

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

(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, 2007

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

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

23-2947217

(IRS Employer Identification No.)

6711 Columbia Gateway Drive, Suite 300
Columbia, MD

(Address of principal executive offices)

21046

(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
Series G Cumulative Redeemable Preferred Shares of beneficial interest, \$0.01 par value
Series H Cumulative Redeemable Preferred Shares of beneficial interest, \$0.01 par value
Series J Cumulative Redeemable Preferred Shares of beneficial interest, \$0.01 par value

New York Stock Exchange
New York Stock Exchange
New York Stock Exchange
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. 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. 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. 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, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and nonvoting common equity held by non-affiliates of the registrant was approximately \$1.9 billion, as calculated using the closing price of the common shares of beneficial interest on the New York Stock Exchange and our outstanding shares as of June 29, 2007; for purposes of calculating this amount only, affiliates are defined as Trustees, executive owners and beneficial owners of more than 10% of the registrant's outstanding common shares of beneficial interest. At January 31, 2008, 47,383,967 of the registrant's common shares of beneficial interest, \$0.01 par value, were outstanding.

Portions of the annual shareholder report for the year ended December 31, 2007 are incorporated by reference into Parts I and II of this Form 10-K and portions of the proxy statement of the registrant for its 2008 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.

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FORWARD-LOOKING STATEMENTS

This Form 10-K 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," "expect," "estimate" 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:

- our ability to borrow on favorable terms;
- general economic and business conditions, which will, among other things, affect office property demand and rents, tenant creditworthiness, interest rates and financing availability;
- adverse changes in the real estate markets including, among other things, increased competition with other companies;
- 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 and 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;
- our ability to satisfy and operate effectively under Federal income tax rules relating to real estate investment trusts and partnerships;
- governmental actions and initiatives; and
- environmental requirements.

For further information on factors that could affect the company and the statements contained herein, you should refer to the section below entitled "Item 1A. Risk Factors." We undertake no obligation to update or supplement forward-looking statements.

PART I

Item 1. Business

OUR COMPANY

General. We are a fully-integrated and self-managed real estate investment trust ("REIT") that focuses on the acquisition, development, ownership, management and leasing of suburban office properties in select markets and submarkets. We also focus on servicing the multi-location requirements of strategic customers and strategic industries in which tenants have specialized product requirements. Our properties are typically concentrated in large office parks located in demographically strong markets and submarkets and/or near demand drivers for strategic customers and industries. As of December 31, 2007, our investments in real estate included the following:

- 228 wholly owned operating properties in Maryland, Virginia, Colorado, Texas, Pennsylvania and New Jersey containing 17.8 million rentable square feet that were 92.6% occupied;
- 19 wholly owned office properties under construction or development that we estimate will total approximately 1.8 million square feet upon completion and one wholly owned office property totaling 74,749 square feet that was under redevelopment;
- wholly owned land parcels totaling 1,479 acres that were predominantly located near certain of our operating properties and that we believe are potentially developable into approximately 12.4 million square feet; and
- partial ownership interests through joint ventures in the following:
 - 18 operating properties containing approximately 805,796 rentable square feet that were 90.4% occupied;
 - one property under construction that we estimate will total 151,800 square feet upon completion and an aggregate of 471,866 square feet in three properties that were under redevelopment; and
 - land parcels totaling 225 acres (including 56 acres under contract) that were predominantly located near certain of our operating properties and potentially developable into approximately 2.5 million square feet.

We conduct almost all of our operations through our operating partnership, Corporate Office Properties, L.P. (the "Operating Partnership"), a Delaware limited partnership, of which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies ("LLCs"). The Operating Partnership also owns 100% of Corporate Office Management, Inc. ("COMI") and owns, either directly or through COMI, 100% of the following entities that provide real estate services primarily to us but also to third parties (collectively defined as the "Service Companies"): COPT Property Management Services, LLC ("CPM"), COPT Development & Construction Services, LLC ("CDC"), Corporate Development Services, LLC ("CDS") and COPT Environmental Systems, LLC ("CES").

Interests in our Operating Partnership are in the form of common and preferred units. As of December 31, 2007, we owned approximately 84.7% of the outstanding common units and approximately 95.8% of the outstanding preferred units in our Operating Partnership. The remaining common and preferred units in our Operating Partnership were owned by third parties, which included certain of our Trustees.

We believe that we are organized and have operated in a manner that permits us to satisfy the requirements for taxation as a REIT under the Internal Revenue Code of 1986, as amended, and we

intend to continue to operate in such a manner. If we qualify for taxation as a REIT, we generally will not be subject to Federal income tax on our taxable income that is distributed to our 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 (excluding net capital gains).

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

Corporate Office Properties Trust's Internet address is www.copt.com. We make available on our Internet website free of charge our annual report 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 Exchange Act as soon as reasonably possible after we file such material with the Securities and Exchange Commission. In addition, we have made available on our Internet website under the heading "Corporate Governance" the charters for our Board of Trustees' Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee, 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 Securities and Exchange Commission (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. The public may also read and copy paper filings that we have made with the SEC at the SEC's Public Reference Room. Information on the operation of the Public Reference Room may be obtained by calling (800) SEC-0330.

Significant 2007 Developments

During 2007, we:

- experienced increased revenues, operating expenses and operating income due primarily to the addition of properties through acquisition and construction activities;
- finished the period with 92.6% occupancy of our wholly owned portfolio of properties;
- completed, on January 9 and 10, 2007, a series of transactions that resulted in the acquisition of 56 operating properties totaling approximately 2.4 million square feet and land parcels totaling 187 acres. We refer to these transactions collectively as the Nottingham Acquisition. All of the acquired properties are located in Maryland, with 36 of the operating properties, totaling 1.6 million square feet, and land parcels totaling 175 acres, located in White Marsh, Maryland (located in the Suburban Baltimore region) and the remaining properties and land parcels located in other regions in Northern Baltimore County and the Baltimore/Washington Corridor. We believe that the land parcels can support at least 2.0 million developable square feet. We completed the Nottingham Acquisition for an aggregate cost of \$366.9 million. We financed the acquisition by issuing \$26.6 million in Series K Cumulative Redeemable Convertible Preferred Shares of beneficial interest (the "Series K Preferred Shares") to the seller at a value of, and liquidation preference equal to, \$50 per share, issuing \$156.7 million in common shares of beneficial interest ("common shares") to the seller at a value of \$49.57 per share, using \$20.1 million from an escrow funded by proceeds from one of our property sales and using debt borrowings for the remainder;

- had five newly-constructed properties totaling 568,433 square feet become fully operational (68,196 of these square feet were placed into service in 2006). We also had 48,377 square feet placed into service in one partially operational property;
- sold four operating properties (including one acquired in the Nottingham Acquisition) and three parcels of land acquired in the Nottingham Acquisition for a total of \$26.5 million, resulting in recognized gains before minority interest and taxes of \$6.9 million (we incurred \$1.1 million in income tax expense on these sales).
- amended and restated the credit agreement on our Revolving Credit Facility on October 1, 2007, increasing the amount of the lenders' aggregate commitment under the facility from \$500.0 million to \$600.0 million with a right for us to further increase the lenders' aggregate commitment during the term to a maximum of \$800.0 million, subject to certain conditions. The facility matures on September 30, 2011, and may be extended by us for a period of one year, subject to certain conditions; and
- borrowed \$150.0 million under a mortgage loan with a 10-year term at a fixed rate of 5.65%, using the proceeds to repay other debt.

Subsequent Events

Subsequent to December 31, 2007, we:

- completed the formation of M Square Associates, LLC, a consolidated joint venture in which we hold a 45% equity interest, on January 29, 2008. This joint venture will own, develop and manage office properties, approved for up to approximately 750,000 square feet, located in M Square Research Park in College Park, Maryland (College Park, Maryland is located in the Suburban Maryland region). This joint venture had construction underway on a 118,107 square foot property within M Square Research Park;
- had a 59,763 square foot property in Colorado Springs that was 100% pre-leased become fully operational on January 29, 2008; and
- completed the sale of the 429 Ridge Road property in the Northern/Central New Jersey region for \$17.0 million on January 31, 2008.

Corporate Objectives and Strategies

Our primary objectives are to achieve sustainable long-term growth in results of operations and to maximize long-term shareholder value. Important elements of our strategy are set forth below:

Market Strategy. We typically concentrate our operations in markets and submarkets where we believe that we already possess or can achieve the critical mass necessary to maximize management efficiencies, operating synergies and competitive advantages through our acquisition, property management, leasing and development programs. The attributes we look for in selecting markets and submarkets include, among others: (1) proximity to large demand drivers; (2) strong demographics; (3) attractiveness to high quality tenants, including strategic customers and strategic industries; (4) potential for growth and stability in economic down cycles; and (5) future acquisition and development opportunities. When we select a market or submarket, our strategy generally involves establishing an initial presence by acquiring properties in that market or submarket and then increasing our ownership through future acquisitions and development. We typically focus on owning and operating properties in business parks located outside of central business districts. We believe that such parks generally attract long-term, high-quality tenants seeking to attract and retain quality work forces

because they are typically situated along major transportation routes with easy access to support services, amenities and residential communities.

Customer Strategy. We focus on establishing, maintaining and expanding strategic customer relationships in multiple locations with tenants that are large, financially sound entities with significant long-term space requirements. We believe that we differentiate ourselves from our competitors through our commitment to outstanding customer service, trust and integrity. We believe that this strategy enables us to establish long-term relationships with quality tenants and enhances our ability to become the landlord of choice in our targeted markets. To enhance the stability of our cash flow, we typically structure our leases with terms ranging from three to ten years. Given the terms of our leases, we monitor the timing of our lease maturities with the goal being that such timing should not be highly concentrated in any given one-year or five-year period.

Industry Strategy. As an outgrowth of our customer strategy, we also focus on strategic industries in which tenants have specialized product requirements. For example, a high concentration of our revenues is generated from tenants in the United States defense industry (comprised of the United States Government and defense contractors), predominantly in defense information technology. These tenants are particularly interested in a number of our property submarkets that are located near government installations. We also enable these tenants to benefit from our significant experience in constructing and operating secure properties and properties that meet the United States Government's Force Protection requirements. We believe that this experience coupled with our existing relationships in the United States defense industry position us well to continue and grow in this industry. We seek to reinforce and expand our relationships with current and prospective tenants in this industry, while monitoring our levels of concentration from a business risk perspective.

Tenant Service Strategy. Another outgrowth of our customer service strategy is our tenant service strategy, in which we seek to capitalize on our geographic focus and critical mass of properties in our core regions by providing high level, comprehensive services to our tenants. We conduct most of our tenant services activities through our subsidiary service companies. We believe that providing quality services is an integral part of our goal to achieve consistently high levels of tenant satisfaction and retention and, again, position ourselves as a landlord of choice.

Acquisition Strategies. We pursue the acquisition of suburban office properties through a three-part acquisition strategy. This strategy includes targeting: (1) entity acquisitions of significant portfolios along with their management to establish prominent ownership positions in new neighboring regions and enhance our management infrastructure; (2) portfolio purchases to enhance our existing submarket positions as well as enter selective new neighboring regions; and (3) opportunistic acquisitions of individual properties in our existing regions. We also pursue acquisition opportunities for properties that meet the multi-location requirements of our strategic customers and strategic industries. We typically seek to make acquisitions at attractive yields and below replacement cost. We also often seek to increase cash flow and enhance the underlying value of acquisitions through repositioning the properties and capitalizing on existing below market leases and expansion opportunities.

Property Development Strategies. We balance our acquisition program through selective development and expansion of suburban office properties as market conditions and leasing opportunities support favorable risk-adjusted returns. We generally develop sites that are located near our existing properties. We believe that developing such sites enhances our ability to effectively meet tenant needs and efficiently provide critical tenant services. We also develop sites acquired in other locations in order to meet the multi-location requirements of our strategic customers and strategic industries.

Internal Growth Strategies. We aggressively manage our portfolio to maximize the operating performance of each property through: (1) proactive property management and leasing; (2) achieving operating efficiencies through increasing economies of scale and, where possible, aggregating vendor contracts to achieve volume pricing discounts; (3) renewing tenant leases and re-tenanting at increased rents where market conditions permit; and (4) expanding our tenant and real estate service capabilities.

Financing Policy

Our financing policy is aimed at maintaining a flexible capital structure in order to facilitate consistent growth and performance in the face of differing market conditions in the most cost-effective manner. Key components of our policy are set forth below:

- monitoring levels of debt relative to our overall capital structure;
- monitoring the relationship of certain measures of earnings to certain financing cost requirements; these relationships are known as coverage ratios. One coverage ratio on which our financing policy focuses is our fixed charge coverage ratio (defined as various measures of results of operations divided by the sum of (1) interest expense on continuing and discontinued operations; (2) dividends on preferred shares; and (3) distributions on preferred units in our Operating Partnership not owned by us). Coverage ratios such as the fixed charge coverage ratio are important to us in evaluating whether our operations are sufficient to satisfy the cash flow requirements of our debt and equity holders, including minority interest holders;
- monitoring the relationship of our total variable-rate debt to our total debt; this is important to us in limiting the amount of our debt that is subject to future increases in interest rates;
- monitoring the timing of our debt maturities to ensure that the maximum maturities of debt in any year, both including and excluding our primary Revolving Credit Facility, do not exceed a defined percentage of total debt;
- pursuing opportunities to reduce financing costs by refinancing existing debt or redeeming existing preferred equity when we believe market conditions to be favorable;
- pursuing the issuance of common and preferred shares when we believe market conditions to be favorable;
- using units in our Operating Partnership as an equity source to finance our investing activities; this strategy provides prospective property sellers the ability to defer taxable gains by receiving our partnership units in lieu of cash and reduces the need for us to access the equity and debt markets; and
- reducing our equity investment requirements in certain properties through the use of joint venture structures.

Debt

For information relating to future maturities of our debt, you should refer to the sections of this report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures about Market Risk," as well as Note 9 to our Consolidated Financial Statements and notes thereto, which is located in a separate section at the end of this report beginning on page F-1.

Industry Segments

We operate in one primary industry: suburban office real estate. At December 31, 2007, our suburban office real estate operations had nine primary geographical segments, as set forth below:

- Baltimore/Washington Corridor (generally defined as the Maryland counties of Howard and Anne Arundel);
- Northern Virginia (defined as Fairfax County, Virginia);
- Suburban Maryland (defined as the Maryland counties of Montgomery, Prince George's and Frederick);
- St. Mary's & King George Counties (located in Maryland and Virginia, respectively);
- Suburban Baltimore, Maryland (generally defined as the Maryland counties of Baltimore and Harford)("Suburban Baltimore");
- Colorado Springs, Colorado ("Colorado Springs");
- San Antonio, Texas ("San Antonio");
- Greater Philadelphia, Pennsylvania ("Greater Philadelphia"); and
- Northern/Central New Jersey (as of December 31, 2007, all of our properties in this segment were located in Central New Jersey).

As of December 31, 2007, 138 of our wholly owned properties were located in what is widely known as the Greater Washington, D.C. region, which includes the first four regions set forth above, and 64 were located in neighboring Suburban Baltimore. At December 31, 2007, we also owned 13 wholly owned properties in Colorado Springs and two in San Antonio. In addition, we owned eight properties in total as of December 31, 2007 in the last two locations set forth above that are considered non-core to the Company. For information relating to these geographic segments, you should refer to Note 16 to our Consolidated Financial Statements, which is included in a separate section at the end of this report beginning on page F-1.

Employees

As of December 31, 2007, we had 351 employees. We believe that our relations with our employees are good.

Competition

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 have more desirable locations, or the competing properties' owners may be willing to accept lower rents than are acceptable to us. In addition, the competitive environment for leasing is affected considerably by a number of factors including, among other things, changes in economic factors and supply and demand of 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 meeting our short-term capital needs.

We also compete for the purchase of commercial property with many entities, including other publicly-traded commercial REITs. Many of our competitors have substantially greater financial resources than ours. In addition, our competitors may be willing to accept lower returns on their

investments. If our competitors prevent us from buying properties that we have targeted for acquisition, we may not be able to meet our property acquisition goals.

Item 1A. Risk Factors

Set forth below are risks and uncertainties relating to our business and the ownership of our securities. You should carefully consider each of the risks and uncertainties below and all of the information in this Form 10-K and its Exhibits, including our Consolidated Financial Statements and notes thereto for the year ended December 31, 2007, which are included in a separate section at the end of this report beginning on page F-1.

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 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 tenant-related 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 meeting our operating expenses and capital costs, we may have 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. Moreover, there may be less or no cash available for distributions to our shareholders.

In addition, the competitive environment for leasing is affected considerably by a number of factors including, among other things, changes due to economic factors and supply and demand of 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 meeting our short-term capital needs.

Adverse developments concerning some of our major tenants and industry concentrations could have a negative impact on our revenue. As of December 31, 2007, 20 tenants accounted for 54.8% of the total annualized rental revenue of our wholly owned properties, excluding owner-occupied leasing activity, and our five largest of these tenants accounted for 35.0% of that total. We computed the 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 of wholly owned properties as of December 31, 2007. 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 GAAP does contain such fluctuations. We find the measure particularly useful for leasing, tenant, segment and industry analysis. Information regarding our five largest tenants is set forth below:

Tenant	Annualized Rental Revenue at December 31, 2007	Percentage of Total Annualized Rental Revenue of Wholly Owned Properties	Number of Leases
	(in thousands)		
United States of America	\$ 57,395	16.3%	62
Northrop Grumman Corporation(1)	26,199	7.4%	17
Booz Allen Hamilton, Inc.	19,568	5.5%	8
Computer Sciences Corporation(1)	11,446	3.2%	4
Unisys Corporation	8,843	2.5%	4

(1) Includes affiliated organizations and agencies and predecessor companies.

If any of our five largest tenants fail to make rental payments to us or if the United States Government elects to terminate several of its leases and the space cannot be re-leased on satisfactory terms, there would be an adverse effect on our financial performance and ability to make distributions to our shareholders.

As of December 31, 2007, the United States defense industry (comprising the United States Government and defense contractors) accounted for approximately 47.9% of the total annualized rental revenue of our wholly owned properties. Most of the 16.3% of our total annualized rental revenue that we derived from leases with agencies of the United States Government as of December 31, 2007 is included in the 47.9% of our total annualized revenue from the United States defense industry. We classify the revenue from our leases into industry groupings based solely on management's knowledge of the tenants' operations in leased space. Occasionally, classifications require subjective and complex judgments. For example, we have a tenant that is considered by many to be in the computer industry; however, since the nature of that tenant's operations in the space leased from us is focused on providing service to the United States Government's defense department, we classify the revenue we earn from the lease as United States defense industry revenue. We do not use independent sources such as Standard Industrial Classification codes for classifying our revenue into industry groupings and if we did, the resulting groupings would be materially different.

We have become increasingly reliant on defense industry tenants in recent years due primarily to: (1) increased activity in that industry following the events of September 11, 2001; (2) the strong presence of the industry in a number of our submarkets; and (3) our strategy to form strategic alliances with tenants in that industry. The percentage of our total annualized rental revenue derived from the defense industry could continue to increase. A reduction in government spending for defense could affect the ability of these tenants to fulfill lease obligations or decrease the likelihood that these tenants will renew their leases. In the case of the United States Government, a reduction in government spending could result in the early termination of leases. Such occurrences could have an adverse effect on our results of operations, financial condition, cash flows and ability to make distributions to our shareholders.

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. In addition, as noted above, we rely on a few major tenants for a large percentage of our total rental revenue. If one of our major tenants, or a number of our smaller tenants, were to experience financial difficulties, including bankruptcy, insolvency or general downturn of business, there could be an adverse effect on our financial performance and ability to make expected distributions to shareholders.

Most of our properties are geographically concentrated in the Mid-Atlantic region, particularly in the Greater Washington, D.C. region and neighboring Suburban Baltimore, or in particular office parks. We may suffer economic harm in the event of a decline in the real estate market or general economic conditions in those regions. Most of our properties are located in the Mid-Atlantic region of the United States and, as of December 31, 2007, our properties located in the Greater Washington, D.C. region and neighboring Suburban Baltimore accounted for a combined 87.5% of our total annualized rental revenue from wholly owned properties. Our properties are also typically concentrated in office parks in which we own most of the properties. Consequently, we do not have a broad geographic distribution of our properties. As a result, a decline in the real estate market or general economic conditions in the Mid-Atlantic region, the Greater Washington, D.C. region or the office parks in which our properties are located could have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We would suffer economic harm if we were unable to renew our leases on favorable terms. When leases expire for our properties, 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 higher capital costs than if a tenant renews. As a result, our financial performance and ability to make expected distributions to our shareholders could be adversely affected if we experience a high volume of tenant departures at the end of their lease terms. Set forth below are the percentages of total annualized rental revenue from wholly owned properties as of December 31, 2007 that are subject to scheduled lease expirations in each of the next five years:

2008	11.2%
2009	14.3%
2010	13.3%
2011	8.7%
2012	14.7%

Most of the leases with our largest tenant, the United States Government, which account for 16.3% of our total annualized rental revenue in wholly owned properties at December 31, 2007, provide for consecutive one-year terms or provide for early termination rights. All of the leasing statistics set forth above assume that the United States Government will remain in the space that it leases through the end of the respective arrangements, without ending consecutive one-year leases prematurely or exercising early termination rights. We report the statistics in this manner since we manage our leasing activities using these same assumptions and believe these assumptions to be probable.

We may not be able to compete successfully with other entities that operate in our industry. The commercial real estate market is highly competitive. We compete for the purchase of commercial property with many entities, including other publicly traded commercial REITs. Many of our competitors have substantially greater financial resources than we do. If our competitors prevent us from buying properties that we target for acquisition, we may not be able to meet our property acquisition and development goals. Moreover, numerous commercial properties compete for tenants with our properties. Some of the properties competing with ours may have newer or more desirable locations, or the competing properties' owners may be willing to accept lower rates than are acceptable to us. Competition for property acquisitions, or for tenants in properties that we own, could have an adverse effect on our financial performance and distributions to our shareholders.

We may be unable to successfully execute our plans to acquire existing commercial real estate properties. We intend to acquire existing commercial real estate properties to the extent that suitable acquisitions can be made on advantageous terms. Acquisitions of commercial properties entail risks, such as the risks that we may not be in a position, or have the opportunity in the future, to make suitable property acquisitions on advantageous terms and that such acquisitions will fail to perform as expected. The failure of our acquisitions to perform as expected could adversely affect our financial performance and our ability to make distributions to our shareholders.

We may suffer economic harm as a result of making unsuccessful acquisitions in new markets. We expect to 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 region and are therefore not able to operate the acquired property profitably. If this occurs, it could adversely affect our financial performance and our ability to make distributions to our shareholders.

We may be unable to execute our plans to develop and construct additional properties. Although the majority of our investments are in currently leased properties, we also develop, construct and

renovate properties, including some that are not fully pre-leased. When we develop, construct and renovate properties, we assume the risk that actual costs will exceed our budgets, that we will experience delays and that projected leasing will not occur, any of which could adversely affect our financial performance and our ability to make distributions to our shareholders. In addition, we generally do not obtain construction financing commitments until the development stage of a project is complete and construction is about to commence. We may find that we are unable to obtain financing needed to continue with the construction activities for such projects.

Certain of our properties containing data centers contain space not suitable for lease other than as data centers, which could make it difficult to reposition them for alternative use. Certain of our properties contain data center space, which is highly specialized space containing extensive electrical and mechanical systems that are designed uniquely to run and maintain banks of computer servers. As a result, in the event we needed to reposition such data center space to being office or industrial rental space, major renovations and expenditures would be required in order for us to prepare the space for re-lease or for us to sell to a buyer for use other than as data center space.

We may suffer economic harm as a result of the actions of our joint venture partners. We invest in certain entities in which we are not the exclusive investor or principal decision maker. As of December 31, 2007, we owned 17 fully operational properties and four properties under construction or redevelopment, and control land for future development, through joint ventures. We also continue to pursue new investments in real estate through joint ventures. Aside from our inability to unilaterally control the operations of joint ventures, our investments in joint ventures entail the additional risks that (1) the other parties to these investments may not fulfill their financial obligations as investors, in which case we may need to fund such parties' share of additional capital requirements and (2) the other parties to these investments may take actions that are inconsistent with our objectives, either of which could have an adverse effect on our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders.

We are subject to possible environmental liabilities. We are subject to various Federal, state and local environmental laws. These laws can impose liability on 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 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. These laws often impose liability on an entity even if the facility was not owned or operated by the entity.

Real estate investments are illiquid, and we may not be able to sell our 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 are depressed. Such illiquidity will tend to limit our ability to vary our portfolio of properties promptly 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 four years. In addition, for certain of our properties that we acquired by issuing units in our Operating Partnership, we are restricted by agreements with the sellers of the properties for a certain period of time from entering into transactions (such as the sale or refinancing of the acquired property) that will result in a taxable gain to the sellers without the seller's consent. Due to all of these factors, we may be unable to sell a property at an advantageous time.

We are 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 benefiting disabled persons, and state or local laws relating to zoning, construction and other matters. These laws may require significant property modifications in the future for which we may not have budgeted 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 terrorism. The occurrence of any of these events could have an adverse effect on our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may be subject to increased costs of insurance and limitations on coverage regarding acts of terrorism. Our portfolio of properties is insured for losses under our property, casualty and umbrella insurance policies through September 30, 2008. 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, either of which could adversely affect our financial position and operating results.

We may suffer adverse effects as a result of the indebtedness that we carry and the terms and covenants that relate to this debt. We have in the past operated with slightly higher debt levels than other REITs. Operating with higher debt levels could make it difficult to obtain additional financing when required and could also make us more vulnerable to an economic downturn. The majority of our properties are either collateralized or identified by us to support repayment on indebtedness. In addition, we rely on borrowings to fund some or all of the costs of new property acquisitions, construction and development activities and other items. Our organizational documents do not limit the amount of indebtedness that we may incur. As of December 31, 2007, our total outstanding debt was \$1.8 billion and our debt to total assets (defined as (1) the sum of mortgage and other loans and exchangeable senior notes divided by (2) total assets) was 62.3%.

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

- we may not be able to refinance our existing indebtedness or refinance on terms as favorable as the terms of our existing indebtedness;
- under the terms of our Revolving Credit Facility, in the event of a default on its terms by us, that our Operating Partnership could be restricted from making cash distributions to us, which could result in reduced distributions to our shareholders 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 in 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 debt is secured by not just one property but, rather, a group of properties. Some of our debt is cross-defaulted, which means that failure to pay interest or principal on a loan above a threshold value will create a default on certain of our other loans. In addition, some of our debt that is cross-defaulted also contains cross-collateralization provisions. Any foreclosure of our properties would result in loss of income and asset value that would negatively affect our financial condition, results of operations, cash flows and ability to make expected distributions to our shareholders. In addition, in certain circumstances, if we are in default and the value of the properties securing a loan is less than the loan balance, we may be required to pay the resulting shortfall to the lender using other assets.

As of December 31, 2007, 19.1% of our total debt had variable interest rates, including the effect of interest rate swaps. If short-term interest rates were to rise, our debt service payments on adjustable rate debt would increase, which would lower our net income and could decrease our distributions to our shareholders. We use interest rate swap agreements from time to time to reduce the impact of changes in interest rates. Decreases in interest rates would result in increased interest payments due under interest rate swap agreements in place and, in the event we decided to unwind such agreements, could result in us recognizing a loss and remitting a payment.

We must refinance our debt in the future. As of December 31, 2007, our scheduled debt payments over the next five years, including maturities, were as follows:

Year	Amount(1)
	(in thousands)
2008	\$ 297,120(2)
2009	62,643
2010	74,033
2011	470,814(3)
2012	42,200

- (1) Represents principal maturities only and therefore excludes premiums and discounts.
- (2) Includes maturities totaling \$84.6 million that may be extended for a one-year period, subject to certain conditions, although we only expect to extend \$40.6 million of this amount.
- (3) Includes maturities totaling \$361.0 million that may be extended for a one-year period, subject to certain conditions.

Our operations likely will not generate enough cash flow to repay some or all of this debt without additional borrowings or new equity issuances. If we cannot refinance our debt, extend the repayment dates, or raise additional equity prior to the date when our debt matures, we would default on our existing debt, which would have an adverse effect on our financial position, results of operations, cash flows and ability to make expected distributions to our shareholders.

We may be unable to continue to make shareholder distributions at expected levels. We intend to make regular quarterly cash distributions to our shareholders. However, distribution levels depend on a number of factors, some of which are beyond our control.

Our loan agreements contain provisions that could restrict future distributions. Our ability to sustain our current distribution level will also be dependent, in part, on other matters, including:

- continued property occupancy and timely payment by tenants of rent obligations;
- the amount of future capital expenditures and expenses relating to our properties;
- the level of leasing activity and future rental rates;
- the strength of the commercial real estate market;
- our ability to compete;
- 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 only after we make preferential distributions to holders of our preferred shares.

Our ownership limits are important factors. Our Declaration of Trust limits ownership of our 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. Our 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." Our Declaration of Trust allows our Board of Trustees to exempt shareholders from the Ownership Limit, and our Board of Trustees previously has exempted one entity from the Ownership Limit.

Our 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.

Our Board of Trustees is divided into three classes of Trustees, which could delay a change of control. Our Declaration of Trust divides our Board of Trustees into three classes. The term of one class of the Trustees expires each year, at which time a successor class is elected for a term ending at the third succeeding annual meeting of shareholders. Such staggered terms make it more difficult for a third party to acquire control of us. On November 19, 2007, the Board of Trustees approved an amendment to the Declaration of Trust, subject to shareholder approval at the annual meeting of shareholders to be held on May 22, 2008, to eliminate the separate classes of Trustees and, instead, have all Trustees elected at each annual meeting of shareholders; if approved by the shareholders, all Trustees would be subject to re-election for a one-year term at the annual meeting of shareholders to be held in May 2009.

The Maryland business statutes also impose potential restrictions on 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 shareholders. 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.

Our failure to qualify as a REIT would have adverse tax consequences. We believe that since 1992 we have qualified for taxation as a REIT for Federal income tax purposes. We plan 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 our gross income must come from certain sources that are itemized in the REIT tax laws. We are also required to distribute to shareholders at least 90% of our REIT taxable income (excluding capital gains). The fact that we hold most of our assets through our Operating Partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our 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 us to remain qualified as a REIT.

If we fail to qualify as a REIT, we would be subject to Federal income tax at regular corporate rates. Also, unless the Internal Revenue Service granted us relief under certain statutory provisions, we would remain disqualified as a REIT for four years following the year we first fail to qualify. If we fail

to qualify as a REIT, we would have to pay significant income taxes and would therefore have less money available for investments or for distributions to our shareholders. This would likely have a significant adverse effect on the value of our securities. In addition, we would no longer be required to make any distributions to our shareholders.

We have certain distribution requirements that reduce cash available for other business purposes. As a REIT, we must distribute at least 90% of our annual taxable income (excluding capital gains), which limits the amount of cash we have available for other business purposes, including amounts to fund our growth. 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 to meet the 90% distribution requirement. We may also become subject to tax liabilities that adversely affect our operating cash flow and available cash for distribution to shareholders.

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 our 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 of REITs relative to other investment opportunities;
- the level of institutional investor interest in our Company;
- general economic and business conditions;
- prevailing interest rates; and
- market perception of our financial condition, performance, dividends and growth potential.

Generally, REITs are tax-advantaged relative to C corporations because they generally are not subject to corporate-level Federal income tax on income that they distribute to shareholders. However, Congress made changes to the tax laws and regulations that could make it less advantageous for investors to invest in REITs. The Jobs and Growth Tax Relief Reconciliation Act of 2003, or the 2003 Act, provides that generally for taxable years beginning after December 31, 2002 and before December 31, 2008, certain dividends received by domestic individual shareholders from certain C corporations are subject to a reduced rate of tax of up to 15%. Prior to the 2003 Act, such dividends received by domestic individual shareholders were generally subject to tax at ordinary income rates, which were as high as 38.6%. In general, the provisions of the 2003 Act do not benefit individual shareholders of REITs and could make an investment in a C corporation that is not a REIT more attractive than an investment in a REIT.

The average daily trading volume of our common shares during the year ended December 31, 2007 was approximately 453,000 shares, and the average trading volume of our publicly-traded preferred shares is generally insignificant. As a result, relatively small volumes of transactions could have a pronounced effect on the market price of such shares.

Our ability to pay dividends may be limited, and we cannot assure you that we will be able to pay dividends regularly. Because we conduct substantially all of our operations through our Operating Partnership, our ability to pay dividends on any series of preferred shares will depend almost entirely on payments and dividends received on our interests in our Operating Partnership, the payment of which depends in turn on our ability to operate profitably and generate cash flow from our operations. We cannot guarantee that we will be able to pay dividends on a regular quarterly basis in the future. Additionally, the terms of some of the debt to which our Operating Partnership is a party limit its ability to make some types of payments and other dividends to us. This in turn limits our ability to make some types of payments, including payment of dividends on common or preferred shares, unless

we meet certain financial tests or such payments or dividends are required to maintain our qualification as a REIT. As a result, if we are unable to meet the applicable financial tests, we may not be able to pay dividends on our shares in one or more periods. Furthermore, any new shares of beneficial interest issued will substantially increase the cash required to continue to pay cash dividends at current levels. Any common or preferred shares of beneficial interest that may in the future be issued to finance acquisitions, upon exercise of options or otherwise, would have a similar effect.

Our ability to pay dividends is further limited by the requirements of Maryland law. Our ability to pay dividends on any series of preferred shares is further limited by the laws of Maryland. Under applicable Maryland law, a Maryland REIT may not make a distribution if, after giving effect to the distribution, the REIT would not be able to pay its debts as the debts become due in the usual course of business, or 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 the preferential rights upon dissolution of shareholders whose preferential rights are superior to those receiving the distribution. Accordingly, we may not make a distribution on any series of preferred shares if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any series of preferred shares then outstanding, if any, with preferences senior to those of any such series of preferred shares.

We may incur additional indebtedness, which may harm our financial position and cash flow and potentially impact our ability to pay dividends on any series of preferred shares. Our governing documents do not limit us from incurring additional indebtedness and other liabilities. As of December 31, 2007, we had \$1.8 billion of consolidated indebtedness outstanding. We may incur additional indebtedness and become more highly leveraged, which could harm our financial position and potentially limit our cash available to pay dividends. As a result, we may not have sufficient funds remaining to satisfy our dividend obligations relating to any series of preferred shares if we incur additional indebtedness.

We are dependent on external sources of capital for future growth. As noted above, because we are a REIT, we must distribute at least 90% of our annual taxable income to our shareholders. Due to this requirement, we will not be able to fund our acquisition, construction and development activities using cash flow from operations. Therefore, our ability to fund these activities is dependent on our ability to access capital funded by third parties. Such capital could be in the form of new debt, equity issuances of common shares, preferred shares, common and preferred units in our Operating Partnership or joint venture funding. Such capital 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 shareholders' 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.

Our business and operations would suffer in the event of system failures. Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions.

Certain of our officers and Trustees have potential conflicts of interest. Certain of our officers and members of our Board of Trustees own partnership units in our Operating Partnership. These

individuals may have personal interests that conflict with the interests of our shareholders. For example, if our Operating Partnership sells or refinances certain of the properties that these officers or Trustees contributed to the Operating Partnership, the officers or Trustees could suffer adverse tax consequences. Their personal interests could conflict with our interests if such a sale or refinancing would be advantageous to us. We have certain policies in place that are designed to minimize conflicts of interest. We cannot, however, assure you that these policies will be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all of our shareholders.

We are dependent on our key personnel, and the loss of any key personnel could have an adverse effect on our operations. We are dependent on the efforts of our executive officers. The loss of any of their services could have an adverse effect on our operations. Although certain of our officers have entered into employment agreements with us, we cannot assure you that they will remain employed with us.

We may change our policies without shareholder approval, which could adversely affect our financial condition, results of operations, market price of our common shares or ability to pay distributions. Our Board of Trustees determines all of our policies, including our investment, financing and distribution policies. Although our Board of Trustees has no current plans to do so, it may amend or revise these policies at any time without a vote of our shareholders. Policy changes could adversely affect our financial condition, results of operations, the market price of our securities or distributions.

Compliance with changing regulation of corporate governance and public disclosure may result in additional expenses, affect our operations and affect our reputation. Changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002 and new SEC regulations and New York Stock Exchange rules, continue to create uncertainty for public companies. These new or changed laws, regulations and standards are subject to varying interpretations in many cases due to their lack of specificity, and as a result, their application in practice is evolving over time as new guidance is provided by regulatory and governing bodies, which could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We are committed to maintaining high standards of corporate governance and public disclosure. As a result, our efforts to comply with evolving laws, regulations and standards have resulted in, and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities. In particular, our efforts to comply with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal controls over financial reporting has required the commitment of significant financial and managerial resources. In addition, it has become more expensive for us to obtain director and officer liability insurance. We expect these efforts to require the continued commitment of significant resources. Further, our Trustees, Chief Executive Officer and Chief Financial Officer could face an increased risk of personal liability in connection with the performance of their duties. As a result, we may have difficulty attracting and retaining qualified Trustees and executive officers, which could harm our business. If our efforts to comply with new or changed laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, our reputation may be harmed.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The following table provides certain information about our wholly owned office properties as of December 31, 2007:

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
Baltimore/Washington Corridor:						
2730 Hercules Road <i>Annapolis Junction, MD</i>	BWI Airport	1990	240,336	100.0%	\$ 5,719,779	\$ 23.80
304 Sentinel Drive <i>Annapolis Junction, MD</i>	BWI Airport	2005	162,498	100.0%	4,462,970	27.46
306 Sentinel Drive <i>Annapolis Junction, MD</i>	BWI Airport	2006	157,896	100.0%	4,317,201	27.34
2720 Technology Drive <i>Annapolis Junction, MD</i>	BWI Airport	2004	156,730	100.0%	7,016,377	44.77
2711 Technology Drive <i>Annapolis Junction, MD</i>	BWI Airport	2002	152,000	100.0%	4,353,608	28.64
320 Sentinel Way <i>Annapolis Junction, MD</i>	BWI Airport	2007	125,681	100.0%	3,160,877	25.15
318 Sentinel Way <i>Annapolis Junction, MD</i>	BWI Airport	2005	125,681	100.0%	3,159,856	25.14
322 Sentinel Way <i>Annapolis Junction, MD</i>	BWI Airport	2006	125,568	100.0%	3,023,364	24.08
140 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	2003	119,904	100.0%	3,683,231	30.72
132 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	2000	118,598	100.0%	3,231,822	27.25
2721 Technology Drive <i>Annapolis Junction, MD</i>	BWI Airport	2000	118,093	100.0%	3,390,056	28.71
2701 Technology Drive <i>Annapolis Junction, MD</i>	BWI Airport	2001	117,450	100.0%	3,579,456	30.48
1306 Concourse Drive <i>Linthicum, MD</i>	BWI Airport	1990	114,046	94.8%	2,586,891	23.92
870-880 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1981	105,151	100.0%	2,287,214	21.75
2691 Technology Drive <i>Annapolis Junction, MD</i>	BWI Airport	2005	103,683	100.0%	2,750,721	26.53
1304 Concourse Drive <i>Linthicum, MD</i>	BWI Airport	2002	101,710	76.7%	2,031,932	26.05
900 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1982	97,261	91.5%	2,199,342	24.71
1199 Winterson Road <i>Linthicum, MD</i>	BWI Airport	1988	96,636	100.0%	2,454,431	25.40
920 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1982	96,566	100.0%	1,762,329	18.25
134 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1999	93,482	100.0%	2,571,315	27.51
135 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1998	87,655	100.0%	2,491,462	28.42
133 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1997	87,401	66.3%	1,676,398	28.92
141 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1990	87,247	97.5%	2,172,909	25.54
1302 Concourse Drive <i>Linthicum, MD</i>	BWI Airport	1996	84,406	73.1%	1,500,457	24.31
7467 Ridge Road <i>Hanover, MD</i>	BWI Airport	1990	74,326	100.0%	1,773,426	23.86

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
7240 Parkway Drive <i>Hanover, MD</i>	BWI Airport	1985	73,970	76.3%	1,275,642	22.60
881 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1986	73,572	100.0%	1,686,270	22.92
1099 Winterson Road <i>Linthicum, MD</i>	BWI Airport	1988	70,569	27.9%	460,109	23.39
1190 Winterson Road <i>Linthicum, MD</i>	BWI Airport	1987	69,127	83.6%	1,591,007	27.52
131 National Business Parkway <i>Annapolis Junction, MD</i>	BWI Airport	1990	69,039	90.5%	1,737,422	27.80
849 International Drive <i>Linthicum, MD</i>	BWI Airport	1988	68,758	78.1%	1,383,777	25.78
911 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1985	68,296	100.0%	1,463,145	21.42
1201 Winterson Road <i>Linthicum, MD</i>	BWI Airport	1985	67,903	100.0%	1,018,545	15.00
999 Corporate Boulevard <i>Linthicum, MD</i>	BWI Airport	2000	67,455	91.8%	1,863,299	30.09
7272 Park Circle Drive <i>Hanover, MD</i>	BWI Airport	1991/1996	59,397	74.4%	964,031	21.83
7318 Parkway Drive <i>Hanover, MD</i>	BWI Airport	1984	59,204	100.0%	1,131,240	19.11
891 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1984	58,454	97.4%	1,245,500	21.89
7320 Parkway Drive <i>Hanover, MD</i>	BWI Airport	1983	58,453	95.9%	893,054	15.94
901 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1984	57,593	100.0%	1,236,781	21.47
930 International Drive <i>Linthicum, MD</i>	BWI Airport	1986	57,409	40.5%	459,038	19.73
800 International Drive <i>Linthicum, MD</i>	BWI Airport	1988	57,379	100.0%	1,192,555	20.78
900 International Drive <i>Linthicum, MD</i>	BWI Airport	1986	57,140	100.0%	893,897	15.64
921 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1983	54,175	100.0%	1,083,500	20.00
939 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1983	53,031	92.3%	1,156,356	23.61
938 Elkridge Landing Road <i>Linthicum, MD</i>	BWI Airport	1984	52,988	100.0%	1,244,390	23.48
302 Sentinel Drive <i>Annapolis Junction, MD</i>	BWI Airport	2007	48,377	100.0%	1,745,545	36.08
1340 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	46,400	100.0%	994,434	21.43
1334 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	37,565	36.7%	258,159	18.72
1331 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	29,153	100.0%	610,632	20.95
5522 Research Park Drive <i>Catonsville, MD</i>	BWI Airport	2007	23,500	100.0%	599,250	25.50
1350 Dorsey Road <i>Hanover, MD</i>	BWI Airport	1989	19,992	52.9%	187,923	17.77
1344 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	17,062	100.0%	453,664	26.59
1341 Ashton Road <i>Hanover, MD</i>	BWI Airport	1989	15,841	100.0%	300,103	18.94

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
1343 Ashton Road Hanover, MD	BWI Airport	1989	9,962	100.0%	202,484	20.33
114 National Business Parkway Annapolis Junction, MD	BWI Airport	2002	9,908	100.0%	210,523	21.25
1348 Ashton Road Hanover, MD	BWI Airport	1988	3,108	100.0%	74,856	24.08
7125 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	1973/1999	611,379	97.5%	8,247,531	13.84
Old Annapolis Road Columbia, MD	Howard County Perimeter	1974/1985	171,436	100.0%	5,306,078	30.95
7200 Riverwood Drive Columbia, MD	Howard County Perimeter	1986	160,000	100.0%	3,516,124	21.98
7000 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	1999	145,806	100.0%	1,539,347	10.56
6731 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	2002	123,911	84.8%	2,768,112	26.35
6711 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	2006/2007	123,410	83.1%	2,710,744	26.44
6940 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	1999	109,003	73.9%	1,941,628	24.11
6950 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	1998	107,778	100.0%	2,364,513	21.94
8621 Robert Fulton Drive Columbia, MD	Howard County Perimeter	2005/2006	86,032	96.1%	1,672,423	20.23
7067 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	2001	82,953	41.0%	748,110	22.00
6750 Alexander Bell Drive Columbia, MD	Howard County Perimeter	2001	78,460	64.5%	1,270,882	25.12
6700 Alexander Bell Drive Columbia, MD	Howard County Perimeter	1988	74,859	91.8%	1,609,776	23.43
6740 Alexander Bell Drive Columbia, MD	Howard County Perimeter	1992	63,480	100.0%	1,561,837	24.60
7160 Riverwood Drive Columbia, MD	Howard County Perimeter	2000	62,084	86.7%	1,131,734	21.03
7015 Albert Einstein Drive Columbia, MD	Howard County Perimeter	1999	61,203	100.0%	906,700	14.81
8671 Robert Fulton Drive Columbia, MD	Howard County Perimeter	2002	56,350	100.0%	1,066,614	18.93
6716 Alexander Bell Drive Columbia, MD	Howard County Perimeter	1990	52,005	74.9%	884,281	22.70
8661 Robert Fulton Drive Columbia, MD	Howard County Perimeter	2002	49,307	100.0%	857,364	17.39
9020 Mendenhall Court Columbia, MD	Howard County Perimeter	1982/2005	49,259	82.4%	509,208	12.54
7130 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	1989	46,840	99.2%	764,439	16.45
7142 Columbia Gateway Drive Columbia, MD	Howard County Perimeter	1994	45,951	0.0%	—	—
9140 Guilford Road Columbia, MD	Howard County Perimeter	1983	41,704	72.7%	553,930	18.28
7150 Riverwood Drive Columbia, MD	Howard County Perimeter	2000	41,382	100.0%	661,518	15.99
9720 Patuxent Woods Drive Columbia, MD	Howard County Perimeter	1986/2001	40,004	84.8%	503,905	14.85
6708 Alexander Bell Drive Columbia, MD	Howard County Perimeter	1988	39,203	100.0%	831,809	21.22

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
7065 Columbia Gateway Drive <i>Columbia, MD</i>	Howard County Perimeter	2000	38,560	100.0%	869,579	22.55
9740 Patuxent Woods Drive <i>Columbia, MD</i>	Howard County Perimeter	1986/2001	38,292	100.0%	390,958	10.21
7138 Columbia Gateway Drive <i>Columbia, MD</i>	Howard County Perimeter	1990	38,225	100.0%	821,278	21.49
9160 Guilford Road <i>Columbia, MD</i>	Howard County Perimeter	1984	37,034	100.0%	745,983	20.14
7063 Columbia Gateway Drive <i>Columbia, MD</i>	Howard County Perimeter	2000	36,813	100.0%	824,102	22.39
6760 Alexander Bell Drive <i>Columbia, MD</i>	Howard County Perimeter	1991	36,440	96.3%	810,647	23.10
7150 Columbia Gateway Drive <i>Columbia, MD</i>	Howard County Perimeter	1991	35,812	100.0%	646,989	18.07
9700 Patuxent Woods Drive <i>Columbia, MD</i>	Howard County Perimeter	1986/2001	31,261	81.4%	551,740	21.69
9730 Patuxent Woods Drive <i>Columbia, MD</i>	Howard County Perimeter	1986/2001	30,986	100.0%	448,791	14.48
7061 Columbia Gateway Drive <i>Columbia, MD</i>	Howard County Perimeter	2000	29,910	100.0%	633,445	21.18
7170 Riverwood Drive <i>Columbia, MD</i>	Howard County Perimeter	2000	29,162	87.9%	465,828	18.18
6724 Alexander Bell Drive <i>Columbia, MD</i>	Howard County Perimeter	2001	28,420	100.0%	704,234	24.78
7134 Columbia Gateway Drive <i>Columbia, MD</i>	Howard County Perimeter	1990	21,991	100.0%	396,899	18.05
9150 Guilford Drive <i>Columbia, MD</i>	Howard County Perimeter	1984	18,592	100.0%	367,941	19.79
10280 Old Columbia Road <i>Columbia, MD</i>	Howard County Perimeter	1988/2001	16,796	100.0%	249,544	14.86
10270 Old Columbia Road <i>Columbia, MD</i>	Howard County Perimeter	1988/2001	16,686	100.0%	242,830	14.55
9710 Patuxent Woods Drive <i>Columbia, MD</i>	Howard County Perimeter	1986/2001	15,229	100.0%	317,357	20.84
9130 Guilford Drive <i>Columbia, MD</i>	Howard County Perimeter	1984	13,700	100.0%	263,734	19.25
10290 Old Columbia Road <i>Columbia, MD</i>	Howard County Perimeter	1988/2001	10,890	60.4%	102,629	15.59
2500 Riva Road <i>Annapolis Junction, MD</i>	Annapolis	2000	155,000	100.0%	2,089,800	13.48
Subtotal/Average			7,668,383	92.6%	162,847,470	\$ 22.94
Suburban Maryland:						
11800 Tech Road <i>Silver Spring, MD</i>	North Silver Spring	1969/1989	228,179	100.0%	4,033,725	\$ 17.68
400 Professional Drive <i>Gaithersburg, MD</i>	Gaithersburg	2000	129,311	100.0%	3,785,763	29.28
110 Thomas Johnson Drive <i>Frederick, MD</i>	Frederick	1987/1999	117,803	87.1%	2,508,702	24.45
45 West Gude Drive <i>Rockville, MD</i>	Rockville	1987	108,588	100.0%	2,135,904	19.67
15 West Gude Drive <i>Rockville, MD</i>	Rockville	1986	106,694	100.0%	2,506,625	23.49
Subtotal/Average			690,575	97.8%	14,970,719	\$ 22.17

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
Suburban Baltimore:						
11311 McCormick Road <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1984/1994	212,691	52.0%	\$ 2,541,792	\$ 23.00
10150 York Road <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1985	178,286	100.0%	3,407,468	19.11
9690 Deereco Road <i>Timonium, MD</i>	Hunt Valley/Rte 83 Corridor	1988	134,167	100.0%	3,391,213	25.28
200 International Circle <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1987	128,658	56.9%	1,729,796	23.64
375 W. Padonia Road <i>Timonium, MD</i>	Hunt Valley/Rte 83 Corridor	1986	110,328	91.5%	1,631,943	16.17
226 Schilling Circle <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1980	98,640	100.0%	2,219,102	22.50
201 International Circle <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1982	78,634	79.7%	1,543,079	24.63
11011 McCormick Road <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1974	56,512	54.5%	515,191	16.73
216 Schilling Circle <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1988/2001	36,003	89.4%	656,811	20.40
222 Schilling Circle <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1978/1997	28,003	93.1%	546,709	20.97
224 Schilling Circle <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1978/1997	27,372	96.7%	484,681	18.31
11101 McCormick Road <i>Hunt Valley, MD</i>	Hunt Valley/Rte 83 Corridor	1976	24,232	88.4%	428,668	20.01
7210 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1972	83,435	100.0%	899,161	10.78
7152 Windsor Boulevard <i>Woodlawn, MD</i>	Baltimore County Westside	1986	57,855	100.0%	818,814	14.15
21 Governor's Court <i>Woodlawn, MD</i>	Baltimore County Westside	1981/1995	56,063	64.6%	615,935	17.01
7125 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1985	50,488	100.0%	935,564	18.53
7253 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1988	38,930	100.0%	517,197	13.29
7104 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1988	30,257	100.0%	511,693	16.91
17 Governor's Court <i>Woodlawn, MD</i>	Baltimore County Westside	1981	14,619	100.0%	256,355	17.54
15 Governor's Court <i>Woodlawn, MD</i>	Baltimore County Westside	1981	14,568	100.0%	213,725	14.67
7127 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1985	11,144	64.9%	130,230	18.00
7129 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1985	11,075	100.0%	171,663	15.50
7108 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1988	9,018	47.1%	81,517	19.21
7102 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1988	8,879	100.0%	169,282	19.07
7106 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1988	8,820	100.0%	162,077	18.38
7131 Ambassador Road <i>Woodlawn, MD</i>	Baltimore County Westside	1985	7,453	100.0%	128,931	17.30
502 Washington Avenue <i>Towson, MD</i>	Towson	1984	91,188	90.9%	1,731,588	20.89
102 West Pennsylvania Avenue <i>Towson, MD</i>	Towson	1968/2001	49,497	85.1%	797,253	18.92

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
100 West Pennsylvania Avenue <i>Towson, MD</i>	Towson	1952/1989	18,451	34.5%	107,748	16.91
109-111 Allegheny Avenue <i>Towson, MD</i>	Towson	1971	18,431	100.0%	244,885	13.29
10001 Franklin Square Drive <i>White Marsh, MD</i>	White Marsh	1997	216,000	83.7%	1,475,910	8.16
8140 Corporate Drive <i>White Marsh, MD</i>	White Marsh	2003	75,687	85.6%	1,575,287	24.32
8110 Corporate Drive <i>White Marsh, MD</i>	White Marsh	2001	75,687	100.0%	1,571,524	20.76
8031 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1988/2004	66,000	100.0%	1,005,010	15.23
7941-7949 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1996	57,600	100.0%	589,722	10.24
9910 Franklin Square Drive <i>White Marsh, MD</i>	White Marsh	2005	56,271	100.0%	1,073,023	19.07
8020 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1997	51,600	100.0%	834,741	16.18
8094 Sandpiper Circle <i>White Marsh, MD</i>	White Marsh	1998	50,812	100.0%	979,868	19.28
4979 Mercantile Road <i>White Marsh, MD</i>	White Marsh	1985	50,498	100.0%	662,607	13.12
4940 Campbell Boulevard <i>White Marsh, MD</i>	White Marsh	1990	49,813	90.6%	966,910	21.43
8098 Sandpiper Circle <i>White Marsh, MD</i>	White Marsh	1998	47,680	100.0%	761,422	15.97
4969 Mercantile Road <i>White Marsh, MD</i>	White Marsh	1983	47,574	100.0%	740,651	15.57
8114 Sandpiper Circle <i>White Marsh, MD</i>	White Marsh	1986	45,399	87.1%	966,522	24.45
5020 Campbell Boulevard <i>White Marsh, MD</i>	White Marsh	1986/1988	44,701	76.0%	469,755	13.82
9920 Franklin Square Drive <i>White Marsh, MD</i>	White Marsh	2006	44,566	23.6%	248,958	23.69
8007 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1995	43,197	85.0%	646,849	17.62
9930 Franklin Square Drive <i>White Marsh, MD</i>	White Marsh	2001	39,750	100.0%	770,327	19.38
8010 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1998	39,351	57.0%	435,495	19.41
8013 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1990	38,618	0.0%	—	—
8615 Ridgely's Choice Drive <i>White Marsh, MD</i>	White Marsh	2005	37,797	52.3%	383,971	19.42
5325 Nottingham Ridge Road <i>White Marsh, MD</i>	White Marsh	2002	37,322	75.5%	559,322	19.85
9900 Franklin Square Drive <i>White Marsh, MD</i>	White Marsh	1999	33,912	100.0%	624,525	18.42
5024 Campbell Boulevard <i>White Marsh, MD</i>	White Marsh	1986/1988	33,858	100.0%	483,234	14.27
9940 Franklin Square Drive <i>White Marsh, MD</i>	White Marsh	2000	33,134	63.5%	325,654	15.48
5026 Campbell Boulevard <i>White Marsh, MD</i>	White Marsh	1986/1988	30,868	73.6%	425,472	18.72
7939 Honeygo Boulevard <i>White Marsh, MD</i>	White Marsh	1984	28,081	100.0%	610,650	21.75

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
8133 Perry Hall Boulevard <i>White Marsh, MD</i>	White Marsh	1988	27,803	94.9%	518,194	19.64
5022 Campbell Boulevard <i>White Marsh, MD</i>	White Marsh	1986/1988	27,601	73.6%	299,812	14.76
8019 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1990	25,461	100.0%	444,641	17.46
8029 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1988/2004	25,000	100.0%	387,548	15.50
7923 Honeygo Boulevard <i>White Marsh, MD</i>	White Marsh	1985	24,053	100.0%	473,343	19.68
8003 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1999	18,327	100.0%	345,209	18.84
8015 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1990	16,610	100.0%	281,699	16.96
8023 Corporate Drive <i>White Marsh, MD</i>	White Marsh	1990	9,486	100.0%	147,087	15.51
Subtotal/Average			3,243,814	84.8%	\$ 49,675,013	\$ 18.06
Greater Philadelphia:						
753 Jolly Road <i>Blue Bell, PA</i>	Blue Bell	1960/92-94	419,472	100.0%	\$ 4,189,907	\$ 9.99
785 Jolly Road <i>Blue Bell, PA</i>	Blue Bell	1970/1996	219,065	100.0%	2,515,223	11.48
760 Jolly Road <i>Blue Bell, PA</i>	Blue Bell	1974/1994	208,854	100.0%	3,068,118	14.69
751 Jolly Road <i>Blue Bell, PA</i>	Blue Bell	1966/1991	112,958	100.0%	1,128,284	9.99
Subtotal/Average			960,349	100.0%	\$ 10,901,532	\$ 11.35
Central New Jersey:						
431 Ridge Road <i>Dayton, NJ</i>	Exit 8A—Cranbury	1958/1998	171,200	100.0%	\$ 1,959,932	\$ 11.45
429 Ridge Road <i>Dayton, NJ</i>	Exit 8A—Cranbury	1966/1996	142,385	21.1%	741,216	24.65
47 Commerce <i>Cranbury, NJ</i>	Exit 8A—Cranbury	1992/1998	41,398	100.0%	547,600	13.23
437 Ridge Road <i>Dayton, NJ</i>	Exit 8A—Cranbury	1962/1996	30,000	100.0%	291,300	9.71
Subtotal/Average			384,983	70.8%	\$ 3,540,048	\$ 12.98
Northern Virginia:						
15000 Conference Center Drive <i>Chantilly, VA</i>	Dulles South	1989	470,406	99.8%	\$ 11,083,480	\$ 23.61
15010 Conference Center Drive <i>Chantilly, VA</i>	Dulles South	2006	223,610	100.0%	5,994,549	26.81
15059 Conference Center Drive <i>Chantilly, VA</i>	Dulles South	2000	145,192	100.0%	4,408,801	30.37
15049 Conference Center Drive <i>Chantilly, VA</i>	Dulles South	1997	145,053	100.0%	4,202,340	28.97
14900 Conference Center Drive <i>Chantilly, VA</i>	Dulles South	1999	127,115	81.3%	2,818,381	27.27
14280 Park Meadow Drive <i>Chantilly, VA</i>	Dulles South	1999	114,126	100.0%	3,266,499	28.62
4851 Stonecroft Boulevard <i>Chantilly, VA</i>	Dulles South	2004	88,094	100.0%	2,664,207	30.24

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
14850 Conference Center Drive <i>Chantilly, VA</i>	Dulles South	2000	69,711	100.0%	2,168,704	31.11
14840 Conference Center Drive <i>Chantilly, VA</i>	Dulles South	2000	69,710	100.0%	1,962,922	28.16
13200 Woodland Park Drive <i>Herndon, VA</i>	Herndon	2002	404,665	100.0%	11,279,746	27.87
13454 Sunrise Valley Road <i>Herndon, VA</i>	Herndon	1998	112,633	100.0%	2,744,755	24.37
13450 Sunrise Valley Road <i>Herndon, VA</i>	Herndon	1998	53,728	98.6%	1,270,169	23.98
1751 Pinnacle Drive <i>McLean, VA</i>	Tysons Corner	1989/1995	260,469	96.5%	8,205,927	32.65
1753 Pinnacle Drive <i>McLean, VA</i>	Tysons Corner	1976/2004	181,637	100.0%	6,399,128	35.23
Subtotal/Average			2,466,149	98.6%	68,469,608 \$	28.16
St. Mary's & King George Counties:						
22309 Exploration Drive <i>Lexington Park, MD</i>	St. Mary's County	1984/1997	98,860	100.0%	1,442,239 \$	14.59
46579 Expedition Drive <i>Lexington Park, MD</i>	St. Mary's County	2002	61,156	87.3%	1,155,492	21.65
22289 Exploration Drive <i>Lexington Park, MD</i>	St. Mary's County	2000	61,059	94.9%	1,151,274	19.86
46591 Expedition Drive <i>Lexington Park, MD</i>	St. Mary's County	2005/2006	60,029	44.6%	537,242	20.05
44425 Pecan Court <i>California, MD</i>	St. Mary's County	1997	59,055	76.3%	878,010	19.48
22299 Exploration Drive <i>Lexington Park, MD</i>	St. Mary's County	1998	58,231	100.0%	1,313,856	22.56
44408 Pecan Court <i>California, MD</i>	St. Mary's County	1986	50,532	100.0%	585,573	11.59
23535 Cottonwood Parkway <i>California, MD</i>	St. Mary's County	1984	46,656	100.0%	527,349	11.30
22300 Exploration Drive <i>Lexington Park, MD</i>	St. Mary's County	1997	44,830	100.0%	697,884	15.57
44417 Pecan Court <i>California, MD</i>	St. Mary's County	1989	29,053	100.0%	278,900	9.60
44414 Pecan Court <i>California, MD</i>	St. Mary's County	1986	25,444	100.0%	243,557	9.57
44420 Pecan Court <i>California, MD</i>	St. Mary's County	1989	25,200	100.0%	173,148	6.87
16480 Commerce Drive <i>Dahlgren, VA</i>	King George County	2000	70,728	100.0%	1,239,066	17.52
16541 Commerce Drive <i>King George, VA</i>	King George County	1996	36,053	100.0%	523,144	14.51
16539 Commerce Drive <i>King George, VA</i>	King George County	1990	32,076	70.9%	335,736	14.76
16442 Commerce Drive <i>Dahlgren, VA</i>	King George County	2002	25,518	100.0%	508,464	19.93
16501 Commerce Drive <i>Dahlgren, VA</i>	King George County	2002	22,833	100.0%	519,304	22.74
16543 Commerce Drive <i>Dahlgren, VA</i>	King George County	2002	17,370	87.0%	374,150	24.75
Subtotal/Average			824,683	91.6%	12,484,388 \$	16.54

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Revenue per Occupied Square Foot(2)(3)
8611 Military Drive <i>San Antonio, TX</i>	San Antonio	1982/1985	468,994	100.0% \$	7,231,868 \$	15.42
Colorado Springs:						
985 Space Center Drive <i>Colorado Springs, CO</i>	Colorado Springs East	1989	102,717	98.9%	2,119,195 \$	20.86
1670 North Newport Road <i>Colorado Springs, CO</i>	Colorado Springs East	1986/1987	67,500	100.0%	1,428,696	21.17
745 Space Center Drive <i>Colorado Springs, CO</i>	Colorado Springs East	2006	51,500	100.0%	1,231,055	23.90
1915 Aerotech Drive <i>Colorado Springs, CO</i>	Colorado Springs East	1985	37,946	85.8%	554,635	17.03
1925 Aerotech Drive <i>Colorado Springs, CO</i>	Colorado Springs East	1985	37,946	100.0%	690,300	18.19
980 Technology Court <i>Colorado Springs, CO</i>	Colorado Springs East	1995	33,190	100.0%	561,343	16.91
525 Babcock Road <i>Colorado Springs, CO</i>	Colorado Springs East	1967	14,000	100.0%	130,194	9.30
9950 Federal Drive <i>Colorado Springs, CO</i>	I-25 North Corridor	2001	66,222	83.6%	663,691	11.99
9960 Federal Drive <i>Colorado Springs, CO</i>	I-25 North Corridor	2001	46,948	100.0%	844,841	18.00
9965 Federal Drive <i>Colorado Springs, CO</i>	I-25 North Corridor	1983/2007	41,120	100.0%	624,084	15.18
5775 Mark Dabling Boulevard <i>Colorado Springs, CO</i>	Colorado Springs Northwest	1984	109,678	100.0%	1,673,613	15.26
5725 Mark Dabling Boulevard <i>Colorado Springs, CO</i>	Colorado Springs Northwest	1984	108,976	100.0%	2,050,233	18.81
5755 Mark Dabling Boulevard <i>Colorado Springs, CO</i>	Colorado Springs Northwest	1989	105,210	90.4%	1,689,478	17.76
Subtotal/Average			822,953	96.7% \$	14,261,358 \$	17.93
Other:						
11751 Meadowville Lane <i>Chester, VA</i>	Richmond Southwest	2007	193,000	100.0%	5,133,615 \$	26.60
201 Technology Park Drive <i>Lebanon, VA</i>	Southwest Virginia	2007	102,842	100.0%	3,014,657	29.31
607 Lakeside Drive <i>Cascade, MD</i>	Fort Ritchie	1990/2007	4,904	100.0%	78,464	16.00
Subtotal/Average			300,746	100.0% \$	8,226,736 \$	27.35
Total/Average			17,831,629	92.6% \$	352,608,740 \$	21.36

(1) This percentage is based upon all rentable square feet under lease terms that were in effect as of December 31, 2007.

