthony Mifsud

Anthony Mifsud

Executive Vice President

[Signatures Continued on Next Page]

CAPITAL ONE, NATIONAL ASSOCIATION, as
Agent and as a Lender

By: /s/ Ashish Tandon
Name: Ashish Tandon
Title: Director

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Katie Chowdhry
Name: Katie Chowdhry
Title: Vice President

REGIONS BANK

By: /s/ Kyle D Upton
Name: Kyle D Upton
Title: Vice President

U.S. BANK NATIONAL ASSOCIATION

By: /s/ Timothy J. Tillman
Name: Timothy J. Tillman
Title: Senior Vice
President

TD BANK, N.A.

By: /s/ Jireh Kore
Name: Jireh Kore
Title: Vice
President

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ Isiuloros Roros
Name: Isiuloros Roros
Title: V.P.

EXHIBIT A

[Conformed Term Loan Agreement – Separately Attached]



EXECUTION VERSION

(Conformed through Third Amendment dated November 7, 2018)

TERM LOAN AGREEMENT

Dated as of December 17, 2015,

by and among

CORPORATE OFFICE PROPERTIES, L.P.,
as Borrower,

CORPORATE OFFICE PROPERTIES TRUST,
as Parent,

THE FINANCIAL INSTITUTIONS INITIALLY SIGNATORY HERETO
AND THEIR ASSIGNEES PURSUANT TO SECTION 12.5.,
as Lenders,
and

CAPITAL ONE, NATIONAL ASSOCIATION,
as Administrative Agent

CAPITAL ONE, NATIONAL ASSOCIATION,
PNC CAPITAL MARKETS LLC
and
REGIONS CAPITAL MARKETS, A DIVISION OF REGIONS BANK,
as Joint Lead Arrangers and
Joint Bookrunners,

PNC BANK, NATIONAL ASSOCIATION,
and
REGIONS BANK,
as Syndication Agents

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THIS TERM LOAN AGREEMENT (this “Agreement”) dated as of December 17, 2015 by and among **CORPORATE OFFICE PROPERTIES, L.P.**, a limited partnership formed under the laws of the State of Delaware (the “Borrower”), **CORPORATE OFFICE PROPERTIES TRUST**, a real estate investment trust formed under the laws of the State of Maryland (the “Parent”), each of the financial institutions initially a signatory hereto together with their assignees pursuant to Section 12.5., and **CAPITAL ONE, NATIONAL ASSOCIATION**, as Administrative Agent (the “Administrative Agent”), with **CAPITAL ONE, NATIONAL ASSOCIATION, PNC CAPITAL MARKETS LLC** and **REGIONS CAPITAL MARKETS, A DIVISION OF REGIONS BANK**, as Joint Lead Arrangers and Joint Bookrunners (collectively, the “Joint Lead Arrangers”), and **PNC BANK, NATIONAL ASSOCIATION, and REGIONS BANK**, as Syndication Agents (collectively, the “Syndication Agents”).

WHEREAS, the Administrative Agent and the Lenders desire to make available to the Borrower a delayed-draw term loan facility in the initial amount of \$250,000,000 on the terms and conditions contained herein.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, the parties hereto agree as follows:

ARTICLE I. DEFINITIONS

Section 1.1. Definitions.

In addition to terms defined elsewhere herein, the following terms shall have the following meanings for the purposes of this Agreement:

“**Accession Agreement**” means an Accession Agreement substantially in the form of Annex I to the Guaranty.

“**Additional Costs**” has the meaning given that term in Section 4.1.

“**Additional Term Loan**” means a loan made by a Lender to the Borrower pursuant to Section 2.9.

“**Adjusted EBITDA**” means, for any given period, (a) EBITDA for such period minus (b) Capital Reserves for such period.

“**Adjusted LIBOR**” means, with respect to each Interest Period for any LIBOR Loan, the rate obtained by dividing (a) LIBOR for such Interest Period by (b) a percentage equal to 1 minus the stated maximum rate (stated as a decimal) of all reserves, if any, required to be maintained with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”) as specified in Regulation D of the Board of Governors of the Federal Reserve System (or against any other category of liabilities which includes deposits by reference to which the interest rate on LIBOR Loans is determined or any applicable category of extensions of credit or other assets which includes loans by an office of any Lender outside of the United States of America to residents of the United States of America). Any change in such maximum rate shall result in a change in Adjusted LIBOR on the date on which such change in such maximum rate becomes effective.

“**Adjusted Net Operating Income**” means, with respect to a Property for any given period, Net Operating Income of such Property for such period minus Capital Reserves for such period.

“**Administrative Agent**” means Capital One, National Association, as contractual representative for the Lenders under the terms of this Agreement, and any successor Administrative Agent appointed pursuant to Section 11.8.

“**Administrative Questionnaire**” means an Administrative Questionnaire in a form supplied by the Administrative Agent to the Lenders from time to time.

“**Affiliate**” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified. In no event shall the Administrative Agent or any Lender be deemed to be an Affiliate of the Parent or the Borrower.

“**Agreement Date**” means the date as of which this Agreement is dated.

“**Alternate Base Rate**” means the per annum rate of interest equal to the greatest of (a) the Prime Rate, (b) the Federal Funds Rate plus one-half of one percent (0.5%) and (c) LIBOR for a one-month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1.0%. Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Rate or LIBOR shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Rate or LIBOR, respectively (provided that clause (c) shall not be applicable during any period in which LIBOR is unavailable or unascertainable). For purposes of this definition, LIBOR referred to above shall be the rate for deposits in U.S. dollars for a one-month period in the London interbank market, as determined by Administrative Agent based on quotes or other information available to it, and shall not be required to be determined strictly in accordance with the requirements of the definition of “LIBOR” and the notice and other provisions applicable thereto as set forth herein.

“**Anti-Corruption Laws**” means all Applicable Laws of any government which has jurisdiction with respect to the Parent, Borrower or a Loan Party and concerning or relating to bribery, corruption or money laundering, including without limitation, the Foreign Corrupt Practices Act of 1977, as amended.

“**Anti-Terrorism Laws**” has the meaning given that term in Section 6.1.(z).

“**Applicable Law**” means all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes, executive orders, and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“**Applicable Margin**” means, with respect to a particular Class and Type of Loans, the percentage per annum determined, at any time, based on the range into which the Borrower’s Credit Rating then falls, in accordance with the levels in the table set forth below (each a “Level”). As of the Agreement Date, the Applicable Margin is determined based on Level 4. Any change in the Borrower’s Credit Rating which would cause it to move to a different Level in such table shall effect a change in the Applicable Margin on the Business Day on which such change occurs. During any period for which the Borrower has received a Credit Rating from only one Rating Agency, then the Applicable Margin shall be determined based on such Credit Rating so long as such Credit Rating is from either S&P or Moody’s. During any period that the Borrower has received two or three Credit Ratings and such ratings are not equivalent, the Applicable Margin shall be determined by the highest of such two or three Credit Ratings, so long as the higher Credit Rating

is from S&P or Moody's, and provided, that if the level of the next highest Credit Rating from a Ratings Agency is more than one level lower than the highest Credit Rating then available, then the Applicable Margin shall be determined based on the credit rating one level lower than the highest credit rating. During any period that the Borrower has received two or three Credit Ratings and such ratings are not equivalent, and the highest rating is from Fitch, the Applicable Margin shall be determined based on the higher Credit Rating from S&P or Moody's. During any period for which the Borrower has (a) not received a Credit Rating from any Rating Agency, or (b) received a Credit Rating from only one Rating Agency that is neither S&P nor Moody's, or during any other period not otherwise covered by this definition, the Applicable Margin shall be determined based on Level 5.

Level	Borrower's Credit Rating (S&P/Moody's or equivalent)	Applicable Margin for Loans that are LIBOR Loans	Applicable Margin for Loans that are Base Rate Loans
1	A-/A3 or higher	0.85%	0.00%
2	BBB+/Baa1	0.90%	0.00%
3	BBB/Baa2	1.00%	0.10%
4	BBB-/Baa3	1.25%	0.35%
5	Lower than BBB-/Baa3	1.65%	0.75%

In the event the Borrower obtains an Additional Term Loan in accordance with Section 2.9 hereof, the Administrative Agent, the Borrower and the Term Loan Lenders shall amend this Agreement to provide for an Applicable Margin applicable to Term Loans.

“**Approved Fund**” means any Fund that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender, or (c) an entity or an Affiliate of any entity that administers or manages a Lender.

“**Assignment and Acceptance Agreement**” means an Assignment and Acceptance Agreement among a Lender, an Eligible Assignee and the Administrative Agent, substantially in the form of Exhibit A.

“**Availability Period**” means the period from and including the Effective Date to but excluding the Availability Termination Date.

“**Availability Termination Date**” means the first to occur of: (a) December 30, 2016 and (b) the date on which the Commitments are terminated or reduced to zero in accordance herewith.

“**Bail-In Action**” means the exercise of any Write-down and Conversion Powers.

“**Bail-In Legislation**” means:

(i) in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time; and

(ii) in relation to any other state, any analogous law or regulation from time to time which requires contractual recognition of any Write-down and Conversion Powers contained in that law or regulation.

“**Base Rate Loan**” means a Loan (or any portion thereof) bearing interest at a rate based on the Alternate Base Rate.

“**Beneficial Ownership Certification**” means a certification regarding beneficial ownership as required by the Beneficial Ownership Regulation, in form and substance satisfactory to Administrative Agent.

“**Beneficial Ownership Regulation**” means 31 C.F.R. § 1010.230.

“**Benefit Arrangement**” means at any time an employee benefit plan within the meaning of Section 3(3) of ERISA which is not a Plan or a Multiemployer Plan and which is maintained or otherwise contributed to by any member of the ERISA Group.

“**Borrower**” has the meaning set forth in the introductory paragraph hereof and shall include the Borrower’s successors and permitted assigns.

“**Business Day**” means any day other than a Saturday, Sunday or other day on which commercial banks are authorized to close under the Applicable Laws of, or are in fact closed in, the state where Administrative Agent’s Principal Office is located or the State of New York, and, if such day relates to the determination of LIBOR for any LIBOR Loan, means any such day that is also a London Banking Day.

“**Capital One**” means Capital One, National Association, and its successors and assigns.

“**Capital Reserves**” means, for any period with respect to any developed Property, an amount equal to (a) \$0.25 per square foot multiplied by (b) a fraction, the numerator of which is the number of days in such period and the denominator of which is 365. If the term Capital Reserves is used without reference to a specific Property, then the amount shall be determined on an aggregate basis with respect to all developed Property of the Parent and its Subsidiaries and a proportionate share of all developed Property of all Unconsolidated Affiliates. For purposes of this definition, once improvements related to the development of a Property have been completed for one year or such Property has achieved an Occupancy Rate of 85%, it shall be considered a developed Property.

“**Capitalization Rate**” means 6.75%.

“**Capitalized Lease Obligation**” means obligations under a lease (or other arrangement conveying the right to use property) to pay rent or other amounts that are required to be capitalized for financial reporting purposes in accordance with GAAP. The amount of a Capitalized Lease Obligation is the capitalized amount of such obligation as would be required to be reflected on a balance sheet of the applicable Person prepared in accordance with GAAP as of the applicable date.

“**Cash Equivalents**” means: (a) securities issued, guaranteed or insured by the United States of America or any of its agencies with maturities of not more than one year from the date acquired; (b) certificates of deposit with maturities of not more than one year from the date acquired, issued by a United States federal or state chartered commercial bank of recognized standing, or a commercial bank organized under the laws of any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, acting through a branch or agency, which bank has capital and

unimpaired surplus in excess of \$500,000,000 and which bank or its holding company has a short-term commercial paper rating of at least A-2 or the equivalent by S&P or at least P-2 or the equivalent by Moody's; (c) reverse repurchase agreements with terms of not more than seven days from the date acquired, for securities of the type described in clause (a) above and entered into only with commercial banks having the qualifications described in clause (b) above; (d) commercial paper issued by any Person incorporated under the laws of the United States of America or any State thereof and rated at least A-2 or the equivalent thereof by S&P or at least P-2 or the equivalent thereof by Moody's, in each case with maturities of not more than one year from the date acquired; and (e) investments in money market funds registered under the Investment Company Act of 1940, which have net assets of at least \$500,000,000 and at least 85% of whose assets consist of securities and other obligations of the type described in clauses (a) through (d) above.

"Commitment" means a Term Loan Commitment.

"Compliance Certificate" has the meaning given that term in Section 8.3.

"Construction-in-Process" means cash expenditures for land and improvements (including indirect costs internally allocated and development costs) determined in accordance with GAAP for all Properties that are under development or will commence development within twelve months from any date of determination.

"Continue", **"Continuation"** and **"Continued"** each refers to the continuation of a LIBOR Loan from one Interest Period to another Interest Period pursuant to Section 2.6.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Controlled Property" means an Eligible Unencumbered Property that is not a Wholly-Owned Property and where the Parent or the Borrower directly or indirectly owns at least 80% of the Equity Interests of the Subsidiary that owns or leases such Property.

"Convert", **"Conversion"** and **"Converted"** each refers to the conversion of a Loan of one Type into a Loan of another Type pursuant to Section 2.7.

"Credit Event" means either of the following: (a) the making (or deemed making) of any Loan and (b) the Conversion of a Base Rate Loan into a LIBOR Loan.

"Credit Rating" means the rating assigned by a Rating Agency to the senior unsecured long term Indebtedness of a Person.

"Debtor Relief Laws" means the Bankruptcy Code, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar Applicable Laws relating to the relief of debtors in the United States of America or other applicable jurisdictions from time to time in effect.

"Debt Service" means, for any period, the sum of (a) Interest Expense for such period, and (b) all regularly scheduled principal payments made with respect to Indebtedness of the Parent and its Subsidiaries during such period, other than any balloon, bullet, early repayment or similar principal payment which, in

each case, repays such Indebtedness in full. Debt Service shall include a proportionate share of items (a) and (b) of all Unconsolidated Affiliates.

“**Default**” means any of the events specified in Section 10.1., whether or not there has been satisfied any requirement for the giving of notice, the lapse of time, or both.

“**Defaulting Lender**” means, subject to Section 3.11.(f), any Lender that (a) has failed to (i) fund all or any portion of its Loans within 2 Business Days of the date such Loans were required to be funded hereunder unless such Lender notifies the Administrative Agent and the Borrower in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent or any Lender any other amount required to be paid by it hereunder within 2 Business Days of the date when due, (b) has notified the Borrower or the Administrative Agent in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within 3 Business Days after written request by the Administrative Agent or the Borrower, to confirm in writing to the Administrative Agent and the Borrower that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrower), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity, or (iii) become the subject of a Bail-In Action; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 3.11.(d)) upon delivery of written notice of such determination to the Borrower, the Administrative Agent and each Lender.

“**Derivatives Contract**” means any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement. Not in limitation of the foregoing, the term “Derivatives Contract” includes any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master

Agreement, or any other master agreement, including any such obligations or liabilities under any such master agreement.

“Derivatives Termination Value” means, in respect of any one or more Derivatives Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Derivatives Contracts, (a) for any date on or after the date such Derivatives Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Derivatives Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Derivatives Contracts (which may include the Administrative Agent or any Lender).

“Development Property” means a Property which is under development or which (as determined in good faith by the Borrower) will commence development within twelve months of the date of determination. A Development Property shall cease to constitute a Development Property on the earlier of (a) the one year anniversary date of project completion and (b) the first day of the first full fiscal quarter after the project achieves an Occupancy Rate of 85%. For purposes of this definition, each individual phase of development of a data center shall be deemed to be a separate and distinct Property.

“Dollars” or **“\$”** means the lawful currency of the United States of America.

“EBITDA” means, with respect to a Person for any period: (a) net income (or loss) of such Person for such period determined on a consolidated basis (excluding any income or losses from minority interests in the case of the Parent), in accordance with GAAP, exclusive of the following (but only to the extent included in determination of such net income (loss)): (i) depreciation and amortization expense; (ii) interest expense as determined in accordance with GAAP (excluding that associated with Eligible Ground Leases); (iii) income tax expense; (iv) extraordinary or non-recurring gains and losses (which would include, but not be limited to, the gains/losses from extinguishment of Indebtedness and impairment charges); (v) acquisition costs expensed but not capitalized; plus (b) such Person’s pro rata share of EBITDA of its Unconsolidated Affiliates. EBITDA shall be adjusted to remove any impact from straight line rent leveling adjustments required under GAAP and amortization of deferred market rent and expenses into income pursuant to FASB ASC 805. Notwithstanding the foregoing, gains and losses from land sales associated with Development Properties and other land shall be included in EBITDA.

“EEA Financial Institution” means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“EEA Member Country” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“EEA Resolution Authority” means any public administrative authority or any person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**Effective Date**” means the later of: (a) the Agreement Date; and (b) the date on which all of the conditions precedent set forth in Section 5.1. shall have been fulfilled or waived by all of the Lenders.

“**Eligible Assignee**” means (a) a Lender, (b) an Affiliate of a Lender, (c) an Approved Fund and (d) any other Person (other than a natural person) approved by the Administrative Agent (such approval not to be unreasonably withheld or delayed); provided, that notwithstanding the foregoing, “Eligible Assignee” shall not include (A) the Parent or the Borrower or any of their respective Affiliates or Subsidiaries, (B) an Affiliate of a Lender or an Approved Fund that (1) if organized under the laws of the United States of America, any state thereof or the District of Columbia, does not have total assets in excess of \$5,000,000,000, or if organized under the laws of any other country or a political subdivision thereof, is not organized in such a country that is a member of the Organization for Economic Co-operation and Development, does not have total assets in excess of \$10,000,000,000, or does not act through a branch or agency located in the United States or (2) does not have a rating of BBB or higher by S&P, Baa2 or higher by Moody’s or the equivalent or higher of either such rating by another rating agency acceptable to the Administrative Agent with respect to such Affiliate of a Lender or Approved Fund’s (or if such Affiliate or Approved Fund is a Subsidiary, such Affiliate’s or Approved Fund’s Parent’s) senior unsecured long term indebtedness, or (C) a Defaulting Lender.

“**Eligible Ground Lease**” means a ground lease containing the following terms and conditions: (a) a remaining term (inclusive of any unexercised extension or renewal options that are exercisable without condition (other than a condition that no default exists under such ground lease at the time of exercise of such extension or renewal option)) of thirty (30) years or more from the Agreement Date; (b) the right of the lessee to mortgage and encumber its interest in the leased property without the consent of the lessor; (c) the obligation of the lessor to give the holder of any mortgage Lien on such leased property written notice of any defaults on the part of the lessee and agreement of such lessor that such lease will not be terminated until such holder has had a reasonable opportunity to cure or complete foreclosures, and fails to do so; (d) reasonable transferability of the lessee’s interest under such lease, including ability to sublease; and (e) such other rights customarily required by mortgagees making a loan secured by the interest of the holder of the leasehold estate demised pursuant to a ground lease.

“**Eligible Unencumbered Property**” means a Property which satisfies all of the following requirements: (a) such Property is located in the United States of America; (b) neither such Property, nor any interest of the Parent, the Borrower or any Subsidiary thereof therein, is subject to any Lien (other than Permitted Liens described in clauses (a) through (f) of the definition thereof) or any Negative Pledge; (c) if such Property is owned by a Subsidiary, none of the Borrower’s or the Parent’s direct or indirect ownership interest in such Subsidiary is subject to any Lien (other than Permitted Liens described in clauses (a) through (f) of the definition thereof) or any Negative Pledge; (d) if such Property is owned by a Subsidiary, the Parent or the Borrower directly, or indirectly through a Subsidiary, has the right to take the following actions without the need to obtain the consent of any Person: (A) to create Liens on such Property as security for Indebtedness of the Parent, the Borrower or such Subsidiary, as applicable and (B) to sell, transfer or otherwise dispose of such Property; (e) such Property is owned in fee simple, or leased under an Eligible Ground Lease, by (A) the Parent, (B) the Borrower, or (C) a Subsidiary that (i) has not incurred, acquired or suffered to exist any Recourse Indebtedness and (ii) is not owned directly or indirectly by a Subsidiary (other than the Borrower) that has incurred, acquired or suffered to exist any Recourse Indebtedness unless, in each case, at the time of determining whether such Property satisfies the requirement in this clause (e), the Borrower does not have an Investment Grade Rating and such Subsidiary that owns or leases such Property is required to be and has become a party to the Guaranty in accordance with Section 7.12.(a); and (f) such Property is free of all structural defects or major architectural deficiencies, title defects, environmental conditions or other adverse matters except for defects, deficiencies, conditions or other matters individually or collectively which are not material to the profitable operation of such Property.

“Environmental Laws” means any Applicable Law relating to environmental protection or the manufacture, storage, remediation, disposal or clean-up of Hazardous Materials including, without limitation, the following: Clean Air Act, 42 U.S.C. § 7401 et seq.; Federal Water Pollution Control Act, 33 U.S.C. § 1251 et seq.; Solid Waste Disposal Act, as amended by the Resource Conservation and Recovery Act, 42 U.S.C. § 6901 et seq.; Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. § 9601 et seq.; National Environmental Policy Act, 42 U.S.C. § 4321 et seq.; regulations of the Environmental Protection Agency and any applicable rule of common law and any judicial interpretation thereof relating primarily to the environment or Hazardous Materials and any analogous or comparable state or local laws, regulations or ordinances that concern Hazardous Materials or protection of the environment.

“Equity Interest” means, with respect to any Person, any share of capital stock of (or other ownership or profit interests in) such Person, any warrant, option or other right for the purchase or other acquisition from such Person of any share of capital stock of (or other ownership or profit interests in) such Person, any security convertible into or exchangeable for any share of capital stock of (or other ownership or profit interests in) such Person or warrant, right or option for the purchase or other acquisition from such Person of such shares (or such other interests), and any other ownership or profit interest in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such share, warrant, option, right or other interest is authorized or otherwise existing on any date of determination.

“Equity Issuance” means any issuance or sale by a Person of any Equity Interest and shall in any event include the issuance of any Equity Interest upon the conversion or exchange of any security constituting Indebtedness that is convertible or exchangeable, or is being converted or exchanged, for Equity Interests.

“ERISA” means the Employee Retirement Income Security Act of 1974, as in effect from time to time.

“ERISA Event” means, with respect to the ERISA Group, (a) any “reportable event” as defined in Section 4043 of ERISA with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the withdrawal of a member of the ERISA Group from a Plan subject to Section 4063 of ERISA during a plan year in which it was a “substantial employer” as defined in Section 4001(a)(2) of ERISA or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) the incurrence by a member of the ERISA Group of any liability with respect to the withdrawal or partial withdrawal from any Multiemployer Plan; (d) the incurrence by any member of the ERISA Group of any liability under Title IV of ERISA with respect to the termination of any Plan or Multiemployer Plan; (e) the institution of proceedings to terminate a Plan or Multiemployer Plan by the PBGC; (f) the failure by any member of the ERISA Group to make when due required contributions to a Multiemployer Plan or Plan unless such failure is cured within 30 days or the filing pursuant to Section 412(c) of the Internal Revenue Code or Section 302(c) of ERISA of an application for a waiver of the minimum funding standard; (g) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan or Multiemployer Plan or the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the receipt by any member of the ERISA Group of any notice or the receipt by any Multiemployer Plan from any member of the ERISA Group of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent (within the meaning of Section 4245 of ERISA), in reorganization (within the meaning of Section 4241 of ERISA), or in “critical” status (within the meaning of Section 432 of the Internal Revenue Code or Section 305 of ERISA); (i) the imposition of any liability under Title IV of ERISA, other than for PBGC premiums due but not delinquent under Section 4007 of ERISA, upon any member of the ERISA

Group or the imposition of any Lien in favor of the PBGC under Title IV of ERISA; or (j) a determination that a Plan is, or is reasonably expected to be, in “at risk” status (within the meaning of Section 430 of the Internal Revenue Code or Section 303 of ERISA).

“**ERISA Group**” means the Parent, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control, which, together with the Parent or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

“**EU Bail-In Legislation Schedule**” means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

“**Event of Default**” means any of the events specified in Section 10.1., provided that any requirement for notice or lapse of time or any other condition has been satisfied.

“**Exchange Act**” has the meaning given that term in Section 10.1.(m)(i).

“**Excluded Subsidiary**” means any Subsidiary which holds title to assets which are or are to become collateral for any Secured Indebtedness of such Subsidiary.

“**Excluded Taxes**” means any of the following Taxes imposed on or with respect to a Recipient or required to be withheld or deducted from a payment to a Recipient, (a) Taxes imposed on or measured by net income (however denominated), franchise Taxes, and branch profits Taxes, in each case, (i) imposed as a result of such Recipient being organized under the laws of, or having its principal office or, in the case of any Lender, its applicable Lending Office located in, the jurisdiction imposing such Tax (or any political subdivision thereof) or (ii) that are Other Connection Taxes, (b) in the case of a Lender, U.S. federal withholding Taxes imposed on amounts payable to or for the account of such Lender with respect to an applicable interest in a Loan or Commitment pursuant to an Applicable Law in effect on the date on which (i) such Lender acquires such interest in the Loan or Commitment or (ii) such Lender changes its lending office, except in each case to the extent that, pursuant to Section 3.12., amounts with respect to such Taxes were payable either to such Lender’s assignor immediately before such Lender became a party hereto or to such Lender immediately before it changed its lending office, (c) Taxes attributable to such Recipient’s failure to comply with Section 3.12.(g) and (d) any U.S. federal withholding Taxes imposed under FATCA.

“**Existing Credit Agreement**” means that certain Amended, Restated and Consolidated Credit Agreement dated as of October 10, 2018, among the Borrower, the Parent, the financial institutions from time to time party thereto, Keybank National Association, as administrative agent, and the other parties thereto.

“**Fair Market Value**” means, with respect to (a) a security listed on a national securities exchange or the NASDAQ National Market, the price of such security as reported on such exchange by any widely recognized reporting method customarily relied upon by financial institutions and (b) with respect to any other property, the price which could be negotiated in an arm’s-length free market transaction, for cash, between a willing seller and a willing buyer, neither of which is under pressure or compulsion to complete the transaction.

“**FASB ASC**” means the Accounting Standards Codification of the Financial Accounting Standards Board.

“**FATCA**” means Sections 1471 through 1474 of the Internal Revenue Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with) and any current or future regulations or official interpretations thereof and any agreements entered into pursuant to Section 1471(b)(1) of the Internal Revenue Code.

“**Federal Funds Rate**” means, for any day, the rate per annum (rounded upward to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent by federal funds dealers selected by the Administrative Agent on such day on such transaction as determined by the Administrative Agent.

“**Fees**” means the fees and commissions provided for or referred to in Section 3.6. and any other fees payable by the Borrower hereunder or under any other Loan Document.

“**Fitch**” means Fitch Ratings Ltd., and its successors.

“**Fixed Charges**” means, for any period, the sum of (a) Debt Service and (b) all Preferred Dividends paid during such period. Fixed Charges shall include a proportionate share of items (a) and (b) with respect to all Unconsolidated Affiliates.

“**Foreign Lender**” means (a) if the Borrower is a U.S. Person, a Lender that is not a U.S. Person, and (b) if the Borrower is not a U.S. Person, a Lender that is resident or organized under the laws of a jurisdiction other than that in which the Borrower is resident for tax purposes.

“**Fund**” means any Person (other than a natural person) that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business.

“**Funds From Operations**” means, for a given period, net income of the Parent and its Subsidiaries available for common shareholders exclusive of depreciation and amortization of real estate assets, extraordinary items, impairments, and gains and losses on sale of real estate determined on a consolidated basis in accordance with GAAP applied on a consistent basis for such period. Adjustments for Unconsolidated Affiliates will be calculated to reflect the Borrower’s pro rata share of funds from operations on the same basis.

“**GAAP**” means generally accepted accounting principles in the United States of America set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (including Statement of Financial Accounting Standards No. 168, “The FASB Accounting Standards Codification”) or in such other statements by such other entity as may be approved by a significant segment of the accounting profession in the United States of America, which are applicable to the circumstances as of the date of determination.

“**Governmental Approvals**” means all authorizations, consents, approvals, licenses and exemptions of, registrations and filings with, and reports to, all Governmental Authorities.

“Governmental Authority” means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau, commission, board, department or other entity (including, without limitation, the Federal Deposit Insurance Corporation, the Comptroller of the Currency or the Federal Reserve Board, any central bank or any comparable authority) or any arbitrator with authority to bind a party at law.

“Guarantor” means any Person that is a party to the Guaranty as a “Guarantor” and in any event shall include the Parent.

“Guarantor Release Letter” means a letter executed by the Administrative Agent that confirms the release of one or more Guarantor(s), substantially in the form of Exhibit I.

“Guaranty”, **“Guaranteed”**, **“Guarantying”** or to **“Guarantee”** as applied to any obligation means and includes: (a) a guaranty (other than by endorsement of negotiable instruments for collection or deposit in the ordinary course of business), directly or indirectly, in any manner, of any part or all of such obligation, or (b) an agreement, direct or indirect, contingent or otherwise, and whether or not constituting a guaranty, the practical effect of which is to assure the payment or performance (or payment of damages in the event of nonperformance) of any part or all of such obligation whether by: (i) the purchase of securities or obligations, (ii) the purchase, sale or lease (as lessee or lessor) of property or the purchase or sale of services primarily for the purpose of enabling the obligor with respect to such obligation to make any payment or performance (or payment of damages in the event of nonperformance) of or on account of any part or all of such obligation, or to assure the owner of such obligation against loss, (iii) the supplying of funds to or in any other manner investing in the obligor with respect to such obligation, (iv) repayment of amounts drawn down by beneficiaries of letters of credit, or (v) the supplying of funds to or investing in a Person on account of all or any part of such Person’s obligation under a Guaranty of any obligation or indemnifying or holding harmless, in any way, such Person against any part or all of such obligation. As the context requires, “Guaranty” shall also mean the Guaranty to which the Guarantors are parties substantially in the form of Exhibit H.

“Hazardous Materials” means all or any of the following: (a) substances that are defined or listed in, or otherwise classified pursuant to, any applicable Environmental Laws as “hazardous substances”, “hazardous materials”, “hazardous wastes”, “toxic substances” or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, reproductive toxicity, “TCLP” toxicity or “EP toxicity”; (b) oil, petroleum or petroleum derived substances, natural gas, natural gas liquids or synthetic gas and drilling fluids, produced waters and other wastes associated with the exploration, development or production of crude oil, natural gas or geothermal resources; (c) any flammable substances or explosives or any radioactive materials; (d) asbestos in any form; (e) toxic mold; and (f) electrical equipment which contains any oil or dielectric fluid containing levels of polychlorinated biphenyls in excess of fifty parts per million.

“Indebtedness” means, with respect to a Person, at the time of computation thereof, all of the following (without duplication): (a) all obligations of such Person in respect of money borrowed; (b) all obligations of such Person, whether or not for money borrowed (i) represented by notes payable, or drafts accepted, in each case representing extensions of credit, (ii) evidenced by bonds, debentures, notes or similar instruments, or (iii) constituting purchase money indebtedness, conditional sales contracts, title retention debt instruments or other similar instruments, upon which interest charges are customarily paid or that are issued or assumed as full or partial payment for property or services rendered; (c) Capitalized Lease Obligations of such Person but excluding amounts related to Eligible Ground Leases; (d) all reimbursement

obligations of such Person under any letters of credit or acceptances (whether or not the same have been presented for payment); (e) all Off-Balance Sheet Obligations of such Person; (f) all obligations of such Person in respect of any purchase obligation, repurchase obligation, takeout commitment or forward equity commitment, in each case evidenced by a binding agreement (excluding any such obligation to the extent the obligation can be satisfied by the issuance of Equity Interests); (g) net obligations under any Derivatives Contract not entered into as a hedge against existing Indebtedness or Indebtedness to be entered into within 6 months of the time of computation, in an amount equal to the Derivatives Termination Value thereof; (h) all Indebtedness of other Persons which such Person has Guaranteed or is otherwise recourse to such Person (except for guaranties of customary exceptions for fraud, misapplication of funds, environmental indemnities, voluntary bankruptcy, involuntary bankruptcy and other similar exceptions to nonrecourse liability); (i) all Indebtedness of another Person secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property or assets owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness or other payment obligation; and (j) such Person's pro rata share of the Indebtedness of any Unconsolidated Affiliate of such Person. Indebtedness of any Person shall include Indebtedness of any partnership or joint venture in which such Person is a general partner or joint venturer to the extent of such Person's pro rata share of the ownership of such partnership or joint venture (except if such Indebtedness, or portion thereof, is recourse to such Person, in which case the greater of such Person's pro rata portion of such Indebtedness or the amount of the recourse portion of the Indebtedness, shall be included as Indebtedness of such Person). All Loans shall constitute Indebtedness of the Borrower.

"Indemnified Taxes" means (a) Taxes, other than Excluded Taxes, imposed on or with respect to any payment made by or on account of any obligation of the Borrower or any other Loan Party under any Loan Document and (b) to the extent not otherwise described in the immediately preceding clause (a), Other Taxes.

"Intangible Assets" of any Person means at any date the amount of (i) all write-ups (other than write-ups resulting from write-ups of assets of a going concern business made within twelve months after the acquisition of such business) in the book value of any asset owned by such Person and (ii) all unamortized debt discount and expense, unamortized deferred charges, capitalized start-up costs, goodwill, patents, licenses, trademarks, trade names, copyrights, organization or developmental expenses, covenants not to compete and other intangible items.

"Intellectual Property" has the meaning given that term in Section 6.1.(t).

"Interest Expense" means, for any period of determination, (a) the total interest expense of the Parent and its Subsidiaries, determined on a consolidated basis for such period and in accordance with GAAP (excluding (i) any non-cash portion of interest expense attributable to "convertible debt" under FASB ASC 470-20, (ii) amortization of deferred financing costs, debt premiums and discounts, (iii) non-cash interest related to the reclassification of accumulated other comprehensive income (loss) related to settled hedges), and (iv) amounts related to Eligible Ground Leases plus (b) to the extent not already included in the foregoing clause (a), the Parent's pro rata share of Interest Expense from Unconsolidated Affiliates of the Parent for such period.

"Interest Period" means with respect to any LIBOR Loan, each period commencing on the date such LIBOR Loan is made or the last day of the next preceding Interest Period for such Loan and ending 7 days (if available from all Lenders), or 1, 2, 3 or 6 months thereafter, as the Borrower may select in a Notice of Borrowing, Notice of Continuation or Notice of Conversion, as the case may be, except that each Interest Period (other than an Interest Period of 7-days' duration) that commences on the last Business Day of a

calendar month shall end on the last Business Day of the appropriate subsequent calendar month. Notwithstanding the foregoing: (i) if any Interest Period would otherwise end after the Maturity Date, such Interest Period shall end on the Maturity Date; and (ii) each Interest Period that would otherwise end on a day which is not a Business Day shall end on the immediately following Business Day (or, if such immediately following Business Day falls in the next calendar month, on the immediately preceding Business Day).

“**Internal Revenue Code**” means the Internal Revenue Code of 1986, as amended.

“**Investment**” means, (x) with respect to any Person, any acquisition or investment (whether or not of a controlling interest) by such Person, by means of any of the following: (a) the purchase or other acquisition of any Equity Interest in another Person, (b) a loan, advance or extension of credit to, capital contribution to, Guaranty of Indebtedness of, or purchase or other acquisition of any Indebtedness of, another Person, including any partnership or joint venture interest in such other Person, or (c) the purchase or other acquisition (in one transaction or a series of transactions) of assets of another Person that constitute the business or a division or operating unit of another Person and (y) with respect to any Property or other asset, the acquisition thereof. Any binding commitment to make an Investment in any other Person, as well as any option of another Person to require an Investment in such Person, shall constitute an Investment. Except as expressly provided otherwise, for purposes of determining compliance with any covenant contained in a Loan Document, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“**Investment Grade Rating**” means a Credit Rating of BBB-/Baa3 (or equivalent) or higher from a Rating Agency.

“**Joint Lead Arrangers**” means Capital One, National Association, PNC Capital Markets LLC and Regions Capital Markets, a division of Regions Bank, together with their respective successors and permitted assigns.

“**Lender**” means each financial institution from time to time party hereto as a “Lender”, in each case, together with its respective successors and permitted assigns.

“**Lending Office**” means, for each Lender and for each Type of Loan, the office of such Lender specified in such Lender’s Administrative Questionnaire, or such other office of such Lender of which such Lender may notify the Administrative Agent in writing from time to time.

“**Level**” has the meaning given that term in the definition of the term “Applicable Margin.”

“**LIBOR**” means, subject to implementation of a Replacement Rate in accordance with Section 4.2.(b), for any LIBOR Loan for any Interest Period therefor, the London interbank offered rate administered by the ICE Benchmark Administration (or any other Person that takes over the administration of such rate for Dollars) for a period equal in length to such Interest Period as displayed on pages LIBOR01 or LIBOR02 of the Reuters screen or, in the event such rate does not appear on a Reuters page or screen, on any successor or substitute page on such screen that displays such rate, or on the appropriate page of such other information service that publishes such rate as shall be selected by the Administrative Agent from time to time in its reasonable discretion (the “LIBOR Screen Rate”) at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period. If for any reason such rate is not available, the term “LIBOR” shall mean, for any LIBOR Loan for any Interest Period therefor, the applicable British Bankers’ Association LIBOR rate for deposits in Dollars as reported by any generally recognized financial information service as of 11:00 a.m. (London time) two Business Days prior

to the first day of such Interest Period, and having a maturity equal to such Interest Period. If for any reason the LIBOR Screen Rate shall not be available at such time for a period equal in length to such Interest Period, then LIBOR shall be an interpolated rate as determined by the Administrative Agent at such time to be the rate at which Capital One or one of its affiliate banks offers to place deposits in Dollars with first class banks in the London interbank market at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of the relevant LIBOR Loan and having a maturity equal to such Interest Period. If LIBOR (including, without limitation, any Replacement Rate with respect thereto) determined as provided above would be less than zero, LIBOR shall be deemed to be zero. Notwithstanding the above, to the extent that "LIBOR" or "Adjusted LIBOR" is used in connection with a Base Rate Loan, such rate shall be determined as modified by the definition of Alternate Base Rate. Notwithstanding the foregoing, unless otherwise specified in any amendment to this Agreement entered into in accordance with Section 4.2. (b), in the event that a Replacement Rate with respect to LIBOR is implemented then all references herein to LIBOR shall be deemed references to such Replacement Rate.

"LIBOR Loan" means a Loan (or any portion thereof) (other than a Base Rate Loan) bearing interest at a rate based on LIBOR.

"Lien" as applied to the property of any Person means: (a) any security interest, encumbrance, mortgage, deed to secure debt, deed of trust, assignment of leases and rents, pledge, lien, charge or lease constituting a Capitalized Lease Obligation, conditional sale or other title retention agreement, or other security title or encumbrance of any kind in respect of any property of such Person, or upon the income, rents or profits therefrom; (b) any arrangement, express or implied, under which any property of such Person is transferred, sequestered or otherwise identified for the purpose of subjecting the same to the payment of Indebtedness or performance of any other obligation in priority to the payment of the general, unsecured creditors of such Person; (c) the filing of any financing statement under the Uniform Commercial Code or its equivalent in any jurisdiction, other than any precautionary filing not otherwise constituting or giving rise to a Lien, including a financing statement filed (i) in respect of a lease not constituting a Capitalized Lease Obligation pursuant to Section 9-505 (or a successor provision) of the Uniform Commercial Code or its equivalent as in effect in an applicable jurisdiction or (ii) in connection with a sale or other disposition of accounts or other assets not prohibited by this Agreement in a transaction not otherwise constituting or giving rise to a Lien; and (d) any agreement by such Person to grant, give or otherwise convey any of the foregoing.

"Loan" means a Term Loan.

"Loan Document" means this Agreement, each Note, the Guaranty and each other document or instrument now or hereafter executed and delivered by a Loan Party in connection with, pursuant to or relating to this Agreement.

"Loan Party" means each of the Borrower, the Parent and each other Person who guarantees all or a portion of the Obligations and/or who pledges any collateral security to secure all or a portion of the Obligations. Schedule 1.1. sets forth the Loan Parties in addition to the Borrower and the Parent, if any, as of the Third Amendment Date.

"London Banking Day" means any day on which dealings in Dollar deposits are conducted by and between banks in the London interbank eurodollar market.

"Marketable Securities" means (a) common or preferred Equity Interests of Persons located in, and formed under the laws of, any State of the United States of America or the District of Columbia, which

Equity Interests are subject to price quotations (quoted at least daily) on The NASDAQ Stock Market's National Market System or have trading privileges on the New York Stock Exchange, the NYSE MKT LLC or another recognized national United States securities exchange and (b) securities evidencing Indebtedness issued by Persons located in, and formed under the laws of, any State of the United States of America or the District of Columbia, which Persons have a Credit Rating of BBB- or Baa3 or better.

"Material Acquisition" means any acquisition by the Borrower or any Subsidiary in which the assets acquired exceed 15.0% of the consolidated total assets of the Borrower and its Subsidiaries determined on an undepreciated basis under GAAP as of the last day of the most recently ending fiscal quarter of the Borrower for which financial statements are publicly available.

"Material Adverse Effect" means a materially adverse effect on (a) the business, assets, liabilities, condition (financial or otherwise), results of operations or business prospects of the Parent and its Subsidiaries taken as a whole, (b) the ability of the Borrower or any other Loan Party to perform its obligations under any Loan Document to which it is a party, (c) the validity or enforceability of any of the Loan Documents, (d) the rights and remedies of the Lenders and the Administrative Agent under any of the Loan Documents or (e) the timely payment of the principal of or interest on the Loans or other amounts payable in connection therewith or the timely payment of all Reimbursement Obligations.

"Material Contract" means any contract or other arrangement (other than Loan Documents), whether written or oral, to which the Parent, the Borrower, any Subsidiary or any other Loan Party is a party as to which the breach, nonperformance, cancellation or failure to renew by any party thereto could reasonably be expected to have a Material Adverse Effect.

"Material Subsidiary" means any Subsidiary that meets either of the following conditions: (a) the Parent and its other Subsidiaries' investments in and advances to the Subsidiary exceed 10.0% of the Parent and its Subsidiaries' total assets consolidated (determined in accordance with GAAP) as of the end of the most recent fiscal quarter for which a periodic report has been filed under the Exchange Act; or (b) the Parent and its Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Subsidiary exceed 10.0% of the Parent and its Subsidiaries' total assets consolidated (determined in accordance with GAAP) as of the end of the most recent fiscal quarter for which a periodic report has been filed under the Exchange Act.

"Maturity Date" means December 17, 2022.

"Moody's" means Moody's Investors Service, Inc., and its successors.

"Mortgage" means a mortgage, deed of trust, deed to secure debt or similar security instrument made by a Person owning an interest in real property granting a Lien on such interest in real property as security for the payment of Indebtedness of such Person or another Person.

"Mortgage Receivable" means a promissory note secured by a Mortgage of which the Borrower, a Guarantor or one of their respective Subsidiaries is the holder and retains the rights of collection of all payments thereunder.

"Multiemployer Plan" means at any time a multiemployer plan within the meaning of Section 4001(a)(3) of ERISA to which any member of the ERISA Group is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions, including for these purposes any Person which ceased to be a member of the ERISA Group during such five year period.

“**Negative Pledge**” means, with respect to a given asset, any provision of a document, instrument or agreement (other than any Loan Document) which prohibits or purports to prohibit the creation or assumption of any Lien on such asset as security for Indebtedness of the Person owning such asset or any other Person; provided, however, that an agreement that conditions a Person’s ability to encumber its assets upon the maintenance of one or more specified ratios that limit such Person’s ability to encumber its assets but that do not generally prohibit the encumbrance of its assets, or the encumbrance of specific assets, shall not constitute a Negative Pledge.

“**Net Operating Income**” means, with respect to any Property for any period, the sum of the following (without duplication): (a) rents and other revenues earned in the ordinary course from such Property (excluding pre-paid rents and revenues and security deposits except to the extent applied in satisfaction of tenants’ obligations for rent) minus (b) all expenses paid or accrued related to the ownership, operation or maintenance of such Property (including those paid or accrued pursuant to an Eligible Ground Lease), including but not limited to taxes, assessments and the like, insurance, utilities, payroll costs, maintenance, repair and landscaping expenses, marketing expenses, and general and administrative expenses (including an appropriate allocation for legal, accounting, advertising, marketing and other expenses incurred in connection with such Property, but specifically excluding general overhead expenses of the Parent or any Subsidiary and any property management fees) minus (c) the greater of (i) the actual property management fee paid during such period and (ii) an imputed management fee in the amount of 3.0% of the gross revenues for such Property (2% for data center shells) for such period. Net Operating Income of any Person shall include such Person’s pro rata share of Net Operating Income of its Unconsolidated Affiliates. Net Operating Income shall be adjusted to remove any impact from straight line rent leveling adjustments required under GAAP and amortization of deferred market rent and expenses into income pursuant to FASB ASC 805. If a Property is accounted for as a finance lease receivable, all rents received shall be included in Net Operating Income. If for a period, the sum derived from the foregoing calculation for a Property is a negative number, the Net Operating Income of such Property shall be deemed to be zero for such period.

“**Net Proceeds**” means, with respect to any Equity Issuance by a Person, the aggregate amount of all cash and the Fair Market Value of all other property received by such Person in respect of such Equity Issuance net of investment banking fees, legal fees, accountants’ fees, underwriting discounts and commissions and other customary fees and expenses actually incurred by such Person in connection with such Equity Issuance.

“**Nonrecourse Indebtedness**” means, with respect to a Person, Indebtedness for borrowed money (other than construction completion guarantees with respect to Development Properties) in respect of which recourse for payment is contractually limited to specific assets of such Person encumbered by a Lien securing such Indebtedness; provided such contractual limitation to specific assets may include customary exceptions for fraud, misapplication of funds, environmental indemnities, voluntary bankruptcy, collusive involuntary bankruptcy and other similar exceptions to nonrecourse liability.

“**Note**” means a Term Note.

“**Notice of Borrowing**” means a notice substantially in the form of Exhibit B (or such other form reasonably acceptable to the Administrative Agent and containing the information required in such Exhibit) to be delivered to the Administrative Agent pursuant to Section 2.1.(b) evidencing the Borrower’s request for a borrowing of Term Loans.

“**Notice of Continuation**” means a notice in the form of Exhibit C to be delivered to the Administrative Agent pursuant to Section 2.6. evidencing the Borrower’s request for the Continuation of a LIBOR Loan.

“**Notice of Conversion**” means a notice in the form of Exhibit D to be delivered to the Administrative Agent pursuant to Section 2.7. evidencing the Borrower’s request for the Conversion of a Loan from one Type to another Type.

“**Obligations**” means, individually and collectively: (a) the aggregate principal balance of, and all accrued and unpaid interest on, all Loans and (b) all other indebtedness, liabilities, obligations, covenants and duties of the Borrower and the other Loan Parties owing to the Administrative Agent or any Lender of every kind, nature and description, under or in respect of this Agreement or any of the other Loan Documents, including, without limitation, the Fees and indemnification obligations, whether direct or indirect, absolute or contingent, due or not due, contractual or tortious, liquidated or unliquidated, and whether or not evidenced by any promissory note.

“**Occupancy Rate**” means, with respect to a Property at any time, the ratio, expressed as a percentage, of (a) the net rentable square footage of such Property occupied by tenants that are not Affiliates paying rent at market rates pursuant to binding leases as to which no monetary default has occurred and is continuing to (b) the aggregate net rentable square footage of such Property; provided, however, for purposes of the immediately preceding clause (a): (i) if such tenant has executed a lease for space in such Property and the Borrower or such tenant’s agents are in the process of preparing such space for physical occupancy, then such space shall be considered occupied and (ii) net rentable square footage occupied by the Parent or any Affiliate paying rent at market rates pursuant to binding leases as to which no monetary default has occurred and is continuing (“Affiliate Rented Space”) may be included in such calculation; provided, no more than 30,000 square feet of Affiliate Rented Space shall be used in the calculation of Occupancy Rates of the Properties; provided, further, to the extent Affiliate Rented Space exceeds 30,000 square feet in the aggregate with respect to all Properties, such excess shall be allocated pro rata among each Property with respect to which Affiliate Rented Space was included in the calculation of the Occupancy Rate for such Property to reduce the Affiliate Rented Space used in such calculation.

“**OFAC**” means U.S. Department of the Treasury’s Office of Foreign Assets Control and any successor Governmental Authority.

“**Off-Balance Sheet Obligations**” means liabilities and obligations of the Parent, the Borrower, any Subsidiary or any other Person in respect of “off-balance sheet arrangements” (as defined in the SEC Off-Balance Sheet Rules) which the Parent would be required to disclose in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section of the Parent’s report on Form 10-Q or Form 10-K (or their equivalents) which the Parent is required to file with the Securities and Exchange Commission (or any Governmental Authority substituted therefor). As used in this definition, the term “SEC Off-Balance Sheet Rules” means the Disclosure in Management’s Discussion and Analysis About Off-Balance Sheet Arrangements, Securities Act Release No. 33-8182, 68 Fed. Reg. 5982 (Feb. 5, 2003) (codified at 17 CFR pts. 228, 229 and 249).

“**Other Connection Taxes**” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Tax (other than connections arising from such Recipient having executed, delivered, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, engaged in any

other transaction pursuant to or enforced any Loan Document, or sold or assigned an interest in any Loan or Loan Document).

“**Other Taxes**” means all present or future stamp, court or documentary, intangible, recording, filing or similar Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, from the receipt or perfection of a security interest under, or otherwise with respect to, any Loan Document, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment.

“**Parent**” has the meaning set forth in the introductory paragraph hereof and shall include the Parent’s successors and permitted assigns.

“**Participant**” has the meaning given that term in Section 12.5.(d).

“**Participant Register**” has the meaning given that term in Section 12.5.(d).

“**Patriot Act**” means The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001)).

“**PBGC**” means the Pension Benefit Guaranty Corporation and any successor agency.

“**Permitted Liens**” means, as to any Person: (a) Liens securing taxes, assessments and other charges or levies imposed by any Governmental Authority (excluding any Lien imposed pursuant to any of the provisions of ERISA or pursuant to any Environmental Laws) or the claims of materialmen, mechanics, carriers, warehousemen or landlords for labor, materials, supplies or rentals incurred in the ordinary course of business, which are not at the time required to be paid or discharged under Section 7.6.; (b) Liens consisting of deposits or pledges made, in the ordinary course of business, in connection with, or to secure payment of, obligations under workers’ compensation, unemployment insurance or similar Applicable Laws; (c) Liens consisting of encumbrances in the nature of zoning restrictions, easements, and rights or restrictions of record on the use of real property, which do not materially detract from the value of such property or impair the use thereof in the business of such Person; (d) the rights of tenants under leases or subleases not interfering with the ordinary conduct of business of such Person; (e) Liens in favor of the Administrative Agent for its benefit and the benefit of the Lenders; (f) Liens in favor of the Borrower or a Guarantor securing obligations owing by a Subsidiary to the Borrower or a Guarantor, which obligations have been subordinated to the obligations owing by the Borrower and the Guarantors under the Loan Documents on terms satisfactory to the Administrative Agent; and (g) Liens in existence as of the Third Amendment Date and set forth in Part II of Schedule 6.1.(f).

“**Person**” means an individual, corporation, partnership, limited liability company, association, trust or unincorporated organization, or a government or any agency or political subdivision thereof.

“**Plan**” means at any time an employee pension benefit plan (other than a Multiemployer Plan) which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Internal Revenue Code and either (a) is maintained, or contributed to, by any member of the ERISA Group for employees of any member of the ERISA Group or (b) has at any time within the preceding five years been maintained, or contributed to, by any Person which was at such time a member of the ERISA Group for employees of any Person which was at such time a member of the ERISA Group.

“**Post-Default Rate**” means a rate per annum equal to the Alternate Base Rate as in effect from time to time plus the Applicable Margin for Base Rate Loans plus two percent (2.0%).

“**Preferred Dividends**” means, for any period and without duplication, all Restricted Payments paid during such period on Preferred Securities issued by the Parent or a Subsidiary. Preferred Dividends shall not include dividends or distributions paid or payable (a) solely in Equity Interests payable to holders of such class of Equity Interests; (b) to the Parent or a Subsidiary; or (c) constituting or resulting in the redemption of Preferred Securities, other than scheduled redemptions not constituting balloon, bullet or similar redemptions in full.

“**Preferred Securities**” means, with respect to any Person, Equity Interests in such Person which are entitled to preference or priority over any other Equity Interest in such Person in respect of the payment of dividends or distribution of assets upon liquidation or both.

“**Prime Rate**” means the rate of interest per annum announced publicly by the Lender then acting as the Administrative Agent as its prime rate from time to time. The Prime Rate is not necessarily the best or the lowest rate of interest offered by the Lender acting as the Administrative Agent or any other Lender.

“**Principal Office**” means the office of the Administrative Agent located at 1680 Capital One Drive, 10th Floor, McLean, Virginia 22102, or such other office of the Administrative Agent as the Administrative Agent may designate from time to time.

“**Property**” means any parcel of real property owned or leased (in whole or in part) or operated by the Parent, the Borrower, any Subsidiary or any Unconsolidated Affiliate of the Parent.

“**Pro Rata Share**” means, as to each Lender, the ratio, expressed as a percentage of (a)(i) the amount of such Lender’s Commitment plus (ii) the aggregate outstanding principal amount of such Lender’s Term Loans, if any, to (b)(i) the aggregate amount of the Commitments of all Lenders plus (ii) the aggregate amount of all outstanding Term Loans; provided, however, that if at the time of determination the Commitments have terminated or been reduced to zero, the “Pro Rata Share” of each Lender shall be the ratio, expressed as a percentage of (A) the sum of the unpaid principal amount of all outstanding Loans owing to such Lender as of such date to (B) the sum of the aggregate unpaid principal amount of all outstanding Loans of all Lenders as of such date. If at the time of determination the Commitments have been terminated and there are no outstanding Loans, then the Pro Rata Shares of the Lenders shall be determined as of the most recent date on which any Loans were outstanding.

“**Qualified Plan**” means a Benefit Arrangement that is intended to be tax-qualified under Section 401(a) of the Internal Revenue Code.

“**Rating Agency**” means S&P, Moody’s or Fitch.

“**Recipient**” means (a) the Administrative Agent, or (b) any Lender, as applicable.

“**Recourse Indebtedness**” means any Indebtedness other than Nonrecourse Indebtedness.

“**Register**” has the meaning given that term in Section 12.5.(c).

“**Regulatory Change**” means, with respect to any Lender, any change effective after the Agreement Date in Applicable Law (including without limitation, Regulation D of the Board of Governors of the Federal

Reserve System) or the adoption or making after such date of any interpretation, directive or request applying to a class of banks, including such Lender, of or under any Applicable Law (whether or not having the force of law and whether or not failure to comply therewith would be unlawful) by any Governmental Authority or monetary authority charged with the interpretation or administration thereof or compliance by any Lender with any request or directive regarding capital adequacy or liquidity. Notwithstanding anything herein to the contrary, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Regulatory Change”, regardless of the date enacted, adopted or issued.

“**REIT**” means a Person qualifying for treatment as a “real estate investment trust” under the Internal Revenue Code.

“**Related Parties**” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents and advisors of such Person and of such Person’s Affiliates.

“**Replacement Rate**” has the meaning assigned thereto in Section 4.2.(b).

“**Requisite Lenders**” means, as of any date, (a) Lenders having more than 50% of the aggregate amount of the Commitments and the principal amount of the aggregate outstanding Loans, or (b) if the Commitments have been terminated or reduced to zero, Lenders holding more than 50% of the principal amount of the aggregate outstanding Loans; provided that in determining such percentage at any given time, all then existing Defaulting Lenders will be disregarded and excluded.

“**Resolution Authority**” means any body which has authority to exercise any Write-down and Conversion Powers.

“**Responsible Officer**” means with respect to the Parent or any Subsidiary, the chief executive officer, the chief operating officer, the chief financial officer, or president of the Parent or such Subsidiary.

“**Restricted Payment**” means: (a) any dividend or other distribution, direct or indirect, on account of any Equity Interest of the Parent or any Subsidiary now or hereafter outstanding, except a dividend payable solely in Equity Interests of identical class to the holders of that class; (b) any redemption, conversion, exchange, retirement, sinking fund or similar payment, purchase or other acquisition for value, direct or indirect, of any Equity Interest of the Parent or any Subsidiary now or hereafter outstanding; and (c) any payment made to retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire any Equity Interests of the Parent or any Subsidiary now or hereafter outstanding.

“**Sanctioned Country**” means, at any time, a country or territory which is, or whose government is, the subject or target of any Sanctions.

“**Sanctioned Person**” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by any Governmental Authority of the United States of America, including without limitation, OFAC or the U.S. Department of State, or by the United Nations Security Council, the European Union or any other Governmental Authority, (b) any Person located, operating, organized or resident in a Sanctioned Country, (c) an agency, political subdivision or instrumentality of the government

of a Sanctioned County or (d) any Person Controlled by any Person or agency described in any of the preceding clauses (a) through (c).

“**Sanctions**” means any sanctions or trade embargoes imposed, administered or enforced by any Governmental Authority of the United States of America, including without limitation, OFAC or the U.S. Department of State, or by the United Nations Security Council, the European Union or any other Governmental Authority.

“**Secured Indebtedness**” means, with respect to a Person as of any given date, the aggregate principal amount of all Indebtedness of such Person outstanding at such date and that is secured in any manner by any Lien, and in the case of the Parent or the Borrower, shall include (without duplication) the Parent’s or the Borrower’s, respectively, pro rata share of the Secured Indebtedness of its Unconsolidated Affiliates.

“**Securities Act**” means the Securities Act of 1933, as amended from time to time, together with all rules and regulations issued thereunder.

“**Solvent**” means, when used with respect to any Person, that (a) the fair value and the fair salable value of its assets (excluding any Indebtedness due from any Affiliate of such Person) are each in excess of the fair valuation of its total liabilities (including all contingent liabilities computed at the amount which, in light of all the facts and circumstances existing at such time, represents the amount that could reasonably be expected to become an actual and matured liability); (b) such Person is able to pay its debts or other obligations in the ordinary course as they mature; and (c) such Person has capital not unreasonably small to carry on its business and all business in which it proposes to be engaged.

“**Stabilized Property**” means, any Property that is not a Development Property.

“**S&P**” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, or any successor.

“**Subsidiary**” means, for any Person, any corporation, partnership or other entity of which at least a majority of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (without regard to the occurrence of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person, and shall include all Persons the accounts of which are consolidated with those of such Person pursuant to GAAP.

“**Taxes**” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Term Loan**” means a loan made by a Lender to the Borrower pursuant to the terms of Section 2.1.(a) or an Additional Term Loan.

“**Term Loan Commitment**” means, as to each Lender, such Lender’s obligation to make Term Loans pursuant to Section 2.1., in an amount up to, but not exceeding, the amount set forth for such Lender on Schedule I as such Lender’s “Commitment” or as set forth in the applicable Assignment and Acceptance or agreement executed by a Person becoming a Lender pursuant to Section 2.9., or increased or reduced as

appropriate to reflect any assignments to or by such Lender effected in accordance with Section 12.5. or increased as appropriate to reflect any increase effected in accordance with Section 2.9.

“**Term Note**” means a promissory note of the Borrower substantially in the form of Exhibit E payable to the order of a Lender in a principal amount equal to the initial principal amount of such Lender’s Commitment.

“**Titled Agents**” means each of the Joint Lead Arrangers, each Syndication Agent and their respective successors and permitted assigns.

“**Third Amendment**” shall mean that certain Third Amendment to Term Loan Agreement by and among the Parent, the Borrower, the lenders party thereto, the other Loan Parties party thereto and the Administrative Agent.

“**Third Amendment Date**” shall mean the effective date of the Third Amendment.

“**Total Asset Value**” means the sum of all of the following of the Parent and its Subsidiaries on a consolidated basis, without duplication, determined in accordance with GAAP applied on a consistent basis: (a) cash and Cash Equivalents (other than cash and Cash Equivalents that are subject to a Lien or a Negative Pledge or the disposition of which is restricted) and Marketable Securities, plus (b) with respect to each Stabilized Property owned by the Parent, the Borrower or any Subsidiary of the Borrower or the Parent, (i)(A) Net Operating Income attributable to such Stabilized Property for the fiscal quarter most recently ended multiplied by 4, divided by (ii) the Capitalization Rate, plus (c) the GAAP book value of all Properties owned or leased entirely by the Parent, the Borrower or a Wholly Owned Subsidiary and the pro-rata share of the Parent or the Borrower, as applicable, of the GAAP book value of all other Properties owned or leased by any Subsidiary that is not a Wholly Owned Subsidiary, in each case, acquired during the four consecutive fiscal quarters most recently ended, plus (d) the GAAP book value of all Development Properties (including Construction-in-Process), plus (e) the GAAP book value of Unimproved Land, Mortgage Receivables and other promissory notes, plus (f) the GAAP book value at undepreciated cost net of any impairments of all Stabilized Properties with negative Net Operating Income; provided, that no such Property described in this clause (f) shall be included for longer than a period of 24 months and to the extent that Total Asset Value attributable to such Properties described in this clause (f) exceeds 5.0% of Total Asset Value, such excess shall be excluded from Total Asset Value. The Parent’s pro rata share of assets held by Unconsolidated Affiliates will be included in Total Asset Value calculations consistent with the above described treatment for wholly owned assets. For purposes of determining Total Asset Value, Net Operating Income from (A) Properties acquired during the four consecutive fiscal quarters most recently ended, (B) Properties disposed of by the Parent, its Subsidiaries and Unconsolidated Affiliates during the immediately preceding fiscal quarter and (C) Properties with negative Net Operating Income shall be excluded from clause (b) above.

“**Total Indebtedness**” means all Indebtedness of the Parent and its Subsidiaries determined on a consolidated basis.

“**Type**” with respect to a Loan, refers to whether such Loan is a LIBOR Loan or Base Rate Loan.

“**Unconsolidated Affiliate**” means, with respect to any Person, any other Person in whom such Person holds an Investment, which Investment is accounted for in the financial statements of such Person on an equity basis of accounting and whose financial results would not be consolidated under GAAP with the financial results of such Person on the consolidated financial statements of such Person.

“Unencumbered Adjusted NOI” means, for any period of determination, Adjusted Net Operating Income from Wholly Owned Properties and the pro-rata share of Adjusted Net Operating Income from Controlled Properties as adjusted for any non-recurring items during the reporting period.

“Unencumbered Asset Value” means, without duplication, (a) (i) the Unencumbered NOI (excluding Net Operating Income attributable to Development Properties, Properties with negative Net Operating Incomes, Properties acquired during the four consecutive fiscal quarters most recently ending and Properties disposed of during the fiscal quarter most recently ending) for the fiscal quarter most recently ending times four divided by (ii) the Capitalization Rate, plus (b) the GAAP book value of all Wholly Owned Properties and the pro-rata share of the Parent or the Borrower, as applicable, of the GAAP book value of Controlled Properties, in each case, acquired during the four consecutive fiscal quarters most recently ended, plus (c) the GAAP book value of all Development Properties (including the Construction-in-Process) and Unimproved Land, in each case that are Wholly Owned Properties, and the pro-rata share of the Parent or the Borrower, as applicable, of the GAAP book value of all Development Properties (including the Construction-in-Process) and Unimproved Land, in each case that are Controlled Properties, plus (d) the GAAP book value at undepreciated cost net of any impairments of all Stabilized Properties that constitute Wholly Owned Properties with negative Net Operating Income and the pro-rata share of the Parent or the Borrower, as applicable, of GAAP book value at undepreciated cost net of any impairments of all Stabilized Properties that constitute Controlled Properties; provided, that no such Property described in this clause (d) shall be included for longer than a period of 24 months and to the extent that Unencumbered Asset Value attributable to such Properties described in this clause (d) exceeds 5.0% of Unencumbered Asset Value, such excess shall be excluded from Unencumbered Asset Value. For purposes of this definition, (x) to the extent the Unencumbered Asset Value attributable to Development Properties and Unimproved Land would exceed 35% of the Unencumbered Asset Value, such excess shall be excluded, (y) to the extent the Unencumbered Asset Value attributable to Unimproved Land would exceed 15% of the Unencumbered Asset Value, such excess shall be excluded and (z) to the extent the Unencumbered Asset Value attributable to Controlled Properties would exceed 15% of the Unencumbered Asset Value, such excess shall be excluded.

“Unencumbered NOI” means, for any period of determination, Net Operating Income from Wholly Owned Properties and the pro-rata share of Net Operating Income from Controlled Properties which have been owned for the entire fiscal quarter most recently ended as adjusted for any non-recurring items during the reporting period.

“Unfunded Liabilities” means, with respect to any Plan at any time, the amount (if any) by which (a) the value of all benefit liabilities under such Plan, determined on a plan termination basis using the assumptions prescribed by the PBGC for purposes of Section 4044 of ERISA, exceeds (b) the fair market value of all Plan assets allocable to such liabilities under Title IV of ERISA (excluding any accrued but unpaid contributions), all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of a member of the ERISA Group to the PBGC or any other Person under Title IV of ERISA.

“Unimproved Land” means land with respect to which no development (other than improvements that are not material and are temporary in nature) has occurred and for which no development is planned in the 12 months following the date of determination.

“Unsecured Indebtedness” means Indebtedness which is not Secured Indebtedness.

“**Unsecured Interest Expense**” means, for any period of determination, Interest Expense for such period attributable to Unsecured Indebtedness of the Parent and its Subsidiaries.

“**U.S. Person**” means any Person that is a “United States Person” as defined in Section 7701(a)(30) of the Internal Revenue Code.

“**U.S. Tax Compliance Certificate**” has the meaning assigned to such term in Section 3.12.(g)(ii)(B)(III).

“**Wholly Owned Property**” means an Eligible Unencumbered Property which is owned or leased entirely by the Parent, the Borrower or a Wholly Owned Subsidiary.

“**Wholly Owned Subsidiary**” means any Subsidiary of a Person in respect of which all of the equity securities or other ownership interests (other than, in the case of a corporation, directors’ qualifying shares) are at the time directly or indirectly owned or controlled by such Person or one or more other Subsidiaries of such Person or by such Person and one or more other Subsidiaries of such Person.

“**Withholding Agent**” means (a) the Borrower, (b) any other Loan Party and (c) the Administrative Agent, as applicable.