(2) Annualized rental revenue is the monthly contractual base rent as of December 31, 2007 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases. 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 GAAP does contain such fluctuations. We find the measure particularly useful for leasing, tenant, segment and industry analysis.

(3) Annualized rental revenue per occupied square foot is the property's annualized rental revenue divided by that property's occupied square feet as of December 31, 2007.

The following table provides certain information about our wholly owned properties that are under construction, development and redevelopment as of December 31, 2007:

Property and Location	Submarket	Estimated Rentable Square Feet Upon Completion	Percentage Leased/Committed
Under Construction			
Baltimore/Washington Corridor:			
302 Sentinel Drive (302 NBP) <i>Annapolis Junction, MD</i>	BWI Airport	157,146	51.33%
5520 Research Park Drive (UMBC) <i>Baltimore, MD</i>	BWI Airport	110,400	0.00%
1362 Mellon Road <i>Hanover, MD</i>	BWI Airport	44,134	0.00%
Subtotal/Average		311,680	25.88%
Colorado Springs:			
655 Space Center Drive (Patriot Park 6) <i>Colorado Springs, CO</i>	Colorado Springs East	103,970	72.14%
1055 North Newport Road <i>Colorado Springs, CO</i>	Colorado Springs East	59,763	100.00%
9945 Federal Drive (Hybrid I) <i>Colorado Springs, CO</i>	I-25 North Corridor	73,940	0.00%
9925 Federal Drive (Hybrid II) <i>Colorado Springs, CO</i>	I-25 North Corridor	53,845	0.00%
Subtotal/Average		291,518	46.23%
San Antonio:			
8611 Military Drive, Building HI <i>San Antonio, TX</i>	San Antonio	52,352	100.00%
8611 Military Drive, Building C <i>San Antonio, TX</i>	San Antonio	38,255	100.00%
Subtotal/Average		90,607	100.00%
Total Under Construction		693,805	44.11%
Under Development			
Baltimore/Washington Corridor:			
300 Sentinel Drive (300 NBP) <i>Annapolis Junction, MD</i>	BWI Airport	190,000	N/A
324 Sentinel Drive (324 NBP) <i>Annapolis Junction, MD</i>	BWI Airport	125,000	N/A
6721 Columbia Gateway Drive <i>Columbia, MD</i>	Howard Co. Perimeter	125,000	N/A
Riverwood I & II <i>Columbia, MD</i>	Howard Co. Perimeter	70,000	N/A
Subtotal/Average		510,000	N/A
Suburban Maryland:			
110 Thomas Johnson Drive, Bldg #2 <i>Frederick, MD</i>	Frederick	85,000	N/A
Suburban Baltimore:			
8130 Corporate Drive <i>White Marsh, MD</i>	White Marsh	125,000	N/A
Northgate Business Park (Lot A) <i>Aberdeen, MD</i>	Harford County	80,000	N/A
Subtotal/Average		205,000	N/A
St. Mary's & King George Counties:			
16444 Commerce Drive <i>Dahlgren, VA</i>	King George County	57,000	N/A

Property and Location	Submarket	Estimated Rentable Square Feet Upon Completion	Percentage Leased/Committed
Colorado Springs:			
10807 New Allegiance Drive (Epic One) <i>Colorado Springs, Colorado</i>	I-25 North Corridor	145,723	N/A
565 Space Center Drive (Patriot Park 7) <i>Colorado Springs, Colorado</i>	Colorado Springs East	89,773	N/A
Subtotal/Average		235,496	N/A
Total Under Development		1,092,496	N/A
Under Redevelopment			
Colorado Springs:			
9965 Federal Drive <i>Colorado Springs, CO</i>	I-25 North Corridor	74,749	100.00%
Total Under Redevelopment		74,749	100.00%

The following table provides certain information about our wholly owned developable land holdings not under construction or development as of December 31, 2007:

Land Location	Submarket	Acres	Estimated Developable Square Feet
Baltimore/Washington Corridor:			
National Business Park (Phase III) <i>Annapolis Junction, MD</i>	BWI Airport	194	1,125,000
National Business Park (Phase II) <i>Annapolis Junction, MD</i>	BWI Airport	30	730,165
1460 Dorsey Road <i>Hanover, MD</i>	BWI Airport	6	60,000
940 Elkridge Landing Road (AS 7) <i>Linthicum, MD</i>	BWI Airport	3	53,941
1243 Winterson Road (AS 22) <i>Linthicum, MD</i>	BWI Airport	2	30,000
Columbia Gateway Parcel T-11 <i>Columbia, MD</i>	Howard Co. Perimeter	14	220,000
7125 Columbia Gateway Drive <i>Columbia, MD</i>	Howard Co. Perimeter	5	120,000
Subtotal		254	2,339,106
Northern Virginia:			
Westfields Corporate Center <i>Chantilly, VA</i>	Dulles South	32	674,200
Westfields Corporate Center <i>Chantilly, VA</i>	Dulles South	17	377,300
Westfields Corporate Center <i>Chantilly, VA</i>	Dulles South	19	246,800
Woodland Park <i>Herndon, VA</i>	Herndon	5	225,000
Subtotal		73	1,523,300

Land Location	Submarket	Acres	Estimated Developable Square Feet
Suburban Maryland:			
110 Thomas Johnson Drive <i>Frederick, MD</i>	Frederick	3	85,000
Rockville Corporate Center <i>Rockville, MD</i>	Rockville	10	220,000
Subtotal		13	305,000
Suburban Baltimore:			
White Marsh <i>White Marsh, MD</i>	White Marsh	145	1,567,000
37 Allegheny Avenue(1) <i>Towson, MD</i>	Towson	—	40,000
Northgate Business Park <i>Aberdeen, MD</i>	Harford County	51	720,000
Subtotal		196	2,327,000
St. Mary's & King George Counties:			
Dahlgren Technology Center <i>Dahlgren, MD</i>	King George County	32	65,000
Expedition Park <i>Lexington Park, MD</i>	St. Mary's County	6	60,000
Subtotal		38	125,000
Colorado Springs:			
InterQuest <i>Colorado Springs, CO</i>	I-25 North Corridor	111	1,626,492
9965 Federal Drive <i>Colorado Springs, CO</i>	I-25 North Corridor	4	30,000
Patriot Park <i>Colorado Springs, CO</i>	Colorado Springs East	71	770,000
Aerotech Commerce <i>Colorado Springs, CO</i>	Colorado Springs East	6	90,000
Subtotal		192	2,516,492
San Antonio:			
San Antonio <i>San Antonio, TX</i>	San Antonio	31	375,000
San Antonio <i>San Antonio, TX</i>	San Antonio	27	350,000
Subtotal		58	725,000
Greater Philadelphia:			
Unisys Campus <i>Blue Bell, PA</i>	Blue Bell	45	600,000
Northern/Central New Jersey:			
Princeton Technology Center <i>Cranbury, NJ</i>	Exit 8A—Cranbury	19	250,000
Other:			
Fort Ritchie(2) <i>Cascade, MD</i>	Cascade, MD	591	1,700,000
Total Land		1,479	12,410,898

(1) This property contains 0.3 of an acre.

(2) The Fort Ritchie acquisition includes 301,134 square feet of existing office space targeted for future development (of which 3,014 square feet were leased as of December 31, 2007) and 110 existing usable residential units.

The following table provides certain information about our office properties owned through joint ventures as of December 31, 2007:

Property and Location	Submarket	Year Built/ Renovated	Rentable Square Feet	Occupancy(1)	Annualized Rental Revenue(2)	Annualized Rental Revenue per Occupied Square Foot(2)(3)
Suburban Maryland:						
4230 Forbes Boulevard <i>Prince Georges, MD</i>	Lanham	2003	55,866	76.2%	\$ 671,487	\$ 15.78
Northern Virginia:						
2900 Towerview Road(4) <i>Herndon, VA</i>	Route 28 South	1982	78,171	100.0%	\$ 1,005,389	\$ 12.86
Greater Harrisburg, Pennsylvania:						
2605 Interstate Drive <i>Harrisburg, PA</i>	East Shore	1990	79,456	100.0%	\$ 1,451,661	\$ 18.27
6345 Flank Drive <i>Harrisburg, PA</i>	East Shore	1989	69,443	88.5%	856,251	13.93
6340 Flank Drive <i>Harrisburg, PA</i>	East Shore	1988	68,200	100.0%	785,559	11.52
2601 Market Place <i>Harrisburg, PA</i>	East Shore	1989	65,411	87.1%	1,077,893	18.92
6400 Flank Drive <i>Harrisburg, PA</i>	East Shore	1992	52,439	77.8%	577,743	14.17
6360 Flank Drive <i>Harrisburg, PA</i>	East Shore	1988	46,500	86.0%	525,349	13.14
6385 Flank Drive <i>Harrisburg, PA</i>	East Shore	1995	32,921	20.6%	93,070	13.75
6380 Flank Drive <i>Harrisburg, PA</i>	East Shore	1991	32,668	100.0%	457,072	13.99
6405 Flank Drive <i>Harrisburg, PA</i>	East Shore	1991	32,000	100.0%	401,634	12.55
95 Shannon Road <i>Harrisburg, PA</i>	East Shore	1999	21,976	100.0%	394,919	17.97
75 Shannon Road <i>Harrisburg, PA</i>	East Shore	1999	20,887	100.0%	416,917	19.96
6375 Flank Drive <i>Harrisburg, PA</i>	East Shore	2000	19,783	100.0%	347,398	17.56
85 Shannon Road <i>Harrisburg, PA</i>	East Shore	1999	12,863	100.0%	231,154	17.97
5035 Ritter Road <i>Mechanicsburg, PA</i>	West Shore	1988	56,556	100.0%	908,500	16.06
5070 Ritter Road—Building A <i>Mechanicsburg, PA</i>	West Shore	1989	32,309	89.6%	407,249	14.06
5070 Ritter Road—Building B <i>Mechanicsburg, PA</i>	West Shore	1989	28,347	100.0%	409,525	14.45
Subtotal/Average			671,759	90.5%	\$ 9,341,894	\$ 15.37
Total/Average			805,796	90.4%	\$ 11,018,770	\$ 15.13

(1) This percentage is based upon all rentable square feet under lease terms that were in effect as of December 31, 2007.

(2) Annualized rental revenue is the monthly contractual base rent as of December 31, 2007 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.

(3) Annualized rental revenue per occupied square foot is the property's annualized rental revenue divided by that property's occupied square feet as of December 31, 2007.

(4) This property totals 137,037 square feet, of which 58,866 is under redevelopment at December 31, 2007.

The following table provides certain information about our office properties owned through joint ventures that were under construction or redevelopment as of December 31, 2007:

Property and Location	Submarket	Estimated Rentable Square Feet Upon Completion	Percentage Leased/Committed
Under Construction			
Baltimore/Washington Corridor:			
7740 Milestone Parkway Hanover, MD	BWI Airport	151,800	0.00%
Total Under Construction		151,800	0.00%
Under Redevelopment			
Baltimore/Washington Corridor:			
7468 Candlewood Road Hanover, MD	BWI Airport	356,000	0.00%
Northern Virginia:			
2900 Towerview Road(1) Herndon, VA	Route 28 South	58,866	0.00%
13849 Park Center Road Herndon, VA	Route 28 South	57,000	N/A(2)
Subtotal/Average		115,866	0.00%
Total Under Redevelopment		471,866	0.00%

(1) This property totals 137,037 square feet, of which 78,171 is operational at December 31, 2007.

(2) As of December 31, 2007, we were under contract to sell 40,182 square feet in this property in 2008 and expect to complete the sale of the remaining square feet in 2008.

The following table provides certain information about our developable land holdings owned through joint ventures that were not under construction or redevelopment as of December 31, 2007:

Land Location	Submarket	Acres	Estimated Developable Square Feet
Baltimore/Washington Corridor:			
Arundel Preserve Hanover, MD	BWI Airport	56	1,648,200
Other:			
Indian Head Charles County, MD	Charles County MD	169	827,250
Total Land		225	2,475,450

Lease Expirations

The following table provides a summary schedule of the lease expirations for leases in place for our wholly owned properties as of December 31, 2007, assuming that none of the tenants exercise renewal options:

Year of Lease Expiration(1)	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Annualized Rental Revenue of Expiring Leases(2)	Percentage of Total Annualized Rental Revenue Expiring(2)	Total Annualized Rental Revenue of Expiring Leases per Occupied Square Foot
(in thousands)						
2008	184	1,936,220	11.7%	\$ 39,323	11.2%	\$ 20.31
2009	163	2,969,784	18.0%	50,387	14.3%	16.97
2010	160	2,056,484	12.5%	46,978	13.3%	22.84
2011	125	1,534,448	9.3%	30,644	8.7%	19.97
2012	126	2,447,463	14.8%	51,997	14.7%	21.25
2013	39	992,272	6.0%	22,824	6.5%	23.00
2014	27	727,776	4.4%	20,769	5.9%	28.54
2015	28	1,298,810	7.9%	30,784	8.7%	23.70
2016	20	485,182	2.9%	12,054	3.4%	24.84
2017	29	740,028	4.5%	18,595	5.3%	25.13
2018	5	333,455	2.0%	8,566	2.4%	25.69
2019	2	38,292	0.2%	391	0.1%	10.21
2020	—	—	0.0%	—	0.0%	0.00
2021	1	104,695	0.6%	2,454	0.7%	23.44
2022	2	295,842	1.8%	8,148	2.3%	27.54
2023	—	—	0.0%	—	0.0%	0.00
2024	—	—	0.0%	—	0.0%	0.00
2025	2	468,994	2.9%	7,232	2.1%	15.42
Other(3)	22	80,222	0.5%	1,463	0.4%	18.24
Total/Weighted Average	935	16,509,967	100.0%	\$ 352,609	100.0%	\$ 21.36

- (1) Most of our leases with the United States Government provide for consecutive one-year terms or provide for early termination rights. All of the leasing statistics set forth above assumed that the United States Government will remain in the space that it leases through the end of the respective arrangements, without ending consecutive one-year leases prematurely or exercising early termination rights. We reported the statistics in this manner because we manage our leasing activities using these same assumptions and believe these assumptions to be probable.
- (2) Annualized rental revenue is the monthly contractual base rent as of December 31, 2007 multiplied by 12, plus the estimated annualized expense reimbursements under existing office leases.
- (3) Other consists primarily of amenities, including cafeterias, concierge offices and property management space. In addition, month-to-month leases and leases that have expired but the tenant remains in holdover are included in this line item as the exact expiration date is unknown.

Item 3. Legal Proceedings

Jim Lemon and Robin Biser, as plaintiffs, initiated a suit on May 12, 2005, in The United States District Court for the District of Columbia (Case No. 1:05CV00949), against The Secretary of the

United States Army, PenMar Development Corporation ("PMDC") and the Company, as defendants, in connection with the then pending acquisition by the Company of the former army base known as Fort Ritchie located in Cascade, Washington County, Maryland. The case was dismissed by the United States District Court on September 28, 2006, due to the plaintiffs' lack of standing. The plaintiffs filed an appeal in the case in the United States Court of Appeals for the District of Columbia Circuit and the Court of Appeals reversed the findings of the District Court and remanded the case to the District Court for further proceedings. The plaintiffs were unsuccessful in their request for an emergency injunction pending appeal. The Company acquired from PMDC fee simple title to 500 acres of the 591 acres comprising Fort Ritchie on October 5, 2006 and the remaining 91 acres on November 29, 2007.

We are not currently involved in any other material litigation nor, to our knowledge, is any material litigation currently threatened against the Company (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. Submission of Matters to a Vote of Security Holders

Not applicable.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Repurchases of Equity Securities

Market Information

Our common shares trade on the New York Stock Exchange ("NYSE") under the symbol "OFC." The table below shows the range of the high and low sale prices for our common shares as reported on the NYSE, as well as the quarterly common share dividends per share declared:

	Price Range		Dividends Per Share
	Low	High	
2006			
First Quarter	\$ 34.91	\$ 46.12	\$ 0.280
Second Quarter	\$ 37.32	\$ 45.74	\$ 0.280
Third Quarter	\$ 40.65	\$ 47.54	\$ 0.310
Fourth Quarter	\$ 44.21	\$ 51.45	\$ 0.310

	Price Range		Dividends Per Share
	Low	High	
2007			
First Quarter	\$ 44.85	\$ 56.45	\$ 0.310
Second Quarter	\$ 40.47	\$ 48.81	\$ 0.310
Third Quarter	\$ 35.21	\$ 44.63	\$ 0.340
Fourth Quarter	\$ 30.81	\$ 45.39	\$ 0.340

The number of holders of record of our common shares was 401 as of December 31, 2007. This number does not include shareholders whose shares are held of record by a brokerage house or clearing agency, but does include any such brokerage house or clearing agency as one record holder.

We will pay future dividends at the discretion of our Board of Trustees. Our ability to pay cash dividends in the future will be dependent upon: (i) the income and cash flow generated from our operations; (ii) cash generated or used by our financing and investing activities; and (iii) the annual distribution requirements under the REIT provisions of the Code described above and such other factors as the Board of Trustees deems relevant. Our ability to make cash dividends will also be limited

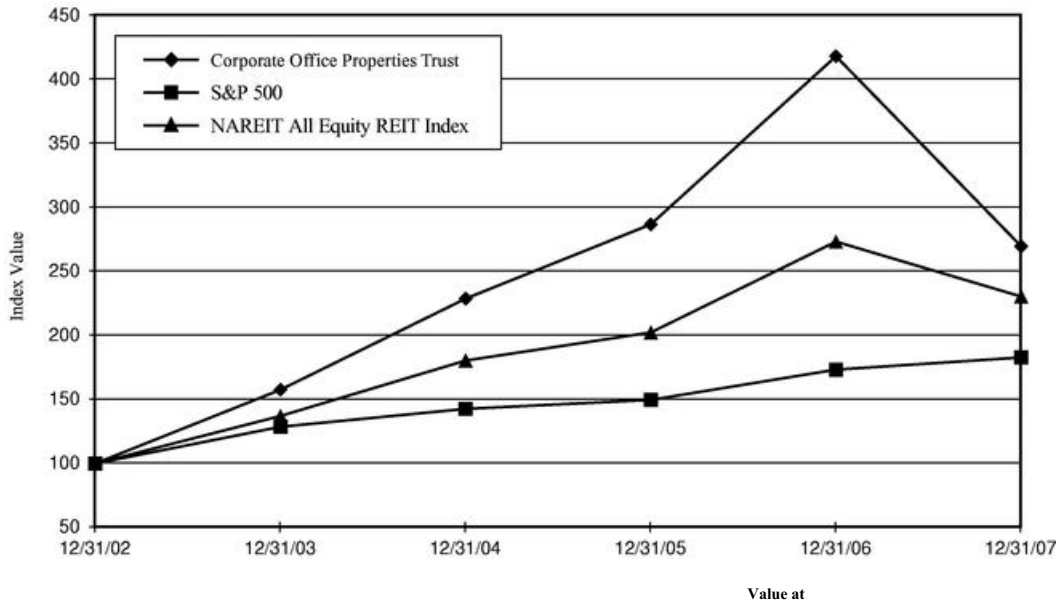
by the terms of our Operating Partnership Agreement and our financing arrangements, as well as limitations imposed by state law and the agreements governing any future indebtedness.

Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended December 31, 2007, 1,200 of the Operating Partnership's common units were exchanged for 1,200 common shares in accordance with the Operating Partnership'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(2) of the Securities Act of 1933, as amended.

Common Shares Performance Graph

The graph and the table set forth below assume \$100 was invested on December 31, 2002 in the common shares of Corporate Office Properties Trust. 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	Value at					
	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
Corporate Office Properties Trust	\$ 100.00	\$ 157.63	\$ 228.82	\$ 286.84	\$ 418.15	\$ 269.75
S&P 500	100.00	128.68	142.69	149.70	173.34	182.86
NAREIT All Equity REIT Index	100.00	137.13	180.44	202.38	273.34	230.45

Item 6. Selected Financial Data

The following table sets forth summary financial data as of and for each of the years ended December 31, 2003 through 2007. The table illustrates the significant growth our Company experienced over the periods reported. Most of this growth, particularly pertaining to revenues, operating income and total assets, was attributable to our addition of properties through acquisition and development activities. We financed most of the acquisition and development activities by incurring debt and issuing preferred and common equity, as indicated by the growth in our interest expense, preferred share dividends and weighted average common shares outstanding. The growth in our general and administrative expenses reflects, in large part, the growth in management resources required to support the increased size of our portfolio. Since this information is only a summary, you should refer to our Consolidated Financial Statements and notes thereto 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)

	2007	2006	2005	2004	2003
Revenues					
Revenues from real estate operations(1)	\$ 368,949	\$ 293,578	\$ 236,809	\$ 199,501	\$ 159,767
Construction contract and other service operations revenues	41,225	60,084	79,234	28,903	31,740
Total revenues	410,174	353,662	316,043	228,404	191,507
Expenses					
Property operating expenses(1)	123,282	92,907	70,337	57,888	46,513
Depreciation and other amortization associated with real estate operations(1)	106,331	78,054	60,427	48,708	34,019
Construction contract and other service operations expenses	39,793	57,345	77,287	26,996	30,933
General and administrative expenses	20,523	16,936	13,533	10,938	7,893
Total operating expenses	289,929	245,242	221,584	144,530	119,358
Operating income	120,245	108,420	94,459	83,874	72,149
Interest expense and amortization of deferred financing costs(1)	(85,708)	(73,107)	(56,135)	(43,843)	(40,662)
Gain on sale of non-real estate investment	1,033	—	—	—	—
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	35,570	35,313	38,324	40,031	31,487
Equity in loss of unconsolidated entities	(224)	(92)	(88)	(88)	(98)
Income tax (expense) benefit	(569)	(887)	(668)	(795)	169
Income from continuing operations before minority interests	34,777	34,334	37,568	39,148	31,558
Minority interests in income from continuing operations(1)	(3,398)	(3,826)	(4,901)	(5,029)	(5,776)
Income from continuing operations	31,379	30,508	32,667	34,119	25,782
Income from discontinued operations, net of minority interests(1)					
(2)	1,845	17,987	6,096	3,026	4,759
Gain (loss) on sales of real estate, net(1)(3)	1,560	732	268	(113)	336
Net income	34,784	49,227	39,031	37,032	30,877
Preferred share dividends	(16,068)	(15,404)	(14,615)	(16,329)	(12,003)
Issuance costs associated with redeemed preferred shares(4)	—	(3,896)	—	(1,813)	—
Repurchase of preferred units in excess of recorded book value(5)	—	—	—	—	(11,224)
Net income available to common shareholders	\$ 18,716	\$ 29,927	\$ 24,416	\$ 18,890	\$ 7,650

	2007	2006	2005	2004	2003
Basic earnings per common share					
Income from continuing operations	\$ 0.36	\$ 0.29	\$ 0.49	\$ 0.48	\$ 0.11
Net income available to common shareholders	\$ 0.40	\$ 0.72	\$ 0.65	\$ 0.57	\$ 0.29
Diluted earnings per common share					
Income from continuing operations	\$ 0.35	\$ 0.28	\$ 0.47	\$ 0.45	\$ 0.10
Net income available to common shareholders	\$ 0.39	\$ 0.69	\$ 0.63	\$ 0.54	\$ 0.27
Weighted average common shares outstanding—basic	46,527	41,463	37,371	33,173	26,659
Weighted average common shares outstanding—diluted	47,630	43,262	38,997	34,982	28,021
Balance Sheet Data (as of year end):					
Investment in real estate	\$ 2,603,472	\$ 2,111,310	\$ 1,888,106	\$ 1,544,501	\$ 1,189,258
Total assets	\$ 2,931,853	\$ 2,419,601	\$ 2,129,759	\$ 1,732,026	\$ 1,332,076
Debt	\$ 1,825,842	\$ 1,498,537	\$ 1,348,351	\$ 1,022,688	\$ 738,698
Total liabilities	\$ 1,979,116	\$ 1,629,111	\$ 1,442,036	\$ 1,111,224	\$ 801,899
Minority interests	\$ 130,095	\$ 116,187	\$ 105,210	\$ 98,878	\$ 79,796
Shareholders' equity	\$ 822,642	\$ 674,303	\$ 582,513	\$ 521,924	\$ 450,381
Other Financial Data (for the year ended):					
Cash flows provided by (used in):					
Operating activities	\$ 137,701	\$ 113,151	\$ 95,944	\$ 84,494	\$ 67,783
Investing activities	\$ (327,714)	\$ (253,834)	\$ (420,301)	\$ (268,720)	\$ (172,949)
Financing activities	\$ 206,728	\$ 137,822	\$ 321,320	\$ 188,566	\$ 108,656
Numerator for diluted EPS	\$ 18,716	\$ 29,927	\$ 24,416	\$ 18,911	\$ 7,650
Diluted funds from operations(6)	\$ 125,309	\$ 98,937	\$ 88,801	\$ 76,248	\$ 61,268
Diluted funds from operations per share(6)	\$ 2.24	\$ 1.91	\$ 1.86	\$ 1.74	\$ 1.56
Cash dividends declared per common share	\$ 1.30	\$ 1.18	\$ 1.07	\$ 0.98	\$ 0.91
Property Data (as of year end):					
Number of properties owned(1)(7)	228	170	165	143	118
Total rentable square feet owned(1)(7)	17,832	15,050	13,708	11,765	9,876

- (1) Certain prior period amounts pertaining to properties included in discontinued operations have been reclassified to conform with the current presentation. These reclassifications did not affect consolidated net income or shareholders' equity.
- (2) Reflects income derived from one operating real estate property that we sold in 2003, three operating real estate properties that we sold in 2005, seven operating real estate properties we sold in 2006, four operating real estate properties we sold in 2007 and one operating real estate property that we were under contract to sell as of December 31, 2007 that we classified as held for sale (see Note 18 to our Consolidated Financial Statements).
- (3) Reflects gain (loss) from sales of properties and unconsolidated real estate joint ventures not associated with discontinued operations.
- (4) Reflects a decrease to net income available to common shareholders pertaining to the original issuance costs recognized upon the redemption of the Series E and Series F Preferred Shares of beneficial interest in 2006 and the Series B Preferred Shares of beneficial interest in 2004.
- (5) Reflects a decrease to net income available to common shareholders representing the excess of the repurchase price of the Series C Preferred Units in our Operating Partnership over the sum of the recorded book value of the units and the accrued and unpaid return to the unitholder.
- (6) For definitions of diluted funds from operations per share and diluted funds from operations 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."
- (7) Amounts reported reflect only wholly owned properties.

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," "expect," "estimate" 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:

- our ability to borrow on favorable terms;
- general economic and business conditions, which will, among other things, affect office property demand and rents, tenant creditworthiness, interest rates and financing availability;
- adverse changes in the real estate markets, including, among other things, increased competition with other companies;
- 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 and 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;
- our ability to satisfy and operate effectively under federal income tax rules relating to real estate investment trusts and partnerships;
- governmental actions and initiatives; and
- environmental requirements.

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

Overview

We are a real estate investment trust ("REIT") that focuses on the acquisition, development, ownership, management and leasing of suburban office properties in select markets and submarkets. We also focus on servicing the multi-location requirements of strategic customers and strategic industries in which tenants have specialized product requirements. Our properties are typically concentrated in large office parks located in demographically strong markets and submarkets where we believe we can achieve critical mass, operating synergies and key competitive advantages, including attracting high quality tenants and securing acquisition and development opportunities, and/or located near demand drivers for strategic customers and industries. As of December 31, 2007, our investments in real estate included the following:

- 228 wholly owned operating properties totaling 17.8 million square feet;
- 19 wholly owned properties under construction or development that we estimate will total approximately 1.8 million square feet upon completion and one wholly owned office property totaling 74,749 square feet that was under redevelopment;
- wholly owned land parcels totaling 1,479 acres that we believe are potentially developable into approximately 12.4 million square feet; and

- partial ownership interests in a number of other real estate projects in operations, under construction or redevelopment or held for future development.

REITs were created by the United States Congress in order to provide large numbers of investors with the ability to make investments into entities that own large scale commercial real estate. One unique aspect of a REIT is that the entity typically does not pay corporate income tax, provided that the entity distributes 100% of its taxable income to its shareholders and meets a number of other specific requirements of the Internal Revenue Code of 1986, as amended (it is noteworthy that REITs are required to distribute a minimum of only 90% of taxable income to maintain their tax status as a REIT, although any differential between the 90% and 100% would be taxable). Most of our revenues relating to our real estate operations are derived from rents and property operating expense reimbursements earned from tenants leasing space in our properties. Most of our expenses relating to our real estate operations take the form of: (1) property operating costs, such as real estate taxes, utilities and repairs and maintenance; (2) financing costs, such as interest and loan costs; and (3) depreciation and amortization associated with our operating properties.

Of the 228 wholly owned operating properties in our portfolio, 213 were located in the Mid-Atlantic region of the United States. Our primary regions as of December 31, 2007 are set forth below:

- Baltimore/Washington Corridor (generally defined as the Maryland counties of Howard and Anne Arundel);
- Northern Virginia (defined as Fairfax County, Virginia);
- Suburban Maryland (defined as the Maryland counties of Montgomery, Prince George's and Frederick);
- St. Mary's & King George Counties (located in Maryland and Virginia, respectively);
- Suburban Baltimore, Maryland (generally defined as the Maryland counties of Baltimore and Harford)("Suburban Baltimore");
- Colorado Springs, Colorado ("Colorado Springs");
- San Antonio, Texas ("San Antonio");
- Greater Philadelphia, Pennsylvania ("Greater Philadelphia"); and
- Northern/Central New Jersey (as of December 31, 2007, all of our properties in this segment were located in Central New Jersey).

As of December 31, 2007, 138 of our properties were located in what is widely known as the Greater Washington, D.C. region, which includes the first four regions set forth above, and 64 were located in neighboring Suburban Baltimore. At December 31, 2007, we also owned 13 wholly owned properties in Colorado Springs and two in San Antonio. In addition, we owned eight properties in total as of December 31, 2007 in the last two locations set forth above that are considered non-core to the Company. The most significant change in our geographical concentration in 2007 occurred as a result of our completion of the Nottingham Acquisition (discussed below), which approximately doubled our concentration in the Suburban Baltimore region. We discuss further the geographic concentrations of our property ownership in the section below entitled "Concentration of Operations."

Part of our strategy for operations and growth focuses on establishing, maintaining and expanding strategic customer relationships in multiple locations to make us the landlord of choice for such customers. As a result of this strategy, a large concentration of our revenue is derived from several large tenants. Our largest tenants are also heavily concentrated with the United States defense industry,

with such tenants predominantly concentrated in the area of defense information technology. Several noteworthy statistics that demonstrate our tenant and industry concentrations are set forth below:

	Percentage of Annualized Rental Revenue(1) of Wholly Owned Properties at December 31, 2007
Largest tenant, United States Government	16.3%
Five largest tenants	35.0%
Twenty largest tenants	54.8%
Tenants in the United States defense industry	47.9%

(1) Defined below in the section entitled "Concentration of Operations."

We discuss further our lease concentrations in the section below entitled "Concentration of Operations."

In order to maximize the revenue potential of our properties, we try to maintain high levels of occupancy; as a result, we consider occupancy rates to be an important measure of the productivity of our properties. One way that we attempt to maximize occupancy rates is by renewing a high percentage of our existing tenants; accordingly, tenant renewal rates are important to us in monitoring our leasing activities and tenant relationships. In managing the effect of our leasing activities on our financial position and future operating performance stability, we also monitor the timing of our lease maturities with the objective that the timing of such maturities not be highly concentrated in a given one-year or five-year period. The table below sets forth certain occupancy and leasing information as of or for the year ended December 31, 2007 for our portfolio of wholly owned properties:

Occupancy	92.6%
Renewal rate of square footage for scheduled lease expirations during year	69.1%
Average contractual annual rental rate per square foot(1)	\$ 21.36
Weighted average lease term (in years)(2)	5.0

(1) Includes estimated expense reimbursements.

(2) See assumption relating to our United States Government leases in the section entitled "Results of Operations," in the subsection entitled "Occupancy and Leasing."

We discuss further in the section below entitled "Results of Operations," in the subsection entitled "Occupancy and Leasing."

Achieving optimal performance from our properties is highly important to us. We evaluate the performance of our properties by focusing on changes in revenues from real estate operations (comprised of (1) rental revenue and (2) tenant recoveries and other real estate operations revenue) and property operating expenses. However, since we have experienced significant growth in a number of operating properties, assessing performance from our growth in revenues from real estate operations and property operating expenses without further analysis of the components of such growth can be misleading. Therefore, we evaluate (1) changes in revenues from real estate operations and property operating expenses attributable to property additions separately from (2) the changes attributable to properties that were owned and 100% operational throughout any two periods being compared (properties that we collectively refer to as the Same-Office Properties). During 2007, we:

- experienced significant growth from 2006 in revenues from real estate operations and property operating expenses due primarily to the addition of properties through acquisition and construction activities since January 1, 2006;

- had a \$9.3 million, or 3.4%, increase in revenues from the Same-Office Properties compared to 2006 due primarily to a 2.1% increase in rental revenue and an 11.9% increase in operating expense reimbursements at such properties; and
- had a \$6.9 million, or 7.8%, increase in property operating expenses from the Same-Office Properties compared to 2006 due in large part to increased utilities, snow removal costs, real estate taxes and certain other repairs and maintenance expenses.

We discuss these changes further in the section below entitled "Results of Operations," in the subsection entitled "Revenues from Real Estate Operations and Property Operating Expenses."

In addition to owning real estate properties, we provide real estate-related services that include: (1) property management; (2) construction and development management; and (3) heating and air conditioning services and controls. The gross revenue and costs associated with these services generally bear little relationship to the level of our activity from these operations since a substantial portion of the costs are subcontracted costs that are reimbursed to us by the customer at no mark up. As a result, the operating margins from these operations are small relative to the revenue. We use the net of such revenues and expenses to evaluate the performance of our service operations. For 2007, the operating margins of our service operations decreased \$1.3 million compared to 2006 due primarily to: (1) a slow down in activity on certain third party constructions jobs; and (2) a decrease in third party work for heating and air conditioning controls and plumbing services. These operations are discussed further in the section below entitled "Results of Operations," in the subsection entitled "Construction Contract and Other Service Revenue and Expenses."

Our 2007 net income available to common shareholders decreased 37.5% and our diluted earnings per share decreased 43.5% compared to 2006. We discuss significant factors contributing to these changes within subsections of the section below entitled "Results of Operations."

The investment portion of our growth strategy focuses primarily on two activities: acquisitions and property development. These activities typically target suburban office properties in our existing geographic regions, neighboring regions or new regions meeting our investment criteria, but they may also target other properties that meet the multi-location requirements of our strategic customers and strategic industries. Since we take an opportunistic yet disciplined approach to our investment activities, the volume of these activities and allocation between acquisitions versus development naturally change from year to year. Highlights of our 2007 acquisition and development activities are set forth below:

- we acquired 56 operating properties totaling approximately 2.4 million square feet and land parcels totaling 187 acres in a series of transactions that we refer to collectively as the Nottingham Acquisition for an aggregate cost of \$366.9 million. All of the acquired properties are located in Maryland with 36 of the operating properties, totaling 1.6 million square feet, and land parcels totaling 175 acres, located in White Marsh, Maryland (located in the Suburban Baltimore region) and the remaining properties and land parcels located in other regions in Northern Baltimore County and the Baltimore/Washington Corridor. We believe that the land parcels can support at least 2.0 million developable square feet;
- we acquired the remaining 50% undivided interest in a 132-acre parcel of land located in Colorado Springs that we believe can support approximately 1.9 million developable square feet of office space for \$13.6 million;
- we acquired a 56-acre parcel of land located in Aberdeen, Maryland that we believe can support up to 800,000 developable square feet for \$10.5 million (Aberdeen, Maryland is located in our Suburban Baltimore region). The property is located adjacent to Aberdeen Proving Ground, which is a United States Government installation;
- we had five newly constructed properties totaling 568,433 square feet become fully operational (68,196 of these square feet were placed into service in 2006). We also had 48,377 square feet placed into service in one partially operational property;

- we had 10 properties under construction (nine wholly owned), 10 properties under development (all wholly owned) and four properties under redevelopment (one wholly owned) at December 31, 2007; and
- we had land parcels totaling 1,704 acres (of which 1,479 acres were wholly owned) that were potentially developable into 14.9 million square feet (of which 12.4 million square feet pertained to wholly owned acres).

While we generally do not acquire properties with the intent of selling them, we do sell properties from time to time when we believe that most of the earnings growth potential in those properties have been realized, or determine that the property no longer fits within our strategic plans due to its type and/or location. During 2007, we sold four operating properties totaling 128,000 square feet (including two from one of our non-core regions and one acquired in the Nottingham Acquisition) and three parcels of land acquired in the Nottingham Acquisition totaling approximately 16 acres and developable into approximately 230,000 square feet for a total of \$26.5 million, resulting in recognized gains before minority interest and taxes on gain on sale of real estate totaling \$6.9 million (we incurred \$1.1 million in income tax expense on these sales due primarily to built in gains that existed for certain of these properties).

Our financing policy is aimed at maintaining a flexible capital structure in order to facilitate consistent growth and performance in the face of differing market conditions in the most cost-effective manner. As part of this policy, we monitor: (1) levels of debt relative to our overall capital structure; (2) the relationship of certain measures of earnings to certain financing cost requirements (coverage ratios); (3) the relationship of our total variable-rate debt to our total debt; and (4) the timing of our debt maturities to ensure that the maximum maturities of debt in any year do not exceed a defined percentage of total assets. We also pursue opportunities, when we believe market conditions to be favorable, to: (1) reduce financing costs by refinancing existing debt or redeeming existing preferred equity; (2) issue common and preferred shares of beneficial interest ("common shares" and "preferred shares"); (3) issue equity units in our Operating Partnership; and (4) reduce our equity investment requirements in certain properties through the use of joint venture structures. Highlights of our 2007 financing activities are set forth below:

- we financed a portion of the Nottingham Acquisition by issuing common shares to the seller at a value of \$156.7 million, or \$49.57 per share, and issuing \$26.6 million in Series K Cumulative Redeemable Convertible Preferred Shares of beneficial interest (the "Series K Preferred Shares") to the seller at a value of, and liquidation preference equal to, \$50 per share. We also issued 262,165 common units valued at \$12.1 million, in connection with the acquisition of the remaining 50% undivided interest in the 132-acre parcel of land in Colorado Springs described above;
- we amended and restated the credit agreement on our Revolving Credit Facility on October 1, 2007, increasing the amount of the lenders' aggregate commitment under the facility from \$500.0 million to \$600.0 million, with a right for us to further increase the lenders' aggregate commitment during the term to a maximum of \$800.0 million, subject to certain conditions. The facility matures on September 30, 2011, and may be extended by us for a period of one year, subject to certain conditions; and
- we borrowed \$150.0 million under a mortgage loan with a 10-year term at a fixed rate of 5.65%.

We discuss our 2007 investing and financing activities further in the section below entitled "Liquidity and Capital Resources," along with discussions of, among other things, the following:

- our cash flows;
- how we expect to generate cash for short and long-term capital needs;
- our off-balance sheet arrangements in place that are reasonably likely to affect our financial condition;
- our commitments and contingencies; and
- the computation of our Funds from Operations.

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements are prepared in accordance with generally accepted accounting principles in the United States of America ("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 highly 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, you should refer to Note 2 to our Consolidated Financial Statements, including terms defined therein.

- When we acquire real estate properties, we allocate the acquisition to numerous tangible and intangible components. Most of the terms in this bullet section are defined in the section of Note 2 to the Consolidated Financial Statements entitled "Acquisitions of Real Estate." Our process for determining the allocation to these components is very complex and requires many estimates and assumptions. Included among these estimates and assumptions are the following: (1) determination of market rental rates; (2) estimation of leasing and tenant improvement costs associated with the remaining term of acquired leases for deemed cost avoidance; (3) leasing assumptions used in determining the lease-up value, as-if vacant value and tenant relationship value, including the rental rates, period of time that it will take to lease vacant space and estimated tenant improvement and leasing costs; (4) estimation of the property's future value in determining the as-if vacant value; (5) estimation of value attributable to market concentration premiums and tenant relationship values; and (6) allocation of the as-if vacant value between land and building. A change in any of the above key assumptions, most of which are extremely subjective, can materially change not only the presentation of acquired properties in our Consolidated Financial Statements but also reported results of operations. The allocation to different components affects the following:
 - the amount of the acquisition costs allocated among different categories of assets and liabilities on our balance sheet; the amount of costs assigned to individual properties in multiple property acquisitions; and the amount of costs assigned to individual tenants at the time of acquisition;
 - where the amortization of the components appear over time in our Consolidated Statements of Operations. Allocations to the lease to market value component are amortized into rental revenue, whereas allocations to most of the other components (the one exception being the land component of the as-if vacant value) 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 lease to market value, deemed cost avoidance, lease-up 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 generally expensed upon termination. These differences in timing can materially affect our reported results of operations. In addition, we establish lives for lease-up value and tenant relationship value

based on our estimates of how long we expect the respective tenants to remain in the properties; establishing these lives requires estimates and assumptions that are very subjective.

- When events or circumstances indicate that a property may be impaired, we perform an undiscounted cash flow analysis. We consider an asset to be impaired when its undiscounted expected future cash flows are less than its depreciated cost. If such an impairment is present, an impairment loss is recognized based on the excess of the carrying amount of the asset over its fair value. We compute a real estate asset's undiscounted expected future cash flows and fair value using certain estimates and assumptions. As a result, these estimates and assumptions impact whether an impairment is deemed to have occurred and the amount of impairment loss that we recognize.
- We generally use three different accounting methods to report our investments in entities: the consolidation method; the equity method; and the cost method (see Note 2 to our Consolidated Financial Statements). We generally use the consolidation method when we own most of the outstanding voting interests in an entity and can control its operations. In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), "Consolidation of Variable Interest Entities" ("FIN 46(R)"), 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, FIN 46(R) applies when 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 generally 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. In making these determinations, we typically need to make subjective estimates and judgments regarding the entity's future operating performance, financial condition, future valuation and other variables that may affect the partners' share of cash flow from the entity over time. We also need to estimate the probability of different scenarios taking place over time and project the effect that each of those scenarios would have on variables affecting 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.
- We issue options to purchase common shares ("options") and restricted common shares ("restricted shares") to many of our employees. Prior to January 1, 2006, very little expense was required to be recognized in our financial statements for options under GAAP. On January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) 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 should then be recognized over the period during which the employee is required to provide service in exchange for the award (generally the vesting period). We compute the grant date fair value of options using the Black-Scholes option-pricing model, which requires the following input assumptions: risk-free interest rate; expected life; expected volatility; and expected dividend yield. SFAS 123(R) also requires that share-based compensation be computed based on awards that are ultimately expected to vest; as a result, future forfeitures of our options and restricted shares are to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The input assumptions used under the Black-Scholes option-pricing model and the estimates used in deriving the forfeiture rates for options and restricted common shares are subjective and require

a fair amount of judgment. As a result, these estimates and assumptions can affect the amount of expense that we recognize in our Consolidated Financial Statements for options and restricted shares.

Concentration of Operations

One measure that we refer to 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 is annualized rental revenue. 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. 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 GAAP does contain such fluctuations. We find the measure particularly useful for leasing, tenant, segment and industry analysis.

Geographic Concentration of Property Operations

Our market strategy is to concentrate our operations in select markets and submarkets where we believe we already possess or can achieve the critical mass necessary to maximize management efficiencies, operating synergies and competitive advantages through our acquisition, property management, leasing and development programs. A result of this strategy is that our property positions and operations are highly concentrated in a small number of geographic regions. The table below sets forth the regional allocation of our annualized rental revenue as of the end of the last three calendar years:

Region	Percentage of Annualized Rental Revenue of Wholly Owned Properties as of December 31,			Number of Wholly Owned Properties as of December 31,		
	2007	2006	2005	2007	2006	2005
Baltimore/Washington Corridor	46.2%	51.2%	47.8%	101	87	82
Northern Virginia	19.4%	20.5%	21.5%	14	14	13
Suburban Baltimore	14.1%	7.5%	10.1%	64	23	25
Suburban Maryland	4.3%	4.1%	5.2%	5	5	7
Colorado Springs	4.0%	4.2%	1.7%	13	11	5
St. Mary's and King George Counties	3.5%	4.2%	4.3%	18	18	18
Greater Philadelphia	3.1%	3.7%	4.0%	4	4	4
San Antonio	2.1%	2.4%	1.5%	2	2	2
Northern/Central New Jersey	1.0%	2.2%	3.9%	4	6	9
Other	2.3%	N/A	N/A	3	N/A	N/A
	100.0%	100.0%	100.0%	228	170	165

The most significant change in the regional allocation from December 31, 2006 to December 31, 2007 occurred as a result of the Nottingham Acquisition which, due to the large number of properties located in Suburban Baltimore, significantly increased that region's allocation and had a decreasing effect on the other regions, although the resulting decrease in the Baltimore/Washington Corridor was offset slightly by the effects in that region of (1) the properties acquired in that region in the Nottingham Acquisition and (2) newly-constructed properties placed into service in 2007. The most significant changes in the regional allocation from December 31, 2005 to December 31, 2006 occurred as a result of property acquisitions in the Baltimore/Washington Corridor and Colorado Springs and the sale of properties in Suburban Baltimore and Suburban Maryland. It is also noteworthy that our

allocation in Northern/Central New Jersey has decreased over the last two years due primarily to our sale of properties in that region.

As of December 31, 2007, we had construction underway on four wholly owned properties in Colorado Springs, three wholly owned properties in the Baltimore/Washington Corridor and two wholly owned properties in San Antonio; we expect that these properties will be completed and begin generating rental revenue between 2008 and 2009. We also have redevelopment activities underway on one wholly owned property in Colorado Springs that we expect to be completed and to begin generating rental revenue between 2008 and 2009.

Concentration of Leases With Certain Tenants

Our customer strategy focuses on establishing, maintaining and expanding strategic customer relationships in multiple locations. A result of this strategy is that the source of our revenue is highly concentrated with certain tenants. The following schedule lists our 20 largest tenants in our portfolio of wholly owned properties based on percentage of annualized rental revenue:

Tenant	Percentage of Annualized Rental Revenue of Wholly Owned Properties for 20 Largest Tenants as of December 31,		
	2007	2006	2005
United States Government	16.3%	16.3%	15.2%
Northrop Grumman Corporation(1)	7.4%	4.2%	4.5%
Booz Allen Hamilton, Inc.	5.6%	6.9%	5.0%
Computer Sciences Corporation(1)	3.2%	3.8%	4.1%
Unisys Corporation(2)	2.5%	3.0%	3.1%
L-3 Communications Holdings, Inc.(1)	2.5%	3.0%	3.4%
General Dynamics Corporation	2.1%	2.4%	2.6%
The Aerospace Corporation	1.9%	2.1%	2.2%
Wachovia Corporation(1)	1.9%	2.1%	2.1%
Comcast Corporation	1.7%	N/A	N/A
AT&T Corporation(1)	1.7%	3.0%	2.7%
The Boeing Company(1)	1.2%	1.4%	1.6%
ITT Corporation(1)	1.1%	0.8%	N/A
Ciena Corporation	1.0%	1.2%	1.3%
Science Applications International Corporation	0.9%	1.1%	N/A
BAE Systems PLC(1)	0.8%	1.0%	N/A
Johns Hopkins University	0.8%	N/A	1.0%
Merck & Co., Inc.(2)	0.8%	0.8%	0.9%
Magellan Health Services, Inc.	0.7%	1.0%	1.1%
Wyle Laboratories, Inc.	0.7%	0.8%	0.9%
Lockheed Martin Corporation	N/A	1.0%	1.0%
Harris Corporation	N/A	0.8%	N/A
VeriSign, Inc.	N/A	N/A	1.3%
PricewaterhouseCoopers LLP	N/A	N/A	1.0%
Carefirst, Inc. and Subsidiaries(1)	N/A	N/A	0.9%
Subtotal of 20 largest tenants	54.8%	56.7%	55.9%
All remaining tenants	45.2%	43.3%	44.1%
Total	100.0%	100.0%	100.0%

(1) Includes affiliated organizations and agencies and predecessor companies.

(2) Unisys Corporation ("Unisys") subleases space to Merck and Co., Inc. ("Merck"); revenue from this subleased space is classified as Merck revenue.

Most of the changes in our tenant concentration over the last two years occurred as a result of development, acquisition and leasing activities. From a development perspective in 2007, we had

548,614 square feet in newly-constructed properties become operational, of which 295,842 square feet were leased to Northrop Grumman Corporation and 166,179 to the United States Government. From an acquisition perspective in 2007, the Nottingham Acquisition was our only significant acquisition of properties; since none of our 20 largest tenants as of December 31, 2006 had significant leasing positions in the properties acquired in that transaction, the transaction: (1) had a decreasing effect on the level of concentration with those tenants; and (2) led to the addition of Comcast Corporation and Johns Hopkins University as being among our 20 largest tenants.

Most of our leases with the United States Government provide for a series of one-year terms or provide for early termination rights. The government may terminate its leases if, among other reasons, the United States Congress fails to provide funding.

Industry Concentration of Tenants

Under our industry strategy, we focus on strategic industries in which tenants have specialized product requirements. A high concentration of our revenues is generated from the United States defense industry (comprised of the United States Government and defense contractors), of which substantially all is associated with defense information technology activities. These tenants are particularly interested in a number of our property markets and submarkets that are located near government installations. We also enable these tenants to benefit from our significant experience in constructing and operating secure properties and properties that meet the United States Government's Force Protection requirements. The table below sets forth the percentage of annualized rental revenue in our portfolio of wholly owned properties derived from that industry:

	Percentage of Annualized Rental Revenue of Wholly Owned Properties from Defense Industry Tenants as of December 31,		
	2007	2006	2005
Total Portfolio	47.9%	54.4%	49.7%
Baltimore/Washington Corridor	65.3%	66.7%	65.7%
Northern Virginia	50.3%	54.5%	50.4%
Suburban Baltimore	5.3%	9.8%	6.8%
Suburban Maryland	11.2%	13.3%	2.2%
Colorado Springs	37.8%	39.4%	74.1%
St. Mary's and King George Counties	90.0%	89.8%	90.7%
San Antonio	100.0%	100.0%	100.0%

With the exception of 2007, the percentage of our annualized rental revenue in our wholly owned properties derived from the United States defense industry has generally increased in recent years due in large part to the continuing expansion trend of the industry in the Greater Washington, D.C. region and, in particular, in our submarkets since the events of September 11, 2001. This percentage did decrease for the total portfolio and in the Suburban Baltimore and Baltimore/Washington Corridor regions in 2007 due primarily to the Nottingham Acquisition, since the properties included in the transaction had an insignificant number of tenants in that industry. This decreasing effect overall and in the Baltimore/Washington Corridor was offset to a certain extent by new leasing in 2007 to tenants in that industry which included, among other things, the effect of the delivery of 166,179 square feet in newly constructed properties in the Baltimore/Washington Corridor. The increase in 2006 for the total portfolio included the effect of certain properties that we acquired or constructed and placed in service in 2006 having leases with the United States Government and defense contractors.

We classify the revenue from our leases into industry groupings based solely on our knowledge of the tenants' operations in leased space. Occasionally, classifications require subjective and complex judgments. For example, we have a tenant that is considered by many to be in the computer industry; however, since the nature of that tenant's operations in the space leased from us is focused on providing service to the United States Government's defense department, we classify the revenue we earn from the lease as United States defense industry revenue. We do not use independent sources such as Standard Industrial Classification codes for classifying our revenue into industry groupings and if we did, the resulting groupings would be materially different.

In 2007, leases commenced for two newly constructed properties totaling 295,842 square feet that will function as data centers. These properties, when added to a number of data centers already existing in our portfolio, represent a growing concentration in that industry/property type.

Results of Operations

While reviewing this section, you should refer to the tables in the section entitled "Selected Financial Data." You should also refer to the section below entitled "Liquidity and Capital Resources" for certain factors that could negatively affect various aspects of our operations.

Occupancy and Leasing

The table below sets forth leasing information pertaining to our portfolio of wholly owned operating properties:

	December 31,		
	2007	2006	2005
Occupancy rates at year end			
Total	92.6%	92.8%	94.0%
Baltimore/Washington Corridor	92.6%	95.1%	96.2%
Northern Virginia	98.6%	90.9%	96.4%
Suburban Baltimore	84.8%	81.1%	84.7%
Suburban Maryland	97.8%	83.2%	79.8%
Colorado Springs	96.7%	92.8%	85.8%
St. Mary's and King George Counties	91.6%	92.1%	95.4%
Greater Philadelphia	100.0%	100.0%	100.0%
San Antonio	100.0%	100.0%	100.0%
Northern/Central New Jersey	70.8%	97.2%	96.4%
Other	100.0%	N/A	N/A
Renewal rate of square footage for scheduled lease expirations during year(1)	69.1%	55.4%	66.6%
Average contractual annual rental rate per square foot at year end(2)	\$ 21.36	\$ 20.90	\$ 20.28

(1) Includes the effects of early renewals and early lease terminations.

(2) Includes estimated expense reimbursements.

As shown in the above table, the total year end occupancy rate for our portfolio of wholly owned properties did not change significantly from 2006 to 2007. The 2007 year end occupancy was negatively affected by the operating properties included in the Nottingham Acquisition, which were 85.7% occupied at the time the transaction was completed and 86.5% occupied at December 31, 2007. We also had a decrease in occupancy in our Northern/Central New Jersey region that was attributable primarily to a lease termination at our 429 Ridge Road property in Dayton, New Jersey (we sold the 429 Ridge Road property on January 31, 2008). However, we had a net increase in occupancy in our other properties that significantly offset the decreasing effects of the Nottingham Acquisition and the

429 Ridge Road property. The significant increase in the year end occupancy rate of our Northern Virginia region from 2006 to 2007 was attributable to two large building spaces that had leases commence in early 2007. The significant increase in the year end occupancy rate of our Suburban Maryland region from 2006 to 2007 was due primarily to significant leasing activity in two properties in that region.

The decrease in our total year end occupancy rate from 2005 to 2006 for our portfolio of wholly owned properties reflected the adverse impact of the two large building spaces in Northern Virginia discussed above that were vacant at December 31, 2006 and leased in early 2007. The 2006 year end occupancy rates were positively impacted by acquisitions of wholly owned properties completed in 2006, with such properties carrying a weighted average occupancy rate of 95.1% at December 31, 2006.

Our renewal rates of square footage for scheduled lease expirations decreased in 2006 but increased in 2007; the 2006 rate in particular was low in comparison to the other calendar years within the 2000 through 2007 timeframe, when the annual renewal rate ranged from 66% to 76% and averaged 70% (when excluding the 2006 calendar year). The 2006 renewal rate was adversely affected by large amounts of space in newly acquired properties that we knew were not going to be renewed when we acquired such properties, including 197,000 square feet in two properties; our renewal rates would have been in the low to mid 60% range without the effect of this space. We believe if we are successful in implementing our customer strategy that we should be able to post renewal rates that approximate our historical average in the future.

Our average contractual annual rent per square foot increased 2.2% from December 31, 2006 to December 31, 2007 despite the fact that such rate was negatively affected by the operating properties included in the Nottingham Acquisition, the rate per square foot of which was \$16.98 at December 31, 2007, or 21% below our wholly owned portfolio rate. Our average contractual annual rent per square foot increased 3.0% from December 31, 2005 to December 31, 2006 despite the fact that such rate was negatively affected by acquisitions completed during 2006, the rate per square foot of which was \$14.12 at December 31, 2006, or 32% below our wholly owned portfolio rate. The year end average contractual rental rate per square foot increased from 2006 to 2007 and from 2005 to 2006 despite being negatively affected by these acquisitions due primarily to the effect of new leases entered into at a higher rate during each of those years and scheduled increases that took place at leases remaining in place. The lower average contractual annual rent per square foot on operating properties included in the Nottingham Acquisition and the acquisitions completed in 2006 can be attributed primarily to the following: (1) lower rents in geographic areas where certain of these acquisitions took place; (2) lower costs for operating expenses and tenant improvements associated with underlying leases in certain of these acquisitions; and (3) lower rents associated with lower grade space in certain of these acquisitions.

We believe that there is a fair amount of uncertainty surrounding the outlook for leasing activity for our overall portfolio in 2008 and 2009. Certain national key economic indicators such as employment growth, gross domestic product and housing starts, combined with turmoil in the financial markets brought about in large part in response to the sub-prime mortgage market decline, have caused disruption to the United States economy and capital markets. While we do not believe that the effects of these developments in the economy significantly impacted our 2007 leasing performance, we believe that it could impact our performance in 2008 and 2009, and possibly beyond, as we believe that there is generally a lag in time before economic developments affect the office real estate market. We do believe that our overall portfolio from a leasing and occupancy perspective may not be affected to the same extent as some of our peers in the office real estate industry due in large part to: (1) the quality of our tenant base from a credit risk perspective and our ability to retain such tenants; (2) our concentration of tenants in the United States defense industry, particularly in the area of defense information technology, the need for which we do not believe will diminish in the foreseeable future; and (3) higher than average likelihood for stability in our markets and submarkets due to their proximity to large demand drivers (such as government installations), strong demographics and

attractiveness to high quality tenants. We believe that reporting by the Base Realignment and Closure Commission of the United States Congress ("BRAC"), which is charged with reallocating personnel between government installations, favors the reallocation of additional personnel to many of the regions in which our properties are located, although there is some uncertainty over the level and timing of such reallocations.

We believe that market level occupancy rates in many of our markets may have peaked or started to decline during 2007 from a quarter to quarter trending perspective, although we believe that the occupancy rate in our properties was generally higher than the market level occupancy rate in most of our markets. In our largest geographic region concentration, the Baltimore/Washington Corridor, we are facing a higher level of competition than we have historically due to new firms entering the market with additional new space to a large extent in anticipation of the expansion brought about by the BRAC activities. In our second largest regional concentration, Northern Virginia, market level occupancy rates are trending downwards and speculative construction of additional space in the market is nearing completion and, as a result, could further decrease occupancy rates; however, we believe that we are somewhat protected in the short run in the Northern Virginia region since, with the exception of calendar year 2010 (when 20.6% of our annualized rental revenues at December 31, 2007 from that region were scheduled to expire), no more than 7.0% of the annualized rental revenues at December 31, 2007 from that region were scheduled to expire in any one calendar year between 2008 and 2013. All of our properties in the Greater Philadelphia region are concentrated under three leases with Unisys that expire in June 2009 (although Unisys subleases approximately 20% of this space to Merck), and we believe that Unisys does not intend to renew the majority of the space; we have commenced activities to re-lease this space.