“**Write-down and Conversion Powers**” means:

(a) in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule; and

(b) in relation to any other applicable Bail-In Legislation:

(i) any powers under that Bail-In Legislation to cancel, transfer or dilute shares issued by a person that is a bank or investment firm or other financial institution or affiliate of a bank, investment firm or other financial institution, to cancel, reduce, modify or change the form of a liability of such a person or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers; and

(ii) any similar or analogous powers under that Bail-In Legislation.

Section 1.2. General; References to Times.

Unless otherwise indicated, all accounting terms, ratios and measurements shall be interpreted or determined in accordance with GAAP; provided that, if at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either the Borrower or the Requisite Lenders shall so request, the Administrative Agent, the Lenders and the Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of the Requisite Lenders); provided further that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Parent shall provide to the Administrative Agent and the Lenders financial

statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding the preceding sentence, the calculation of liabilities shall not include any fair value adjustments to the carrying value of liabilities to record such liabilities at fair value pursuant to electing the fair value option election under FASB ASC 825-10-25 (formerly known as FAS 159, The Fair Value Option for Financial Assets and Financial Liabilities) or other FASB standards allowing entities to elect fair value option for financial liabilities. Accordingly, the amount of liabilities shall be the historical cost basis, which generally is the contractual amount owed adjusted for amortization or accretion of any premium or discount. References in this Agreement to “Sections”, “Articles”, “Exhibits” and “Schedules” are to sections, articles, exhibits and schedules herein and hereto unless otherwise indicated. References in this Agreement to any document, instrument or agreement (a) shall include all exhibits, schedules and other attachments thereto, (b) shall include all documents, instruments or agreements issued or executed in replacement thereof, to the extent permitted hereby and (c) shall mean such document, instrument or agreement, or replacement or predecessor thereto, as amended, supplemented, restated or otherwise modified as of the date of this Agreement and from time to time thereafter to the extent not prohibited hereby and in effect at any given time. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, the feminine and the neuter. Unless explicitly set forth to the contrary, a reference to “Subsidiary” means a Subsidiary of the Parent or a Subsidiary of such Subsidiary, a reference to an “Affiliate” means a reference to an Affiliate of the Parent and a reference to an “Unconsolidated Affiliate” means a reference to an Unconsolidated Affiliate of the Parent. Titles and captions of Articles, Sections, subsections and clauses in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement. Unless otherwise indicated, all references to time are references to Eastern time.

Section 1.3. Financial Attributes of Non-Wholly Owned Subsidiaries.

When determining the Parent’s or the Borrower’s compliance with any financial covenant contained in any of the Loan Documents, only the Parent’s or the Borrower’s, respectively, pro rata share of the financial attributes of a Subsidiary that is not a Wholly Owned Subsidiary (other than the Borrower) shall be included.

Section 1.4. Rates.

The Administrative Agent does not warrant or accept responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to the rates in the definition of “LIBOR” or with respect to any comparable or successor rate thereto.

ARTICLE II. CREDIT FACILITY

Section 2.1. Loans.

(a) Making of Term Loans. Subject to the terms and conditions of this Agreement, each Lender severally and not jointly agrees to make Term Loans to the Borrower during the Availability Period, in an aggregate principal amount up to, but not exceeding, such Lender’s Commitment. There shall be no more than 3 separate borrowings of Term Loans and each borrowing of Term Loans shall be in an aggregate minimum amount of \$25,000,000 and integral multiples of \$25,000,000 in excess thereof; provided, that a borrowing of Term Loans may be in the aggregate amount of the remaining Commitments. Upon a Lender’s funding of a Term Loan, such Lender’s Commitment shall be permanently reduced by the principal amount

of such Term Loan. All Commitments shall terminate on the Availability Termination Date if not previously terminated pursuant to this Agreement. Once repaid, the principal amount of a Term Loan (or portion thereof) may not be reborrowed.

(b) Requests for Term Loans.

(i) Not later than 11:00 a.m. at least one (1) Business Day in the case of a borrowing of Term Loans that are to be Base Rate Loans and not later than 11:00 a.m. at least three (3) Business Days in the case of a borrowing of Term Loans that are to be LIBOR Loans, in each case, prior to the anticipated date of borrowing, the Borrower shall deliver to the Administrative Agent a Notice of Borrowing. Each Notice of Borrowing shall specify the aggregate principal amount of such Term Loans to be borrowed, the Type of such Term Loans, the date such Term Loans are to be borrowed (which must be a Business Day) and if any such Term Loans are to be LIBOR Loans, the initial Interest Period for such Term Loans.

(ii) The Notice of Borrowing shall be irrevocable once given and binding on the Borrower. Prior to delivering a Notice of Borrowing, the Borrower may (without specifying whether a Term Loan will be a Base Rate Loan or a LIBOR Loan) request that the Administrative Agent provide the Borrower with the most recent LIBOR available to the Administrative Agent. The Administrative Agent shall provide such quoted rate to the Borrower on the date of such request or as soon as possible thereafter.

(c) Funding of Term Loans. Promptly after receipt of a Notice of Borrowing, the Administrative Agent shall notify each Lender of the proposed borrowing. Each Lender shall deposit an amount equal to the requested Term Loan to be made by such Lender to the Borrower with the Administrative Agent at the Principal Office, in immediately available funds not later than 1:00 p.m. on the date of such proposed Term Loans. Subject to fulfillment of all applicable conditions set forth herein, the Administrative Agent shall make available to the Borrower in the account specified in the Notice of Borrowing, not later than 2:00 p.m. on the date of the requested borrowing of Term Loans, the proceeds of such amounts received by the Administrative Agent. The Borrower may not reborrow any portion of the Term Loans once repaid.

(d) Assumptions Regarding Funding by Lenders. With respect to Term Loans to be made after the Effective Date, unless the Administrative Agent shall have been notified by any Lender that such Lender will not make available to the Administrative Agent a Term Loan to be made by such Lender in connection with any borrowing, the Administrative Agent may assume that such Lender will make the proceeds of such Term Loan available to the Administrative Agent in accordance with Section 2.1., and the Administrative Agent may (but shall not be obligated to), in reliance upon such assumption, make available to the Borrower the amount of such Term Loan to be provided by such Lender. In such event, if such Lender does not make available to the Administrative Agent the proceeds of such Term Loan, then such Lender and the Borrower severally agree to pay to the Administrative Agent on demand the amount of such Term Loan with interest thereon, for each day from and including the date such Term Loan is made available to the Borrower but excluding the date of payment to the Administrative Agent, at (i) in the case of a payment to be made by such Lender, the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation and (ii) in the case of a payment to be made by the Borrower, the interest rate applicable to such Term Loans. If the Borrower and such Lender shall pay the amount of such interest to the Administrative Agent for the same or overlapping period, the Administrative Agent shall promptly remit to the Borrower the amount of such interest paid by the Borrower for such period. If such Lender pays to the Administrative Agent the amount of such Term Loan, the amount so paid shall constitute such Lender's Term Loan included in the borrowing. Any payment by the Borrower

shall be without prejudice to any claim the Borrower may have against a Lender that shall have failed to make available the proceeds of a Term Loan to be made by such Lender.

Section 2.2. Rates and Payment of Interest on Loans.

(a) Rates. The Borrower promises to pay to the Administrative Agent for the account of each Lender interest on the unpaid principal amount of each Loan made by such Lender for the period from and including the date of the making of such Loan to but excluding the date such Loan shall be paid in full, at the following per annum rates:

(i) during such periods as such Loan is a Base Rate Loan, at the Alternate Base Rate (as in effect from time to time), plus the Applicable Margin for Base Rate Loans; and

(ii) during such periods as such Loan is a LIBOR Loan, at Adjusted LIBOR for such Loan for the Interest Period therefor, plus the Applicable Margin for LIBOR Loans.

Notwithstanding the foregoing, during the continuance of an Event of Default, the Borrower shall pay to the Administrative Agent for the account of each Lender interest at the Post-Default Rate on the outstanding principal amount of the Loans made by such Lender, and on any other amount payable by the Borrower hereunder or under the Notes held by such Lenders to or for the account of such Lenders (including without limitation, accrued but unpaid interest to the extent permitted under Applicable Law).

(b) Payment of Interest. Accrued and unpaid interest on each Loan shall be payable (i) in the case of a Base Rate Loan, monthly in arrears on the first day of each calendar month, (ii) in the case of a LIBOR Loan, in arrears on the last day of each Interest Period therefor, and, if such Interest Period is longer than three months, at three-month intervals following the first day of such Interest Period, and (iii) in the case of any Loan, in arrears upon the payment, prepayment or Continuation thereof or the Conversion of such Loan to a Loan of another Type (but only on the principal amount so paid, prepaid, Continued or Converted). Interest payable at the Post-Default Rate shall be payable from time to time on demand. Promptly after the determination of any interest rate provided for herein or any change therein, the Administrative Agent shall give notice thereof to the Lenders to which such interest is payable and to the Borrower. All determinations by the Administrative Agent of an interest rate hereunder shall be conclusive and binding on the Lenders and the Borrower for all purposes, absent manifest error.

Section 2.3. Number of Interest Periods.

There may be no more than 8 different Interest Periods for Loans that are LIBOR Loans outstanding at the same time.

Section 2.4. Repayment of Loans.

The Borrower shall repay the entire outstanding principal amount of, and all accrued but unpaid interest on, the Loans on the Maturity Date.

Section 2.5. Prepayments.

(a) Optional. Subject to the immediately succeeding subsection (b) and Section 4.4., the Borrower may prepay any Loan at any time without premium or penalty. The Borrower shall give the Administrative Agent at least one Business Day's prior written notice of the prepayment of any Loan.

(b) Prepayment Fee. During the periods set forth below, the Borrower may only prepay the Loans, in whole or in part, at the prices (expressed as percentages of the principal amount of the Loan (or portion thereof) to be prepaid) set forth below, plus accrued and unpaid interest, if any, to the date of prepayment:

Period	Percentage
Effective Date to and including December 17, 2016	102.0%
December 18, 2016 to and including December 17, 2017	101.0%
All times after December 17, 2017	100.0%

The Borrower acknowledges and agrees that the amounts payable by it under this subsection in connection with the prepayment of the Loans are reasonable calculations of the lost profits of the Lenders in view of the difficulties and impracticality of determining actual damages resulting from the prepayment of the Loans.

Section 2.6. Continuation.

So long as no Event of Default shall exist, the Borrower may on any Business Day, with respect to any LIBOR Loan, elect to maintain such LIBOR Loan or any portion thereof as a LIBOR Loan by selecting a new Interest Period for such LIBOR Loan. Each new Interest Period selected under this Section shall commence on the last day of the immediately preceding Interest Period. Each selection of a new Interest Period shall be made by the Borrower giving to the Administrative Agent a Notice of Continuation not later than 11:00 a.m. on the third Business Day prior to the date of any such Continuation. Such notice by the Borrower of a Continuation shall be by telephone, electronic mail or telecopy, confirmed immediately in writing if by telephone, in the form of a Notice of Continuation, specifying (a) the proposed date of such Continuation, (b) the LIBOR Loans and portions thereof subject to such Continuation and (c) the duration of the selected Interest Period, all of which shall be specified in such manner as is necessary to comply with all limitations on Loans outstanding hereunder. Each Notice of Continuation shall be irrevocable by and binding on the Borrower once given. Promptly after receipt of a Notice of Continuation, the Administrative Agent shall notify each Lender holding Loans being Continued by telecopy, or other similar form of transmission, of the proposed Continuation. If the Borrower shall fail to select in a timely manner a new Interest Period for any LIBOR Loan in accordance with this Section, or if an Event of Default shall exist, such Loan will automatically, on the last day of the current Interest Period therefor, Convert into a Base Rate Loan notwithstanding the first sentence of Section 2.7. or the Borrower's failure to comply with any of the terms of such Section.

Section 2.7. Conversion.

The Borrower may on any Business Day, upon the Borrower's giving of a Notice of Conversion to the Administrative Agent, Convert all or a portion of a Loan of one Type into a Loan of another Type; provided, however, a Base Rate Loan may not be Converted to a LIBOR Loan if an Event of Default shall exist. Any Conversion of a LIBOR Loan into a Base Rate Loan shall be made on, and only on, the last day of an Interest Period for such LIBOR Loan and, upon Conversion of a Base Rate Loan into a LIBOR Loan, the Borrower shall pay accrued interest to the date of Conversion on the principal amount so Converted. Each such Notice of Conversion shall be given not later than 11:00 a.m. on the Business Day prior to the

date of any proposed Conversion into Base Rate Loans and on the third Business Day prior to the date of any proposed Conversion into LIBOR Loans. Promptly after receipt of a Notice of Conversion, the Administrative Agent shall notify each Lender holding Loans being Converted by telecopy, or other similar form of transmission, of the proposed Conversion. Subject to the restrictions specified above, each Notice of Conversion shall be by telephone (confirmed immediately in writing), electronic mail or telecopy in the form of a Notice of Conversion specifying (a) the requested date of such Conversion, (b) the Type of Loan to be Converted, (c) the portion of such Type of Loan to be Converted, (d) the Type of Loan such Loan is to be Converted into and (e) if such Conversion is into a LIBOR Loan, the requested duration of the Interest Period of such Loan. Each Notice of Conversion shall be irrevocable by and binding on the Borrower once given.

Section 2.8. Notes.

(a) Notes. If requested by any Lender, the Loans made by such Lender shall, in addition to this Agreement, also be evidenced by a Note payable to the order of such Lender in a principal amount equal to the initial principal amount of its Commitment, and, in each case, otherwise duly completed.

(b) Records. The date, amount, interest rate, Type and duration of Interest Periods (if applicable) of each Loan made by each Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by such Lender on its books and such entries shall be binding on the Borrower, absent manifest error; provided, however, that (i) the failure of a Lender to make any such record shall not affect the obligations of the Borrower under any of the Loan Documents and (ii) if there is a discrepancy between such records and the statement of accounts maintained by the Administrative Agent pursuant to Section 3.10., in the absence of manifest error, the statements of account maintained by the Administrative Agent pursuant to Section 3.10. shall be controlling.

(c) Lost, Stolen, Destroyed or Mutilated Notes. Upon receipt by the Borrower of (i) written notice from a Lender that a Note of such Lender has been lost, stolen, destroyed or mutilated, and (ii) (A) in the case of loss, theft or destruction, an unsecured agreement of indemnity from such Lender in form reasonably satisfactory to the Borrower, or (B) in the case of mutilation, upon surrender and cancellation of such Note, the Borrower shall at its own expense execute and deliver to such Lender a new Note dated the date of such lost, stolen, destroyed or mutilated Note.

Section 2.9. Additional Term Loans.

With the prior consent of the Administrative Agent, such consent not to be unreasonably withheld, conditioned or delayed, the Borrower shall have the right at any time and from time to time during the period from the Availability Termination Date to but excluding the Maturity Date, to request the making of additional Term Loans (the "Additional Term Loans") (provided, that after giving effect to the making of Additional Term Loans, the aggregate outstanding principal amount of Term Loans may not exceed \$400,000,000 less the amount of any voluntary prepayments of Term Loans) by providing written notice to the Administrative Agent, which notice shall be irrevocable once given and shall be forwarded by the Agent to each Lender; provided, however, the Borrower shall not have the right to make more than four (4) requests for Additional Term Loans during the term of this Agreement. Each such borrowing of Additional Term Loans must be in an aggregate minimum amount of \$5,000,000 and integral multiples of \$5,000,000 in excess thereof. The Joint Lead Arrangers, in consultation with the Borrower, shall manage all aspects of the syndication of such Additional Term Loans, including decisions, which shall be subject to the approval of the Borrower, as to the selection of the existing Lenders and/or other banks, financial institutions and other institutional lenders to be approached with respect to any such Additional Term Loans and the allocations of any such Additional

Term Loans among such existing Lenders and/or other banks, financial institutions and other institutional lenders. No Lender shall be obligated in any way whatsoever to make an Additional Term Loan, and any new Lender becoming a party to this Agreement in connection with any such making of Additional Term Loans must be an Eligible Assignee. The making of Additional Term Loans under this Section is subject to the following conditions precedent: (x) no Default or Event of Default shall be in existence on the effective date of such making of Additional Term Loans, (y) the representations and warranties made or deemed made by the Borrower or any other Loan Party in any Loan Document to which such Loan Party is a party shall be true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on the effective date of such making of Additional Term Loans except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (except in the case of a representation or warranty qualified by materiality, in which case such representation or warranty shall have been true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances not prohibited hereunder, and (z) the Administrative Agent shall have received each of the following, in form and substance satisfactory to the Administrative Agent: (i) if not previously delivered to the Administrative Agent, copies certified by the Secretary or Assistant Secretary of (A) all partnership or other necessary action taken by the Borrower to authorize such Additional Term Loans and (B) all corporate, partnership, member or other necessary action taken by each Guarantor authorizing the guaranty of such Additional Term Loans; (ii) if requested by the Administrative Agent, an opinion of counsel to the Borrower and the Guarantors, and addressed to the Administrative Agent and the Lenders covering such matters as reasonably requested by the Administrative Agent, and (iii) in the case of a Lender that has notified the Administrative Agent in writing that it wants to receive Notes, a new Term Note executed by the Borrower, payable to such new Lenders, and, if applicable, replacement Term Notes executed by the Borrower payable to such existing Lenders making such Additional Term Loans in the aggregate outstanding principal amount of such Lender's Term Loan at the time of the making of such Additional Term Loans. In connection with the making of Additional Term Loans pursuant to this Section 2.9., any Lender becoming a party hereto shall (1) execute such documents and agreements as the Administrative Agent may reasonably request and (2) in the case of any Lender that is organized under the laws of a jurisdiction outside of the United States of America, provide to the Administrative Agent, its name, address, tax identification number and/or such other information as shall be necessary for the Administrative Agent to comply with "know your customer" and anti-money laundering rules and regulations, including without limitation, the Patriot Act.

ARTICLE III. PAYMENTS, FEES AND OTHER GENERAL PROVISIONS

Section 3.1. Payments.

Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Agreement or any other Loan Document shall be made in Dollars, in immediately available funds, without deduction, set-off or counterclaim (excluding Taxes required to be withheld pursuant to Section 3.12.), to the Administrative Agent at its Principal Office, not later than 2:00 p.m. on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Subject to Section 10.4., the Borrower may, at the time of making each payment under this Agreement or any Note, specify to the Administrative Agent the amounts payable by the Borrower hereunder to which such payment is to be applied. Each payment received by the Administrative Agent for the account of a Lender under this Agreement or any Note shall be paid to such Lender at the applicable Lending Office of such Lender no later than 4:00 p.m. on the date of receipt. If the Administrative Agent fails to pay such amount to a Lender as provided in

the previous sentence, the Administrative Agent shall pay interest on such amount until paid at a rate per annum equal to the Federal Funds Rate from time to time in effect. If the due date of any payment under this Agreement or any other Loan Document would otherwise fall on a day which is not a Business Day such date shall be extended to the next succeeding Business Day and interest shall be payable for the period of such extension.

Section 3.2. Pro Rata Treatment.

Except to the extent otherwise provided herein: (a) each borrowing from the Lenders under Section 2.1. shall be made from the Lenders, and each payment of the Fees under Section 3.6.(b) shall be made for the account of the Lenders, in each case, pro rata according to the amounts of their respective Commitments; (b) each payment or prepayment of principal of the Loans shall be made for the account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Loans held by them; (c) each payment of interest on the Loans shall be made for the account of the Lenders pro rata in accordance with the amounts of interest on such Loans then due and payable; and (d) the Conversion and Continuation of Loans of a particular Type (other than Conversions provided for by Section 4.1.) shall be made pro rata among the Lenders according to the amounts of their respective Loans and the then current Interest Period for each Lender's portion of each such Loan of such Type shall be coterminous.

Section 3.3. Sharing of Payments, Etc.

If a Lender shall obtain payment of any principal of, or interest on, any Loan made by it to the Borrower under this Agreement or shall obtain payment on any other Obligation owing by the Borrower or any other Loan Party through the exercise of any right of set-off, banker's lien, counterclaim or similar right or otherwise or through voluntary prepayments directly to a Lender or other payments made by or on behalf of the Borrower or any other Loan Party to a Lender not in accordance with the terms of this Agreement and such payment should be distributed to the Lenders in accordance with Section 3.2. or Section 10.4., as applicable, such Lender shall promptly purchase from the other Lenders participations in (or, if and to the extent specified by such Lender, direct interests in) the Loans made by the other Lenders or other Obligations owed to such other Lenders in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Lenders shall share the benefit of such payment (net of any reasonable expenses which may actually be incurred by such Lender in obtaining or preserving such benefit) in accordance with the requirements of Section 3.2. or Section 10.4., as applicable. To such end, all the Lenders shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrower agrees that any Lender so purchasing a participation (or direct interest) in the Loans or other Obligations owed to the other Lenders may exercise all rights of set-off, banker's lien, counterclaim or similar rights with respect to such participation as fully as if such Lender were a direct holder of Loans in the amount of such participation. Nothing contained herein shall require any Lender to exercise any such right or shall affect the right of any Lender to exercise and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower.

Section 3.4. Several Obligations.

No Lender shall be responsible for the failure of any other Lender to make a Loan or to perform any other obligation to be made or performed by such other Lender hereunder, and the failure of any Lender to make a Loan or to perform any other obligation to be made or performed by it hereunder shall not relieve the obligation of any other Lender to make any Loan or to perform any other obligation to be made or performed by such other Lender.

Section 3.5. Minimum Amounts.

(a) Borrowings and Conversions. Except as otherwise provided herein, each borrowing of Base Rate Loans shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$100,000 in excess thereof. Except as otherwise provided herein, each borrowing and each Conversion of LIBOR Loans shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$1,000,000 in excess of that amount.

(b) Prepayments. Each voluntary prepayment of Loans shall be in an aggregate minimum amount of \$1,000,000 and integral multiples of \$500,000 in excess thereof (or, if less, the aggregate principal amount of Loans then outstanding).

Section 3.6. Fees.

(a) Closing Fees. On the Effective Date, the Borrower agrees to pay to the Administrative Agent and each Lender all loan fees as have been agreed to in writing by the Parent and the Joint Lead Arrangers.

(b) Facility Ticking Fees. During the period from the Effective Date to and including the Availability Termination Date, the Borrower agrees to pay to the Administrative Agent for the account of the Lenders a facility ticking fee equal to the sum of the daily amount of the Commitments available multiplied by a per annum rate equal to 0.25%. Such fee shall be computed on a daily basis and payable quarterly in arrears on the first day of each January, April, July and October that occurs during the Availability Period and on the Availability Termination Date.

(c) Administrative and Other Fees. The Borrower agrees to pay the administrative and other fees of the Administrative Agent as may be agreed to in writing by the Borrower and the Administrative Agent from time to time.

(d) Termination Fee. If the Availability Termination Date shall occur after September 17, 2016, the Borrower agrees to pay to the Administrative Agent for the account of the Lenders a commitment termination fee equal to 0.50% of the amount of such Lender's remaining Commitment, if any, on such Availability Termination Date (immediately prior to giving effect to the termination of the Commitments on the Availability Termination Date); provided, however, that such fee shall not be payable if the Availability Termination Date resulted from the occurrence of an Event of Default. Such fee shall be due and payable on the Availability Termination Date. The Borrower acknowledges and agrees that the amount payable by it under this subsection (d) in connection with the termination of the aggregate Commitments of the Lenders is a reasonable calculation of such Lenders' lost profits in view of the difficulties and impracticality of determining actual damages resulting from termination of such Commitments of the Lenders.

Section 3.7. Computations.

Unless otherwise expressly set forth herein, any accrued interest on any Loan, any Fees or any other Obligations due hereunder shall be computed on the basis of a year of 360 days and the actual number of days elapsed; provided, however, any accrued interest on any Base Rate Loan shall be computed on the basis of a year of 365 or 366 days, as applicable, and the actual number of days elapsed.

Section 3.8. Usury.

In no event shall the amount of interest due or payable on the Loans or other Obligations exceed the maximum rate of interest allowed by Applicable Law and, if any such payment is paid by the Borrower or any other Loan Party or received by any Lender, then such excess sum shall be credited as a payment of principal, unless the Borrower shall notify the respective Lender in writing that the Borrower elects to have such excess sum returned to it forthwith. It is the express intent of the parties hereto that the Borrower not pay and the Lenders not receive, directly or indirectly, in any manner whatsoever, interest in excess of that which may be lawfully paid by the Borrower under Applicable Law.

Section 3.9. Agreement Regarding Interest and Charges.

The parties hereto hereby agree and stipulate that the only charge imposed upon the Borrower for the use of money in connection with this Agreement is and shall be the interest specifically described in Section 2.2.(a)(i) and (ii). Notwithstanding the foregoing, the parties hereto further agree and stipulate that all agency fees, syndication fees, facility ticking fees, prepayment fees, closing fees, underwriting fees, default charges, late charges, funding or “breakage” charges, increased cost charges, attorneys’ fees and reimbursement for costs and expenses paid by the Administrative Agent or any Lender to third parties or for damages incurred by the Administrative Agent or any Lender, in each case in connection with the transactions contemplated by this Agreement and the other Loan Documents, are charges made to compensate the Administrative Agent or any such Lender for underwriting or administrative services and costs or losses performed or incurred, and to be performed or incurred, by the Administrative Agent and the Lenders in connection with this Agreement and shall under no circumstances be deemed to be charges for the use of money. All charges other than charges for the use of money shall be fully earned and nonrefundable when due.

Section 3.10. Statements of Account.

The Administrative Agent will account to the Borrower monthly with a statement of Loans, accrued interest and Fees, charges and payments made pursuant to this Agreement and the other Loan Documents, and such account rendered by the Administrative Agent shall be deemed conclusive upon Borrower to the extent the Borrower shall fail to object to such account in writing within 5 Business Days of the receipt thereof. The failure of the Administrative Agent to deliver such a statement of accounts shall not relieve or discharge the Borrower from any of its obligations hereunder.

Section 3.11. Defaulting Lenders.

Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by Applicable Law:

(a) Waivers and Amendments. Such Defaulting Lender’s right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Requisite Lenders and Section 12.6.

(b) Defaulting Lender Waterfall. Any payment of principal, interest, Fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article X, or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 3.3, shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, as the Borrower may request (so long as no Default or Event

of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; third, if so determined by the Administrative Agent and the Borrower, to be held in a deposit account and released pro rata in order to satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement; fourth, to the payment of any amounts owing to the Lenders or the Administrative Agent as a result of any judgment of a court of competent jurisdiction obtained by any Lender or the Administrative Agent against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; fifth, so long as no Default or Event of Default exists, to the payment of any amounts owing to the Borrower as a result of any judgment of a court of competent jurisdiction obtained by the Borrower against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and sixth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans, in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made at a time when the conditions set forth in Article V. were satisfied or waived, such payment shall be applied solely to pay the Loans of all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of such Defaulting Lender until such time as all Loans are held by the Lenders pro rata as if there had been no Defaulting Lenders. Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post cash collateral pursuant to this subsection shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(c) Certain Fees. No Defaulting Lender shall be entitled to receive any Fee payable under Sections 3.6.(b) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(d) Defaulting Lender Cure. If the Borrower and the Administrative Agent agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein, that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Term Loans to be held by the Lenders pro rata as though there had been no Defaulting Lender, whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to Fees accrued or payments made by or on behalf of the Borrower while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(e) Purchase of Defaulting Lender's Commitment/Loans. During any period that a Lender is a Defaulting Lender, the Borrower may, by the Borrower giving written notice thereof to the Administrative Agent, such Defaulting Lender and the other Lenders, demand that such Defaulting Lender assign its Commitment and Loans to an Eligible Assignee subject to and in accordance with the provisions of Section 12.5.(b). No party hereto shall have any obligation whatsoever to initiate any such replacement or to assist in finding an Eligible Assignee. In addition, any Lender which is not a Defaulting Lender may, but shall not be obligated, in its sole discretion, to acquire the face amount of all or a portion of such Defaulting Lender's Commitment and Loans via an assignment subject to and in accordance with the provisions of Section 12.5.(b). In connection with any such assignment, such Defaulting Lender shall promptly execute all documents reasonably requested to effect such assignment, including an appropriate Assignment and

Acceptance Agreement. The exercise by the Borrower of its rights under this Section shall be at the Borrower's sole cost and expense and at no cost or expense to the Administrative Agent or any of the Lenders.

Section 3.12. Taxes.

(a) Certain Terms. For purposes of this Section, "Applicable Law" includes FATCA.

(b) Payments Free of Taxes. Any and all payments by or on account of any obligation of the Borrower or any other Loan Party under any Loan Document shall be made without deduction or withholding for any Taxes, except as required by Applicable Law. If any Applicable Law (as determined in the good faith discretion of an applicable Withholding Agent) requires the deduction or withholding of any Tax from any such payment by a Withholding Agent, then the applicable Withholding Agent shall be entitled to make such deduction or withholding and shall timely pay the full amount deducted or withheld to the relevant Governmental Authority in accordance with Applicable Law and, if such Tax is an Indemnified Tax, then the sum payable by the Borrower or other applicable Loan Party shall be increased as necessary so that after such deduction or withholding has been made (including such deductions and withholdings applicable to additional sums payable under this Section) the applicable Recipient receives an amount equal to the sum it would have received had no such deduction or withholding been made.

(c) Payment of Other Taxes by the Borrower. The Borrower and the other Loan Parties shall timely pay to the relevant Governmental Authority in accordance with Applicable Law, or at the option of the Administrative Agent timely reimburse it for the payment of, any Other Taxes.

(d) Indemnification by the Borrower. The Borrower and the other Loan Parties shall jointly and severally indemnify each Recipient, within 10 days after demand therefor, for the full amount of any Indemnified Taxes (including Indemnified Taxes imposed or asserted on or attributable to amounts payable under this Section) payable or paid by such Recipient or required to be withheld or deducted from a payment to such Recipient and any reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender (with a copy to the Administrative Agent), or by the Administrative Agent on its own behalf or on behalf of a Lender, shall be conclusive absent manifest error.

(e) Indemnification by the Lenders. Each Lender shall severally indemnify the Administrative Agent, within 10 days after demand therefor, for (i) any Indemnified Taxes attributable to such Lender (but only to the extent that the Borrower or another Loan Party has not already indemnified the Administrative Agent for such Indemnified Taxes and without limiting the obligation of the Borrower and the other Loan Parties to do so), (ii) any Taxes attributable to such Lender's failure to comply with the provisions of Section 12.5. relating to the maintenance of a Participant Register and (iii) any Excluded Taxes attributable to such Lender, in each case, that are payable or paid by the Administrative Agent in connection with any Loan Document, and any reasonable expenses arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to any Lender by the Administrative Agent shall be conclusive absent manifest error. Each Lender hereby authorizes the Administrative Agent to set off and apply any and all amounts at any time owing to such Lender under any Loan Document or otherwise payable by the Administrative Agent to the Lender from any other source against any amount due to the Administrative Agent under this subsection. The provisions of this subsection shall continue to inure to the benefit of an Administrative Agent following its resignation or removal as Administrative Agent.

(f) Evidence of Payments. As soon as practicable after any payment of Taxes by the Borrower or any other Loan Party to a Governmental Authority pursuant to this Section, the Borrower or such other Loan Party shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(g) Status of Lenders.

(i) Any Lender that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to the Borrower and the Administrative Agent, at the time or times reasonably requested by the Borrower or the Administrative Agent, such properly completed and executed documentation reasonably requested by the Borrower or the Administrative Agent as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by the Borrower or the Administrative Agent, shall deliver such other documentation prescribed by Applicable Law or reasonably requested by the Borrower or the Administrative Agent as will enable the Borrower or the Administrative Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in the immediately following clauses (ii)(A), (ii)(B) and (ii)(D)) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender.

(ii) Without limiting the generality of the foregoing, in the event that the Borrower is a U.S. Person:

(A) any Lender that is a U.S. Person shall deliver to the Borrower and the Administrative Agent on or prior to the date on which such Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an executed IRS Form W-9 (or any successor form) certifying that such Lender is exempt from U.S. federal backup withholding tax;

(B) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), whichever of the following is applicable:

(l) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (x) with respect to payments of interest under any Loan Document, an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an executed IRS Form W-8BEN or Form W-8BEN-E, as applicable, establishing an exemption from, or reduction of, U.S. federal withholding Tax pursuant to the "interest" article of such tax treaty and (y) with respect to any other applicable payments under any Loan Document, IRS Form W-8BEN or Form W-8BEN-E, as applicable, establishing an exemption

from, or reduction of, U.S. federal withholding Tax pursuant to the “business profits” or “other income” article of such tax treaty;

(II) an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an executed IRS Form W-8ECI;

(III) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Internal Revenue Code, (x) a certificate substantially in the form of Exhibit J-1 to the effect that such Foreign Lender is not a “bank” within the meaning of Section 881(c)(3)(A) of the Internal Revenue Code, a “10 percent shareholder” of the Borrower within the meaning of Section 881(c)(3)(B) of the Internal Revenue Code, or a “controlled foreign corporation” described in Section 881(c)(3)(C) of the Internal Revenue Code (a “U.S. Tax Compliance Certificate”) and (y) executed originals of IRS Form W-8BEN or Form W-8BEN-E, as applicable; or

(IV) to the extent a Foreign Lender is not the beneficial owner, an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of an executed IRS Form W-8IMY, accompanied by IRS Form W-8ECI, IRS Form W-8BEN or Form W-8BEN-E, as applicable, a U.S. Tax Compliance Certificate substantially in the form of Exhibit J-2 or Exhibit J-3, IRS Form W-9, and/or other certification documents from each beneficial owner, as applicable; provided that if the Foreign Lender is a partnership and one or more direct or indirect partners of such Foreign Lender are claiming the portfolio interest exemption, such Foreign Lender may provide a U.S. Tax Compliance Certificate substantially in the form of Exhibit J-4 on behalf of each such direct and indirect partner;

(C) any Foreign Lender shall, to the extent it is legally entitled to do so, deliver to the Borrower and the Administrative Agent (in such number of copies as shall be requested by the recipient) on or prior to the date on which such Foreign Lender becomes a Lender under this Agreement (and from time to time thereafter upon the reasonable request of the Borrower or the Administrative Agent), an electronic copy (or an original if requested by the Borrower or the Administrative Agent) of any other form prescribed by Applicable Law as a basis for claiming exemption from or a reduction in U.S. federal withholding Tax, duly completed, together with such supplementary documentation as may be prescribed by Applicable Law to permit the Borrower or the Administrative Agent to determine the withholding or deduction required to be made; and

(D) if a payment made to a Lender under any Loan Document would be subject to U.S. federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Internal Revenue Code, as applicable), such Lender shall deliver to the Borrower and the Administrative Agent at the time or times prescribed by Applicable Law and at such time or times reasonably requested by the Borrower or the Administrative Agent such documentation prescribed by Applicable Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Internal Revenue Code) and such additional documentation reasonably requested by the Borrower or the Administrative Agent as may be necessary for the Borrower and the Administrative Agent to comply with their obligations under FATCA and to determine that such Lender has complied with such Lender’s obligations under FATCA

or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (D), “FATCA” shall include any amendments made to FATCA after the date of this Agreement.

Each Lender agrees that if any form or certification it previously delivered expires or becomes obsolete or inaccurate in any respect, it shall update such form or certification or promptly notify the Borrower and the Administrative Agent in writing of its legal inability to do so.

(h) Treatment of Certain Refunds. If any party determines, in its sole discretion exercised in good faith, that it has received a refund of any Taxes as to which it has been indemnified pursuant to this Section (including by the payment of additional amounts pursuant to this Section), it shall pay to the indemnifying party an amount equal to such refund (but only to the extent of indemnity payments made under this Section with respect to the Taxes giving rise to such refund), net of all out-of-pocket expenses (including Taxes) of such indemnified party and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund). Such indemnifying party, upon the request of such indemnified party, shall repay to such indemnified party the amount paid over pursuant to this subsection (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) in the event that such indemnified party is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this subsection, in no event will the indemnified party be required to pay any amount to an indemnifying party pursuant to this subsection the payment of which would place the indemnified party in a less favorable net after-Tax position than the indemnified party would have been in if the Tax subject to indemnification and giving rise to such refund had not been deducted, withheld or otherwise imposed and the indemnification payments or additional amounts with respect to such Tax had never been paid. This subsection shall not be construed to require any indemnified party to make available its Tax returns (or any other information relating to its Taxes that it deems confidential) to the indemnifying party or any other Person.

(i) Survival. Each party’s obligations under this Section shall survive the resignation or replacement of the Administrative Agent or any assignment of rights by, or the replacement of, a Lender, the termination of the Commitments and the repayment, satisfaction or discharge of all obligations under any Loan Document.

ARTICLE IV. YIELD PROTECTION, ETC.

Section 4.1. Additional Costs; Capital Adequacy.

(a) Capital Adequacy. If any Lender determines that any Regulatory Change affecting such Lender or any lending office of such Lender or such Lender’s holding company, if any, regarding capital or liquidity ratios or requirements, has or would have the effect of reducing the rate of return on such Lender’s capital or on the capital of such Lender’s holding company, if any, as a consequence of this Agreement, the Commitment of such Lender or the Loans made by such Lender, to a level below that which such Lender or such Lender’s holding company could have achieved but for such Regulatory Change (taking into consideration such Lender’s policies and the policies of such Lender’s holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender such additional amount or amounts as will compensate such Lender or such Lender’s holding company for any such reduction suffered.

(b) Additional Costs. In addition to, and not in limitation of the immediately preceding subsection (a), the Borrower shall promptly pay to the Administrative Agent for the account of a Lender from time to time such amounts as such Lender may determine to be necessary to compensate such Lender

for any costs incurred by such Lender that it determines are attributable to its making or maintaining of any LIBOR Loans or its obligation to make any LIBOR Loans hereunder, any reduction in any amount receivable by such Lender under this Agreement or any of the other Loan Documents in respect of any of such LIBOR Loans or such obligation or the maintenance by such Lender of capital in respect of its LIBOR Loans or its Commitment (such increases in costs and reductions in amounts receivable being herein called "Additional Costs"), to the extent any such Additional Costs result from any Regulatory Change that: (i) changes the basis of taxation of any amounts payable to such Lender under this Agreement or any of the other Loan Documents in respect of any of such LIBOR Loans or its Commitment (other than Indemnified Taxes, Taxes described in clauses (b) through (d) of the definition of Excluded Taxes and Connection Income Taxes); or (ii) imposes or modifies any reserve, special deposit or similar requirements (other than Regulation D of the Board of Governors of the Federal Reserve System or other reserve requirement to the extent utilized in the determination of Adjusted LIBOR for such LIBOR Loans) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Lender, or any commitment of such Lender (including, without limitation, the Commitment of such Lender hereunder); or (iii) imposes on any Lender or the London interbank market any other condition, cost or expense (other than Taxes) affecting this Agreement or the Loans made by such Lender.

(c) Lender's Suspension of LIBOR Loans. Without limiting the effect of the provisions of the immediately preceding subsections (a) and (b), if, by reason of any Regulatory Change, any Lender either (i) incurs or would incur Additional Costs based on or measured by the excess above a specified level of the amount of a category of deposits or other liabilities of such Lender that includes deposits by reference to which the interest rate on LIBOR Loans is determined as provided in this Agreement or a category of extensions of credit or other assets of such Lender that includes LIBOR Loans or (ii) becomes subject to restrictions on the amount of such a category of liabilities or assets that it may hold, then, if such Lender so elects by notice to the Borrower (with a copy to the Administrative Agent), the obligation of such Lender to make or Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 4.5. shall apply).

(d) Notification and Determination of Additional Costs. Each of the Administrative Agent and each Lender agrees to notify the Borrower of any event occurring after the Agreement Date entitling the Administrative Agent or such Lender to compensation under any of the preceding subsections of this Section as promptly as practicable; provided, however, the failure of the Administrative Agent or any Lender to give such notice shall not release the Borrower from any of its obligations hereunder (and in the case of a Lender, to the Administrative Agent); provided, further, that neither the Administrative Agent nor a Lender, as the case may be, shall be entitled to submit a claim for compensation under any of the preceding subsections of this Section unless such Person shall have determined that the making of such claim is consistent with its general practices under similar circumstances in respect of similarly situated borrowers that are equity REITs with credit agreements entitling it to make such claims (it being agreed that neither the Administrative Agent nor a Lender shall be required to disclose any confidential or proprietary information in connection with such determination or the making of such claim). The Administrative Agent or such Lender agrees to furnish to the Borrower (and in the case of a Lender, to the Administrative Agent) a certificate executed by a Person that has authority to execute such certificate on behalf of the Administrative Agent or such Lender, as the case may be, setting forth the basis and amount of each request by the Administrative Agent or such Lender for compensation under any of the preceding subsections of this Section and stating that such claim is consistent with such Person's general practices under similar circumstances in respect of similarly situated borrowers that are equity REITs with credit agreements entitling it to make such claims. Absent manifest error, determinations by the Administrative Agent or any Lender of the effect of any Regulatory Change shall be conclusive, provided that such determinations are made on a reasonable basis and in good faith.

The Borrower shall pay the Administrative Agent or any Lender, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

Section 4.2. Suspension of LIBOR Loans.

(a) Anything herein to the contrary notwithstanding, and unless and until a Replacement Rate is implemented in accordance with Section 4.2.(b) below, if, on or prior to the determination of LIBOR for any Interest Period:

(i) the Administrative Agent reasonably determines (which determination shall be conclusive) that by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining Adjusted LIBOR for such Interest Period;

(ii) the Administrative Agent reasonably determines (which determination shall be conclusive) that Adjusted LIBOR will not adequately and fairly reflect the cost to the Lenders of making or maintaining LIBOR Loans for such Interest Period; or

(iii) the Administrative Agent reasonably determines (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definition of LIBOR are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for LIBOR Loans as provided herein;

then the Administrative Agent shall give the Borrower and each Lender prompt notice thereof and, so long as such condition remains in effect, the Lenders shall be under no obligation to, and shall not, make additional LIBOR Loans, Continue LIBOR Loans or Convert Loans into LIBOR Loans and the Borrower shall, on the last day of each current Interest Period for each outstanding LIBOR Loan, either repay such Loan or Convert such Loan into a Base Rate Loan.

(b) Notwithstanding anything to the contrary in Section 4.2.(a) above, if the Administrative Agent has made the determination (such determination to be conclusive absent manifest error) that (i) the circumstances described in Section 4.2.(a)(i) or (a)(ii) have arisen and that such circumstances are unlikely to be temporary, (ii) any applicable interest rate specified herein is no longer a widely recognized benchmark rate for newly originated loans in the U.S. syndicated loan market in the applicable currency or (iii) the applicable supervisor or administrator (if any) of any applicable interest rate specified herein or any Governmental Authority having, or purporting to have, jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which any applicable interest rate specified herein shall no longer be used for determining interest rates for loans in the U.S. syndicated loan market in the applicable currency, then the Administrative Agent may, to the extent practicable (in consultation with and with the consent of the Borrower and as determined by the Administrative Agent to be generally in accordance with similar situations in other transactions in which it is serving as administrative agent or otherwise consistent with market practice generally), establish a replacement interest rate (the "Replacement Rate"), in which case, the Replacement Rate shall, subject to the next two sentences, replace such applicable interest rate for all purposes under the Loan Documents unless and until an event described in Section 4.2.(a)(i), (a)(ii), (b)(i), (b)(ii) or (b)(iii) occurs with respect to the Replacement Rate, and in which case, the provisions of the last paragraph of Section 4.2(a) shall apply to any Loans accruing interest at the Replacement Rate in the same manner as would apply to LIBOR Loans affected by the same circumstances. In connection with the establishment and application of the Replacement Rate, this Agreement and the other Loan Documents shall be amended solely with the consent of the Administrative Agent and the Borrower, as may be necessary or appropriate, in the opinion of the Administrative Agent, to effect the provisions of this Section 4.2.(b).

Notwithstanding anything to the contrary in this Agreement or the other Loan Documents (including, without limitation, Section 12.6.), such amendment shall become effective without any further action or consent of any party other than the Administrative Agent and the Borrower so long as the Administrative Agent shall not have received, within ten (10) Business Days of the delivery of such amendment to the Lenders, written notices from such Lenders that in the aggregate constitute Requisite Lenders, with each such notice stating that such Lender objects to such amendment. To the extent the Replacement Rate is approved by the Administrative Agent in connection with this Section 4.2.(b), the Replacement Rate shall be applied in a manner consistent with market practice; provided that, in each case, to the extent such market practice is not administratively feasible for the Administrative Agent, such Replacement Rate shall be applied as otherwise reasonably determined by the Administrative Agent (it being understood that any such modification by the Administrative Agent shall not require the consent of, or consultation with, any of the Lenders).

Section 4.3. Illegality.

Notwithstanding any other provision of this Agreement, if any Lender shall reasonably determine (which determination shall be conclusive and binding) that it has become unlawful for such Lender to honor its obligation to make or maintain LIBOR Loans hereunder, then such Lender shall promptly notify the Borrower thereof (with a copy to the Administrative Agent) and such Lender's obligation to make or Continue, or to Convert Loans of any other Type into, LIBOR Loans shall be suspended until such time as such Lender may again make and maintain LIBOR Loans (in which case the provisions of Section 4.5. shall be applicable).

Section 4.4. Compensation.

The Borrower shall pay to the Administrative Agent for the account of each Lender, upon the request of such Lender through the Administrative Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Lender) to compensate it for any loss, cost or expense that such Lender reasonably determines is attributable to:

- (a) any payment or prepayment (whether mandatory or optional) of a LIBOR Loan, or Conversion of a LIBOR Loan, made by such Lender for any reason (including, without limitation, acceleration) on a date other than the last day of the Interest Period for such Loan; or
- (b) any failure by the Borrower for any reason (including, without limitation, the failure of any of the applicable conditions precedent specified in Article V. to be satisfied) to borrow a LIBOR Loan from such Lender on the requested date for such borrowing, or to Convert a Base Rate Loan into a LIBOR Loan or Continue a LIBOR Loan on the requested date of such Conversion or Continuation.

Upon the Borrower's request, any Lender requesting compensation under this Section shall provide the Borrower with a statement setting forth the basis for requesting such compensation and the method for determining the amount thereof. Absent manifest error, determinations by any Lender in any such statement shall be conclusive, provided that such determinations are made on a reasonable basis and in good faith.

Section 4.5. Treatment of Affected Loans.

If the obligation of any Lender to make LIBOR Loans or to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended pursuant to Section 4.1.(c) or 4.3., then such Lender's LIBOR Loans shall be automatically Converted into Base Rate Loans on the last day(s) of the then current Interest Period(s) for LIBOR Loans (or, in the case of a Conversion required by Section 4.1.(c) or 4.3., on such earlier date as

such Lender or the Administrative Agent, as applicable, may specify to the Borrower (with a copy to the Administrative Agent, as applicable) and, unless and until such Lender gives notice as provided below that the circumstances specified in Section 4.1. or 4.3. that gave rise to such Conversion no longer exist:

(a) to the extent that such Lender's LIBOR Loans have been so Converted, all payments and prepayments of principal that would otherwise be applied to such Lender's LIBOR Loans shall be applied instead to its Base Rate Loans; and

(b) all Loans that would otherwise be made or Continued by such Lender as LIBOR Loans shall be made or Continued instead as Base Rate Loans, and all Base Rate Loans of such Lender that would otherwise be Converted into LIBOR Loans shall remain as Base Rate Loans.

If such Lender or the Administrative Agent, as applicable, gives notice to the Borrower (with a copy to the Administrative Agent, as applicable) that the circumstances specified in Section 4.1. or 4.3. that gave rise to the Conversion of such Lender's LIBOR Loans pursuant to this Section no longer exist (which such Lender or the Administrative Agent, as applicable, agrees to do promptly upon such circumstances ceasing to exist) at a time when LIBOR Loans made by other Lenders are outstanding, then such Lender's Base Rate Loans shall be automatically Converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding LIBOR Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Lenders holding LIBOR Loans and by such Lender are held pro rata (as to principal amounts, Types and Interest Periods) in accordance with their respective Commitments.

Section 4.6. Affected Lenders.

If (a) a Lender requests compensation pursuant to Section 3.12. or 4.1., and the Requisite Lenders are not also doing the same, or (b) the obligation of any Lender to make LIBOR Loans or to Continue, or to Convert Base Rate Loans into, LIBOR Loans shall be suspended pursuant to Section 4.1.(c) or 4.3. but the obligation of the Requisite Lenders shall not have been suspended under such Sections, then, so long as there does not then exist any Default or Event of Default, the Borrower may demand that such Lender (the "Affected Lender"), and upon such demand the Affected Lender shall promptly, assign its Commitment and Loans to an Eligible Assignee subject to and in accordance with the provisions of Section 12.5.(b) for a purchase price equal to (x) the aggregate principal balance of all Loans then owing to the Affected Lender, plus (y) any accrued but unpaid interest thereon and accrued but unpaid fees owing to the Affected Lender, or any other amount as may be mutually agreed upon by such Affected Lender and Eligible Assignee. Each of the Administrative Agent and the Affected Lender shall reasonably cooperate in effectuating the replacement of such Affected Lender under this Section, but at no time shall the Administrative Agent, such Affected Lender, any other Lender or any Titled Agent be obligated in any way whatsoever to initiate any such replacement or to assist in finding an Eligible Assignee. The exercise by the Borrower of its rights under this Section shall be at the Borrower's sole cost and expense and at no cost or expense to the Administrative Agent, the Affected Lender or any of the other Lenders. The terms of this Section shall not in any way limit the Borrower's obligation to pay to any Affected Lender compensation owing to such Affected Lender pursuant to this Agreement (including, without limitation, pursuant to Sections 3.12., 4.1. or 4.4.) with respect to any period up to the date of replacement.

Section 4.7. Change of Lending Office.

Each Lender agrees that it will use reasonable efforts to designate an alternate Lending Office with respect to any of its Loans affected by the matters or circumstances described in Sections 3.12., 4.1. or 4.3. to reduce the liability of the Borrower or avoid the results provided thereunder, so long as such designation

is not disadvantageous to such Lender as determined by such Lender in its sole discretion, except that such Lender shall have no obligation to designate a Lending Office located in the United States of America.

Section 4.8. Assumptions Concerning Funding of LIBOR Loans.

Calculation of all amounts payable to a Lender under this Article IV. shall be made as though such Lender had actually funded LIBOR Loans through the purchase of deposits in the relevant market bearing interest at the rate applicable to such LIBOR Loans in an amount equal to the amount of the LIBOR Loans and having a maturity comparable to the relevant Interest Period; provided, however, that each Lender may fund each of its LIBOR Loans in any manner it sees fit and the foregoing assumption shall be used only for calculation of amounts payable under this Article IV.

ARTICLE V. CONDITIONS PRECEDENT

Section 5.1. Initial Conditions Precedent.

The obligation of the Lenders to make the initial Loans hereunder is subject to the following conditions precedent:

(a) The Administrative Agent shall have received each of the following, in form and substance satisfactory to the Administrative Agent:

(i) Counterparts of this Agreement executed by each of the parties hereto;

(ii) Term Notes executed by the Borrower, payable to each Lender that has requested that it receive a Note and complying with the applicable provisions of Section 2.8.;

(iii) the Guaranty executed by the Parent;

(iv) an opinion of the general counsel of the Parent and the other Loan Parties, addressed to the Administrative Agent and the Lenders, addressing the matters set forth in Exhibit F;

(v) an opinion of Alston & Bird, LLP, counsel to the Administrative Agent, addressed to the Administrative Agent and the Lenders, addressing the enforceability of the Loan Documents and such matters as the Administrative Agent shall reasonably request;

(vi) a certificate of incumbency signed by the secretary or assistant secretary of the Parent with respect to each of the officers of the Parent authorized to execute and deliver on behalf of the Parent and the Borrower the Loan Documents to which the Parent or the Borrower is a party and to execute and deliver (or make by telephone in the case of Notices of Conversion or Continuation), on behalf of the Borrower, Notices of Borrowing, Notices of Conversion and Notices of Continuation;

(vii) a certified copy (certified by the secretary or assistant secretary of the Parent) of all necessary action taken by the Parent to authorize the execution, delivery and performance of the Loan Documents to which either the Parent or the Borrower is a party;

(viii) the declaration of trust of the Parent and the certificate of limited partnership of the Borrower, in each case, certified by the Secretary of State of the State of formation of such Person

(a copy of which was provided in accordance with the Existing Credit Agreement), certified by the secretary or assistant secretary (or other individual performing similar functions) of the Parent and the Borrower as being true, correct and unmodified in all respects since the date so certified;

(ix) a Certificate of Good Standing or certificate of similar meaning with respect to the Parent and the Borrower issued as of a recent date by the Secretary of State of the State of formation of each such Person and certificates of qualification to transact business or other comparable certificates issued by each Secretary of State (and any state department of taxation, as applicable) of each state in which each such Person is required to be so qualified where failure to be so qualified could reasonably be expected to have a Material Adverse Effect;

(x) copies certified by the secretary or assistant secretary (or other individual performing similar functions) of the Parent and the Borrower of the by-laws of the Parent and the limited partnership agreement of the Borrower;

(xi) the Fees then due and payable under Section 3.6., and any other Fees payable to the Administrative Agent, the Titled Agents and the Lenders on or prior to the Effective Date;

(xii) a Compliance Certificate calculated as of September 30, 2015, giving pro forma effect to the financing contemplated by this Agreement and the use of the proceeds of the Loans to be funded on the Effective Date;

(xiii) a payoff letter from Keybank National Association, as administrative agent under the Existing Term Loan Agreement, providing for the repayment in full of all loans outstanding thereunder; and

(xiv) such other documents, agreements and instruments as the Administrative Agent on behalf of the Lenders may reasonably request; and

(b) In the good faith judgment of the Administrative Agent and the Lenders:

(i) There shall not have occurred or become known to the Administrative Agent or any of the Lenders any event, condition, situation or status since the date of the information contained in the financial and business projections, budgets, pro forma data and forecasts concerning the Borrower and its Subsidiaries delivered to the Administrative Agent and the Lenders prior to the Agreement Date that has had or could reasonably be expected to result in a Material Adverse Effect;

(ii) No litigation, action, suit, investigation or other arbitral, administrative or judicial proceeding shall be pending or threatened which could reasonably be expected to (1) result in a Material Adverse Effect or (2) restrain or enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party;

(iii) The Borrower and its Subsidiaries shall have received all approvals, consents and waivers, and shall have made or given all necessary filings and notices as shall be required to consummate the transactions contemplated hereby without the occurrence of any default under, conflict with or violation of (1) any Applicable Law or (2) any agreement, document or instrument to which the Borrower or any other Loan Party is a party or by which any of them or their respective properties is bound, except for such approvals, consents, waivers, filings and notices the receipt,

making or giving of which would not reasonably be likely to (A) have a Material Adverse Effect, or (B) restrain or enjoin, impose materially burdensome conditions on, or otherwise materially and adversely affect the ability of the Borrower or any other Loan Party to fulfill its obligations under the Loan Documents to which it is a party; and

(iv) There shall not have occurred or exist any other material disruption of financial or capital markets that could reasonably be expected to materially and adversely affect the transactions contemplated by the Loan Documents.

Section 5.2. Conditions Precedent to All Loans.

The obligation of the Lenders to make any Loans is all subject to the further condition precedent that: (a) no Default or Event of Default shall exist as of the date of the making of such Loan or would exist immediately after giving effect thereto; (b) the representations and warranties made or deemed made by the Borrower and each other Loan Party in the Loan Documents to which any of them is a party shall be true and correct in all material respects (except to the extent otherwise qualified by materiality, in which case such representation or warranty shall be true and correct in all respects) on and as of the date of the making of such Loan with the same force and effect as if made on and as of such date except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and correct in all material respects (except to the extent otherwise qualified by materiality, in which case such representation or warranty shall have been true and correct in all respects) on and as of such earlier date) and except for changes in factual circumstances not prohibited under the Loan Documents, and (c) the Administrative Agent shall have received a timely Notice of Borrowing. Each Credit Event shall constitute a certification by the Borrower to the effect set forth in the preceding sentence (both as of the date of the giving of notice relating to such Credit Event and, unless the Borrower otherwise notifies the Administrative Agent prior to the date of such Credit Event, as of the date of the occurrence of such Credit Event). In addition, if such Credit Event is the making of a Loan, the Borrower shall be deemed to have represented to the Administrative Agent and the Lenders at the time such Loan is made that all conditions to the occurrence of such Credit Event contained in Article V. have been satisfied.

Section 5.3. Conditions as Covenants.

If the Lenders make any Loans prior to the satisfaction of all conditions precedent set forth in Sections 5.1. and 5.2., the Borrower shall nevertheless cause such condition or conditions to be satisfied within 5 Business Days after the date of the making of such Loans. Unless set forth in writing to the contrary, the making of its initial Loan by a Lender shall constitute a certification by such Lender to the Administrative Agent and the other Lenders that the Borrower has satisfied the conditions precedent for initial Loans set forth in Sections 5.1. and 5.2.

ARTICLE VI. REPRESENTATIONS AND WARRANTIES

Section 6.1. Representations and Warranties.

In order to induce the Administrative Agent and each Lender to enter into this Agreement and to make Loans, the Parent and the Borrower represent and warrant to the Administrative Agent and each Lender as follows:

(a) Organization; Power; Qualification. Each of the Parent, its Subsidiaries, the Borrower and the other Loan Parties is a corporation, partnership or other legal entity, duly organized or formed, validly

existing and in good standing under the jurisdiction of its incorporation or formation, has the power and authority to own or lease its respective properties and to carry on its respective business as now being and hereafter proposed to be conducted and is duly qualified and is in good standing as a foreign corporation, partnership or other legal entity, and authorized to do business, in each jurisdiction in which the character of its properties or the nature of its business requires such qualification or authorization and where the failure to be so qualified or authorized could reasonably be expected to have, in each instance, a Material Adverse Effect.

(b) Ownership Structure. As of the Third Amendment Date, Part I of Schedule 6.1.(b) is a complete and correct list of all Subsidiaries of the Parent setting forth for each such Subsidiary, (i) the jurisdiction of organization of such Subsidiary, (ii) each Person holding any Equity Interests in such Subsidiary, (iii) the nature of the Equity Interests held by each such Person, (iv) the percentage of ownership of such Subsidiary represented by such Equity Interests and (v) whether such Subsidiary is a Material Subsidiary. Except as disclosed in such Schedule, as of the Third Amendment Date (i) each of the Parent and its Subsidiaries owns, free and clear of all Liens (other than Permitted Liens of the types described in clauses (a), (e) and (f) of the definition of the term "Permitted Liens"), and has the unencumbered right to vote, all outstanding Equity Interests in each Person shown to be held by it on such Schedule, (ii) all of the issued and outstanding capital stock of each such Person organized as a corporation is validly issued, fully paid and nonassessable and (iii) except with respect to certain outstanding stock options granted to certain trustees of the Parent and employees of the Borrower and the right of affiliates of the John Akridge Company to receive limited partnership units in the Borrower instead of cash pursuant to the terms of that certain Limited Liability Company Agreement of Stevens Investors, LLC dated August 11, 2015, there are no outstanding subscriptions, options, warrants, commitments, preemptive rights or agreements of any kind (including, without limitation, any stockholders' or voting trust agreements) for the issuance, sale, registration or voting of, or outstanding securities convertible into, any additional shares of capital stock of any class, or partnership or other ownership interests of any type in, any such Person. As of the Third Amendment Date, Part II of Schedule 6.1.(b) correctly sets forth all Unconsolidated Affiliates of the Parent, including the correct legal name of such Person, the type of legal entity which each such Person is, and all Equity Interests in such Person held directly or indirectly by the Parent.

(c) Authorization of Agreement, Etc. The Borrower has the right and power, and has taken all necessary action to authorize it, to borrow and obtain other extensions of credit hereunder. The Parent, the Borrower and each other Loan Party has the right and power, and has taken all necessary action to authorize it, to execute, deliver and perform each of the Loan Documents to which it is a party in accordance with their respective terms and to consummate the transactions contemplated hereby and thereby. The Loan Documents to which the Borrower or any other Loan Party is a party have been duly executed and delivered by the duly authorized officers of such Person and each is a legal, valid and binding obligation of such Person enforceable against such Person in accordance with its respective terms except as the same may be limited by bankruptcy, insolvency, and other similar laws affecting the rights of creditors generally and the availability of equitable remedies for the enforcement of certain obligations (other than the payment of principal) contained herein or therein and as may be limited by equitable principles generally.

(d) Compliance of Loan Documents with Laws, Etc. The execution, delivery and performance of this Agreement, the Notes and the other Loan Documents to which the Borrower or any other Loan Party is a party in accordance with their respective terms and the borrowings and other extensions of credit hereunder do not and will not, by the passage of time, the giving of notice, or both: (i) require any Governmental Approval or, to the Parent's or Borrower's knowledge, violate any Applicable Law (including all Environmental Laws) relating to the Borrower or any other Loan Party; (ii) conflict with, result in a breach of or constitute a default under the organizational documents of the Borrower or any other Loan Party, or

any indenture, agreement or other instrument to which the Borrower or any other Loan Party is a party or by which it or any of its respective properties may be bound; or (iii) result in or require the creation or imposition of any Lien upon or with respect to any property now owned or hereafter acquired by the Borrower or any other Loan Party.

(e) Compliance with Law: Governmental Approvals. The Parent, the Borrower, each Subsidiary and each other Loan Party is in compliance with each Governmental Approval applicable to it and in compliance with all other Applicable Laws (including without limitation, Environmental Laws) relating to the Parent, the Borrower, a Subsidiary or such other Loan Party except for noncompliances which, and Governmental Approvals the failure to possess which, could not, individually or in the aggregate, reasonably be expected to cause a Default or Event of Default or have a Material Adverse Effect.

(f) Title to Properties: Liens. As of the Third Amendment Date, Part I of Schedule 6.1.(f) sets forth all of the real property owned or leased by the Parent, the Borrower, each other Loan Party and each other Subsidiary. Each such Person has good, marketable and legal title to, or a valid leasehold interest in, its respective assets. As of the Third Amendment Date, there are no Liens against any assets of the Parent, the Borrower, any Subsidiary or any other Loan Party except for Permitted Liens, including, without limitation, those Liens in existence as of the Third Amendment Date and set forth in Part II of Schedule 6.1.(f).

(g) Existing Indebtedness. Schedule 6.1.(g) is, as of the Third Amendment Date, a complete and correct listing of all Indebtedness of the Parent and its Subsidiaries, including without limitation, Guarantees of the Parent and its Subsidiaries, and indicating whether such Indebtedness is Secured Indebtedness or Unsecured Indebtedness. The Parent and its Subsidiaries have performed and are in compliance with all of the terms of such Indebtedness and all instruments and agreements relating thereto, and no default or event of default, or event or condition which with the giving of notice, the lapse of time, or both, would constitute such a default or event of default, exists with respect to any such Indebtedness.

(h) Beneficial Ownership Certification. The information included in any Beneficial Ownership Certification delivered in connection with this Agreement is true and correct in all respects.

(i) Litigation. Except as set forth on Schedule 6.1.(i), there are no actions, suits, investigations or proceedings pending (nor, to the knowledge of the Parent or the Borrower, are there any actions, suits or proceedings threatened, nor to the knowledge of the Parent or the Borrower is there any basis therefor) against or in any other way relating adversely to or affecting the Parent, the Borrower, any Subsidiary or any other Loan Party or any of its respective property in any court or before any arbitrator of any kind or before or by any other Governmental Authority which could reasonably be expected to have a Material Adverse Effect. There are no strikes, slow downs, work stoppages or walkouts or other labor disputes in progress or threatened relating to the Parent, the Borrower, any Subsidiary or any other Loan Party which could reasonably be expected to have a Material Adverse Effect.

(j) Taxes. All federal, state and other tax returns of the Parent, the Borrower, any Subsidiary or any other Loan Party required by Applicable Law to be filed have been duly filed, and all federal, state and other taxes, assessments and other governmental charges or levies upon the Parent, the Borrower, any Subsidiary and each other Loan Party and its respective properties, income, profits and assets which are due and payable have been paid, except any such nonpayment which is at the time permitted under Section 7.6. As of the Agreement Date, none of the United States income tax returns of the Parent, the Borrower, its Subsidiaries or any other Loan Party is under audit. All charges, accruals and reserves on the books of the

Parent, the Borrower and each of its Subsidiaries and each other Loan Party in respect of any taxes or other governmental charges are in accordance with GAAP.

(k) Financial Statements. The Parent and the Borrower have furnished to each Lender copies of (i) the audited consolidated balance sheet of the Parent and its consolidated Subsidiaries for the fiscal year ending December 31, 2017, and the related audited consolidated statements of operations, cash flows and shareholders' equity for the fiscal year ending on such dates, with the opinion thereon of PricewaterhouseCoopers LLP, and (ii) the unaudited consolidated balance sheet of the Parent and its consolidated Subsidiaries for the fiscal quarter ending June 30, 2018, and the related unaudited consolidated statements of operations, cash flows and shareholders' equity of the Parent and its consolidated Subsidiaries for such fiscal quarter. Such financial statements (including in each case related schedules and notes) are complete and correct and present fairly, in accordance with GAAP consistently applied throughout the periods involved, the consolidated financial position of the Parent and its consolidated Subsidiaries as at their respective dates and the results of operations and the cash flow for such periods (subject, as to interim statements, to changes resulting from normal year-end audit adjustments). Neither the Parent nor any of its Subsidiaries has on the Agreement Date any material contingent liabilities, liabilities, liabilities for taxes, unusual or long-term commitments or unrealized or forward anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said financial statements.

(l) No Material Adverse Change. Since December 31, 2017, there has been no material adverse change in the business, assets, liabilities, financial condition, results of operations, business or prospects of the Parent and its Subsidiaries taken as a whole. Each of the Parent, its Subsidiaries and the other Loan Parties is Solvent.

(m) ERISA.

(i) Each Benefit Arrangement is in compliance with the applicable provisions of ERISA, the Internal Revenue Code and other Applicable Laws in all material respects. Except with respect to Multiemployer Plans, each Qualified Plan (A) has received a favorable determination from the Internal Revenue Service applicable to such Qualified Plan's current remedial amendment cycle (as defined in Revenue Procedure 2007-44 or "2007-44" for short), (B) has timely filed for a favorable determination letter from the Internal Revenue Service during its staggered remedial amendment cycle (as defined in 2007-44) and such application is currently being processed by the Internal Revenue Service, or (C) is maintained under a prototype plan and may rely upon a favorable opinion letter issued by the Internal Revenue Service with respect to such prototype plan. To the best knowledge of the Borrower, nothing has occurred which would cause the loss of its reliance on each Qualified Plan's favorable determination letter or opinion letter.