We did experience increased delays in 2007 in the leasing of certain projects under construction that were not pre-leased. These delays resulted in the delay of some square footage under construction from becoming operational and also led to our deferral of certain projects under development on which we were about to commence construction. We do believe that we need to continue to commence construction on properties that are not pre-leased to a certain extent in certain of our markets to enable us to meet the demand of tenants that require space meeting their needs in a short timeframe.

Despite the continued uncertainty regarding our 2008 leasing outlook, we believe that we are somewhat protected in the short run from a slow down in leasing activity since the weighted average lease term for our wholly owned properties at December 31, 2007 was five years. In addition, only 11.2% of our annualized rental revenues at December 31, 2007 were from leases scheduled to expire by the end of 2008. Looking longer term, 62.2% of our annualized rental revenues on leases in place as of December 31, 2007 were from leases scheduled to expire by the end of 2012, with no more than 15% scheduled to expire in any one calendar year between 2008 and 2012.

As noted above, most of the leases with our largest tenant, the United States Government, provide for consecutive one-year terms or provide for early termination rights; all 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 or exercising early termination rights. We report the statistics in this manner since we manage our leasing activities using these same assumptions and believe these assumptions to be probable. Please refer to the section entitled "Liquidity and Capital Resources" where we further discuss our leases with the United States Government and the underlying risks.

The table below sets forth occupancy information pertaining to operating properties in which we have a partial ownership interest:

Geographic Region	Ownership Interest	Occupancy Rates at December 31,		
		2007	2006	2005
Suburban Maryland	50.0%	76.2%	47.9%	47.9%
Northern Virginia(1)	92.5%	100.0%	100.0%	100.0%
Greater Harrisburg	20.0%	90.5%	91.2%	89.4%
Northern/Central New Jersey(2)	20.0%	N/A	N/A	80.9%

(1) Excludes the effect of 115,866 unoccupied square feet undergoing redevelopment at year end.

(2) The property in this geographic region was sold in July 2006.

Revenues from Real Estate Operations and Property Operating Expenses

We typically view our changes in revenues from real estate operations and property operating expenses as being comprised of three main components:

- changes attributable to the operations of properties owned and 100% operational throughout the two years being compared. We define these as changes from "Same-Office Properties." For example, when comparing 2006 and 2007, Same-Office Properties would be properties owned and 100% operational from January 1, 2006 through December 31, 2007. For further discussion of the concept of "operational," you should refer to the section of Note 2 of the Consolidated Financial Statements entitled "Commercial Real Estate Properties;"
- changes attributable to operating properties acquired during the two years being compared and newly-constructed properties that were placed into service and not 100% operational throughout the two years being compared. We define these as changes from "Property Additions;" and
- changes attributable to properties sold during the two years being compared that are not reported as discontinued operations. We define these as changes from "Sold Properties."

The tables below set forth the components of our changes in revenues from real estate operations and property operating expenses (dollars in thousands). The tables and the discussion that follows in this section include results and information pertaining to properties included in continuing operations:

	Changes from 2006 to 2007				
	Property Additions Dollar Change(1)	Same-Office Properties		Other Dollar Change(2)	Total
		Dollar Change	Percentage Change		
Revenues from real estate operations					
Rental revenue	\$ 56,257	\$ 5,092	2.1%	\$ 326	\$ 61,675
Tenant recoveries and other real estate operations revenue	8,880	4,221	11.9%	595	13,696
Total	\$ 65,137	\$ 9,313	3.4%	\$ 921	\$ 75,371
Property operating expenses	\$ 21,488	\$ 6,854	7.8%	\$ 2,033	\$ 30,375
Straight-line rental revenue adjustments included in rental revenue	\$ 3,574	\$ (1,765)	N/A	\$ 81	\$ 1,890
Amortization of deferred market rental revenue	\$ 28	\$ 372	N/A	\$ —	\$ 400
Number of operating properties included in component category	76	153	N/A	—	229

(1) Includes 62 acquired properties, 12 newly-constructed properties and two redevelopment properties placed into service.

(2) Includes, among other things, the effects of amounts eliminated in consolidation. Certain amounts eliminated in consolidation are attributable to the Property Additions and Same-Office Properties.

Changes from 2005 to 2006

	Property Additions Dollar Change(1)	Same-Office Properties		Sold Properties Dollar Change(2)	Other Dollar Change(3)	Total
		Dollar Change	Percentage Change			
Revenues from real estate operations						
Rental revenue	\$ 51,645	\$ 1,086	0.6%	\$ (5,586)	\$ (1,376)	\$ 45,769
Tenant recoveries and other real estate operations revenue	8,232	2,933	11.4%	(1,025)	860	11,000
Total	\$ 59,877	\$ 4,019	1.8%	\$ (6,611)	\$ (516)	\$ 56,769
Property operating expenses	\$ 20,022	\$ 5,025	7.5%	\$ (2,259)	\$ (218)	\$ 22,570
Straight-line rental revenue adjustments included in rental revenue	\$ 5,194	\$ (1,824)	N/A	\$ (56)	\$ (826)	\$ 2,488
Amortization of deferred market rental revenue	\$ 1,272	\$ 27	N/A	\$ —	\$ (27)	\$ 1,272
Number of operating properties included in component category	53	114	N/A	16	1	184

(1) Includes 43 acquired properties and 10 newly-constructed properties.

(2) Includes sold properties that are not reported as discontinued operations.

(3) Includes, among other things, the effects of amounts eliminated in consolidation. Certain amounts eliminated in consolidation are attributable to the Property Additions and Same-Office Properties.

As the tables above indicate, our total increase in revenues from real estate operations and property operating expenses from 2006 to 2007 and from 2005 to 2006 was attributable primarily to the Property Additions. The increase from 2005 to 2006 in revenues from real estate operations associated with the Property Additions included the effect of certain of our 2005 acquisitions carrying occupancy rates that were lower than the average occupancy rate of our previously existing properties. Acquisitions in 2005 with particularly low occupancy rates upon acquisition included the following: (1) a 1.1 million square foot portfolio acquired in December 2005 that had an occupancy rate averaging approximately 80% in 2005 and 2006; (2) a 118,000 square foot property acquired in October 2005 that was 58% occupied from the date of its acquisition until December 2006; and (3) a 113,000 square foot property acquired in April 2005 that was 23% occupied from its acquisition until December 2005, when it became 100% operational. We occasionally acquire lower occupancy properties such as these for what we view to be the potential for particularly high rates of return on our investment in these properties if we are successful in stabilizing their operations.

With regard to changes in the Same-Office Properties' revenues from real estate operations:

- the increase in rental revenue from 2006 to 2007 included the following:
 - an increase of \$6.2 million, or 2.6%, in rental revenue from the Same-Office Properties attributable primarily to changes in occupancy and rental rates between the two periods. Included in this increase was a \$5.0 million increase attributable to three properties (\$3.8 million in two properties in Northern Virginia and \$1.2 million in one property in the Baltimore/Washington Corridor) and a \$1.8 million decrease attributable to one property in Suburban Baltimore; partially offset by
 - a decrease of \$1.1 million, or 35.8%, in net revenue from the early termination of leases. To explain further the term net revenue from the early termination of leases, when tenants terminate their lease obligations prior to the end of the agreed lease terms, they typically pay fees to break these obligations. We recognize such fees as revenue and write off against

such revenue any (1) deferred rents receivable and (2) deferred revenue and deferred 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.

- the increase in rental revenue from 2005 to 2006 included the following:
 - an increase of \$2.7 million, or 1.4%, in rental revenue from the Same-Office Properties attributable primarily to changes in occupancy and rental rates between the two periods. Of this increase, \$1.0 million was from one property in New Jersey; partially offset by
 - a decrease of \$1.6 million, or 37.5%, in net revenue from the early termination of leases.
- tenant recoveries and other revenue increased from 2006 to 2007 and from 2005 to 2006 due primarily to the increase in property operating expenses described below. While we do have some lease structures under which tenants pay for 100% of properties' operating expenses, our most prevalent lease structure is for tenants to pay for a portion of property operating expenses to the extent that such expenses exceed amounts established in their respective leases that are based on historical expense levels. As a result, while there is an inherent direct relationship between our tenant recoveries and property operating expenses, this relationship does not result in a dollar for dollar increase in tenant recoveries as property operating expenses increase.

With regard to changes in the Same-Office Properties' property operating expenses:

- the increase in the Same-Office Properties' property operating expenses from 2006 to 2007 included the following:
 - an increase of \$2.9 million, or 14.5%, in utilities due primarily to (1) rate increases that we believe are the result of (a) increased oil prices and (b) energy deregulation in Maryland and (2) our assumption of responsibility for payment of utilities at certain properties due to changes in occupancy and lease structure;
 - an increase of \$1.6 million, or 200.2%, in snow removal due to increased snow and ice in most of our regions in 2007;
 - an increase of \$936,000, or 5.5%, in real estate taxes reflecting primarily an increase in the assessed value of many of our properties. Included in this amount was an increase of \$241,000, or 55.8%, attributable to our Colorado Springs portfolio which had a number of properties with significantly higher assessed values;
 - an increase of \$795,000, or 17.9%, in heating and air conditioning repairs and maintenance due to an increase in general repair activity and the commencement of new service arrangements at certain properties. The higher labor rates were attributable in part to an inflationary trend but also were due to the increased need for us to employ individuals with specialized skills who command higher rates;
 - an increase of \$764,000, or 7.8%, in repairs and maintenance labor due primarily to: (1) an increase in labor hours due mostly to the addition of new employees to address staffing needs and increased labor requirements at certain properties with increased occupancy; and (2) higher labor rates resulting from an increase in the underlying costs for labor; and
 - an increase of \$730,000, or 10.4%, in management fees attributable primarily to an increase in revenue billed by the properties (management fees are generally computed based on a percentage of revenue billed by properties). The increase also was attributable in part to a change in the basis for computing management fees for a number of properties in the portfolio from being based on a percentage of property operating expenses to being based on a percentage of revenue.

- the increase in the Same-Office Properties' property operating expenses from 2005 to 2006 included the following:
 - an increase of \$2.1 million, or 15.1%, in utilities due primarily to the same reasons discussed above for the change from 2006 to 2007;
 - an increase of \$1.3 million, or 10.5%, in real estate taxes reflecting primarily an increase in the assessed value of many of our properties;
 - an increase of \$675,000, or 9.0%, in repairs and maintenance labor due in large part to higher labor hour rates resulting from an increase in the underlying costs for labor due primarily to the reasons discussed above;
 - an increase of \$626,000, or 7.2%, in cleaning expenses due primarily to: (1) increased rates for services at certain of our properties requiring specialized services; and (2) our assumption of responsibility for payment of such costs at certain properties due to changes in occupancy and lease structures;
 - an increase of \$545,000, or 25.5%, in grounds maintenance due in large part to increased parking lot maintenance projects undertaken in 2006;
 - an increase of \$384,000, or 48.6%, in electrical repair expense, \$154,000 of which pertained to one property which had a large repair project take place; and
 - a decrease of \$1.5 million, or 70.2%, in snow removal expenses resulting from less snow and ice precipitation in most of our regions in 2006.

The \$2.0 million increase in property operating expenses from 2006 to 2007 that was not attributable to Property Additions or Same-Office Properties included a \$1.3 million increase associated with the former Fort Ritchie United States Army base in Cascade, Washington County, Maryland, of which we acquired 500 acres on October 5, 2006 and 91 acres on November 29, 2007. While we had development activities underway at the Fort Ritchie project in 2007, the \$1.3 million in operating expenses was associated with the portions of the project held for future lease or development.

Construction Contract and Other Service Revenues and Expenses

The table below sets forth changes in our construction contract and other service revenues and expenses (dollars in thousands):

	Changes from 2006 to 2007			Changes from 2005 to 2006		
	Construction Contract Dollar Change	Other Service Operations Dollar Change	Total Dollar Change	Construction Contract Dollar Change	Other Service Operations Dollar Change	Total Dollar Change
Service operations						
Revenues	\$ (15,108)	\$ (3,751)	\$ (18,859)	\$ (22,175)	\$ 3,025	\$ (19,150)
Expenses	(14,238)	(3,314)	(17,552)	(22,573)	2,631	(19,942)
Income from service operations	\$ (870)	\$ (437)	\$ (1,307)	\$ 398	\$ 394	\$ 792

The gross revenues and costs associated with these services generally bear little relationship to the level of activity from these operations since a substantial portion of the costs are subcontracted costs that are reimbursed to us by the customer at no mark up. As a result, the operating margins from these operations are small relative to the revenue. We use the net of service operations revenues and expenses to evaluate performance. Income from service operations decreased from 2006 to 2007 due primarily to: (1) a slow down in activity on certain third party constructions jobs; and (2) a decrease in third party work for heating and air conditioning controls and plumbing services. While we believe that the change in third party construction job activity represents normal fluctuation of activity, the decrease in third party work for heating and air conditioning controls and plumbing services was attributable to our decision in 2007 to limit the amount of these services that we provide to third parties and, instead, focus on providing these services predominantly for our properties. We do not believe that the changes in net amounts from 2005 to 2006 reflected above were significant.

Construction contract revenues were significantly higher in 2005 compared to 2007 and 2006 due primarily to a large volume of activity for certain existing contracts in that year. Construction contract revenues were significantly lower in 2007 compared to 2006 due primarily to decreased construction activity on certain third party jobs. It is noteworthy that our revenue from construction contract activity is highly concentrated, with three contracts representing approximately 82% of our 2007 construction contract revenue and five contracts representing approximately 81% of our 2006 construction contract revenue.

Other service operations revenue increased 62.0% from 2005 to 2006 but decreased 47.5% from 2006 to 2007. While the increase from 2005 to 2006 was due primarily to a higher volume of work for heating and air conditioning controls and plumbing services, much of which was attributable to one client relationship, the decrease from 2006 to 2007 was attributable to our decision in 2007 discussed above to limit the amount of these services that we provide to third parties.

Depreciation and Amortization

Our depreciation and other amortization expense from continuing operations increased from 2006 to 2007 by \$28.3 million, or 36.2%, due primarily to a \$30.4 million increase attributable to the Property Additions. Of the increase attributable to the Property Additions, \$22.8 million was attributable to the Nottingham Acquisition. Compared to other acquisitions that we have completed in recent years, a considerably larger portion of the value of the operating properties included in the Nottingham Acquisition was allocated to assets with lives that are based on the lives of the underlying leases; due to that fact and the fact that a large number of the leases in these properties have lives of four years or less, much of the depreciation and amortization associated with these properties is front-loaded to the four years following the completion of the acquisition. This will result in increased depreciation and amortization expense over the initial four years following the acquisition. The net increase in depreciation and other amortization expense from 2006 to 2007 also included a decrease of \$2.9 million attributable to one of the Same-Office Properties that had significant depreciation and amortization expense in 2006 associated with a lease that terminated in 2006.

Our depreciation and other amortization expense from continuing operations increased from 2005 to 2006 by \$17.6 million, or 29.2%, due primarily to a \$19.7 million increase attributable to the Property Additions, offset in part by a \$1.6 million decrease attributable to the absence of depreciation and amortization in 2006 on the Harrisburg portfolio due to its contribution into an unconsolidated real estate joint venture in September 2005.

General and Administrative Expenses

General and administrative expenses increased as a percentage of operating income from 14.3% in 2005 to 15.6% in 2006 and to 17.1% in 2007. Much of this trend can be attributed to an increase in the size of our employee base in response to the continued growth of the Company. We expect this trend to continue over the next year and then stabilize as we determine that the Company's employee base and processes are positioned appropriately in anticipation of our future growth expectations.

Our general and administrative expense increased from 2006 to 2007 by \$3.6 million, or 21.2%, which included the following:

- a \$5.2 million, or 36.6%, increase in compensation expense due in large part to: (1) the increased number of employees in response to the continued growth of the Company; (2) increased salaries and bonuses for existing employees; and (3) a \$1.8 million increase in expense associated with share-based compensation due to the effects of awards issued in 2006 and 2007 and an increase in the award values being amortized into expense; and
- a \$1.8 million, or 38.6%, decrease attributable to increased allocation of corporate overhead primarily to our service companies. Although our overall general and administrative expenses

increased as discussed above, this \$1.8 million decrease in general and administrative expenses was caused by the combined effect of: (1) the increase in allocable general and administrative expenses; and (2) a larger percentage of general and administrative expenses being allocated to the service companies due in large part to the increased number of employees in the service companies.

Our general and administrative expense increased from 2005 to 2006 by \$3.4 million, or 25.1%, which was attributable primarily to an increase of \$2.5 million, or 21.5%, in compensation expense due to: (1) the increased number of employees; (2) increased salaries and bonuses for existing employees; and (3) an increase of \$537,000 in expense associated with options issued to employees that was attributable to our adoption of SFAS 123(R) on January 1, 2006.

Interest Expense and Amortization of Deferred Financing Costs

Our interest expense and amortization of deferred financing costs included in continuing operations increased from 2006 to 2007 by \$12.6 million, or 17.2%. This increase included the effects of the following:

- a 26.1% increase in our average outstanding debt balance resulting primarily from our 2006 and 2007 acquisition and construction activities; offset in part by the effects of
- an increase in interest capitalized to construction, development and redevelopment projects of \$4.7 million, or 32.4%, due to increased construction, development and redevelopment activity; and
- a decrease in our weighted average interest rates from 6.2% to 5.8%.

Our interest expense and amortization of deferred financing costs included in continuing operations increased from 2005 to 2006 by \$17.0 million, or 30.2%, from 2005 to 2006. This increase included the effects of the following:

- a 20.7% increase in our average outstanding debt balance, resulting primarily from our 2005 and 2006 acquisition and construction activities; and
- an increase in our weighted average interest rates from 5.8% to 6.2%; offset in part by
- an increase in interest capitalized to construction, development and redevelopment projects of \$4.7 million, or 47.5%, due to increased construction, development and redevelopment activity.

Interest expense and deferred financing costs as a percentage of net operating income increased from 59.4% in 2005 to 67.4% in 2006 and to 71.3% in 2007 due in large part to a higher proportion of our investing and financing activities having been funded by debt versus equity and the reasons discussed above for the changes in interest expense. We historically have financed our long-term capital needs, including property acquisition and development activities, through a combination of the following:

- borrowings under our Revolving Credit Facility;
- borrowings from new debt;
- issuances of common shares, preferred shares and common units and/or preferred units in our Operating Partnership;
- contributions from outside investors into real estate joint ventures;
- proceeds from sales of real estate; and
- any available residual cash flow from operations.

Many factors go into our decisions regarding when to finance investing and financing activities using debt versus equity. We generally use long-term borrowings as attractive financing conditions arise

and equity issuances as attractive equity market conditions arise. As a result, the change in the proportion of our investing and financing activities funded by debt versus equity described above is not a trend that necessarily should be expected to continue.

As of December 31, 2007, 19.1% of our total debt had variable interest rates, including the effect of interest rate swaps. As of December 31, 2007, 88.0% of our fixed-rate debt was scheduled to mature after 2008. For a more comprehensive quantitative analysis of our debt, please refer to the section below entitled "Quantitative and Qualitative Disclosures About Market Risk."

Gain on sale of non-real estate investment

Included as income for the year ended December 31, 2007 was a \$1.0 million gain recognized on the disposition of most of our investment in TractManager, Inc., an investment that we account for using the cost method of accounting. TractManager, Inc. is an entity that developed an Internet-based contract imaging system for sale to real estate owners and healthcare providers.

Minority Interests

Interests in our Operating Partnership are in the form of preferred and common units. The line entitled "minority interests in income from continuing operations" includes primarily income from continuing operations allocated to preferred and common units not owned by us. Income is allocated to minority interest preferred unitholders in an amount equal to the priority return from the Operating Partnership to which they are entitled. Income is allocated to minority interest common unitholders based on the income earned by the Operating Partnership, after allocation to preferred unitholders, multiplied by the percentage of the common units in the Operating Partnership owned by those common unitholders.

As of December 31, 2007, we owned 84.7% of the outstanding common units and 95.8% of the outstanding preferred units. The percentage of the Operating Partnership owned by minority interests during the last three years decreased in the aggregate due primarily to the effect of the following transactions:

- the issuance of additional units to us as we issued new preferred shares and common shares during 2005 through 2007 due to the fact that we receive preferred units and common units in the Operating Partnership each time we issue preferred shares and common shares; and
- the exchange of common units for our common shares by certain minority interest holders of common units; offset in part by
- our issuance of common units to third parties totaling 262,165 in 2007, 181,097 in 2006 and 232,655 in 2005 in connection with acquisitions; and
- the redemption by us of the Series E and Series F Preferred Shares in 2006.

Our income from continuing operations allocated to minority interests decreased by \$428,000, or 11.1%, from 2006 to 2007 and by \$1.1 million, or 21.9%, from 2005 to 2006. These decreases are due to: (1) a decrease in the income available to allocate to minority interests holders of common units attributable primarily to the reasons set forth above for changes in revenue and expense items combined with the effect of increasing preferred share dividends; and (2) our increasing ownership of common units (from 80.3% at December 31, 2004 to 84.7% at December 31, 2007).

Income from discontinued operations, net of minority interests

Our income from discontinued operations decreased \$16.1 million, or 89.7%, from 2006 to 2007 and increased \$11.9 million, or 195.1%, from 2005 to 2006 due primarily to changes in gain from sales of real estate included in discontinued operations. See Note 18 to the Consolidated Financial Statements for a summary of the components of income from discontinued operations.

Adjustments to Net Income to Arrive at Net Income Available to Common Shareholders

Preferred share dividends increased from 2005 to 2006 and from 2006 to 2007 due to the additional dividends attributable to the Series J Preferred Shares of beneficial interest issued in July 2006 and Series K Preferred Shares issued in January 2007 exceeding the decrease in dividends attributable to the redemption of the Series E and Series F Preferred Shares of beneficial interest ("Series E Preferred Shares" and "Series F Preferred Shares") in 2006.

In 2006, we recognized a \$3.9 million decrease to net income available to common shareholders pertaining to the original issuance costs incurred on the Series E and Series F Preferred Shares that were redeemed in 2006.

Diluted earnings per common share

Diluted earnings per common share on net income available to common shareholders decreased 43.5% from 2006 to 2007 and increased 9.5% from 2005 to 2006 due primarily to the effects of the following:

- changes in net income available to common shareholders, attributable primarily to the reasons set forth above; and
- a larger number of common shares outstanding due to share issuances from 2005 to 2007.

Liquidity and Capital Resources

In our discussion of liquidity and capital resources set forth below, we describe certain of the risks and uncertainties relating to our business. However, they may not be the only ones that we face.

Cash and Cash Equivalents

Our cash and cash equivalents balance as of December 31, 2007 totaled \$24.6 million, an increase of 211% from the balance as of December 31, 2006. The balance of cash and cash equivalents that we carried as of the end of each of the eight calendar quarters during the two years ended December 31, 2007 ranged from \$5.7 million to \$24.6 million and averaged \$16.0 million. The cash and cash equivalents balances that we carry as of a point in time can vary significantly due in part to the inherent variability of the cash needs of our acquisition and development activities. We maintain sufficient cash and cash equivalents to meet our operating cash requirements and short term investing and financing cash requirements. When we determine that the amount of cash and cash equivalents on hand is more than we need to meet such requirements, we may pay down our Revolving Credit Facility or forgo borrowing under construction loan credit facilities to fund development activities.

Operating Activities

We generate most of our cash from the operations of our properties. A review of our Consolidated Statements of Operations indicates that over the last three years, approximately 30% to 33% of our revenues from real estate operations (defined as the sum of (1) rental revenue and (2) tenant recoveries and other real estate operations revenue) were used for property operating expenses. Most of the amount by which our revenues from real estate operations exceeded property operating expenses was cash flow; we applied most of this cash flow towards interest expense, scheduled principal amortization on debt, dividends to our shareholders, distributions to minority interest holders of preferred and common units in the Operating Partnership, capital improvements and leasing costs for our operating properties and general and administrative expenses.

Our cash flow from operations determined in accordance with GAAP increased \$24.6 million, or 21.7%, from 2006 to 2007; this increase is attributable primarily to the additional cash flow from operations generated by our newly-acquired and newly-constructed properties. We expect to continue to use cash flow provided by operations to meet our short-term capital needs, including all property

operating expenses, general and administrative expenses, interest expense, scheduled principal amortization of debt, dividends and distributions and capital improvements and leasing costs. We do not anticipate borrowing to meet these requirements. Factors that could negatively affect our ability to generate cash flow from operations in the future are discussed in Item 1A of this report entitled "Risk Factors," and include, without limitation, the following:

- 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 our costs will not necessarily decline and may increase even if our revenue declines.
- For new tenants or upon lease expiration for existing tenants, we generally must make improvements and pay other tenant-related costs for which we may not receive increased rents. We also may make building-related capital improvements for which tenants may not reimburse us.
- When leases for our properties 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 leaves, we can expect to experience a vacancy for some period of time as well as higher tenant improvement and leasing costs than if a tenant renews. As a result, our financial performance could be adversely affected if we experience a high volume of tenant departures at the end of their lease terms.
- As discussed earlier, we are dependent on a highly concentrated number of tenants for a large percentage of our revenue. Most of the leases of one of these tenants, the United States Government, provide for a series of one-year terms or provide for early termination rights. Our cash flow from operations would be adversely affected if our larger tenants fail to make rental payments to us, or if the United States Government elects to terminate several of its leases and the affected space cannot be re-leased on satisfactory terms.
- As discussed earlier, a high concentration of our revenues comes from tenants in the United States defense industry, of which substantially all is associated with defense information technology activities. A reduction in government spending for these defense activities could affect the ability of our tenants in the defense industry to fulfill lease obligations or decrease the likelihood that these tenants will renew their leases. In the case of the United States Government, a reduction in government spending could result in the early termination of leases.
- Our performance depends on the ability of our tenants to fulfill their lease obligations by paying their rental payments in a timely manner. In addition, as noted above, we rely on a relatively small number of tenants for a large percentage of our revenue from real estate operations. If one of our major tenants or a number of our smaller tenants were to experience financial difficulties, including bankruptcy, insolvency or general downturn of business, there could be an adverse effect on our results of operations and financial condition.
- We provide construction management services for third-party clients. When providing these services, we usually pay for the costs of construction and subsequently bill our clients for the costs of construction plus a construction management fee. When we provide construction management services, the costs of construction can be substantial. If any of our clients for these services fail to reimburse us for costs incurred under a significant construction management contract, it could have an adverse effect on our results of operations and financial condition.
- Since our properties are primarily located in the Mid-Atlantic region of the United States, especially in the Greater Washington, D.C. region, and are also typically concentrated in office parks in which we own most of the properties, we do not have a broad geographic distribution of our properties. As a result, a decline in the real estate market or general economic conditions in the Mid-Atlantic region, the Greater Washington, D.C. region or the office parks in which our properties are located could have an adverse effect on our financial position, results of operations and cash flows.

- The commercial real estate market is highly competitive. We compete for the purchase of commercial properties with many entities, including other publicly traded commercial REITs. Many of our competitors have substantially greater financial resources than we do. If our competitors prevent us from buying properties that we target for acquisition, we may not be able to meet our property acquisition goals. Moreover, numerous commercial properties compete for tenants with our properties. Some of the properties competing with ours may have newer or more desirable locations, or the competing properties' owners may be willing to accept lower rates than are acceptable to us. Competition for property acquisitions or for tenants in properties that we own could have an adverse effect on our financial performance.
- If short-term interest rates were to increase, the interest payments on our variable-rate debt would increase, although this increase may be reduced to the extent that we have interest rate swap and cap agreements outstanding. If longer-term interest rates were to increase, we may not be able to refinance our existing indebtedness on terms as favorable as the terms of our existing indebtedness and we would pay more for interest expense on new indebtedness that we incur for future property additions.
- Our portfolio of properties is insured for losses under our property, casualty and umbrella insurance policies through September 2008. These policies include coverage for acts of terrorism. 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 properties damaged by a fire or other catastrophic event. In addition, changes in the insurance industry could occur in the future that may increase the cost of insuring our properties and decrease the scope of insurance coverage, either of which could adversely affect our financial position and operating results.
- As a REIT, we must distribute at least 90% of our annual taxable income (excluding capital gains), which limits the amount of cash we have available for other business purposes, including amounts to fund our growth. Also, it is possible that because of the differences between the time that we actually receive revenue or pay expenses and the period we report those items for distribution purposes, we may have to borrow funds on a short-term basis to meet the 90% distribution requirement. We may also become subject to tax liabilities that adversely affect our operating cash flow.

Investing and Financing Activities During the Year Ended December 31, 2007

As discussed above, we completed the Nottingham Acquisition on January 9 and 10, 2007. The acquired properties included 56 operating properties totaling approximately 2.4 million square feet and land parcels totaling 187 acres that we believe can support at least 2.0 million developable square feet. We completed the Nottingham Acquisition for an aggregate cost of \$366.9 million, which was financed using the following:

- the issuance of 3,161,000 common shares to the seller at a value of \$156.7 million, or \$49.57 per share;
- the issuance of 531,667 Series K Preferred Shares to the seller at a value of \$26.6 million, or \$50.00 per share;
- \$89.1 million in borrowings under a variable-rate loan bearing interest at LIBOR plus 1.15 to 1.55%, depending on our leverage levels;
- borrowings assumed under fixed-rate mortgage loans with an aggregate fair value of \$38.6 million;
- \$33.7 million in borrowings under our Revolving Credit Facility;
- \$20.1 million in cash from a previous property sale that was released from escrow;

- application of a \$2.0 million deposit previously paid by us in 2006; and
- cash reserves for the balance.

We issued the Series K Preferred Shares in the Nottingham Acquisition at a value of, and liquidation preference equal to, \$50 per share. The Series K Preferred Shares are nonvoting, redeemable for cash at \$50 per share at our option on or after January 9, 2017, and are convertible, subject to certain conditions, into common shares on the basis of 0.8163 common shares for each preferred share, in accordance with the terms of the Articles Supplementary describing the Series K Preferred Shares. Holders of the Series K Preferred Shares are entitled to cumulative dividends, payable quarterly (as and if declared by our Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$2.80 per share, which is equal to 5.6% of the \$50 per share liquidation preference.

We also completed the following acquisitions in 2007:

- the remaining 50% undivided interest in a 132-acre parcel of land located in Colorado Springs on April 6, 2007, that we believe can support approximately 1.9 million developable square feet of office space, for \$13.6 million. We financed most of this acquisition by issuing 262,165 common units in the Operating Partnership valued at \$12.1 million; and
- a 56-acre parcel of land located in Aberdeen, Maryland on September 14, 2007, that we believe can support up to 800,000 developable square feet, for \$10.5 million. The property is located adjacent to Aberdeen Proving Ground, which is a United States Government installation. We financed most of this acquisition using cash reserves.

Activity related to consolidated joint ventures in 2007 included the following:

- as of December 31, 2006, we owned a 50% interest in Commons Office 6-B, LLC, an entity developing a land parcel in Hanover, Maryland (Hanover, Maryland is located in the Baltimore/Washington Corridor). We acquired the remaining 50% interest in this entity for \$1.3 million on May 24, 2007;
- we completed on June 26, 2007 the formation of Enterprise Campus Developer, LLC ("Enterprise Campus"), an entity in which we own a 90% interest. This entity was created to develop and construct one or more office buildings on land parcels located in College Park, Maryland as part of a separate joint venture called M Square Associates, LLC ("M Square") that was not formed until January 29, 2008 (College Park, Maryland is located in our Suburban Maryland region). At December 31, 2007, development and construction activities were underway in anticipation of Enterprise Campus' impending membership in M Square; and
- we completed on July 2, 2007 the formation of Arundel Preserve #5, LLC, an entity in which we own a 50% interest. This entity was created to develop and construct one or more office buildings on a land parcel located in Hanover, Maryland.

We had five newly-constructed properties totaling 568,433 square feet (three located in the Baltimore/Washington Corridor and two in our Other region) become fully operational in 2007 (68,196 of these square feet were placed into service in 2006). These properties were 96.3% leased, or considered committed to lease, as of December 31, 2007. Costs incurred on these properties through December 31, 2007 totaled \$137.2 million, \$60.9 million of which was incurred in 2007. We financed the 2007 costs using primarily borrowings from construction loan facilities on three of the properties; borrowings under these facilities in 2007 totaled \$50.8 million.

At December 31, 2007, we had construction activities underway on 10 office properties totaling 845,605 square feet that were 36.2% leased, or considered committed to lease, including 48,377 square feet already placed in service in a partially operational property. One of these properties is owned through a consolidated joint venture in which we have a 50% interest. Four each of these properties are located in Colorado Springs and the Baltimore/Washington Corridor and two in San Antonio. We

expect to lease 48.7% of the square footage in these properties to tenants in the United States defense industry. Costs incurred on these properties through December 31, 2007 totaled approximately \$99.8 million, of which approximately \$61.3 million was incurred in 2007. We have a construction loan facility in place totaling \$27.0 million to finance the construction of one of these properties; borrowings under this facility totaled \$22.5 million at December 31, 2007, \$5.6 million of which was borrowed in 2007. The remaining costs incurred in 2007 were funded using primarily borrowings from our Revolving Credit Facility and cash reserves.

The table below sets forth the major components of our additions to the line entitled "Total Commercial Real Estate Properties" on our Consolidated Balance Sheet for 2007 (in thousands):

Acquisitions	\$	354,972
Construction and development		178,136
Capital improvements on operating properties		27,880
Tenant improvements on operating properties		20,602(1)
	\$	581,590

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

In 2007, we sold four operating properties totaling 128,153 square feet for a total of \$17.8 million, resulting in recognized gain of \$3.9 million. We also sold three parcels of land in our Suburban Baltimore region totaling 16 acres, developable into approximately 230,000 square feet, for \$8.7 million, resulting in a gain of \$3.0 million (\$1.9 million gain net of taxes). The net proceeds from these sales after transaction costs totaled approximately \$22.3 million (excluding the effect of payments for income taxes). We applied these proceeds to our cash operating reserves.

On May 17, 2007, we borrowed \$150.0 million under a mortgage loan with a 10-year term at a fixed rate of 5.65%. We used \$120.5 million of the proceeds from this loan to pay down debt scheduled to mature in September 2007 and the balance to pay down borrowings under our Revolving Credit Facility.

On October 1, 2007, we amended and restated the credit agreement on our Revolving Credit Facility with a group of lenders for which KeyBanc Capital Markets and Wachovia Capital Markets, LLC acted as co-lead arrangers, KeyBank National Association acted as administrative agent and Wachovia Bank, National Association acted as syndication agent. The amended and restated credit agreement increased the amount of the lenders' aggregate commitment under the facility from \$500.0 million to \$600.0 million, which includes a \$50.0 million letter of credit subfacility and a \$50.0 million swingline facility (same-day draw requests), with a right for us to further increase the lenders' aggregate commitment during the term to a maximum of \$800.0 million, subject to certain conditions. Amounts available under the facility are computed based on 65% of our unencumbered asset value, as defined in the agreement. The facility matures on September 30, 2011, and may be extended by one year at our option, subject to certain conditions. The variable interest rate on the facility is based on one of the following, to be selected by us: (1) the LIBOR rate for the interest period designated by us (customarily the 30-day rate) plus 0.75% to 1.25%, as determined by our leverage levels at different points in time; or (2) the greater of (a) the prime rate of the lender then acting as the administrative agent or (b) the Federal Funds Rate, as defined in the agreement, plus 0.50%. Interest is payable at the end of each interest period (as defined in the agreement), and principal outstanding under the facility is payable on the maturity date. The facility also carries a quarterly fee that is based on the unused amount of the facility multiplied by a per annum rate of 0.125% to 0.20%.

On October 23, 2007, we entered into an interest rate swap agreement that fixes the one-month LIBOR base rate at 4.33% on an aggregate notional amount of \$50.0 million. This swap agreement became effective on October 23, 2007 and carries a two-year term.

Analysis of Cash Flow Associated With Investing and Financing Activities

Our net cash flow used in investing activities increased \$73.9 million, or 29.1%, from 2006 to 2007. This increase was due primarily to the following:

- a \$70.3 million, or 24.9%, increase in purchases of and additions to commercial real estate due primarily to the completion of the Nottingham Acquisition. After completing the Nottingham Acquisition early in the year, we did not complete any significant operating property acquisitions as we found the market for acquisitions to be extremely competitive in 2007, with potential target properties selling or priced at amounts that exceeded what our rate on return requirements would permit. Our ability to locate and complete acquisitions is dependent on numerous variables and, as a result, is inherently subject to significant fluctuation from period to period; and
- a \$25.0 million, or 53.6%, decrease in proceeds from sales of properties. Since our real estate sales activity is driven by transactions unrelated to our core operations, our proceeds from sales of properties are subject to significant fluctuation from period to period and, therefore, we do not believe that the change described above is necessarily indicative of a trend. While we expect to reduce or eliminate our real estate investments in certain of our non-core markets in the future, we cannot predict when and if these dispositions will occur.

Our cash flow provided by financing activities increased \$68.9 million, or 50.0%, from 2006 to 2007. This increase was due primarily to the following:

- a \$183.2 million, or 24.0%, decrease in repayments of mortgage and other loans payable due primarily to our use of proceeds from equity offerings in 2006 (2.0 million common shares issued in April 2006 and 3.4 million preferred shares issued in July 2006) and the proceeds from \$200.0 million of exchangeable senior notes issued in September 2006; and
- \$64.4 million in cash used to redeem our Series E and Series F Preferred Shares in 2006; offset in part by
- a \$163.6 million, or 95.6%, decrease in proceeds from the 2006 common and preferred share issuances noted above.

Off-Balance Sheet Arrangements

During 2007, we owned an investment in an unconsolidated joint venture, Harrisburg Corporate Gateway Partners, L.P., for which we accounted using the equity method of accounting. This joint venture was entered into in 2005 to enable us to contribute office properties that were previously wholly owned by us into the joint venture in order to partially dispose of our interest in the properties. We managed the joint venture's property operations and any required construction projects and earned fees for these services in 2007. This joint venture has a two-member management committee that is responsible for making major decisions (as defined in the joint venture agreement), and we control one of the management committee positions.

We and our partner receive returns in proportion to our investments in the joint venture. As part of our obligations under the joint venture arrangement, we agreed to indemnify the partnership's lender for 80% of losses under standard nonrecourse loan guarantees (environmental indemnifications and guarantees against fraud and misrepresentation) during the period of time in which we manage the partnership's properties; we do not expect to incur any losses under these loan guarantees.

We have distributions in excess of our investment in this unconsolidated joint venture of \$4.2 million at December 31, 2007 due to our not recognizing gain on the contribution of properties into the joint venture; we did not recognize a gain on the contribution since we have contingent obligations, as described above, remaining in effect as long as we continue to manage the joint venture's properties that may exceed our proportionate interest. We recognized a loss on our investment in this joint venture of \$224,000 in 2007. We also realized a net cash inflow from this joint venture of \$409,000 in 2007. In addition, we earned fees totaling \$458,000 from the joint venture in 2007 for construction, asset management and property management services.

During 2007, we also owned investments in five joint ventures that we accounted for using the consolidation method of accounting. We use joint ventures such as these from time to time for reasons that include the following: (1) they can provide a facility to access new markets and investment opportunities while enabling us to benefit from the expertise and relationships of our partners; (2) they are an alternative source for raising capital to put towards acquisition or development activities; and (3) they can reduce our exposure to risks associated with a property and its activities. Our consolidated and unconsolidated joint ventures are discussed in Note 5 to our Consolidated Financial Statements, and certain commitments and contingencies related to these joint ventures are discussed in Note 19.

We had no other material off-balance sheet arrangements during 2007.

Contractual Obligations

The following table summarizes our contractual obligations as of December 31, 2007 (in thousands):

Contractual obligations(1)(2)	For the Years Ended December 31,				Total
	2008	2009 to 2010	2011 to 2012	Thereafter	
Debt(3)	\$ 297,120	\$ 136,676	\$ 513,014	\$ 878,427	\$ 1,825,237
Interest on debt(4)	94,724	160,791	115,903	212,397	583,815
Acquisitions of properties(5)	11,045	—	—	4,000	15,045
New construction and development contracts and obligations(6)(7)	71,639	—	—	—	71,639
Third-party construction and development contracts(7)(8)	61,941	—	—	—	61,941
Capital expenditures for operating properties(7)(9)	26,461	—	—	—	26,461
Operating leases(10)	768	851	99	—	1,718
Other purchase obligations(11)	2,350	4,626	4,547	7,473	18,996
Total contractual cash obligations	\$ 566,048	\$ 302,944	\$ 633,563	\$ 1,102,297	\$ 2,604,852

(1) The contractual obligations set forth in this table generally exclude individual contracts that had a value of less than \$20,000. Also excluded are contracts associated with the operations of our properties that may be terminated with notice of one month or less, which is the arrangement that applies to most of our property operations contracts.

(2) Not included in this section are amounts contingently payable by us to acquire the membership interests of certain real estate joint venture partners. See Note 19 to our Consolidated Financial Statements for further discussion of such amounts.

(3) Represents scheduled principal amortization payments and maturities only and therefore excludes a net premium of \$605,000. Our loan maturities in 2008 include \$40.6 million that we expect to extend until 2009 and approximately \$240.9 million that we expect to refinance with a mix of short-

and long-term financing; the balance of the 2008 maturities represent primarily scheduled principal amortization payments that we expect to pay using cash flow from operations. The 2008 scheduled principal payments by quarter are as follows:

First Quarter	\$4.6 million
Second Quarter	\$141.6 million
Third Quarter	\$80.0 million
Fourth Quarter	\$70.9 million

- (4) Represents interest costs for debt at December 31, 2007 for the terms of such debt. For variable rate debt, the amounts reflected above used December 31, 2007 interest rates on variable rate debt in computing interest costs for the terms of such debt. For construction loan facilities where the interest payments are not payable as incurred but, rather, are added to the balance of the loan during the construction period, the amounts reflected above assumed that such interest costs are paid monthly as incurred.
- (5) Represents contractual obligations at December 31, 2007 related to: (1) the acquisition of a parcel of land located in Frederick, Maryland; and (2) a potential \$4.0 million final payment related to the acquisition of land at the former Fort Ritchie United States Army base in Cascade, Washington County, Maryland (included in the "Thereafter" column). The final payment for the former Fort Ritchie property could be reduced by a range of \$750,000 to the full \$4.0 million depending on: (a) defined levels of job creation resulting from the future development of the property taking place; and (b) future real estate taxes generated by the property.
- (6) Represents contractual obligations pertaining to new construction, development and redevelopment activities. We expect to finance these costs primarily using proceeds from our Revolving Credit Facility and construction loans.
- (7) Because of the long-term nature of certain construction and development contracts, some of these costs will be incurred beyond 2008.
- (8) 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.
- (9) Represents contractual obligations pertaining to capital expenditures for our operating properties. We expect to finance all of these costs using cash flow from operations.
- (10) We expect to pay these items using cash flow from operations.
- (11) Primarily represents contractual obligations pertaining to managed-energy service contracts in place for certain of our operating properties. We expect to pay these items using cash flow from operations.

Certain of our debt instruments require that we comply with a number of restrictive financial covenants, including leverage ratio, minimum net worth, minimum fixed charge coverage, minimum debt service and maximum secured indebtedness. As of December 31, 2007, we were in compliance with these financial covenants.

Investing and Financing Activities Subsequent to December 31, 2007

On January 29, 2008, we completed the formation of M Square Associates, LLC, a consolidated joint venture in which we hold a 45% equity interest. This joint venture will own, develop and manage office properties, approved for up to approximately 750,000 square feet, located in M Square Research Park in College Park, Maryland. This joint venture had construction underway on a 118,107 square foot property within M Square Research Park.

On January 29, 2008, we had a 59,763 square foot property in Colorado Springs that was 100% pre-leased become fully operational.

On January 31, 2008, we completed the sale of the 429 Ridge Road property in our Northern/Central New Jersey region for \$17.0 million. We used the proceeds from this sale to pay down our Revolving Credit Facility.

Other Future Cash Requirements for Investing and Financing Activities

As previously discussed, as of December 31, 2007, we had construction activities underway on 10 office properties totaling 845,605 square feet that were 36.2% pre-leased, or considered committed to lease (including one property owned through a consolidated joint venture in which we have a 50% interest). We estimate remaining costs to be incurred will total approximately \$62.4 million upon completion of these properties; we expect to incur these costs in 2008 and 2009. We have \$4.5 million remaining to be borrowed under a construction loan facility totaling \$27.0 million for one of these properties. We expect to fund the remaining portion of these costs using borrowings from new construction loan facilities and our Revolving Credit Facility.

As of December 31, 2007, we had development activities underway on 10 new office properties estimated to total 1.1 million square feet. We estimate that costs for these properties will total approximately \$239.1 million. As of December 31, 2007, costs incurred on these properties totaled \$33.0 million and the balance is expected to be incurred from 2008 through 2010. We expect to fund most of these costs using borrowings from new construction loan facilities.

As of December 31, 2007, we had redevelopment activities underway on an aggregate of 546,615 square feet in four properties (three of these properties are owned through a consolidated joint venture in which we own a 92.5% interest). We estimate that remaining costs of the redevelopment activities will total approximately \$14.4 million. We expect to fund most of these costs using borrowings from our Revolving Credit Facility.

In September 2007, the City of Colorado Springs announced that it had selected us to be the master developer for the 272-acre site known as the Colorado Springs Mixed-Use Business Park, located at the entrance of the Colorado Springs Airport and adjacent to Peterson Air Force Base. We are currently in the process of negotiating the long-term ground lease and development agreement with the City of Colorado Springs regarding the details of this arrangement; we expect that the terms of these agreements will be finalized in 2008. We expect that this business park can support potential development of approximately 3.5 million square feet, including office, retail, industrial and flex space. We anticipate that this project could cost approximately \$800.0 million, which we expect to be funded over the next ten to twenty years. As each parcel commences development, we expect to execute long term land leases. For each parcel, we expect to oversee the development, construction, leasing and management and have a leasehold interest in the buildings.

During 2008 and beyond, we expect to complete other acquisitions of properties and commence construction and development activities in addition to the ones previously described. We expect to finance these activities, as we have in the past, using mostly a combination of borrowings from new debt, borrowings under our Revolving Credit Facility, proceeds from sales of existing properties and additional equity issuances of common and/or preferred shares or units.

We often use our Revolving Credit Facility initially to finance much of our investing and financing activities. We then pay down our Revolving Credit Facility using proceeds from long-term borrowings as attractive financing conditions arise and equity issuances as attractive equity market conditions arise. As described above, amounts available under the facility are computed based on 65% of our unencumbered asset value, as defined in the agreement. As of February 13, 2008, the borrowing capacity under the Revolving Credit Facility was \$600.0 million, of which \$222.0 million was available.

Factors that could negatively affect our ability to finance our long-term financing and investing needs in the future are discussed in Item 1A of this report entitled "Risk Factors," and include, without limitation, the following:

- We have in the past operated with slightly higher debt levels than other REITs. Operating with higher debt levels could make it difficult to obtain additional financing when required and could also make us more vulnerable to an economic downturn. Many of our properties have been mortgaged for indebtedness. In addition, we rely on borrowings to fund some or all of the costs of new property acquisitions, construction and development activities and other items.
- We may not be able to refinance our existing indebtedness.
- Much of our ability to raise capital through the issuance of preferred shares, common shares or securities that are convertible into our common shares is dependent on the value of our common and preferred shares. As is the case with any publicly-traded securities, certain factors outside of our control could influence the value of our common and preferred shares. These conditions include, but are not limited to: (1) market perception of REITs in general and office REITs in particular; (2) market perception of REITs relative to other investment opportunities; (3) the level of institutional investor interest in our Company; (4) general economic and business conditions; (5) prevailing interest rates; and (6) market perception of our financial condition, performance, dividends and growth potential.
- We occasionally complete acquisitions of properties in regions where we did not previously own 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 region and are therefore not able to operate the acquired property profitably.
- When we develop and construct properties, we assume the risk that actual costs will exceed our budgets, that we will experience construction or development delays and that projected leasing will not occur, any of which could adversely affect our financial performance and our ability to make distributions to our shareholders. In addition, we generally do not obtain construction financing commitments until the development stage of a project is complete and construction is about to commence. We may find that we are unable to obtain financing needed to continue with the construction activities for such projects.
- We invest in certain entities in which we are not the exclusive investor or principal decision maker. Aside from our inability to unilaterally control the operations of these joint ventures, our investments entail the additional risks that: (1) the other parties to these investments may not fulfill their financial obligations as investors, in which case we may need to fund such parties' share of additional capital requirements; and (2) the other parties to these investments may take actions that are inconsistent with our objectives.
- Real estate investments can be difficult to sell and convert to cash quickly, especially if market conditions are depressed. Such illiquidity will tend to limit our ability to vary our portfolio of properties promptly 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 four years. In addition, for certain of our properties that we acquired by issuing units in our Operating Partnership, we are restricted by agreements with the sellers of the properties for a certain period of time from entering into transactions (such as the sale or refinancing of the acquired property) that will result in a taxable gain to the sellers without the sellers' consent. Due to all of these factors, we may be unable to sell a property at an advantageous time to fund our long-term capital needs.

- We are subject to various federal, state and local environmental laws. These laws can impose liability on 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 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. These laws often impose liability on an entity even if the facility was not owned or operated by the entity.

Funds From Operations

Funds from operations ("FFO") is defined as net income computed using GAAP, excluding gains (or losses) from sales of real estate, plus real estate-related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Gains from sales of newly-developed properties less accumulated depreciation, if any, required under GAAP are included in FFO on the basis that development services are the primary revenue generating activity; we believe that inclusion of these development gains is in accordance with the National Association of Real Estate Investment Trusts ("NAREIT") definition of FFO, although others may interpret the definition differently.

Accounting for real estate assets using historical cost accounting under GAAP assumes that the value of real estate assets diminishes predictably over time. NAREIT stated in its April 2002 White Paper on Funds from Operations that "since real estate asset values have historically risen or fallen with market conditions, many industry investors have considered presentations of operating results for real estate companies that use historical cost accounting to be insufficient by themselves." As a result, the concept of FFO was created by NAREIT for the REIT industry to "address this problem." We agree with the concept of FFO and believe that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains and losses related to sales of previously depreciated operating real estate properties and excluding real estate-related depreciation and amortization, FFO can help one compare 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 the 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. The FFO we present may not be comparable to the FFO presented by other REITs since they may interpret the current NAREIT definition of FFO differently or they may not use the current NAREIT definition of FFO.

Basic funds from operations ("Basic FFO") is FFO adjusted to (1) subtract (a) preferred share dividends and (b) issuance costs associated with redeemed preferred shares and (2) add back GAAP net income allocated to common units in the Operating Partnership not owned by us. 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 funds from operations ("Diluted FFO") is Basic FFO adjusted to add back any changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. However, the computation of Diluted FFO does not assume conversion of securities other than common units in the Operating Partnership that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. We believe that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, discussed below. In addition, since most equity REITs provide Diluted FFO information to the investment community, we believe Diluted FFO is a useful supplemental measure for comparing us to other equity REITs. We believe that the numerator for diluted EPS is the most directly comparable GAAP measure to Diluted FFO. Since Diluted FFO excludes certain items includable in the numerator to diluted EPS, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in the balance with other GAAP and non-GAAP measures. Diluted FFO is not necessarily an indication of 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. The Diluted FFO that we present may not be comparable to the Diluted FFO presented by other REITs.

Diluted funds from operations per share ("Diluted FFO per share") is (1) Diluted FFO divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. However, the computation of Diluted FFO per share does not assume conversion of securities other than common units in the Operating Partnership that are convertible into common shares if the conversion of those securities would increase Diluted FFO per share in a given period. 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 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.

Our Basic FFO, Diluted FFO and Diluted FFO per share for 2003 through 2007 and reconciliations of (1) net income to FFO, (2) the numerator for diluted EPS to diluted FFO and

(3) the denominator for diluted EPS to the denominator for diluted FFO per share are set forth in the following table (dollars and shares in thousands, except per share data):

	For the Years Ended December 31, (in thousands, except per share data)				
	2007	2006	2005	2004	2003
Net income	\$ 34,784	\$ 49,227	\$ 39,031	\$ 37,032	\$ 30,877
Add: Real estate-related depreciation and amortization	106,260	78,631	62,850	51,371	36,681
Add: Depreciation and amortization on unconsolidated real estate entities	666	910	182	106	295
Less: Depreciation and amortization allocable to minority interests in other consolidated entities	(188)	(163)	(114)	(86)	—
Less: Gain on sales of real estate, net of taxes, excluding development portion(1)	(3,827)	(17,644)	(4,422)	(95)	(2,897)
Funds from operations ("FFO")	137,695	110,961	97,527	88,328	64,956
Add: Minority interests-common units in the Operating Partnership	3,682	7,276	5,889	5,659	6,712
Less: Preferred share dividends	(16,068)	(15,404)	(14,615)	(16,329)	(12,003)
Less: Issuance costs associated with redeemed preferred shares	—	(3,896)	—	(1,813)	—
Funds from Operations—basic ("Basic FFO")	125,309	98,937	88,801	75,845	59,665
Add: Preferred unit distributions	—	—	—	—	1,049
Add: Expense on dilutive share-based compensation	—	—	—	382	10
Add: Convertible preferred share dividends	—	—	—	21	544
Funds from Operations—diluted ("Diluted FFO")	\$ 125,309	\$ 98,937	\$ 88,801	\$ 76,248	\$ 61,268
Weighted average common shares	46,527	41,463	37,371	33,173	26,659
Conversion of weighted average common units	8,296	8,511	8,702	8,726	8,932
Weighted average common shares/units—Basic FFO	54,823	49,974	46,073	41,899	35,591
Dilutive effect of share-based compensation awards	1,103	1,799	1,626	1,896	1,405
Assumed conversion of weighted average convertible preferred units	—	—	—	—	1,101
Assumed conversion of weighted average convertible preferred shares	—	—	—	134	1,197
Weighted average common shares/units—Diluted FFO	55,926	51,773	47,699	43,929	39,294
Diluted FFO per common share	\$ 2.24	\$ 1.91	\$ 1.86	\$ 1.74	\$ 1.56
Numerator for diluted EPS	\$ 18,716	\$ 29,927	\$ 24,416	\$ 18,911	\$ 7,650
Add: Minority interests-common units in the Operating Partnership	3,682	7,276	5,889	5,659	6,712
Add: Real estate-related depreciation and amortization	106,260	78,631	62,850	51,371	36,681
Add: Depreciation and amortization on unconsolidated real estate entities	666	910	182	106	295
Less: Depreciation and amortization allocable to minority interests in other consolidated entities	(188)	(163)	(114)	(86)	—
Less: Gain on sales of real estate, net of taxes, excluding development portion(1)	(3,827)	(17,644)	(4,422)	(95)	(2,897)
Add: Convertible preferred share dividends	—	—	—	—	544
Add: Preferred unit distributions	—	—	—	—	1,049
Add: Expense on dilutive share-based compensation	—	—	—	382	10
Add: Repurchase of Series C Preferred Units in excess of recorded book value	—	—	—	—	11,224
Diluted FFO	\$ 125,309	\$ 98,937	\$ 88,801	\$ 76,248	\$ 61,268
Denominator for diluted EPS	47,630	43,262	38,997	34,982	28,021
Weighted average common units	8,296	8,511	8,702	8,726	8,932
Assumed conversion of weighted average convertible preferred shares	—	—	—	—	1,197
Assumed conversion of weighted average convertible preferred units	—	—	—	—	1,101
Dilutive effect of share-based compensation awards	—	—	—	221	43
Denominator for Diluted FFO per share	55,926	51,773	47,699	43,929	39,294

(1) Gains from the sale of real estate, net of taxes, that are attributable to sales of non-operating properties are included in FFO. Gains from newly-developed or re-developed properties less accumulated depreciation, if any, required under GAAP are also included in FFO on the basis that development services are the primary revenue generating activity; we believe that inclusion of these development gains is in compliance with the NAREIT definition of FFO, although others may interpret the definition differently.

Inflation

Most of our tenants are obligated to pay their share of a building's operating expenses to the extent such expenses exceed amounts established in their leases, 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. In addition, since our average lease life is approximately five years, we generally expect to be able to compensate for increased operating expenses through increased rental rates upon lease renewal or expiration.

Our costs associated with constructing buildings and completing renovation and tenant improvement work increased due to higher cost of materials. We expect to recover a portion of these costs through higher tenant rents and reimbursements for tenant improvements. The additional costs that we do not recover increase depreciation expense as projects are completed and placed into service.

Recent Accounting Pronouncements

For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, you should refer to Note 2 to our Consolidated Financial Statements.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to certain market risks, the most predominant of which is change in interest rates. Increases in interest rates can result in increased interest expense under our Revolving Credit Facility and our other debt carrying variable interest rate terms. Increases in interest rates can also result in increased interest expense when our debt carrying fixed interest rate terms mature and need to be refinanced. Our financing policy monitors the relationship of our total variable rate debt to our total debt to minimize the risk of short-term increases in interest rates. As of December 31, 2007, 88.0% of our fixed-rate debt was scheduled to mature after 2008. As of December 31, 2007, 19.1% of our total debt had variable interest rates, including the effect of interest rate swaps. As of December 31, 2007, the percentage of variable-rate debt, including the effect of interest rate swaps, relative to total assets was 11.9%.

The following table sets forth our long-term debt obligations by scheduled maturity and weighted average interest rates at December 31, 2007 (dollars in thousands):

	For the Years Ended December 31,						
	2008	2009	2010	2011	2012	Thereafter	Total
Long term debt:							
Fixed rate(1)	\$ 158,531	\$ 62,643	\$ 74,033	\$ 109,814	\$ 42,200	\$ 878,427	\$ 1,325,648
Average interest rate	5.49%	5.32%	5.26%	5.23%	5.20%	4.21%	4.72%
Variable rate	\$ 138,589	\$ —	\$ —	\$ 361,000	\$ —	\$ —	\$ 499,589
Average interest rate(2)	6.00%	5.89%	5.89%	5.89%	—	—	5.92%

(1) Represents principal maturities only and therefore excludes net premiums of \$605,000.

(2) Computed based on interest rates in effect at December 31, 2007.

The fair market value of our debt was \$1.83 billion at December 31, 2007 and \$1.50 billion at December 31, 2006. If interest rates on our fixed-rate debt had been 1% lower, the fair value of this debt would have increased by \$53.7 million at December 31, 2007 and \$48.4 million at December 31, 2006.

We occasionally use derivative instruments such as interest rate swaps to further reduce our exposure to changes in interest rates. The following table sets forth information pertaining to our derivative contracts in place as of December 31, 2007 and 2006, and their respective fair values (dollars in thousands):

Nature of Derivative	Notional Amount	One-Month LIBOR base	Effective Date	Expiration Date	Fair Value at December 31,	
					2007	2006
Interest rate swap	\$ 50,000	5.0360%	3/28/2006	3/30/2009	\$ (765)	\$ (42)
Interest rate swap	25,000	5.2320%	5/1/2006	5/1/2009	(486)	(133)
Interest rate swap	25,000	5.2320%	5/1/2006	5/1/2009	(486)	(133)
Interest rate swap	50,000	4.3300%	10/23/2007	10/23/2009	(596)	N/A
					\$ (2,333)	\$ (308)

Based on our variable-rate debt balances, our interest expense would have increased by \$3.0 million in 2007 and \$3.2 million in 2006 if short-term interest rates were 1% higher. Interest expense in 2007 was less sensitive to a change in interest rates than 2006 due primarily to our having a lower average variable-rate debt balance in 2007.

Item 8. Financial Statements and Supplementary Data

The response to 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. Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2007. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of December 31, 2007 are functioning effectively to provide reasonable assurance that the information required to be disclosed by us 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 our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

II. Internal Control Over Financial Reporting

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

Management's Annual 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-3.

(c) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our 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 our definitive proxy statement relating to the 2008 Annual Meeting of our 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 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 Form 10-K.
2. **Financial Statement Schedule.** See "Index to Consolidated Financial Statements" on page F-1 of this 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
3.1.1	Amended and Restated Declaration of Trust of Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
3.1.2	Articles of Amendment of Amended and Restated Declaration of Trust (filed on March 22, 2002 with the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).
3.1.3	Articles of Amendment of Amended and Restated Declaration of Trust (filed with the Company's Current Report on Form 8-K on December 29, 2004 and incorporated herein by reference).
3.1.4	Articles Supplementary of Corporate Office Properties Trust Series B Convertible Preferred Shares, dated July 2, 1999 (filed with the Company's Current Report on Form 8-K on July 7, 1999 and incorporated herein by reference).
3.1.5	Articles Supplementary of Corporate Office Properties Trust (filed with the Company's Current Report on Form 8-K on December 29, 2004 and incorporated herein by reference).
3.1.6	Articles Supplementary of Corporate Office Properties Trust (filed with the Company's Current Report on Form 8-K on December 29, 2004 and incorporated herein by reference).