(ii) With respect to any Benefit Arrangement that is a retiree welfare benefit arrangement, all amounts have been accrued on the applicable ERISA Group's financial statements in accordance with FASB ASC 715. The "benefit obligation" of all Plans does not exceed the "fair market value of plan assets" for such Plans by more than \$10,000,000 all as determined by and with such terms defined in accordance with FASB ASC 715.

(iii) Except as could not reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect: (i) no ERISA Event has occurred or is expected to occur; (ii) there are no pending, or to the best knowledge of the Borrower, threatened, claims, actions or lawsuits or other action by any Governmental Authority, plan participant or beneficiary with respect to a Benefit Arrangement (other than routine claims for benefits); (iii) there are no violations of the fiduciary

responsibility rules with respect to any Benefit Arrangement; and (iv) no member of the ERISA Group has engaged in a non-exempt “prohibited transaction,” as defined in Section 406 of ERISA and Section 4975 of the Internal Revenue Code, in connection with any Plan, that would subject any member of the ERISA Group to a tax on prohibited transactions imposed by Section 502(i) of ERISA or Section 4975 of the Internal Revenue Code.

(n) Not Plan Assets; No Prohibited Transaction. None of the assets of the Parent, the Borrower, any Subsidiary or any other Loan Party constitute “plan assets” within the meaning of ERISA, the Internal Revenue Code and the respective regulations promulgated thereunder. The execution, delivery and performance of this Agreement and the other Loan Documents, and the borrowing and repayment of amounts hereunder, do not and will not constitute “prohibited transactions” under ERISA or the Internal Revenue Code.

(o) Absence of Defaults. Neither the Parent, the Borrower, any Subsidiary nor any other Loan Party is in default under its articles of incorporation, bylaws, partnership agreement or other similar organizational documents, and no event has occurred, which has not been remedied, cured or waived, which, in any such case: (i) constitutes a Default or an Event of Default; or (ii) constitutes, or which with the passage of time, the giving of notice, a determination of materiality, the satisfaction of any condition, or any combination of the foregoing, would constitute, a default or event of default by the Parent, the Borrower, any Subsidiary or any other Loan Party under any agreement (other than this Agreement) or judgment, decree or order to which the Parent, the Borrower or any Subsidiary or other Loan Party is a party or by which the Parent, the Borrower or any Subsidiary or other Loan Party or any of their respective properties may be bound where such default or event of default could, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(p) Environmental Laws. Each of the Parent, the Borrower, the Subsidiaries and the other Loan Parties has obtained all Governmental Approvals which are required under Environmental Laws and is in compliance with all terms and conditions of such Governmental Approvals which the failure to obtain or to comply with could reasonably be expected to have a Material Adverse Effect. Except for any of the following matters that could not be reasonably expected to have a Material Adverse Effect, (i) neither the Parent nor the Borrower is aware of, and has not received notice of, any past, present, or future events, conditions, circumstances, activities, practices, incidents, actions, or plans which, with respect to the Parent or the Borrower, the Subsidiaries and each other Loan Party, may interfere with or prevent compliance or continued compliance with Environmental Laws, or may give rise to any common-law or legal liability, or otherwise form the basis of any claim, action, demand, suit, proceeding, hearing, study, or investigation, based on or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport, or handling or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant, chemical, or industrial, toxic, or other Hazardous Material; and (ii) there is no civil, criminal, or administrative action, suit, demand, claim, hearing, notice, or demand letter, notice of violation, investigation, or proceeding pending or, to the Parent’s and the Borrower’s knowledge after due inquiry, threatened, against the Parent, the Borrower, the Subsidiaries and each other Loan Party relating in any way to Environmental Laws.

(q) Investment Company; Etc. Neither the Parent nor the Borrower nor any Subsidiary nor any other Loan Party is (i) an “investment company” or a company “controlled” by an “investment company” within the meaning of the Investment Company Act of 1940, as amended or (ii) subject to any other Applicable Law which purports to regulate or restrict its ability to borrow money or to consummate the transactions contemplated by this Agreement or to perform its obligations under any Loan Document to which it is a party.

(r) Margin Stock. Neither the Parent nor the Borrower nor any Subsidiary nor any other Loan Party is engaged principally, or as one of its important activities, in the business of extending credit for the purpose, whether immediate, incidental or ultimate, of buying or carrying “margin stock” within the meaning of Regulation U of the Board of Governors of the Federal Reserve System.

(s) Affiliate Transactions. Except as permitted by Section 9.9., neither the Parent nor the Borrower nor any Subsidiary nor any other Loan Party is a party to or bound by any agreement or arrangement (whether oral or written) to which any Affiliate of the Parent, the Borrower, any Subsidiary or any other Loan Party is a party.

(t) Intellectual Property. Each of the Parent, the Borrower, each other Loan Party and each other Subsidiary owns or has the right to use, under valid license agreements or otherwise, all material patents, licenses, franchises, trademarks, trademark rights, trade names, trade name rights, trade secrets and copyrights (collectively, “Intellectual Property”) necessary to the conduct of its businesses as now conducted and as contemplated by the Loan Documents, without known conflict with any patent, license, franchise, trademark, trade secret, trade name, copyright, or other proprietary right of any other Person. The Parent, the Borrower, each other Loan Party and each other Subsidiary have taken all such steps as they deem reasonably necessary to protect their respective rights under and with respect to such Intellectual Property. No material claim has been asserted by any Person with respect to the use of any Intellectual Property by the Parent, the Borrower, any other Loan Party or any other Subsidiary, or challenging or questioning the validity or effectiveness of any Intellectual Property. The use of such Intellectual Property by the Parent, the Borrower, the Subsidiaries and the other Loan Parties, does not infringe on the rights of any Person, subject to such claims and infringements as do not, in the aggregate, give rise to any liabilities on the part of the Parent, the Borrower, any other Loan Party or any other Subsidiary that could reasonably be expected to have a Material Adverse Effect.

(u) Business. As of the Agreement Date, the Parent and its Subsidiaries are engaged in the business of owning, managing, leasing, acquiring and developing real properties located in the United States of America, together with other business activities incidental thereto.

(v) Broker’s Fees. No broker’s or finder’s fee, commission or similar compensation will be payable with respect to the transactions contemplated hereby. No other similar fees or commissions will be payable by any Loan Party for any other services rendered to the Parent or any of its Subsidiaries ancillary to the transactions contemplated hereby.

(w) Accuracy and Completeness of Information. No written information, report or other papers or data (excluding financial projections and other forward looking statements) furnished to the Administrative Agent or any Lender by, on behalf of, or at the direction of, the Parent, the Borrower, any Subsidiary or any other Loan Party in connection with or relating in any way to this Agreement, contained any untrue statement of a fact material to the creditworthiness of the Parent, the Borrower, any Subsidiary or any other Loan Party or omitted to state a material fact necessary in order to make such statements contained therein, in light of the circumstances under which they were made, not misleading. All financial statements furnished to the Administrative Agent or any Lender by, on behalf of, or at the direction of, the Parent, the Borrower, any Subsidiary or any other Loan Party in connection with or relating in any way to this Agreement, present fairly, in accordance with GAAP consistently applied throughout the periods involved, the financial position of the Persons involved as at the date thereof and the results of operations for such periods. All financial projections and other forward looking statements prepared by or on behalf of the Parent, the Borrower, any Subsidiary or any other Loan Party that have been or may hereafter be made available to the Administrative Agent or any Lender were or will be prepared in good faith based on reasonable assumptions. As of the

Effective Date, no fact is known to the Parent or the Borrower which has had, or may in the future have (so far as the Parent or the Borrower can reasonably foresee), a Material Adverse Effect which has not been set forth in the financial statements referred to in Section 6.1.(k) or in such information, reports or other papers or data or otherwise disclosed in writing to the Administrative Agent and the Lenders.

(x) REIT Status. The Parent qualifies as a REIT and is in compliance with all requirements and conditions imposed under the Internal Revenue Code to allow the Parent to maintain its status as a REIT.

(y) Properties. As of the Third Amendment Date, Schedule 6.1.(y) is a correct and complete list of all Properties included in the calculation of Unencumbered Asset Value. Each of the assets included by the Borrower in calculations of Unencumbered Asset Value satisfies all of the requirements contained in the definitions of “Wholly Owned Property”, or “Controlled Property”, as applicable, and “Eligible Unencumbered Property”.

(z) Anti-Corruption Laws and Sanctions; Anti-Terrorism Laws. None of the Parent, the Borrower, any Subsidiary, any of their respective directors, or officers, or, to the knowledge of the Parent or the Borrower, any of the Parent’s, Borrower’s or any Subsidiary’s employees and agents (i) is an “enemy” or an “ally of the enemy” within the meaning of Section 2 of the Trading with the Enemy Act of the United States, 50 U.S.C. App. §§ 1 et seq., as amended (the “Trading with the Enemy Act”) or (ii) is in violation of (A) the Trading with the Enemy Act, (B) any of the foreign assets control regulations of the United States Treasury Department or any enabling legislation or executive order relating thereto, including without limitation, Executive Order No. 13224, effective as of September 24, 2001 relating to Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit or Support Terrorism (66 Fed. Reg. 49079 (2001) or (C) the Patriot Act (collectively, the “Anti-Terrorism Laws”). The Parent and the Borrower have implemented and maintain in effect policies and procedures designed to ensure compliance by the Parent, the Borrower, their respective Subsidiaries and the Parent’s, the Borrower’s and their respective Subsidiaries’ respective directors, officers, employees and agents (in their capacities as such) with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions, and the Parent, the Borrower, their respective Subsidiaries and the Parent’s, the Borrower’s and their respective Subsidiaries’ respective directors, officers, employees and agents are in compliance with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions in all material respects. None of the Parent, the Borrower or any Subsidiary is, or derives any of its assets or operating income from investments in or transactions with, a Sanctioned Person, and none of the respective directors, officers, or, to the knowledge of the Parent and the Borrower, employees or agents of the Parent, the Borrower or any of their respective Subsidiaries is a Sanctioned Person.

(aa) EEA Financial Institution. Neither Borrower nor Guarantor is an EEA Financial Institution.

Section 6.2. Survival of Representations and Warranties, Etc.

All statements contained in any certificate, financial statement or other instrument delivered by or on behalf of the Parent, the Borrower, any Subsidiary or any other Loan Party to the Administrative Agent or any Lender pursuant to or in connection with this Agreement or any of the other Loan Documents (including, but not limited to, any such statement made in or in connection with any amendment thereto or any statement contained in any certificate, financial statement or other instrument delivered by or on behalf of the Parent or the Borrower prior to the Agreement Date and delivered to the Administrative Agent or any Lender in connection with the underwriting or closing of the transactions contemplated hereby) shall constitute representations and warranties made by the Borrower and the Parent in favor of the Administrative Agent or any of the Lenders under this Agreement. All representations and warranties made under this Agreement and the other Loan Documents shall be deemed to be made at and as of the Agreement Date, the

Effective Date, the date on which the making of Additional Term Loans is effectuated pursuant to Section 2.9., and at and as of the date of the occurrence of any Credit Event, except to the extent that such representations and warranties expressly relate solely to an earlier date (in which case such representations and warranties shall have been true and accurate on and as of such earlier date) and except for changes in factual circumstances not prohibited hereunder. All such representations and warranties shall survive the effectiveness of this Agreement, the execution and delivery of the Loan Documents and the making of the Loans.

ARTICLE VII. AFFIRMATIVE COVENANTS

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 12.6., all of the Lenders) shall otherwise consent in the manner provided for in Section 12.6., the Parent and the Borrower shall comply with the following covenants:

Section 7.1. Preservation of Existence and Similar Matters.

Except as otherwise permitted under Section 9.5., the Parent and the Borrower shall, and shall cause each Subsidiary and each other Loan Party to, preserve and maintain its respective existence, rights, franchises, licenses and privileges in the jurisdiction of its incorporation or formation and qualify and remain qualified and authorized to do business in each jurisdiction in which the character of its properties or the nature of its business requires such qualification and authorization and where the failure to be so authorized and qualified could reasonably be expected to have a Material Adverse Effect.

Section 7.2. Compliance with Applicable Law and Material Contracts.

The Parent and the Borrower shall, and shall cause each Subsidiary and each other Loan Party to, comply with (a) all Applicable Laws, including the obtaining of all Governmental Approvals, the failure with which to comply could reasonably be expected to have a Material Adverse Effect, and (b) all terms and conditions of all Material Contracts to which it is a party. The Parent and the Borrower shall maintain in effect and enforce policies and procedures designed to ensure compliance by the Parent, the Borrower, their respective Subsidiaries and their and their respective Subsidiaries' respective directors, officers, employees and agents with Anti-Corruption Laws, Anti-Terrorism Laws and applicable Sanctions.

Section 7.3. Maintenance of Property.

In addition to the requirements of any of the other Loan Documents, the Parent and the Borrower shall, and shall cause each Subsidiary and other Loan Party to, (a) protect and preserve all of its material properties, including, but not limited to, all Intellectual Property, and maintain in good repair, working order and condition all tangible properties, ordinary wear and tear excepted, and (b) make or cause to be made all needed and appropriate repairs, renewals, replacements and additions to such properties, so that the business carried on in connection therewith may be properly and advantageously conducted at all times.

Section 7.4. Conduct of Business.

The Parent and the Borrower shall, and shall cause their Subsidiaries and the other Loan Parties to carry on, their respective businesses as described in Section 6.1.(u).

Section 7.5. Insurance.

In addition to the requirements of any of the other Loan Documents, the Parent and the Borrower shall, and shall cause each Subsidiary and other Loan Party to, maintain insurance (on a replacement cost basis) with financially sound and reputable insurance companies against such risks and in such amounts as is customarily maintained by Persons engaged in similar businesses or as may be required by Applicable Law, and from time to time deliver to the Administrative Agent upon its request a detailed list, together with copies of all policies of the insurance then in effect, stating the names of the insurance companies, the amounts and rates of the insurance, the dates of the expiration thereof and the properties and risks covered thereby.

Section 7.6. Payment of Taxes and Claims.

The Parent and the Borrower shall, and shall cause each Subsidiary and other Loan Party to, pay and discharge when due (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits or upon any properties belonging to it, and (b) all lawful claims of materialmen, mechanics, carriers, warehousemen and landlords for labor, materials, supplies and rentals which, if unpaid, might become a Lien on any properties of such Person; provided, however, that this Section shall not require the payment or discharge of any such tax, assessment, charge, levy or claim which is being contested in good faith by appropriate proceedings which operate to suspend the collection thereof and for which adequate reserves have been established on the books of the Parent, the Borrower, such Subsidiary or such other Loan Party, as applicable, in accordance with GAAP.

Section 7.7. Visits and Inspections.

The Parent and the Borrower shall, and shall cause each Subsidiary and other Loan Party to, permit representatives or agents of any Lender or the Administrative Agent, from time to time after reasonable prior notice if no Event of Default shall be in existence, as often as may be reasonably requested, but only during normal business hours and at the expense of such Lender or the Administrative Agent (unless a Default or Event of Default shall exist, in which case the exercise by the Administrative Agent or such Lender of its rights under this Section shall be at the expense of the Borrower), as the case may be, to: (a) visit and inspect all properties of the Parent, the Borrower or such Subsidiary or other Loan Party to the extent any such right to visit or inspect is within the control of such Person; (b) subject to certain confidentiality rights of third parties, inspect and make extracts from their respective books and records, including but not limited to management letters prepared by independent accountants; and (c) discuss with its officers and employees, and its independent accountants, its business, properties, condition (financial or otherwise), results of operations and performance. If requested by the Administrative Agent, the Parent shall execute an authorization letter addressed to its accountants authorizing the Administrative Agent or any Lender to discuss the financial affairs of the Parent and any Subsidiary or any other Loan Party with its accountants.

Section 7.8. Use of Proceeds.

The Borrower shall use the proceeds of the Loans (a) to repay the Existing Term Loan on the Effective Date and (b) thereafter, for acquisitions, development and other general corporate purposes only. No part of the proceeds of any Loan will be used (i) for the purpose of buying or carrying "margin stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or (ii) to extend credit to others for the purpose of purchasing or carrying any such margin stock. The Borrower shall not, and shall not permit any other Loan Party or Subsidiary to, use any proceeds of any Loan directly or, to the knowledge of the Borrower, indirectly in any manner which would violate Anti-Corruption Laws, Anti-Terrorism Laws or applicable Sanctions.

Section 7.9. Environmental Matters.

The Parent shall, and shall cause all of its Subsidiaries and the other Loan Parties to, comply with all Environmental Laws the failure with which to comply could reasonably be expected to have a Material Adverse Effect. If the Parent, the Borrower, any Subsidiary or any other Loan Party shall (a) receive notice that any violation of any Environmental Law may have been committed or is about to be committed by such Person, (b) receive notice that any administrative or judicial complaint or order has been filed or is about to be filed against the Parent, the Borrower, any Subsidiary or any other Loan Party alleging violations of any Environmental Law or requiring the Parent, the Borrower, any Subsidiary or any other Loan Party to take any action in connection with the release of Hazardous Materials or (c) receive any notice from a Governmental Authority or private party alleging that the Parent, the Borrower, any Subsidiary or any other Loan Party may be liable or responsible for costs associated with a response to or cleanup of a release of Hazardous Materials or any damages caused thereby, and such notices, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect, the Borrower shall provide the Administrative Agent with a copy of such notice promptly, and in any event within 10 Business Days, after the receipt thereof by the Parent, the Borrower, any Subsidiary or any other Loan Party. The Parent shall, and shall cause its Subsidiaries and the other Loan Parties to, take promptly all actions necessary to prevent the imposition of any Liens on any of their respective properties arising out of or related to any Environmental Laws.

Section 7.10. Books and Records.

The Parent shall, and shall cause each of its Subsidiaries and the other Loan Parties to, maintain books and records pertaining to its respective business operations in such detail, form and scope as is consistent with good business practice and in accordance with GAAP.

Section 7.11. Further Assurances.

The Parent and the Borrower shall, at the Borrower's cost and expense and upon request of the Administrative Agent, execute and deliver or cause to be executed and delivered, to the Administrative Agent such further instruments, documents and certificates, and do and cause to be done such further acts that may be reasonably necessary or advisable in the reasonable opinion of the Administrative Agent to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

Section 7.12. Guarantors.

(a) Requirements to Become a Guarantor. During any time that the Borrower does not have an Investment Grade Rating, the Borrower shall cause each Material Subsidiary that has guaranteed, or otherwise become liable for, the Unsecured Indebtedness of another Person to deliver to the Administrative Agent an Accession Agreement executed by such Material Subsidiary and each of the items set forth in the immediately following subsection (b). The Borrower shall cause delivery of the Accession Agreement and the items described in the immediately following subsection (b) within 10 Business Days of any such Material Subsidiary guaranteeing, or otherwise becoming liable for, the Unsecured Indebtedness of another Person during any time that the Borrower does not have an Investment Grade Rating.

(b) Required Deliverables. Each Accession Agreement delivered by a Material Subsidiary under the immediately preceding subsection (a) shall be accompanied by each of the following items:

- (i) the certificate or articles of incorporation, articles of organization, certificate of limited partnership, declaration of trust or other comparable organizational instrument (if any) of

such Material Subsidiary, certified as of a recent date by the Secretary of State of the State of formation of such Material Subsidiary;

(ii) a Certificate of Good Standing or certificate of similar meaning with respect to such Material Subsidiary (and in the case of a limited partnership, the general partner of such Material Subsidiary) issued as of a recent date by the Secretary of State of the State of formation of such Material Subsidiary and certificates of qualification to transact business or other comparable certificates issued by each Secretary of State (and any state department of taxation, as applicable) of each state in which such Material Subsidiary is required to be so qualified where failure to be so qualified could reasonably be expected to have a Material Adverse Effect;

(iii) a certificate of incumbency signed by the Secretary or Assistant Secretary (or other individual performing similar functions) of such Material Subsidiary with respect to each of the officers of such Person authorized to execute and deliver the Loan Documents to which such Material Subsidiary is a party;

(iv) copies certified by the Secretary or Assistant Secretary (or other individual performing similar functions) of such Material Subsidiary of the by-laws of such Person, if a corporation, the operating agreement, if a limited liability company, the partnership agreement, if a limited or general partnership, or other comparable document in the case of any other form of legal entity;

(v) copies certified by the Secretary or Assistant Secretary (or other individual performing similar functions) of such Material Subsidiary of all corporate, partnership, member or other necessary action taken by such Material Subsidiary to authorize the execution, delivery and performance of the Loan Documents to which it is a party; and

(vi) the items that would have been delivered under Sections 5.1.(a)(iv), (v) and (xiv) as if such Material Subsidiary had been a Guarantor on the Effective Date.

(c) **Release of a Guarantor.** With respect to any Material Subsidiary that becomes a Guarantor pursuant to subsection (a) above, the Borrower may request in writing that the Administrative Agent release, and upon receipt of such request the Administrative Agent shall release, such Subsidiary from the Guaranty pursuant to a Guarantor Release Letter so long as: (i) either (A)(1) such Guarantor has ceased to be, or simultaneously with its release from the Guaranty will cease to be a Material Subsidiary; and (2) no Default or Event of Default exists or would occur as a result of such release; or (B) the Borrower has an Investment Grade Rating; and (ii) the Administrative Agent shall have received such written request at least 10 Business Days (or such shorter period as may be acceptable to the Administrative Agent) prior to the requested date of release. Delivery by the Borrower to the Administrative Agent of any such request shall constitute a representation by the Borrower that the matters set forth in the preceding sentence (both as of the date of the giving of such request and as of the date of the effectiveness of such request) are true and correct with respect to such request.

Section 7.13. REIT Status.

The Parent shall at all times maintain its status as a REIT.

Section 7.14. Exchange Listing.

The Parent shall maintain at least one class of common shares of the Parent having trading privileges on the New York Stock Exchange or NYSE MKT LLC or which is subject to price quotations on The NASDAQ Stock Market's National Market System.

ARTICLE VIII. INFORMATION

For so long as this Agreement is in effect, the Parent and the Borrower, as applicable, shall furnish to the Administrative Agent for distribution to each of the Lenders:

Section 8.1. Quarterly Financial Statements.

As soon as available and in any event within 10 days after the same is required to be filed with the Securities and Exchange Commission (but in no event later than 45 days after the end of each of the first, second and third fiscal quarters of the Parent), the unaudited consolidated balance sheet of the Parent and its Subsidiaries as at the end of such period and the related unaudited consolidated statements of income, shareholders' equity and cash flows of the Parent and its Subsidiaries for such period, setting forth in each case in comparative form the figures as of the end of and for the corresponding periods of the previous fiscal year, all of which shall be certified by the chief financial officer or the treasurer of the Parent, in his or her opinion, to present fairly, in accordance with GAAP and in all material respects, the consolidated financial position of the Parent and its Subsidiaries as at the date thereof and the results of operations for such period (subject to normal year-end audit adjustments).

Section 8.2. Year-End Statements.

As soon as available and in any event within 10 days after the same is required to be filed with the Securities and Exchange Commission (but in no event later than 90 days after the end of each fiscal year of the Parent), the audited consolidated balance sheet of the Parent and its Subsidiaries as at the end of such fiscal year and the related audited consolidated statements of income, shareholders' equity and cash flows of the Parent and its Subsidiaries for such fiscal year, setting forth in comparative form the figures as at the end of and for the previous fiscal year, all of which shall be certified by (a) the chief financial officer or treasurer of the Parent, in his or her opinion, to present fairly, in accordance with GAAP, the consolidated financial position of the Parent and its Subsidiaries as at the date thereof and the results of operations for such period and (b) independent certified public accountants of recognized national standing, whose certificate shall be unqualified.

Section 8.3. Compliance Certificate.

At the time financial statements are furnished pursuant to Sections 8.1. and 8.2., and within 5 Business Days of the Administrative Agent's request with respect to any other fiscal period, a certificate substantially in the form of Exhibit G (a "Compliance Certificate") executed by the chief financial officer or treasurer of the Parent: (a) setting forth in reasonable detail as at the end of such quarterly accounting period, fiscal year, or other fiscal period, as the case may be, the calculations required to establish whether or not the Parent and the Borrower were in compliance with the covenants contained in Sections 9.1. and (b) stating that, to the best of such Person's knowledge, information and belief after due inquiry, no Default or Event of Default exists, or, if such is not the case, specifying such Default or Event of Default and its nature, when it occurred, whether it is continuing and the steps being taken by the Borrower with respect to such event, condition or failure. Together with each Compliance Certificate delivered in connection with quarterly or annual financial statements, the Borrower and the Parent shall deliver (a) a report, in form and detail reasonably satisfactory to the Administrative Agent, setting forth a Statement of Funds From Operations for the fiscal period then

ending and (b) a complete and correct listing of all Indebtedness of the Parent and its Subsidiaries, including without limitation, Guarantees of the Parent and its Subsidiaries, and indicating whether such Indebtedness is Secured Indebtedness or Unsecured Indebtedness.

Section 8.4. Other Information.

(a) Management Reports. Promptly upon receipt thereof, copies of all management reports, if any, submitted to the Parent or its respective Boards of Trustees by its independent public accountants;

(b) Securities Filings. Within 5 Business Days of the filing thereof, copies of all registration statements (excluding the exhibits thereto (unless requested by the Administrative Agent) and any registration statements on Form S-8 or its equivalent), reports on Forms 10-K, 10-Q and 8-K with respect to matters or events that have a Material Adverse Effect on the Parent, Borrower or Loan Party (or their equivalents) and all other periodic or current reports which the Parent, the Borrower, any of their respective Subsidiaries or any other Loan Party shall file with the Securities and Exchange Commission (or any Governmental Authority substituted therefor) or any national securities exchange;

(c) Shareholder Information. Promptly upon the mailing thereof to the shareholders of the Parent generally, copies of all financial statements, reports and proxy statements so mailed and promptly upon the issuance thereof copies of all press releases issued by the Parent, the Borrower, any Subsidiary or any other Loan Party;

(d) ERISA. If any ERISA Event shall occur that individually, or together with any other ERISA Event that has occurred, could reasonably be expected to have a Material Adverse Effect, a certificate of the chief executive officer or chief financial officer, treasurer or controller of the Borrower or the Parent, as applicable, setting forth details as to such occurrence and the action, if any, which the Parent, the Borrower or applicable member of the ERISA Group is required or proposes to take;

(e) Litigation. To the extent the Parent, the Borrower or any Subsidiary is aware of the same, prompt notice of the commencement of any proceeding or investigation by or before any Governmental Authority and any action or proceeding in any court or other tribunal or before any arbitrator against or in any other way relating adversely to, or adversely affecting, the Parent, the Borrower or any Subsidiary or any of their respective properties, assets or businesses which could reasonably be expected to have a Material Adverse Effect, and prompt notice of the receipt of notice that any United States income tax returns of the Parent, the Borrower or any Subsidiary are being audited;

(f) [Intentionally Omitted];

(g) Change of Management or Financial Condition. Prompt notice of any change in the named executive officers of the Parent, the Borrower, any Subsidiary or any other Loan Party and any change in the business, assets, liabilities, financial condition, results of operations or business prospects of the Parent, the Borrower, any Subsidiary or any other Loan Party which has had or could reasonably be expected to have a Material Adverse Effect;

(h) Default. Notice of the occurrence of any of the following promptly upon a Responsible Officer of the Parent or the Borrower obtaining knowledge thereof: (i) any Default or Event of Default or (ii) any event which constitutes or which with the passage of time, the giving of notice, or otherwise, would constitute a default or event of default by the Parent, the Borrower, any Subsidiary or any other Loan Party

under any Material Contract to which any such Person is a party or by which any such Person or any of its respective properties may be bound;

(i) Notice of Violations of Law. Prompt notice if the Parent, the Borrower, any Subsidiary or any other Loan Party shall receive any notification from any Governmental Authority alleging a violation of any Applicable Law or any inquiry which, in either case, could reasonably be expected to have a Material Adverse Effect;

(j) Material Subsidiary. Prompt notice of any Person becoming a Material Subsidiary;

(k) Material Asset Sales. Prompt notice of the sale, transfer or other disposition of, in one or a series of related transactions, assets constituting 10% or more of the Total Asset Value to any Person other than the Parent, the Borrower, any Subsidiary or any other Loan Party;

(l) [Intentionally Omitted];

(m) Patriot Act Information, Etc. From time to time and promptly upon each request, (i) information identifying the Borrower as a Lender may request in order to comply with the Patriot Act and (ii) any information that the Administrative Agent reasonably deems necessary from time to time in order to ensure compliance with all Applicable Laws concerning money laundering and similar activities; and

(n) Other Information. From time to time and promptly upon each request, such data, certificates, reports, statements, opinions of counsel, documents or further information regarding the business, assets, liabilities, financial condition, results of operations or business prospects of the Parent, the Borrower or any of their respective Subsidiaries as the Administrative Agent or any Lender may reasonably request.

Notwithstanding anything to the contrary herein, documents and notices required to be delivered by the Loan Parties pursuant to subsections (b) and (c) of this Section shall be deemed delivered by, and delivery effective at the time of, the public filing of the same in electronic format with the Securities and Exchange Commission.

ARTICLE IX. NEGATIVE COVENANTS

For so long as this Agreement is in effect, unless the Requisite Lenders (or, if required pursuant to Section 12.6., all of the Lenders) shall otherwise consent in the manner set forth in Section 12.6., the Borrower and the Parent shall comply with the following covenants:

Section 9.1. Financial Covenants.

Neither the Parent nor the Borrower shall permit:

(a) Maximum Leverage Ratio. The ratio of (i) Total Indebtedness to (ii) Total Asset Value, to exceed 0.60 to 1.00 for the fiscal quarter of the Parent most recently ending (the “Maximum Leverage Ratio”), provided, however, that if such ratio is greater than 0.60 to 1.00 but is not greater than 0.65 to 1.00, then the Borrower shall be deemed to be in compliance with this subsection (a) so long as (i) the Borrower completed a Material Acquisition which resulted in such ratio (after giving effect to such Material Acquisition) exceeding 0.60 to 1.00 during the fiscal quarter in which such Material Acquisition took place and for the immediately subsequent fiscal quarter, (ii) the Borrower has not maintained compliance with this subsection (a) in reliance

on this proviso for more than two (2) non-consecutive fiscal quarters, and (iii) such ratio (after giving effect to such Material Acquisition) is not greater than 0.65 to 1.00.

For purposes of calculating this ratio, (A) Total Indebtedness shall be adjusted by deducting therefrom an amount equal to the lesser of (x) Total Indebtedness that by its terms is scheduled to mature on or before the date that is 24 months from the date of such calculation and (y) unrestricted cash and Cash Equivalents, and (B) Total Asset Value shall be adjusted by deducting therefrom the amount by which Total Indebtedness is adjusted under the immediately preceding clause (A).

(b) Minimum Fixed Charge Coverage Ratio. The ratio of (i) Adjusted EBITDA of the Parent and its Subsidiaries determined on a consolidated basis for the fiscal quarter of the Parent most recently ending to (ii) Fixed Charges for such period, to be less than 1.50 to 1.00.

(c) Maximum Secured Indebtedness Ratio. The ratio of (i) Secured Indebtedness of the Parent and its Subsidiaries determined on a consolidated basis to (ii) Total Asset Value, to exceed 0.40 to 1.00 for the fiscal quarter of the Parent most recently ending.

(d) Unencumbered Leverage Ratio. The ratio of (i) Unsecured Indebtedness of the Parent and its Subsidiaries to (ii) Unencumbered Asset Value, to be greater than 0.60 to 1.00 for the fiscal quarter of the Parent most recently ending, provided, however, that if such ratio is greater than 0.60 to 1.00 but is not greater than 0.65 to 1.00, then the Borrower shall be deemed to be in compliance with this subsection (d) so long as (i) the Borrower completed a Material Acquisition which resulted in such ratio (after giving effect to such Material Acquisition) exceeding 0.60 to 1.00 during the fiscal quarter in which such Material Acquisition took place and for the immediately subsequent fiscal quarter, (ii) the Borrower has not maintained compliance with this subsection (d) in reliance on this proviso for more than two (2) non-consecutive fiscal quarters, and (iii) such ratio (after giving effect to such Material Acquisition) is not greater than 0.65 to 1.00 for such fiscal quarter, provided, further, that the Borrower shall not be in breach of this clause (d) if, on or prior to the date the Borrower delivers the applicable Compliance Certificate as required under Section 8.3., the Borrower makes a principal prepayment of Unsecured Indebtedness in an amount sufficient to cause the Borrower to be in compliance with this clause (d) after giving effect to such prepayment.

For purposes of calculating this ratio, (A) Unsecured Indebtedness shall be adjusted by deducting therefrom an amount equal to the lesser of (x) Unsecured Indebtedness that by its terms is scheduled to mature on or before the date that is 24 months from the date of calculation and (y) unrestricted cash and Cash Equivalents and (B) Unencumbered Asset Value shall be adjusted by deducting therefrom the amount by which Unsecured Indebtedness is adjusted under clause (A) unless the lesser amount is unrestricted cash and Cash Equivalents, in which event no deduction will be made to the Unencumbered Asset Value..

(e) Minimum Unencumbered Interest Coverage Ratio. The ratio of (i) Unencumbered Adjusted NOI for the fiscal quarter of the Parent most recently ending to (ii) Unsecured Interest Expense for such period, to be less than 1.75 to 1.00 for such fiscal quarter.

Section 9.2. Restricted Payments.

If a Default or Event of Default exists, the Parent shall not, and shall not permit any of its Subsidiaries to, declare or make any Restricted Payment except (a) to the Parent or any Subsidiary and (b) the Borrower may pay cash dividends to the Parent and other holders of partnership interests in the Borrower on a pro rata basis with respect to any fiscal year ending during the term of this Agreement to the extent necessary for the

Parent to distribute, and the Parent may so distribute, cash dividends to its shareholders in an aggregate amount not to exceed the minimum amount necessary for the Parent to remain in compliance with Section 7.13. If a Default or Event of Default specified in Section 10.1.(a), Section 10.1.(b), Section 10.1.(f) or Section 10.1.(g) shall exist, or if as a result of the occurrence of any other Event of Default any of the Obligations have been accelerated pursuant to Section 10.2.(a), the Parent shall not, and shall not permit any Subsidiary to, make any Restricted Payments to any Person other than to the Parent or any Subsidiary.

Section 9.3. Indebtedness.

The Parent and the Borrower shall not, and shall not permit any Subsidiary or any other Loan Party to, incur, assume, or otherwise become obligated in respect of any Indebtedness after the Agreement Date if immediately prior to the assumption, incurring or becoming obligated in respect thereof, or immediately thereafter and after giving effect thereto, a Default or Event of Default is or would be in existence, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 9.1.

Section 9.4. Liens; Negative Pledges; Other Matters.

(a) The Parent and the Borrower shall not, and shall not permit any Subsidiary or other Loan Party to, create, assume, or incur any Lien (other than Permitted Liens) upon any of its properties, assets, income or profits of any character whether now owned or hereafter acquired if immediately prior to the creation, assumption or incurring of such Lien, or immediately thereafter, a Default or Event of Default is or would be in existence, including without limitation, a Default or Event of Default resulting from a violation of any of the covenants contained in Section 9.1. Notwithstanding anything to the contrary in this Section, if the Parent, the Borrower or any other Subsidiary grants a Lien in any of its respective properties, assets, income or profits to secure the Existing Credit Agreement liabilities and/or the liabilities and obligations under any other agreement evidencing Unsecured Indebtedness that the Parent, the Borrower, any other Loan Party or any Subsidiary may create, incur, assume or permit to suffer to exist under Section 9.3., then the Borrower or the applicable Subsidiary will make or cause to be made a provision whereby the Obligations will be secured equally and ratably with all other obligations secured by such Lien, and in any case the Administrative Agent and the Lenders shall have the benefit, to the full extent that and with such priority as, the Administrative Agent and the Lenders may be entitled under Applicable Law, of an equitable Lien on such properties, assets, income or profits securing the Obligations.

(b) The Parent and the Borrower shall not, and shall not permit any Subsidiary or other Loan Party to, create or otherwise cause or suffer to exist or become effective any consensual encumbrance or restriction of any kind on the ability of any Subsidiary (other than an Excluded Subsidiary) to: (i) pay dividends or make any other distribution on any of such Subsidiary's capital stock or other equity interests owned by the Parent or any Subsidiary; (ii) pay any Indebtedness owed to the Parent or any Subsidiary; (iii) make loans or advances to the Parent or any Subsidiary; or (iv) transfer any of its property or assets to the Parent or any Subsidiary; other than (i) with respect to clauses (i) through (iv), those encumbrances or restrictions (A) contained in any Loan Document, (B) contained in any other agreement that evidences Unsecured Indebtedness containing encumbrances or restrictions on the actions described above that are substantially similar to those contained in the Loan Documents, or, (ii) with respect to clause (iv), customary provisions restricting assignment of any agreement entered into by the Borrower, any other Loan Party or any Subsidiary in the ordinary course of business.

Section 9.5. Merger, Consolidation, Sales of Assets and Other Arrangements.

The Parent and the Borrower shall not, and shall not permit any Material Subsidiary or other Loan Party to: (i) enter into any transaction of merger or consolidation; (ii) liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution); or (iii) convey, sell, lease, sublease, transfer or otherwise dispose of, in one transaction or a series of transactions, all or any substantial part of its business or assets, whether now owned or hereafter acquired; provided, however, that:

(a) any of the actions described in the immediately preceding clauses (i) through (iii) may be taken with respect to any Subsidiary or any other Loan Party (other than the Parent or the Borrower) so long as immediately prior to the taking of such action, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence; notwithstanding the foregoing, any such Loan Party (other than the Borrower) may enter into a transaction of merger pursuant to which such Loan Party is not the survivor of such merger only if (i) the Borrower shall have given the Administrative Agent and the Lenders at least 30 Business Days' prior written notice of such merger, such notice to include a certification to the effect that immediately after and after giving effect to such action, no Default or Event of Default is or would be in existence; (ii) within 5 Business Days of consummation of such merger, the survivor entity (if not already a Guarantor) shall have executed and delivered an assumption agreement in form and substance satisfactory to the Administrative Agent pursuant to which such survivor entity shall expressly assume all of the such Loan Party's Obligations under the Loan Documents to which it is a party; (iii) within 30 days of consummation of such merger, the survivor entity delivers to the Administrative Agent the following: (A) items of the types referred to in Section 7.12.(b) with respect to the survivor entity as in effect after consummation of such merger (if not previously delivered to the Administrative Agent and still in effect), (B) copies of all documents entered into by such Loan Party or the survivor entity to effectuate the consummation of such merger, including, but not limited to, articles of merger and the plan of merger, (C) copies, certified by the Secretary or Assistant Secretary (or other individual performing similar functions) of such Loan Party or the survivor entity, of all corporate and shareholder action authorizing such merger and (D) copies of any filings with the Securities and Exchange Commission in connection with such merger; and (iv) such Loan Party and the survivor entity each takes such other action and delivers such other documents, instruments, opinions and agreements as the Administrative Agent may reasonably request;

(b) the Parent, the Borrower, the Subsidiaries and the other Loan Parties may lease and sublease their respective assets, as lessor or sublessor (as the case may be), in the ordinary course of their business;

(c) a Person may merge with and into the Borrower or the Parent so long as (i) the Borrower or the Parent, as the case may be, is the survivor of such merger, (ii) immediately prior to such merger, and immediately thereafter and after giving effect thereto, no Default or Event of Default is or would be in existence, (iii) the Borrower shall have given the Administrative Agent and the Lenders at least 30 Business Days' prior written notice of such merger, such notice to include a certification as to the matters described in the immediately preceding clause (ii) (except that in the case of the merger of a Subsidiary with and into the Borrower or the Parent such notice may be given no later 5 Business Days following the consummation of such merger); and

(d) the Parent, the Borrower and each Subsidiary may sell, transfer or dispose of assets among themselves.

Section 9.6. Fiscal Year.

Neither the Parent nor the Borrower shall change its fiscal year from that in effect as of the Agreement Date.

Section 9.7. [Intentionally Omitted].

Section 9.8. Modifications of Organizational Documents.

The Parent and the Borrower shall not, and shall not permit any Loan Party or other Subsidiary to, amend, supplement, restate or otherwise modify its articles or certificate of incorporation, by-laws, operating agreement, declaration of trust, partnership agreement or other applicable organizational document if such amendment, supplement, restatement or other modification could reasonably be expected to have a Material Adverse Effect.

Section 9.9. Transactions with Affiliates.

The Parent and the Borrower shall not, and shall not permit any Subsidiary or any other Loan Party to, permit to exist or enter into, any transaction (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate, except transactions in the ordinary course of and pursuant to the reasonable requirements of the business of the Parent or any of its Subsidiaries and upon fair and reasonable terms which are no less favorable to the Parent or such Subsidiary than would be obtained in a comparable arm's length transaction with a Person that is not an Affiliate.

Section 9.10. ERISA Exemptions.

Neither the Parent nor the Borrower shall, or shall permit any Subsidiary to, permit any of its respective assets to become or be deemed to be "plan assets" within the meaning of ERISA, the Internal Revenue Code and the respective regulations promulgated thereunder. Neither the Parent nor the Borrower shall cause or permit to occur, or permit any other member of the ERISA Group to cause or permit to occur, any ERISA Event if such ERISA Event could reasonably be expected to have a Material Adverse Effect.

Section 9.11. Foreign Assets Control.

The Borrower and each Guarantor shall not be at any time a Person with whom the Administrative Agent and the Lenders are restricted from doing business under the regulations of OFAC (including, Sanctioned Persons) or under any statute, executive order (including, the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism), or other governmental action and shall not engage in any dealings or transactions or otherwise be associated with such Persons.

ARTICLE X. DEFAULT

Section 10.1. Events of Default.

Each of the following shall constitute, after expiration of any applicable notice or cure period, an Event of Default, whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of Applicable Law or pursuant to any judgment or order of any Governmental Authority:

(a) Default in Payment of Principal. The Borrower shall fail to pay when due (whether upon demand, at maturity, by reason of acceleration or otherwise) the principal of any of the Loans, or any Reimbursement Obligation.

(b) Default in Payment of Interest and Other Obligations. The Borrower shall fail to pay when due any interest on any of the Loans or any of the other payment Obligations owing by the Borrower under

this Agreement or any other Loan Document, or any other Loan Party shall fail to pay when due any payment Obligation owing by such other Loan Party under any Loan Document to which it is a party, and such failure shall continue for a period of 5 Business Days.

(c) Default in Performance. (i) The Parent or the Borrower shall fail to perform or observe any term, covenant, condition or agreement contained in Section 8.4.(h), Section 9.1., Section 9.2., or Section 9.3. of this Agreement, or (ii) the Borrower or any other Loan Party shall fail to perform or observe any term, covenant, condition or agreement contained in this Agreement or any other Loan Document to which it is a party and not otherwise mentioned in this Section and in the case of this clause (ii) only such failure shall continue for a period of 30 days after the earlier of (x) the date upon which a Responsible Officer of the Borrower or such Loan Party obtains knowledge of such failure or (y) the date upon which the Borrower has received written notice of such failure from the Administrative Agent.

(d) Misrepresentations. Any written statement, representation or warranty made or deemed made by or on behalf of the Parent, the Borrower or any other Loan Party under this Agreement or under any other Loan Document, or any amendment hereto or thereto, or in any other writing or statement at any time furnished or made or deemed made by or on behalf of the Borrower or any other Loan Party to the Administrative Agent or any Lender, shall at any time prove to have been incorrect or misleading, in light of the circumstances in which made or deemed made, in any material respect when furnished or made or deemed made.

(e) Indebtedness Cross-Default; Derivatives Contracts.

(i) Without limiting the provisions of this Section 10.1 with respect to the Loans, the Parent, the Borrower or any other Loan Party shall fail to pay when due and payable the principal of, or interest on, any Recourse Indebtedness in the aggregate amount of \$100,000,000 (“Material Indebtedness”) which is or has become the primary obligation of such Parent, Borrower or other Loan Party (for purposes of this Section, the amount of Recourse Indebtedness shall be measured not by the underlying debt amount, but only by that portion of the underlying debt amount which is recourse to Parent, Borrower or any other Loan Party); or

(ii) (x) the maturity of any Material Indebtedness shall have been accelerated in accordance with the provisions of any indenture, contract or instrument evidencing, providing for the creation of or otherwise concerning such Material Indebtedness or (y) any Material Indebtedness shall have been required to be prepaid, repurchased, redeemed or defeased prior to the stated maturity thereof; or

(iii) any other event shall have occurred and be continuing with respect to any Material Indebtedness and as a result, the holder or holders of Material Indebtedness, any trustee or agent acting on behalf of such holder or holders or any other Person, is permitted to accelerate the maturity of any such Material Indebtedness or require any such Material Indebtedness to be prepaid or repurchased prior to its stated maturity; or

(iv) there occurs under any Derivatives Contract an Early Termination Date (as defined in such Derivatives Contract) resulting from (A) any event of default under such Derivatives Contract as to which any Loan Party is the Defaulting Party (as defined in such Derivatives Contract) or (B) any Termination Event (as so defined) under such Derivatives Contract as to which any Loan Party is an Affected Party (as so defined) and, in either event, the Derivatives Termination Value owed by any Loan Party as a result thereof is \$50,000,000 or more.

(f) Voluntary Bankruptcy Proceeding. The Parent, the Borrower, any other Loan Party or any Material Subsidiary shall: (i) commence a voluntary case under the Bankruptcy Code of 1978, as amended, or other federal bankruptcy laws (as now or hereafter in effect); (ii) file a petition seeking to take advantage of any other Applicable Laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; (iii) consent to, or fail to contest in a timely and appropriate manner, any petition filed against it in an involuntary case under such bankruptcy laws or other Applicable Laws or consent to any proceeding or action described in the immediately following subsection; (iv) apply for or consent to, or fail to contest in a timely and appropriate manner, the appointment of, or the taking of possession by, a receiver, custodian, trustee, or liquidator of itself or of a substantial part of its property, domestic or foreign; (v) admit in writing its inability to pay its debts as they become due; (vi) make a general assignment for the benefit of creditors; (vii) make a conveyance fraudulent as to creditors under any Applicable Law; or (viii) take any corporate or partnership action for the purpose of effecting any of the foregoing.

(g) Involuntary Bankruptcy Proceeding. A case or other proceeding shall be commenced against the Parent, the Borrower, any other Loan Party or any Material Subsidiary of the Parent or the Borrower in any court of competent jurisdiction seeking: (i) relief under the Bankruptcy Code of 1978, as amended, or other federal bankruptcy laws (as now or hereafter in effect) or under any other Applicable Laws, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts; or (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of such Person, or of all or any substantial part of the assets, domestic or foreign, of such Person, and such case or proceeding shall continue undismissed or unstayed for a period of 60 consecutive calendar days, or an order granting the remedy or other relief requested in such case or proceeding against the Parent, the Borrower, such Subsidiary or such other Loan Party (including, but not limited to, an order for relief under such Bankruptcy Code or such other federal bankruptcy laws) shall be entered.

(h) Litigation; Enforceability. The Parent, the Borrower, any Subsidiary or any other Loan Party shall disavow, revoke or terminate (or attempt to terminate) any Loan Document to which it is a party or shall otherwise challenge or contest in any action, suit or proceeding in any court or before any Governmental Authority the validity or enforceability of this Agreement, any Note or any other Loan Document or this Agreement, any Note, the Guaranty or any other Loan Document shall cease to be in full force and effect (except as a result of the express terms thereof).

(i) Judgment. A judgment or order for the payment of money or for an injunction shall be entered against the Parent, the Borrower, any Subsidiary or any other Loan Party, by any court or other tribunal and (i) such judgment or order shall continue for a period of 30 days without being paid, stayed or dismissed through appropriate appellate proceedings and (ii) either (A) the amount of such judgment or order for which insurance has not been acknowledged in writing by the applicable insurance carrier (or the amount as to which the insurer has denied liability) exceeds, individually or together with all other such outstanding judgments or orders \$50,000,000 or (B) in the case of an injunction or other non-monetary judgment, such judgment could reasonably be expected to have a Material Adverse Effect.

(j) Attachment. A warrant, writ of attachment, execution or similar process shall be issued against any property of the Parent, the Borrower, any Subsidiary of the Parent or the Borrower or any other Loan Party which exceeds, individually or together with all other such warrants, writs, executions and processes, \$50,000,000 in amount and such warrant, writ, execution or process shall not be discharged, vacated, stayed or bonded for a period of 30 days; provided, however, that if a bond has been issued in favor of the claimant or other Person obtaining such warrant, writ, execution or process, the issuer of such bond

shall execute a waiver or subordination agreement in form and substance satisfactory to the Administrative Agent pursuant to which the issuer of such bond subordinates its right of reimbursement, contribution or subrogation to the Obligations and waives or subordinates any Lien it may have on the assets of any Loan Party.

(k) ERISA.

(i) One or more ERISA Events shall have occurred that result in liability to any member of the ERISA Group aggregating in excess of \$25,000,000; or

(ii) The “benefit obligation” of all Plans exceeds the “fair market value of plan assets” for such Plans by more than \$25,000,000, all as determined, and with such terms defined, in accordance with FASB ASC 715.

(l) Loan Documents. An Event of Default (as defined therein) shall occur under any of the other Loan Documents.

(m) Change of Control.

(i) Any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), is or becomes the “beneficial owner” (as defined in Rules 13d-3 and 13d-5 under the Exchange Act, except that a Person will be deemed to have “beneficial ownership” of all securities that such Person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of more than 35% of the total voting power of the then outstanding voting stock of the Parent;

(ii) During any period of 12 consecutive months ending after the Agreement Date, individuals who at the beginning of any such 12-month period constituted the Board of Trustees of the Parent (together with any new trustees whose election by such Board or whose nomination for election by the shareholders of the Parent was approved by a vote of a majority of the trustees then still in office who were either directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the Board of Trustees of the Parent then in office, other than as a result of the death, disability, or ordinary-course retirement of any such trustees; or

(iii) the Parent, or any Wholly Owned Subsidiary of the Parent, shall cease for any reason to be the general partner of the Borrower.

(n) Existing Credit Agreement. An Event of Default under (and as defined in) the Existing Credit Agreement shall occur.

Section 10.2. Remedies Upon Event of Default.

Upon the occurrence of an Event of Default the following provisions shall apply:

(a) Acceleration; Termination of Facilities.

(i) Automatic. Upon the occurrence of an Event of Default specified in Sections 10.1(f) or 10.1(g), (A)(i) the principal of, and all accrued interest on, the Loans and the Notes at the

time outstanding and (ii) all of the other Obligations of the Borrower, including, but not limited to, the other amounts owed to the Lenders and the Administrative Agent under this Agreement, the Notes or any of the other Loan Documents shall become immediately and automatically due and payable by the Borrower without presentment, demand, protest, or other notice of any kind, all of which are expressly waived by the Borrower and (B) all of the Commitments and the obligation of the Lenders to make Loans shall all immediately and automatically terminate.

(ii) Optional. If any other Event of Default shall exist, the Administrative Agent shall, at the direction of the Requisite Lenders: (A) declare (1) the principal of, and accrued interest on, the Loans and the Notes at the time outstanding, and (2) all of the other Obligations, including, but not limited to, the other amounts owed to the Lenders and the Administrative Agent under this Agreement, the Notes or any of the other Loan Documents to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived by the Borrower and (B) terminate the Commitments.

(b) Loan Documents. The Requisite Lenders may direct the Administrative Agent to, and the Administrative Agent if so directed shall, exercise any and all of its rights under any and all of the other Loan Documents.

(c) Applicable Law. The Requisite Lenders may direct the Administrative Agent to, and the Administrative Agent if so directed shall, exercise all other rights and remedies it may have under any Applicable Law.

(d) Appointment of Receiver. To the extent permitted by Applicable Law, the Administrative Agent and the Lenders shall be entitled to the appointment of a receiver for the assets and properties of the Parent, the Borrower and their respective Subsidiaries, without notice of any kind whatsoever and without regard to the adequacy of any security for the Obligations or the solvency of any party bound for its payment, to take possession of all or any portion of the business operations of the Parent, the Borrower and their respective Subsidiaries and to exercise such power as the court shall confer upon such receiver.

Section 10.3. Remedies Upon Default.

Upon the occurrence of a Default specified in Sections 10.1.(g), the Commitments shall immediately and automatically terminate.

Section 10.4. Allocation of Proceeds.

If an Event of Default exists, all payments received by the Administrative Agent (or any Lender as a result of its exercise of remedies permitted under Section 12.3.) under any of the Loan Documents in respect of any Obligations shall be applied in the following order and priority:

(a) to payment of that portion of the Obligations constituting fees, indemnities, expenses and other amounts, including attorney fees, payable to the Administrative Agent in its capacity as such;

(b) to payment of that portion of the Obligations constituting fees, indemnities and other amounts (other than principal and interest) payable to the Lenders under the Loan Documents,

including attorney fees, ratably among the Lenders in proportion to the respective amounts described in this clause (b) payable to them;

(c) to payment of that portion of the Obligations constituting accrued and unpaid interest on the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause (c) payable to them;

(d) to payment of that portion of the Obligations constituting unpaid principal of the Loans, ratably among the Lenders in proportion to the respective amounts described in this clause (d) payable to them; and

(e) the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Borrower or as otherwise required by Applicable Law.

Section 10.5. Performance by Administrative Agent.

If the Parent or the Borrower shall fail to perform any covenant, duty or agreement contained in any of the Loan Documents, and such failure has continued after the expiration of any cure or grace period set forth herein, the Administrative Agent may, after notice to the Parent or the Borrower, perform or attempt to perform such covenant, duty or agreement on behalf of the Parent or the Borrower. In such event, the Borrower shall, at the request of the Administrative Agent, promptly pay any amount reasonably expended by the Administrative Agent in such performance or attempted performance to the Administrative Agent, together with interest thereon at the applicable Post-Default Rate from the date of such expenditure until paid. Notwithstanding the foregoing, neither the Administrative Agent nor any Lender shall have any liability or responsibility whatsoever for the performance of any obligation of the Borrower under this Agreement or any other Loan Document.

Section 10.6. Rights Cumulative.

(a) Generally. The rights and remedies of the Administrative Agent and the Lenders under this Agreement and each of the other Loan Documents shall be cumulative and not exclusive of any rights or remedies which any of them may otherwise have under Applicable Law. In exercising their respective rights and remedies the Administrative Agent and the Lenders may be selective and no failure or delay by the Administrative Agent or any of the Lenders in exercising any right shall operate as a waiver of it, nor shall any single or partial exercise of any power or right preclude its other or further exercise or the exercise of any other power or right.

(b) Enforcement by Administrative Agent. Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Loan Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, the Administrative Agent in accordance with Article X, for its benefit and the benefit of all the Lenders; provided that the foregoing shall not prohibit (i) the Administrative Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Administrative Agent) hereunder and under the other Loan Documents, (ii) any Lender from exercising setoff rights in accordance with Section 12.3. (subject to the terms of Section 3.3.), or (iii) any Lender from filing proofs of claim or appearing and filing pleadings on its own behalf during the pendency of a proceeding relative to any Loan Party under any Debtor Relief Law; and provided, further, that if at any time there is no Person acting as Administrative Agent hereunder and under the other Loan Documents, then (x) the Requisite Lenders shall have the rights

otherwise ascribed to the Administrative Agent pursuant to Article X. and (y) in addition to the matters set forth in clauses (ii) and (iii) of the preceding proviso and subject to Section 3.3., any Lender may, with the consent of the Requisite Lenders, enforce any rights and remedies available to it and as authorized by the Requisite Lenders.

ARTICLE XI. THE ADMINISTRATIVE AGENT

Section 11.1. Authorization and Action.

Each Lender hereby appoints and authorizes the Administrative Agent to take such action as contractual representative on such Lender's behalf and to exercise such powers under this Agreement and the other Loan Documents as are specifically delegated to the Administrative Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto. Not in limitation of the foregoing, each Lender authorizes and directs the Administrative Agent to enter into the Loan Documents for the benefit of the Lenders. Each Lender hereby agrees that, except as otherwise set forth herein, any action taken by the Requisite Lenders in accordance with the provisions of this Agreement or the Loan Documents, and the exercise by the Requisite Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Lenders. Nothing herein shall be construed to deem the Administrative Agent a trustee or fiduciary for any Lender nor to impose on the Administrative Agent duties or obligations other than those expressly provided for herein. At the request of a Lender, the Administrative Agent will forward to such Lender copies or, where appropriate, originals of the documents delivered to the Administrative Agent pursuant to this Agreement or the other Loan Documents. The Administrative Agent will also furnish to any Lender, upon the request of such Lender, a copy of any certificate or notice furnished to the Administrative Agent by the Borrower, any Loan Party or any other Affiliate of the Borrower, pursuant to this Agreement or any other Loan Document not already delivered to such Lender pursuant to the terms of this Agreement or any such other Loan Document. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of any of the Obligations), the Administrative Agent shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Requisite Lenders (or all of the Lenders if explicitly required under any other provision of this Agreement), and such instructions shall be binding upon all Lenders and all holders of any of the Obligations; provided, however, that, notwithstanding anything in this Agreement to the contrary, the Administrative Agent shall not be required to take any action which exposes the Administrative Agent to personal liability or which is contrary to this Agreement or any other Loan Document or Applicable Law. Not in limitation of the foregoing, the Administrative Agent shall not exercise any right or remedy it or the Lenders may have under any Loan Document upon the occurrence of a Default or an Event of Default unless the Requisite Lenders have so directed the Administrative Agent to exercise such right or remedy.

Section 11.2. Administrative Agent's Reliance, Etc.

Notwithstanding any other provisions of this Agreement or any other Loan Documents, neither the Administrative Agent nor any of its directors, officers, agents, employees or counsel shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or any other Loan Document, except for its or their own gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment. Without limiting the generality of the foregoing, the Administrative Agent: (a) may treat the payee of any Note as the holder thereof until the Administrative Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the Administrative Agent; (b) may consult with legal counsel (including its own

counsel or counsel for the Borrower or any other Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender or any other Person and shall not be responsible to any Lender or any other Person for any statements, warranties or representations made by any Person in or in connection with this Agreement or any other Loan Document; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any of this Agreement or any other Loan Document or the satisfaction of any conditions precedent under this Agreement or any Loan Document on the part of the Borrower or other Persons or inspect the property, books or records of the Borrower or any other Person; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document, any other instrument or document furnished pursuant thereto or any collateral covered thereby or the perfection or priority of any Lien in favor of the Administrative Agent on behalf of the Lenders in any such collateral; and (f) shall incur no liability under or in respect of this Agreement or any other Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telephone or telecopy) believed by it to be genuine and signed, sent or given by the proper party or parties.

Section 11.3. Notice of Defaults.

The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the Administrative Agent has received notice from a Lender, the Parent or the Borrower referring to this Agreement, describing with reasonable specificity such Default or Event of Default and stating that such notice is a “notice of default.” If any Lender (excluding the Lender which is also serving as the Administrative Agent) becomes aware of any Default or Event of Default, it shall promptly send to the Administrative Agent such a “notice of default.” Further, if the Administrative Agent receives such a “notice of default”, the Administrative Agent shall give prompt notice thereof to the Lenders.

Section 11.4. Administrative Agent as Lender.

The Lender acting as Administrative Agent shall have the same rights and powers under this Agreement and any other Loan Document as any other Lender and may exercise the same as though it were not the Administrative Agent; and the term “Lender” or “Lenders” shall, unless otherwise expressly indicated, include Capital One in each case in its individual capacity. Capital One and its Affiliates may each accept deposits from, maintain deposits or credit balances for, invest in, lend money to, act as trustee under indentures of, serve as financial advisor to, and generally engage in any kind of business with, the Parent, the Borrower, any other Loan Party or any other Affiliate thereof as if it were any other bank and without any duty to account therefor to the other Lenders. Further, the Administrative Agent and any Affiliate of the Administrative Agent may accept fees and other consideration from the Parent or the Borrower for services in connection with this Agreement and otherwise without having to account for the same to the other Lenders. The Lenders acknowledge that, pursuant to such activities, Capital One or its Affiliates may receive information regarding the Parent, the Borrower, other Loan Parties, other Subsidiaries and other Affiliates (including information that may be subject to confidentiality obligations in favor of such Person) and acknowledge that the Administrative Agent shall be under no obligation to provide such information to them.

Section 11.5. Approvals of Lenders.

All communications from the Administrative Agent to any Lender requesting such Lender’s determination, consent or approval (a) shall be given in the form of a written notice to such Lender, (b) shall be accompanied by a description of the matter or issue as to which such determination, approval or consent

is requested, or shall advise such Lender where information, if any, regarding such matter or issue may be inspected, or shall otherwise describe the matter or issue to be resolved, and (c) shall include, if reasonably requested by such Lender and to the extent not previously provided to such Lender, written materials and a summary of all oral information provided to the Administrative Agent by the Parent and the Borrower in respect of the matter or issue to be resolved. Each Lender shall reply promptly, but in any event within 10 Business Days (or such lesser or greater period as may be specifically required under the Loan Documents) of receipt of such communication. Unless a Lender shall give written notice to the Administrative Agent that it specifically objects to the recommendation or determination of the Administrative Agent (together with a written explanation of the reasons behind such objection) within the applicable time period for reply (which shall be no less than 10 Business Days), such Lender shall be deemed to have conclusively approved such requested determination, consent or approval. The provisions of this Section shall not apply to any amendment, waiver or consent regarding any of the matters described in Section 12.6.(b).

Section 11.6. Lender Credit Decision, Etc.

Each Lender expressly acknowledges and agrees that neither the Administrative Agent nor any of its officers, directors, employees, agents, counsel, attorneys-in-fact or other Affiliates of the Administrative Agent has made any representations or warranties as to the financial condition, operations, creditworthiness, solvency or other information concerning the business or affairs of the Borrower, any other Loan Party, any Subsidiary or any other Person to such Lender and that no act by the Administrative Agent hereafter taken, including any review of the affairs of the Parent, the Borrower, any other Loan Party or any other Subsidiary of the Parent or the Borrower, shall be deemed to constitute any such representation or warranty by the Administrative Agent to any Lender. Each Lender acknowledges that it has made its own credit and legal analysis and decision to enter into this Agreement and the transactions contemplated hereby, independently and without reliance upon the Administrative Agent, any other Lender or counsel to the Administrative Agent, or any of their respective officers, directors, employees and agents, and based on the financial statements of the Parent, the Borrower, the Subsidiaries or any other Affiliate thereof, and inquiries of such Persons, its independent due diligence of the business and affairs of the Borrower, the Loan Parties, the Subsidiaries of the Parent and the Borrower and other Persons, its review of the Loan Documents, the legal opinions required to be delivered to it hereunder, the advice of its own counsel and such other documents and information as it has deemed appropriate. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent, any other Lender or counsel to the Administrative Agent or any of their respective officers, directors, employees and agents, and based on such review, advice, documents and information as it shall deem appropriate at the time, continue to make its own decisions in taking or not taking action under the Loan Documents. Except for notices, reports and other documents and information expressly required to be furnished to the Lenders by the Administrative Agent under this Agreement or any of the other Loan Documents, the Administrative Agent shall have no duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, financial and other condition or creditworthiness of the Borrower, any other Loan Party or any other Affiliate thereof which may come into possession of the Administrative Agent, or any of its officers, directors, employees, agents, attorneys-in-fact or other Affiliates. Each Lender acknowledges that the Administrative Agent's legal counsel in connection with the transactions contemplated by this Agreement is only acting as counsel to the Administrative Agent and is not acting as counsel to such Lender.

Section 11.7. Indemnification of Administrative Agent.

Each Lender agrees to indemnify the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so) pro rata in accordance with such Lender's Pro Rata Share (determined as of the time that the applicable unreimbursed expense or indemnity

payment is sought), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may at any time be imposed on, incurred by, or asserted against the Administrative Agent (in its capacity as Administrative Agent but not as a Lender) in any way relating to or arising out of the Loan Documents, any transaction contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under the Loan Documents (collectively, "Indemnifiable Amounts"); provided, however, that no Lender shall be liable for any portion of such Indemnifiable Amounts to the extent resulting from the Administrative Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or if the Administrative Agent fails to follow the written direction of the Requisite Lenders (or all of the Lenders if expressly required hereunder) unless such failure results from the Administrative Agent following the advice of counsel to the Administrative Agent of which advice the Lenders have received notice. Without limiting the generality of the foregoing but subject to the preceding proviso, each Lender agrees to reimburse the Administrative Agent (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees of the counsel(s) of the Administrative Agent's own choosing) incurred by the Administrative Agent in connection with the preparation, negotiation, execution, or enforcement of, or legal advice with respect to the rights or responsibilities of the parties under, the Loan Documents, any suit or action brought by the Administrative Agent to enforce the terms of the Loan Documents and/or collect any Obligations, any "lender liability" suit or claim brought against the Administrative Agent and/or the Lenders, and any claim or suit brought against the Administrative Agent, and/or the Lenders arising under any Environmental Laws. Such out-of-pocket expenses (including counsel fees) shall be advanced by the Lenders on the request of the Administrative Agent notwithstanding any claim or assertion that the Administrative Agent is not entitled to indemnification hereunder upon receipt of an undertaking by the Administrative Agent that the Administrative Agent will reimburse the Lenders if it is actually and finally determined by a court of competent jurisdiction that the Administrative Agent is not so entitled to indemnification. The agreements in this Section shall survive the payment of the Loans and all other amounts payable hereunder or under the other Loan Documents and the termination of this Agreement. If the Borrower shall reimburse the Administrative Agent for any Indemnifiable Amount following payment by any Lender to the Administrative Agent in respect of such Indemnifiable Amount pursuant to this Section, the Administrative Agent shall share such reimbursement on a ratable basis with each Lender making any such payment.

Section 11.8. Successor Administrative Agent.