- 3.1.7 Articles Supplementary of Corporate Office Properties Trust relating to the Series E Cumulative Redeemable Preferred Shares, dated April 3, 2001 (filed with the Registrant's Current Report on Form 8-K on April 4, 2001 and incorporated herein by reference).
- 3.1.8 Articles Supplementary of Corporate Office Properties Trust relating to the Series F Cumulative Redeemable Preferred Shares, dated September 13, 2001 (filed with the Registrant's Amended Current Report on Form 8-K on September 14, 2001 and incorporated herein by reference).
- 3.1.9 Articles Supplementary of Corporate Office Properties Trust relating to the Series G Cumulative Redeemable Preferred Shares, dated August 6, 2003 (filed with the Registrant's Registration Statement on Form 8-A on August 7, 2003 and incorporated herein by reference).
- 3.1.10 Articles Supplementary of Corporate Office Properties Trust relating to the Series H Cumulative Redeemable Preferred Shares, dated December 11, 2003 (filed with the Current Report on Form 8-K on December 12, 2003 and incorporated herein by reference).
- 3.1.11 Articles Supplementary of Corporate Office Properties Trust relating to the Series J Cumulative Redeemable Preferred Shares of Beneficial Interest (filed with the Company's Current Report on Form 8-K dated July 19, 2006 and incorporated herein by reference).
- 3.1.12 Articles Supplementary of Corporate Office Properties Trust relating to the Series K Cumulative Redeemable Convertible Preferred Shares of Beneficial Interest (filed with the Company's Current Report on Form 8-K dated January 16, 2007 and incorporated herein by reference).
- 3.2.1 Bylaws of the Registrant (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 3.2.2 Amendment to Bylaws of the Registrant (filed with the Company's Current Report on Form 8-K on March 7, 2007 and incorporated herein by reference).
- 3.3 Form of certificate for the Registrant's Common Shares of Beneficial Interest, \$0.01 par value per share (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 3.4 Amended and Restated Registration Rights Agreement, dated March 16, 1998, for the benefit of certain shareholders of the Company (filed on August 12, 1998 with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1998 and incorporated herein by reference).
- 3.5 Registration Rights Agreement, dated January 25, 2001, for the benefit of Barony Trust Limited (filed on March 22, 2001 with the Company's Annual Report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference).

- 3.6 Registration Rights Agreement, dated September 18, 2006, among Corporate Office Properties, L.P., Corporate Office Properties Trust, Banc of America Securities LLC and J.P. Morgan Securities Inc. (filed with the Company's Current Report on Form 8-K dated September 22, 2006 and incorporated herein by reference).
- 4.1 Indenture, dated as of September 18, 2006, among Corporate Office Properties, L.P., as issuer, Corporate Office Properties Trust, as guarantor, and Wells Fargo Bank, National Association, as trustee (filed with the Company's Current Report on Form 8-K dated September 22, 2006 and incorporated herein by reference).
- 4.2 3.50% Exchangeable Senior Note due 2026 of Corporate Office Properties, L.P. (filed with the Company's Current Report on Form 8-K dated September 22, 2006 and incorporated herein by reference).
- 10.1.1 Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 7, 1999 (filed on March 16, 2000 with the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.1.2 First Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 21, 1999 (filed on March 16, 2000 with the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.1.3 Second Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 21, 1999 (filed with the Company's Post Effective Amendment No. 2 to Form S-3 dated November 1, 2000 (Registration Statement No. 333-71807) and incorporated herein by reference).
- 10.1.4 Third Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated September 29, 2000 (filed with the Company's Post Effective Amendment No. 2 to Form S-3 dated November 1, 2000 (Registration Statement No. 333-71807) and incorporated herein by reference).
- 10.1.5 Fourth Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated November 27, 2000 (filed on March 27, 2003 with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.1.6 Fifth Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated January 25, 2001 (filed on March 27, 2003 with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.1.7 Sixth Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated April 3, 2001 (filed with the Company's Current Report on Form 8-K dated April 4, 2001 and incorporated herein by reference).

- 10.1.8 Seventh Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated August 30, 2001 (filed on March 27, 2003 with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.1.9 Eighth Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated September 14, 2001 (filed with the Company's Amended Current Report on Form 8-K dated September 14, 2001 and incorporated herein by reference).
- 10.1.10 Ninth Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated October 6, 2001 (filed on March 27, 2003 with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.1.11 Tenth Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 29, 2001 (filed on March 27, 2003 with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.1.12 Eleventh Amendment to Second Amended and Restated Limited Partnership Agreement of the Operating Partnership, dated December 15, 2002 (filed on March 27, 2003 with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.1.13 Twelfth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated June 2, 2003 (filed on August 12, 2003 with the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference).
- 10.1.14 Thirteenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated August 11, 2003 (filed on March 27, 2003 with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.1.15 Fourteenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated December 18, 2003 (filed on March 11, 2004 with the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- 10.1.16 Fifteenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated January 31, 2004 (filed on March 11, 2004 with the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference).
- 10.1.17 Sixteenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated April 15, 2004 (filed on May 7, 2004 with the Company's Form 10-Q for the quarter ended March 31, 2004 and incorporated herein by reference).
- 10.1.18 Seventeenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated September 23, 2004 (filed with the Company's Current Report on Form 8-K dated September 23, 2004 and incorporated herein by reference).

- 10.1.19 Eighteenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated April 18, 2005 (filed with the Company's Form 8-K on April 22, 2005 and incorporated herein by reference).
- 10.1.20 Nineteenth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated July 8, 2005 (filed with the Company's Current Report on Form 8-K on July 14, 2005 and incorporated herein by reference).
- 10.1.21 Twentieth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated June 29, 2006 (filed with the Company's Current Report on Form 8-K dated July 6, 2006 and incorporated herein by reference).
- 10.1.22 Twenty-First Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated July 20, 2006 (filed with the Company's Current Report on Form 8-K dated July 26, 2006 and incorporated herein by reference).
- 10.1.23 Twenty-Second Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated January 9, 2007 (filed with the Company's Current Report on Form 8-K dated January 16, 2007 and incorporated herein by reference).
- 10.1.24 Twenty-Third Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated April 6, 2007 (filed with the Company's Current Report on Form 8-K dated April 12, 2007 and incorporated herein by reference).
- 10.1.25 Twenty-Fourth Amendment to Second Amended and Restated Limited Partnership Agreement of Corporate Office Properties, L.P., dated November 2, 2007 (filed with the Company's Current Report on Form 8-K dated November 5, 2007 and incorporated herein by reference).
- 10.2 Stock Option Plan for Directors (filed with Royale Investments, Inc.'s Form 10-KSB for the year ended December 31, 1993 (Commission File No. 0-20047) and incorporated herein by reference).
- 10.3.1* Corporate Office Properties Trust 1998 Long Term Incentive Plan (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.3.2* Amendment No. 1 to Corporate Office Properties Trust 1998 Long Term Incentive Plan (filed on August 13, 1999 with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by reference).
- 10.3.3* Amendment No. 2 to Corporate Office Properties Trust 1998 Long Term Incentive Plan (filed on March 22, 2002 with the Company's Annual Report on Form 10-K for the year ended December 31, 2001 and incorporated herein by reference).

- 10.4* Corporate Office Properties Trust Supplemental Nonqualified Deferred Compensation Plan (filed with the Registrant's Registration Statement on Form S-8 (Commission File No. 333-87384) and incorporated herein by reference).
- 10.5* Employment Agreement, dated December 16, 1999, between Corporate Office Management, Inc., COPT and Clay W. Hamlin, III (filed on March 16, 2000 with the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).
- 10.6.1* Employment Agreement, dated July 13, 2005, between Corporate Office Properties, L.P. Corporate Office Properties Trust and Randall M. Griffin (filed with the Company's Current Report on Form 8-K on July 19, 2005 and incorporated herein by reference).
- 10.6.2* Amendment to Employment Agreement, dated May 30, 2006, between Corporate Office Properties, L.P., Corporate Office Properties Trust, and Randall M. Griffin (filed with the Company's Current Report on Form 8-K dated June 1, 2006 and incorporated herein by reference).
- 10.7.1* Employment Agreement, dated September 12, 2002, between the Operating Partnership, COPT and Roger A. Waesche, Jr. (filed on March 27, 2003 with the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated herein by reference).
- 10.7.2* Amendment to Employment Agreement, dated March 4, 2005, between the Operating Partnership, COPT and Roger A. Waesche, Jr. (filed on March 16, 2005 with the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).
- 10.7.3* Second Amendment to Employment Agreement, dated May 30, 2006, between Corporate Office Properties, L.P., Corporate Office Properties Trust, and Roger A. Waesche, Jr. (filed with the Company's Current Report on Form 8-K dated June 1, 2006 and incorporated herein by reference).
- 10.7.4* Third Amendment to Employment Agreement, dated July 31, 2006, between Corporate Office Properties, L.P., Corporate Office Properties Trust, and Roger A. Waesche, Jr. (filed with the Company's Current Report on Form 8-K dated August 1, 2006 and incorporated herein by reference).
- 10.7.5* Fourth Amendment to Employment Agreement, dated March 2, 2007, between Corporate Office Properties, L.P., Corporate Office Properties Trust, and Roger A. Waesche, Jr. (filed herewith).
- 10.8.1* Employment Agreement, dated May 15, 2003, between Corporate Development Services, LLC, Corporate Office Properties Trust and Dwight Taylor (filed on August 12, 2003 with the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003 and incorporated herein by reference).
- 10.8.2* Amendment to Employment Agreement, dated March 4, 2005, between Corporate Development Services, LLC, Corporate Office Properties Trust and Dwight Taylor (filed on March 16, 2005 with the Company's Annual Report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference).

- 10.8.3* Second Amendment to Employment Agreement, dated March 2, 2007, between Corporate Development Services, LLC, Corporate Office Properties Trust and Dwight S. Taylor (filed herewith).
- 10.9* Employment Agreement, dated November 18, 2005, between Corporate Office Properties, L.P. Corporate Office Properties Trust and Karen M. Singer (filed with the Company's Current Report on Form 8-K on December 1, 2005 and incorporated herein by reference).
- 10.10* Employment Agreement, dated July 31, 2006, between Corporate Office Properties, L.P., Corporate Office Properties Trust and Stephen E. Riffie (filed with the Company's Current Report on Form 8-K dated August 1, 2006 and incorporated herein by reference).
- 10.11 Promissory Note, dated October 22, 1998, between Teachers Insurance and Annuity Association of America and the Operating Partnership (filed on November 13, 1998 with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 and incorporated herein by reference).
- 10.12 Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated October 22, 1998, by affiliates of the Operating Partnership for the benefit of Teachers Insurance and Annuity Association of America (filed on November 13, 1998 with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998 and incorporated herein by reference).
- 10.13 Promissory Note, dated September 30, 1999, between Teachers Insurance and Annuity Association of America and the Operating Partnership (filed on November 8, 1999 with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
- 10.14 Indemnity Deed of Trust, Assignment of Leases and Rents and Security Agreement, dated September 30, 1999, by affiliates of the Operating Partnership for the benefit of Teachers Insurance and Annuity Association of America (filed on November 8, 1999 with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 and incorporated herein by reference).
- 10.15 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation dated March 12, 1997 with respect to lot A (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.16 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation, dated March 12, 1997, with respect to lot B (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.17 Lease Agreement between Blue Bell Investment Company, L.P. and Unisys Corporation, dated March 12, 1997, with respect to lot C (filed with the Registrant's Registration Statement on Form S-4 (Commission File No. 333-45649) and incorporated herein by reference).
- 10.18 Option Agreement, dated March 1998, between the Operating Partnership and Blue Bell Land, L.P. (filed on March 16, 2000 with the Company's Annual Report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference).

- 10.19.1 Amended and Restated Credit Agreement, dated June 24, 2005, among Corporate Office Properties, L.P.; Corporate Office Properties Trust; Wachovia Capital Markets, LLC; KeyBank National Association; Wachovia Bank, National Association; KeyBanc Capital Markets; Manufacturers and Traders Trust Company; Wells Fargo Bank, National Association; and Bank of America, N.A. (filed with the Company's Current Report on Form 8-K on June 30, 2005 and incorporated herein by reference).
- 10.19.2 Second Amended and Restated Credit Agreement, dated October 1, 2007, among Corporate Office Properties, L.P.; Corporate Office Properties Trust; KeyBanc Capital Markets; Wachovia Capital Markets, LLC; KeyBank National Association; Wachovia Bank, National Association; Bank of America, N.A.; Manufacturers and Traders Trust Company; and Citizens Bank of Pennsylvania (filed herewith).
- 10.20 Retirement and Consulting Agreement, dated April 12, 2005, between Corporate Office Properties, L.P. and Clay W. Hamlin, III (filed with the Company's Form 8-K on April 15, 2005 and incorporated herein by reference).
- 10.21 Corporate Office Properties Trust Supplemental Nonqualified Deferred Compensation Plan (filed with the Company's Registration Statement on Form S-8 (Commission File No. 333-87384) and incorporated herein by reference).
- 10.22 Common Stock Delivery Agreement, dated as of September 18, 2006, between Corporate Office Properties, L.P. and Corporate Office Properties Trust (filed with the Company's Current Report on Form 8-K dated September 22, 2006 and incorporated herein by reference).
- 10.23 Purchase Agreement and Agreement and Plan of Merger, dated December 21, 2006, by and among the Corporate Office Properties Trust; Corporate Office Properties, L.P.; W&M Business Trust; and Nottingham Village, Inc. (filed on March 1, 2007 with the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated herein by reference).
- 10.24 Purchase and Sale Agreement of Ownership Interests, dated December 21, 2006, by and between Corporate Office Properties, L.P. and Nottingham Properties, Inc. (filed on March 1, 2007 with the Company's Annual Report on Form 10-K for the year ended December 31, 2006 and incorporated herein by reference).
- 10.25 Description of Compensation of Non-Employee Trustees (filed herewith).
- 10.26 Description of annual cash incentive awards to executives (filed herewith).
- 12.1 Statement regarding Computation of Earnings to Combined Fixed Charges and Preferred Share Dividends (filed herewith).
- 21.1 Subsidiaries of Registrant (filed herewith).
- 23.1 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).
- 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.)
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* —Indicates a compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.

(c) Not applicable.

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 29, 2008

By: /s/ RANDALL M. GRIFFIN

Randall M. Griffin
President and Chief Executive Officer

Date: February 29, 2008

By: /s/ STEPHEN E. RIFFEE

Stephen E. Riffie
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:

Signatures	Title	Date
<hr/> /s/ JAY H. SHIDLER <hr/> (Jay H. Shidler)	Chairman of the Board and Trustee	February 29, 2008
<hr/> /s/ CLAY W. HAMLIN, III <hr/> (Clay W. Hamlin, III)	Vice Chairman of the Board and Trustee	February 29, 2008
<hr/> /s/ RANDALL M. GRIFFIN <hr/> (Randall M. Griffin)	President, Chief Executive Officer and Trustee	February 29, 2008
<hr/> /s/ STEPHEN E. RIFFEE <hr/> (Stephen E. Riffie)	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 29, 2008
<hr/> /s/ COLLEEN M. CREWS <hr/> (Colleen M. Crews)	Vice President and Controller (Principal Accounting Officer)	February 29, 2008

<hr/> <i>/s/</i> THOMAS F. BRADY <hr/>	Trustee	February 29, 2008
(Thomas F. Brady)		
<hr/> <i>/s/</i> ROBERT L. DENTON <hr/>	Trustee	February 29, 2008
(Robert L. Denton)		
<hr/> <i>/s/</i> DOUGLAS M. FIRSTENBERG <hr/>	Trustee	February 29, 2008
(Douglas M. Firstenberg)		
<hr/> <i>/s/</i> STEVEN D. KESLER <hr/>	Trustee	February 29, 2008
(Steven D. Kesler)		
<hr/> <i>/s/</i> KENNETH S. SWEET, JR. <hr/>	Trustee	February 29, 2008
(Kenneth S. Sweet, Jr.)		
<hr/> <i>/s/</i> KENNETH D. WETHE <hr/>	Trustee	February 29, 2008
(Kenneth D. Wethe)		

CORPORATE OFFICE PROPERTIES TRUST AND SUBSIDIARIES

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CONSOLIDATED FINANCIAL STATEMENTS

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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, 2007. 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, 2007 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, 2007 based on the criteria in Internal Control-Integrated Framework issued by the COSO.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2007 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:

In our opinion, the consolidated financial statements listed in the accompanying index 15(a)(1) present fairly, in all material respects, the financial position of Corporate Office Properties Trust and its subsidiaries at December 31, 2007 and December 31, 2006, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index 15(a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, 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 Report's On Internal Control Over Financial Reporting." Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. 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.

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 29, 2008

Corporate Office Properties Trust and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands)

	December 31,	
	2007	2006
Assets		
Investment in real estate:		
Operating properties, net	\$ 2,192,472	\$ 1,812,883
Property held for sale, net	14,988	—
Projects under construction or development	396,012	298,427
	2,603,472	2,111,310
Total commercial real estate properties, net		
Cash and cash equivalents	24,638	7,923
Restricted cash	15,121	52,856
Accounts receivable, net	24,831	26,367
Deferred rent receivable	53,631	41,643
Intangible assets on real estate acquisitions, net	108,661	87,325
Deferred charges, net	49,051	43,710
Prepaid and other assets	52,448	48,467
	2,931,853	2,419,601
Total assets	\$ 2,931,853	\$ 2,419,601
Liabilities and shareholders' equity		
Liabilities:		
Mortgage and other loans payable	\$ 1,625,842	\$ 1,298,537
3.5% Exchangeable Senior Notes	200,000	200,000
Accounts payable and accrued expenses	75,363	68,190
Rents received in advance and security deposits	30,978	20,237
Dividends and distributions payable	22,441	19,164
Deferred revenue associated with acquired operating leases	11,530	11,120
Distributions in excess of investment in unconsolidated real estate joint venture	4,246	3,614
Other liabilities	8,716	8,249
	1,979,116	1,629,111
Total liabilities	1,979,116	1,629,111
Minority interests:		
Common units in the Operating Partnership	114,127	104,934
Preferred units in the Operating Partnership	8,800	8,800
Other consolidated real estate joint ventures	7,168	2,453
	130,095	116,187
Total minority interests	130,095	116,187
Commitments and contingencies (Note 19)		
Shareholders' equity:		
Preferred Shares of beneficial interest (\$0.01 par value); shares authorized of 15,000,000, issued and outstanding of 8,121,667 at December 31, 2007 and 7,590,000 at December 31, 2006 (Note 11)	81	76
Common Shares of beneficial interest (\$0.01 par value); 75,000,000 shares authorized, shares issued and outstanding of 47,366,475 at December 31, 2007 and 42,897,639 at December 31, 2006	474	429
Additional paid-in capital	950,615	758,032
Cumulative distributions in excess of net income	(126,156)	(83,541)
Accumulated other comprehensive loss	(2,372)	(693)
	822,642	674,303
Total shareholders' equity	822,642	674,303
Total liabilities and shareholders' equity	\$ 2,931,853	\$ 2,419,601

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries

Consolidated Statements of Operations

(Dollars in thousands, except per share data)

	For the Years Ended December 31,		
	2007	2006	2005
Revenues			
Rental revenue	\$ 315,588	\$ 253,913	\$ 208,144
Tenant recoveries and other real estate operations revenue	53,361	39,665	28,665
Construction contract revenues	37,074	52,182	74,357
Other service operations revenues	4,151	7,902	4,877
Total revenues	410,174	353,662	316,043
Expenses			
Property operating expenses	123,282	92,907	70,337
Depreciation and other amortization associated with real estate operations	106,331	78,054	60,427
Construction contract expenses	35,723	49,961	72,534
Other service operations expenses	4,070	7,384	4,753
General and administrative expenses	20,523	16,936	13,533
Total operating expenses	289,929	245,242	221,584
Operating income	120,245	108,420	94,459
Interest expense	(82,032)	(70,260)	(53,906)
Amortization of deferred financing costs	(3,676)	(2,847)	(2,229)
Gain on sale of non-real estate investment	1,033	—	—
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	35,570	35,313	38,324
Equity in loss of unconsolidated entities	(224)	(92)	(88)
Income tax expense	(569)	(887)	(668)
Income from continuing operations before minority interests	34,777	34,334	37,568
Minority interests in income from continuing operations			
Common units in the Operating Partnership	(2,860)	(3,302)	(4,326)
Preferred units in the Operating Partnership	(660)	(660)	(660)
Other consolidated entities	122	136	85
Income from continuing operations	31,379	30,508	32,667
Income from discontinued operations, net of minority interests and taxes	1,845	17,987	6,096
Income before gain on sales of real estate	33,224	48,495	38,763
Gain on sales of real estate, net of minority interests and taxes	1,560	732	268
Net income	34,784	49,227	39,031
Preferred share dividends	(16,068)	(15,404)	(14,615)
Issuance costs associated with redeemed preferred shares	—	(3,896)	—
Net income available to common shareholders	\$ 18,716	\$ 29,927	\$ 24,416
Basic earnings per common share			
Income from continuing operations	\$ 0.36	\$ 0.29	\$ 0.49
Discontinued operations	0.04	0.43	0.16
Net income available to common shareholders	\$ 0.40	\$ 0.72	\$ 0.65
Diluted earnings per common share			
Income from continuing operations	\$ 0.35	\$ 0.28	\$ 0.47
Discontinued operations	0.04	0.41	0.16
Net income available to common shareholders	\$ 0.39	\$ 0.69	\$ 0.63
Dividends declared per common share	\$ 1.30	\$ 1.18	\$ 1.07

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries

Consolidated Statements of Shareholders' Equity

(Dollars in thousands)

	Preferred Shares	Common Shares	Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Value of Unearned Restricted Common Share Grants	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2004 (36,842,108 common shares outstanding)	\$ 67	\$ 368	\$ 578,228	\$ (51,358)	\$ (5,381)	\$ —	\$ 521,924
Conversion of common units to common shares (253,575 shares)	—	3	9,117	—	—	—	9,120
Common shares issued to the public (2,300,000 shares)	—	23	75,118	—	—	—	75,141
Decrease in fair value of derivatives	—	—	—	—	—	(482)	(482)
Restricted common share grants issued (130,975 shares)	—	1	3,480	—	(3,481)	—	—
Restricted common share cancellations (10,422 shares)	—	—	(205)	—	205	—	—
Value of earned restricted share grants	—	—	536	—	1,544	—	2,080
Exercise of share options (411,080 shares)	—	4	4,394	—	—	—	4,398
Expense associated with share options	—	—	93	—	—	—	93
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	—	—	(12,888)	—	—	—	(12,888)
Decrease in tax benefit from share-based compensation	—	—	(534)	—	—	—	(534)
Net income	—	—	—	39,031	—	—	39,031
Dividends	—	—	—	(55,370)	—	—	(55,370)
Balance at December 31, 2005 (39,927,316 common shares outstanding)	67	399	657,339	(67,697)	(7,113)	(482)	582,513
Conversion of common units to common shares (245,793 shares)	—	3	11,075	—	—	—	11,078
Common shares issued to the public (2,000,000 shares)	—	20	82,413	—	—	—	82,433
Series J Preferred Shares issued to the public (3,390,000 shares)	34	—	81,823	—	—	—	81,857
Series E Preferred Shares redemption	(11)	—	(28,739)	—	—	—	(28,750)
Series F Preferred Shares redemption	(14)	—	(35,611)	—	—	—	(35,625)
Decrease in fair value of derivatives	—	—	—	—	—	(211)	(211)
Reversal of unearned restricted common share grants upon adoption of SFAS 123(R)	—	1	(5,169)	—	7,113	—	1,945
Exercise of share options (581,932 shares)	—	6	6,761	—	—	—	6,767
Expense associated with share-based compensation	—	—	3,833	—	—	—	3,833
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	—	—	(16,255)	—	—	—	(16,255)
Increase in tax benefit from share-based compensation	—	—	562	—	—	—	562
Net income	—	—	—	49,227	—	—	49,227
Dividends	—	—	—	(65,071)	—	—	(65,071)
Balance at December 31, 2006 (42,897,639 common shares outstanding)	76	429	758,032	(83,541)	—	(693)	674,303
Conversion of common units to common shares (554,221 shares)	—	6	25,402	—	—	—	25,408
Common shares issued in connection with acquisition of properties, net of transaction costs (3,161,000 shares)	—	32	156,629	—	—	—	156,661
Series K Preferred Shares issued in connection with acquisition of properties, net of transaction costs (531,667 shares)	5	—	26,562	—	—	—	26,567
Exercise of share options (620,858 shares)	—	6	7,470	—	—	—	7,476
Expense associated with share-based compensation	—	1	6,642	—	—	—	6,643
Restricted common share cancellations (6,685 shares)	—	—	(351)	—	—	—	(351)
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	—	—	(29,761)	—	—	—	(29,761)
Decrease in fair value of derivatives	—	—	—	—	—	(1,679)	(1,679)
Costs for equity issuance	—	—	(10)	—	—	—	(10)
Net income	—	—	—	34,784	—	—	34,784
Dividends	—	—	—	(77,399)	—	—	(77,399)
Balance at December 31, 2007 (47,366,475 common shares outstanding)	\$ 81	\$ 474	\$ 950,615	\$ (126,156)	\$ —	(2,372)	\$ 822,642

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in thousands)

	For the Years Ended December 31,		
	2007	2006	2005
Cash flows from operating activities			
Net income	\$ 34,784	\$ 49,227	\$ 39,031
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interests	4,220	7,800	6,464
Depreciation and other amortization	107,625	80,074	63,555
Amortization of deferred financing costs	3,676	2,981	2,240
Amortization of deferred market rental revenue	(1,985)	(1,904)	(426)
Equity in loss of unconsolidated entities	224	92	88
Gain on sales of real estate	(6,979)	(17,920)	(4,690)
Gain on sale of non-real estate investment	(1,033)	—	—
Share-based compensation	6,643	3,833	2,173
Excess income tax benefits from share-based compensation	—	(562)	—
Changes in operating assets and liabilities:			
Increase in deferred rent receivable	(11,988)	(10,004)	(6,922)
Decrease (increase) in accounts receivable	1,544	(10,844)	1,165
Increase in restricted cash and prepaid and other assets	(5,040)	(7,098)	(14,260)
(Decrease) increase in accounts payable, accrued expenses, and other liabilities	(3,250)	13,544	5,953
Increase in rents received in advance and security deposits	10,030	4,181	1,993
Other	(770)	(249)	(420)
Net cash provided by operating activities	<u>137,701</u>	<u>113,151</u>	<u>95,944</u>
Cash flows from investing activities			
Purchases of and additions to commercial real estate properties	(352,427)	(282,099)	(499,926)
Proceeds from sales of properties	21,684	46,704	29,467
Proceeds from sale of non-real estate investment	2,526	—	—
Proceeds from sale of unconsolidated real estate joint venture	—	1,524	—
Proceeds from contribution of assets to unconsolidated real estate joint venture	—	—	68,633
Acquisition of partner interests in consolidated joint ventures	(1,262)	(5,250)	(1,208)
Investments in and advances from (to) unconsolidated entities	—	454	(130)
Distributions from unconsolidated entities	414	499	250
Leasing costs paid	(12,182)	(10,480)	(9,272)
Decrease (increase) in restricted cash associated with investing activities	16,018	5,260	(5,620)
Purchases of furniture, fixtures and equipment	(1,663)	(8,109)	(2,434)
Other	(822)	(2,337)	(61)
Net cash used in investing activities	<u>(327,714)</u>	<u>(253,834)</u>	<u>(420,301)</u>
Cash flows from financing activities			
Proceeds from mortgage and other loans payable	867,842	673,176	889,399
Proceeds from 3.5% Exchangeable Senior Notes	—	200,000	—
Repayments of mortgage and other loans payable	(579,395)	(762,590)	(580,642)
Deferred financing costs paid	(4,171)	(6,605)	(4,307)
Distributions paid to partners in consolidated joint ventures	(250)	(787)	—
Net proceeds from issuance of common shares	7,446	89,202	79,539
Net proceeds from issuance of preferred shares	—	81,857	—
Redemption of preferred shares	—	(64,375)	—
Dividends paid	(74,277)	(62,845)	(53,587)
Distributions paid	(11,188)	(10,422)	(9,677)
Excess income tax benefits from share-based compensation	—	562	—
Other	721	649	595
Net cash provided by financing activities	<u>206,728</u>	<u>137,822</u>	<u>321,320</u>
Net increase (decrease) in cash and cash equivalents	16,715	(2,861)	(3,037)
Cash and cash equivalents			
Beginning of period	7,923	10,784	13,821
End of period	<u>\$ 24,638</u>	<u>\$ 7,923</u>	<u>\$ 10,784</u>

See accompanying notes to consolidated financial statements.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements

(Dollars in thousands, except per share data)

1. Organization

Corporate Office Properties Trust ("COPT") and subsidiaries (collectively, the "Company") is a fully-integrated and self-managed real estate investment trust ("REIT") that focuses on the acquisition, development, ownership, management and leasing of suburban office properties in select markets and submarkets. We also focus on servicing the multi-location requirements of strategic customers and strategic industries in which tenants have specialized product requirements. As of December 31, 2007, our investments in real estate included the following:

- 228 wholly owned operating properties totaling 17.8 million square feet;
- 19 wholly owned properties under construction or development that we estimate will total approximately 1.8 million square feet upon completion and one wholly owned office property totaling approximately 75,000 square feet that was under redevelopment;
- wholly owned land parcels totaling 1,479 acres that we believe are potentially developable into approximately 12.4 million square feet; and
- partial ownership interests in a number of other real estate projects in operations, under construction or redevelopment or held for future development.

We conduct almost all of our operations through our operating partnership, Corporate Office Properties, L.P. (the "Operating Partnership"), for which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies ("LLCs"). A summary of our Operating Partnership's forms of ownership and the percentage of those ownership forms owned by COPT as of December 31, 2007 and 2006 follows:

	December 31,	
	2007	2006
Common Units	85%	83%
Series G Preferred Units	100%	100%
Series H Preferred Units	100%	100%
Series I Preferred Units	0%	0%
Series J Preferred Units	100%	100%
Series K Preferred Units(1)	100%	N/A

(1) These preferred units were issued in 2007.

Three of our trustees controlled, either directly or through ownership by other entities or family members, an additional 13% of the Operating Partnership's common units.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

1. Organization (Continued)

In addition to owning interests in real estate, the Operating Partnership also owns 100% of Corporate Office Management, Inc. ("COMI") and owns, either directly or through COMI, 100% of the consolidated subsidiaries that are set forth below (collectively defined as the "Service Companies"):

Entity Name	Type of Service Business
COPT Property Management Services, LLC ("CPM")	Real Estate Management
COPT Development & Construction Services, LLC ("CDC")	Construction and Development
Corporate Development Services, LLC ("CDS")	Construction and Development
COPT Environmental Systems, LLC ("CES")(1)	Heating and Air Conditioning

(1) Prior to 2007, CES's name was Corporate Cooling and Controls, LLC.

Most of the services that CPM provides are for us. CDC, CDS and CES provide services to us and to third parties.

2. Summary of Significant Accounting Policies

Basis of Presentation

We generally use three different accounting methods to report our investments in entities: the consolidation method, the equity method and the cost method. These methods are described below.

Consolidation Method

We generally use the consolidation method when we own most of the outstanding voting interests in an entity and can control its operations. In accordance with Financial Accounting Standards Board ("FASB") Interpretation No. 46(R), "Consolidation of Variable Interest Entities" ("FIN 46(R)"), 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, FIN 46(R) applies when 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.

Under the consolidation method of accounting, the accounts of the entity being consolidated are combined with our accounts. We eliminate balances and transactions between companies when we consolidate these accounts. For all of the periods presented, our Consolidated Financial Statements include the accounts of:

- COPT;
- the Operating Partnership and its subsidiary partnerships and LLCs (including consolidated joint ventures);
- the Service Companies; and
- Corporate Office Properties Holdings, Inc. (of which we own 100%).

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

Equity Method

We generally use the equity method of accounting when we own an interest in an entity and can exert significant influence over the entity's operations but cannot control the entity's operations. FIN 46(R) affects our determination of when to use the equity method of accounting since we would generally use the equity method for VIEs of which we are not the primary beneficiary. Under the equity method, we report:

- our ownership interest in the entity's capital as an investment on our Consolidated Balance Sheets; and
- our percentage share of the earnings or losses from the entity in our Consolidated Statements of Operations.

Cost Method

We use the cost method of accounting when we own an interest in an entity and cannot exert significant influence over the entity's operations. Under the cost method, we report:

- the cost of our investment in the entity as an investment on our Consolidated Balance Sheets; and
- distributions to us of the entity's earnings in our Consolidated Statements of Operations.

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.

These estimates include such items as depreciation, allocation of real estate acquisition costs, allowances for doubtful accounts and expense recognized in connection with share-based compensation. Actual results could differ from those estimates. These estimates involve judgments with respect to, among other things, future economic factors that are difficult to predict and are often beyond management's control. As a result, actual amounts could differ from these estimates.

Acquisitions of Real Estate

We allocate the costs of real estate acquisitions to assets acquired and liabilities assumed based on the relative fair values at the date of acquisition pursuant to the provisions of Statement of Financial Accounting Standards No. 141, "Business Combinations." In estimating the fair value of the tangible and intangible assets acquired, we consider, among other things, information obtained about each property as a result of our due diligence, leasing activities and knowledge of the markets in which the

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

properties are located. We utilize various valuation methods, such as estimated cash flow projections utilizing discount and capitalization rate assumptions and available market information. We allocate the costs of real estate acquisitions to the following components:

- Real estate based on a valuation of the acquired property performed with the assumption that the property is vacant upon acquisition (the "as if vacant value"). We then allocate the real estate value derived using this approach between land and building and improvements using our estimates and assumptions.
- In-place operating leases to the extent that the present value of future rents under the contractual lease terms are above or below the present value of market rents at the time of acquisition (the "lease to market value"). For example, if we acquire a property and the leases in place for that property carry rents below the market rent for such leases at the time of acquisition, we classify as deferred revenue the amount equal to the difference between (1) the present value of the future rental revenue under the lease using market rent assumptions and (2) the present value of future rental revenue under the terms of the lease. Conversely, if the leases in place for that property carry rents above the market rent, we classify the difference as an intangible asset. Deferred revenue or deferred assets recorded in connection with the lease to market value of acquired properties are amortized into rental revenue over the terms of the leases.
- Existing tenants in a property (the "lease-up value"). This amount represents the value associated with acquiring a built-in revenue stream on a leased building. It is computed as the difference between the present value of the property's: (1) revenues less operating expenses as if the property was vacant upon acquisition; and (2) revenues less operating expenses as if the property was acquired with leases in place at market rents.
- Deemed cost avoidance of acquiring in-place operating leases ("deemed cost avoidance"). For example, when a new lease is entered into, the lessor typically incurs a number of origination costs in connection with the leases; such costs include tenant improvements and leasing costs. When a property is acquired with in-place leases, the origination costs for such leases were already incurred by the prior owner. Therefore, to recognize the value of these costs in recording a property acquisition, we assign value to the tenant improvements and leasing costs associated with the remaining term of in-place operating leases.
- Tenant relationship value equal to the additional amount that we pay for a property in connection with the presence of a particular tenant in that property (the "tenant relationship value"). Our valuation of this component is affected by, among other things, our tenant lease renewal assumptions and evaluation of existing relationships with tenants.
- Market concentration premium equal to the additional amount that we pay for a property over the fair value of assets in connection with our strategy of increasing our presence in regional submarkets (the "market concentration premium").

Corporate Office Properties Trust and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

Commercial Real Estate Properties

We report commercial real estate properties at our depreciated cost. The amounts reported for our commercial real estate properties include our costs of:

- acquisitions;
- development and construction;
- building and land improvements; and
- tenant improvements paid by us.

We capitalize interest expense, real estate taxes, direct internal labor (including allocable overhead costs) and other costs associated with real estate undergoing construction and development activities to the cost of such activities. We continue to capitalize these costs while construction and development activities are underway until a property becomes "operational," which occurs upon the earlier of when leases commence on space or one year after the cessation of major construction activities. When leases commence on portions of a newly-constructed property's space 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 properties as they become operational.

We depreciate our assets evenly over their estimated useful lives as follows:

• Buildings and building improvements	10-40 years
• Land improvements	10-20 years
• Tenant improvements on operating properties	Related lease terms
• Equipment and personal property	3-10 years

When events or circumstances indicate that a property may be impaired, we perform an undiscounted cash flow analysis. We consider an asset to be impaired when its undiscounted expected future cash flows are less than its depreciated cost. When we determine that an asset is impaired, we utilize methods similar to those used by independent appraisers in estimating the fair value of the asset; this process requires us to make certain estimates and assumptions. We then recognize an impairment loss based on the excess of the carrying amount of the asset over its fair value. We have not recognized impairment losses on our real estate assets to date.

When we determine that a real estate asset will be held for sale, we discontinue the recording of depreciation expense of the asset and estimate the sales price, net of selling costs; if we then determine that the estimated sales price, net of selling costs, is less than the net book value of the asset, we recognize an impairment loss equal to the difference and reduce the carrying amounts of assets.

When we sell an operating property, or determine that an operating property is held for sale, and determine that we have no significant continuing involvement in such property, we classify the results of operations for such property as discontinued operations. Interest expense that is specifically identifiable to properties included in discontinued operations is used in the computation of interest expense attributable to discontinued operations. When properties classified as discontinued operations are

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

included in computations that determine the amount of our borrowing capacity under certain debt instruments (including our Revolving Credit Facility), we allocate a portion of such debt instruments' interest expense to discontinued operations; we compute this allocation based on the percentage that the related properties represent of all properties included in determining the amount of our borrowing capacity under such debt instruments.

We expense property maintenance and repair costs when incurred.

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. We recognize gains relating to transactions that do not meet the requirements of the full accrual method of accounting when the full accrual method of accounting criteria 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.

Accounts Receivable

Our accounts receivable are reported net of an allowance for bad debts of \$448 at December 31, 2007 and \$252 at December 31, 2006. We use judgment in estimating the uncollectability of our accounts receivable based primarily upon the payment history and credit status of the entities associated with the individual accounts.

Revenue Recognition

We recognize rental revenue evenly over the terms of tenant leases. When our leases provide for contractual rent increases, which is most often the case, we average the non-cancelable rental revenues over the lease terms to evenly recognize such revenues; we refer to the adjustments resulting from this process as straight-line rental revenue adjustments. We consider rental revenue under a lease to be non-cancelable when a tenant: (1) may not terminate its lease obligation early; or (2) may terminate its lease obligation early in exchange for a fee or penalty that we consider material enough such that termination would not be probable. We report these straight-line rental revenue adjustments recognized in advance of payments received as deferred rent receivable on our Consolidated Balance Sheets. We report prepaid tenant rents as rents received in advance on our Consolidated Balance Sheets.

When tenants terminate their lease obligations prior to the end of their agreed lease terms, they typically pay fees to cancel these obligations. We recognize such fees as revenue and write off against such revenue any (1) deferred rents receivable and (2) deferred revenue 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

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

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 generally recognized evenly over the remaining life of the new or modified lease in place on that property.

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 for services provided by us once services are rendered, fees are determinable and collectibility is assured. We generally recognize revenue under construction contracts using the percentage of completion method when the contracts call for services to be provided over a period of time exceeding six months and the revenue and costs for such contracts can be estimated with reasonable accuracy; when these criteria do not apply to a contract, we recognize revenue on that contract once the services under the contract are complete. Under the percentage of completion method, we recognize a percentage of the total estimated revenue on a contract based on the cost of services provided on the contract as of a point in time relative to the total estimated costs on the contract.

Intangible Assets and Deferred Revenue on Real Estate Acquisitions

We capitalize intangible assets and deferred revenue on real estate acquisitions as described in the section above entitled "Acquisitions of Real Estate." We amortize the intangible assets and deferred revenue as follows:

• Lease to market value	Related lease terms
• Lease-up value	Related lease terms or estimated period of time that tenant will lease space in property
• Deemed cost avoidance	Related lease terms
• Tenant relationship value	Estimated period of time that tenant will lease space in property
• Market concentration premium	40 years

We recognize the amortization of lease to market value assets and deferred revenues as adjustments to rental revenue reported in our Consolidated Statements of Operations; we refer to this amortization as amortization of deferred market rental revenue. We recognize the amortization of other intangible assets on real estate acquisitions as depreciation and amortization expense on our Consolidated Statements of Operations.

Deferred Charges

We defer costs that we incur to obtain new tenant leases or extend existing tenant leases. We amortize these costs evenly over the lease terms. When tenant leases are terminated early, we expense any unamortized deferred leasing costs associated with those leases.

We also defer costs for long-term financing arrangements and amortize these costs over the related loan terms on a straight-line basis, which approximates the amortization that would occur under the

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

effective interest method of amortization. We expense any unamortized loan costs when loans are retired early.

When the costs of acquisitions exceed the fair value of tangible and identifiable intangible assets and liabilities, we record goodwill in connection with such acquisitions. We test goodwill annually for impairment and in interim periods if certain events occur indicating that the carrying value of goodwill may be impaired. We recognize an impairment loss when the discounted expected future cash flows associated with the related reporting unit are less than its unamortized cost.

Derivatives

We are exposed to the effect of interest rate changes in the normal course of business. We use interest rate swap, interest rate cap and forward starting swap agreements in order to attempt to reduce the impact of such interest rate changes. Interest rate differentials that arise under interest rate swap and interest rate cap contracts are recognized in interest expense over the life of the respective contracts. Interest rate differentials that arise under forward starting swaps are recognized in interest expense over the life of the respective loans for which such swaps are obtained. We do not use such 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.

We recognize all derivatives as assets or liabilities in the balance sheet at fair value with the offset to:

- the accumulated other comprehensive loss component of shareholders' equity ("AOCL"), net of the share attributable to minority interests, for any derivatives designated as cash flow hedges to the extent such derivatives are deemed effective in hedging risks (risk in the case of our existing derivatives being defined as changes in interest rates);
- interest expense on our Statements of Operations for any derivatives designated as cash flow hedges to the extent such derivatives are deemed ineffective in hedging risks; or
- other revenue on our Statements of Operations for any derivatives designated as fair value hedges.

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.

Minority Interests

As discussed previously, we consolidate the accounts of our Operating Partnership and its subsidiaries into our financial statements. However, we do not own 100% of the Operating Partnership. We also do not own 100% of certain consolidated real estate joint ventures. The amounts reported for minority interests on our Consolidated Balance Sheets represent the portion of these consolidated entities' equity that we do not own. The amounts reported for minority interests on our Consolidated Statements of Operations represent the portion of these consolidated entities' net income not allocated to us.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

Common units of the Operating Partnership ("common units") are substantially similar economically to our common shares of beneficial interest ("common shares"). Common units not owned by us are also exchangeable into our common shares, subject to certain conditions.

The Operating Partnership has 352,000 Series I Preferred Units issued to an unrelated party that have a liquidation preference of \$25.00 per unit, plus any accrued and unpaid distributions of return thereon (as described below), and may be redeemed for cash by the Operating Partnership at our 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 common shares in accordance with the terms of the Operating Partnership's agreement of limited partnership.

Earnings Per Share ("EPS")

We present both basic and diluted EPS. We compute basic EPS by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the year. 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 our common shares were converted; and (2) the effect of dilutive potential common shares outstanding during the period attributable to share-based compensation using the treasury stock method; and
- the numerator is adjusted to add back any convertible preferred dividends and any other changes in income or loss that would result from the assumed conversion into common shares that we added to the denominator.

Our computation of diluted EPS does not assume conversion of securities into our common shares if conversion of those securities would increase our diluted EPS in a given year. A summary of the

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

numerator and denominator for purposes of basic and diluted EPS calculations is set forth below (dollars and shares in thousands, except per share data):

	For the Years Ended December 31,		
	2007	2006	2005
Numerator:			
Income from continuing operations	\$ 31,379	\$ 30,508	\$ 32,667
Add: Gain on sales of real estate, net	1,560	732	268
Less: Preferred share dividends	(16,068)	(15,404)	(14,615)
Less: Issuance costs associated with redeemed preferred shares	—	(3,896)	—
Numerator for basic and diluted EPS from continuing operations	16,871	11,940	18,320
Add: Income from discontinued operations, net	1,845	17,987	6,096
Numerator for basic and diluted EPS on net income available to common shareholders	\$ 18,716	\$ 29,927	\$ 24,416
Denominator (all weighted averages):			
Denominator for basic EPS (common shares)	46,527	41,463	37,371
Dilutive effect of share-based compensation awards	1,103	1,799	1,626
Denominator for diluted EPS	47,630	43,262	38,997
Basic EPS:			
Income from continuing operations	\$ 0.36	\$ 0.29	\$ 0.49
Income from discontinued operations	0.04	0.43	0.16
Net income available to common shareholders	\$ 0.40	\$ 0.72	\$ 0.65
Diluted EPS			
Income from continuing operations	\$ 0.35	\$ 0.28	\$ 0.47
Income from discontinued operations	\$ 0.04	\$ 0.41	\$ 0.16
Net income available to common shareholders	\$ 0.39	\$ 0.69	\$ 0.63

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:

	Weighted Average Shares Excluded from Denominator for the Years Ended December 31,		
	2007	2006	2005
Conversion of weighted average common units	8,296	8,511	8,702
Conversion of weighted average convertible preferred units	176	176	176
Conversion of weighted average convertible preferred shares	425	N/A	N/A
Share-based compensation awards	—	—	206

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

As discussed in Note 9, on September 18, 2006, the Operating Partnership issued a \$200,000 aggregate principal amount of 3.50% Exchangeable Senior Notes due 2026. The notes have an exchange settlement feature that provides that the notes may, under certain circumstances, be exchangeable for cash (up to the principal amount of the notes) and, with respect to any excess exchange value, may be exchangeable into (at our option) cash, our common shares or a combination of cash and our common shares at an exchange rate of 18.5249 shares per one thousand dollar principal amount of the notes (exchange rate is as of December 31, 2007 and is equivalent to an exchange price of \$53.98 per common share). The Exchangeable Senior Notes did not affect our diluted EPS reported above since the weighted average closing price of our common shares during the period over which the notes were outstanding was less than \$53.98.

Share-Based Compensation

We have historically issued two forms of share-based compensation: options to purchase common shares ("options") and restricted common shares ("restricted shares"). Effective, January 1, 2006, we adopted Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). The statement 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 statement 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 should then be recognized over the period during which the employee is required to provide service in exchange for the award (generally the vesting period). No compensation cost is recognized for equity instruments for which employees do not render the requisite service. SFAS 123(R) 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 to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Effective upon our adoption of SFAS 123(R), we began capitalizing costs associated with share-based compensation attributable to employees engaged in construction and development activities. We used the modified prospective application approach to adoption provided for under SFAS 123(R); under this approach, we recognized compensation cost on or after January 1, 2006 for the portion of outstanding awards for which the requisite service was not yet rendered, based on the fair value of those awards on the date of grant.

We elected to adopt the alternative transition method for calculating the tax effects of share-based compensation pursuant to SFAS 123(R). The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool related to the tax effects of employee share-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123(R).

We compute the fair value of share options under SFAS 123(R) using the Black-Scholes option-pricing model. Under that model, the risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The expected option life is based on our historical experience of employee exercise behavior. Expected volatility is based on historical volatility of our common shares. Expected dividend yield is based on the average historical dividend yield on our common shares over a period of time ending on the grant date of the options.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

Prior to January 1, 2006, our general method for accounting for share-based compensation was as follows:

- Options: These awards were accounted for using the intrinsic value method. Under this method, we recorded compensation expense only when the exercise price of a grant was less than the market price of our common shares on the option grant date; when this occurred, we recognized compensation expense equal to the difference between the exercise price and the grant-date market price over the service period to which the options related.
- Restricted shares: We computed compensation expense for restricted share grants based on the value of such grants, as determined by the value of our common shares on the applicable measurement date (generally the date of grant). We recognized compensation expense for such grants over the service periods to which the grants related based on the vesting schedules for such grants.

Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, escrows, accounts receivables, accounts payable, accrued expenses and other assets and liabilities are reasonable estimates of their fair values because of the short maturities of these instruments. The carrying or contract values of notes receivable, which are included in prepaid and other assets on our Consolidated Balance Sheets, approximated their fair values at December 31, 2007 and 2006. You should refer to Notes 9 and 10 for fair value of debt and derivative information.

Reclassification

We reclassified certain amounts from the prior periods in connection with discontinued operations to conform to the current period presentation of our Consolidated Financial Statements. These reclassifications did not affect previously reported consolidated net income or shareholders' equity.

Recent Accounting Pronouncement

In June 2006, the FASB issued Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109," ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. Our adoption of FIN 48 did not have a material effect on our financial position, results of operations or cash flows.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

2. Summary of Significant Accounting Policies (Continued)

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. The Statement does not require any new fair value measurements but does apply under other accounting pronouncements that require or permit fair value measurements. The changes to current practice resulting from the Statement relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years, with earlier application encouraged. We do not expect that the adoption of this Statement will have a material effect on our financial position, results of operations or cash flows.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities" ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. We are currently assessing the impact of SFAS 159 on our consolidated financial position and results of operations.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transactions; establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed; and requires the acquirer to disclose to investors and other users all of the information they need to evaluate and understand the nature and financial effect of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. While we are currently assessing the impact of SFAS 141(R) on our consolidated financial position and results of operations, we do believe that SFAS 141(R) will require us to expense transaction costs associated with property acquisitions, which is a significant change since our current practice is to capitalize such costs into the cost of acquisitions.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, "Noncontrolling Interests in Consolidated Financial Statements" ("SFAS 160"). SFAS 160 requires all entities to report noncontrolling (minority) interests in subsidiaries in the same way—as equity in the consolidated financial statements. SFAS 160 is effective for fiscal years beginning after December 15, 2008. We are currently assessing the impact of SFAS 160 on our consolidated financial position and results of operations.

3. Concentration of Rental Revenue

Major Tenants

The following table summarizes the percentage of our total rental revenue (which excludes tenant recoveries and other real estate operations revenue) earned from (1) individual tenants that accounted

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

3. Concentration of Rental Revenue (Continued)

for at least 5% of our rental revenue from continuing and discontinued operations and (2) the aggregate of the five tenants from which we recognized the most rental revenue in the respective years:

	For the Years Ended December 31,		
	2007	2006	2005
United States Government	12%	13%	11%
Northrop Grumman Corporation(1)	9%	N/A	N/A
Booz Allen Hamilton, Inc.	7%	7%	6%
Computer Sciences Corporation(1)	N/A	N/A	5%
Five largest tenants	31%	32%	30%

(1) Includes affiliated organizations and agencies and predecessor companies.

Geographical Concentration

We derived large concentrations of our total revenue from real estate operations (defined as the sum of rental revenue and tenant recoveries and other real estate operations revenue) from certain geographic regions. The table below sets forth certain of these concentrations:

	Percentage of Total Revenue from Real Estate Operations for the Years Ended December 31,		
	2007	2006	2005
Mid-Atlantic region of United States	94%	95%	99%
Greater Washington, D.C.(1)	74%	78%	83%
Baltimore/Washington Corridor	47%	48%	49%

(1) Comprised of our properties in the Baltimore/Washington Corridor (defined as the Maryland counties of Howard and Anne Arundel), Northern Virginia (defined as Fairfax County, Virginia), Suburban Maryland (defined as the Maryland counties of Montgomery, Prince George's and Frederick) and St. Mary's and King George Counties (located in Maryland and Virginia, respectively). This region is included in the Mid-Atlantic region of the United States.

Substantially all of our construction contract and service operations revenues were derived from operations in the Greater Washington, D.C. region.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

4. Commercial Real Estate Properties

Operating properties consisted of the following:

	December 31,	
	2007	2006
Land	\$ 413,779	\$ 343,098
Buildings and improvements	2,064,133	1,689,359
	<u>2,477,912</u>	<u>2,032,457</u>
Less: accumulated depreciation	(285,440)	(219,574)
	<u>\$ 2,192,472</u>	<u>\$ 1,812,883</u>

As of December 31, 2007, 429 Ridge Road, an office property located in Dayton, New Jersey that we were under contract to sell for \$17,000, was classified as held for sale (Dayton, New Jersey is located in the Northern/Central New Jersey Region). We completed the sale of this property on January 31, 2008. The components associated with 429 Ridge Road as of December 31, 2007 included the following:

	December 31, 2007
Land	\$ 2,932
Buildings and improvements	15,003
	<u>17,935</u>
Less: accumulated depreciation	(2,947)
	<u>\$ 14,988</u>

Projects we had under construction or development consisted of the following:

	December 31,	
	2007	2006
Land	\$ 214,696	\$ 153,436
Construction in progress	181,316	144,991
	<u>\$ 396,012</u>	<u>\$ 298,427</u>

2007 Acquisitions

On January 9 and 10, 2007, we completed a series of transactions that resulted in the acquisition of 56 operating properties totaling approximately 2.4 million square feet and land parcels totaling 187 acres. We refer to these transactions collectively as the Nottingham Acquisition. All of the acquired properties are located in Maryland, with 36 of the operating properties, totaling 1.6 million square feet, and land parcels totaling 175 acres, located in White Marsh, Maryland (located in the Suburban Baltimore, Maryland region ("Suburban Baltimore")) and the remaining properties and land parcels located in other regions in Northern Baltimore County and the Baltimore/Washington Corridor. We believe that the land parcels can support at least 2.0 million developable square feet. We completed the

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

4. Commercial Real Estate Properties (Continued)

Nottingham Acquisition for an aggregate cost of \$366,852. The table below sets forth the allocation of the acquisition costs of the Nottingham Acquisition:

Land, operating properties	\$	70,754
Land, construction or development		37,309
Building and improvements		210,264
Intangible assets on real estate acquisitions		53,214
		<hr/>
Total assets		371,541
Deferred revenue associated with acquired operating leases		(4,689)
		<hr/>
Total acquisition cost	\$	366,852
		<hr/>

Intangible assets recorded in connection with the Nottingham Acquisition included the following:

		Weighted Average Amortization Period (in Years)
		<hr/>
Tenant relationship value	\$ 25,778	8
Lease-up value	19,425	4
Lease cost portion of deemed cost avoidance	4,206	5
Lease to market value	3,805	4
	<hr/>	
	\$ 53,214	6
	<hr/>	

Other acquisitions completed in 2007 included the following:

- the remaining 50% undivided interest in a 132-acre parcel of land located in Colorado Springs, Colorado ("Colorado Springs") that we believe can support approximately 1.9 million developable square feet of office space for \$13,586 on April 6, 2007; and
- a 56-acre parcel of land located in Aberdeen, Maryland that we believe can support up to 800,000 developable square feet for \$10,455 on September 14, 2007 (Aberdeen, Maryland is located in our Suburban Baltimore region). The property is located adjacent to Aberdeen Proving Ground, a United States Government installation.

In addition, we acquired a 23-acre parcel of land located in Hanover, Maryland on July 2, 2007, with a fair value upon our acquisition of \$9,829 (including improvements thereon contributed by us), through Arundel Preserve #5, LLC, a consolidated joint venture in which we own a 50% interest (Hanover, Maryland is located in our Baltimore/Washington Corridor region). The joint venture is constructing an office property on the land parcel totaling approximately 152,000 square feet, and we believe the land parcel can support up to 303,000 additional developable square feet. We discuss joint ventures further in Note 5.

2007 Construction and Development Activities

During 2007, we had five properties totaling 568,433 square feet (three located in the Baltimore/Washington Corridor and two in our Other region) become fully operational (68,196 of these square

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

4. Commercial Real Estate Properties (Continued)

feet were placed into service in 2006) and placed into service 48,377 square feet in a partially operational property located in the Baltimore/Washington Corridor.

As of December 31, 2007, we had construction underway on four new buildings in the Baltimore/Washington Corridor (including the partially operational property discussed above and one property owned through Arundel Preserve #5, LLC), four in Colorado Springs and two in San Antonio, Texas ("San Antonio"). We also had development activities underway on four new buildings located in the Baltimore/Washington Corridor, two each in Colorado Springs and Suburban Baltimore and one each in Suburban Maryland and King George County, Virginia. In addition, we had redevelopment underway on one wholly owned existing building located in Colorado Springs and three properties owned by joint ventures (two are located in Northern Virginia and one in the Baltimore/Washington Corridor).

2007 Dispositions

We sold the following operating properties in 2007:

Project Name	Location	Date of Sale	Number of Buildings	Total Rentable Square Feet	Sale Price	Gain on Sale
2 and 8 Centre Drive(1)	Monroe, New Jersey	9/7/2007	2	32,331	\$ 6,000	\$ 1,931
7321 Parkway Drive(2)	Hanover, Maryland	9/7/2007	1	39,822	5,000	855
10552 Philadelphia Road(3)	White Marsh, Maryland	12/27/2007	1	56,000	6,800	1,127(4)
			4	128,153	\$ 17,800	\$ 3,913

- (1) Located in the Northern/Central New Jersey region.
- (2) Located in the Baltimore/Washington Corridor region.
- (3) Located in the Suburban Baltimore region.
- (4) Excluding income tax of \$44 on this gain.

We also sold three parcels of land in our Suburban Baltimore region totaling 16 acres developable into approximately 230,000 square feet for an aggregate of \$8,687, resulting in a gain of \$3,002 (excluding income tax of \$1,069).

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

4. Commercial Real Estate Properties (Continued)

2006 Acquisitions

We acquired the following office properties in 2006:

Project Name	Location	Date of Acquisition	Number of Buildings	Total Rentable Square Feet	Initial Cost
North Creek	Colorado Springs, CO	5/18/2006	3	324,549	\$ 41,508
1915 & 1925 Aerotech Drive	Colorado Springs, CO	6/8/2006	2	75,892	8,378
7125 Columbia Gateway Drive	Columbia, MD(1)	6/29/2006	1	611,379	74,168
			6	1,011,820	\$ 124,054

(1) Located in the Baltimore/Washington Corridor.

The table below sets forth the allocation of the acquisition costs of the properties described above:

	North Creek	1915 & 1925 Aerotech Drive	7125 Columbia Gateway Drive	Total
Land, operating properties	\$ 2,735	\$ 1,113	\$ 17,126	\$ 20,974
Building and improvements	34,161	6,161	46,964	87,286
Intangible assets on real estate acquisitions	5,694	1,235	11,959	18,888
Total assets	42,590	8,509	76,049	127,148
Deferred revenue associated with acquired operating leases	(1,082)	(131)	(1,881)	(3,094)
Total acquisition cost	\$ 41,508	\$ 8,378	\$ 74,168	\$ 124,054

We also acquired the following properties in 2006:

- a property located in Colorado Springs containing a 74,749 square foot building that will be redeveloped and a four-acre parcel of land that we believe can support approximately 30,000 developable square feet for \$2,602 on January 19, 2006;
- a 31-acre parcel of land located in San Antonio that we believe can support approximately 375,000 developable square feet for \$7,430 on January 20, 2006;
- a six-acre parcel of land located in Hanover, Maryland that we believe can support approximately 60,000 developable square feet for \$2,141 on February 28, 2006;
- a 20-acre parcel of land located in Colorado Springs that we believe can support approximately 300,000 developable square feet for \$1,060 on April 21, 2006;
- a 13-acre parcel of land located in Colorado Springs that we believe can support approximately 150,000 developable square feet for \$2,263 on May 19, 2006;
- a 178-acre parcel of land located in Annapolis Junction, Maryland, located adjacent to the National Business Park, that we believe can support approximately 1.25 million developable square feet for

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

4. Commercial Real Estate Properties (Continued)

\$26,833 on June 29, 2006 (Annapolis Junction, Maryland is located in the Baltimore/Washington Corridor);

- a five-acre parcel of land located in Columbia, Maryland that we believe can support approximately 120,000 developable square feet for \$3,361 on June 29, 2006;
- a 28-acre parcel of land located in Chesterfield, Virginia on September 15, 2006 that was acquired under the terms of a lease for a 193,000 square foot building that we are constructing on the property (Chesterfield, Virginia, which is located in Greater Richmond, Virginia, is included in our "Other" business segment). The fair value of the land and closing costs associated with the title transfer totaled \$1,303; and
- approximately 500 acres of the 591-acre former Fort Ritchie United States Army base located in Cascade, Washington County, Maryland for a value of \$5,576 (Washington County, Maryland is included in our "Other" business segment); we acquired the remaining 91 acres in 2007. The 591-acre parcel is anticipated to accommodate a total of 1.7 million square feet of office space and 673 residential units, including approximately 306,000 square feet of existing office space and 110 existing rentable residential units.

In addition, we acquired the following properties through consolidated real estate joint ventures in 2006:

- a land parcel located in the Baltimore/Washington Corridor, with a value upon our acquisition of \$4,564, on February 10, 2006 through Commons Office 6-B, LLC, a 50% owned consolidated joint venture constructing an office property totaling approximately 44,000 square feet; and
- a 153-acre parcel of land located near the Indian Head Naval Surface War Center in Charles County, Maryland, with a value upon our acquisition of \$2,905, on October 23, 2006 through COPT-FD Indian Head, LLC, a 75% owned consolidated joint venture (Charles County, Maryland is included in our "Other" business segment).

We describe these joint ventures further in Note 5.

2006 Construction and Development Activities

During 2006, we had seven properties totaling 866,000 square feet (four located in the Baltimore/Washington Corridor and one each in Northern Virginia, Colorado Springs and St. Mary's County, Maryland) become fully operational and had one property in the Baltimore/Washington Corridor become partially operational due to 68,196 square feet being placed into service.

As of December 31, 2006, we had construction underway on four new buildings in the Baltimore/Washington Corridor (including the partially operational property discussed above and one property owned through a 50% joint venture) and one each in Suburban Baltimore, Colorado Springs, Chesterfield, Virginia and Southwest Virginia. We also had development activities underway on five new buildings located in the Baltimore/Washington Corridor (including one owned through a joint venture), two each in Suburban Maryland and Colorado Springs (one of which we own a 50% undivided interest) and one each in Suburban Baltimore and King George County, Virginia. In addition, we had redevelopment underway on two wholly owned existing buildings (one is located in the Baltimore/Washington Corridor and one in Colorado Springs) and two properties owned by a joint venture (one is located in Northern Virginia and one in the Baltimore/Washington Corridor).

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

4. Commercial Real Estate Properties (Continued)

2006 Dispositions

We sold the following operating properties in 2006:

Project Name	Location	Date of Sale	Number of Buildings	Total Rentable Square Feet	Sale Price	Gain on Sale
Lakeview at the Greens	Laurel, Maryland(1)	2/6/2006	2	141,783	\$ 17,000	\$ 2,087
68 Culver Road	Dayton, New Jersey	3/8/2006	1	57,280	9,700	335
710 Route 46	Fairfield, New Jersey	7/26/2006	1	101,263	15,750	4,498
230 Schilling Circle	Hunt Valley, Maryland(2)	8/9/2006	1	107,348	13,795	951
7 Centre Drive	Monroe, New Jersey	8/30/2006	1	19,468	3,000	684
Brown's Wharf	Baltimore, Maryland	9/28/2006	1	104,203	20,300	8,476
			7	531,345	\$ 79,545	\$ 17,031

(1) Located in the Suburban Maryland region.

(2) Located in the Suburban Baltimore region.

We also sold the following in 2006:

- a newly constructed property in Columbia, Maryland for \$2,530 on January 17, 2006. We recognized a gain of \$111 on this sale; and
- a two-acre parcel of land located in Linthicum Heights, Maryland for \$900 on September 7, 2006 (Linthicum Heights, Maryland is located in the Baltimore/Washington Corridor). We recognized a gain of \$165 on this sale.

5. Real Estate Joint Ventures

During 2007, we had an investment in one unconsolidated real estate joint venture accounted for using the equity method of accounting. Information pertaining to this joint venture investment is set forth below.

	Balance at December 31,		Date Acquired	Ownership	Nature of Activity	Total Assets at 12/31/2007	Maximum Exposure to Loss(1)
	2007	2006					
Harrisburg Corporate Gateway Partners, L.P.	\$ (4,246)(2)	\$ (3,614)(2)	9/29/2005	20%	Operates 16 buildings(3)	\$ 72,824	\$ —

(1) Derived from the sum of our investment balance and maximum additional unilateral capital contributions or loans required from us. Not reported above are additional amounts that we and our partner are required to fund when needed by this joint venture; these funding requirements are proportional to our respective ownership percentages. Also not reported above are additional unilateral contributions or loans from us, the amounts of which are uncertain, which we would be required to make if certain contingent events occur (see Note 19).

(2) The carrying amount of our investment in this joint venture was lower than our share of the equity in the joint venture by \$5,196 at December 31, 2007 and \$5,072 at December 31, 2006 due to our deferral of gain on the contribution by us of real

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

5. Real Estate Joint Ventures (Continued)

estate into the joint venture upon its formation. A difference will continue to exist to the extent the nature of our continuing involvement in the joint venture remains the same.

(3) This joint venture's property is located in Greater Harrisburg, Pennsylvania.

A two-member management committee is responsible for making major decisions (as defined in the joint venture agreement) for Harrisburg Corporate Gateway Partners, L.P., and we control one of its management committee positions. Net cash flows of the joint venture are distributed to the partners in proportion to their respective ownership interests.

The following table sets forth condensed balance sheets for Harrisburg Corporate Gateway Partners, L.P.:

	December 31,	
	2007	2006
Commercial real estate property	\$ 71,205	\$ 72,688
Other assets	1,619	3,207
Total assets	\$ 72,824	\$ 75,895
Liabilities	\$ 67,991	\$ 67,350
Owners' equity	4,833	8,545
Total liabilities and owners' equity	\$ 72,824	\$ 75,895

The following table sets forth combined condensed statements of operations for the two unconsolidated real estate joint ventures we owned from January 1, 2005 through December 31, 2007, which included Harrisburg Corporate Gateway Partners, L.P. and Route 46 Partners, a joint venture that was dissolved on July 26, 2006:

	For the Years Ended December 31,		
	2007	2006	2005
Revenues	\$ 9,795	\$ 11,521	\$ 5,850
Property operating expenses	(3,467)	(4,067)	(2,351)
Interest expense	(4,099)	(4,224)	(1,843)
Depreciation and amortization expense	(3,397)	(4,464)	(1,490)
Gain on sale	—	4,032	—
Net (loss) income	\$ (1,168)	\$ 2,798	\$ 166

Prior to its dissolution, we had a 20% ownership interest in Route 46 Partners, a joint venture that operated one office property in Fairfield, New Jersey. Route 46 Partners sold the office property for \$27,000 on July 26, 2006, after which the joint venture was dissolved, and we recognized a gain of \$563 on the disposition of our joint venture interest. The table above includes net income from Route 46 Partners of \$3,501 for 2006. Our joint venture partner in Route 46 Partners had preference in receiving distributions of cash flows for a defined return. We were not entitled to receive distributions for a defined return until our partner received its defined return. We did not recognize income from our

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

5. Real Estate Joint Ventures (Continued)

investment in Route 46 Partners in 2005 and 2006 until the dissolution of the entity since the income earned by the entity in those periods did not exceed our partner's defined return until that point in time. Upon dissolution of the entity, we recognized income from our investment of \$60, excluding the \$563 gain on disposition of the joint venture interest discussed above.

We acquired the following interests in consolidated real estate joint ventures in 2006 and 2007:

- a 50% interest in Commons Office 6-B, LLC in 2006. On February 10, 2006, this entity acquired a land parcel located in Hanover, Maryland, on which an office property totaling approximately 44,000 square feet was under construction. We acquired the remaining 50% interest in this entity for \$1,262 on May 24, 2007;
- a 75% interest in COPT—FD Indian Head, LLC in 2006. This entity acquired a 153-acre land parcel located near the Indian Head Naval Surface War Center in Charles County, Maryland on October 23, 2006. Net cash flows of the venture will be distributed to the partners in proportion to their respective ownership interests;
- a 90% interest in Enterprise Campus Developer, LLC ("Enterprise Campus"), the formation of which was completed on June 26, 2007. This entity was created to develop and construct one or more office buildings on land parcels located in College Park, Maryland as part of a joint venture called M Square Associates, LLC ("M Square") that was not formed until January 29, 2008, as discussed in Note 22 below (College Park, Maryland is located in the Suburban Maryland region). At December 31, 2007, development and construction activities were underway in anticipation of Enterprise Campus' impending membership into M Square. Net cash flows of the joint venture will be distributed to the partners as follows: (1) a \$250 priority preferred return to us representing a return on a deposit we paid in lieu of a development bond on behalf of the joint venture; (2) the partners' preferred returns and capital investments in proportion to the partners' respective ownership interests; and (3) residual amounts according to a waterfall distribution schedule defined in the joint venture agreement under which our partner, who is acting as manager of day-to-day construction activities of the project, receives returns incrementally higher than its ownership percentage as net cash flows to the joint venture increase;
- a 50% interest in Arundel Preserve #5, LLC, on July 2, 2007. The joint venture owns a land parcel located in Hanover, Maryland on which it is constructing an office property totaling approximately 152,000 square feet. We believe the land parcel can support up to 303,000 additional developable square feet. Our partner received a capital credit for its contribution of the land to the joint venture, and we are responsible for funding all development and construction costs for which financing is not obtained. Net cash flows will be distributed to the partners as follows: (1) preferred returns in proportion to the partners' respective capital accounts; (2) repayment of any building operating reserves funded by us; and (3) residual cash flows in proportion to the partners' respective ownership interests; and
- a 92.5% interest in 13849 Park Center Road, LLC, a joint venture formed in 2007 to own property undergoing redevelopment that was previously owned by COPT Opportunity Invest, LLC. Net cash flows of the joint venture will be distributed to the partners in proportion to and to the extent of (1) their preferred returns (as defined in the joint venture agreement)

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

5. Real Estate Joint Ventures (Continued)

and (2) their capital accounts, and any residual amounts according to a waterfall distribution schedule defined in the joint venture agreement under which our partner, who is acting as manager of day-to-day construction activities of the project, receives returns incrementally higher than its ownership percentage as net cash flows to the joint venture increase.

The table below sets forth information pertaining to our investments in consolidated joint ventures at December 31, 2007:

	Date Acquired	Ownership % at 12/31/2007	Nature of Activity	Total Assets at 12/31/2007	Collateralized Assets at 12/31/2007
COPT Opportunity Invest I, LLC	12/20/2005	92.5%	Redeveloping two properties(1)	\$ 45,876	\$ —
Arundel Preserve #5, LLC	7/2/2007	50.0%	Developing land parcel(2)	22,059	—
Enterprise Campus Developer, LLC	6/26/2007	90.0%	Developing land parcels(3)	14,208	—
13849 Park Center Road, LLC	10/2/2007	92.5%	Redeveloping one property(4)	6,696	—
COPT-FD Indian Head, LLC	10/23/2006	75.0%	Developing land parcel(5)	4,559	—
MOR Forbes 2 LLC	12/24/2002	50.0%	Operating one building(6)	4,403	—
				\$ 97,801	\$ —

- (1) This joint venture owns one property in the Northern Virginia region and one in the Baltimore/Washington Corridor region.
- (2) This joint venture is developing a land parcel located in Hanover, Maryland.
- (3) This joint venture is developing land parcels located in College Park, Maryland.
- (4) This joint venture is redeveloping a property in the Northern Virginia region.
- (5) This joint venture's property is located in Charles County, Maryland (located in our "Other" business segment).
- (6) This joint venture's property is located in Lanham, Maryland (located in the Suburban Maryland region).

Net cash flows of COPT Opportunity Invest I, LLC and MOR Forbes 2 LLC will be distributed to the partners in proportion to and to the extent of (1) their preferred returns (as defined in the joint venture agreements) and (2) their capital accounts, and any residual amounts according to a waterfall distribution schedule defined in the joint venture agreements under which our partners, who are acting as managers of day-to-day construction activities of the projects, receive returns incrementally higher than their ownership percentages as net cash flows to the joint venture increase.

Our commitments and contingencies pertaining to our real estate joint ventures are disclosed in Note 19.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

6. Intangible Assets on Real Estate Acquisitions

Intangible assets on real estate acquisitions consisted of the following:

	December 31, 2007			December 31, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Lease-up value	\$ 125,338	\$ 58,435	\$ 66,903	\$ 105,719	\$ 38,279	\$ 67,440
Tenant relationship value	35,188	7,892	27,296	9,371	1,178	8,193
Lease cost portion of deemed cost avoidance	17,133	8,697	8,436	12,880	5,819	7,061
Lease to market value	14,428	9,555	4,873	10,623	7,178	3,445
Market concentration premium	1,334	181	1,153	1,333	147	1,186
	<u>\$ 193,421</u>	<u>\$ 84,760</u>	<u>\$ 108,661</u>	<u>\$ 139,926</u>	<u>\$ 52,601</u>	<u>\$ 87,325</u>

Amortization of the intangible asset categories set forth above totaled \$32,157 in 2007, \$20,675 in 2006 and \$12,525 in 2005. The approximate weighted average amortization periods of the categories set forth above follow: lease-up value: nine years; tenant relationship value: seven years; lease cost portion of deemed cost avoidance: five years; lease to market value: four years; and market concentration premium: 35 years. The approximate weighted average amortization period for all of the categories combined is nine years. Estimated amortization expense associated with the intangible asset categories set forth above is \$21.1 million for 2008, \$18.5 million for 2009, \$14.3 million for 2010, \$11.5 million for 2011 and \$9.2 million for 2012.

7. Deferred Charges

Deferred charges consisted of the following:

	December 31,	
	2007	2006
Deferred leasing costs	\$ 63,052	\$ 52,263
Deferred financing costs	32,617	28,275
Goodwill	1,853	1,853
Deferred other	155	155
	<u>97,677</u>	<u>82,546</u>
Accumulated amortization	(48,626)	(38,836)
Deferred charges, net	<u>\$ 49,051</u>	<u>\$ 43,710</u>

Corporate Office Properties Trust and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

8. Prepaid and Other Assets

Prepaid and other assets consisted of the following:

	December 31,	
	2007	2006
Construction contract costs incurred in excess of billings	\$ 19,425	\$ 18,324
Prepaid expenses	13,907	9,059
Furniture, fixtures and equipment	10,196	10,495
Other assets	8,920	10,589
Prepaid and other assets	\$ 52,448	\$ 48,467

9. Debt

Our debt consisted of the following:

	Maximum Principal Amount Under Debt at December 31, 2007	Carrying Value at December 31,		Stated Interest Rates at December 31, 2007	Scheduled Maturity Dates at December 31, 2007
		2007	2006		
Mortgage and other loans payable:					
Revolving Credit Facility	\$600,000	\$ 361,000	\$ 185,000	LIBOR + 0.75% to 1.25%(1)	September 30, 2011(2)
Mortgage and Other Secured Loans					
Fixed rate mortgage loans(3)	N/A	1,124,551	1,020,619	5.20%—8.63%(4)	2008 - 2034(5)
Variable rate construction loan facilities	111,500	104,089	56,079	LIBOR + 1.40% to 1.50%(6)	2008(7)
Other variable-rate secured loans	N/A	34,500	34,500	LIBOR + 1.20% to 1.50%(8)	2008
Total mortgage and other secured loans		1,263,140	1,111,198		
Note payable					
Unsecured seller notes	N/A	1,702	2,339	0%—5.95%	2008-2016
Total mortgage and other loans payable		1,625,842	1,298,537		
3.5% Exchangeable Senior Notes	N/A	200,000	200,000	3.50%	September 2026(9)
Total debt		\$ 1,825,842	\$ 1,498,537		

(1) The weighted average interest rate on the Revolving Credit Facility was 5.89% at December 31, 2007.

(2) The Revolving Credit Facility may be extended for a one-year period at our option, subject to certain conditions.

(3) Several of the fixed rate mortgages carry interest rates that were above or below market rates upon assumption and therefore are recorded at their fair value based on applicable effective interest rates. The carrying values of these loans reflect net premiums totaling \$605 at December 31, 2007 and \$210 at December 31, 2006.

(4) The weighted average interest rate on these loans was 5.92% at December 31, 2007.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

9. Debt (Continued)

- (5) A loan with a balance of \$4,819 at December 31, 2007 that matures in 2034 may be repaid in March 2014, subject to certain conditions.
- (6) The weighted average interest rate on these loans was 6.48% at December 31, 2007.
- (7) At December 31, 2007, \$84,589 in loans scheduled to mature in 2008 may be extended by us for a one-year period, subject to certain conditions; we expect to extend \$40,589 of these loans.
- (8) The weighted average interest rate on these loans was 6.59% at December 31, 2007.
- (9) Refer to the paragraph below for descriptions of provisions for early redemption and repurchase of these notes.

On October 1, 2007, we amended and restated the credit agreement on our Revolving Credit Facility with a group of lenders for which KeyBanc Capital Markets and Wachovia Capital Markets, LLC acted as co-lead arrangers, KeyBank National Association acted as administrative agent and Wachovia Bank, National Association acted as syndication agent. The amended and restated credit agreement increased the amount of the lenders' aggregate commitment under the facility from \$500,000 to \$600,000, which includes a \$50,000 letter of credit subfacility and a \$50,000 swingline facility (same-day draw requests), with a right for us to further increase the lenders' aggregate commitment during the term to a maximum of \$800,000, subject to certain conditions. Amounts available under the facility are computed based on 65% of our unencumbered asset value, as defined in the agreement. The facility matures on September 30, 2011, and may be extended by one year at our option, subject to certain conditions. The variable interest rate on the facility is based on one of the following, to be selected by us: (1) the LIBOR rate for the interest period designated by us (customarily the 30-day rate) plus 0.75% to 1.25%, as determined by our leverage levels at different points in time; or (2) the greater of (a) the prime rate of the lender then acting as the administrative agent or (b) the Federal Funds Rate, as defined in the credit agreement, plus 0.50%. Interest is payable at the end of each interest period (as defined in the agreement), and principal outstanding under the facility is payable on the maturity date. The facility also carries a quarterly fee that is based on the unused amount of the facility multiplied by a per annum rate of 0.125% to 0.20%. As of December 31, 2007, the maximum amount of borrowing capacity under this line of credit totaled \$600,000, of which \$238,000 was available.

On September 18, 2006, the Operating Partnership issued a \$200,000 aggregate principal amount of 3.50% Exchangeable Senior Notes due 2026. Interest on the notes is payable on March 15 and September 15 of each year. The notes have an exchange settlement feature that provides that the notes may, under certain circumstances, be exchangeable for cash (up to the principal amount of the notes) and, with respect to any excess exchange value, may be exchangeable into (at our option) cash, our common shares or a combination of cash and our common shares at an exchange rate (subject to adjustment) of 18.5249 shares per one thousand dollar principal amount of the notes (exchange rate is as of December 31, 2007 and is equivalent to an exchange price of \$53.98 per common share). On or after September 20, 2011, the Operating Partnership may redeem the notes in cash in whole or in part. The holders of the notes have the right to require us to repurchase the notes in cash in whole or in part on each of September 15, 2011, September 15, 2016 and September 15, 2021, or in the event of a "fundamental change," as defined under the terms of the notes, for a repurchase price equal to 100% of the principal amount of the notes plus accrued and unpaid interest. Prior to September 11, 2011, subject to certain exceptions, if (1) a "fundamental change" occurs as a result of certain forms of transactions or series of transactions and (2) a holder elects to exchange its notes in connection with

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

9. Debt (Continued)

such "fundamental change," we will increase the applicable exchange rate for the notes surrendered for exchange by a number of additional shares of our common shares as a "make whole premium." The notes are general unsecured senior obligations of the Operating Partnership and rank equally in right of payment with all other senior unsecured indebtedness of the Operating Partnership. The Operating Partnership's obligations under the notes are fully and unconditionally guaranteed by us.

In the case of each of our mortgage loans, we have pledged certain of our real estate assets as collateral. As of December 31, 2007, a majority of our real estate properties were collateralized on loan obligations. Certain of our debt instruments require that we comply with a number of restrictive financial covenants, including adjusted consolidated net worth, minimum property interest coverage, minimum property hedged interest coverage, minimum consolidated interest coverage, maximum consolidated unhedged floating rate debt and maximum consolidated total indebtedness. As of December 31, 2007, we were in compliance with these financial covenants.

Our debt matures on the following schedule:

2008	\$	297,120
2009		62,643
2010		74,033
2011		470,814
2012		42,200
Thereafter		878,427
Total	\$	1,825,237(1)

(1) Represents scheduled principal amortization and maturities only and therefore excludes net premiums of \$605.

We estimate that the fair value of our debt was \$1,826,473 at December 31, 2007 and \$1,510,698 at December 31, 2006.

Weighted average borrowings under our Revolving Credit Facility totaled \$298,901 in 2007 and \$290,660 in 2006. The weighted average interest rate on this credit facility was 6.45% in 2007 and 6.42% in 2006.

We capitalized interest costs of \$19,274 in 2007, \$14,559 in 2006 and \$9,871 in 2005.

Corporate Office Properties Trust and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

10. Derivatives

The following table sets forth our derivative contracts and their respective fair values:

Nature of Derivative	Notional Amount	One-Month LIBOR base	Effective Date	Expiration Date	Fair Value at December 31,	
					2007	2006
Interest rate swap	\$ 50,000	5.0360%	3/28/2006	3/30/2009	\$ (765)	\$ (42)
Interest rate swap	25,000	5.2320%	5/1/2006	5/1/2009	(486)	(133)
Interest rate swap	25,000	5.2320%	5/1/2006	5/1/2009	(486)	(133)
Interest rate swap	50,000	4.3300%	10/23/2007	10/23/2009	(596)	N/A
					<u>\$ (2,333)</u>	<u>\$ (308)</u>

These amounts are included on our Consolidated Balance Sheets as other liabilities.

We designated these derivatives as cash flow hedges. These contracts hedge the risk of changes in interest rates on certain of our one-month LIBOR-based variable rate borrowings until their respective maturities.

The table below sets forth our accounting application of changes in derivative fair values:

	For the Years Ended December 31,		
	2007	2006	2005
Decrease in fair value applied to AOCL(1) and minority interests	\$ (2,025)	\$ (308)	\$ —

(1) AOCL is defined in Note 2.

11. Shareholders' Equity

Preferred Shares

Preferred shares of beneficial interest ("preferred shares") consisted of the following:

	December 31,	
	2007	2006
2,200,000 designated as Series G Cumulative Redeemable Preferred Shares of beneficial interest (2,200,000 shares issued with an aggregate liquidation preference of \$55,000)	\$ 22	\$ 22
2,000,000 designated as Series H Cumulative Redeemable Preferred Shares of beneficial interest (2,000,000 shares issued with an aggregate liquidation preference of \$50,000)	20	20
3,390,000 designated as Series J Cumulative Redeemable Preferred Shares of beneficial interest (3,390,000 shares issued with an aggregate liquidation preference of \$84,750)	34	34
531,667 designated as Series K Cumulative Redeemable Convertible Preferred Shares of beneficial interest (531,667 shares issued with an aggregate liquidation preference of \$26,583)	5	—
Total preferred shares	<u>\$ 81</u>	<u>\$ 76</u>

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

11. Shareholders' Equity (Continued)

Set forth below is a summary of additional information pertaining to our preferred shares of beneficial interest:

Series of Preferred Share of Beneficial Interest	# of Shares Issued	Month of Issuance	Annual Dividend Yield(1)	Annual Dividend Per Share	Earliest Redemption Date
Series E	1,150,000	April 2001	10.250%	2.56250	NA(2)
Series F	1,425,000	September 2001	9.875%	2.46875	NA(3)
Series G	2,200,000	August 2003	8.000%	2.00000	8/11/2008
Series H	2,000,000	December 2003	7.500%	1.87500	12/18/2008
Series J	3,390,000	July 2006	7.625%	1.90625	7/20/2011
Series K	531,667	January 2007	5.600%	2.80000	1/9/2017

(1) Yield computed based on redemption price (\$25 per share for Series E through Series J and \$50 per share for Series K).

(2) All outstanding Series E Preferred Shares were redeemed on July 15, 2006.

(3) All outstanding Series F Preferred Shares were redeemed on October 15, 2006.

Series E through Series J Preferred Shares of beneficial interest set forth in the table above are nonvoting and redeemable for cash at \$25 per share at our option on or after the earliest redemption date. Series K Cumulative Redeemable Convertible Preferred Shares of beneficial interest ("Series K Preferred Shares") in the table above are nonvoting and redeemable for cash at \$50 per share at our option on or after January 9, 2017. Holders of all preferred shares are entitled to cumulative dividends, payable quarterly (as and if declared by the Board of Trustees). In the case of each series of preferred shares, there is a series of preferred units in the Operating Partnership owned by us that carries substantially the same terms.

On July 15, 2006, we redeemed all of the outstanding 10.25% Series E Cumulative Redeemable Preferred Shares of beneficial interest (the "Series E Preferred Shares") at a price of \$25 per share, or \$28,750. On October 15, 2006, we redeemed all of the outstanding Series F Cumulative Redeemable Preferred Shares of beneficial interest (the "Series F Preferred Shares") at a price of \$25 per share, or \$35,625. We recognized a \$3,896 decrease to net income available to common shareholders pertaining to the original issuance costs incurred on the Series E and Series F Preferred Shares at the time of the redemption.

On July 20, 2006, we completed the sale of 3.39 million Series J Cumulative Redeemable Preferred Shares (the "Series J Preferred Shares") at a price of \$25 per share. We contributed the net proceeds after offering costs totaling \$81,857 to our Operating Partnership in exchange for 3.39 million Series J Preferred Units. The Series J Preferred Units carry terms that are substantially the same as the Series J Preferred Shares.

On January 9, 2007, we issued the Series K Preferred Shares in the Nottingham Acquisition at a value of, and liquidation preference equal to, \$50 per share. The Series K Preferred Shares are nonvoting, redeemable for cash at \$50 per share at our option on or after January 9, 2017, and are convertible, subject to certain conditions, into common shares on the basis of 0.8163 common shares

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

11. Shareholders' Equity (Continued)

for each preferred share, in accordance with the terms of the Articles Supplementary describing the Series K Preferred Shares. Holders of the Series K Preferred Shares are entitled to cumulative dividends, payable quarterly (as and if declared by our Board of Trustees). Dividends accrue from the date of issue at the annual rate of \$2.80 per share, which is equal to 5.6% of the \$50 per share liquidation preference.

Common Shares

In April 2006, we sold 2.0 million common shares to an underwriter at a net price of \$41.31 per share. We contributed the net proceeds after offering costs totaling \$82,433 to our Operating Partnership in exchange for 2.0 million common units.

In connection with the Nottingham Acquisition in January 2007, we issued 3.2 million common shares at a value of \$49.57 per share.

Over the three years ended December 31, 2007, common units in our Operating Partnership were converted into common shares on the basis of one common share for each common unit in the amount of 554,221 in 2007, 245,793 in 2006 and 253,575 in 2005.

See Note 12 for disclosure regarding common share activity pertaining to our share-based compensation plans.

Accumulated Other Comprehensive Loss

The table below sets forth activity in the accumulated other comprehensive loss component of shareholders' equity:

	For the Years Ended December 31,		
	2007	2006	2005
Beginning balance	\$ (693)	\$ (482)	\$ —
Unrealized loss on derivatives, net of minority interests	(1,731)	(262)	(482)
Realized loss on derivatives, net of minority interests	52	51	—
Ending balance	\$ (2,372)	\$ (693)	\$ (482)

The table below sets forth our comprehensive income:

	For the Years Ended December 31,		
	2007	2006	2005
Net income	\$ 34,784	\$ 49,227	\$ 39,031
Unrealized loss on derivatives, net of minority interests	(1,731)	(262)	(482)
Realized loss on derivatives, net of minority interests	52	51	—
Total comprehensive income	\$ 33,105	\$ 49,016	\$ 38,549

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

12. Share-based Compensation and Employee Benefit Plans

Share-based Compensation Plans

In 1993, we adopted a plan for our Trustees under which we have 75,000 options reserved for issuance. These options expire ten years after the date of grant and are all exercisable. Shares for this plan are issued under a registration statement on Form S-8 that became effective upon filing with the Securities and Exchange Commission. As of December 31, 2007, there were no remaining awards available for future grant under this plan.

In March 1998, we adopted a long-term incentive plan for our Trustees and employees. This plan provides for the award of options, restricted shares and dividend equivalents. We are authorized to issue awards under the plan amounting to no more than 13% of the total of (1) our common shares outstanding plus (2) the number of shares that would be outstanding upon redemption of all units of the Operating Partnership or other securities that are convertible into our common shares. Trustee options under this plan become exercisable beginning on the first anniversary of their grant. The vesting periods for employees' options under this plan range from immediately to five years, although they generally are three years. Options expire ten years after the date of grant. Restricted shares generally vest either over (1) a five-year period in specified percentages or (2) a three-year period in equal increments, beginning on the first anniversary of the grant date provided that the employees remain employed by us. Shares for this plan are issued under a registration statement on Form S-8 that became effective upon filing with the Securities and Exchange Commission. As of December 31, 2007, we had 975,504 awards available for future grant under this plan.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

12. Share-based Compensation and Employee Benefit Plans (Continued)

The following table summarizes option transactions under the plans described above:

	Shares	Range of Exercise Price per Share	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (in Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2004	2,687,084	\$5.38–\$28.69	\$ 11.43		
Granted—2005	521,588	\$25.52–\$36.08	\$ 28.38		
Forfeited/Expired—2005	(87,665)	\$10.00–\$34.89	\$ 23.60		
Exercised—2005	(411,080)	\$5.38–\$25.05	\$ 10.70		
Outstanding at December 31, 2005	2,709,927	\$5.63–\$36.08	\$ 14.41		
Granted—2006	503,800	\$36.24–\$50.59	\$ 42.84		
Forfeited/Expired—2006	(68,107)	\$13.60–\$47.79	\$ 33.43		
Exercised—2006	(589,101)	\$5.63–\$34.76	\$ 11.49		
Outstanding at December 31, 2006	2,556,519	\$7.38–\$50.59	\$ 20.18	6	\$ 77,447
Granted—2007	297,691	\$42.40–\$57.00	\$ 47.87		
Forfeited/Expired—2007	(99,177)	\$20.34–\$53.16	\$ 42.31		
Exercised—2007	(613,689)	\$5.25–\$44.73	\$ 12.18		
Outstanding at December 31, 2007	2,141,344	\$7.38–\$57.00	\$ 25.29	6	\$ 22,639
Exercisable at December 31, 2005	2,054,919		(1) \$ 10.58		
Exercisable at December 31, 2006	1,753,428		(2) \$ 12.65		
Exercisable at December 31, 2007	1,507,876		(3) \$ 18.05	5	\$ 22,248
Options expected to vest	589,125	\$25.52–\$57.00	\$ 42.54	9	\$ 364

(1) 486,250 of these options had an exercise price ranging from \$5.63 to \$7.99; 854,027 had an exercise price ranging from \$8.00 to \$10.99; 590,104 had an exercise price ranging from \$11.00 to \$16.99; and 124,538 had an exercise price ranging from \$17.00 to \$28.69.

(2) 234,082 of these options had an exercise price ranging from \$7.38 to \$7.99; 754,068 had an exercise price ranging from \$8.00 to \$10.99; 456,732 had an exercise price ranging from \$11.00 to \$16.99; 198,241 had an exercise price ranging from \$17.00 to \$25.99; and 110,305 had an exercise price range of \$26.00 to \$36.08.

(3) 232,982 of these options had an exercise price ranging from \$7.38 to \$7.99; 291,762 had an exercise price ranging from \$8.00 to \$10.99; 406,211 had an exercise price ranging from \$11.00 to \$16.99; 237,382 had an exercise price ranging from \$17.00 to \$25.99; 163,648 had an exercise price ranging from \$26.00 to \$34.99; 130,265 had an exercise price ranging from \$35.00 to \$43.99; and 45,626 had an exercise price ranging from \$44.00 to \$52.99.

The aggregate intrinsic value of options exercised was \$23,627 in 2007, \$19,748 in 2006 and \$8,366 in 2005.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

12. Share-based Compensation and Employee Benefit Plans (Continued)

We received proceeds from the exercise of options of \$7,476 in 2007, \$6,767 in 2006 and \$4,398 in 2005.

We computed share-based compensation expense under the fair value method using the Black-Scholes option-pricing model; the weight average assumptions we used in that model are set forth below:

	For the Years Ended December 31,		
	2007	2006	2005
Weighted average fair value of grants on grant date	\$ 9.58	\$ 8.99	\$ 2.82
Risk-free interest rate(1)	4.64%	4.91%	3.97%
Expected life-years	6.15	6.82	6.00
Expected volatility(2)	21.46%	23.69%	22.70%
Expected dividend yield(3)	3.24%	3.82%	6.90%

- (1) Ranged from 4.53% to 4.91% in 2007 and from 4.38% to 5.30% in 2006.
- (2) Ranged from 21.28% to 21.75% in 2007 and from 22.37% to 25.11% in 2006.
- (3) Ranged from 3.12% to 3.35% in 2007 and from 3.36% to 4.25% in 2006.

A summary of the weighted average grant-date fair value per option granted is as follows:

	For the Years Ended December 31,		
	2007	2006	2005
Weighted average grant-date fair value	\$ 9.58	\$ 8.99	\$ 2.82
Weighted average grant-date fair value—exercise price equals market price on grant-date	\$ 9.58	\$ 8.99	\$ 2.83
Weighted average grant-date fair value—exercise price exceeds market price on grant-date	N/A	N/A	\$ 2.51
Weighted average grant-date fair value—exercise price less than market price on grant-date	N/A	N/A	N/A

The weighted average grant date fair value of option issuances increased significantly in 2006 over previous years due in large part to a large decrease in the weighted average dividend yield assumption in 2006. We derive our dividend yield assumption from the average historical dividend yield on our common shares over a period of time ending on the grant date of options. Prior to 2006, we used a longer historical timeframe for purposes of estimating our dividend yield assumption. In response to the trading price for our common shares having increased significantly through 2006, which had a decreasing effect on our dividend yield, we concluded that the use of a shorter historical timeframe for estimating the dividend yield assumption was appropriate.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

12. Share-based Compensation and Employee Benefit Plans (Continued)

The following table summarizes restricted share transactions under the plans described above for 2007 and 2006:

	Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2005	395,609	\$ 19.88
Granted	163,420	\$ 42.65
Forfeited	(20,822)	\$ 23.67
Vested	(124,517)	\$ 17.16
Unvested at December 31, 2006	413,690	\$ 29.51
Granted	141,359	\$ 49.50
Forfeited	(1,917)	\$ 50.57
Vested	(137,227)	\$ 22.54
Unvested at December 31, 2007	415,905	\$ 38.50
Restricted shares expected to vest	395,110	

The fair value of restricted shares that vested during the year ended December 31, 2007 was \$6,938. The fair value of restricted shares that vested during the year ended December 31, 2006 was \$5,319.

We realized a windfall tax benefit of \$562 in 2006 on options exercised and restricted shares vested by employees of our subsidiaries that are subject to income tax. We did not realize a windfall tax benefit in 2007 because COMI had a net operating loss carryforward for tax purposes; had COMI not had a net operating loss carryforward in 2007, we would have recognized a windfall tax benefit of \$1,691 in 2007.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

12. Share-based Compensation and Employee Benefit Plans (Continued)

The table below sets forth information relating to expenses from share-based compensation included in our Consolidated Statements of Operations:

	For the Years Ended December 31,	
	2007	2006
Increase in general and administrative expenses	\$ 4,461	\$ 2,659
Increase in construction contract and other service operations expenses	1,749	964
Share-based compensation expense	6,210	3,623
Income taxes	(150)	(107)
Minority interests	(946)	(617)
Net share-based compensation expense	\$ 5,114	\$ 2,899
Net share-based compensation expense per share		
Basic	\$ 0.11	\$ 0.07
Diluted	\$ 0.11	\$ 0.07

We also capitalized share-based compensation costs of approximately \$433 in 2007 and \$212 in 2006.

The amounts included in our Consolidated Statements of Operations for share-based compensation reflected an estimate of pre-vesting forfeitures of 7% for options and a range of 2% to 5% for restricted shares for the year ended December 31, 2007 and 5% for all share-based awards in the year ended December 31, 2006.

As of December 31, 2007, there was \$3,392 of unrecognized compensation cost related to nonvested options that is expected to be recognized over a weighted average period of approximately two years. As of December 31, 2007, there was \$10,913 of unrecognized compensation cost related to unvested restricted shares that is expected to be recognized over a weighted average period of approximately three years.

Disclosure for Periods Prior to 2006, Including Pro Forma Financial Information Under SFAS 123

Expenses from share-based compensation reflected in our Consolidated Statements of Operations for the year ended December 31, 2005 were as follows:

	For the Year Ended December 31, 2005	
Increase in general and administrative expenses	\$	1,903
Increase in construction contract and other service operations expenses		230

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

12. Share-based Compensation and Employee Benefit Plans (Continued)

The following table summarizes our operating results for the year ended December 31, 2005 as if we elected to account for our share-based compensation under the fair value provisions of SFAS 123 in those periods:

	<u>For the Year Ended</u> <u>December 31, 2005</u>	
Net income, as reported	\$	39,031
Add: Share-based compensation expense, net of related tax effects and minority interests, included in the determination of net income		1,670
Less: Share-based compensation expense determined under the fair value based method, net of related tax effects and minority interests		(1,671)
Net income, pro forma	\$	39,030
Basic EPS on net income available to common shareholders, as reported	\$	0.65
Basic EPS on net income available to common shareholders, pro forma	\$	0.65
Diluted EPS on net income available to common shareholders, as reported	\$	0.63
Diluted EPS on net income available to common shareholders, pro forma	\$	0.63

In computing the amounts reflected above, we accounted for forfeitures as they occurred and we did not capitalize costs associated with share-based compensation.

401(k) Plan

We have a 401(k) defined contribution plan covering substantially all of our employees that permits participants to defer up to a maximum of 15% of their compensation. We match a participant's contribution in an amount equal to 50% of the participant's elective deferral for the plan year up to a maximum of 6% of a participant's annual compensation. Employees' contributions are fully vested and our matching contributions vest in annual one-third increments. Once an employee has been with us for three years, all matching contributions are fully vested. We fund all contributions with cash. Our matching contributions under the plan totaled approximately \$442 in 2007, \$538 in 2006 and \$396 in 2005. The 401(k) plan is fully funded at December 31, 2007.

Deferred Compensation Plan

We have a non-qualified elective deferred compensation plan for 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. We match the participant's contribution in an amount equal to 50% of the participant's elective deferral for the plan year up to a maximum of 6% of a participant's annual compensation after deducting contributions, if any, made under our 401(k) plan. Deferred compensation related to an employee contribution is charged to expense and is fully vested.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

12. Share-based Compensation and Employee Benefit Plans (Continued)

Deferred compensation related to the Company's matching contribution is charged to expense and vests in annual one-third increments. Once an employee has been with us for three years, all matching contributions are fully vested. The balance of the plan, which was fully funded, totaled \$6,014 at December 31, 2007 and \$5,195 at December 31, 2006, and is included in the accompanying Consolidated Balance Sheets.

13. Related Party Transactions

We earned fees from unconsolidated joint ventures totaling \$458 in 2007, \$619 in 2006 and \$326 in 2005. These fees were for property management, construction and leasing services performed.

14. Operating Leases

We lease our properties to tenants under operating leases with various expiration dates extending to the year 2025. Gross minimum future rentals on noncancelable leases in our consolidated properties at December 31, 2007 were as follows:

For the Years Ended December 31,

2008	\$	312,664
2009		275,274
2010		222,978
2011		183,754
2012		146,720
Thereafter		542,382
Total	\$	1,683,772

We consider a lease to be noncancelable when a tenant (1) may not terminate its lease obligation early or (2) may terminate its lease obligation early in exchange for a fee or penalty that we consider material enough such that termination would be highly unlikely.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

15. Supplemental Information to Statements of Cash Flows

	For the Years Ended December 31,		
	2007	2006	2005
Interest paid, net of capitalized interest	\$ 84,278	\$ 68,617	\$ 57,100
Income taxes paid	\$ 123	\$ 54	\$ —
Supplemental schedule of non-cash investing and financing activities:			
Debt assumed in connection with acquisitions	\$ 38,996	\$ 39,011	\$ 17,347
Issuance of common shares in connection with acquisition of properties (before transaction costs)	\$ 156,691	\$ —	\$ —
Issuance of preferred shares in connection with acquisition of properties (before transaction costs)	\$ 26,583	\$ —	\$ —
Proceeds from sales of properties invested in restricted cash account	\$ 701	\$ 33,730	\$ —
Restricted cash used in connection with acquisitions of properties	\$ 20,827	\$ —	\$ —
Issuance of common units in the Operating Partnership in connection with acquisition of properties (before transaction costs)	\$ 12,125	\$ 7,497	\$ 2,647
Issuance of common units in the Operating Partnership in connection with contribution of properties accounted for under the financing method of accounting	\$ —	\$ —	\$ 3,687
Increase (decrease) in accrued capital improvements and leasing costs	\$ 8,638	\$ 18,181	\$ (9,349)
Reclassification of operating assets to investment assets in connection with consolidation of real estate joint ventures	\$ 16,725	\$ —	\$ —
Consolidation of real estate joint venture:			
Real estate assets	\$ 3,864	\$ —	\$ —
Prepaid and other assets	1,021	—	—
Minority interest	(4,885)	—	—
Net adjustment	\$ —	\$ —	\$ —
Property acquired through lease arrangement included in rents received in advance and security deposits	\$ 711	\$ 1,282	\$ —
Amortization of discounts and premiums on mortgage loans to commercial real estate properties	\$ 307	\$ 196	\$ 273
Decrease in fair value of derivatives applied to AOCL and minority interests	\$ (2,025)	\$ (308)	\$ —
Adjustments to minority interests resulting from changes in ownership of Operating Partnership by COPT	\$ 29,761	\$ 16,255	\$ 12,888
Dividends/distribution payable	\$ 22,441	\$ 19,164	\$ 16,703
Decrease in minority interests and increase in shareholders' equity in connection with the conversion of common units into common shares	\$ 25,408	\$ 11,078	\$ 9,120
Issuance of restricted shares	\$ —	\$ —	\$ 3,276

Corporate Office Properties Trust and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

16. Information by Business Segment

As of December 31, 2007, we had nine primary office property segments: Baltimore/Washington Corridor; Northern Virginia; Suburban Baltimore; Colorado Springs; Suburban Maryland; Greater Philadelphia; St. Mary's and King George Counties; San Antonio; and Northern/Central New Jersey. We also had an office property segment in Greater Harrisburg, Pennsylvania prior to the contribution of our properties in that region into a real estate joint venture in exchange for cash and a 20% interest in such joint venture on September 29, 2005.

The table below reports segment financial information. Our segment entitled "Other" includes assets and operations not specifically associated with the other defined segments, including corporate assets and investments in unconsolidated entities. We measure the performance of our segments based on total revenues less property operating expenses, a measure we define as net operating income ("NOI"). We believe that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of the core operations that is unaffected by depreciation, amortization, financing and general and administrative expenses; this measure is particularly useful in our opinion in evaluating the performance of geographic segments, same-office property groupings and individual properties.

	Baltimore/ Washington Corridor	Northern Virginia	Suburban Baltimore	Colorado Springs	Suburban Maryland	Greater Philadelphia	St. Mary's & King George Counties	San Antonio	Northern/ Central New Jersey	Greater Harrisburg	Other	Intersegment Eliminations	Total
Year Ended December 31, 2007													
Revenues	\$ 173,509	\$ 72,402	\$ 54,570	\$ 15,304	\$ 16,675	\$ 10,025	\$ 12,665	\$ 7,370	\$ 4,846	\$ —	\$ 7,583	\$ (3,430)	\$ 371,519
Property operating expenses	56,818	25,892	22,013	5,901	6,665	126	3,054	1,577	2,047	—	4,709	(3,862)	124,940
NOI	\$ 116,691	\$ 46,510	\$ 32,557	\$ 9,403	\$ 10,010	\$ 9,899	\$ 9,611	\$ 5,793	\$ 2,799	\$ —	\$ 2,874	\$ 432	\$ 246,579
Additions to commercial real estate properties													
	\$ 159,702	\$ 23,696	\$ 280,234	\$ 49,904	\$ 2,927	\$ 1,236	\$ 1,040	\$ 3,204	\$ 688	\$ —	\$ 61,036	\$ (2,077)	\$ 581,590
Segment assets at December 31, 2007													
	\$ 1,215,497	\$ 482,570	\$ 448,093	\$ 181,639	\$ 131,020	\$ 96,051	\$ 95,208	\$ 59,296	\$ 40,672	\$ —	\$ 181,194	\$ 613	\$ 2,931,853
Year Ended December 31, 2006													
Revenues	\$ 147,648	\$ 63,515	\$ 28,570	\$ 9,776	\$ 15,316	\$ 10,025	\$ 12,087	\$ 7,441	\$ 12,295	\$ (6)	\$ 1,668	\$ (2,543)	\$ 305,792
Property operating expenses	45,667	22,727	11,889	3,659	5,710	168	3,116	1,533	3,311	(49)	2,042	(3,740)	96,033
NOI	\$ 101,981	\$ 40,788	\$ 16,681	\$ 6,117	\$ 9,606	\$ 9,857	\$ 8,971	\$ 5,908	\$ 8,984	\$ 43	\$ (374)	\$ 1,197	\$ 209,759
Additions to commercial real estate properties													
	\$ 190,038	\$ 21,638	\$ 6,206	\$ 66,628	\$ 4,664	\$ 1,202	\$ 1,823	\$ 8,814	\$ 1,398	\$ 5	\$ 39,466	\$ (1,720)	\$ 340,162
Segment assets at December 31, 2006													
	\$ 1,081,356	\$ 473,540	\$ 162,786	\$ 135,118	\$ 117,573	\$ 97,795	\$ 97,661	\$ 52,661	\$ 48,499	\$ —	\$ 155,043	\$ (2,431)	\$ 2,419,601
Year Ended December 31, 2005													
Revenues	\$ 123,819	\$ 60,255	\$ 11,099	\$ 1,006	\$ 12,555	\$ 10,025	\$ 12,852	\$ 1,814	\$ 13,779	\$ 6,605	\$ 169	\$ (1,619)	\$ 252,359
Property operating expenses	37,373	20,348	4,367	407	4,791	157	2,784	334	5,737	2,209	1,971	(4,238)	76,240
NOI	\$ 86,446	\$ 39,907	\$ 6,732	\$ 599	\$ 7,764	\$ 9,868	\$ 10,068	\$ 1,480	\$ 8,042	\$ 4,396	\$ (1,802)	\$ 2,619	\$ 176,119
Additions to commercial real estate properties													
	\$ 144,334	\$ 57,972	\$ 110,085	\$ 57,901	\$ 58,707	\$ 872	\$ 5,739	\$ 42,658	\$ 2,199	\$ 449	\$ 884	\$ (465)	\$ 481,335
Segment assets at December 31, 2005													
	\$ 901,718	\$ 463,179	\$ 189,576	\$ 63,767	\$ 130,221	\$ 99,357	\$ 99,191	\$ 42,884	\$ 67,206	\$ —	\$ 73,423	\$ (763)	\$ 2,129,759

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

16. Information by Business Segment (Continued)

The following table reconciles our segment revenues to total revenues as reported on our Consolidated Statements of Operations:

	For the Years Ended December 31,		
	2007	2006	2005
Segment revenues	\$ 371,519	\$ 305,792	\$ 252,359
Construction contract revenues	37,074	52,182	74,357
Other service operations revenues	4,151	7,902	4,877
Less: Revenues from discontinued operations (Note 18)	(2,570)	(12,214)	(15,550)
Total revenues	\$ 410,174	\$ 353,662	\$ 316,043

The following table reconciles our segment property operating expenses to property operating expenses as reported on our Consolidated Statements of Operations:

	For the Years Ended December 31,		
	2007	2006	2005
Segment property operating expenses	\$ 124,940	\$ 96,033	\$ 76,240
Less: Property expenses from discontinued real estate operations (Note 18)	(1,658)	(3,126)	(5,903)
Total property operating expenses	\$ 123,282	\$ 92,907	\$ 70,337

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

16. Information by Business Segment (Continued)

The following table reconciles our NOI for reportable segments to income from continuing operations as reported on our Consolidated Statements of Operations:

	For the Years Ended December 31,		
	2007	2006	2005
NOI for reportable segments	\$ 246,579	\$ 209,759	\$ 176,119
Construction contract revenues	37,074	52,182	74,357
Other service operations revenues	4,151	7,902	4,877
Equity in loss of unconsolidated entities	(224)	(92)	(88)
Income tax expense	(569)	(887)	(668)
Other adjustments:			
Depreciation and other amortization associated with real estate operations	(106,331)	(78,054)	(60,427)
Construction contract expenses	(35,723)	(49,961)	(72,534)
Other service operations expenses	(4,070)	(7,384)	(4,753)
General and administrative expenses	(20,523)	(16,936)	(13,533)
Interest expense on continuing operations	(82,032)	(70,260)	(53,906)
Gain on sale of non-real estate investment	1,033	—	—
Amortization of deferred financing costs	(3,676)	(2,847)	(2,229)
Minority interests in continuing operations	(3,398)	(3,826)	(4,901)
NOI from discontinued operations	(912)	(9,088)	(9,647)
Income from continuing operations	\$ 31,379	\$ 30,508	\$ 32,667

The accounting policies of the segments are the same as those previously disclosed for Corporate Office Properties Trust and subsidiaries, where applicable. We did not allocate interest expense, amortization of deferred financing costs and depreciation and other amortization to segments since they are not included in the measure of segment profit reviewed by management. We also did not allocate construction contract revenues, other service operations revenues, construction contract expenses, other service operations expenses, equity in loss of unconsolidated entities, general and administrative expense, income taxes and minority interests because these items represent general corporate items not attributable to segments.

17. Income Taxes

Corporate Office Properties Trust elected to be treated as a REIT under Sections 856 through 860 of the Internal Revenue Code. To qualify as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we distribute at least 90% of our adjusted taxable income to our shareholders. As a REIT, we generally will not be subject to Federal income tax if we distribute at least 100% of our taxable income to our shareholders and satisfy certain other requirements (see discussion below). If we fail to qualify as a REIT in any tax year, we will be subject to Federal income tax on our taxable income at regular corporate rates and may not be able to qualify as a REIT for four subsequent tax years.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

17. Income Taxes (Continued)

The differences between taxable income reported on our income tax return (estimated 2007 and actual 2006 and 2005) and net income as reported on our Consolidated Statements of Operations are set forth below:

	For the Years Ended December 31,		
	2007	2006	2005
Net income	\$ (Estimated) 34,784	\$ 49,227	\$ 39,031
Adjustments:			
Rental revenue recognition	(6,102)	(8,186)	(7,225)
Compensation expense recognition	(18,986)	(17,079)	(5,068)
Operating expense recognition	194	(118)	(68)
Gain on sales of properties	6,451	(10,690)	7,174
Losses from service operations	(844)	(1,401)	(1,780)
Income tax expense	569	887	699
Depreciation and amortization	44,337	26,554	18,668
Earnings from unconsolidated real estate joint ventures	342	709	307
Minority interests, gross	(1,350)	1,862	(4,828)
Other	(166)	(191)	(737)
Taxable income	\$ 59,229	\$ 41,574	\$ 46,173

For Federal income tax purposes, dividends to shareholders may be characterized as ordinary income, capital gains or return of capital. The characterization of dividends declared on our 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,		
	2007	2006	2005	2007	2006	2005
Ordinary income	59.5%	50.3%	70.7%	78.4%	87.4%	79.9%
Long term capital gain	16.4%	7.2%	17.8%	21.6%	12.6%	20.1%
Return of capital	24.1%	42.5%	11.5%	0.0%	0.0%	0.0%

We distributed all of our REIT taxable income in 2007, 2006 and 2005 and, as a result, did not incur Federal income tax in those years on such income. However, we did incur income tax totaling \$1,112 in 2007 on built-in gain on properties, which is included in the Consolidated Statements of Operations as follows: \$1,068 in gain in sales of real estate, net of minority interests and income taxes; and \$44 in discontinued operations net of minority interests and income taxes.

Corporate Office Properties Trust and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

17. Income Taxes (Continued)

COMI is subject to Federal and state income taxes. COMI had income before income taxes under GAAP of \$1,476 in 2007, \$2,288 in 2006 and \$1,780 in 2005. COMI's provision for income tax consisted of the following:

	For the Years Ended December 31,		
	2007	2006	2005
Deferred			
Federal	\$ 468	\$ 641	\$ 572
State	104	141	127
	572	782	699
Current			
Federal	—	86	—
State	—	19	—
	—	105	—
Total	\$ 572	\$ 887	\$ 699

A reconciliation of COMI's Federal statutory rate to the effective tax rate for income tax reported on our Statements of Operations is set forth below:

	For the Years Ended December 31,		
	2007	2006	2005
Income taxes at U.S. statutory rate	34.0%	34.0%	34.0%
State and local, net of U.S. Federal tax benefit	4.6%	4.6%	4.7%
Other	0.1%	0.2%	0.6%
	38.7%	38.8%	39.3%
Effective tax rate	38.7%	38.8%	39.3%

Items contributing to temporary differences that lead to deferred taxes include net operating losses that are not deductible until future periods, depreciation and amortization, share-based compensation, certain accrued compensation and compensation paid in the form of contributions to a deferred nonqualified compensation plan. COMI had a net operating loss carryforward for income taxes of approximately \$1,062 at December 31, 2007.

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 on our Consolidated Statements of Operations. We did not separately state these amounts on our Consolidated Statements of Operations because they are insignificant.

Corporate Office Properties Trust and Subsidiaries
Notes to Consolidated Financial Statements (Continued)
(Dollars in thousands, except per share data)

18. Discontinued Operations

Income from discontinued operations includes revenues and expenses associated with the following:

- three properties located in the Northern/Central New Jersey region that were sold on September 8, 2005;
- two Lakeview at the Greens properties that were sold on February 6, 2006;
- 68 Culver Road property that was sold on March 8, 2006;
- 710 Route 46 property that was sold on July 26, 2006;
- 230 Schilling Circle property that was sold on August 9, 2006;
- 7 Centre Drive property that was sold on August 30, 2006;
- Brown's Wharf property that was sold on September 28, 2006;
- 2 and 8 Centre Drive properties that were sold on September 7, 2007;
- 7321 Parkway property that was sold on September 7, 2007;
- 10552 Philadelphia Road property that was sold on December 27, 2007; and
- 429 Ridge Road property that we were under contract to sell as of December 31, 2007 and was classified as held for sale.

Certain reclassifications have been made in prior periods to reflect discontinued operations consistent with the current period presentation. The table below sets forth the components of income from discontinued operations:

	For the Years Ended December 31,		
	2007	2006	2005
Revenue from real estate operations	\$ 2,570	\$ 12,214	\$ 15,550
Expenses from real estate operations:			
Property operating expenses	1,658	3,126	5,903
Depreciation and amortization	1,294	2,020	3,128
Interest expense	1,250	2,160	3,238
Other	5	135	12
Expenses from real estate operations	4,207	7,441	12,281
Income from discontinued operations before gain on sales of real estate and minority interests	(1,637)	4,773	3,269
Gain on sales of real estate	3,871	17,031	4,324
Income taxes	(44)	—	—
Minority interests in discontinued operations	(345)	(3,817)	(1,497)
Income from discontinued operations, net of minority interests	\$ 1,845	\$ 17,987	\$ 6,096

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

19. Commitments and Contingencies

In the normal course of business, we are involved in legal actions arising from our ownership and administration of properties. Management does not anticipate that any liabilities that may result will have a materially adverse effect on our financial position, operations or liquidity. 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.

Acquisitions

As of December 31, 2007, we were under contract to acquire a parcel of land in Frederick, Maryland for an expected purchase price of \$11,125, on which we had paid a deposit of \$80.

We were also obligated to make an additional cash payment of up to \$4,000 in a future year in connection with our acquisition of the land at the former Fort Ritchie United States Army base in Cascade, Washington County, Maryland. This payment could be reduced by a range of \$750 to the full \$4,000 depending on (1) defined levels of job creation resulting from the future development of the property taking place and (2) future real estate taxes generated by the property.

Dispositions

As of December 31, 2007, we were under contract to sell five condominium units within the building that was constructed by 13849 Park Center Road, LLC for an aggregate purchase price of \$7,475. These sales were completed in January and February 2008.

Joint Ventures

As part of our obligations under the partnership agreement of Harrisburg Corporate Gateway Partners, LP, we agreed to indemnify the partnership's lender for 80% of losses under standard nonrecourse loan guarantees (environmental indemnifications and guarantees against fraud and misrepresentation) during the period of time in which we manage the partnership's properties; we do not expect to incur any losses under these loan guarantees.

We are party to a contribution agreement that formed a joint venture relationship with a limited partnership to develop up to 1.8 million square feet of office space on 63 acres of land located in Hanover, Maryland. Under the contribution agreement, we agreed to fund up to \$2,200 in pre-construction costs associated with the property. As we and the joint venture partner agree to proceed with the construction of buildings in the future, our joint venture partner would contribute land into newly-formed entities and we would make additional cash capital contributions into such entities to fund development and construction activities for which financing is not obtained. As discussed in Note 5, we obtained a 50% interest in one such joint venture in July 2007.

We may be required to make our pro rata share of additional investments in our real estate joint ventures (generally based on our percentage ownership) in the event that additional funds are needed. In the event that the other members of these joint ventures do not pay their share of investments when additional funds are needed, we may then deem it appropriate to make even larger investments in these joint ventures.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

19. Commitments and Contingencies (Continued)

In one of the consolidated joint ventures that we owned as of December 31, 2007, we would be obligated to acquire the other member's 50% interest in the joint venture if defined events were to occur. The amount we would need to pay for that membership interest is computed based on the amount that the owner of the interest would receive under the joint venture agreement in the event that office properties owned by the joint venture was sold for a capitalized fair value (as defined in the agreement) on a defined date. We estimate the aggregate amount we would need to pay for the other member's membership interest in this joint venture to be \$718; however, since the determination of this amount is dependent on the operations of the office property, which is not both completed and sufficiently occupied, this estimate is preliminary and could be materially different from the actual obligation.

Office Space Operating Leases

We are obligated as lessee under five operating leases for office space. Future minimum rental payments due under the terms of these leases as of December 31, 2007 follow:

2008	\$	261
2009		176
2010		135
2011		57
		<u>57</u>
	\$	<u>629</u>

Other Operating Leases

We are obligated under various leases for vehicles and office equipment. Future minimum rental payments due under the terms of these leases as of December 31, 2007 follow:

2008	\$	507
2009		363
2010		177
2011		42
		<u>42</u>
	\$	<u>1,089</u>

Environmental Indemnity Agreement

We agreed to provide certain environmental indemnifications in connection with a lease of three properties in our New Jersey region. The prior owner of the properties, a Fortune 100 company which is responsible for groundwater contamination at such properties, previously agreed to indemnify us for (1) direct losses incurred in connection with the contamination and (2) its failure to perform

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

19. Commitments and Contingencies (Continued)

remediation activities required by the State of New Jersey, up to the point that the state declares the remediation to be complete. Under the lease agreement, we agreed to the following:

- to indemnify the tenant against losses covered under the prior owner's indemnity agreement if the prior owner fails to indemnify the tenant for such losses. This indemnification is capped at \$5,000 in perpetuity after the State of New Jersey declares the remediation to be complete;
- to indemnify the tenant for consequential damages (e.g., business interruption) at one of the buildings in perpetuity and another of the buildings for 15 years after the tenant's acquisition of the property from us, if such acquisition occurs. This indemnification is capped at \$12,500; and
- to pay 50% of additional costs related to construction and environmental regulatory activities incurred by the tenant as a result of the indemnified environmental condition of the properties. This indemnification is capped at \$300 annually and \$1,500 in the aggregate.

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

20. Quarterly data (Unaudited)

The tables below set forth selected quarterly information for the years ended December 31, 2007 and 2006. Certain of the amounts below have been reclassified to conform to our current presentation of discontinued operations, which is discussed in Note 18.

	For the Year Ended December 31, 2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 99,214	\$ 102,335	\$ 105,333	\$ 103,292
Operating income	\$ 26,805	\$ 29,772	\$ 31,553	\$ 32,115
Income from continuing operations	\$ 5,504	\$ 8,227	\$ 8,448	\$ 9,200
Income from discontinued operations	\$ 43	\$ (511)	\$ 1,945	\$ 368
Net income	\$ 5,547	\$ 7,877	\$ 11,431	\$ 9,929
Preferred share dividends	(3,993)	(4,025)	(4,025)	(4,025)
Net income available to common shareholders	\$ 1,554	\$ 3,852	\$ 7,406	\$ 5,904
Basic earnings per share:				
Income from continuing operations	\$ 0.03	\$ 0.09	\$ 0.12	\$ 0.12
Net income available to common shareholders	\$ 0.03	\$ 0.08	\$ 0.16	\$ 0.13
Diluted earnings per share:				
Income from continuing operations	\$ 0.03	\$ 0.09	\$ 0.11	\$ 0.12
Net income available to common shareholders	\$ 0.03	\$ 0.08	\$ 0.15	\$ 0.12

	For the Year Ended December 31, 2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenues	\$ 85,135	\$ 84,532	\$ 91,660	\$ 92,335
Operating income	\$ 25,933	\$ 27,796	\$ 26,981	\$ 27,710
Income from continuing operations	\$ 7,277	\$ 8,701	\$ 7,507	\$ 7,023
Income from discontinued operations	\$ 2,550	\$ 390	\$ 12,483	\$ 2,564
Net income	\$ 9,937	\$ 9,116	\$ 20,587	\$ 9,587
Preferred share dividends	(3,654)	(3,653)	(4,307)	(3,790)
Issuance costs associated with redeemed preferred shares	—	—	(1,829)	(2,067)
Net income available to common shareholders	\$ 6,283	\$ 5,463	\$ 14,451	\$ 3,730
Basic earnings per share:				
Income from continuing operations	\$ 0.09	\$ 0.12	\$ 0.05	\$ 0.03
Net income available to common shareholders	\$ 0.16	\$ 0.13	\$ 0.34	\$ 0.09
Diluted earnings per share:				
Income from continuing operations	\$ 0.09	\$ 0.12	\$ 0.04	\$ 0.03
Net income available to common shareholders	\$ 0.15	\$ 0.13	\$ 0.33	\$ 0.08

Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements (Continued)

(Dollars in thousands, except per share data)

21. Pro Forma Financial Information (Unaudited)

We accounted for our acquisitions using the purchase method of accounting. We included the results of operations for our acquisitions in our Consolidated Statements of Operations from their respective purchase dates through December 31, 2007.

We prepared our pro forma condensed consolidated financial information presented below as if the Nottingham Acquisition that took place in 2007 had occurred at the beginning of the respective periods. The pro forma financial information is unaudited and is not necessarily indicative of the results that actually would have occurred if these acquisitions and dispositions had occurred at the beginning of the respective periods, nor does it purport to indicate our results of operations for future periods.

	For the Years Ended December 31,	
	2007	2006
Pro forma total revenues	\$ 410,993	\$ 387,284
Pro forma net income	\$ 35,050	\$ 43,621
Pro forma net income available to common shareholders	\$ 18,949	\$ 22,833
Pro forma earnings per common share on net income available to common shareholders		
Basic	\$ 0.41	\$ 0.51
Diluted	\$ 0.40	\$ 0.49

22. Subsequent Events

On January 29, 2008, we completed the formation of M Square Associates, LLC, a consolidated joint venture in which we hold a 45% equity interest. This joint venture will own, develop and manage office properties, approved for up to approximately 750,000 square feet, located in M Square Research Park in College Park, Maryland. This joint venture had construction underway on a 118,107 square foot property within M Square Research Park.

On January 29, 2008, we had a 59,763 square foot property in Colorado Springs that was 100% pre-leased become fully operational.

On January 31, 2008, we completed the sale of the 429 Ridge Road property in our Northern/Central New Jersey region for \$17,000.