The Administrative Agent may resign at any time as Administrative Agent under the Loan Documents by giving written notice thereof to the Lenders and the Borrower. The Administrative Agent may be removed as Administrative Agent under the Loan Documents for gross negligence or willful misconduct upon 30-day's prior written notice by all Lenders (other than the Lender then acting as Administrative Agent). Upon any such resignation or removal, the Requisite Lenders shall have the right to appoint a successor Administrative Agent which appointment shall, provided no Default or Event of Default exists, be subject to the Borrower's approval, which approval shall not be unreasonably withheld or delayed (except that the Borrower shall, in all events, be deemed to have approved each Lender and its Affiliates as a successor Administrative Agent). If no successor Administrative Agent shall have been so appointed in accordance with the immediately preceding sentence, and shall have accepted such appointment, within 30 days after the resigning Administrative Agent's giving of notice of resignation or the giving of notice of the removal of the Administrative Agent, then the resigning or removed Administrative Agent may, on behalf of the Lenders, appoint a successor Administrative Agent, which shall be a Lender, if any Lender shall be willing to serve, and otherwise shall be a commercial bank having total combined assets of at least \$50,000,000,000; provided, the resigning or removed Administrative Agent shall continue to serve as Administrative Agent

until such time as a successor Administrative Agent shall have accepted such appointment. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Documents; provided, however, such retiring Administrative Agent shall not be relieved from any obligations arising prior to its discharge to the extent resulting from the Administrative Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or from the failure by the Administrative Agent to follow the written direction of the Requisite Lenders (or all of the Lenders if expressly required hereunder) unless such failure results from the Administrative Agent following the advice of counsel to the Administrative Agent of which advice the Lenders have received notice. After any Administrative Agent's resignation or removal hereunder as Administrative Agent, the provisions of this Article XI shall continue to inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under the Loan Documents.

Section 11.9. Titled Agents.

Each of the Titled Agents in each such respective capacity, assumes no responsibility or obligation hereunder, including, without limitation, for servicing, enforcement or collection of any of the Loans, nor any duties as an agent hereunder for the Lenders. The titles of "Joint Lead Arranger", "Joint Bookrunner", "Syndication Agent" and any other similar titles are solely honorific and imply no fiduciary responsibility on the part of the Titled Agents to the Administrative Agent, the Borrower or any Lender and the use of such titles does not impose on the Titled Agents any duties or obligations greater than those of any other Lender or entitle the Titled Agents to any rights other than those to which any other Lender is entitled.

ARTICLE XII. MISCELLANEOUS

Section 12.1. Notices.

Unless otherwise provided herein, communications provided for hereunder shall be in writing and shall be mailed, telecopied or delivered as follows:

If to the Parent:

Corporate Office Properties Trust
6711 Columbia Gateway Drive, Suite 300
Columbia, Maryland 21046
Attention: General Counsel
Telephone Number: (443) 285-5400
Telecopy Number: (443) 285-7650

If to the Borrower:

[Corporate Office Properties, L.P.](#)
6711 Columbia Gateway Drive, Suite 300
Columbia, Maryland 21046
Attention: General Counsel
Telephone Number: (443) 285-5400
Telecopy Number: (443) 285-7650

If to the Administrative Agent:

Capital One, National Association,
as Administrative Agent
1680 Capital One Drive, 10th Floor
McLean, Virginia 22102
Attn: Jessica W. Schneickert
Telephone: (703) 720-6526
Telecopy: (703) 720-2032

with a copy to:

Capital One, National Association,
as Administrative Agent
299 Park Ave., 31st Floor
New York, NY 10170
Attn: Thomas Kornobis, Commercial Loan Operations
Telephone: (646) 836-5268
Telecopy: (888) 246-3710

If to a Lender:

To such Lender's address or telecopy number, as applicable, set forth in its Administrative Questionnaire;

or, as to each party at such other address as shall be designated by such party in a written notice to the other parties delivered in compliance with this Section. All such notices and other communications shall be effective (i) if mailed, when received; (ii) if telecopied, when transmitted; or (iii) if hand delivered or sent by overnight courier, when delivered. Notwithstanding the immediately preceding sentence, all notices or communications to the Administrative Agent or any Lender under Article II. shall be effective only when actually received. Neither the Administrative Agent nor any Lender shall incur any liability to the Borrower (nor shall the Administrative Agent incur any liability to the Lenders) for acting upon any telephonic notice referred to in this Agreement which the Administrative Agent or such Lender, as the case may be, believes in good faith to have been given by a Person authorized to deliver such notice or for otherwise acting in good faith hereunder.

Section 12.2. Expenses.

The Borrower agrees (a) to pay or reimburse the Administrative Agent for all of its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation and execution of, and any amendment, supplement or modification to, any of the Loan Documents (including due diligence expenses and travel expenses relating to closing), and the consummation and administration of the transactions contemplated thereby, including the reasonable fees and disbursements of counsel to the Administrative Agent and costs and expenses in connection with the use of Intralinks, Inc. or other similar information transmission systems in connection with the Loan Documents, (b) to pay or reimburse the Administrative Agent, and the Lenders for all their costs and expenses incurred in connection with the enforcement or preservation of any rights under the Loan Documents, including the reasonable fees and disbursements of their respective counsel (including the allocated fees and expenses of in-house counsel)

and any payments in indemnification or otherwise payable by the Lenders to the Administrative Agent pursuant to the Loan Documents, (c) to pay, and indemnify and hold harmless the Administrative Agent, and the Lenders from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any failure to pay or delay in paying, documentary, stamp, excise and other similar taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of any of the Loan Documents, or consummation of any amendment, supplement or modification of, or any waiver or consent under or in respect of, any Loan Document; and (d) to the extent not already covered by any of the preceding subsections, to pay or reimburse the Administrative Agent, and the Lenders for all their costs and expenses incurred in connection with any bankruptcy or other proceeding of the type described in Sections 10.1.(f) or 10.1.(g), including the reasonable fees and disbursements of counsel to the Administrative Agent and any Lender, whether such fees and expenses are incurred prior to, during or after the commencement of such proceeding or the confirmation or conclusion of any such proceeding. If the Borrower shall fail to pay any amounts required to be paid by it pursuant to this Section, the Administrative Agent, and/or the Lenders may pay such amounts on behalf of the Borrower and either deem the same to be Loans outstanding hereunder or otherwise Obligations owing hereunder.

Section 12.3. Setoff.

Subject to Section 3.3. and in addition to any rights now or hereafter granted under Applicable Law and not by way of limitation of any such rights, the Administrative Agent, each Lender and each Participant is hereby authorized by the Borrower, at any time or from time to time during the continuance of an Event of Default, without prior notice to the Borrower or to any other Person, any such notice being hereby expressly waived, but in the case of a Lender or Participant subject to receipt of the prior written consent of the Administrative Agent exercised in its sole discretion, to set off and to appropriate and to apply any and all deposits (general or special, including, but not limited to, indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness at any time held or owing by the Administrative Agent, such Lender or any Affiliate of the Administrative Agent or such Lender, to or for the credit or the account of the Borrower against and on account of any of the Obligations, irrespective of whether or not any or all of the Loans and all other Obligations have been declared to be, or have otherwise become, due and payable as permitted by Section 10.2., and although such obligations shall be contingent or unmatured. Notwithstanding anything to the contrary in this Section, if any Defaulting Lender shall exercise any such right of setoff, (x) all amounts so set off shall be paid over immediately to the Administrative Agent for further application in accordance with the provisions of Section 3.11. and, pending such payment, shall be segregated by such Defaulting Lender from its other funds and deemed held in trust for the benefit of the Administrative Agent and the Lenders and (y) such Defaulting Lender shall provide promptly to the Administrative Agent a statement describing in reasonable detail the Obligations owing to such Defaulting Lender as to which it exercised such right of setoff.

Section 12.4. Litigation; Jurisdiction; Other Matters; Waivers.

(a) EACH PARTY HERETO ACKNOWLEDGES THAT ANY DISPUTE OR CONTROVERSY BETWEEN OR AMONG THE PARENT, THE BORROWER, THE ADMINISTRATIVE AGENT OR ANY OF THE LENDERS WOULD BE BASED ON DIFFICULT AND COMPLEX ISSUES OF LAW AND FACT AND WOULD RESULT IN DELAY AND EXPENSE TO THE PARTIES. ACCORDINGLY, TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE LENDERS, THE ADMINISTRATIVE AGENT, THE PARENT AND THE BORROWER HEREBY WAIVES ITS RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING OF ANY KIND OR NATURE IN ANY COURT OR TRIBUNAL IN WHICH AN ACTION MAY BE COMMENCED BY OR AGAINST ANY PARTY HERETO ARISING OUT OF THIS AGREEMENT, THE NOTES, OR ANY OTHER LOAN

DOCUMENT OR BY REASON OF ANY OTHER SUIT, CAUSE OF ACTION OR DISPUTE WHATSOEVER BETWEEN OR AMONG THE PARENT, THE BORROWER, THE ADMINISTRATIVE AGENT OR ANY OF THE LENDERS OF ANY KIND OR NATURE RELATING TO ANY OF THE LOAN DOCUMENTS.

(b) EACH OF THE PARENT, THE BORROWER, THE ADMINISTRATIVE AGENT AND EACH LENDER HEREBY AGREES THAT THE FEDERAL DISTRICT COURT LOCATED FOR THE SOUTHERN DISTRICT OF NEW YORK AND ANY STATE COURT LOCATED IN THE BOROUGH OF MANHATTAN, NEW YORK, NEW YORK, SHALL HAVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN OR AMONG THE PARENT, THE BORROWER, THE ADMINISTRATIVE AGENT OR ANY OF THE LENDERS, PERTAINING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE LOANS, THE NOTES OR ANY OTHER LOAN DOCUMENT OR TO ANY MATTER ARISING HEREFROM OR THEREFROM. THE PARENT, THE BORROWER AND EACH OF THE LENDERS EXPRESSLY SUBMIT AND CONSENT IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED IN SUCH COURTS WITH RESPECT TO SUCH CLAIMS OR DISPUTES. EACH PARTY FURTHER WAIVES ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE VENUE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT OR THAT SUCH ACTION OR PROCEEDING WAS BROUGHT IN AN INCONVENIENT FORUM, AND EACH AGREES NOT TO PLEAD OR CLAIM THE SAME. THE CHOICE OF FORUM SET FORTH IN THIS SECTION SHALL NOT BE DEEMED TO PRECLUDE THE BRINGING OF ANY ACTION BY THE ADMINISTRATIVE AGENT OR ANY LENDER OR THE ENFORCEMENT BY THE ADMINISTRATIVE AGENT OR ANY LENDER OF ANY JUDGMENT OBTAINED IN SUCH FORUM IN ANY OTHER APPROPRIATE JURISDICTION.

(c) THE PROVISIONS OF THIS SECTION HAVE BEEN CONSIDERED BY EACH PARTY WITH THE ADVICE OF COUNSEL AND WITH A FULL UNDERSTANDING OF THE LEGAL CONSEQUENCES THEREOF, AND SHALL SURVIVE THE PAYMENT OF THE LOANS AND ALL OTHER AMOUNTS PAYABLE HEREUNDER OR UNDER THE OTHER LOAN DOCUMENTS AND THE TERMINATION OF THIS AGREEMENT.

Section 12.5. Successors and Assigns.

(a) Successors and Assigns Generally. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that neither the Borrower nor the Parent may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Administrative Agent and each Lender and no Lender may assign or otherwise transfer any of its rights or obligations hereunder except (i) to an Eligible Assignee in accordance with the provisions of the immediately following subsection (b), (ii) by way of participation in accordance with the provisions of the immediately following subsection (d) or (iii) by way of pledge or assignment of a security interest subject to the restrictions of the immediately following subsection (f). Subject to the last sentence of the immediately following subsection (b), any attempted assignment or transfer by any party hereto not permitted by clauses (i) through (iii) of the immediately preceding sentence shall be null and void. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Participants to the extent provided in the immediately following subsection (d) and, to the extent expressly contemplated hereby, the Related Parties of the Administrative Agent and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Assignments by Lenders. Any Lender may at any time assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitments and the Loans at the time owing to it); provided that any such assignment shall be subject to the following conditions:

(i) Minimum Amounts.

(A) in the case of an assignment of the entire remaining amount of an assigning Lender's Commitment and/or Loans at the time owing to it, or in the case of an assignment to a Lender, an Affiliate of a Lender or an Approved Fund, no minimum amount need be assigned; and

(B) in any case not described in the immediately preceding subsection (A), the aggregate amount of Commitments (which for this purpose includes Loans outstanding thereunder) or, if the Commitments are not then in effect, the principal outstanding balance of Loans of the assigning Lender subject to each such assignment (in each case, determined as of the date the Assignment and Acceptance Agreement with respect to such assignment is delivered to the Administrative Agent or, if "Trade Date" is specified in the Assignment and Acceptance Agreement, as of the Trade Date) shall not be less than \$10,000,000 in the case of any assignment of a Commitment or a Loan, unless each of the Administrative Agent and, so long as no Default or Event of Default shall exist, the Borrower otherwise consents (each such consent not to be unreasonably withheld or delayed); *provided, however*, that if after giving effect to such assignment, the amount of the Commitment held by such assigning Lender or, if the applicable Commitment is not then in effect, the outstanding principal balance of the Loans of such assigning Lender, as applicable, would be less than \$10,000,000 in the case of a Commitment or Loan, then such assigning Lender shall assign the entire amount of its Commitment and the Loans at the time owing to it; provided, further, that, notwithstanding the foregoing, a Lender may assign the entire remaining amount of Term Loans held by it without having to otherwise comply with this subsection (B).

(ii) Proportionate Amounts. Each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement with respect to the Loan or the Commitment assigned.

(iii) Required Consents. No consent shall be required for any assignment except to the extent required by clause (i)(B) of this subsection (b) and, in addition:

(A) the consent of the Borrower (such consent not to be unreasonably withheld or delayed) shall be required unless (x) a Default or Event of Default shall exist at the time of such assignment or (y) such assignment is to a Lender, an Affiliate of a Lender or an Approved Fund; provided that the Borrower shall be deemed to have consented to any such assignment unless it shall object thereto by written notice to the Administrative Agent within 5 Business Days after having received notice thereof; and

(B) the consent of the Administrative Agent (such consent not to be unreasonably withheld or delayed) shall be required for assignments in respect of (x) a Commitment if such assignment is to a Person that is not already a Lender, an Affiliate of a Lender or an Approved Fund with respect to a Lender or (y) a Loan to a Person who is not a Lender, an Affiliate of a Lender or an Approved Fund.

(iv) Assignment and Acceptance Agreement; Notes. The parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance Agreement, together with a processing and recordation fee of \$3,500 for each assignment, and the assignee, if it is not a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire. If requested by the transferor Lender or the Eligible Assignee, upon the consummation of any assignment, the transferor Lender, the Administrative Agent and the Borrower shall make appropriate arrangements so that new Notes are issued to the Eligible Assignee and such transferor Lender, as appropriate.

(v) No Assignment to Certain Persons. No such assignment shall be made to (A) the Parent, the Borrower or any of the Parent or the Borrower's Affiliates or Subsidiaries or (B) any Defaulting Lender or any of its Subsidiaries, or any Person who, upon becoming a Lender hereunder, would constitute any of the foregoing Persons described in this clause (B).

(vi) No Assignment to Natural Persons. No such assignment shall be made to a natural person.

(vii) Certain Additional Payments. In connection with any assignment of rights and obligations of any Defaulting Lender hereunder, no such assignment shall be effective unless and until, in addition to the other conditions thereto set forth herein, the parties to the assignment shall make such additional payments to the Administrative Agent in an aggregate amount sufficient, upon distribution thereof as appropriate (which may be outright payment, purchases by the assignee of participations or subparticipations, or other compensating actions, including funding, with the consent of the Borrower and the Administrative Agent, the applicable pro rata share of Loans previously requested but not funded by the Defaulting Lender, to each of which the applicable assignee and assignor hereby irrevocably consent), to pay and satisfy in full all payment liabilities then owed by such Defaulting Lender to the Administrative Agent and each Lender hereunder (and interest accrued thereon). Notwithstanding the foregoing, in the event that any assignment of rights and obligations of any Defaulting Lender hereunder shall become effective under Applicable Law without compliance with the provisions of this paragraph, then the assignee of such interest shall be deemed to be a Defaulting Lender for all purposes of this Agreement until such compliance occurs.

Subject to acceptance and recording thereof by the Administrative Agent pursuant to the immediately following subsection (c), from and after the effective date specified in each Assignment and Acceptance Agreement, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Acceptance Agreement, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance Agreement, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance Agreement covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Sections 4.4., 12.2. and 12.9. and the other provisions of this Agreement and the other Loan Documents as provided in Section 12.10. with respect to facts and circumstances occurring prior to the effective date of such assignment; provided, that except to the extent otherwise expressly agreed by the affected parties, no assignment by a Defaulting Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender having been a Defaulting Lender. Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with the immediately following subsection (d).

(c) Register. The Administrative Agent, acting solely for this purpose as a non-fiduciary agent of the Borrower, shall maintain at the Principal Office a copy of each Assignment and Acceptance Agreement delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loans owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Administrative Agent and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Participations. Any Lender may at any time, without the consent of, or notice to, the Borrower or the Administrative Agent, sell participations to any Person (other than a natural person or the Borrower or any of the Borrower's Affiliates or Subsidiaries) (each, a "Participant") in all or a portion of such Lender's rights and/or obligations under this Agreement (including all or a portion of its Commitment and/or the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to (w) increase such Lender's Commitment, (x) extend the date fixed for the payment of principal on the Loans or portions thereof owing to such Lender, (y) reduce the rate at which interest is payable thereon or (z) release any Guarantor from its Obligations under the Guaranty (except as otherwise permitted under Section 7.12.(c)) in each case, as applicable to that portion of such Lender's rights and/or obligations that are subject to the participation. Subject to the immediately following subsection (e), the Borrower agrees that each Participant shall be entitled to the benefits of Sections 3.12., 4.1., 4.4. to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by Applicable Law, each Participant also shall be entitled to the benefits of Section 12.3. as though it were a Lender, provided such Participant agrees to be subject to Section 3.3. as though it were a Lender. Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loans or other obligations under the Loan Documents (and is maintained in accordance with Sections 5f. 103-1(c) and 1.871-14(c)(1)(i) of the United States Treasury Regulations) (the "Participant Register"); provided that no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans or its other obligations under any Loan Document) to any Person except to the extent that such disclosure is necessary to establish that such commitment, loan, letter of credit or other obligation is in registered form under Sections 5f.103-1(c) and 1.871-14(c)(1)(i) of the United States Treasury Regulations. The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each Person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary. For the avoidance of doubt, the Administrative Agent (in its capacity as Administrative Agent) shall have no responsibility for maintaining a Participant Register.

(e) Limitations upon Participant Rights. A Participant shall not be entitled to receive any greater payment under Sections 3.12., 4.1. and 4.4. than the applicable Lender would have been entitled to receive

with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent which consent may be withheld in the Borrower's sole discretion. A Participant that is organized under the laws of a jurisdiction outside of the United States of America shall not be entitled to the benefits of Section 3.12, unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower and the Administrative Agent, to comply with Section 3.12.(g) as though it were a Lender (it being understood that the documentation required under Section 3.12.(g) shall be delivered to the participating Lender).

(f) Certain Pledges. Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

(g) No Registration. Each Lender agrees that, without the prior written consent of the Borrower and the Administrative Agent exercised in their sole discretion, it will not make any assignment hereunder in any manner or under any circumstances that would require registration or qualification of, or filings in respect of, any Loan or Note under the Securities Act or any other securities laws of the United States of America or of any other jurisdiction.

Section 12.6. Amendments.

(a) Generally. Except as otherwise expressly provided in this Agreement, any consent or approval required or permitted by this Agreement or any other Loan Document to be given by the Lenders may be given, and any term of this Agreement or of any other Loan Document may be amended, and the performance or observance by the Borrower or any other Loan Party or any Subsidiary of any terms of this Agreement or such other Loan Document or the continuance of any Default or Event of Default may be waived (either generally or in a particular instance and either retroactively or prospectively) with, but only with, the written consent of the Requisite Lenders (and, in the case of an amendment to any Loan Document, the written consent of each Loan Party a party thereto).

(b) Additional Lender Consents. In addition to the foregoing requirements, no amendment waiver or consent shall do any of the following:

(i) (A) increase (or reinstate) the Commitment of a Lender or subject a Lender to any additional obligations without the written consent of such Lender or (B) increase the aggregate outstanding principal amount of the Loans in excess of any limit imposed under Section 2.9, without the consent of each Lender;

(ii) reduce the principal of, or interest that has accrued or the rates of interest that will be charged on the outstanding principal amount of, any Loans or other Obligations without the written consent of each Lender directly affected thereby; provided, however, only the written consent of the Requisite Lenders shall be required for the waiver of interest payable at the Post-Default Rate, retraction of the imposition of interest at the Post-Default Rate and amendment of the definition of "Post-Default Rate";

(iii) reduce the amount of any Fees payable to a Lender without the written consent of such Lender;

(iv) modify the definition of “Maturity Date”, “Availability Termination Date” or otherwise postpone any date fixed for, or forgive, any payment of principal of, or interest on, any Loans or for the payment of Fees or any other Obligations owing to the Lenders, in each case, without the written consent of each Lender directly affected thereby;

(v) modify the definition of “Pro Rata Share” or amend or otherwise modify the provisions of Section 2.3. or 3.2. without the written consent of each Lender;

(vi) amend this Section or amend the definitions of the terms used in this Agreement or the other Loan Documents insofar as such definitions affect the substance of this Section, modify the definition of the term “Requisite Lenders” or modify in any other manner the number or percentage of the Lenders required to make any determinations or waive any rights hereunder or to modify any provision hereof without the written consent of each Lender;

(vii) release the Parent as a Guarantor or any other Guarantor from its obligations under the Guaranty (except as expressly permitted by Section 7.12.(c)) without the written consent of each Lender; provided, however, the consent of each Lender shall not otherwise be required under this clause (vii) for any amendment, waiver or consent which does not expressly provide for the release of a Guarantor (but which may indirectly result in such a release);

(viii) waive any Default or Event of Default occurring under Section 10.1.(a) or Section 10.1.(b) without the written consent of each Lender owed the Obligations that were not paid when due resulting in such Default or Event of Default.

(c) No amendment, waiver or consent, unless in writing and signed by the Administrative Agent, in such capacity, in addition to the Lenders required hereinabove to take such action, shall affect the rights or duties of the Administrative Agent under this Agreement or any of the other Loan Documents. The Administrative Agent and the Borrower may, without the consent of any Lender, enter into the amendments or modifications to this Agreement or any of the other Loan Documents or enter into additional Loan Documents as the Administrative Agent reasonably deems appropriate in order to implement any Replacement Rate or otherwise effectuate the terms of Section 4.2.(b) in accordance with and subject to the terms of Section 4.2.(b).

(d) Notwithstanding anything to the contrary herein, no Defaulting Lender shall have any right to approve or disapprove any amendment, waiver or consent hereunder (and any amendment, waiver or consent which by its terms requires the consent of all Lenders or each affected Lender may be effected with the consent of the applicable Lenders other than Defaulting Lenders), except that (x) the Commitments of any Defaulting Lender may not be increased, reinstated or extended without the written consent of such Defaulting Lender and (y) any waiver, amendment or modification requiring the consent of all Lenders or each affected Lender that by its terms affects any Defaulting Lender more adversely than other affected Lenders shall require the written consent of such Defaulting Lender. No waiver shall extend to or affect any obligation not expressly waived or impair any right consequent thereon and any amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose set forth therein. No course of dealing or delay or omission on the part of the Administrative Agent or any Lender in exercising any right shall operate as a waiver thereof or otherwise be prejudicial thereto. Any Event of Default occurring hereunder shall continue to exist until such time as such Event of Default is waived in writing in accordance with the terms of this Section, notwithstanding any attempted cure or other action by the Borrower, any other Loan Party or any other Person subsequent to the occurrence of such Event of Default. Except as otherwise

explicitly provided for herein or in any other Loan Document, no notice to or demand upon the Borrower shall entitle the Borrower to any other or further notice or demand in similar or other circumstances.

(e) Notwithstanding anything to the contrary in this Section 12.6., if the Administrative Agent and the Borrower have jointly identified an ambiguity, omission, mistake or defect in any provision of this Agreement or an inconsistency between provisions of this Agreement, the Administrative Agent and the Borrower shall be permitted to amend such provision or provisions to cure such ambiguity, omission, mistake, defect or inconsistency so long as to do so would not adversely affect the interests of the Lenders. Any such amendment shall become effective without any further action or consent of any other party to this Agreement, provided, however, that the Administrative Agent shall promptly provide the Lenders with a copy of any such amendment.

(f) Modifications to Existing Credit Agreement. Notwithstanding anything to the contrary contained in this Agreement but subject to Section 12.6.(b), if (i)(x) any of the representations and warranties, covenants, events of default or other material terms contained in Article VI. through Article X. of the Existing Credit Agreement (including any related definitions for such provisions) are hereafter amended or otherwise in any material respect, or compliance therewith is waived, or any additional representations, warranties, covenants or events of default are added to the Existing Credit Agreement, or (y) a Property is included as an Eligible Unencumbered Property (as defined in the Existing Credit Agreement) for purposes of the calculation of Unencumbered Asset Value (as defined in the Existing Credit Agreement) which Property does not meet one or more of the criteria for inclusion set forth in the Existing Credit Agreement (each of the deviations from the Existing Credit Agreement in the immediately preceding clauses (x) and (y), a “Modification”; the written amendment, modification, supplement or waiver enacting such Modification to the Existing Credit Agreement, a “Modification Document”), and (ii) the Lenders hereunder constituting the Requisite Lenders that are also Lenders under the Existing Credit Agreement (an “Existing Credit Agreement Lender”) expressly approved the applicable Modification Document (a “Consenting Lender”), then the substantive terms contained in the Modification shall be deemed incorporated and given effect in this Agreement to the same extent as though set forth in full herein, so as to have the provisions of this Agreement consistent with such Modification of the Existing Credit Agreement. Any Corresponding Modification shall be effective only in the specific instance and for the specific purpose for which given. For purposes hereof, “Corresponding Modification” shall mean any deemed or written amendment, modification, supplement or waiver to this Agreement that enacts the terms of a Modification to the Existing Credit Agreement that correspond to terms contained in this Agreement.

At any time that the Administrative Agent is not an Existing Credit Agreement Lender, the Borrower agrees to provide the Administrative Agent with (x) a copy of all draft Modification Documents with respect to the Existing Credit Agreement within 10 days (or such shorter period as may be acceptable to the Administrative Agent) prior to the execution thereof, (y) updated information with respect to each proposed Modification during the negotiation thereof upon the request of the Administrative Agent and (z) a final, executed copy of each Modification Document. The Borrower, each Consenting Lender and any other Lender that has approved a Corresponding Modification each agrees to execute and deliver promptly after the Administrative Agent’s or the Requisite Lenders’ request an amendment, modification, supplement or waiver to this Agreement (in form and substance satisfactory to the Administrative Agent or the Requisite Lenders, as applicable, and the Borrower) to reflect the intent of this subsection (f), provided, that the execution and delivery thereof shall not be a condition to the effectiveness of such amendment, modification, supplement or waiver. At any time that the Administrative Agent is an Existing Credit Agreement Lender, Borrower shall be deemed to have provided the notice required to the Administrative Agent hereunder upon execution of any Modification Documents.

Notwithstanding the foregoing, if any representation, warranty or covenant contained in the Existing Credit Agreement (including any related definitions for such provision) is amended or otherwise modified in a manner that is more restrictive to the Loan Parties or more favorable to the Existing Credit Agreement Lenders than the representations, warranties or covenants then set forth in the Existing Credit Agreement or any additional representation, warranty or covenant not set forth in this Agreement is included in the Existing Credit Agreement and such representation, warranty or covenant is more restrictive to the Loan Parties or more favorable to the Existing Credit Agreement Lenders than the representations, warranties or covenants then set forth in the Existing Credit Agreement, then and in such event the Borrower shall provide notice thereof to the Administrative Agent and the corresponding representation, warranty or covenant set forth in this Agreement shall automatically be deemed to be amended, modified or incorporated herein by reference, as applicable, with the same effect as in the Existing Credit Agreement.

Section 12.7. Nonliability of Administrative Agent and Lenders.

The relationship between the Borrower and the Lenders and the Administrative Agent shall be solely that of borrower and lender. Neither the Administrative Agent nor any Lender shall have any fiduciary responsibilities to the Parent or the Borrower and no provision in this Agreement or in any of the other Loan Documents, and no course of dealing between or among any of the parties hereto, shall be deemed to create any fiduciary duty owing by the Administrative Agent or any Lender to any Lender, the Parent, the Borrower, any Subsidiary of the Parent or the Borrower or any other Loan Party. Neither the Administrative Agent nor any Lender undertakes any responsibility to the Borrower or the Parent to review or inform the Borrower or the Parent of any matter in connection with any phase of the Borrower's or Parent's business or operations.

Section 12.8. Confidentiality.

The Administrative Agent and each Lender shall use reasonable efforts to assure that information about the Borrower, the Parent, the other Loan Parties and other Subsidiaries of the Parent and the Borrower, and the Properties thereof and their operations, affairs and financial condition, not generally disclosed to the public, which is furnished to the Administrative Agent or any Lender pursuant to the provisions of this Agreement or any other Loan Document, is used only for the purposes of this Agreement and the other Loan Documents and shall not be divulged to any Person other than the Administrative Agent, the Lenders, and their respective agents who are actively and directly participating in the evaluation, administration or enforcement of the Loan Documents and other transactions between the Administrative Agent or such Lender, as applicable, and the Borrower and the Parent, but in any event the Administrative Agent and the Lenders may make disclosure: (a) to any of their respective Affiliates (provided such Affiliates shall agree to keep such information confidential in accordance with the terms of this Section 12.8.); (b) as reasonably requested by any bona fide Eligible Assignee, Participant or other transferee in connection with the contemplated transfer of any Commitment or participations therein as permitted hereunder (provided they shall agree to keep such information confidential in accordance with the terms of this Section); (c) as required or requested by any Governmental Authority or representative thereof or pursuant to legal process or in connection with any legal proceedings; (d) to the Administrative Agent's or such Lender's independent auditors and other professional advisors (provided they shall be notified of the confidential nature of the information); (e) after the happening and during the continuance of an Event of Default, to any other Person, in connection with the exercise by the Administrative Agent or the Lenders of rights hereunder or under any of the other Loan Documents; (f) upon Borrower's prior consent (which consent shall not be unreasonably withheld), to any contractual counter-parties to any swap or similar hedging agreement or to any rating agency; (g) to the extent such information (x) becomes publicly available other than as a result of a breach of this Section actually known to such Lender to be such a breach or (y) becomes available to the Administrative Agent or any Lender on a nonconfidential basis from a source other than the Parent, the Borrower or any Affiliate,

and (h) with the consent of the Borrower. Notwithstanding the foregoing, the Administrative Agent and each Lender may disclose any such confidential information, upon notice to the Borrower or any other Loan Party, to the extent practicable (provided, that, any failure by the Administrative Agent or any Lender to give such notice to the Borrower or any Loan Party shall not subject the Administrative Agent or any Lender to any liability which may arise from such failure to give notice), to Governmental Authorities in connection with any regulatory examination of the Administrative Agent or such Lender or in accordance with the regulatory compliance policy of the Administrative Agent or such Lender.

Section 12.9. Indemnification.

(a) The Borrower shall and hereby agrees to indemnify, defend and hold harmless the Administrative Agent, each of the Lenders, any Affiliate of the Administrative Agent or any Lender, and their respective directors, officers, shareholders, agents, employees and counsel (each referred to herein as an "Indemnified Party") from and against any and all of the following (collectively, the "Indemnified Costs"): losses, costs, claims, damages, liabilities, deficiencies, judgments or expenses of every kind and nature (including, without limitation, amounts paid in settlement, court costs and the reasonable fees and disbursements of counsel incurred in connection with any litigation, investigation, claim or proceeding or any advice rendered in connection therewith, but excluding losses, costs, claims, damages, liabilities, deficiencies, judgments or expenses indemnification in respect of which is specifically covered by Section 3.12. or 4.1. or expressly excluded from the coverage of such Sections 3.12. or 4.1.) incurred by an Indemnified Party in connection with, arising out of, or by reason of, any suit, cause of action, claim, arbitration, investigation or settlement, consent decree or other proceeding (the foregoing referred to herein as an "Indemnity Proceeding") which is in any way related directly or indirectly to: (i) this Agreement or any other Loan Document or the transactions contemplated thereby; (ii) the making of any Loans hereunder; (iii) any actual or proposed use by the Borrower of the proceeds of the Loans; (iv) the Administrative Agent's or any Lender's entering into this Agreement; (v) the fact that the Administrative Agent and the Lenders have established the credit facility evidenced hereby in favor of the Borrower; (vi) the fact that the Administrative Agent and the Lenders are creditors of the Borrower and have or are alleged to have information regarding the financial condition, strategic plans or business operations of the Parent, the Borrower and their respective Subsidiaries; (vii) the fact that the Administrative Agent and the Lenders are material creditors of the Borrower and are alleged to influence directly or indirectly the business decisions or affairs of the Parent, the Borrower and their respective Subsidiaries or their financial condition; (viii) the exercise of any right or remedy the Administrative Agent or the Lenders may have under this Agreement or the other Loan Documents; (ix) any civil penalty or fine assessed by the OFAC against, and all reasonable costs and expenses (including counsel fees and disbursements) incurred in connection with defense thereof by, the Administrative Agent or any Lender as a result of conduct of the Borrower, any other Loan Party or any Subsidiary that violates a sanction enforced by the OFAC; or (x) any violation or non-compliance by the Parent, the Borrower or any Subsidiary of any Applicable Law (including any Environmental Law) including, but not limited to, any Indemnity Proceeding commenced by (A) the Internal Revenue Service or state taxing authority or (B) any Governmental Authority or other Person under any Environmental Law, including any Indemnity Proceeding commenced by a Governmental Authority or other Person seeking remedial or other action to cause the Parent, the Borrower or their respective Subsidiaries (or its respective properties) (or the Administrative Agent and/or the Lenders as successors to the Borrower) to be in compliance with such Environmental Laws; provided, however, that the Borrower shall not be obligated to indemnify any Indemnified Party for (A) any acts or omissions of such Indemnified Party in connection with matters described in this subsection to the extent arising from the gross negligence or willful misconduct of such Indemnified Party, as determined by a court of competent jurisdiction in a final, non-appealable judgment or (B) Indemnified Costs to the extent arising directly out of or resulting directly from claims of one or more Indemnified Parties against another Indemnified Party.