Corporate Office Properties Trust
Schedule III—Real Estate Depreciation and Amortization
December 31, 2007
(Dollars in thousands)

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
751, 753 760, 785 Jolly Road	Blue Bell, PA	Office	\$ —	\$ 25,374	\$ 91,290	\$ 5	\$ 116,669	\$ (22,553)	1966/1996	10/14/1997	40 Years
13200 Woodland Park Drive	Herndon, VA	Office	70,646	10,428	49,476	13,345	73,249	(15,614)	2002	6/2/2003	40 Years
7125 Columbia Gateway Drive	Columbia, MD	Office	37,172	20,487	46,994	1,083	68,564	(2,315)	1973/1999	6/29/2006	40 Years
1751 Pinnacle Drive	McLean, VA	Office	33,982	10,486	43,013	9,485	62,984	(5,540)	1989/1985	9/23/2004	40 Years
15000 Conference Center Drive	Chantilly, VA	Office	54,000	5,193	47,526	4,527	57,246	(10,398)	1989	11/30/2001	40 Years
11751 Meadowville Lane	Richmond, VA	Office	44,000	1,305	52,200	—	53,505	(751)	2007	9/15/2006	40 Years
1753 Pinnacle Drive	McLean, VA	Office	27,077	8,275	34,353	6,967	49,595	(3,641)	1976/2004	9/23/2004	40 Years
15010 Conference Center Drive	Chantilly, VA	Office	96,000	3,500	42,233	11	45,744	(1,233)	2006	11/30/2001	40 Years
2730 Hercules Road	MD	Office	21,946	8,737	31,612	28	40,377	(7,314)	1990	9/28/1998	40 Years
8611 Military Drive	San Antonio, TX	Office	—	14,020	24,043	7	38,070	(1,325)	1982/1985	3/30/2005	40 Years
2720 Technology Drive	Annapolis Junction, MD	Office	—	3,863	29,279	35	33,177	(2,437)	2004	1/31/2002	40 Years
322 Sentinel Drive	Annapolis Junction, MD	Office	—	2,605	27,839	—	30,444	(608)	2006	11/14/2003	40 Years
318 Sentinel Drive	Annapolis Junction, MD	Office	—	2,185	27,667	—	29,852	(1,308)	2005	11/14/2003	40 Years
302 Sentinel Drive	Annapolis Junction, MD	Office	22,506	2,648	26,892	5	29,545	(79)	2007	11/14/2003	40 Years
201 Technology Park Drive	Lebanon, VA	Office	—	727	27,909	—	28,636	(178)	2007	10/5/2007	40 Years
Clarks 100	Annapolis Junction, MD	Office	—	25,184	3,192	—	28,376	—	(2)	6/29/2003	N/A
140 National Business Parkway	Annapolis Junction, MD	Office	—	3,407	24,167	631	28,205	(2,327)	2003	12/31/2003	40 Years
304 Sentinel Drive	Annapolis Junction, MD	Office	37,280	3,411	24,066	17	27,494	(1,165)	2006	11/14/2003	40 Years
11800 Tech Road	Silver Spring, MD	Office	17,563	4,574	19,849	2,140	26,563	(4,171)	1969/1989	8/1/2002	40 Years
11311 McCormick Road	Hunt Valley, MD	Office	—	2,308	21,364	1,373	25,045	(1,421)	1984/1994	12/22/2005	40 Years
15049 Conference Center Drive	Chantilly, VA	Office	13,669	4,415	20,489	14	24,918	(3,715)	1997	8/14/2002	40 Years
7468 Candlewood Road	Hanover, MD	Office	—	5,599	19,142	—	24,741	—	1979/1982(2)	12/20/2005	N/A
6711 Columbia Gateway Drive	Columbia, MD	Office	19,500	2,683	22,016	25	24,724	(577)	2006	9/28/2000	40 Years
306 Sentinel Drive	Annapolis Junction, MD	Office	—	3,260	20,901	21	24,182	(730)	2006	11/14/2003	40 Years
2711 Technology Drive	Annapolis Junction, MD	Office	17,343	2,251	21,646	7	23,904	(4,059)	2002	11/13/2000	40 Years
2900 Towerview Road	Herndon, VA	Office	—	4,468	17,454	1,401	23,323	(752)	1982(2)	12/20/2005	40 Years
7740 Milestone Parkway	Hanover, MD	Office	—	3,825	18,228	—	22,053	—	(2)	7/2/2007	N/A
6731 Columbia Gateway Drive	Columbia, MD	Office	—	2,807	18,986	205	21,998	(3,061)	2002	3/29/2000	40 Years
400 Professional Drive	Gaithersburg, MD	Office	15,943	3,673	17,399	894	21,966	(3,665)	2000	3/5/2004	40 Years
320 Sentinel Drive	Annapolis Junction, MD	Office	18,083	2,068	19,877	—	21,945	(42)	2007	11/14/2003	40 Years
7200 Riverwood Drive	Columbia, MD	Office	15,499	4,089	16,356	1,063	21,508	(4,032)	1986	10/13/1998	40 Years
Interquest Land Parcel	Colorado Springs, CO	Office	—	19,400	2,051	—	21,451	—	(2)	9/30/2005	N/A
431 Ridge Road	Dayton, NJ	Office	—	2,782	11,128	7,323	21,233	(5,485)	1958/1998	10/14/1997	40 Years
9690 Deereco Road	Timonium, MD	Office	8,529	3,415	13,723	3,431	20,569	(4,543)	1988	12/21/1999	40 Years
14280 Park Meadow Drive	Chantilly, VA	Office	9,194	3,731	16,140	298	20,169	(1,930)	1999	9/29/2004	40 Years

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
15059 Conference Center Drive	Chantilly, VA	Office	23,078	5,753	13,816	584	20,153	(3,012)	2000	8/14/2002	40 Years
10150 York Road	Hunt Valley, MD	Office	—	2,700	11,731	5,358	19,789	(2,914)	1985	4/15/2004	40 Years
14900 Conference Center Drive	Chantilly, VA	Office	14,199	3,436	14,895	1,370	19,701	(2,811)	1999	7/25/2003	40 Years
15 West Gude Drive	Rockville, MD	Office	—	3,120	13,658	2,892	19,670	(1,307)	1986	4/7/2005	40 Years
2691 Technology Drive	Annapolis Junction, MD	Office	24,000	2,098	17,342	5	19,445	(966)	2005	11/14/2003	40 Years
2721 Technology Drive	Annapolis Junction, MD	Office	12,831	4,611	14,602	12	19,225	(2,842)	2000	10/21/1999	40 Years
870 - 880 Elkridge Landing Road	Linthicum, MD	Office	15,438	2,003	10,403	6,430	18,836	(4,998)	1981	8/3/2001	40 Years
6950 Columbia Gateway Drive	Columbia, MD	Office	9,717	3,596	14,269	936	18,801	(3,590)	1998	10/21/1998	40 Years
45 West Gude Drive	Rockville, MD	Office	—	3,102	15,267	36	18,405	(1,551)	1987	4/7/2005	40 Years
429 Ridge Road	Dayton, NJ	Office	—	2,932	11,729	3,274	17,935	(2,946)	1966/1996	10/14/1997	40 Years
2701 Technology Drive	Annapolis Junction, MD	Office	13,207	1,737	15,266	11	17,014	(3,052)	2001	5/26/2000	40 Years
132 National Business Parkway	Annapolis Junction, MD	Office	10,255	2,917	12,438	1,501	16,856	(3,861)	2000	5/28/1997	40 Years
13454 Sunrise Valley Drive	Herndon, VA	Office	11,422	2,899	12,202	1,019	16,120	(2,167)	1998	7/25/2003	40 Years
133 National Business Parkway	Annapolis Junction, MD	Office	6,935	2,517	10,234	3,367	16,118	(3,091)	1997	9/28/1998	40 Years
10001 Franklin Square Drive	White Marsh, MD	Office	—	4,033	11,483	550	16,066	(368)	1997	1/9/2007	40 Years
7000 Columbia Gateway Drive	Columbia, MD	Office	18,958	3,131	12,103	27	15,261	(1,651)	1999	5/31/2002	40 Years
110 Thomas Johnson Drive	Frederick, MD	Office	—	2,810	12,075	281	15,166	(683)	1987/1999	10/21/2005	40 Years
1306 Concourse Drive	Linthicum, MD	Office	9,151	2,796	11,186	1,117	15,099	(2,876)	1990	11/18/1999	40 Years
2500 Riva Rd	Annapolis, MD	Office	12,545	2,791	12,185	—	14,976	(1,664)	2000	3/4/2003	40 Years
1304 Concourse Drive	Linthicum, MD	Office	10,551	1,999	12,934	28	14,961	(2,276)	2002	11/18/1999	40 Years
6940 Columbia Gateway Drive	Columbia, MD	Office	16,752	3,545	9,916	1,377	14,838	(2,891)	1999	11/13/1998	40 Years
8621 Robert Fulton Drive	Columbia, MD	Office	18,235	2,317	12,336	57	14,710	(613)	2005	6/10/2005	40 Years
5725 Mark Dabbling Blvd	Colorado Springs, CO	Office	12,882	900	11,397	2,104	14,401	(955)	1984	5/18/2006	40 Years
Fort Ritchie	Washington County, MD	Mixed-Use	—	4,798	9,522	79	14,399	(16)	Various(2)(6)	10/5/2006	Various(6)
6750 Alexander Bell Drive	Columbia, MD	Office	8,136	1,263	12,460	597	14,320	(3,235)	2000	12/31/1998	40 Years
200 International Circle	Hunt Valley, MD	Office	—	2,016	10,851	1,317	14,184	(683)	1987	12/22/2005	40 Years
7067 Columbia Gateway Drive	Columbia, MD	Office	8,516	1,829	11,823	349	14,001	(1,854)	2001	8/30/2001	40 Years
375 West Padonia Road	Timonium, MD	Office	—	2,483	10,448	895	13,826	(2,456)	1986	12/21/1999	40 Years
135 National Business Parkway	Annapolis Junction, MD	Office	6,654	2,484	9,750	1,478	13,712	(3,013)	1998	12/30/1998	40 Years
5775 Mark Dabbling Blvd	Colorado Springs, CO	Office	12,477	1,035	12,440	188	13,663	(1,081)	1984	5/18/2006	40 Years
4851 Stonecroft Boulevard	Chantilly, VA	Office	15,887	1,878	11,593	4	13,475	(931)	2006	8/14/2002	40 Years
985 Space Center Drive	Colorado Springs, CO	Office	—	777	12,287	202	13,266	(859)	1989	9/28/2005	40 Years
141 National Business Parkway	Annapolis Junction, MD	Office	6,521	2,398	9,590	934	12,922	(2,527)	1990	9/28/1998	40 Years
Campbell Boulevard and Franklin Square	White Marsh, MD	Office	—	12,024	852	—	12,876	—	(2)	1/9/2007	N/A
22309 Exploration Drive	Lexington Park, MD	Office	1,154	2,243	10,419	121	12,783	(1,465)	1984	3/24/2004	40 Years

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
Gateway Exchange III	Columbia, MD	Office	—	1,753	10,779	—	12,532	—	(2)	9/28/2000	N/A
Patriot Park	Colorado Springs, CO	Office	—	6,882	5,583	—	12,465	—	(2)	7/8/2005	N/A
8110 Corporate Drive	White Marsh, MD	Office	—	2,285	10,117	—	12,402	(366)	2001	1/9/2007	40 Years
655 Space Center Drive	Colorado Springs, CO	Office	—	745	11,623	—	12,368	—	(2)	7/8/2005	N/A
920 Elkridge Landing Road	Linthicum, MD	Office	7,990	2,101	9,765	328	12,194	(2,717)	1982	7/2/2001	40 Years
226 Schilling Circle	Hunt Valley, MD	Office	—	1,877	9,891	232	12,000	(738)	1980	12/22/2005	40 Years
5755 Mark Dabbling Blvd	Colorado Springs, CO	Office	10,208	799	10,324	754	11,877	(654)	1989	5/18/2006	40 Years
8140 Corporate Drive	White Marsh, MD	Office	—	2,158	8,457	1,191	11,806	(387)	2003	1/9/2007	40 Years
134 National Business Parkway	Annapolis Junction, MD	Office	13,938	3,684	7,516	577	11,777	(2,092)	1999	11/13/1998	40 Years
1302 Concourse Drive	Linthicum, MD	Office	6,801	2,078	8,313	1,377	11,768	(2,487)	1996	11/18/1999	40 Years
900 Elkridge Landing Road	Linthicum, MD	Office	—	1,993	7,972	1,438	11,403	(2,691)	1982	4/30/1998	40 Years
Patriot Park Building 1	Colorado Springs, CO	Office	—	654	10,591	—	11,245	(320)	2006	7/8/2005	40 Years
6700 Alexander Bell Drive	Columbia, MD	Office	4,000	1,755	7,019	2,458	11,232	(2,350)	1988	5/14/2001	40 Years
131 National Business Parkway	Annapolis Junction, MD	Office	5,183	1,906	7,623	1,268	10,797	(2,549)	1990	9/28/1998	40 Years
Northgate Business Park	Aberdeen, MD	Office	—	10,409	320	—	10,729	—	(2)	9/14/2007	N/A
1055 North Newport Road	Colorado Springs, CO	Office	—	972	9,753	—	10,725	—	(2)	5/19/2006	N/A
7160 Riverwood Drive	Columbia, MD	Office	—	2,732	7,006	897	10,635	(420)	2000	1/10/2007	40 Years
1199 Winterson Road	Linthicum, MD	Office	18,578	1,599	6,395	2,553	10,547	(2,561)	1988	4/30/1998	40 Years
14850 Conference Center Drive	Chantilly, VA	Office	8,078	1,615	8,358	4	9,977	(1,718)	2000	7/25/2003	40 Years
1190 Winterson Road	Linthicum, MD	Office	11,291	1,335	5,340	3,264	9,939	(3,083)	1987	4/30/1998	40 Years
999 Corporate Boulevard	Linthicum, MD	Office	13,533	1,187	8,332	295	9,814	(1,855)	2000	8/1/1999	40 Years
14840 Conference Center Drive	Chantilly, VA	Office	8,204	1,572	8,175	15	9,762	(1,821)	2000	7/25/2003	40 Years
Waterview III	Herndon, VA	Office	—	9,614	78	—	9,692	—	(3)	4/29/2004	N/A
6740 Alexander Bell Drive	Columbia, MD	Office	4,221	1,424	5,696	2,515	9,635	(2,256)	1992	12/31/1998	40 Years
Nottingham Ridge	White Marsh, MD	Office	—	8,861	742	—	9,603	—	(2)	1/9/2007	N/A
8031 Corporate Drive	White Marsh, MD	Office	—	2,548	6,976	—	9,524	(245)	1988/2004	1/9/2007	40 Years
16480 Commerce Dr	Dahlgren, VA	Office	—	1,857	7,666	—	9,523	(799)	2004	12/28/2004	40 Years
9140 Route 108	Columbia, MD	Office	—	1,637	5,500	2,190	9,327	(1,232)	1974/1985	12/14/2000	40 Years
7467 Ridge Road	Hanover, MD	Office	6,120	1,629	6,517	1,069	9,215	(1,992)	1990	4/28/1999	40 Years
Columbia Gtwy T11 Lot 1	Columbia, MD	Office	—	6,387	2,719	—	9,106	—	(2)	9/20/2004	N/A
201 International Circle	Hunt Valley, MD	Office	—	1,552	6,086	1,348	8,986	(593)	1982	12/22/2005	40 Years
9965 Federal Drive	Colorado Springs, CO	Office	—	1,401	7,417	128	8,946	(66)	1983(2)	1/19/2006	40 Years
7240 Parkway Drive	Hanover, MD	Office	4,069	1,496	5,985	1,383	8,864	(1,890)	1985	4/18/2000	40 Years
849 International Drive	Linthicum, MD	Office	11,692	1,356	5,426	1,990	8,772	(2,242)	1988	2/23/1999	40 Years
13450 Sunrise Valley Drive	Herndon, VA	Office	5,679	1,386	5,576	1,777	8,739	(1,090)	1998	7/25/2003	40 Years
Parcels 27 and 37A-Westfields Corporate Center	Chantilly, VA	Office	—	7,141	1,261	—	8,402	—	(3)	1/27/2005	N/A

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
Lots 24R-27R & 31RR-32RR, National Business Parkway											
	Annapolis Junction, MD	Office	—	—	8,340	—	8,340	—	(2)	11/14/2003	N/A
1099 Winterson Road	Linthicum, MD	Office	12,012	1,323	5,293	1,649	8,265	(1,863)	1988	4/30/1998	40 Years
1362 Mellon Road	Hanover, MD	Office	—	1,706	6,497	—	8,203	—	(2)	2/10/2006	N/A
7015 Albert Einstein Drive											
	Columbia, MD	Office	3,605	2,058	6,093	—	8,151	(775)	1999	12/1/2005	40 Years
5520 Research Park Drive	Baltimore, MD	Office	—	102	7,947	—	8,049	—	(2)	4/4/2006	N/A
502 Washington Avenue	Towson, MD	Office	5,444	826	7,045	91	7,962	(421)	1984	1/9/2007	40 Years
6716 Alexander Bell Drive											
	Columbia, MD	Office	3,683	1,242	4,969	1,723	7,934	(2,183)	1990	12/31/1998	40 Years
9910 Franklin Square Drive											
	White Marsh, MD	Office	5,762	1,300	6,590	—	7,890	(242)	2005	1/9/2007	40 Years
46579 Expedition Drive	Lexington Park, MD	Office	3,997	1,406	5,943	540	7,889	(903)	2002	3/24/2004	40 Years
1670 North Newport Road	Colorado Springs, CO	Office	4,819	853	7,007	—	7,860	(565)	1986/1987	9/30/2005	40 Years
16539 & 16541 Commerce Drive											
	Dahlgren, VA	Office	—	1,462	6,132	261	7,855	(911)	2004	12/21/2004	40 Years
7210 Ambassador Road	Woodlawn, MD	Office	—	1,481	6,257	104	7,842	(483)	1972	12/22/2005	40 Years
7272 Park Circle Dr	Hanover, MD	Office	5,863	1,479	6,310	48	7,837	(235)	1991/1996	1/10/2007	40 Years
911 Elkridge Landing Road											
	Linthicum, MD	Office	—	1,215	4,861	1,605	7,681	(1,728)	1985	4/30/1998	40 Years
7152 Windsor Boulevard	Woodlawn, MD	Office	—	879	6,764	—	7,643	(352)	1985	12/22/2005	40 Years
22289 Exploration Drive	Lexington Park, MD	Office	3,884	1,422	5,719	408	7,549	(672)	2000	3/24/2004	40 Years
San Antonio land parcel—31 acres											
	San Antonio, TX	Office	—	7,430	85	—	7,515	—	(3)	1/20/2006	N/A
22299 Exploration Drive	Lexington Park, MD	Office	3,571	1,362	5,814	293	7,469	(878)	1998	3/24/2004	40 Years
109-111 Allegheny Avenue											
	Towson, MD	Office	—	1,688	5,620	51	7,359	(164)	1971	1/9/2007	40 Years
46591 Expedition Drive	Lexington Park, MD	Office	—	1,200	6,085	—	7,285	(189)	2002	3/24/2004	40 Years
891 Elkridge Landing Road											
	Linthicum, MD	Office	3,895	1,160	4,792	1,157	7,109	(1,262)	1984	7/2/2001	40 Years
44425 Pecan Court	California, MD	Office	—	1,309	5,458	164	6,931	(735)	1997	5/5/2004	40 Years
1201 Winterson Road	Linthicum, MD	Office	—	1,288	5,154	461	6,903	(1,265)	1985	4/30/1998	40 Years
8671 Robert Fulton Drive	Columbia, MD	Office	7,465	1,718	4,280	881	6,879	(810)	2003	12/30/2003	40 Years
901 Elkridge Landing Road											
	Linthicum, MD	Office	3,644	1,151	4,416	1,059	6,626	(1,159)	1984	7/2/2001	40 Years
7138 Columbia Gateway Drive											
	Columbia, MD	Office	5,406	1,104	3,518	1,968	6,590	(566)	1990	9/19/2005	40 Years
9950 Federal Drive	Colorado Springs, CO	Office	1,971	877	5,045	589	6,511	(480)	2001	12/22/2005	40 Years
9920 Franklin Square Drive											
	White Marsh, MD	Office	—	1,109	5,293	—	6,402	(170)	2006	1/9/2007	40 Years
7130 Columbia Gateway Drive											
	Columbia, MD	Office	6,519	1,350	4,412	448	6,210	(403)	1989	9/19/2005	40 Years
7150 Riverwood Drive											
	Columbia, MD	Office	—	1,821	4,388	—	6,209	(166)	2000	1/10/2007	40 Years
22300 Exploration Drive	Lexington Park, MD	Office	—	1,094	5,038	56	6,188	(582)	1989	11/9/2004	40 Years
4979 Mercantile Road	White Marsh, MD	Office	—	1,388	4,783	—	6,171	(163)	1985	1/9/2007	40 Years
939 Elkridge Landing Road											
	Linthicum, MD	Office	—	939	3,853	1,325	6,117	(1,550)	1983	4/30/1998	40 Years
300 Sentinel Drive	Annapolis Junction, MD	Office	—	1,480	4,599	—	6,079	—	(2)	11/14/2003	N/A
6708 Alexander Bell Drive											
	Columbia, MD	Office	6,320	897	3,588	1,579	6,064	(1,115)	1988	5/14/2001	40 Years

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
938 Elkridge Landing Road	Linthicum, MD	Office	4,436	1,204	4,727	126	6,057	(794)	1984	7/2/2001	40 Years
8114 Sandpiper Circle	White Marsh, MD	Office	—	1,634	4,287	120	6,041	(185)	1986	1/9/2007	40 Years
8020 Corporate Drive	White Marsh, MD	Office	—	2,184	3,818	—	6,002	(144)	1997	1/9/2007	40 Years
9020 Mendenhall Court	Columbia, MD	Office	—	1,233	4,571	178	5,982	(177)	1982/2005	1/9/2007	40 Years
940 Elkridge Landing Road	Linthicum, MD	Office	3,367	1,100	4,696	169	5,965	(461)	1984(3)	7/2/2001	40 Years
881 Elkridge Landing Road	Linthicum, MD	Office	11,812	1,034	4,137	742	5,913	(1,188)	1986	4/30/1998	40 Years
San Antonio Land Parcel	San Antonio, TX	Office	—	5,893	20	—	5,913	—	(3)	6/14/2005	N/A
7941-7949 Corporate Drive	White Marsh, MD	Office	—	2,087	3,782	—	5,869	(166)	1996	1/9/2007	40 Years
7065 Columbia Gateway Drive	Columbia, MD	Office	3,207	919	4,222	700	5,841	(1,329)	2000	8/30/2001	40 Years
8661 Robert Fulton Drive	Columbia, MD	Office	6,564	1,510	3,764	562	5,836	(638)	2003	12/30/2003	40 Years
4969 Mercantile Road	White Marsh, MD	Office	—	1,308	4,492	—	5,800	(148)	1983	1/9/2007	40 Years
7063 Columbia Gateway Drive	Columbia, MD	Office	3,131	902	4,145	728	5,775	(1,469)	2000	8/30/2001	40 Years
921 Elkridge Landing Road	Linthicum, MD	Office	—	1,044	4,176	532	5,752	(1,384)	1983	4/30/1998	40 Years
6760 Alexander Bell Drive	Columbia, MD	Office	2,639	890	3,561	1,284	5,735	(1,549)	1991	12/31/1998	40 Years
8094 Sandpiper Circle	White Marsh, MD	Office	—	1,960	3,742	—	5,702	(169)	1998	1/9/2007	40 Years
7142 Columbia Gateway Drive	Columbia, MD	Office	6,280	1,342	4,252	99	5,693	(502)	1994	9/19/2005	40 Years
930 International Drive	Linthicum, MD	Office	8,488	1,013	4,053	555	5,621	(1,194)	1986	4/30/1998	40 Years
6724 Alexander Bell Drive	Columbia, MD	Office	10,939	449	5,039	48	5,536	(944)	2002	5/14/2001	40 Years
7318 Parkway Drive	Hanover, MD	Office	3,651	972	3,888	656	5,516	(919)	1984	4/16/1999	40 Years
900 International Drive	Linthicum, MD	Office	8,008	981	3,922	608	5,511	(1,069)	1986	4/30/1998	40 Years
8098 Sandpiper Circle	White Marsh, MD	Office	—	1,797	3,698	—	5,495	(136)	1998	1/9/2007	40 Years
Parcel 3-A, Westfields International Corporate Center	Chantilly, VA	Office	—	3,609	1,801	—	5,410	—	(3)	7/31/2002	N/A
1340 Ashton Road	Hanover, MD	Office	3,399	905	3,620	815	5,340	(1,257)	1989	4/28/1999	40 Years
5522 Research Park Drive	Catonsville, MD	Office	—	—	5,323	—	5,323	(46)	(2)	3/8/2006	40 Years
4940 Campbell Boulevard	White Marsh, MD	Office	—	1,379	3,902	6	5,287	(178)	1990	1/9/2007	40 Years
9720 Patuxent Woods	Columbia, MD	Office	2,902	1,701	3,509	—	5,210	(171)	1986/2001	1/9/2007	40 Years
11011 McCormick Road	Hunt Valley, MD	Office	—	875	3,474	840	5,189	(291)	1974	12/22/2005	40 Years
7320 Parkway Drive	Hanover, MD	Office	5,650	905	3,635	579	5,119	(895)	1983	4/4/2002	40 Years
5325 Nottingham Ridge Road	White Marsh, MD	Office	—	816	4,246	54	5,116	(378)	2002	1/9/2007	40 Years
9930 Franklin Square Drive	White Marsh, MD	Office	—	1,137	3,921	—	5,058	(143)	2001	1/9/2007	40 Years
Gude Drive Land	Rockville, MD	Office	—	3,122	1,833	—	4,955	—	(2)	4/7/2005	N/A
8615 Ridgely's Choice Drive	White Marsh, MD	Office	—	1,078	3,613	217	4,908	(116)	2005	1/9/2007	40 Years

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
9740 Patuxent Woods	Columbia, MD	Office	2,691	1,629	3,201	—	4,830	(139)	1986/2001	1/9/2007	40 Years
800 International Drive	Linthicum, MD	Office	8,408	775	3,099	909	4,783	(1,005)	1988	4/30/1998	40 Years
8007 Corporate Drive	White Marsh, MD	Office	—	1,434	3,340	—	4,774	(174)	1995	1/9/2007	40 Years
9160 Guilford Road	Columbia, MD	Office	2,532	665	2,836	1,198	4,699	(900)	1984	4/4/2002	40 Years
7061 Columbia Gateway Drive	Columbia, MD	Office	2,528	729	3,347	559	4,635	(847)	2000	8/30/2001	40 Years
8010 Corporate Drive	White Marsh, MD	Office	—	1,349	3,278	—	4,627	(124)	1998	1/9/2007	40 Years
4230 Forbes Boulevard	Lanham, MD	Office	—	511	4,111	—	4,622	(859)	2003	(4)	40 Years
216 Schilling Center	Hunt Valley, MD	Office	—	825	3,752	10	4,587	(179)	1988/2001	1/10/2007	40 Years
7150 Columbia Gateway Drive	Columbia, MD	Office	4,850	1,032	3,429	122	4,583	(295)	1991	9/19/2005	40 Years
9960 Federal Drive	Colorado Springs, CO	Office	4,485	695	3,873	—	4,568	(225)	2001	12/22/2005	40 Years
COPT-FD Indian Head, LLC	Charles County, MD	Office	—	4,443	112	—	4,555	—	(3)	10/23/2006	N/A
9940 Franklin Ridge Drive	White Marsh, MD	Office	—	1,052	3,424	7	4,483	(127)	2000	1/9/2007	40 Years
9900 Franklin Ridge Drive	White Marsh, MD	Office	—	979	3,467	—	4,446	(129)	1999	1/9/2007	40 Years
7170 Riverwood Drive	Columbia, MD	Office	—	1,283	3,096	—	4,379	(110)	2000	1/10/2007	40 Years
102 West Pennsylvania Avenue	Towson, MD	Office	—	1,090	3,199	85	4,374	(165)	1968/2001	1/10/2007	40 Years
21 Governor's Court	Woodlawn, MD	Office	—	771	3,348	229	4,348	(287)	1981/1995	12/22/2005	40 Years
9140 Guilford Road	Columbia, MD	Office	2,933	794	3,261	272	4,327	(727)	1983	4/4/2002	40 Years
5355 Nottingham Ridge Road	White Marsh, MD	Office	—	761	3,562	—	4,323	(89)	2005	1/9/2007	40 Years
44408 Pecan Court	California, MD	Office	—	817	3,269	85	4,171	(311)	1986	3/24/2004	40 Years
5020 Campbell Blvd	White Marsh, MD	Office	—	1,014	3,136	—	4,150	(122)	1986-1988	1/9/2007	40 Years
9730 Patuxent Woods	Columbia, MD	Office	2,246	1,318	2,714	8	4,040	(145)	1986/2001	1/9/2007	40 Years
1915 Aerotech Drive	Colorado Springs, CO	Office	3,394	556	3,094	318	3,968	(253)	1985	6/8/2006	40 Years
9700 Patuxent Woods	Columbia, MD	Office	2,200	1,329	2,621	7	3,957	(119)	1986/2001	1/9/2007	40 Years
1334 Ashton Road	Hanover, MD	Office	2,766	736	2,946	270	3,952	(739)	1989	4/28/1999	40 Years
23535 Cottonwood Parkway	California, MD	Office	—	763	3,051	17	3,831	(287)	1984	3/24/2004	40 Years
47 Commerce Drive	Cranbury, NJ	Office	—	756	3,026	—	3,782	(694)	1992/1998	10/30/1998	40 Years
437 Ridge Road	Dayton, NJ	Office	—	717	2,866	175	3,758	(760)	1962/1996	10/14/1997	40 Years
8029 Corporate Drive	White Marsh, MD	Office	—	965	2,720	—	3,685	(105)	1988/2004	1/9/2007	40 Years
Gude Drive Land	Rockville, MD	Office	—	3,122	542	—	3,664	—	(3)	4/7/2005	N/A
1925 Aerotech Drive	Colorado Springs, CO	Office	3,717	556	3,067	3	3,626	(184)	1985	6/8/2006	40 Years
7939 Honeygo Boulevard	White Marsh, MD	Office	—	869	2,735	—	3,604	(159)	1984	1/10/2007	40 Years
312 Sentinel Drive	Annapolis Junction, MD	Office	—	3,160	432	—	3,592	—	(2)	11/14/2003	N/A
7253 Ambassador Road	Woodlawn, MD	Office	—	792	2,778	—	3,570	(218)	1988	12/22/2005	40 Years
Nottingham Road and Philadelphia Avenue	White Marsh, MD	Office	—	3,226	220	—	3,446	—	(2)	1/9/2007	N/A

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
114 National Business Parkway	Annapolis Junction, MD	Retail	—	364	3,060	3	3,427	(444)	2002	6/30/2000	40 Years
224 Schilling Circle	Hunt Valley, MD	Office	—	734	2,487	140	3,361	(182)	1978/1997	1/10/2007	40 Years
Interquest Hybrid 1	Colorado Springs, CO	Office	—	1,854	1,478	—	3,332	—	(2)	9/30/2005	N/A
5024 Campbell Blvd	White Marsh, MD	Office	—	767	2,470	94	3,331	(161)	1986-1988	1/9/2007	40 Years
8133 Perry Hall Boulevard	White Marsh, MD	Office	—	850	2,452	8	3,310	(130)	1988	1/10/2007	40 Years
222 Schilling Circle	Hunt Valley, MD	Office	—	754	2,476	10	3,240	(108)	1978/1997	1/10/2007	40 Years
16442 Commerce Drive	Dahlgren, VA	Office	2,452	613	2,582	—	3,195	(265)	2005	12/21/2004	40 Years
San Antonio Visitor Control	San Antonio, TX	Office	—	—	3,178	—	3,178	—	(2)	3/30/2005	N/A
316 Sentinel Drive	Annapolis Junction, MD	Office	—	2,769	387	—	3,156	—	(2)	11/14/2003	N/A
1331 Ashton Road	Hanover, MD	Office	2,204	587	2,347	106	3,040	(524)	1989	4/28/1999	40 Years
Corporate Place IV	White Marsh, MD	Office	—	2,017	913	—	2,930	—	(2)	1/9/2007	N/A
Interquest Epic One	Colorado Springs, CO	Office	—	1,840	1,041	—	2,881	—	(2)	9/30/2005	N/A
7125 Ambassador Road	Woodlawn, MD	Office	—	844	1,896	136	2,876	(245)	1985	12/22/2005	40 Years
5026 Campbell Blvd	White Marsh, MD	Office	—	700	2,139	—	2,839	(85)	1986-1988	1/9/2007	40 Years
310 Sentinel Drive	Annapolis Junction, MD	Office	—	2,393	381	—	2,774	—	(2)	11/14/2003	N/A
16501 Commerce Drive	Dahlgren, VA	Office	2,085	522	2,194	38	2,754	(285)	2006	12/21/2004	40 Years
7923 Honeygo Boulevard	White Marsh, MD	Office	—	715	1,932	62	2,709	(102)	1985	1/10/2007	40 Years
7175 Riverwood Drive	Columbia, MD	Office	—	1,788	913	—	2,701	(46)	1996(3)	7/27/2005	40 Years
980 Technology Court	Colorado Springs, CO	Office	—	526	2,046	124	2,696	(197)	1995	9/28/2005	40 Years
7134 Columbia Gateway Drive	Columbia, MD	Office	2,949	704	1,971	7	2,682	(185)	1990	9/19/2005	40 Years
308 Sentinel Drive	Annapolis Junction, MD	Office	—	1,387	1,219	—	2,606	—	(2)	11/14/2003	N/A
8019 Corporate Drive	White Marsh, MD	Office	1,717	684	1,898	(4)	2,578	(86)	1990	1/9/2007	40 Years
5022 Campbell Blvd	White Marsh, MD	Office	—	624	1,935	11	2,570	(82)	1986-1988	1/9/2007	40 Years
Clarks Hundred II	Annapolis Junction, MD	Office	—	2,409	132	—	2,541	—	(2)	3/14/2007	N/A
8013 Corporate Drive	White Marsh, MD	Office	1,615	642	1,788	107	2,537	(398)	1990	1/9/2007	40 Years
44417 Pecan Court	California, MD	Office	—	434	1,939	13	2,386	(341)	1989	3/24/2004	40 Years
10270 Old Columbia Road	Columbia, MD	Office	1,215	751	1,430	163	2,344	(85)	1988/2001	1/9/2007	40 Years
Interquest Hybrid 2	Colorado Springs, CO	Office	—	1,129	1,173	—	2,302	—	(2)	9/30/2005	N/A
8003 Corporate Drive	White Marsh, MD	Office	—	611	1,632	36	2,279	(72)	1999	1/9/2007	40 Years
16543 Commerce Drive	Dahlgren, VA	Office	1,739	436	1,830	—	2,266	(219)	2002	12/21/2004	40 Years
10280 Old Columbia Road	Columbia, MD	Office	1,226	756	1,445	59	2,260	(80)	1988/2001	1/9/2007	40 Years
1350 Dorsey Road	Hanover, MD	Office	1,477	393	1,573	291	2,257	(522)	1989	4/28/1999	40 Years
8023 Corporate Drive	White Marsh, MD	Office	1,499	651	1,603	—	2,254	(44)	1990	1/9/2007	40 Years
1460 Dorsey Road	Hanover, MD	Office	—	2,141	37	—	2,178	—	(3)	2/28/2006	N/A

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
Corporate Place III	White Marsh, MD	Office	—	2,017	138	—	2,155	—	(2)	1/9/2007	N/A
44414 Pecan Court	California, MD	Office	—	405	1,619	90	2,114	(185)	1986	3/24/2004	40 Years
11101 McCormick Road	Hunt Valley, MD	Office	—	991	1,080	8	2,079	(96)	1976	12/22/2005	40 Years
314 Sentinel Drive	Annapolis Junction, MD	Office	—	1,232	816	—	2,048	—	(2)	11/14/2003	N/A
1344 Ashton Road	Hanover, MD	Office	1,334	355	1,421	266	2,042	(495)	1989	4/28/1999	40 Years
9710 Patuxent Woods	Columbia, MD	Office	1,068	648	1,269	49	1,966	(53)	1986/2001	1/9/2007	40 Years
9150 Guilford Road	Columbia, MD	Office	1,210	319	1,354	235	1,908	(363)	1984	4/4/2002	40 Years
Riverwood II	Columbia, MD	Office	—	1,367	531	—	1,898	—	(2)	7/27/2005	N/A
1341 Ashton Road	Hanover, MD	Office	1,149	306	1,223	362	1,891	(377)	1989	4/28/1999	40 Years
44420 Pecan Court	California, MD	Office	—	344	1,374	86	1,804	(117)	1989	11/9/2004	40 Years
Thomas Johnson Drive Land	Frederick, MD	Office	—	1,092	667	—	1,759	—	(2)	10/21/2005	N/A
100 West Pennsylvania Avenue	Towson, MD	Office	—	698	975	30	1,703	(52)	1952/1989	1/9/2007	40 Years
324 Sentinel Drive	Annapolis Junction, MD	Office	—	1,650	28	—	1,678	—	(2)	6/29/2003	N/A
White Marsh Commerce Center II	White Marsh, MD	Office	—	1,613	10	—	1,623	—	(3)	1/9/2007	N/A
7104 Ambassador Road	Woodlawn, MD	Office	—	572	613	410	1,595	(102)	1988	12/22/2005	40 Years
8015 Corporate Drive	White Marsh, MD	Office	1,040	446	1,118	—	1,564	(46)	1990	1/9/2007	40 Years
15 Governor's Court	Woodlawn, MD	Office	—	383	1,168	—	1,551	(95)	1981	12/22/2005	40 Years
10290 Old Columbia Road	Columbia, MD	Office	772	490	895	33	1,418	(34)	1988/2001	1/9/2007	40 Years
525 Babcock Rd	Colorado Springs, CO	Office	—	355	974	—	1,329	(19)	1967	7/12/2007	40 Years
Patriot Park VII	Colorado Springs, CO	Office	—	644	667	—	1,311	—	(2)	7/8/2005	N/A
9130 Guilford Road	Columbia, MD	Office	871	230	975	101	1,306	(230)	1984	4/4/2002	40 Years
Aerotech 2	Colorado Springs, CO	Office	—	1,291	—	—	1,291	—	(3)	5/19/2006	N/A
Lot 401-White Marsh	White Marsh, MD	Office	—	1,182	7	—	1,189	—	(3)	1/9/2007	N/A
6741 Columbia Gateway Drive	Columbia, MD	Office	—	675	433	—	1,108	—	(2)	9/28/2000	N/A
Dahlgren Land Parcel	Dahlgren, VA	Office	—	910	160	—	1,070	—	(3)	3/16/2005	N/A
7129 Ambassador Road	Woodlawn, MD	Office	—	129	610	329	1,068	(74)	1985	12/22/2005	40 Years
0 Galley Road	Colorado Springs, CO	Office	—	1,060	—	—	1,060	—	(3)	4/21/2006	N/A
Philadelphia Road & Route 43	White Marsh, MD	Office	—	1,008	44	—	1,052	—	(3)	1/9/2007	N/A
1343 Ashton Road	Hanover, MD	Office	726	193	774	40	1,007	(169)	1989	4/28/1999	40 Years
16442A Commerce Drive	Dahlgren, VA	Office	—	317	630	—	947	—	(2)	12/21/2004	N/A
Babcock Development Land Parcel	Colorado Springs, CO	Office	—	826	—	—	826	—	(3)	7/1/2007	N/A

Property	Location	Building Type	Encumbrances(1)	Initial Cost		Costs Capitalized Subsequent to Acquisition	Gross Amounts Carried at Close of Period(7)	Accumulated Depreciation	Year Built or Renovated	Date Acquired	Depreciation Life
				Land	Building and Land Improvements						
Expedition VII	Lexington Park, MD	Office	—	705	102	—	807	—	(3)	3/24/2004	N/A
17 Governor's Court	Woodlawn, MD	Office	—	170	530	102	802	(29)	1981	12/22/2005	40 Years
7127 Ambassador Road	Woodlawn, MD	Office	—	142	455	203	800	(29)	1985	12/22/2005	40 Years
Park Center	Chantilly, VA	Office	—	—	789	—	789	—	(3)	7/18/2002	N/A
7131 Ambassador Road	Woodlawn, MD	Office	—	105	368	282	755	(27)	1985	12/22/2005	40 Years
Airport Square XXII	Linthicum, MD	Office	—	630	8	—	638	—	(3)	12/19/2001	N/A
South Brunswick, LP	Dayton, NJ	Office	—	—	591	—	591	—	(3)	10/14/1997	N/A
7106 Ambassador Road	Woodlawn, MD	Office	—	229	306	—	535	(26)	1988	12/22/2005	40 Years
Arundel Preserve-Parcel 9	Hanover, MD	Office	—	—	533	—	533	—	(2)	(5)	N/A
COPT Princeton South	Dayton, NJ	Office	—	512	—	—	512	—	(3)	9/29/2004	N/A
37 Allegheny Avenue	Towson, MD	Office	—	504	—	—	504	—	(3)	1/9/2007	N/A
7102 Ambassador Road	Woodlawn, MD	Office	—	277	203	—	480	(10)	1988	12/22/2005	40 Years
9965 Federal Land Parcel	Colorado Springs, CO	Office	—	466	—	—	466	—	(3)	1/19/2006	N/A
7865 Brock Bridge Rd	Annapolis Junction, MD	Office	—	441	24	—	465	—	(2)	4/2/2007	N/A
7108 Ambassador Road	Woodlawn, MD	Office	—	171	252	3	426	(13)	1988	12/22/2005	40 Years
COPT Pennlyn LLC	Blue Bell, PA	Office	—	401	—	—	401	—	(3)	7/14/2004	N/A
Arundel Preserve-Parcel 7	Hanover, MD	Office	—	—	393	—	393	—	(2)	(5)	N/A
7873 Brock Bridge Rd	Annapolis Junction, MD	Office	—	309	35	—	344	—	(2)	3/30/2007	N/A
Arundel Presserve-Parcel 8	Hanover, MD	Office	—	—	264	—	264	—	(2)	(5)	N/A
7800 Milestone Parkway	Hanover, MD	Office	—	—	177	—	177	—	(2)	(5)	N/A
1338 Ashton Road	Hanover, MD	Retail	38	50	—	40	90	(12)	1989	4/28/1999	40 Years
Other Developments, including intercompany eliminations	Various	Various	—	9	(395)	242	(144)	49	Various	Various	Various
			\$	1,262,487	\$ 631,407	\$ 2,103,893	\$ 156,559	\$ 2,891,859	\$ (288,387)		

- (1) Excludes our unsecured Revolving Credit Facility of \$361,000, unsecured notes payable of \$1,702, and net premiums on the remaining loans of \$653.
- (2) Under construction, development or redevelopment at December 31, 2007.
- (3) Held for future development or redevelopment at December 31, 2007.
- (4) This joint venture was consolidated effective March 31, 2004 as required under FIN 46(R). See Note 2 to our Consolidated Financial Statements for a discussion of FIN 46(R).
- (5) Development in progress in anticipation of acquisition.
- (6) Includes residential housing units and a commercial building with depreciable lives of 40 years, as well as commercial assets under development.
- (7) The aggregate cost of these assets for Federal income tax purposes is approximately \$2.4 billion at December 31, 2007.

The following table summarizes our changes in cost of properties for the periods ended December 31, 2007, 2006 and 2005 (in thousands):

	2007	2006	2005
Beginning balance	\$ 2,330,884	\$ 2,061,590	\$ 1,685,016
Property acquisitions	354,972	166,416	341,911
Building and land improvements	226,618	173,746	139,424
Sales	(21,079)	(70,868)	(28,109)
Contribution of assets to unconsolidated joint venture	—	—	(76,183)
Reclassification of building out of (into) development	464	—	(464)
Other	—	—	(5)
Ending balance	\$ 2,891,859	\$ 2,330,884	\$ 2,061,590

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

	2007	2006	2005
Beginning balance	\$ 219,574	\$ 174,935	\$ 141,716
Depreciation expense	70,537	55,382	48,421
Sales	(2,162)	(10,743)	(3,508)
Contribution of assets to unconsolidated joint venture	—	—	(11,146)
Reclassification of building out of (into) development	464	—	(464)
Other	(26)	—	(84)
Ending balance	\$ 288,387	\$ 219,574	\$ 174,935

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FOURTH AMENDMENT TO EMPLOYMENT AGREEMENT

This Fourth Amendment to Employment Agreement ("Amendment"), is made and entered into as of the 2nd day of March, 2007, by and between CORPORATE OFFICE PROPERTIES, L. P. (the "Employer"), CORPORATE OFFICE PROPERTIES TRUST ("COPT") and ROGER A. WAESCHE, JR. (the "Executive").

RECITALS

A. Executive and Employer executed an Employment Agreement dated September 12, 2002, as amended by that certain Amendment to Employment Agreement dated March 4, 2005, that certain Second Amendment to Employment Agreement dated May 30, 2006 and that certain Third Amendment to Employment Agreement dated July 31, 2006, providing for the employment of the Executive by the Employer upon the terms and conditions therein stated.

B. Employer has requested and Executive has agreed to relinquish his rights to certain provisions of the Agreement, and the parties desire to enter into this Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of Executive's continued employment under the Employment Agreement, and pursuant to paragraph 11(b) of the Employment Agreement, it is covenanted and agreed by and between the parties hereto as follows:

- 1. DELETION OF SECTION 4(b). Section 4(b) of Employment Agreement is deleted in its entirety.
- 2. NO OTHER AMENDMENTS. Except to the extent set forth above, this Amendment does not affect or otherwise supersede any other provisions of the Employment Agreement or otherwise limit its enforceability in any way.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

"Employer"
CORPORATE OFFICE PROPERTIES, L. P.
a Delaware limited partnership
By: Corporate Office Properties Trust,
General Partner

"Executive"

By: /s/ RANDALL M. GRIFFIN
Randall M. Griffin,
President and CEO

/s/ ROGER A. WAESCHE, JR.
Roger A. Waesche, Jr.

CORPORATE OFFICE PROPERTIES TRUST
a Maryland real estate investment trust

By: /s/ RANDALL M. GRIFFIN
Randall M. Griffin,
President and CEO



SECOND AMENDMENT TO EMPLOYMENT AGREEMENT

This Second Amendment to Employment Agreement ("Amendment"), is made and entered into as of the 2nd day of March, 2007, by and between CORPORATE DEVELOPMENT SERVICES, LLC (the "Employer"), CORPORATE OFFICE PROPERTIES TRUST ("COPT") and DWIGHT S. TAYLOR (the "Executive").

RECITALS

A. The Executive and the Employer executed an Employment Agreement dated May 13, 2003, as amended by the certain Amendment to Employment Agreement dated March 4, 2005 (the "Employment Agreement") providing for the employment of the Executive by the Employer upon the terms and conditions therein stated.

B. Employer has requested and Executive has agreed to extend the term of the Employment Agreement, relinquish his rights to certain provisions of the Agreement, and the parties desire to enter into this Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of Executive's continued employment under the Employment Agreement, and pursuant to paragraph 11(b) of the Employment Agreement, it is covenanted and agreed by and between the parties hereto as follows:

- 1. EXTENSION OF TERM. Section 4(a) of the Employment Agreement is deleted and the following is inserted in lieu thereof:
 - (a) BASIC TERM. The Executive's employment hereunder shall be for a six (6) year, nine (9) month term (the "Basic Term"), commencing as of July 1, 2002, and expiring on March 31, 2009. Subject to the foregoing and other applicable terms of this Agreement, the Executive's employment may be terminated by either party, with or without cause, effective as of the first (1st) business day after written notice to that effect is delivered to the other party.
- 2. DELETION OF SECTION 4(b). Section 4(b) of Employment Agreement is deleted in its entirety.
- 3. NO OTHER AMENDMENTS. Except to the extent set forth above, this Amendment does not affect or otherwise supersede any other provisions of the Employment Agreement or otherwise limit its enforceability in any way.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written above.

"Employer"
CORPORATE DEVELOPMENT SERVICES, LLC,
a Maryland limited liability company

"Executive"

By: /s/ RANDALL M. GRIFFIN
Randall M. Griffin,
CEO

/s/ DWIGHT S. TAYLOR
Dwight S. Taylor

CORPORATE OFFICE PROPERTIES TRUST
a Maryland real estate investment trust

By: /s/ RANDALL M. GRIFFIN
Randall M. Griffin,
President and COO

SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of October 1, 2007

by and among

CORPORATE OFFICE PROPERTIES, L.P.,
as BorrowerCORPORATE OFFICE PROPERTIES TRUST,
as Parent,

KEYBANC CAPITAL MARKETS

and

WACHOVIA CAPITAL MARKETS, LLC
as Co-Lead Arrangers,KEYBANK NATIONAL ASSOCIATION,
as Administrative Agent,WACHOVIA BANK, NATIONAL ASSOCIATION,
as Syndication Agent,Each of
BANK OF AMERICA, N.A.,
MANUFACTURERS AND TRADERS TRUST COMPANY,

and

CITIZENS BANK OF PENNSYLVANIA,
as a Documentation Agent,

and

THE FINANCIAL INSTITUTIONS INITIALLY SIGNATORY HERETO
AND THEIR ASSIGNEES PURSUANT TO SECTION 12.5.,
as Lenders

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THIS SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Agreement") dated as of October 1, 2007 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., each of KEYBANC CAPITAL MARKETS and WACHOVIA CAPITAL MARKETS, LLC, as a Co-Lead Arranger (each a "Co-Lead Arranger"), KEYBANK NATIONAL ASSOCIATION, as Agent, WACHOVIA BANK, NATIONAL ASSOCIATION, as Syndication Agent (the "Syndication Agent"), and each of BANK OF AMERICA, N.A., MANUFACTURERS AND TRADERS TRUST COMPANY, and CITIZENS BANK OF PENNSYLVANIA, as a Documentation Agent (each a "Documentation Agent").

WHEREAS, certain of the Lenders and other financial institutions have made available to the Borrower a \$500,000,000 revolving credit facility on the terms and conditions contained in that certain Amended and Restated Credit Agreement dated as of June 24, 2005 (as amended and in effect immediately prior to the date hereof, the "Existing Credit Agreement") by and among the Borrower, such Lenders, certain other financial institutions, Wachovia Bank, National Association, as Agent and the other parties thereto; and

WHEREAS, the Agent and the Lenders desire to amend and restate the terms of the Existing Credit Agreement to make available to the Borrower a revolving credit facility in the initial amount of \$600,000,000, which will include a \$50,000,000 letter of credit subfacility and a \$50,000,000 swingline subfacility, all 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 that the Existing Credit Agreement is hereby amended and restated in its entirety 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.

“**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

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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 Questionnaire**” means an Administrative Questionnaire in a form supplied by the Agent to the Lenders from time to time.

“**Affiliate**” means any Person (other than the Agent or any Lender): (a) directly or indirectly controlling, controlled by, or under common control with, the Parent; (b) directly or indirectly owning or holding five percent (5.0%) or more of any Equity Interest in the Parent; or (c) five percent (5.0%) or more of whose voting stock or other Equity Interest is directly or indirectly owned or held by the Parent. For purposes of this definition, “control” (including with correlative meanings, the terms “controlling”, “controlled by” and “under common control with”) means the possession directly or indirectly of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or by contract or otherwise. The Affiliates of a Person shall include any officer or director of such Person. In no event shall the Agent or any Lender be deemed to be an Affiliate of the Borrower or the Parent.

“**Agent**” means KeyBank National Association, as contractual representative for the Lenders under the terms of this Agreement, and any of its successors.

“**Agreement Date**” means the date as of which this Agreement is dated.

“**Applicable Law**” means all applicable provisions of constitutions, statutes, rules, regulations and orders of all governmental bodies and all orders and decrees of all courts, tribunals and arbitrators.

“**Applicable Margin**” means:

(a) at any time prior to the Investment Grade Rating Date, the percentage set forth below corresponding to the ratio of Total Indebtedness to Total Asset Value as determined in accordance with Section 9.1 in effect at such time:

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Level	Total Indebtedness to Total Asset Value	Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans
1	Less than 0.40 to 1.00	0.75 %	0.00 %
2	Greater than or equal to 0.40 to 1.00 and less than 0.45 to 1.00	0.80 %	0.00 %
3	Greater than or equal to 0.45 to 1.00 and less than 0.50 to 1.00	0.85 %	0.00 %
4	Greater than or equal to 0.50 to 1.00 and less than 0.55 to 1.00	0.95 %	0.00 %
5	Greater than or equal to 0.55 to 1.00 and less than 0.60%	1.10 %	0.00 %
6	Greater than or equal to 0.60 to 1.00 and less than 0.65%	1.25 %	0.10 %

The Applicable Margin shall be determined by the Agent from time to time, based on the ratio of Total Indebtedness to Total Asset Value as set forth in the Compliance Certificate most recently delivered by the Borrower pursuant to Section 8.3. Any adjustment to the Applicable Margin shall be effective (a) in the case of a Compliance Certificate delivered in connection with quarterly financial statements of the Parent delivered pursuant to Section 8.1., as of the date 55 days following the end of the last day of the applicable fiscal quarter covered by such Compliance Certificate, (b) in the case of a Compliance Certificate delivered in connection with annual financial statements of the Parent delivered pursuant to Section 8.2., as of the date 100 days following the end of the last day of the applicable fiscal year covered by such Compliance Certificate, and (c) in the case of any other Compliance Certificate, as of the date 5 Business Days following the Agent’s request for such Compliance Certificate. If the Borrower fails to deliver a Compliance Certificate pursuant to Section 8.3., the Applicable Margin shall equal the percentages corresponding to Level 6 until the date of the delivery of the required Compliance Certificate. Notwithstanding the foregoing, for the period from the Effective Date through but excluding the date on which the Agent first determines the Applicable Margin as set forth above, the Applicable Margin shall equal the percentages corresponding to Level 3. The provisions of this definition are subject to Section 2.4.(c); and

(b) on and at all times after the Investment Grade Rating Date, the percentage per annum determined, at any time, based on the range into which the Parent’s Credit Rating then falls, in accordance with the levels in the table set forth below (each a “Level”). Any change in the Parent’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 Parent has received a Credit Rating from only one Rating Agency, then the Applicable Margin shall be determined based on such Credit Rating. During any period that the Parent has received only two Credit Ratings and such ratings are not equivalent, the Applicable Margin shall be determined by the higher of such two Credit Ratings. During any period after the Investment Grade Rating Date for which the Parent does not have a Credit Rating from either Credit Agency, or during any other period after the Investment Grade Rating Date not otherwise covered in this clause (b), the Applicable Margin shall be determined based on Level 5.

Level	Parent's Credit Rating (S&P/Moody's or equivalent)	Applicable Margin for LIBOR Loans	Applicable Margin for Base Rate Loans
1	A-or A3	0.35 %	0.0 %
2	BBB+/Baa1	0.40 %	0.0 %
3	BBB/Baa2	0.50 %	0.0 %
4	BBB-/Baa3	0.675 %	0.0 %
5	Lower than BBB-/Baa3	1.00 %	0.10 %

“**Assignment and Acceptance Agreement**” means an Assignment and Acceptance Agreement among a Lender, an Eligible Assignee and the Agent, substantially in the form of Exhibit A.

“**Base Rate**” means the per annum rate of interest equal to the greater of (a) the Prime Rate or (b) the Federal Funds Rate plus one-half of one percent (0.5%). Any change in the Base Rate resulting from a change in the Prime Rate or the Federal Funds Rate shall become effective as of 12:01 a.m. on the Business Day on which each such change occurs. The Base Rate is a reference rate used by the Lender acting as the Agent in determining interest rates on certain loans and is not intended to be the lowest rate of interest charged by the Lender acting as the Agent or any other Lender on any extension of credit to any debtor.

“**Base Rate Loan**” means a Revolving Loan bearing interest at a rate based on the Base Rate.

“**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 (a) any day other than a Saturday, Sunday or other day on which banks in Cleveland, Ohio are authorized or required to close and (b) with reference to a LIBOR Loan, any such day that is also a day on which dealings in Dollar deposits are carried out in the London interbank market.

“**Capital Reserves**” means, for any period an amount 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 7.00%.

“**Capitalized Lease Obligation**” means an obligation under a lease that is 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 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.

“**Co-Lead Arranger**” means each of KeyBanc Capital Markets and Wachovia Capital Markets, LLC, together with its successors and permitted assigns.

“**Collateral Account**” means a special deposit account or securities account maintained by, or on behalf of, the Agent and under its sole dominion and control.

“**Commitment**” means, as to each Lender (other than the Swingline Lender), such Lender’s obligation (a) to make Revolving Loans pursuant to Section 2.1., (b) to issue (in the case of the Agent) or participate in (in the case of the Lenders) Letters of Credit pursuant to Section 2.3.(a) and 2.3.(i), respectively (but in the case of the Lender acting as the Agent excluding the aggregate amount of participations in the Letters of Credit held by other Lenders) and (c) to participate in Swingline Loans pursuant to Section 2.2.(e), in each case, in an amount up to, but not exceeding, the amount set forth for such Lender on Schedule I as such Lender’s “Commitment Amount” or as set forth in the applicable Assignment and Acceptance Agreement, as the same may be reduced from time to time pursuant to Section 2.11. or as may be increased from time to time pursuant to Section 2.15 or as appropriate to reflect any assignments to or by such Lender effected in accordance with Section 12.5.

“**Commitment Percentage**” means, as to each Lender, the ratio, expressed as a percentage, of (a) the amount of such Lender’s Commitment to (b) the aggregate amount of the Commitments of all Lenders; provided, however, that if at the time of determination the Commitments have terminated or been reduced to zero, the “Commitment Percentage” of each

Lender shall be the Commitment Percentage of such Lender in effect immediately prior to such termination or reduction.

“**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 2.8.

“**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 or Unconsolidated Affiliate that owns or leases such Property.

“**Convert**”, “**Conversion**” and “**Converted**” each refers to the conversion of a Revolving Loan of one Type into a Loan of another Type pursuant to Section 2.9.

“**Credit Event**” means any of the following: (a) the making (or deemed making) of any Loan, (b) the Conversion of a Loan and (c) the issuance of a Letter of Credit.

“**Credit Rating**” means the rating assigned by a Rating Agency to the senior unsecured long term Indebtedness of a Person.

“**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**” has the meaning set forth in Section 3.11.

“**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),

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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 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 (a) on the one year anniversary date of project completion or (b) on the first day of the first full fiscal quarter after the project achieves an Occupancy Rate of 85%.

“**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; (iii) income tax expense; (iv) extraordinary or non-recurring gains and losses; 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 into income pursuant to Statement of Financial Accounting Standards number 141. Notwithstanding the foregoing, gains and losses from land sales associated with Development Properties shall be included in EBITDA.

“**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 in writing by the Requisite Lenders.

“**Eligible Assignee**” means any Person who is, at the time of determination: (i) a Lender or an affiliate of a Lender; (ii) a commercial bank, trust, trust company, insurance company, investment bank or pension fund organized under the laws of the United States of America, or any state thereof, and having total assets in excess of \$5,000,000,000; (iii) a savings and loan association or savings bank organized under the laws of the United States of America, or any

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state thereof, and having a tangible net worth of at least \$500,000,000; or (iv) 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, and having total assets in excess of \$10,000,000,000, provided that such bank is acting through a branch or agency located in the United States of America. If such Person is not currently a Lender or an affiliate of a Lender, such Person’s (or its parent’s) senior unsecured long term indebtedness must be rated 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 reasonably acceptable to the Agent.

“**Eligible Ground Lease**” means a ground lease containing the following terms and conditions: (a) a remaining term (exclusive of any unexercised extension options) 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 or an Unconsolidated Affiliate, none of the Borrower's or the Parent's direct or indirect ownership interest in such Subsidiary or Unconsolidated Affiliate 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 the Parent, the Borrower, a Subsidiary or an Unconsolidated Affiliate 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

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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.

“**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 Group**” means the Parent, the Borrower, 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 Borrower or any Subsidiary, are treated as a single employer under Section 414 of the Internal Revenue Code.

“**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.

“**Excluded Subsidiary**” means any Subsidiary which holds title to assets which are or are to become collateral for any Secured Indebtedness of such Subsidiary.

“**Existing Credit Agreement**” has the meaning given that term in the first WHEREAS clause of this Agreement.

“**Facility Fee**” means the per annum percentage set forth in the table below corresponding to the Level at which the “Applicable Margin” is determined in accordance with the definition thereof on and at all times after the Investment Rating Date:

Level	Borrower's Credit Rating (S&P/Moody's)	Facility Fee
1	A-/A3	0.10 %
2	BBB+/Baa1	0.15 %
3	BBB/Baa2	0.15 %
4	BBB-/Baa3	0.20 %
5	Lower than BBB-/Baa3	0.25 %

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“**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.

“**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 arranged by Federal funds brokers on such day, 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 Agent by federal funds dealers selected by the Agent on such day on such transaction as determined by the 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.

“**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.

“**Funds From Operations**” means, for a given period, income of the Parent and its Subsidiaries available for common shareholders before depreciation and amortization of real estate assets and before extraordinary items less 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 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 or in such other statements by such other entity as may be approved by a significant segment of the accounting profession, 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,

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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 and each Material Subsidiary.

“**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 (including 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 Amended and Restated Guaranty to which the Guarantors are parties substantially in the form of Exhibit J.

“**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

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such Person; (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, 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 recourse 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 and Letter of Credit Liabilities shall constitute Indebtedness of the Borrower.

“**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, the Parent’s total interest expense for such period determined in accordance with GAAP on a consolidated basis plus the Parent’s pro rata share of Interest Expense from Unconsolidated Affiliates of the Parent, without duplication for the most recent period. Interest Expense shall exclude capitalized interest related to Indebtedness incurred to finance Development Properties.

“**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, 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 Termination Date, such Interest Period shall end on the Termination

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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 either Rating Agency.

“**Investment Grade Rating Date**” means the date on which the Parent first obtains an Investment Grade Rating.

“**KeyBank**” means KeyBank National Association, together with its successors and assigns.

“**L/C Commitment Amount**” equals \$50,000,000.

“**Lender**” means each financial institution from time to time party hereto as a “Lender”, together with its respective successors and permitted assigns, and as the context requires, includes the Swingline Lender.

“**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 Agent in writing from time to time.

“**Letter of Credit**” has the meaning given that term in Section 2.3.(a).

“**Letter of Credit Documents**” means, with respect to any Letter of Credit, collectively, any application therefor, any certificate or other document presented in connection with a drawing under such Letter of Credit and any other agreement, instrument or other document

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governing or providing for (a) the rights and obligations of the parties concerned or at risk with respect to such Letter of Credit or (b) any collateral security for any of such obligations.

“**Letter of Credit Liabilities**” means, without duplication, at any time and in respect of any Letter of Credit, the sum of (a) the Stated Amount of such Letter of Credit plus (b) the aggregate unpaid principal amount of all Reimbursement Obligations of the Borrower at such time due and payable in respect of all drawings made under such Letter of Credit. For purposes of this Agreement, a Lender (other than the Lender acting as the Agent) shall be deemed to hold a Letter of Credit Liability in an amount equal to its participation interest in the related Letter of Credit under Section 2.3.(i), and the Lender acting as the Agent shall be deemed to hold a Letter of Credit Liability in an amount equal to its retained interest in the related Letter of Credit after giving effect to the acquisition by the Lenders other than the Lender acting as the Agent of their participation interests under such Section.

“**Level**” has the meaning given that term in the definition of the term “Applicable Margin.”

“**LIBOR**” means, for any LIBOR Loan for any Interest Period therefor, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBOR01 Page (or any successor page) as the London interbank offered rate for deposits in Dollars 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 none of the foregoing rates is available to the Agent, LIBOR shall be, for any Interest Period, the rate determined by the Agent to be the rate at which KeyBank 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.

“**LIBOR Loan**” means a Revolving 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

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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 Revolving Loan or a Swingline Loan.

“**Loan Document**” means this Agreement, each Note, each Letter of Credit Document, 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 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.(A) sets forth the Loan Parties in addition to the Borrower as of the Agreement Date.

“**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 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 owning or leasing Properties which contribute more than \$75,000,000 to Unencumbered Asset Value.

“**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

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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 received 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 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 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 into income pursuant to Statement of Financial Accounting Standards number 141. For purposes of determining Unencumbered Asset Value and Total Asset Value, as applicable, with respect to any Property, if the Borrower enters into a definitive lease with a lessee with respect such Property for which such lessee has not yet occupied such Property and has not yet made any rent payments to the Borrower, for the period not to exceed six (6) months from the date of entering into such lease, “Net Operating Income” shall be deemed to include the stated base rent scheduled to be paid by such lessee minus operating expenses projected to be incurred by the Borrower during such period with respect to such Property (“Imputed Rent”), as reasonably determined by the Borrower in good faith; provided, however, the Imputed Rent shall only be calculated with respect to not more than four (4) Properties at any one time.

“**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.

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“**Non-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 less than 80% of the Equity Interests of the Subsidiary or Unconsolidated Affiliate that owns or leases such Property.

“**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, involuntary bankruptcy and other similar exceptions to recourse liability.

“**Note**” means a Revolving Note or a Swingline Note.

“**Notice of Borrowing**” means a notice in the form of Exhibit B to be delivered to the Agent pursuant to Section 2.1.(b) evidencing the Borrower’s request for a borrowing of Revolving Loans.

“**Notice of Continuation**” means a notice in the form of Exhibit C to be delivered to the Agent pursuant to Section 2.8. 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 Agent pursuant to Section 2.9. evidencing the Borrower’s request for the Conversion of a Loan from one Type to another Type.

“**Notice of Swingline Borrowing**” means a notice in the form of Exhibit E to be delivered to the Agent pursuant to Section 2.2. evidencing the Borrower’s request for a Swingline Loan.

“**Obligations**” means, individually and collectively: (a) the aggregate principal balance of, and all accrued and unpaid interest on, all Loans; (b) all Reimbursement Obligations and all other Letter of Credit Liabilities; and (c) all other indebtedness, liabilities, obligations, covenants and duties of the Borrower and the other Loan Parties owing to the 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.

"**OFAC Review Process**" means that certain review process established by Agent to determine if any potential transferee of any interests in, or any assignee of any portion of, a Commitment or Loan assigned by a Lender is a party with whom the Agent and any Lender are restricted from doing business under (i) the regulations of OFAC, including any Sanctioned Person, or (ii) any other statute, executive order or other governmental action or list (including the September 24, 2001 Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism).

"**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).

"**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.(i).

"**Patriot Act Customer Identification Process**" means that certain customer identification and review process established by the Agent pursuant to the requirements of 31 U.S.C. §5318(1) and 31 C.F.R. §103.121 to verify the identity of all permitted transferees of interests in the Borrower and any assignees of a portion of a Commitment or Loan assigned by a Lender.

"**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 Agent for 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 Agent; and (g) Liens in existence as of the Agreement 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, in respect of any principal of any Loan or any other Obligation that is not paid when due (whether at stated maturity, by acceleration, by optional or mandatory prepayment or otherwise), a rate per annum equal to the Base Rate as in effect from time to time plus the Applicable Margin for Base Rate Loans plus two percent (2%).

"**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 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 Agent or any other Lender.

"**Principal Office**" means the office of the Agent located at 127 Public Square, Cleveland, Ohio 44114, or such other office of the Agent as the 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.

“**Rating Agency**” means S&P or Moody’s.

“**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.

“**Reimbursement Obligation**” means the absolute, unconditional and irrevocable obligation of the Borrower to reimburse the Agent for any drawing honored by the Agent under a Letter of Credit.

“**REIT**” means a Person qualifying for treatment as a “real estate investment trust” under the Internal Revenue Code.

“**Requisite Lenders**” means, as of any date, Lenders having at least 66-2/3% of the aggregate amount of the Commitments (not held by Defaulting Lenders who are not entitled to vote), or, if the Commitments have been terminated or reduced to zero, Lenders holding at least 66-2/3% of the principal amount of the aggregate outstanding Loans and Letter of Credit Liabilities (not held by Defaulting Lenders who are not entitled to vote). Commitments, Revolving Loans and Letter of Credit Liabilities held by Defaulting Lenders shall be disregarded when determining the Requisite Lenders.

“**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;

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(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.

“**Revolving Loan**” means a loan made by a Lender to the Borrower pursuant to Section 2.1.(a).

“**Revolving Note**” has the meaning given that term in Section 2.10.(a).

“**Sanctioned Entity**” means (a) an agency of the government of, (b) an organization directly or indirectly controlled by, or (c) a Person resident in, in each case, a country that is subject to a sanctions program identified on the list maintained by the OFAC and published from time to time, as such program may be applicable to such agency, organization or Person.

“**Sanctioned Person**” means a Person named on the list of Specially Designated Nationals or Blocked Persons maintained by the OFAC as published from time to time.

“**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.

“**S&P**” means Standard & Poor’s Rating Services, a division of The McGraw-Hill Companies, Inc., and its successors.

“**Stabilized Property**” means, any Property that is not a Development Property.

“**Stated Amount**” means the amount available to be drawn by a beneficiary under a Letter of Credit from time to time, as such amount may be increased or reduced from time to time in accordance with the terms of such Letter of Credit.

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“**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.

“**Swingline Commitment**” means the Swingline Lender’s obligation to make Swingline Loans pursuant to Section 2.2. in an amount up to, but not exceeding, \$50,000,000, as such amount may be reduced from time to time in accordance with the terms hereof.

“**Swingline Lender**” means KeyBank.

“**Swingline Loan**” means a loan made by the Swingline Lender to the Borrower pursuant to Section 2.2.(a).

“**Swingline Note**” means the promissory note of the Borrower payable to the order of the Swingline Lender in a principal amount equal to the amount of the Swingline Commitment as originally in effect and otherwise duly completed, substantially in the form of Exhibit F.

“**Tangible Net Worth**” means, as of any date of determination, the stockholders’ equity of the Parent and its Subsidiaries determined on a consolidated basis plus

(a) accumulated depreciation and amortization minus the following (to the extent reflected in determining stockholders' equity of the Parent and its Subsidiaries); (b) the amount of any write-up in the book value of any assets contained in any balance sheet resulting from revaluation thereof or any write-up in excess of the cost of such assets acquired; and (c) all amounts appearing on the assets side of any such balance sheet for assets which would be classified as intangible assets under GAAP excluding such intangibles booked in connection with real estate acquisitions with above or below market rents, all determined on a consolidated basis.

“**Taxes**” has the meaning given that term in Section 3.12.

“**Termination Date**” means September 30, 2011, or such later date to which the Termination Date may be extended pursuant to Section 2.12.

“**Titled Agents**” means each of the Co-Lead Arrangers, each of the Documentation Agents, the Syndication Agent and their respective successors and permitted assigns.

“**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, 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

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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 two 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. 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 two 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 Incomes 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 any Revolving 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 and Non-Controlled Properties as adjusted for any non-recurring items during the reporting period; provided, however, “Unencumbered Adjusted NOI” shall not be less than zero.

“**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 two 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 and Non-Controlled Properties, in each case, acquired during the two 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 constitute Eligible Unencumbered Properties. 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

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Unencumbered Asset Value, such excess shall be excluded and (z) to the extent the Unencumbered Asset Value attributable to Non-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 and Non-Controlled Properties which have been owned for the entire previous fiscal quarter as adjusted for any non-recurring items during the reporting period; provided, however, “Unencumbered NOI” shall not be less than zero.

“**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.

“**Wholly Owned Property**” means an Eligible Unencumbered Property which is owned or leased 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.

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 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 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. 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 Cleveland, Ohio 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.

ARTICLE II. CREDIT FACILITY

Section 2.1. Revolving Loans.

(a) Generally. Subject to the terms and conditions hereof, during the period from the Effective Date to but excluding the Termination Date, each Lender severally and not jointly agrees to make Revolving Loans to the Borrower in an aggregate principal amount at any one time outstanding up to, but not exceeding, the amount of such Lender's Commitment. Subject to the terms and conditions of this Agreement, during the period from the Effective Date to but excluding the Termination Date, the Borrower may borrow, repay and reborrow Revolving Loans hereunder.

(b) Requesting Revolving Loans. The Borrower shall give the Agent notice pursuant to a Notice of Borrowing or telephonic notice of each borrowing of Revolving Loans. Each Notice of Borrowing shall be delivered to the Agent before 11:00 a.m. (i) in the case of LIBOR Loans, on the date three Business Days prior to the proposed date of such borrowing and (ii) in the case of Base Rate Loans, on the date one Business Day prior to the proposed date of such borrowing. Any such telephonic notice shall include all information to be specified in a written

Notice of Borrowing and shall be promptly confirmed in writing by the Borrower pursuant to a Notice of Borrowing sent to the Agent by telecopy on the same day of the giving of such telephonic notice. The Agent will transmit by telecopy the information contained in such Notice of Borrowing to each Lender promptly upon receipt by the Agent. Each Notice of Borrowing or telephonic notice of each borrowing shall be irrevocable once given and binding on the Borrower.

(c) Disbursements of Revolving Loan Proceeds. No later than 1:00 p.m. on the date specified in the Notice of Borrowing, each Lender will make available for the account of its applicable Lending Office to the Agent at the Principal Office, in immediately available funds, the proceeds of the Revolving Loan to be made by such Lender. With respect to Revolving Loans to be made after the Effective Date, unless the Agent shall have been notified by any Lender prior to the specified date of borrowing that such Lender does not intend to make available to the Agent the Revolving Loan to be made by such Lender on such date, the Agent may assume that such Lender will make the proceeds of such Revolving Loan available to the Agent on the date of the requested borrowing as set forth in the Notice of Borrowing and the Agent may (but shall not be obligated to), in reliance upon such assumption, make available to the Borrower the amount of such Revolving Loan to be provided by such Lender. Subject to satisfaction of the applicable conditions set forth in Article V. for such borrowing, the Agent will make the proceeds of such borrowing available to the Borrower no later than 2:00 p.m. on the date and at the account specified by the Borrower in such Notice of Borrowing.

(d) Repayment of Loans Outstanding under Existing Credit Agreement. The Borrower and the Lenders agree that on the Effective Date all Loans (as defined in the Existing Credit Agreement) outstanding under the Existing Credit Agreement shall be repaid with the proceeds of the initial Loans to be made by the Lenders hereunder.

Section 2.2. Swingline Loans.

(a) Swingline Loans. Subject to the terms and conditions hereof, during the period from the Effective Date to but excluding the Termination Date, the Swingline Lender agrees to make Swingline Loans to the Borrower in an aggregate principal amount at any one time outstanding up to, but not exceeding, the amount of the Swingline Commitment. If at any time the aggregate principal amount of the Swingline Loans outstanding at such time exceeds the Swingline Commitment in effect at such time, the Borrower shall immediately pay the Agent for the account of the Swingline Lender the amount of such excess. Subject to the terms and conditions of this Agreement, the Borrower may borrow, repay and reborrow Swingline Loans hereunder.

(b) Procedure for Borrowing Swingline Loans. The Borrower shall give the Agent and the Swingline Lender notice pursuant to a Notice of Swingline Borrowing or telephonic notice of each borrowing of a Swingline Loan. Each Notice of Swingline Borrowing shall be delivered to the Swingline Lender no later than 3:00 p.m. on the proposed date of such borrowing. Any such notice given telephonically shall include all information to be specified in a written Notice of Swingline Borrowing and shall be promptly confirmed in writing by the Borrower pursuant to a Notice of Swingline Borrowing sent to the Swingline Lender by telecopy on the same day of the giving of such telephonic notice. On the date of the requested Swingline

Loan and subject to satisfaction of the applicable conditions set forth in Article V. for such borrowing, the Swingline Lender will make the proceeds of such Swingline Loan available to the Borrower in Dollars, in immediately available funds, at the account specified by the Borrower in the Notice of Swingline Borrowing not later than 4:00 p.m. on such date.

(c) Interest. Swingline Loans shall bear interest at a per annum rate equal to the Base Rate plus the Applicable Margin for Base Rate Loans. Interest payable on

Swingline Loans is solely for the account of the Swingline Lender. All accrued and unpaid interest on Swingline Loans shall be payable on the dates and in the manner provided in Section 2.4. with respect to interest on Base Rate Loans (except as the Swingline Lender and the Borrower may otherwise agree in writing in connection with any particular Swingline Loan).

(d) Swingline Loan Amounts, Etc. Each Swingline Loan shall be in the minimum amount of \$1,000,000 and integral multiples of \$500,000 or such other minimum amounts agreed to by the Swingline Lender and the Borrower. Any voluntary prepayment of a Swingline Loan must be in integral multiples of \$100,000 or the aggregate principal amount of all outstanding Swingline Loans (or such other minimum amounts upon which the Swingline Lender and the Borrower may agree) and in connection with any such prepayment, the Borrower must give the Swingline Lender prior written notice thereof no later than 10:00 a.m. on the date of such prepayment. The Swingline Loans shall, in addition to this Agreement, be evidenced by the Swingline Note.

(e) Repayment and Participations of Swingline Loans. The Borrower agrees to repay each Swingline Loan within one Business Day of demand therefor by the Swingline Lender and in any event, within 5 Business Days after the date such Swingline Loan was made. Notwithstanding the foregoing, the Borrower shall repay the entire outstanding principal amount of, and all accrued but unpaid interest on, the Swingline Loans on the Termination Date (or such earlier date as the Swingline Lender and the Borrower may agree in writing). In lieu of demanding repayment of any outstanding Swingline Loan from the Borrower and if the Borrower has not already submitted a timely Notice of Borrowing for the purpose of repaying such Swingline Loan, the Swingline Lender may, on behalf of the Borrower (which hereby irrevocably directs the Swingline Lender to act on its behalf for such purpose), request a borrowing of Base Rate Loans from the Lenders in an amount equal to the principal balance of such Swingline Loan. The amount limitations of Section 3.5.(a) shall not apply to any borrowing of Base Rate Loans made pursuant to this subsection. The Swingline Lender shall give notice to the Agent of any such borrowing of Base Rate Loans not later than 12:00 noon on the proposed date of such borrowing and the Agent shall give prompt notice of such borrowing to the Lenders. No later than 2:00 p.m. on such date, each Lender will make available to the Agent at the Principal Office for the account of Swingline Lender in immediately available funds, the proceeds of the Base Rate Loan to be made by such Lender and, to the extent of such Base Rate Loan, such Lender's participation in the Swingline Loan so repaid shall be deemed to be funded by the Base Rate Loan. The Agent shall pay the proceeds of such Base Rate Loans to the Swingline Lender, which shall apply such proceeds to repay such Swingline Loan. At the time each Swingline Loan is made, each Lender shall automatically (and without any further notice or action) be deemed to have purchased from the Swingline Lender, without recourse or warranty, an undivided interest and participation to the extent of such Lender's Commitment Percentage in

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such Swingline Loan. If the Lenders are prohibited from making Loans required to be made under this subsection for any reason, including without limitation, the occurrence of any Default or Event of Default described in Section 10.1.(f) or 10.1.(g), upon notice from the Agent or the Swingline Lender, each Lender severally agrees to pay to the Agent for the account of the Swingline Lender in respect of such participation the amount of such Lender's Commitment Percentage of each outstanding Swingline Loan. If such amount is not in fact made available to the Agent by any Lender, the Swingline Lender shall be entitled to recover such amount on demand from such Lender, together with accrued interest thereon for each day from the date of demand thereof, at the Federal Funds Rate. If such Lender does not pay such amount forthwith upon demand therefor by the Agent or the Swingline Lender, and until such time as such Lender makes the required payment, the Swingline Lender shall be deemed to continue to have outstanding Swingline Loans in the amount of such unpaid participation obligation for all purposes of the Loan Documents (other than those provisions requiring the other Lenders to purchase a participation therein). Further, such Lender shall be deemed to have assigned any and all payments made of principal and interest on its Loans, and any other amounts due to it hereunder, to the Swingline Lender to fund Swingline Loans in the amount of the participation in Swingline Loans that such Lender failed to purchase pursuant to this Section until such amount has been purchased (as a result of such assignment or otherwise). A Lender's obligation to make payments in respect of a participation in a Swingline Loan shall be absolute and unconditional and shall not be affected by any circumstance whatsoever, including, without limitation, (i) any claim of setoff, counterclaim, recoupment, defense or other right which such Lender or any other Person may have or claim against the Agent, the Swingline Lender or any other Person whatsoever, (ii) the occurrence or continuation of a Default or Event of Default (including, without limitation, any of the Defaults or Events of Default described in Sections 10.1.(f) or 10.1.(g)) or the termination of any Lender's Revolving Commitment, (iii) the existence (or alleged existence) of an event or condition which has had or could have a Material Adverse Effect, (iv) any breach of any Loan Document by the Agent, any Lender or the Borrower or (v) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing.

Section 2.3. Letters of Credit.

(a) Letters of Credit. Subject to the terms and conditions of this Agreement, the Agent, on behalf of the Lenders, agrees to issue for the account of the Borrower during the period from and including the Effective Date to, but excluding, the date 30 days prior to the Termination Date one or more letters of credit (each a "Letter of Credit") up to a maximum aggregate Stated Amount at any one time outstanding not to exceed the L/C Commitment Amount.

(b) Terms of Letters of Credit. At the time of issuance, the amount, form, terms and conditions of each Letter of Credit, and of any drafts or acceptances thereunder, shall be subject to approval by the Agent and the Borrower. Notwithstanding the foregoing, in no event may the expiration date of any Letter of Credit extend beyond the earlier of (i) the date one year from its date of issuance or (ii) the Termination Date; provided, however, a Letter of Credit may contain a provision providing for the automatic extension of the expiration date in the absence of a notice of non-renewal from the Agent but in no event shall any such provision permit the extension of the expiration date of such Letter of Credit beyond the Termination Date.

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(c) Requests for Issuance of Letters of Credit. The Borrower shall give the Agent written notice (or telephonic notice promptly confirmed in writing) at least 5 Business Days prior to the requested date of issuance of a Letter of Credit, such notice to describe in reasonable detail the proposed terms of such Letter of Credit and the nature of the transactions or obligations proposed to be supported by such Letter of Credit, and in any event shall set forth with respect to such Letter of Credit the proposed (i) Stated Amount, (ii) the beneficiary, and (iii) the expiration date. The Borrower shall also execute and deliver such customary letter of credit application forms as requested from time to time by the Agent. Provided the Borrower has given the notice prescribed by the first sentence of this subsection and subject to the other terms and conditions of this Agreement, including the satisfaction of any applicable conditions precedent set forth in Article V., the Agent shall issue the requested Letter of Credit on the requested date of issuance for the benefit of the stipulated beneficiary. Upon the written request of the Borrower, the Agent shall deliver to the Borrower a copy of each issued Letter of Credit within a reasonable time after the date of issuance thereof. To the extent any term of a Letter of Credit Document is inconsistent with a term of any Loan Document, the term of such Loan Document shall control.

(d) Reimbursement Obligations. Upon receipt by the Agent from the beneficiary of a Letter of Credit of any demand for payment under such Letter of Credit, the Agent shall promptly notify the Borrower of the amount to be paid by the Agent as a result of such demand and the date on which payment is to be made by the Agent to such beneficiary in respect of such demand; provided, however, the Agent's failure to give, or delay in giving, such notice shall not discharge the Borrower in any respect from the applicable Reimbursement Obligation. The Borrower hereby unconditionally and irrevocably agrees to pay and reimburse the Agent for the amount of each demand for payment under such Letter of Credit on or prior to the date on which payment is to be made by the Agent to the beneficiary thereunder, without presentment, demand, protest or other formalities of any kind (other than notice as provided in this subsection). Upon receipt by the Agent of any payment in respect of any Reimbursement Obligation, the Agent shall promptly pay to each Lender that has acquired a participation therein under the second sentence of Section 2.3.(i) such Lender's Commitment Percentage of such payment.

(e) Manner of Reimbursement. Upon its receipt of a notice referred to in the immediately preceding subsection (d), the Borrower shall advise the Agent whether or not the Borrower intends to borrow hereunder to finance its obligation to reimburse the Agent for the amount of the related demand for payment and, if it does, the Borrower shall submit a timely request for such borrowing as provided in the applicable provisions of this Agreement. If the Borrower fails to so advise the Agent, or if the

Borrower fails to reimburse the Agent for a demand for payment under a Letter of Credit by the date of such payment, then (i) if the applicable conditions contained in Article V. would permit the making of Revolving Loans, the Borrower shall be deemed to have requested a borrowing of Revolving Loans (which shall be Base Rate Loans) in an amount equal to the unpaid Reimbursement Obligation and the Agent shall give each Lender prompt notice of the amount of the Revolving Loan to be made available to the Agent not later than 1:00 p.m. and (ii) if such conditions would not permit the making of Revolving Loans, the provisions of subsection (j) of this Section shall apply. The limitations of Section 3.5.(a) shall not apply to any borrowing of Base Rate Loans under this subsection.

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(f) Effect of Letters of Credit on Commitments. Upon the issuance by the Agent of any Letter of Credit and until such Letter of Credit shall have expired or been terminated, the Commitment of each Lender shall be deemed to be utilized for all purposes of this Agreement in an amount equal to the product of (i) such Lender's Commitment Percentage and (ii) the sum of (A) the Stated Amount of such Letter of Credit plus (B) any related Reimbursement Obligations then outstanding.

(g) Agent's Duties Regarding Letters of Credit; Unconditional Nature of Reimbursement Obligations In examining documents presented in connection with drawings under Letters of Credit and making payments under such Letters of Credit against such documents, the Agent shall only be required to use the same standard of care as it uses in connection with examining documents presented in connection with drawings under letters of credit in which it has not sold participations and making payments under such letters of credit. The Borrower assumes all risks of the acts and omissions of, or misuse of the Letters of Credit by, the respective beneficiaries of such Letters of Credit. In furtherance and not in limitation of the foregoing, neither the Agent nor any of the Lenders shall be responsible for (i) the form, validity, sufficiency, accuracy, genuineness or legal effects of any document submitted by any party in connection with the application for and issuance of or any drawing honored under any Letter of Credit even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (ii) the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit, or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (iii) failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to draw upon such Letter of Credit; (iv) errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telex, telecopy or otherwise, whether or not they be in cipher; (v) errors in interpretation of technical terms; (vi) any loss or delay in the transmission or otherwise of any document required in order to make a drawing under any Letter of Credit, or of the proceeds thereof; (vii) the misapplication by the beneficiary of any Letter of Credit, or the proceeds of any drawing under any Letter of Credit; or (viii) any consequences arising from causes beyond the control of the Agent or the Lenders. None of the above shall affect, impair or prevent the vesting of any of the Agent's or any Lender's rights or powers hereunder. Any action taken or omitted to be taken by the Agent under or in connection with any Letter of Credit, if taken or omitted in the absence of gross negligence or willful misconduct (as determined by a court of competent jurisdiction in a final, non-appealable judgment), shall not create against the Agent or any Lender any liability to the Borrower or any Lender. In this regard, the obligation of the Borrower to reimburse the Agent for any drawing made under any Letter of Credit shall be absolute, unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement and any other applicable Letter of Credit Document under all circumstances whatsoever, including without limitation, the following circumstances: (A) any lack of validity or enforceability of any Letter of Credit Document or any term or provisions therein; (B) any amendment or waiver of or any consent to departure from all or any of the Letter of Credit Documents; (C) the existence of any claim, setoff, defense or other right which the Borrower may have at any time against the Agent, any Lender, any beneficiary of a Letter of Credit or any other Person, whether in connection with this Agreement, the transactions contemplated hereby or in the Letter of Credit Documents or any unrelated transaction; (D) any breach of contract or dispute between the Borrower, the

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Agent, any Lender or any other Person; (E) any demand, statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein or made in connection therewith being untrue or inaccurate in any respect whatsoever; (F) any non-application or misapplication by the beneficiary of a Letter of Credit of the proceeds of any drawing under such Letter of Credit; (G) payment by the Agent under any Letter of Credit against presentation of a draft or certificate which does not strictly comply with the terms of such Letter of Credit; and (H) any other act, omission to act, delay or circumstance whatsoever that might, but for the provisions of this Section, constitute a legal or equitable defense to or discharge of the Borrower's Reimbursement Obligations. Notwithstanding anything to the contrary contained in this Section or Section 12.9., but not in limitation of the Borrower's unconditional obligation to reimburse the Agent for any drawing made under a Letter of Credit as provided in this Section, the Borrower shall have no obligation to indemnify the Agent or any Lender in respect of any liability incurred by the Agent or a Lender arising solely out of the gross negligence or willful misconduct of the Agent or a Lender in respect of a Letter of Credit as determined by a court of competent jurisdiction in a final, non-appealable judgment. Except as otherwise provided in this Section, nothing in this Section shall affect any rights the Borrower may have with respect to the gross negligence or willful misconduct of the Agent or any Lender with respect to any Letter of Credit.

(h) Amendments, Etc. The issuance by the Agent of any amendment, supplement or other modification to any Letter of Credit shall be subject to the same conditions applicable under this Agreement to the issuance of new Letters of Credit (including, without limitation, that the request therefor be made through the Agent), and no such amendment, supplement or other modification shall be issued unless either (i) the respective Letter of Credit affected thereby would have complied with such conditions had it originally been issued hereunder in such amended, supplemented or modified form or (ii) the Requisite Lenders (or all of the Lenders if required by Section 13.6.) shall have consented thereto. In connection with any such amendment, supplement or other modification, the Borrower shall pay the Fees, if any, payable under the last sentence of Section 3.6.(b).

(i) Lenders' Participation in Letters of Credit Immediately upon the issuance by the Agent of any Letter of Credit each Lender shall be deemed to have irrevocably and unconditionally purchased and received from the Agent, without recourse or warranty, an undivided interest and participation to the extent of such Lender's Commitment Percentage of the liability of the Agent with respect to such Letter of Credit, and each Lender thereby shall absolutely, unconditionally and irrevocably assume, as primary obligor and not as surety, and shall be unconditionally obligated to the Agent to pay and discharge when due, such Lender's Commitment Percentage of the Agent's liability under such Letter of Credit. In addition, upon the making of each payment by a Lender to the Agent in respect of any Letter of Credit pursuant to the immediately following subsection (j), such Lender shall, automatically and without any further action on the part of the Agent or such Lender, acquire (i) a participation in an amount equal to such payment in the Reimbursement Obligation owing to the Agent by the Borrower in respect of such Letter of Credit and (ii) a participation in a percentage equal to such Lender's Commitment Percentage in any interest or other amounts payable by the Borrower in respect of such Reimbursement Obligation (other than the Fees payable to the Agent pursuant to the third and last sentences of Section 3.6.(b)).

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(j) Payment Obligation of Lenders. Each Lender severally agrees to pay to the Agent on demand in immediately available funds in Dollars the amount of such Lender's Commitment Percentage of each drawing paid by the Agent under each Letter of Credit to the extent such amount is not reimbursed by the Borrower pursuant to Section 2.3.(d); provided, however, that in respect of any drawing under any Letter of Credit, the maximum amount that any Lender shall be required to fund, whether as a Revolving Loan or as a participation, shall not exceed such Lender's Commitment Percentage of such drawing. If the notice referenced in the second sentence of Section 2.3. (e) is received by a Lender not later than 11:00 a.m., then such Lender shall make such payment available to the Agent not later than 2:00 p.m. on the date of demand therefor; otherwise, such payment shall be made available to the Agent not later than 1:00 p.m. on the next succeeding Business Day. Each such Lender's obligation to make such payments to the Agent under this subsection, and the Agent's right to receive the same, shall be absolute, irrevocable and unconditional and shall not be affected in any way by any circumstance whatsoever, including without limitation, (i) the failure of any other Lender to make its payment under this subsection, (ii) the financial condition of the Borrower or any other Loan Party, (iii) the existence of any Default or Event of Default, including any Event of Default described in Section 10.1.(f) or 10.1.(g) or (iv) the termination of the Commitments. Each such payment to the Agent shall be made without any offset, abatement, withholding or deduction whatsoever.

(k) Information to Lenders. Upon the request of any Lender from time to time, the Agent shall deliver to such Lender information reasonably requested by such Lender with respect to each Letter of Credit then outstanding. Other than as set forth in this subsection, the Agent shall have no duty to notify the Lenders regarding the issuance or other matters regarding Letters of Credit issued hereunder. The failure of the Agent to perform its requirements under this subsection shall not relieve any Lender from its obligations under Section 2.3.(j).

(l) Letter of Credit Outstanding under Existing Credit Agreement

(i) The Borrower, the Parent, the Agent and the Lenders agree that letter of credit no. SM216034 (the "Existing Letter of Credit") dated October 5, 2005 for the benefit of Citigroup Global Markets Realty having a current Stated Amount of \$599,998 and issued by Wachovia Bank, National Association ("Wachovia") under the Existing Credit Agreement, shall be deemed to be a "Letter of Credit" issued and outstanding under this Agreement subject to the terms of this Section 2.3.(l). Accordingly, (x) except as provided otherwise in this Section 2.3.(l) or as the context requires otherwise, references to the "Agent" relating to the Existing Letter of Credit shall be deemed to be references to Wachovia, (y) each Lender confirms its purchase of a participation in the Existing Letter of Credit as provided in Section 2.3.(i) and (z) each Lender confirms its obligation to indemnify Wachovia for Indemnifiable Amounts relating to the Existing Letter of Credit pursuant and subject to the terms of Section 11.7.

(ii) Notwithstanding Section 2.3.(d), upon receipt by Wachovia from the beneficiary of the Existing Letter of Credit of any demand for payment under such Letter of Credit, Wachovia shall promptly notify the Agent (who shall in turn promptly notify the Borrower) of the amount to be paid by Wachovia as a result of such demand and the

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date on which payment is to be made by Wachovia to such beneficiary in respect of such demand; provided, however, the failure of Wachovia or the Agent to give, or delay in giving, such notice shall not discharge the Borrower in any respect from the applicable Reimbursement Obligation.

(iii) Notwithstanding Section 2.3.(e), upon the Borrower's receipt of a notice referred to in the immediately preceding clause (ii), the Borrower shall advise the Agent and Wachovia whether or not the Borrower intends to borrow hereunder to finance its obligation to reimburse Wachovia for the amount of the related demand for payment and, if it does, the Borrower shall submit a timely request for such borrowing as provided in the applicable provisions of this Agreement. If the Borrower fails to so advise the Agent and Wachovia, or if the Borrower fails to reimburse Wachovia for a demand for payment under the Existing Letter of Credit by the date of such payment (in which case, Wachovia shall give prompt notice of such failure to the Agent), then (x) if the applicable conditions contained in Article V. would permit the making of Revolving Loans, the Borrower shall be deemed to have requested a borrowing of Revolving Loans (which shall be Base Rate Loans) in an amount equal to the unpaid Reimbursement Obligation, and the Agent shall give each Lender prompt notice of the amount of the Revolving Loan to be made available to the Agent for the account of Wachovia not later than 1:00 p.m. (which the Agent shall pay to Wachovia not later than 2:00 p.m.) and (y) if such conditions would not permit the making of Revolving Loans, the provisions of Section 2.3.(j) shall apply. The limitations of Section 3.5.(a) shall not apply to any borrowing of Base Rate Loans under this clause.

(iv) Notwithstanding Section 2.3.(j), each Lender severally agrees to pay to the Agent for the account of Wachovia on demand by the Agent at Wachovia's direction in immediately available funds in Dollars the amount of such Lender's Commitment Percentage of each drawing paid by Wachovia under the Existing Letter of Credit to the extent such amount is not reimbursed by the Borrower pursuant to the immediately preceding clause (iii); provided, however, that in respect of any drawing under the Existing Letter of Credit, the maximum amount that any Lender shall be required to fund, whether as a Revolving Loan or as a participation, shall not exceed such Lender's Commitment Percentage of such drawing. If the notice referenced in the second sentence of the immediately preceding clause (iii) is received by a Lender not later than 11:00 a.m., then such Lender shall make such payment available to the Agent for the account of Wachovia not later than 2:00 p.m. on the date of demand therefor; otherwise, such payment shall be made available to the Agent for the Account of Wachovia not later than 1:00 p.m. on the next succeeding Business Day. Each such Lender's obligation to make such payments to the Agent under this clause, and Wachovia's right to receive the same, shall be absolute, irrevocable and unconditional and shall not be affected in any way by any circumstance whatsoever, including without limitation, (A) the failure of any other Lender to make its payment under this clause, (B) the financial condition of the Borrower or any other Loan Party, (C) the existence of any Default or Event of Default, including any Event of Default described in Section 10.1.(f) or 10.1.(g) or (D) the termination of the Commitments. Each such payment to the Agent shall be made without any offset, abatement, withholding or deduction whatsoever.

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(v) Without the prior written consent of the Requisite Lenders, the Borrower and Wachovia agree not to amend the terms of the Existing Letter of Credit if such amendment would (x) increase the Stated Amount or (y) extend the expiration date of the Existing Letter of Credit to a date beyond the Termination Date (including any amendment to the expiry date resulting from the operation of an automatic extension provision of the Existing Letter of Credit) unless Wachovia shall agree at such time that the Existing Letter of Credit shall no longer be deemed to be a "Letter of Credit" issued and outstanding under this Agreement.

(vi) Any fees payable under the third and last sentences of Section 3.6.(c) in respect of the Existing Letter of Credit shall be for the account of Wachovia.

(vii) Any payments to be made by the Borrower under Section 2.13. in respect of the Existing Letter of Credit shall be made to the Agent, and not Wachovia, for deposit into the Collateral Account. Notwithstanding Section 10.5.(c), if a drawing pursuant to the Existing Letter of Credit occurs on or prior to the expiration date of the Existing Letter of Credit, the Borrower and the Lenders authorize the Agent to use the monies deposited in the Collateral Account to make payment to Wachovia with respect to such drawing.

Section 2.4. Rates and Payment of Interest on Loans.

(a) Rates. The Borrower promises to pay to the 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 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 Agent for the account of each Lender interest at the Post-Default Rate on the outstanding principal amount of any Loan made by such Lender, on all Reimbursement Obligations and on any other amount payable by the Borrower hereunder or under the Notes held by such Lender to or for the account of such Lender (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 Agent shall give notice thereof to the Lenders to which such interest is payable and to the Borrower. All determinations by the Agent of an interest rate hereunder shall be conclusive and binding on the Lenders and the Borrower for all purposes, absent manifest error.

(c) Inaccurate Financial Statements or Compliance Certificates. If any financial statement or Compliance Certificate delivered pursuant to Section 8.3. is shown to be inaccurate as a result of any fraudulent act or omission of a Loan Party or its agents or representatives acting on behalf of such Loan Party (regardless of whether this Agreement is in effect when such inaccuracy is discovered), and such inaccuracy, if corrected, would have led to the application of a higher Applicable Margin for any period prior to the Investment Grade Rating Date (an "Applicable Period") than the Applicable Margin applied for such Applicable Period, then (i) the Borrower shall immediately deliver to the Agent a correct Compliance Certificate for such Applicable Period and (ii) the Borrower shall immediately pay to the Agent for the account of the Lenders the additional accrued additional interest owing calculated based on such higher Applicable Margin for such Applicable Period, which payment shall be promptly applied by the Agent in accordance with Section 3.2. This subsection shall not in any way limit the rights of the Agent and Lenders (x) with respect to the last sentence of the immediately preceding subsection (a) or (y) under Article X.

Section 2.5. Number of Interest Periods.

There may be no more than 8 different Interest Periods for LIBOR Loans outstanding at the same time (for which purpose Interest Periods described in the definition of the term "Interest Period" shall be deemed to be different Interest Periods even if they are coterminous).

Section 2.6. Repayment of Loans.

The Borrower shall repay the entire outstanding principal amount of, and all accrued but unpaid interest on, the Revolving Loans on the Termination Date.

Section 2.7. Prepayments.

(a) Optional. Subject to Section 4.4., the Borrower may prepay any Loan at any time without premium or penalty. The Borrower shall give the Agent at least one Business Day's prior written notice of the prepayment of any Revolving Loan.

(b) Mandatory. If at any time the aggregate principal amount of all outstanding Revolving Loans, together with the aggregate amount of all Letter of Credit Liabilities and the aggregate principal amount of all outstanding Swingline Loans, exceeds the aggregate amount of the Commitments in effect at such time, the Borrower shall immediately pay to the Agent for the accounts of the Lenders the amount of such excess.

All payments under this subsection (b) shall be applied to pay all amounts of principal outstanding on the Loans and any Reimbursement Obligations pro rata in accordance with Section 3.2. and if any Letters of Credit are outstanding at such time the remainder, if any, shall be deposited into the Collateral Account for application to any Reimbursement Obligations. If the Borrower is required to pay any outstanding LIBOR Loans by reason of this Section prior to the end of the applicable Interest Period therefor, the Borrower shall pay all amounts due under Section 4.4.

Section 2.8. 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 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 or teletype, 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 Agent shall notify each Lender by teletype, 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 2.9. or the Borrower's failure to comply with any of the terms of such Section.

Section 2.9. Conversion.

The Borrower may on any Business Day, upon the Borrower's giving of a Notice of Conversion to the 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 Agent shall notify each Lender by teletype, 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) or teletype 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 2.10. Notes.

(a) Revolving Note. The Revolving Loans made by each Lender shall, in addition to this Agreement, also be evidenced by a promissory note of the Borrower substantially in the form of Exhibit G (each a "Revolving Note"), payable to the order of such Lender in a principal amount equal to the amount of its Commitment as originally in effect and 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 the failure of a Lender to make any such record shall not affect the obligations of the Borrower under any of the Loan Documents.

(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 2.11. Voluntary Reductions of the Commitment.

The Borrower shall have the right to terminate or reduce the aggregate unused amount of the Commitments (for which purpose use of the Commitments shall be deemed to include the aggregate amount of Letter of Credit Liabilities and the aggregate principal amount of all outstanding Swingline Loans) at any time and from time to time without penalty or premium upon not less than 5 Business Days prior written notice to the Agent of each such termination or reduction, which notice shall specify the effective date thereof and the amount of any such reduction and shall be irrevocable once given and effective only upon receipt by the Agent; provided, however, if the Borrower seeks to reduce the aggregate amount of the Commitments below \$250,000,000, then the Commitments shall all automatically and permanently be reduced to zero. The Agent will promptly transmit such notice to each Lender. The Commitments, once terminated or reduced may not be increased or reinstated.

Section 2.12. Extension of Termination Date.

The Borrower shall have the right, exercisable one time, to extend the Termination Date by one year. The Borrower may exercise such right only by executing and delivering to the Agent at least 90 days but not more than 180 days prior to the current Termination Date, a written request for such extension (an "Extension Request"). The Agent shall forward to each

Lender a copy of the Extension Request delivered to the Agent promptly upon receipt thereof. Subject to satisfaction of the following conditions, the Termination Date shall be extended for one year: (a) immediately prior to such extension and immediately after giving effect thereto, (i) no Default or Event of Default shall exist and (ii) 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 on and as of the date of such extension 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 accurate on and as of such earlier date) and (b) the Borrower shall have paid the Fees payable under Section 3.6.(d).

Section 2.13. Expiration or Maturity Date of Letters of Credit Past Termination Date.

If on the date the Commitments are terminated or reduced to zero (whether voluntarily, by reason of the occurrence of an Event of Default or otherwise), there are any Letters of Credit outstanding hereunder, the Borrower shall, on such date, pay to the Agent an amount of money equal to the Stated Amount of such Letter(s) of Credit for deposit into the Collateral Account.

Section 2.14. Amount Limitations.

Notwithstanding any other term of this Agreement or any other Loan Document, no Lender shall be required to make a Loan, the Agent shall not be required to issue a Letter of Credit and no reduction of the Commitments pursuant to Section 2.11. shall take effect, if immediately after the making of such Loan, the issuance of such Letter of Credit or such reduction in the Commitments, the aggregate principal amount of all outstanding Revolving Loans, together with the aggregate principal amount of all outstanding Swingline Loans and the aggregate amount of all Letter of Credit Liabilities, would exceed the aggregate amount of the Commitments at such time.

Section 2.15. Increase of Commitments.

With the prior consent of the 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 to request increases in the aggregate amount of the Commitments (provided that after giving effect to any increases in the Commitments pursuant to this Section, the aggregate amount of the Commitments may not exceed \$800,000,000) by providing written notice to the 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 4 requests for increases in the aggregate amount of the Commitments during the term of this Agreement. Each such increase in the Commitments must be in an aggregate minimum amount of \$25,000,000 and integral multiples of \$5,000,000 in excess thereof. No Lender shall be required to increase its Commitment and any new Lender becoming a party to this Agreement in connection with any such requested increase must be an Eligible Assignee. If a new Lender becomes a party to this Agreement, or if any existing Lender agrees to increase its Commitment, such Lender shall on the date it becomes a Lender hereunder (or increases its Commitment, in the case of an existing Lender) (and as a condition thereto) purchase from the other Lenders its Commitment Percentage (or in the case of an existing Lender, increase the amount of its Commitment Percentage), in

each case, as determined after giving effect to the increase of Commitments, of any outstanding Revolving Loans, by making available to the Agent for the account of such other Lenders at the Principal Office, in same day funds, an amount equal to the sum of (A) the portion of the outstanding principal amount of such Revolving Loans to be purchased by such Lender plus (B) the aggregate amount of payments previously made by the other Lenders under Section 2.3.(j) which have not been repaid plus (C) interest accrued and unpaid to and as of such date on such portion of the outstanding principal amount of such Revolving Loans. The Borrower shall pay to the Lenders amounts payable, if any, to such Lenders under Section 4.4. as a result of the prepayment of any such Revolving Loans. No increase of the Commitments may be effected under this Section if (x) a Default or Event of Default shall be in existence on the effective date of such increase or (y) any representation or warranty made or deemed made by the Borrower or any other Loan Party in any Loan Document to which any such Loan Party is a party is not (or would not be) true or correct on the effective date of such increase and after giving effect thereto (except for representations or warranties which expressly relate solely to an earlier date). In connection with any increase in the aggregate amount of the Commitments pursuant to this subsection, (a) any Lender becoming a party hereto shall execute such documents and agreements as the Agent may reasonably request and (b) the Borrower shall make appropriate arrangements so that each new Lender, and any existing Lender increasing its Commitment, receives a new or replacement Note, as appropriate, in the amount of such Lender's Commitment within 5 Business Days of the effectiveness of the applicable increase in the aggregate amount of Commitments.

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, to the 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 Agent the amounts payable by the Borrower hereunder to which such payment is to be applied. Each payment received by the 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 Agent fails to pay such amount to a Lender as provided in the previous sentence, the 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.(a), 2.2.(e) and 2.3.(e) shall be made from the Lenders, each payment of the

Fees under Section 3.6.(a), Section 3.6.(b), the first sentence of Section 3.6.(c), and Section 3.6.(d) shall be made for the account of the Lenders, and each termination or reduction of the amount of the Commitments under Section 2.11. shall be applied to the respective Commitments of the Lenders, pro rata according to the amounts of their respective Commitments; (b) each payment or prepayment of principal of Revolving Loans by the Borrower shall be made for the account of the Lenders pro rata in accordance with the respective unpaid principal amounts of the Revolving Loans held by them, provided that if immediately prior to giving effect to any such payment in respect of any Revolving Loans the outstanding principal amount of the Revolving Loans shall not be held by the Lenders pro rata in accordance with their respective Commitments in effect at the time such Loans were made, then such payment shall be applied to the Revolving Loans in such manner as shall result, as nearly as is practicable, in the outstanding principal amount of the Revolving Loans being held by the Lenders pro rata in accordance with their respective Commitments; (c) each payment of interest on Revolving Loans by the Borrower 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 to the respective Lenders; (d) the making, Conversion and Continuation of Revolving Loans of a particular Type (other than Conversions provided for by Section 4.5.) shall be made pro rata among the Lenders according to the amounts of their respective Commitments (in the case of making of Loans) or their respective Loans (in the case of Conversions and Continuations of Loans) and the then current Interest Period for each Lender's portion of each Loan of such Type shall be coterminous; (e) the Lenders' participation in, and payment obligations in respect of, Letters of Credit under Section 2.3., shall be pro rata in accordance with their respective Commitments; and (f) the Lenders' participation in, and payment obligations in respect of, Swingline Loans under Section 2.2., shall be pro rata in accordance with their respective Commitments. All payments of principal, interest, fees and other amounts in respect of the Swingline Loans shall be for the account of the Swingline Lender only (except to the extent any Lender shall have acquired and funded a participating interest in any such Swingline Loan pursuant to Section 2.2.(e), in which case such payments shall be pro rata in accordance with such participating interests).

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 a Loan Party through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise or through voluntary prepayments directly to a Lender or other payments made by the Borrower to a Lender not in accordance with the terms of this Agreement and such payment should be distributed to the Lenders pro rata 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 be incurred by such Lender in obtaining or preserving such benefit) pro rata in accordance with 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 such 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 in Sections 2.2.(e) and 2.3.(e), 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. 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 Revolving 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 Revolving Loans then outstanding).

(c) Reductions of Commitments. Each reduction of the Commitments under Section 2.11. shall be in an aggregate minimum amount of \$10,000,000 and integral multiples of \$5,000,000 in excess thereof.

(d) Letters of Credit. The initial Stated Amount of each Letter of Credit shall be at least \$100,000.

Section 3.6. Fees.

(a) Unused Fee. During the period from the Effective Date to but excluding the earlier to occur of (i) the Investment Grade Rating Date and (ii) the Termination Date, the Borrower agrees to pay to the Agent for the account of the Lenders an unused facility fee with respect to the average daily difference between the (i) aggregate amount of the Commitments and (ii) the aggregate principal amount of all outstanding Revolving Loans plus the aggregate amount of all Letter of Credit Liabilities (the "Unused Amount"). Such fee shall be computed by multiplying the Unused Amount with respect to such quarter by the corresponding per annum rate set forth

Unused Amount	Unused Fee
Greater than or equal to 50% of the aggregate amount of Commitments	0.20%
Less than 50% of the aggregate amount of Commitments	0.125%

Such fee shall be payable in arrears on the last day of each March, June, September or December of each calendar year. Any such accrued and unpaid fee shall also be payable on the earlier of (x) the Investment Grade Rating Date and (y) the Termination Date or any earlier date of termination of the Commitments or reduction of the Commitments to zero.

(b) **Facility Fees.** The Borrower agrees to pay to the Agent for the account of each Lender a facility fee equal to the average daily amount of the Commitment of such Lender (whether or not utilized) times the Facility Fee for the period from and including the Investment Grade Rating Date to but excluding the date such Commitment is terminated or reduced to zero or the Termination Date, such fee to be paid in arrears on (i) the last day of March, June, September and December in each year, (ii) the date of each reduction in the Commitments (but only on the amount of the reduction) and (iii) on the Termination Date.

(c) **Letter of Credit Fees.** The Borrower agrees to pay to the Agent for the account of each Lender a letter of credit fee at a rate per annum equal to the Applicable Margin for LIBOR Loans times the daily average Stated Amount of each Letter of Credit for the period from and including the date of issuance of such Letter of Credit (x) through and including the date such Letter of Credit expires or is terminated or (y) to but excluding the date such Letter of Credit is drawn in full. The fees provided for in the immediately preceding sentence shall be nonrefundable and payable in arrears on (i) the last day of March, June, September and December in each year, (ii) the Termination Date, (iii) the date the Commitments are terminated or reduced to zero and (iv) thereafter from time to time on demand of the Agent. In addition, the Borrower shall pay to the Agent for its own account and not the account of any Lender, an issuance fee in respect of each Letter of Credit equal to one-eighth of one percent (0.125%) per annum on the initial Stated Amount of such Letter of Credit for the period from and including the date of issuance of such Letter of Credit through and including the date such Letter of Credit is to terminate. The fees provided for in the immediately preceding sentence shall be nonrefundable and payable upon issuance. The Borrower shall pay directly to the Agent from time to time on demand all commissions, charges, costs and expenses in the amounts customarily charged by the Agent from time to time in like circumstances with respect to the issuance of each Letter of Credit, drawings, amendments and other transactions relating thereto.

(d) **Extension Fee.** If the Borrower exercises its right to extend the Termination Date pursuant to Section 2.12., the Borrower agrees to pay to the Agent for the account of each Lender a fee equal to one-eighth of one percent (0.125%) of the amount of such Lender's Commitment (whether or not utilized) at the time of such extension. Such fee shall be due and payable in full on the date the Agent receives the Extension Request pursuant to such Section.

(e) **Administrative and Other Fees.** The Borrower agrees to pay the administrative and other fees of the Agent as may be agreed to in writing by the Borrower and the Agent from time to time.

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 2.4.(a)(i) and (ii) and in Section 2.2.(c). Notwithstanding the foregoing, the parties hereto further agree and stipulate that all agency fees, syndication fees, facility fees, closing fees, letter of credit 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 Agent or any Lender to third parties or for damages incurred by the 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 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 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 Agent will account to the Borrower monthly with a statement of Loans, Letters of Credit, accrued interest and Fees, charges and payments made pursuant to this Agreement and the other Loan Documents, and such account rendered by the 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 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.

(a) **Generally.** If for any reason any Lender (a "Defaulting Lender") shall fail or refuse to perform any of its obligations under this Agreement or any other Loan Document to which it is a party within the time period specified for performance of such obligation or, if no time period is specified, if such failure or refusal continues for a period of two Business Days after notice from the Agent, then, in addition to the rights and remedies that may be available to the Agent or the Borrower under this Agreement or Applicable Law, such Defaulting Lender's right to participate in the administration of the Loans, this Agreement and the other Loan Documents, including

without limitation, any right to vote in respect of, to consent to or to direct any action or inaction of the Agent or to be taken into account in the calculation of the Requisite Lenders, shall be suspended during the pendency of such failure or refusal. If a Lender is a Defaulting Lender because it has failed to make timely payment to the Agent of any amount required to be paid to the Agent hereunder (without giving effect to any notice or cure periods), in addition to other rights and remedies which the Agent or the Borrower may have under this Agreement or otherwise, the Agent shall be entitled (i) to collect interest from such Defaulting Lender on such delinquent payment for the period from the date on which the payment was due until the date on which the payment is made at the Federal Funds Rate, (ii) to withhold or setoff and to apply in satisfaction of the defaulted payment and any related interest, any amounts otherwise payable to such Defaulting Lender under this Agreement or any other Loan Document and (iii) to bring an action or suit against such Defaulting Lender in a court of competent jurisdiction to recover the defaulted amount and any related interest. Any amounts received by the Agent in respect of a Defaulting Lender's Loans shall not be paid to such Defaulting Lender and shall be held uninvested by the Agent and either applied against the purchase price of such Loans under the following subsection (b) or paid to such Defaulting Lender upon the Defaulting Lender's curing of its default.

(b) Purchase or Cancellation of Defaulting Lender's Commitment. The Borrower may request the Agent to notify the Lenders that a Lender has become a Defaulting Lender. Any Lender who is not a Defaulting Lender shall have the right, but not the obligation, in its sole discretion, to acquire all of a Defaulting Lender's Commitment. Any Lender desiring to exercise such right shall give written notice thereof to the Agent and the Borrower no sooner than 2 Business Days and not later than 5 Business Days after such Defaulting Lender became a Defaulting Lender. If more than one Lender exercises such right, each such Lender shall have the right to acquire an amount of such Defaulting Lender's Commitment in proportion to its Commitments to the aggregate Commitments of all Lenders exercising such right. If after such 5th Business Day, the Lenders have not elected to purchase all of the Commitment of such Defaulting Lender, then the Borrower may, by giving written notice thereof to the Agent, such Defaulting Lender and the other Lenders, either (i) demand that such Defaulting Lender assign its Commitment to an Eligible Assignee subject to and in accordance with the provisions of Section 12.5. for the purchase price provided for below or (ii) terminate the Commitment of such Defaulting Lender, whereupon such Defaulting Lender shall no longer be a party hereto or have any rights or obligations hereunder or under any of the other Loan Documents. No party hereto shall have any obligation whatsoever to initiate any such replacement or to assist in finding an Eligible Assignee. Upon any such purchase or assignment, the Defaulting Lender's interest in the Loans and its rights hereunder (but not its liability in respect thereof or under the Loan Documents or this Agreement to the extent the same relate to the period prior to the effective

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date of the purchase) shall terminate on the date of purchase, and the Defaulting Lender shall promptly execute all documents reasonably requested to surrender and transfer such interest to the purchaser or assignee thereof, including an appropriate Assignment and Acceptance Agreement and, notwithstanding Section 12.5., shall pay to the Agent an assignment fee in the amount of \$3,500. The purchase price for the Commitment of a Defaulting Lender shall be equal to the amount of the principal balance of the Loans outstanding and owed by the Borrower to the Defaulting Lender. Prior to payment of such purchase price to a Defaulting Lender, the Agent shall apply against such purchase price any amounts retained by the Agent pursuant to the last sentence of the immediately preceding subsection (a). The Defaulting Lender shall be entitled to receive amounts owed to it by the Borrower under the Loan Documents which accrued prior to the date of the default by the Defaulting Lender, to the extent the same are received by the Agent from or on behalf of the Borrower. There shall be no recourse against any Lender or the Agent for the payment of such sums except to the extent of the receipt of payments from any other party or in respect of the Loans.

Section 3.12. Taxes.

(a) Taxes Generally. All payments by the Borrower of principal of, and interest on, the Loans and all other Obligations shall be made free and clear of and without deduction for any present or future excise, stamp or other taxes, fees, duties, levies, imposts, charges, deductions, withholdings or other charges of any nature whatsoever imposed by any taxing authority, but excluding (i) franchise taxes, (ii) any taxes imposed on or measured by any Lender's assets, net income, receipts or branch profits, (iii) any taxes (other than withholding taxes) with respect to the Agent or a Lender that would not be imposed but for a connection between the Agent or such Lender and the jurisdiction imposing such taxes (other than a connection arising solely by virtue of the activities of the Agent or such Lender pursuant to or in respect of this Agreement or any other Loan Document), and (iv) any taxes, fees, duties, levies, imposts, charges, deductions, withholdings or other charges to the extent imposed as a result of the failure of the Agent or a Lender, as applicable, to provide and keep current (to the extent legally able) any certificates, documents or other evidence required to qualify for an exemption from, or reduced rate of, any such taxes fees, duties, levies, imposts, charges, deductions, withholdings or other charges or required by the immediately following subsection (c) to be furnished by the Agent or such Lender, as applicable (such non-excluded items being collectively called "Taxes"). If any withholding or deduction from any payment to be made by the Borrower hereunder is required in respect of any Taxes pursuant to any Applicable Law, then the Borrower will:

- (i) pay directly to the relevant Governmental Authority the full amount required to be so withheld or deducted;
- (ii) promptly forward to the Agent an official receipt or other documentation satisfactory to the Agent evidencing such payment to such Governmental Authority; and
- (iii) pay to the Agent for its account or the account of the applicable Lender, as the case may be, such additional amount or amounts as is necessary to ensure that the net amount actually received by the Agent or such Lender will equal the full amount that the Agent or such Lender would have received had no such withholding or deduction been required.

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(b) Tax Indemnification. If the Borrower fails to pay any Taxes when due to the appropriate Governmental Authority or fails to remit to the Agent, for its account or the account of the respective Lender, as the case may be, the required receipts or other required documentary evidence, the Borrower shall indemnify the Agent and the Lenders for any incremental Taxes, interest or penalties that may become payable by the Agent or any Lender as a result of any such failure. For purposes of this Section, a distribution hereunder by the Agent or any Lender to or for the account of any Lender shall be deemed a payment by the Borrower.

(c) Tax Forms. Prior to the date that any Lender or Participant organized under the laws of a jurisdiction outside the United States of America becomes a party hereto, such Person shall deliver to the Borrower and the Agent such certificates, documents or other evidence, as required by the Internal Revenue Code or Treasury Regulations issued pursuant thereto (including Internal Revenue Service Forms W-8ECI and W-8BEN, as applicable, or appropriate successor forms), properly completed, currently effective and duly executed by such Lender or Participant establishing that payments to it hereunder and under the Notes are (i) not subject to United States Federal backup withholding tax and (ii) not subject to United States Federal withholding tax imposed under the Internal Revenue Code. Each such Lender or Participant shall, to the extent it may lawfully do so, (x) deliver further copies of such forms or other appropriate certifications on or before the date that any such forms expire or become obsolete and after the occurrence of any event requiring a change in the most recent form delivered to the Borrower or the Agent and (y) obtain such extensions of the time for filing, and renew such forms and certifications thereof, as may be reasonably requested by the Borrower or the Agent. The Borrower shall not be required to pay any amount pursuant to the last sentence of subsection (a) above to any Lender or Participant that is organized under the laws of a jurisdiction outside of the United States of America or the Agent, if it is organized under the laws of a jurisdiction outside of the United States of America, if such Lender, Participant or the Agent, as applicable, fails to comply with the requirements of this subsection. If any such Lender or Participant, to the extent it may lawfully do so, fails to deliver the above forms or other documentation, then the Agent may withhold from any payments to be made to such Lender under any of the Loan Documents such amounts as are required by the Internal Revenue Code. If any Governmental Authority asserts that the Agent did not properly withhold or backup withhold, as the case may be, any tax or other amount from payments made to or for the account of any Lender, such Lender shall indemnify the Agent therefor, including all penalties and interest, any taxes imposed by any jurisdiction on the amounts payable to the Agent under this Section, and costs and expenses (including all reasonable fees and disbursements of any law firm or other external counsel and the allocated cost of internal legal services and all disbursements of internal counsel) of the Agent. The obligation of the Lenders under this Section shall survive the termination of the Commitments, repayment of all Obligations and the resignation or replacement of the Agent.

ARTICLE IV. YIELD PROTECTION, ETC.

Section 4.1. Additional Costs; Capital Adequacy.

(a) Additional Costs. The Borrower shall promptly pay to the 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

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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 Loans or such obligation or the maintenance by such Lender of capital in respect of its 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 Loans or its Commitment (other than taxes, fees, duties, levies, imposts, charges, deductions, withholdings or other charges which are excluded from the definition of Taxes pursuant to the first sentence of Section 3.12.(a)); 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 Loan) 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) has or would have the effect of reducing the rate of return on capital of such Lender to a level below that which such Lender could have achieved but for such Regulatory Change (taking into consideration such Lender's policies with respect to capital adequacy).

(b) Lender's Suspension of LIBOR Loans. Without limiting the effect of the provisions of the immediately preceding subsection (a), 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 with notice to the Borrower (with a copy to the Agent), the obligation of such Lender to make or Continue, or to Convert any other Type of Loans into, LIBOR Loans hereunder shall be suspended until such Regulatory Change ceases to be in effect (in which case the provisions of Section 4.5. shall apply).