(b) The Borrower's indemnification obligations under this Section 12.9 shall apply to all Indemnity Proceedings arising out of, or related to, the foregoing whether or not an Indemnified Party is a named party in such Indemnity Proceeding. In this regard, this indemnification shall cover all Indemnified Costs of any Indemnified Party in connection with any deposition of any Indemnified Party or compliance with any subpoena (including any subpoena requesting the production of documents). This indemnification shall, among other things, apply to any Indemnity Proceeding commenced by other creditors of the Parent, the Borrower or any Subsidiary, any shareholder of the Parent, the Borrower or any Subsidiary (whether such shareholder(s) are prosecuting such Indemnity Proceeding in their individual capacity or derivatively on behalf of the Borrower or the Parent), any account debtor of the Parent, the Borrower or any Subsidiary or by any Governmental Authority. If indemnification is to be sought hereunder by an Indemnified Party, then such Indemnified Party shall notify the Borrower in writing of the commencement of any Indemnity Proceeding; provided, however, that the failure to so notify the Borrower shall not relieve the Borrower from any liability that it may have to such Indemnified Party pursuant to this Section 12.9.

(c) This indemnification shall apply to any Indemnity Proceeding arising during the pendency of any bankruptcy proceeding filed by or against the Parent, the Borrower and/or any Subsidiary.

(d) All out-of-pocket fees and expenses of, and all amounts paid to third-persons by, an Indemnified Party shall be advanced by the Borrower at the request of such Indemnified Party notwithstanding any claim or assertion by the Borrower that such Indemnified Party is not entitled to indemnification hereunder, upon receipt of an undertaking by such Indemnified Party that such Indemnified Party will reimburse the Borrower if it is actually and finally determined by a court of competent jurisdiction that such Indemnified Party is not so entitled to indemnification hereunder.

(e) An Indemnified Party may conduct its own investigation and defense of, and may formulate its own strategy with respect to, any Indemnity Proceeding covered by this Section and, as provided above, all Indemnified Costs incurred by such Indemnified Party shall be reimbursed by the Borrower. No action taken by legal counsel chosen by an Indemnified Party in investigating or defending against any such Indemnity Proceeding shall vitiate or in any way impair the obligations and duties of the Borrower hereunder to indemnify and hold harmless each such Indemnified Party; provided, however, that if (i) the Borrower is required to indemnify an Indemnified Party pursuant hereto and (ii) the Borrower has provided evidence reasonably satisfactory to such Indemnified Party that the Borrower has the financial wherewithal to reimburse such Indemnified Party for any amount paid by such Indemnified Party with respect to such Indemnity Proceeding, such Indemnified Party shall not settle or compromise any such Indemnity Proceeding without the prior written consent of the Borrower (which consent shall not be unreasonably withheld or delayed). Notwithstanding the foregoing, an Indemnified Party may settle or compromise any such Indemnity Proceeding without the prior written consent of the Borrower where (x) no monetary relief is sought against such Indemnified Party in such Indemnity Proceeding or (y) there is an allegation of a violation of law by such Indemnified Party.

(f) If and to the extent that the obligations of the Borrower under this Section are unenforceable for any reason, the Borrower hereby agrees to make the maximum contribution to the payment and satisfaction of such obligations which is permissible under Applicable Law.

(g) The Borrower's obligations under this Section shall survive any termination of this Agreement and the other Loan Documents and the payment in full in cash of the Obligations, and are in addition to, and not in substitution of, any other of their obligations set forth in this Agreement or any other Loan Document to which it is a party.

Section 12.10. Termination; Survival.

This Agreement shall terminate at such time as (a) all of the Commitments have been terminated, (b) none of the Lenders is obligated any longer under this Agreement to make any Loans and (c) all Obligations (other than obligations which survive as provided in the following sentence) have been paid and satisfied in full. The indemnities to which the Administrative Agent and the Lenders are entitled under the provisions of Sections 3.12., 4.1., 4.4., 11.7., 12.2. and 12.9. and any other provision of this Agreement and the other Loan Documents, and the provisions of Section 12.4., shall continue in full force and effect and shall protect the Administrative Agent and the Lenders (i) notwithstanding any termination of this Agreement, or of the other Loan Documents, against events arising before such termination as well as, in the case of Sections 11.7., 12.4. and 12.9., after such termination and (ii) at all times after any such party ceases to be a party to this Agreement with respect to all matters and events existing on or prior to the date such party ceased to be a party to this Agreement.

Section 12.11. Severability of Provisions.

Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective only to the extent of such prohibition or unenforceability without invalidating the remainder of such provision or the remaining provisions or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 12.12. GOVERNING LAW.

THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 12.13. Counterparts.

To facilitate execution, this Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts as may be convenient or required (which may be effectively delivered by facsimile, in portable document format (“PDF”) or other similar electronic means). It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto.

Section 12.14. Obligations with Respect to Loan Parties.

The obligations of the Parent and the Borrower to direct or prohibit the taking of certain actions by the other Loan Parties as specified herein shall be absolute and not subject to any defense the Parent or the Borrower may have that the Parent or the Borrower does not control such Loan Parties.

Section 12.15. Limitation of Liability.

Neither the Administrative Agent nor any Lender, nor any Affiliate, officer, director, employee, attorney, or agent of the Administrative Agent or any Lender shall have any liability with respect to, and the Parent and the Borrower hereby waives, releases, and agrees not to sue any of them upon, any claim for any

special, indirect, incidental, or consequential damages suffered or incurred by the Parent or the Borrower in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. Each of the Parent and the Borrower hereby waives, releases, and agrees not to sue the Administrative Agent or any Lender or any of the Administrative Agent's or any Lender's Affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or financed hereby.

Section 12.16. Entire Agreement.

This Agreement, the Notes, and the other Loan Documents referred to herein embody the final, entire agreement among the parties hereto and supersede any and all prior commitments, agreements, representations, and understandings, whether written or oral, relating to the subject matter hereof and thereof and may not be contradicted or varied by evidence of prior, contemporaneous, or subsequent oral agreements or discussions of the parties hereto. There are no oral agreements among the parties hereto. To the extent any term of this Agreement is inconsistent with a term of any other Loan Document to which the parties of this Agreement are party, the term of this Agreement shall control to the extent of such inconsistency.

Section 12.17. Construction.

The Administrative Agent, the Borrower, the Parent and each Lender acknowledge that each of them has had the benefit of legal counsel of its own choice and has been afforded an opportunity to review this Agreement and the other Loan Documents with its legal counsel and that this Agreement and the other Loan Documents shall be construed as if jointly drafted by the Administrative Agent, the Borrower, the Parent and each Lender.

Section 12.18. Patriot Act.

The Lenders and the Administrative Agent each hereby notifies the Borrower that pursuant to the requirements of the Patriot Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender or the Administrative Agent, as applicable, to identify the Borrower in accordance with such Act.

Section 12.19. Contractual Recognition of Bail-In.

Notwithstanding any other term of any Loan Document or any other agreement, arrangement or understanding between the parties, each party hereto acknowledges and accepts that any liability of any party to any other party under or in connection with the Loan Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to any such liability, including (without limitation):
 - (i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;
 - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it provided, that a conversion with respect to the

Parent's shares of stock may not occur if such conversion would violate the Applicable Laws or the Parent's Declaration of Trust or would cause the Parent to no longer qualify as a REIT under the Internal Revenue Code; and

(iii) a cancellation of any such liability; and

(b) a variation of any term of any Loan Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

Section 12.20. Accounting Terms.

Unless otherwise indicated, all accounting terms, ratios and measurements shall be interpreted or determined in accordance with GAAP; provided that, if at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in this Agreement, and either the Borrower or the Administrative Agent shall so request, the Parent, the Borrower and the Administrative Agent shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided further that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Parent shall provide to the Administrative Agent financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP. Notwithstanding the preceding sentence, the calculation of liabilities shall not include any fair value adjustments to the carrying value of liabilities to record such liabilities at fair value pursuant to electing the fair value option election under FASB ASC 825-10-25 (formerly known as FAS 159, The Fair Value Option for Financial Assets and Financial Liabilities) or other FASB standards allowing entities to elect fair value option for financial liabilities. Accordingly, the amount of liabilities shall be the historical cost basis, which generally is the contractual amount owed adjusted for amortization or accretion of any premium or discount.

Section 12.21. Headings.

The paragraph and section headings in this Agreement are provided for convenience of reference only and shall not affect its construction or interpretation.

EXHIBIT B

[Schedules to Term Loan Agreement - Separately Attached]

SCHEDULE I

Commitments

Lender	Commitment
Capital One, National Association	\$ 85,000,000
PNC Bank, National Association	\$ 50,000,000
Regions Bank	\$ 50,000,000
U.S. Bank National Association	\$ 25,000,000
TD Bank, N.A.	\$ 25,000,000
Manufacturers and Traders Trust Company	\$ 15,000,000
TOTAL	\$ 250,000,000

SCHEDULE 1.1(A)

List of Loan Parties

Name	Jurisdiction of Formation	Jurisdictions of Foreign Qualification
Borrower		
Corporate Office Properties, L.P.	Delaware	Maryland, New Jersey, Pennsylvania, Virginia, Alabama and District of Columbia
Parent		
Corporate Office Properties Trust	Maryland	District of Columbia

Schedule 6.1(b) Part I
Ownership Structure - All Subsidiaries

Name	Jurisdiction	Person Holding an Equity Interest	Nature of Interests Held	Percentage Ownership	Excluded or Material
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Schedule 6.1(b) Part 2
Unconsolidated Affiliates

Name	Type of Legal Entity	Nature of Interests
		Held
BDCP Vision LLC	Limited Liability Company	Member
LifeJourney, Inc.	Corporation	Preferred Shareholder
Blue Delta Capital Fund, LP	Limited Partnership	Limited Partner
BDCP Sky LLC	Limited Liability Company	Member
GI-COPT DC Partnership, LLC	Limited Liability Company	Member

Schedule 6.1(f) - Real Property
As of November 7, 2018

Address	Square Feet
----------------	--------------------

Schedule 6.1(f) Part II - Real Property Liens
As of November 7, 2018

SCHEDULE 6.1(g) - Indebtedness and Guaranties
As of November 7, 2018

Loan	Recourse Guarantee Amount	JV %	Outstanding Balance ¹⁾	Secured/ Unsecured
\$800M Revolver			99,000,000	U
\$300M Term Loan			100,000,000	U
\$250M Term Loan			250,000,000	U
3.6% Senior Unsecured Notes			350,000,000	U
5.25% Senior Unsecured Notes			250,000,000	U
3.7% Senior Unsecured Notes			300,000,000	U
5.0% Senior Unsecured Notes			300,000,000	U
MDE Note			1,511,142	U
			<u>1,650,511,142</u>	
State Farm (Albert Einstein)			519,167	S
PNC (7740 Milestone Parkway)			17,892,469	S
Northwestern Mutual			52,799,799	S
			<u>71,211,435</u>	
Add: Pro Rata Share of JV Debt				
PNC (M Square)		50%	21,587,119	S
State Farm (1000 Redstone Gateway) ²⁾	10,476,352	85%	10,476,352	S
State Farm (1100 Redstone Gateway) ²⁾	10,994,753	85%	10,994,753	S
State Farm (1200 Redstone Gateway) ²⁾	12,706,714	85%	12,706,714	S
M&T Bank (72-7400 Redstone Gateway) ²⁾	12,931,294	85%	12,931,294	S
CMBS (DC-11)		50%	6,500,000	S
CMBS (DC-12&14)		50%	9,500,000	S
CMBS (DC-8, 9 & 10)		50%	14,000,000	S
2100 L Street Construction Loan ³⁾	3,771,158	95%	10,774,738	S
COPT's share of JV Debt			<u>109,470,970</u>	
Add: Letters of Credit				
DC-6/NOVEC			1,666,311	U
COPT Stonecroft, LLC			674,700	U
COPT Stonecroft, LLC			359,000	U
COPT DC-19, LLC			516,988	U
2100 L Street			420,880	U
COPT DC Innovation			395,153	U
Misc. Development Related			182,755	U
			<u>4,215,787</u>	
Add: Capital Lease Obligations				
			<u>1,355,609</u>	
Total Indebtedness			<u><u>\$ 1,836,764,943</u></u>	

1) Outstanding Balance as of 9/30/18.

2) COPLP providing full Payment Guaranty for this JV debt.

3) COPLP providing 35% Payment Guaranty for this JV debt.

SCHEDULE 6.1(i)

Litigation

None

Schedule 6.1(y) - Unencumbered Assets
as of November 7, 2018

Address	Square Feet
----------------	--------------------

EXHIBIT C

REAFFIRMATION OF OBLIGATIONS

November 7, 2018

The undersigned (the "Guarantor") hereby (a) reaffirms its continuing obligations owing under the Guaranty dated as of December 17, 2015, executed and delivered by the Guarantor (the "Guaranty") and (b) agrees that the Third Amendment to Term Loan Agreement dated the date hereof (the "Amendment") amending the Term Loan Agreement dated as of December 17, 2015, as amended by that certain First Amendment to Term Loan Agreement dated as of September 15, 2016, as amended by that certain Second Amendment to Term Loan Agreement dated as of December 18, 2017 (as amended, restated, supplemented and/or otherwise modified from time to time and as in effect immediately prior to the date hereof, the "Term Loan Agreement"), by and among CORPORATE OFFICE PROPERTIES, L.P., a limited partnership formed under the laws of the State of Delaware (the "Borrower"), CORPORATE OFFICE PROPERTIES TRUST, a real estate investment trust formed under the laws of the State of Maryland (the "Parent"), each of the Lenders party thereto, and CAPITAL ONE, NATIONAL ASSOCIATION, as Administrative Agent (the "Agent"), and the transactions contemplated by the Amendment, do not in any way affect the validity and enforceability of the Guaranty, or reduce, impair or discharge the obligations of such Guarantor thereunder.

The Guarantor represents and warrants to the Agent and the Lenders that the execution, delivery, and performance of this Reaffirmation of Obligations has been authorized by all requisite action on the part of such Guarantor and will not violate such Guarantor's organizational or governing documents.

The Guarantor further agrees that references to the Term Loan Agreement contained in any Loan Document (as defined in the Term Loan Agreement) shall be deemed to be references to the Term Loan Agreement, as amended by the Amendment.

This Reaffirmation of Obligations shall be construed in accordance with and be governed by the laws (without giving effect to the conflict of law principles thereof) of the State of New York.

[Signature on Next Page]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Reaffirmation of Obligations as of the date first above written.

CORPORATE OFFICE PROPERTIES TRUST

By: _____
Name:
Title:

**CORPORATE OFFICE PROPERTIES TRUST
SUBSIDIARIES OF REGISTRANT**Alabama

COPT Bridge Street Office, LLC

Delaware

2100 L Holdings, LLC

Airport Square Holdings I, LLC

Airport Square Holdings VI and VII, LLC

Blue Bell Investment Company, L.P.

COPT Acquisitions, Inc.

COPT Colgate General, LLC

COPT DC-6, LLC

COPT Maritime I & II, LLC

COPT Stevens Place, LLC

Corporate Office Properties Holdings, Inc.

Corporate Office Properties, L.P.

DC-11 DE, LLC

DC-12-14 DE, LLC

DC-8-9-10 DE, LLC

Delaware Airport IX, LLC

Delaware Airport VIII, LLC

GI-COPT DC Partnership LLC

Great Mills I, L.L.C.

Great Mills II, L.L.C.

Great Mills III, L.L.C.

Great Mills IV, L.L.C.

Great Mills V, L.L.C.

LW Redstone Company, LLC

Powerloft Holdings, LLC

Profit Interest Holding LLC

Redstone Gateway 1000, LLC

Redstone Gateway 1100, LLC

Redstone Gateway 1200, LLC

Redstone Gateway 2100, LLC

Redstone Gateway 4000, LLC

Redstone Gateway 4100, LLC

Redstone Gateway 6500, LLC

Redstone Gateway 7100, LLC

Redstone Gateway 7200, LLC

Stevens Investors, LLC

Stevens School Holdings, LLC

Maryland

100 Charm City, LLC

100 LS Borrower, LLC

1460 Dorsey Road, LLC

1550 Nursery, LLC

250 Charm City, LLC

2500 Riva Trust

30 Charm City, LLC

30 LS Borrower, LLC

45310 Abell House, LLC
6711 Gateway, LLC
6721 Gateway, LLC
6731 Gateway, LLC
6741 Gateway, LLC
7000 Honeys, LLC
7005 Columbia Gateway, LLC
7015 Albert Einstein Drive, L.L.C.
7200 Riverwood, LLC
7205 Riverwood, LLC
7318 Parkway Drive Enterprises, LLC
7320 Parkway Drive Enterprises, LLC
7740 Milestone, LLC
7760 Milestone Parkway, LLC
7780 Milestone Parkway, LLC
7874 Milestone Parkway, LLC
7876 Milestone Parkway, LLC
7878 Milestone Parkway, LLC
7880 Milestone Parkway, LLC
Airport Square IV, LLC
Airport Square Partners, LLC
Airport Square Storms, LLC
Airport Square V, LLC
Airport Square XI, LLC
Airport Square XIII, LLC
Airport Square XXII, LLC
Airport Square, LLC
AP#5 Lot A, LLC
AP#5 Lot B, LLC
AP#5 Lot C, LLC
Arundel Preserve #5, LLC
Clarks Hundred II, LLC
Clarks Hundred, LLC
Colgatedrive Associates, LLC
Columbia Equity Finance, LLC
Columbia Gateway S-28, L.L.C.
COMI Investments, LLC
Commons Office 6-B, LLC
Commons Office Research, LLC
COPT Aberdeen, LLC
COPT AP 9, LLC
COPT Arundel Preserve, LLC
COPT Baltimore County I, LLC
COPT Baltimore County II, LLC
COPT Brock Bridge, LLC
COPT CC 1600, LLC
COPT CC Bulkhead, LLC
COPT CC D1, LLC
COPT CC Holding, LLC
COPT CC Parking, LLC
COPT CC Tower, LLC
COPT CCW I, LLC
COPT CCW II, LLC
COPT CCW III, LLC

COPT Data Management, LLC
COPT Development & Construction Services, LLC
COPT Frederick, LLC
COPT Gate 63, LLC
COPT Gate 6700-6708-6724, LLC
COPT General, LLC
COPT Harbour's Edge, LLC
COPT Huntsville, LLC
COPT Northgate A, LLC
COPT Northgate B, LLC
COPT Northgate C, LLC
COPT Northgate D, LLC
COPT Northgate H, LLC
COPT Northgate I, LLC
COPT Powerhouse, LLC
COPT Pres Investment, LLC
COPT Property Management Services, LLC
COPT Renovation, LLC
COPT Riverwood, LLC
COPT T-11, LLC
COPT Virtru, LLC
COPT-Kirk AP#5, LLC
Corporate Development Services, LLC
Corporate Gatespring II, LLC

Corporate Gatespring, LLC
Corporate Office Management, Inc.
Corporate Office Services, LLC
Enterprise Campus Developer, LLC
Fifth Exploration, L.L.C.
Fourth Exploration, L.L.C.
Gateway 44, LLC
Gateway 67, LLC
Gateway 70, LLC
Gateway Crossing 95, LLC
Honeyland 108, LLC
Huntsville Holdings, LLC
Jolly COPT I, LLC
Jolly COPT II, LLC
M Square 5801, LLC
M Square 5825, LLC
M Square 5850, LLC
M Square Associates, LLC
M Square Park, LLC
Maritime Holdings, LLC
MOR Forbes, LLC
NBP 131, LLC
NBP 132, LLC
NBP 133, LLC
NBP 134, LLC
NBP 135, LLC
NBP 140, LLC
NBP 141, LLC
NBP 191, LLC
NBP 201, LLC

NBP 211, LLC
NBP 220, LLC
NBP 221, LLC
NBP 300 Restaurant, LLC
NBP 300, LLC
NBP 302, LLC
NBP 304, LLC
NBP 306, LLC
NBP 308, LLC
NBP 310, LLC
NBP 312, LLC
NBP 314, LLC
NBP 316, LLC
NBP 318, LLC
NBP 320, LLC
NBP 322, LLC
NBP 324, LLC
NBP 410, LLC
NBP 420, LLC
NBP 430, LLC
NBP 520, LLC
NBP 540, LLC
NBP Huff & Puff, LLC
NBP Lot 3-A, LLC
NBP One, LLC
NBP Retail, LLC
Nottingham Ridge Holding Corp.
One Sellner Road, LLC
Park Circle Equities, LLC
Pecan Court L.L.C.
Red Cedar Building, LLC
RG 2100 Restaurant, LLC
RIVA Trustee, LLC
Riverwood Business Center Equity Affiliates, LLC
Third Exploration L.L.C.
W&M Business Trust

Texas

C Texas SG, LLC
COPT 8000 Potranco, L.P.
COPT 8030 Potranco, L.P.
COPT 8100 Potranco, L.P.
COPT SA Technology Center, L.P.
COPT San Antonio , L.P.
COPT San Antonio General, LLC
COPT San Antonio II, L.P.
COPT Westpointe 3A, L.P.
COPT Westpointe 4, L.P.

Virginia

Beaumeade LC Phase III, LLC
COPT Connect, LLC
COPT Dahlgren I, LLC
COPT Dahlgren II, LLC

COPT Dahlgren IV, LLC
COPT Dahlgren Land, LLC
COPT Dahlgren, LLC
COPT DC Innovation, LLC
COPT DC Partner, LLC
COPT DC-15, LLC
COPT DC-19, LLC
COPT DC-21, LLC
COPT Greens I, LLC
COPT Greens II, LLC
COPT Greens III, LLC
COPT McLearn, LLC
COPT Metro Place II, LLC
COPT Park Meadow, LLC
COPT Parkstone, LLC
COPT Richmond I, LLC
COPT Ridgeview I, LLC
COPT Ridgeview II & III, LLC
COPT Southwest VA, LLC
COPT Stonecroft, LLC
COPT Sunrise, LLC
DC-11, LLC
DC-12-14, LLC
DC-8-9-10, LLC
Maries Tech Park, LLC
Patriot Ridge 7770, LLC
Patriot Ridge Commons, LLC
Patriot Ridge Holdings, LLC
Patriot Ridge I, LLC
Patriot Ridge II, LLC
TRC Pinnacle Towers, L.L.C.
Waterside I, LLC

**CORPORATE OFFICE PROPERTIES, L.P.
SUBSIDIARIES OF REGISTRANT**Alabama

COPT Bridge Street Office, LLC

Delaware

2100 L Holdings, LLC

Airport Square Holdings I, LLC

Airport Square Holdings VI and VII, LLC

Blue Bell Investment Company, L.P.

COPT Colgate General, LLC

COPT DC-6, LLC

COPT Maritime I & II, LLC

COPT Stevens Place, LLC

DC-11 DE, LLC

DC-12-14 DE, LLC

DC-8-9-10 DE, LLC

Delaware Airport IX, LLC

Delaware Airport VIII, LLC

GI-COPT DC Partnership LLC

Great Mills I, L.L.C.

Great Mills II, L.L.C.

Great Mills III, L.L.C.

Great Mills IV, L.L.C.

Great Mills V, L.L.C.

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Profit Interest Holding LLC

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Redstone Gateway 1100, LLC

Redstone Gateway 1200, LLC

Redstone Gateway 2100, LLC

Redstone Gateway 4000, LLC

Redstone Gateway 4100, LLC

Redstone Gateway 6500, LLC

Redstone Gateway 7100, LLC

Redstone Gateway 7200, LLC

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Stevens School Holdings, LLC

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100 LS Borrower, LLC

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1550 Nursery, LLC

250 Charm City, LLC

2500 Riva Trust

30 Charm City, LLC

30 LS Borrower, LLC

45310 Abell House, LLC

6711 Gateway, LLC

6721 Gateway, LLC

6731 Gateway, LLC
6741 Gateway, LLC
7000 Honeys, LLC
7005 Columbia Gateway, LLC
7015 Albert Einstein Drive, L.L.C.
7200 Riverwood, LLC
7205 Riverwood, LLC
7318 Parkway Drive Enterprises, LLC
7320 Parkway Drive Enterprises, LLC
7740 Milestone, LLC
7760 Milestone Parkway, LLC
7780 Milestone Parkway, LLC
7874 Milestone Parkway, LLC
7876 Milestone Parkway, LLC
7878 Milestone Parkway, LLC
7880 Milestone Parkway, LLC
Airport Square IV, LLC
Airport Square Partners, LLC
Airport Square Storms, LLC
Airport Square V, LLC
Airport Square XI, LLC
Airport Square XIII, LLC

Airport Square XXII, LLC
Airport Square, LLC
AP#5 Lot A, LLC
AP#5 Lot B, LLC
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Clarks Hundred, LLC
Colgatedrive Associates, LLC
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Columbia Gateway S-28, L.L.C.
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COPT Baltimore County II, LLC
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COPT CC Bulkhead, LLC
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COPT Development & Construction Services, LLC
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COPT Gate 6700-6708-6724, LLC
COPT General, LLC
COPT Harbour's Edge, LLC
COPT Huntsville, LLC
COPT Northgate A, LLC
COPT Northgate B, LLC
COPT Northgate C, LLC
COPT Northgate D, LLC
COPT Northgate H, LLC
COPT Northgate I, LLC
COPT Powerhouse, LLC
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COPT Property Management Services, LLC
COPT Renovation, LLC
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COPT T-11, LLC
COPT Virtru, LLC
COPT-Kirk AP#5, LLC
Corporate Development Services, LLC
Corporate Gatespring II, LLC
Corporate Gatespring, LLC
Corporate Office Management, Inc.
Corporate Office Services, LLC
Enterprise Campus Developer, LLC
Fifth Exploration, L.L.C.
Fourth Exploration, L.L.C.
Gateway 44, LLC
Gateway 67, LLC
Gateway 70, LLC
Gateway Crossing 95, LLC
Honeyland 108, LLC
Huntsville Holdings, LLC
Jolly COPT I, LLC
Jolly COPT II, LLC
M Square 5801, LLC
M Square 5825, LLC
M Square 5850, LLC
M Square Associates, LLC
M Square Park, LLC
Maritime Holdings, LLC
MOR Forbes, LLC
NBP 131, LLC
NBP 132, LLC
NBP 133, LLC
NBP 134, LLC
NBP 135, LLC
NBP 140, LLC
NBP 141, LLC
NBP 191, LLC
NBP 201, LLC
NBP 211, LLC
NBP 220, LLC
NBP 221, LLC

NBP 300 Restaurant, LLC

NBP 300, LLC

NBP 302, LLC

NBP 304, LLC

NBP 306, LLC

NBP 308, LLC

NBP 310, LLC

NBP 312, LLC

NBP 314, LLC

NBP 316, LLC

NBP 318, LLC

NBP 320, LLC

NBP 322, LLC

NBP 324, LLC

NBP 410, LLC

NBP 420, LLC

NBP 430, LLC

NBP 520, LLC

NBP 540, LLC

NBP Huff & Puff, LLC

NBP Lot 3-A, LLC

NBP One, LLC

NBP Retail, LLC

Nottingham Ridge Holding Corp.

One Sellner Road, LLC

Park Circle Equities, LLC

Pecan Court L.L.C.

Red Cedar Building, LLC

RG 2100 Restaurant, LLC

RIVA Trustee, LLC

Riverwood Business Center Equity Affiliates, LLC

Third Exploration L.L.C.

W&M Business Trust

Texas

C Texas SG, LLC

COPT 8000 Potranco, L.P.

COPT 8030 Potranco, L.P.

COPT 8100 Potranco, L.P.

COPT SA Technology Center, L.P.

COPT San Antonio, L.P.

COPT San Antonio General, LLC

COPT San Antonio II, L.P.

COPT Westpointe 3A, L.P.

COPT Westpointe 4, L.P.

Virginia

Beaumeade LC Phase III, LLC

COPT Connect, LLC

COPT Dahlgren I, LLC

COPT Dahlgren II, LLC

COPT Dahlgren IV, LLC

COPT Dahlgren Land, LLC

COPT Dahlgren, LLC

COPT DC Innovation, LLC
COPT DC Partner, LLC
COPT DC-15, LLC
COPT DC-19, LLC
COPT DC-21, LLC
COPT Greens I, LLC
COPT Greens II, LLC
COPT Greens III, LLC
COPT McLearn, LLC
COPT Metro Place II, LLC
COPT Park Meadow, LLC
COPT Parkstone, LLC
COPT Richmond I, LLC
COPT Ridgeview I, LLC
COPT Ridgeview II & III, LLC
COPT Southwest VA, LLC
COPT Stonecroft, LLC
COPT Sunrise, LLC
DC-11, LLC
DC-12-14, LLC
DC-8-9-10, LLC
Maries Tech Park, LLC
Patriot Ridge 7770, LLC
Patriot Ridge Commons, LLC
Patriot Ridge Holdings, LLC
Patriot Ridge I, LLC
Patriot Ridge II, LLC
TRC Pinnacle Towers, L.L.C.
Waterside I, LLC

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-3 (No. 333-36740, No. 333-60379, No. 333-187841, No. 333-203031, and No. 333-210714) and S-8 (No. 333-87384, No. 333-88711, No. 333-118096, No. 333-118097, No. 333-151105, No. 333-166989, and No. 333-218035) of Corporate Office Properties Trust of our report dated February 21, 2019 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland
February 21, 2019

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-210714-01) of Corporate Office Properties, L.P. of our report dated February 21, 2019 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland
February 21, 2019

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATIONS REQUIRED BY
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATIONS

I, Stephen E. Budorick, certify that:

1. I have reviewed this Annual Report on Form 10-K of Corporate Office Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2019

/s/ Stephen E. Budorick

Stephen E. Budorick
President and Chief Executive Officer

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATIONS REQUIRED BY
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATIONS

I, Anthony Mifsud, certify that:

1. I have reviewed this Annual Report on Form 10-K of Corporate Office Properties Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2019

/s/ Anthony Mifsud

Anthony Mifsud
Chief Financial Officer

CORPORATE OFFICE PROPERTIES, L.P.

CERTIFICATIONS REQUIRED BY
RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934CERTIFICATIONS

I, Stephen E. Budorick, certify that:

1. I have reviewed this Annual Report on Form 10-K of Corporate Office Properties, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2019

/s/ Stephen E. Budorick

Stephen E. Budorick

President and Chief Executive Officer

CORPORATE OFFICE PROPERTIES, L.P.

CERTIFICATIONS REQUIRED BY
RULE 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934CERTIFICATIONS

I, Anthony Mifsud, certify that:

1. I have reviewed this Annual Report on Form 10-K of Corporate Office Properties, L.P.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2019

/s/ Anthony Mifsud

Anthony Mifsud
Chief Financial Officer

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATIONS REQUIRED BY

RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934

In connection with the Annual Report on Form 10-K of Corporate Office Properties Trust (the "Company") for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen E. Budorick, President and Chief Executive Officer of the Company, certify that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen E. Budorick

Stephen E. Budorick

President and Chief Executive Officer

Date: February 21, 2019

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATIONS REQUIRED BY

RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934

In connection with the Annual Report on Form 10-K of Corporate Office Properties Trust (the "Company") for theyear ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony Mifsud, Chief Financial Officer of the Company, certify that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Anthony Mifsud

Anthony Mifsud
Chief Financial Officer

Date: February 21, 2019

CORPORATE OFFICE PROPERTIES, L.P.

CERTIFICATIONS REQUIRED BY

RULE 15d-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934

In connection with the Annual Report on Form 10-K of Corporate Office Properties, L.P. (the "Company") for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen E. Budorick, President and Chief Executive Officer of the Company, certify that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Stephen E. Budorick

Stephen E. Budorick

President and Chief Executive Officer

Date: February 21, 2019

CORPORATE OFFICE PROPERTIES, L.P.

CERTIFICATIONS REQUIRED BY

RULE 15d-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934

In connection with the Annual Report on Form 10-K of Corporate Office Properties, L.P. (the "Company") for the year ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Anthony Mifsud, Chief Financial Officer of the Company, certify that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Anthony Mifsud

Anthony Mifsud
Chief Financial Officer

Date: February 21, 2019