(c) Additional Costs in Respect of Letters of Credit. Without limiting the obligations of the Borrower under the preceding subsections of this Section (but without duplication), if as a result of any Regulatory Change or any risk-based capital guideline or other requirement heretofore or hereafter issued by any Governmental Authority there shall be imposed, modified or deemed applicable any tax, reserve, special deposit, capital adequacy or similar requirement against or with respect to or measured by reference to Letters of Credit and the result shall be to increase the cost to the Agent of issuing (or any Lender of purchasing participations in) or maintaining its obligation hereunder to issue (or purchase participations in) any Letter of Credit or reduce any amount receivable by the Agent or any Lender hereunder in respect of any Letter of Credit, then, upon demand by the Agent or such Lender, the Borrower shall pay promptly, and in any event within 3 Business Days of demand, to the Agent for its account or the account of such Lender, as applicable, from time to time as specified by the Agent or a Lender, such additional amounts as shall be sufficient to compensate the Agent or such Lender for such increased costs or reductions in amount.

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(d) Notification and Determination of Additional Costs. Each of the Agent and each Lender agrees to notify the Borrower of any event occurring after the Agreement Date entitling the 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 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 Agent). The Agent or such Lender agrees to furnish to the Borrower (and in the case of a Lender, to the Agent) a certificate setting forth the basis and amount of each request by the Agent or such Lender for compensation under this Section. Absent manifest error, determinations by the 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.

Section 4.2. Suspension of LIBOR Loans.

Anything herein to the contrary notwithstanding, if, on or prior to the determination of any LIBOR Rate for any Interest Period:

(a) the 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, or

(b) the 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;

then the 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.

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 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 Agent for the account of each Lender, upon the request of such Lender through the 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:

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(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. (b), 4.2. 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.(b) or 4.3., on such earlier date as such Lender may specify to the Borrower with a copy to the Agent) 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 gives notice to the Borrower (with a copy to the Agent) 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 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.

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Section 4.6. 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 4.7. 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 effect or permit the occurrence of the first Credit Event hereunder, whether as the making of a Loan or the issuance of a Letter of Credit, is subject to the following conditions precedent:

- (a) The Agent shall have received each of the following, in form and substance satisfactory to the Agent:
 - (i) Counterparts of this Agreement executed by each of the parties hereto;
 - (ii) Revolving Notes executed by the Borrower, payable to each Lender and complying with the applicable provisions of Section 2.10. and the Swingline Note executed by the Borrower;
 - (iii) The Guaranty executed by the Parent and any Material Subsidiary existing as of the Effective Date;
 - (iv) An opinion of the general counsel of the Parent and the other Loan Parties, addressed to the Agent, the Lenders and the Swingline Lender, addressing the matters set forth in Exhibit H;
 - (v) An opinion of Alston & Bird, LLP, counsel to the Agent, addressed to the Agent, the Lenders and the Swingline Lender, addressing the enforceability of the Loan Documents and such matters as the Agent shall reasonably request;

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(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, Notices of Continuation, Notices of Swingline Borrowing and requests for Letters of Credit;

(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 certificate or articles of incorporation, articles of organization, certificate of limited partnership, declaration of trust or other comparable organizational instrument (if any) of the Parent, the Borrower and each Guarantor, certified as of a recent date by the Secretary of State of the State of formation of such Person;

(ix) a Certificate of Good Standing or certificate of similar meaning with respect to the Parent, the Borrower and each Guarantor (and in the case of a

limited partnership, the general partner of such Guarantor) 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 such Person is required to be so qualified;

(x) a certificate of incumbency signed by the Secretary or Assistant Secretary (or other individual performing similar functions) of each Guarantor with respect to each of the officers of such Person authorized to execute and deliver the Loan Documents to which such Person is a party;

(xi) copies certified by the Secretary or Assistant Secretary (or other individual performing similar functions) of the Parent, the Borrower and each Guarantor 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;

(xii) copies certified by the Secretary or Assistant Secretary (or other individual performing similar functions) of each Guarantor of all corporate, partnership, member or other necessary action taken by each Guarantor to authorize the execution, delivery and performance of the Loan Documents to which it is a party;

(xiii) the Fees then due and payable under Section 3.6., and any other Fees payable to the Agent, the Titled Agents and the Lenders on or prior to the Effective Date;

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(xiv) a Compliance Certificate calculated as of June 30, 2007 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; and

(xv) a statement from the administrative agent under the Existing Credit Agreement providing information regarding the payment of all amounts outstanding under the Existing Credit Agreement as of the Effective Date; and

(xvi) such other documents, agreements and instruments as the Agent on behalf of the Lenders 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 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 and Letters of Credit.

The obligations of the Lenders to make any Loans, of the Agent to issue Letters of Credit, and of the Swingline Lender to make any Swingline Loan are all subject to the further condition

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precedent that: (a) no Default or Event of Default shall exist as of the date of the making of such Loan or date of issuance of such Letter of Credit or would exist immediately after giving effect thereto; and (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 on and as of the date of the making of such Loan or date of issuance of such Letter of Credit 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 accurate on and as of such earlier date) and except for changes in factual circumstances specifically and expressly permitted hereunder. 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 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 or the issuance of a Letter of Credit, the Borrower shall be deemed to have represented to the Agent and the Lenders at the time such Loan is made or Letter of Credit issued 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, or the Agent issues a Letter of Credit, 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 or the issuance of such Letter of Credit. 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 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 Agent and each Lender to enter into this Agreement and to make Loans and issue Letters of Credit, the Parent and the Borrower represent and warrant to the 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 Agreement 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 Agreement Date (i) each of the Parent and its Subsidiaries owns, free and clear of all Liens (other than 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) 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 Agreement 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 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 Agreement 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 Agreement 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 Agreement Date and set forth in Part II of Schedule 6.1.(f).

(g) Existing Indebtedness. Schedule 6.1.(g) is, as of August 30, 2007, 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. During the period from such date to the Agreement Date, neither the Parent nor any Subsidiary has incurred any Indebtedness in excess of \$25,000,000 in aggregate principal amount. 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) Material Contracts. Schedule 6.1.(h) is, as of the Agreement Date, a true, correct and complete listing of all Material Contracts. Each of the Parent, its Subsidiaries and the other Loan Parties that is a party to any Material Contract has performed and is in compliance with all of the terms of such Material Contract, 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 Material Contract.

(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, 2006, 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, 2007, and the related unaudited consolidated statements of operations, cash flows and shareholders' equity of the Parent and its consolidated Subsidiaries for the fiscal quarter ending on such date. 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, 2006, 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. Each member of the ERISA Group is in compliance with its obligations under the minimum funding standards of ERISA and the Internal Revenue Code with respect to each Plan and is in compliance with the presently applicable provisions of ERISA and the Internal Revenue Code with respect to each Plan, except in each case for noncompliances which could not reasonably be expected to have a Material Adverse Effect. As of the Agreement Date, no member of the ERISA Group has (i) sought a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code in respect of any Plan, (ii) failed to make any contribution or payment to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement, or made any amendment to any Plan or Benefit Arrangement, which has resulted or could result in the imposition of a Lien or the posting of a bond or other security under ERISA or the Internal Revenue Code or (iii) incurred any liability under Title IV of ERISA other than a liability to the PBGC for premiums under Section 4007 of ERISA.

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(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

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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 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

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 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 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 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 Agreement 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", "Controlled Property" or "Non-Controlled Property", as applicable, and "Eligible Unencumbered Property".

(z) **Foreign Assets Control.** To the best of the Borrower's knowledge after due inquiry, the Borrower and each Guarantor are not Persons with whom the 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 is not engaged in any dealings or transactions or otherwise be associated with such Persons.

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 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 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 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

any extension of the Termination Date is effectuated pursuant to Section 2.12. and 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 and the issuance of the Letters of Credit.

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.

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 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 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 Agent (unless a Default or Event of Default shall exist, in which case the exercise by the 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) 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 Agent, the Parent shall execute an authorization letter addressed to its accountants authorizing the 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; Letters of Credit.

The Borrower shall use the proceeds of the Loans and the Letters of Credit for acquisitions, development and other general corporate purposes only. No part of the proceeds of any Loan or Letter of Credit will be used (a) for the purpose of buying or carrying "margin

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stock" within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to others for the purpose of purchasing or carrying any such margin stock or (b) to fund any operations in, finance any investments or activities in, or make any payments to, a Sanctioned Person or Sanctioned Entity.

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 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 Agent, execute and deliver or cause to be executed and delivered, to the 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 Agent to carry out more effectively the provisions and purposes of this Agreement and the other Loan Documents.

Section 7.12. Guarantors.

(a) Inclusion of Eligible Unencumbered Properties Owned by Material Subsidiaries. An Eligible Unencumbered Property owned or leased by any Subsidiary that becomes a Material Subsidiary after the Effective Date shall be included in determinations of Unencumbered Adjusted NOI and Unencumbered Asset Value only if the Borrower delivers to the Agent an Accession Agreement executed by such Material Subsidiary. In addition, within 30 days of the

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delivery of such Accession Agreement, the Borrower shall deliver the items that would have been delivered under Sections 5.1.(iv), (v), (ix) through (xii) and (xvi) with respect to such Material Subsidiary if such Material Subsidiary had been a Guarantor on the Effective Date, and if the Borrower fails to deliver such items by the date required, then such Eligible Unencumbered Property shall be excluded in determinations of Unencumbered Adjusted NOI and Unencumbered Asset Value until such items have been delivered.

(b) Release of a Guarantor. The Borrower may request in writing that the Agent release, and upon receipt of such request the Agent shall release, a Guarantor (other than the Parent) from the Guaranty so long as: (i) such Guarantor has ceased to be, or simultaneously with its release from the Guaranty will cease to be, a Material Subsidiary; (ii) no Default or Event of Default shall then be in existence or would occur as a result of such release; and (iii) the Agent shall have received such written request at least 10 Business Days (or such shorter period as may be acceptable to the Agent) prior to the requested date of release. Delivery by the Borrower to the 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 the American Stock Exchange or which is the subject of price quotations in the over-the-counter market as reported by the National Association of Securities Dealers Automated Quotation System.

ARTICLE VIII. INFORMATION

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 furnish to each Lender (or to the Agent if so provided below) at its Lending Office:

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 55 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 controller of the Parent, in his or her opinion, to present

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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 100 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 controller 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 Agent's request with respect to any other fiscal period, a certificate substantially in the form of Exhibit I (a "Compliance Certificate") executed by the chief financial officer or treasurer of each of the Parent and the Borrower: (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 report, in form and detail reasonably satisfactory to the Agent, setting forth a Statement of Funds From Operations for the fiscal period then ending.

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 Agent) and any registration statements on Form S-8 or its equivalent), reports on Forms 10-K, 10-Q and 8-K (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

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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 and when any member of the ERISA Group (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA or notice that any Multiemployer Plan is in reorganization, is insolvent or has been terminated, a copy of such notice; (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate, impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or appoint a trustee to administer any Plan, a copy of such notice; (iv) applies for a waiver of the minimum funding standard under Section 412 of the Internal Revenue Code, a copy of such application; (v) gives notice of intent to terminate any Plan under Section 4041(c) of ERISA, a copy of such notice and other information filed with the PBGC; (vi) gives notice of withdrawal from any Plan pursuant to Section 4063 of ERISA, a copy of such notice; or (vii) fails to make any payment or contribution to any Plan or Multiemployer Plan or in respect of any Benefit Arrangement or makes any amendment to any Plan or Benefit Arrangement which has resulted or could result in the imposition of a Lien or the posting of a bond or other security, a certificate of the chief financial officer 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) Modification of Organizational Documents. A copy of all amendments to the articles of incorporation, bylaws, partnership agreement, operating agreement or other similar organizational documents of the Parent, the Borrower or any other Loan Party adopted during any fiscal quarter within 30 Business Days after the end of such fiscal quarter;

(g) Change of Management or Financial Condition. Prompt notice of any change in the senior management 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

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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) Material Contracts. Promptly upon entering into any Material Contract after the Agreement Date, a copy to the Agent of such Material Contract;

(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 USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) and (ii) any information that the 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 Agent or any Lender may reasonably request.

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:

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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 0.65 to 1.0 at any time.

(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 1.40 to 1.00 at any time.

(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 be greater than 0.55 to 1.00 at any time.

(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 0.65 to 1.00 at any time.

(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 at any time.

(f) Minimum Net Worth. Tangible Net Worth at any time to be less than (i) \$820,000,000 plus (ii) 75% of the Net Proceeds of all Equity Issuances effected by the Parent or any Subsidiary after the Effective Date.

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.(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

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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.

(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.

Section 9.5. Merger, Consolidation, Sales of Assets and Other Arrangements.

The Parent and the Borrower shall not, and shall not permit any 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 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 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 Agent the following: (A) items of the type referred to in Sections 5.1.(a)(iv), (v), (ix) through (xii) and

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(xvi) with respect to the survivor entity as in effect after consummation of such merger (if not previously delivered to the 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 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 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) subject to the limitations and requirements of Section 7.12., 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. Modifications to Material Contracts.

The Parent and the Borrower shall not, and shall not permit any Subsidiary or other Loan Party to, enter into any amendment or modification to any Material Contract which could reasonably be expected to have a Material Adverse Effect.

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.

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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.

The Parent and the Borrower shall not, and shall not 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.

Section 9.11. Foreign Assets Control.

The Borrower and each Guarantor shall not be at any time a Person with whom the 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 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) or in Article IX. 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

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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 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 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) The Parent, the Borrower or any Subsidiary or any other Loan Party shall fail to pay when due and payable the principal of, or interest on, any Indebtedness (other than the Loans) having an aggregate outstanding principal amount of \$50,000,000 or more (or \$75,000,000 or more in the case of Nonrecourse Indebtedness) (“Material Indebtedness”) and as a result, the holder or holders of such 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

(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 or repurchased 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

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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 (y) (B) in the case of an injunction or other non-monetary judgment, such judgment could reasonably be expected to have a Material Adverse Effect.

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(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 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. Any member of the ERISA Group shall fail to pay when due an amount or amounts aggregating in excess of \$20,000,000 which it shall have become liable to pay under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Liabilities in excess of \$20,000,000 shall be filed under Title IV of ERISA by any member of the ERISA Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate, to impose liability (other than for premiums under Section 4007 of ERISA) in respect of, or to cause a trustee to be appointed to administer, any Plan or Plans having aggregate Unfunded Liabilities in excess of \$20,000,000; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan must be terminated; or there shall occur a complete or partial withdrawal from, or a default, within the meaning of Section 4219(c)(5) of ERISA, with respect to, one or more Multiemployer Plans which could cause one or more members of the ERISA Group to incur a current payment obligation in excess of \$20,000,000.

(l) Loan Documents. An Event of Default (as defined therein) shall occur under any of the other Loan Documents.

(m) Change of Control/Change in Management.

(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 25% 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; or

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(iii) Parent, or any Wholly Owned Subsidiary of the Parent, shall cease for any reason to be the general partner of the Borrower.

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, (ii) an amount equal to the Stated Amount of all Letters of Credit outstanding as of the date of the occurrence of such Event of Default for deposit into the Collateral Account pursuant to Section 10.5. and (iii) all of the other Obligations of the Borrower, including, but not limited to, the other amounts owed to the Lenders, the Swingline Lender and the 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, the obligation of the Lenders to make Revolving Loans, the Swingline Commitment, the obligation of the Swingline Lender to make Swingline Loans, and the obligation of the Agent to issue Letters of Credit hereunder, shall all immediately and automatically terminate.

(ii) Optional. If any other Event of Default shall exist, the 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, (2) an amount equal to the Stated Amount of all Letters of Credit outstanding as of the date of the occurrence of such other Event of Default for deposit into the Collateral Account pursuant to Section 10.5. and (3) all of the other Obligations, including, but not limited to, the other amounts owed to the Lenders and the 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, the Swingline Commitment and the obligation of the Lenders to make Loans hereunder and the obligation of the Agent to issue Letters of Credit hereunder.

(b) Loan Documents. The Requisite Lenders may direct the Agent to, and the 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 Agent to, and the 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 Agent and the Lenders shall be entitled to the appointment of a receiver for the assets and properties of

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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.(f) or 10.1.(g), the Commitments shall immediately and automatically terminate.

Section 10.4. Allocation of Proceeds.

If an Event of Default shall exist and maturity of any of the Obligations has been accelerated, all payments received by the Agent under any of the Loan Documents, in respect of any principal of or interest on the Obligations or any other amounts payable by the Borrower hereunder or thereunder, shall be applied in the following order and priority:

- (a) amounts due to the Agent in respect of fees and expenses due under Section 12.2.;
- (b) amounts due to the Lenders in respect of fees and expenses due under Section 12.2., pro rata in the amount then due each Lender;
- (c) payments of interest on Swingline Loans;
- (d) payments of interest on all other Loans and Reimbursement Obligations, to be applied for the ratable benefit of the Lenders;
- (e) payments of principal of Swingline Loans;
- (f) payments of principal of all other Loans, Reimbursement Obligations and other Letter of Credit Liabilities, to be applied for the ratable benefit of the Lenders; provided, however, to the extent that any amounts available for distribution pursuant to this subsection are attributable to the issued but undrawn amount of an outstanding Letters of Credit, such amounts shall be paid to the Agent for deposit into the Collateral Account;
- (g) amounts due the Agent and the Lenders pursuant to Sections 11.7. and 12.9.;
- (h) payments of all other Obligations and other amounts due and owing by the Borrower and the other Loan Parties under any of the Loan Documents, if any, to be applied for the ratable benefit of the Lenders; and
- (i) any amount remaining after application as provided above, shall be paid to the Borrower or whomever else may be legally entitled thereto.

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Section 10.5. Collateral Account.

(a) As collateral security for the prompt payment in full when due of all Letter of Credit Liabilities and the other Obligations, the Borrower hereby pledges and grants to the Agent, for the ratable benefit of the Agent and the Lenders as provided herein, a security interest in all of its right, title and interest in and to the Collateral Account and the balances from time to time in the Collateral Account (including the investments and reinvestments therein provided for below). The balances from time to time in the Collateral Account shall not constitute payment of any Letter of Credit Liabilities until applied by the Agent as provided herein. Anything in this Agreement to the contrary notwithstanding, funds held in the Collateral Account shall be subject to withdrawal only as provided in this Section.

(b) Amounts on deposit in the Collateral Account shall be invested and reinvested by the Agent in such Cash Equivalents as the Agent shall determine in its sole discretion. All such investments and reinvestments shall be held in the name of and be under the sole dominion and control of the Agent for the ratable benefit of the Lenders. The Agent shall exercise reasonable care in the custody and preservation of any funds held in the Collateral Account and shall be deemed to have exercised such care if such funds are accorded treatment substantially equivalent to that which the Agent accords other funds deposited with the Agent, it being understood that the Agent shall not have any responsibility for taking any necessary steps to preserve rights against any parties with respect to any funds held in the Collateral Account.

(c) If a drawing pursuant to any Letter of Credit occurs on or prior to the expiration date of such Letter of Credit, the Borrower and the Lenders authorize the Agent to use the monies deposited in the Collateral Account to make payment to the beneficiary with respect to such drawing or the payee with respect to such presentment.

(d) If an Event of Default exists, the Requisite Lenders may, in their discretion, at any time and from time to time, instruct the Agent to liquidate any such investments and reinvestments and apply proceeds thereof to the Obligations in accordance with Section 10.4.

(e) So long as no Default or Event of Default exists, and to the extent amounts on deposit in the Collateral Account exceed the aggregate amount of the Letter of Credit Liabilities, the Agent shall, from time to time, at the request of the Borrower, deliver to the Borrower within 10 Business Days after the Agent's receipt of such request from the Borrower, against receipt but without any recourse, warranty or representation whatsoever, such of the balances in the Collateral Account as exceed the aggregate amount of Letter of Credit Liabilities at such time.

(f) The Borrower shall pay to the Agent from time to time such fees as the Agent normally charges for similar services in connection with the Agent's administration of the Collateral Account and investments and reinvestments of funds therein.

Section 10.6. Performance by 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

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any cure or grace period set forth herein, the 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 Agent, promptly pay any amount reasonably expended by the Agent in such performance or attempted performance to the Agent, together with interest thereon at the applicable Post-Default Rate from the date of such expenditure until paid. Notwithstanding the foregoing, neither the 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 10.7. Rights Cumulative.

The rights and remedies of the 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 Agent and the Lenders may be selective and no failure or delay by the 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.

ARTICLE XI. THE AGENT

Section 11.1. Authorization and Action.

Each Lender hereby appoints and authorizes the 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 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 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 Agent a trustee or fiduciary for any Lender nor to impose on the Agent duties or obligations other than those expressly provided for herein. At the request of a Lender, the Agent will forward to such Lender copies or, where appropriate, originals of the documents delivered to the Agent pursuant to this Agreement or the other Loan Documents. The Agent will also furnish to any Lender, upon the request of such Lender, a copy of any certificate or notice furnished to the 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 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,

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notwithstanding anything in this Agreement to the contrary, the Agent shall not be required to take any action which exposes the 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 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 Agent to exercise such right or remedy.

Section 11.2. Agent's Reliance, Etc.

Notwithstanding any other provisions of this Agreement or any other Loan Documents, neither the 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 Agent: (a) may treat the payee of any Note as the holder thereof until the Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to the 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 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 Agent shall not be deemed to have knowledge or notice of the occurrence of a Default or Event of Default unless the 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 Agent) becomes aware of any Default or Event of Default, it shall promptly send to the Agent such a "notice of default." Further, if the Agent receives such a "notice of default", the Agent shall give prompt notice thereof to the Lenders.

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Section 11.4. KeyBank as Lender.

KeyBank, as a Lender, 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 Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include KeyBank in each case in its individual capacity. KeyBank 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 Agent and any affiliate 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, KeyBank 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 Agent shall be under no obligation to provide such information to them.

Section 11.5. Approvals of Lenders.

All communications from the Agent to any Lender requesting such Lender's determination, consent, approval or disapproval (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, consent or disapproval 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, (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 Agent by the Parent and the Borrower in respect of the matter or issue to be resolved, and (d) shall include the Agent's recommended course of action or determination in

respect thereof. 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. Except as otherwise provided in this Agreement, unless a Lender shall give written notice to the Agent that it specifically objects to the recommendation or determination of the 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 of or consented to such recommendation or determination.

Section 11.6. Lender Credit Decision, Etc.

Each Lender expressly acknowledges and agrees that neither the Agent nor any of its officers, directors, employees, agents, counsel, attorneys-in-fact or other affiliates 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 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

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or warranty by the 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 Agent, any other Lender or counsel to the 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 Agent, any other Lender or counsel to the 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 Agent under this Agreement or any of the other Loan Documents, the 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 Agent, or any of its officers, directors, employees, agents, attorneys-in-fact or other affiliates. Each Lender acknowledges that the Agent's legal counsel in connection with the transactions contemplated by this Agreement is only acting as counsel to the Agent and is not acting as counsel to such Lender.

Section 11.7. Indemnification of Agent.

Each Lender agrees to indemnify the 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 respective Commitment Percentage, 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 Agent (in its capacity as 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 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 Agent's gross negligence or willful misconduct as determined by a court of competent jurisdiction in a final, non-appealable judgment or if the 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 Agent following the advice of counsel to the 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 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 Agent's own choosing) incurred by the 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 Agent to enforce the terms of the Loan Documents

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and/or collect any Obligations, any "lender liability" suit or claim brought against the Agent and/or the Lenders, and any claim or suit brought against the 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 Agent notwithstanding any claim or assertion that the Agent is not entitled to indemnification hereunder upon receipt of an undertaking by the Agent that the Agent will reimburse the Lenders if it is actually and finally determined by a court of competent jurisdiction that the 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 Agent for any Indemnifiable Amount following payment by any Lender to the Agent in respect of such Indemnifiable Amount pursuant to this Section, the Agent shall share such reimbursement on a ratable basis with each Lender making any such payment.

Section 11.8. Successor Agent.

The Agent may resign at any time as Agent under the Loan Documents by giving written notice thereof to the Lenders and the Borrower. The Agent may be removed as 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 Agent). Upon any such resignation or removal, the Requisite Lenders shall have the right to appoint a successor 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 Agent). If no successor 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 Agent's giving of notice of resignation or the giving of notice of the removal of the Agent, then the resigning or removed Agent may, on behalf of the Lenders, appoint a successor 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 Agent shall continue to serve as Agent until such time as a successor Agent shall have accepted such appointment. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations under the Loan Documents; provided, however, such retiring Agent shall not be relieved from any obligations arising prior to its discharge the extent resulting from the 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 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 Agent following the advice of counsel to the Agent of which advice the Lenders have received notice. Such successor Agent shall issue letters of credit in substitution for the Letters of Credit, if any, outstanding at the time of such succession or shall make other arrangements satisfactory to the current Agent, in either case, to assume effectively the obligations of the current Agent with respect to such Letters of Credit. After any Agent's resignation or removal hereunder as 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 Agent under the Loan Documents.

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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 "Co-Lead Arranger", "Syndication Agent" and "Documentation Agent" are solely honorific and imply no fiduciary responsibility on the part of the Titled Agents to the 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 Agent:

KeyBank National Association
127 Public Square, 8th Floor
Cleveland, Ohio 44114
Attn: John C. Scott
Telephone: (216) 689-5986
Telecopy: (216) 689-4997

with a copy to:

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KeyBank National Association
800 Superior Avenue
Cleveland, Ohio 44114
Attn: REC Services
Telephone: (216) 828-7512
Telecopy: (216) 828-7523

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 Agent or any Lender under Article II. shall be effective only when actually received or when receipt is refused. Neither the Agent nor any Lender shall incur any liability to the Borrower (nor shall the Agent incur any liability to the Lenders) for acting upon any telephonic notice referred to in this Agreement which the 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 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 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 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 Agent pursuant to the Loan Documents, (c) to pay, and indemnify and hold harmless the 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 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

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and disbursements of counsel to the 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 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 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 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 Agent, such Lender or any affiliate of the 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.

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 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 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 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 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 AGENT OR ANY OF THE LENDERS, PERTAINING DIRECTLY OR INDIRECTLY TO THIS AGREEMENT, THE LOANS AND LETTERS OF CREDIT, THE NOTES OR ANY OTHER LOAN DOCUMENT OR TO ANY

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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 AGENT OR ANY LENDER OR THE ENFORCEMENT BY THE 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, THE TERMINATION OR EXPIRATION OF ALL LETTERS OF CREDIT AND THE TERMINATION OF THIS AGREEMENT.

Section 12.5. Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, except that the Borrower may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of all Lenders and any such assignment or other transfer to which all of the Lenders have not so consented shall be null and void.

(b) Each Lender shall have the right to assign, transfer, sell, negotiate, pledge or otherwise hypothecate this Agreement and any of its rights and security hereunder and under the other Loan Documents to any other Eligible Assignee with the prior written consent of the Agent and with the prior written consent of the Borrower, which consents by the Agent and the Borrower shall not be unreasonably withheld, conditioned or delayed (provided that no consent of the Borrower shall be required if the Eligible Assignee is also a Lender or if an Event of Default then exists) and no consent of the Agent shall be required if the Eligible Assignee is also a Lender; provided, however, that (i) the parties to each such assignment shall execute and deliver to Agent, for its approval and acceptance, an Assignment and Acceptance Agreement, (ii) each such assignment shall be of a constant, and not a varying, percentage of the assigning Lender's rights and obligations under this Agreement, (iii) if the potential assignee is not already a Lender hereunder, at least ten (10) days prior to the date of the assignment, the potential assignee shall deliver to Agent the fully completed Patriot Act and OFAC forms attached as Exhibit K hereto and such other information as Agent shall require to successfully complete the Agent's Patriot Act Customer Identification Process and OFAC Review Process, (iv) unless the Agent and, so long as no Event of Default exists, the Borrower otherwise consent, the aggregate amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment shall in no event be less than \$10,000,000, (v) the Agent shall receive from the

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assigning Lender a processing fee of \$3,500, and (vi) if the assignment is less than the assigning Lender's entire Commitment, the assigning Lender must retain at least a \$10,000,000 Commitment. The Agent may designate any Eligible Assignee accepting an assignment of a specified portion of the Loan to be a Co-Agent, an "Arranger" or similar title, but such designation shall not confer on such Eligible Assignee the rights or duties of the Agent. Upon such execution, delivery, approval and acceptance, and upon the effective date specified in the applicable Assignment and Acceptance Agreement, (x) the Eligible Assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance Agreement, have the rights and obligations of a Lender hereunder and under the other Loan Documents, and the Borrower hereby agrees that all of the rights and remedies of Lenders in connection with the interest so assigned shall be enforceable against the Borrower by an Eligible Assignee with the same force and effect and to the same extent as the same would have been enforceable but for such assignment, and (y) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder and under the other Loan Documents have been assigned by it pursuant to such Assignment and Acceptance Agreement, relinquish its rights and be released from its obligations hereunder and thereunder.

(c) By executing and delivering an Assignment and Acceptance Agreement, the assigning Lender thereunder and the Eligible Assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) except as provided in such Assignment and Acceptance Agreement, such assigning Lender and Agent make no representation or warranty and assume no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document or any other instrument or document furnished in connection therewith; (ii) such assigning Lender and the Agent make no representation or warranty and assume no responsibility with

respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished in connection therewith; (iii) such Eligible Assignee confirms that it has received a copy of this Agreement together with such financial statements, Loan Documents and other documents and information as it has deemed appropriate to make its own independent credit analysis and decision to enter into the Assignment and Acceptance Agreement and to become a Lender hereunder; (iv) such Eligible Assignee will, independently and without reliance upon Agent, the assigning Lender or any other Lender, and based on such documents and information as it shall deem appropriate at the time continue to make its own independent credit decisions in taking or not taking action under this Agreement; (v) such Eligible Assignee appoints and authorizes the Agent to take such action as the Agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto; and (vi) such Eligible Assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

(d) Agent shall maintain a copy of each Assignment and Acceptance Agreement delivered to and accepted by it and shall record in its records the name and address of each

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Lender and the Commitment of such Lender from time to time. The Borrower, the Agent and the Lenders may treat each entity whose name is so recorded as a Lender hereunder for all purposes of this Agreement. In the case of any assignment by a Lender, within five Business Days after its receipt of written notice of such assignment, the Borrower, at its own expense, shall, if requested by the applicable Lender, execute and deliver to the Agent in exchange for the surrendered Note or Notes a new Note to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it pursuant to such Assignment and Acceptance Agreement and, if any assigning Lender has retained a Commitment hereunder, a new Note to the order of such assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes, if any, shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes and shall be dated the effective date of such Assignment and Acceptance.

(e) Upon receipt of an Assignment and Acceptance Agreement executed by an assigning Lender and an Eligible Assignee, Agent shall, if such Assignment and Acceptance Agreement has been properly completed and consented to if required herein, accept such Assignment and Acceptance Agreement, and record the information contained therein in its records, and the Agent shall give prompt written notice thereof to the Borrower (provided that neither the Agent nor the Lenders shall be liable for any failure to give such notice).

(f) The Borrower shall use reasonable efforts to cooperate with the Agent and each Lender in connection with the assignment of interest under this Agreement or the sale of participations herein.

(g) Anything in this Agreement to the contrary notwithstanding, and without the need to comply with any of the formal or procedural requirements of this Agreement, including this Section, any Lender may at any time and from time to time pledge and assign all or any portion of its rights under all or any of the Loan Documents to a Federal Reserve Bank; provided that no such pledge or assignment shall release such Lender from its obligations hereunder or increase the Borrower's or any other Loan Party's obligations hereunder. To facilitate any such pledge or assignment, the Agent shall, at the request of such Lender, enter into a letter agreement with the Federal Reserve Bank in, or substantially in, the form of the exhibit to Appendix C to the Federal Reserve Bank of New York Operating Circular No. 12, or other applicable form.

(h) Anything in this Agreement to the contrary notwithstanding, any Lender may assign all or any portion of its rights and obligations under this Agreement to another branch or affiliate of such Lender without first obtaining the approval of any Agent or the Borrower, provided that (i) such Lender remains liable hereunder unless the Borrower and the Agent shall otherwise agree, (ii) at the time of such assignment such Lender is not a Defaulting Lender, (iii) such Lender gives the Agent and the Borrower at least fifteen (15) days prior written notice of any such assignment; (iv) the parties to each such assignment execute and deliver to the Agent an Assignment and Acceptance Agreement, and (v) the Agent receives from the assigning Lender a processing fee of \$1,500.

(i) Each Lender shall have the right, without the consent of the Borrower, to sell participations to one or more Eligible Assignees (each a "Participant") in or to all or a portion of

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its rights and obligations under the Loan Documents; provided, however, that (i) such Lender's obligations under this Agreement (including without limitation its Commitment to the Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) the Borrower, the Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and with regard to any and all payments to be made under this Agreement and (iv) the holder of any such participation shall not be entitled to voting rights under this Agreement or the other Loan Documents (but such holder may contract with the Lender selling such Eligible Assignee its interest in such Lender's share of the Loan as to voting of such Lender's interest under Section 12.6.(b), but not under any other section of this Agreement; provided that any such agreement by a Lender shall bind only such Lender alone and not the Borrower, the other Lenders or the Agent).

(j) No Eligible Assignee of any rights and obligations under this Agreement shall be permitted to subassign such rights and obligations. No Participant in any rights and obligations under this Agreement shall be permitted to sell subparticipations of such rights and obligations.

(k) Each of the Parent and the Borrower acknowledges and agrees that the Lenders may provide to any Eligible Assignee or Participant originals or copies of this Agreement, any other Loan Document and any other documents, instruments, certificates, opinions, insurance policies, letters of credit, reports, requisitions and other material and information of every nature or description, and may communicate all oral information, at any time submitted by or on behalf of any Loan Party or received by any Lender in connection with the Loan Documents or with respect to any Loan Party; provided that prior to any such delivery or communication, such Eligible Assignees or Participants shall agree to preserve the confidentiality of any of the foregoing to the same extent that such Lender agreed to preserve such confidentiality. In order to facilitate assignments to Eligible Assignees and sales to Eligible Assignees, the Borrower shall execute such further documents, instruments or agreements as the Lenders may reasonably require; provided, that the Borrower shall not be required (i) to execute any document or agreement which would decrease its rights, or increase its obligations, relative to those set forth in this Agreement or any of the other Loan Documents (including financial obligations, personal recourse, representations and warranties and reporting requirements), or (ii) to expend more than incidental sums of money or incidental administrative time for which it does not receive reasonable reimbursement in order to comply with any requests or requirements of any Lender in connection with such assignment or sale arrangement.

Section 12.6. Amendments.

(a) 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).

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(b) Notwithstanding the foregoing, without the prior written consent of each Lender adversely affected thereby, no amendment, waiver or consent shall do any of the following:

- (i) increase the Commitments of the Lenders (except for any increase in the Commitments effectuated pursuant to Section 2.15.) or subject the Lenders to any additional obligations;
- (ii) reduce the principal of, or interest rates that have accrued or that will be charged on the outstanding principal amount of, any Loans or other Obligations;
- (iii) reduce the amount of any Fees payable hereunder or postpone any date fixed for payment thereof;
- (iv) modify the definition of the term "Termination Date" (except as contemplated under Section 2.12.) or otherwise postpone any date fixed for any payment of any principal of, or interest on, any Loans or any other Obligations (including the waiver of any Default or Event of Default as a result of the nonpayment of any such Obligations as and when due), or extend the expiration date of any Letter of Credit beyond the Termination Date;
- (v) amend or otherwise modify the provisions of Section 3.2.;
- (vi) modify the definition of the term "Requisite Lenders" or otherwise 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, including without limitation, any modification of this Section 12.6. if such modification would have such effect;
- (vii) release any Guarantor from its obligations under the Guaranty (except as otherwise permitted under Section 7.12.(b));
- (viii) amend or otherwise modify the provisions of Section 2.14. or Section 10.4.; or
- (ix) increase the number of Interest Periods permitted with respect to Loans under Section 2.5.

(c) No amendment, waiver or consent, unless in writing and signed by the Agent, in such capacity, in addition to the Lenders required hereinabove to take such action, shall affect the rights or duties of the Agent under this Agreement or any of the other Loan Documents. Any amendment, waiver or consent relating to Section 2.2. or the obligations of the Swingline Lender under this Agreement or any other Loan Document shall, in addition to the Lenders required hereinabove to take such action, require the written consent of the Swingline Lender.

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(d) 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 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.

Section 12.7. Nonliability of Agent and Lenders.

The relationship between the Borrower and the Lenders and the Agent shall be solely that of borrower and lender. Neither the 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 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 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 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 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 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 Agent or such Lender, as applicable, and the Borrower and the Parent, but in any event the 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 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 Agent or the Lenders of rights hereunder or under any of the other Loan Documents; (f) upon Borrower's prior consent

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(which consent shall not be unreasonably withheld), to any contractual counter-parties to any swap or similar hedging agreement or to any rating agency; and (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 Agent or any Lender on a nonconfidential basis from a source other than the Parent, the Borrower or any Affiliate. Notwithstanding the foregoing, the 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 Agent or any Lender to give such notice to the Borrower or any Loan Party shall not subject the 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 Agent or such Lender or in accordance with the regulatory compliance policy of the Agent or such Lender.

Section 12.9. Indemnification.

- (a) The Borrower shall and hereby agrees to indemnify, defend and hold harmless the Agent, each of the Lenders, any affiliate of the 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 or issuance of Letters of Credit hereunder; (iii) any actual or proposed use by the Borrower of the proceeds of the Loans or Letters of Credit; (iv) the Agent's or any Lender's entering into this Agreement; (v) the fact that the Agent and the Lenders have established the credit facility evidenced hereby in favor of the Borrower; (vi) the fact that the 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 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 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 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

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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 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

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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.

At such time as (a) all of the Commitments have been terminated, (b) all Letters of Credit have terminated, (c) none of the Lenders nor the Swingline Lender is obligated any longer under this Agreement to make any Loans and (d) all Obligations (other than obligations which survive as provided in the following sentence) have been paid and satisfied in full, this Agreement shall terminate. The indemnities to which the Agent, the Lenders and the Swingline Lender 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 Agent, the Lenders and the Swingline Lender (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.

This Agreement and any amendments, waivers, consents or supplements may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all of which counterparts together shall constitute but one and the same instrument.

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 Agent nor any Lender, nor any affiliate, officer, director, employee, attorney, or agent of the 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 Agent or any Lender or any of the 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.

Section 12.17. Construction.

The 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 Agent, the Borrower, the Parent and each Lender.

Section 12.18. Patriot Act.

The Lenders and the Agent each hereby notifies the Borrower that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), 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 Agent, as applicable, to identify the Borrower in accordance with such Act.

Section 12.19. No Novation.

THE PARTIES HERETO HAVE ENTERED INTO THIS AGREEMENT SOLELY TO AMEND AND RESTATE THE TERMS OF THE EXISTING CREDIT AGREEMENT. THE PARTIES DO NOT INTEND THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY TO BE, AND THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL NOT BE CONSTRUED TO BE, A NOVATION OF ANY OF THE OBLIGATIONS OWING BY THE BORROWER UNDER OR IN CONNECTION WITH THE EXISTING CREDIT AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS (AS DEFINED IN THE EXISTING CREDIT AGREEMENT). THE AMENDMENT AND RESTATEMENT OF THE EXISTING CREDIT AGREEMENT EFFECTED BY THIS AGREEMENT SHALL HAVE PROSPECTIVE APPLICATION ONLY.

[Signatures on Following Pages]

IN WITNESS WHEREOF, the parties hereto have caused this Second Amended and Restated Credit Agreement to be executed by their authorized officers all as of the day and year first above written.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its
sole general partner

By: /s/ Stephen E. Riffée
Name: Stephen E. Riffée
Title: Executive Vice President

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ Stephen E. Riffie
Name: Stephen E. Riffie
Title: Executive Vice President

[Signatures Continued Next Page]

[Signature Page to Second Amended and Restated Credit Agreement with Corporate Office Properties, L.P.]

KEYBANK NATIONAL ASSOCIATION, as Agent, as a
Lender and as Swingline Lender

By: /s/ John Scott
Name: John Scott
Title: Vice President

WACHOVIA BANK, NATIONAL ASSOCIATION

By: /s/ Amit Khimji
Name: Amit Khimji
Title: Vice President

BANK OF AMERICA, N.A.

By: /s/ Mark A. Mokolke
Name: Mark A. Mokolke
Title: Vice President

CITIZENS BANK OF PENNSYLVANIA

By: /s/ Kellie Anderson
Name: Kellie Anderson
Title: Sr. Vice President

MANUFACTURERS AND TRADERS TRUST COMPANY

By: /s/ Matthew Lind
Name: Matthew Lind
Title: Vice President

SUNTRUST BANK

By: /s/ Nancy B. Richards
Name: Nancy B. Richard
Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Timothy P. Gleeson
Name: Timothy P. Gleeson
Title: Vice President

REGIONS BANK

By: /s/ Kerri Raines
Name: Kerri Raines
Title: Vice President

COMERICA BANK.

By: /s/ Adam Sheets
Name: Adam Sheets
Title: Assistant Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Edmond K. Delany
Name: Edmond K. Delany
Title: Vice President

CHEVY CHASE BANK, F.S.B.

By: /s/ Dory Halati
Name: Dory Halati
Title: Vice President

SCHEDULE I

Commitments

<u>Lender</u>	<u>Revolving Commitment</u>
KeyBank National Association	\$ 100,000,000
Wachovia Bank, National Association	\$ 75,000,000
Bank of America, N.A.	\$ 75,000,000
Manufacturers and Traders Trust Company	\$ 75,000,000
Citizens Bank of Pennsylvania	\$ 75,000,000
SunTrust Bank	\$ 50,000,000
PNC Bank, National Association	\$ 40,000,000
Regions Bank	\$ 40,000,000
Comerica Bank	\$ 25,000,000
Union Bank of California, N.A.	\$ 25,000,000
Chevy Chase Bank, F.S.B.	\$ 20,000,000
TOTAL	\$ 600,000,000

EXHIBIT A

FORM OF ASSIGNMENT AND ACCEPTANCE AGREEMENT

THIS ASSIGNMENT AND ACCEPTANCE AGREEMENT dated as of _____, 200__ (the "Agreement") by and among _____ (the "Assignor"), _____ (the "Assignee"), and KeyBank National Association, as Agent (the "Agent").

WHEREAS, the Assignor is a Lender under that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Corporate Office Properties, L.P. (the "Borrower"), Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), the Agent, KeyBanc Capital Markets, as Lead Arranger, _____, as Syndication Agent, and _____, as Documentation Agent;

WHEREAS, the Assignor desires to assign to the Assignee, among other things, all or a portion of the Assignor's Commitment under the Credit Agreement, all on the terms and conditions set forth herein; and

WHEREAS, the Agent consents to such assignment on the terms and conditions set forth herein;

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

Section 1. Assignment.

(a) Subject to the terms and conditions of this Agreement and in consideration of the payment to be made by the Assignee to the Assignor pursuant to Section 2 of this Agreement, effective as of _____, 200__ (the "Assignment Date"), the Assignor hereby irrevocably sells, transfers and assigns to the Assignee, without recourse, a \$ _____ interest (such interest being the "Assigned Commitment") in and to the Assignor's Commitment and all of the other rights and obligations of the Assignor under the Credit Agreement, such Assignor's Revolving Note and the other Loan Documents (representing _____ % in respect of the aggregate amount of all Lenders' Commitments), including without limitation, a principal amount of outstanding Revolving Loans equal to \$ _____ and all voting rights of the Assignor associated with the Assigned Commitment, all rights to receive interest on such amount of Revolving Loans and all commitment and other Fees with respect to the Assigned Commitment and other rights of the Assignor under the Credit Agreement and the other Loan Documents with respect to the Assigned Commitment, all as if the Assignee were an original Lender under and signatory to the Credit Agreement having a Commitment equal to the amount of the Assigned Commitment. The Assignee, subject to the terms and conditions hereof, hereby assumes all obligations of the Assignor with respect to the Assigned Commitment as if the Assignee were an original Lender under and signatory to the Credit Agreement having a

Commitment equal to the Assigned Commitment, which obligations shall include, but shall not be limited to, the obligation of the Assignor to make Revolving Loans to the Borrower with respect to the Assigned Commitment, the obligation to pay the Agent amounts due in respect of draws under Letters of Credit as required under Section 2.3. (i) of the Credit Agreement and the obligation to indemnify the Agent as provided therein (the foregoing enumerated obligations, together with all other similar obligations more particularly set forth in the Credit Agreement and the other Loan Documents, collectively, the "Assigned Obligations"). The Assignor shall have no further duties or obligations with respect to, and shall have no further interest in, the Assigned Obligations or the Assigned Commitment from and after the Assignment Date.

(b) The assignment by the Assignor to the Assignee hereunder is without recourse to the Assignor. The Assignee makes and confirms to the Agent, the Assignor, and the other Lenders all of the representations, warranties and covenants of a Lender under Article XI. of the Credit Agreement. Not in limitation of the foregoing, the Assignee acknowledges and agrees that, except as set forth in Section 4 below, the Assignor is making no representations or warranties with respect to, and the Assignee hereby releases and discharges the Assignor for any responsibility or liability for: (i) the present or future solvency or financial condition of the Borrower, any Subsidiary or

any other Loan Party, (ii) any representations, warranties, statements or information made or furnished by the Borrower, any Subsidiary or any other Loan Party in connection with the Credit Agreement or otherwise, (iii) the validity, efficacy, sufficiency, or enforceability of the Credit Agreement, any other Loan Document or any other document or instrument executed in connection therewith, or the collectibility of the Assigned Obligations, (iv) the perfection, priority or validity of any Lien with respect to any collateral at any time securing the Obligations or the Assigned Obligations under the Notes or the Credit Agreement and (v) the performance or failure to perform by the Borrower or any other Loan Party of any obligation under the Credit Agreement or any other Loan Document to which it is a party. Further, the Assignee acknowledges that it has, independently and without reliance upon the Agent, or on any affiliate or subsidiary thereof, the Assignor or any other Lender and based on the financial statements supplied by the Borrower and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to become a Lender under the Credit Agreement. The Assignee also acknowledges that it will, independently and without reliance upon the Agent, the Assignor or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Credit Agreement or any other Loan Documents or pursuant to any other obligation. Except as expressly provided in the Credit Agreement, the Agent shall have no duty or responsibility whatsoever, either initially or on a continuing basis, to provide the Assignee with any credit or other information with respect to the Borrower or any other Loan Party or to notify the Assignee of any Default or Event of Default. The Assignee has not relied on the Agent as to any legal or factual matter in connection therewith or in connection with the transactions contemplated thereunder.

Section 2. Payment by Assignee. In consideration of the assignment made pursuant to Section 1 of this Agreement, the Assignee agrees to pay to the Assignor on the Assignment Date, such amount as they may agree.

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Section 3. Payments by Assignor. The Assignor agrees to pay to the Agent on the Assignment Date the administration fee, if any, payable under the applicable provisions of the Credit Agreement.

Section 4. Representations and Warranties of Assignor. The Assignor hereby represents and warrants to the Assignee that (a) as of the Assignment Date (i) the Assignor is a Lender under the Credit Agreement having a Commitment under the Credit Agreement (without reduction by any assignments thereof which have not yet become effective), equal to \$ _____, and that the Assignor is not in default of its obligations under the Credit Agreement; and (ii) the outstanding balance of Revolving Loans owing to the Assignor (without reduction by any assignments thereof which have not yet become effective) is \$ _____; and (b) it is the legal and beneficial owner of the Assigned Commitment which is free and clear of any adverse claim created by the Assignor.

Section 5. Representations, Warranties and Agreements of Assignee. The Assignee (a) represents and warrants that it is (i) legally authorized to enter into this Agreement, (ii) an "accredited investor" (as such term is used in Regulation D of the Securities Act) and (iii) an Eligible Assignee; (b) confirms that it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant thereto and such other documents and information (including without limitation the Loan Documents) as it has deemed appropriate to make its own credit analysis and decision to enter into this Agreement; (c) appoints and authorizes the Agent to take such action as contractual representative on its behalf and to exercise such powers under the Loan Documents as are delegated to the Agent by the terms thereof together with such powers as are reasonably incidental thereto; and (d) agrees that it will become a party to and shall be bound by the Credit Agreement and the other Loan Documents to which the other Lenders are a party on the Assignment Date and will perform in accordance therewith all of the obligations which are required to be performed by it as a Lender.

Section 6. Recording and Acknowledgment by the Agent. Following the execution of this Agreement, the Assignor will deliver to the Agent (a) a duly executed copy of this Agreement for acknowledgment and recording by the Agent and (b) the Assignor's Revolving Note. Upon such acknowledgment and recording, from and after the Assignment Date, the Agent shall make all payments in respect of the interest assigned hereby (including payments of principal, interest, Fees and other amounts) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Credit Agreement for periods prior to the Assignment Date directly between themselves.

Section 7. Addresses. The Assignee specifies as its address for notices and its Lending Office for all Loans, the offices set forth below:

Notice Address:

Telephone No.:
Telecopy No.:

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Lending Office:

Telephone No.:
Telecopy No.:

Section 8. Payment Instructions. All payments to be made to the Assignee under this Agreement by the Assignor, and all payments to be made to the Assignee under the Credit Agreement, shall be made as provided in the Credit Agreement in accordance with the following instructions:

Section 9. Effectiveness of Assignment. This Agreement, and the assignment and assumption contemplated herein, shall not be effective until (a) this Agreement is executed and delivered by each of the Assignor, the Assignee, the Agent, and if required under Section 12.5. of the Credit Agreement, the Borrower, and (b) the payment to the Assignor of the amounts, if any, owing by the Assignee pursuant to Section 2 hereof and (c) the payment to the Agent of the amounts, if any, owing by the Assignor pursuant to Section 3 hereof. Upon recording and acknowledgment of this Agreement by the Agent, from and after the Assignment Date, (i) the Assignee shall be a party to the Credit Agreement and, to the extent provided in this Agreement, have the rights and obligations of a Lender thereunder and (ii) the Assignor shall, to the extent provided in this Agreement, relinquish its rights (except as otherwise provided in Section 12.10. of the Credit Agreement) and be released from its obligations under the Credit Agreement; provided, however, that if the Assignor does not assign its entire interest under the Loan Documents, it shall remain a Lender entitled to all of the benefits and subject to all of the obligations thereunder with respect to its Commitment.

Section 10. 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 11. Counterparts. This Agreement may be executed in any number of counterparts each of which, when taken together, shall constitute one and the same agreement.

Section 12. Headings. Section headings have been inserted herein for convenience only and shall not be construed to be a part hereof.

Section 13. Amendments; Waivers. This Agreement may not be amended, changed, waived or modified except by a writing executed by the Assignee and the Assignor; provided, however, any amendment, waiver or consent which shall affect the rights or duties of the Agent under this Agreement shall not be effective unless signed

Section 14. Entire Agreement. This Agreement embodies the entire agreement between the Assignor and the Assignee with respect to the subject matter hereof and supersedes all other prior arrangements and understandings relating to the subject matter hereof.

Section 15. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns.

Section 16. Definitions. Terms not otherwise defined herein are used herein with the respective meanings given them in the Credit Agreement.

[Include this Section only if Borrower's consent is required under Section 12.5. Section 17. Agreements of the Borrower. The Borrower hereby agrees that the Assignee shall be a Lender under the Credit Agreement having a Commitment equal to the Assigned Commitment. The Borrower agrees that the Assignee shall have all of the rights and remedies of a Lender under the Credit Agreement and the other Loan Documents as if the Assignee were an original Lender under and signatory to the Credit Agreement, including, but not limited to, the right of a Lender to receive payments of principal and interest with respect to the Assigned Obligations, and to the Revolving Loans made by the Lenders after the date hereof and to receive the commitment and other Fees payable to the Lenders as provided in the Credit Agreement. Further, the Assignee shall be entitled to the indemnification provisions from the Borrower in favor of the Lenders as provided in the Credit Agreement and the other Loan Documents. The Borrower further agrees, upon the execution and delivery of this Agreement, to execute in favor of the Assignee Notes as required by Section 12.5. of the Credit Agreement. Upon receipt by the Assignor of the amounts due the Assignor under Section 2, the Assignor agrees to surrender to the Borrower such Assignor's Notes.]

[Signatures on Following Pages]

IN WITNESS WHEREOF, the parties hereto have duly executed this Assignment and Acceptance Agreement as of the date and year first written above.

ASSIGNOR:

[NAME OF ASSIGNOR]

By: _____
Name: _____
Title: _____

ASSIGNEE:

[NAME OF ASSIGNEE]

By: _____
Name: _____
Title: _____

Accepted as of the date first written above.

AGENT:

KEYBANK NATIONAL ASSOCIATION,
as Agent

By: _____
Name: _____
Title: _____

[Signatures Continued on Following Page]

[Include signature of the Borrower only if required under Section 12.5. of the Credit Agreement]

Agreed and consented to as of the date first written above.

BORROWER:

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its
general partner

By: _____
Name: _____

EXHIBIT B

FORM OF NOTICE OF BORROWING

, 200

KeyBank National Association, as Agent
127 Public Square, 8th Floor
Cleveland, Ohio 44114
Attn:

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Corporate Office Properties, L.P. (the "Borrower"), Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), KeyBank National Association, as Agent (the "Agent"), and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

1. Pursuant to Section 2.1.(b) of the Credit Agreement, the Borrower hereby requests that the Lenders make Revolving Loans to the Borrower in an aggregate principal amount equal to \$ _____.
2. The Borrower requests that such Revolving Loans be made available to the Borrower on _____, 200 _____.
3. The Borrower hereby requests that the requested Revolving Loans all be of the following Type:

[Check one box only]

- Base Rate Loans
- LIBOR Loans, each with an initial Interest Period for a duration of:

[Check one box only]

- seven days
- one month
- two months
- three months
- six months

4. The proceeds of this borrowing of Revolving Loans will be used for the following purpose: _____

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5. The Borrower requests that the proceeds of this borrowing of Revolving Loans be made available to the Borrower by _____.

The Borrower hereby certifies to the Agent and the Lenders that as of the date hereof and as of the date of the making of the requested Revolving Loans and after giving effect thereto, (a) no Default or Event of Default exists or shall exist, and (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 are and shall be true and correct in all material respects, 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). In addition, the Borrower certifies to the Agent and the Lenders that all conditions to the making of the requested Revolving Loans contained in Article V. of the Credit Agreement will have been satisfied (or waived in accordance with the applicable provisions of the Loan Documents) at the time such Revolving Loans are made.

If notice of the requested borrowing of Revolving Loans was previously given by telephone, this notice is to be considered the written confirmation of such telephone notice required by Section 2.1.(b) of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Notice of Borrowing as of the date first written above.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its
general partner

By: _____
Name: _____
Title: _____

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EXHIBIT C

FORM OF NOTICE OF CONTINUATION

, 200

127 Public Square, 8th Floor
Cleveland, Ohio 44114
Attn:

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Corporate Office Properties, L.P. (the "Borrower"), Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), KeyBank National Association, as Agent (the "Agent"), and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

Pursuant to Section 2.8. of the Credit Agreement, the Borrower hereby requests a Continuation of a borrowing of Loans under the Credit Agreement, and in that connection sets forth below the information relating to such Continuation as required by such Section of the Credit Agreement:

1. The proposed date of such Continuation is _____, 200 .
2. The aggregate principal amount of Loans subject to the requested Continuation is \$ _____ and was originally borrowed by the Borrower on _____, 200 .
3. The portion of such principal amount subject to such Continuation is \$ _____.
4. The current Interest Period for each of the Loans subject to such Continuation ends on _____, 200 .

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5. The duration of the new Interest Period for each of such Loans or portion thereof subject to such Continuation is:

- [Check one box only]**
- seven days
 - one month
 - two months
 - three months
 - six months

The Borrower hereby certifies to the Agent and the Lenders that as of the date hereof, as of the proposed date of the requested Continuation, and after giving effect to such Continuation, no Default or Event of Default exists or will exist.

If notice of the requested Continuation was given previously by telephone, this notice is to be considered the written confirmation of such telephone notice required by Section 2.8. of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Notice of Continuation as of the date first written above.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its
general partner

By: _____
Name: _____
Title: _____

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EXHIBIT D

FORM OF NOTICE OF CONVERSION

, 200

KeyBank National Association, as Agent
127 Public Square, 8th Floor
Cleveland, Ohio 44114

Attn:

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Corporate Office Properties, L.P. (the "Borrower"), Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), KeyBank National Association, as Agent (the "Agent"), and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

Pursuant to Section 2.9. of the Credit Agreement, the Borrower hereby requests a Conversion of a borrowing of Loans of one Type into Loans of another Type under the Credit Agreement, and in that connection sets forth below the information relating to such Conversion as required by such Section of the Credit Agreement:

1. The proposed date of such Conversion is _____, 200 .
2. The Loans to be Converted pursuant hereto are **currently**:

- [Check one box only]**
- Base Rate Loans

LIBOR Loans

- 3. The aggregate principal amount of Loans subject to the requested Conversion is \$ _____ and was originally borrowed by the Borrower on _____, 200 .
- 4. The portion of such principal amount subject to such Conversion is \$ _____.

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5. The amount of such Loans to be so Converted is to be converted into Loans of the following Type:

[Check one box only]

- Base Rate Loans
- LIBOR Loans, each with an initial Interest Period for a duration of:

[Check one box only]

- seven days
- one month
- two months
- three months
- six months

The Borrower hereby certifies to the Agent and the Lenders that as of the date hereof and as of the date of the requested Conversion and after giving effect thereto, (a) no Default or Event of Default exists or will exist (provided the certification under this clause (a) shall not be made in connection with the Conversion of a Loan into a LIBOR Loan), and (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 are and shall be true and correct in all material respects, 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).

If notice of the requested Conversion was given previously by telephone, this notice is to be considered the written confirmation of such telephone notice required by Section 2.9. of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Notice of Conversion as of the date first written above.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its
general partner

By: _____
Name: _____
Title: _____

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EXHIBIT E

FORM OF NOTICE OF SWINGLINE BORROWING

, 200

KeyBank National Association, as Agent
127 Public Square, 8th Floor
Cleveland, Ohio 44114
Attn:

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Corporate Office Properties, L.P. (the "Borrower"), Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), KeyBank National Association, as Agent (the "Agent"), and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

- 1. Pursuant to Section 2.2.(b) of the Credit Agreement, the Borrower hereby requests that the Swingline Lender make a Swingline Loan to the Borrower in an amount equal to \$ _____.
- 2. The Borrower requests that such Swingline Loan be made available to the Borrower on _____, 200 .
- 3. The proceeds of this Swingline Loan will be used for the following purpose:
- 4. The Borrower requests that the proceeds of such Swingline Loan be made available to the Borrower by _____.

The Borrower hereby certifies to the Agent, the Swingline Lender and the Lenders that as of the date hereof, as of the date of the making of the requested Swingline Loan, and after making such Swingline Loan, (a) no Default or Event of Default exists or will exist, and (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 are and shall be true and correct in all material respects, 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). In addition, the Borrower certifies to the Agent and the Lenders that all conditions to the making of the requested Swingline Loan contained in Article V. of the Credit Agreement will have been satisfied at the time such Swingline Loan is made.

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If notice of the requested borrowing of this Swingline Loan was previously given by telephone, this notice is to be considered the written confirmation of such telephone notice required by Section 2.2.(b) of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Notice of Swingline Borrowing as of the date first written above.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its
general partner

By: _____
Name: _____
Title: _____

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EXHIBIT F

FORM OF SWINGLINE NOTE

\$50,000,000

October 1, 2007

FOR VALUE RECEIVED, the undersigned, Corporate Office Properties, L.P., a limited partnership formed under the laws of the State of Delaware (the "Borrower"), hereby promises to pay to the order of KEYBANK NATIONAL ASSOCIATION (the "Swingline Lender") to its address at 127 Public Square, 8th Floor, Cleveland, Ohio 44114, or at such other address as may be specified in writing by the Swingline Lender to the Borrower, the principal sum of FIFTY MILLION AND NO/100 DOLLARS (\$50,000,000) (or such lesser amount as shall equal the aggregate unpaid principal amount of Swingline Loans made by the Swingline Lender to the Borrower under the Credit Agreement), on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount owing hereunder, at the rates and on the dates provided in the Credit Agreement.

The date, amount of each Swingline Loan, and each payment made on account of the principal thereof, shall be recorded by the Swingline Lender on its books and, prior to any transfer of this Note, endorsed by the Swingline Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Swingline Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Swingline Loans.

This Note is the Swingline Note referred to in the Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), KeyBank National Association, as Agent, and the other parties thereto, and evidences Swingline Loans made to the Borrower thereunder. Terms used but not otherwise defined in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Swingline Loans upon the terms and conditions specified therein.

THIS NOTE 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.

This Note is given in replacement of a Note previously delivered to the Lender under the Existing Credit Agreement (as defined in the Credit Agreement). THIS NOTE IS NOT INTENDED TO BE, AND SHALL NOT BE CONSTRUED TO BE, A NOVATION OF ANY

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OF THE OBLIGATIONS OWING UNDER OR IN CONNECTION WITH SUCH OTHER NOTE.

The Borrower hereby waives presentment for payment, demand, notice of demand, notice of non-payment, protest, notice of protest and all other similar notices.

Time is of the essence for this Note.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Swingline Note under seal as of the date first written above.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its
general partner

By: _____
Name: _____
Title: _____

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SCHEDULE OF SWINGLINE LOANS

This Note evidences Swingline Loans made under the within-described Credit Agreement to the Borrower, on the dates and in the principal amounts set forth below, subject to the payments and prepayments of principal set forth below:

Date of Loan	Principal Amount of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By
--------------	--------------------------	------------------------	-------------------------	------------------

F-3

EXHIBIT G
FORM OF REVOLVING NOTE

\$ _____,200

FOR VALUE RECEIVED, the undersigned, CORPORATE OFFICE PROPERTIES, L.P., a limited partnership formed under the laws of the State of Delaware (the "Borrower"), hereby promises to pay to the order of _____ (the "Lender"), in care of KeyBank National Association, as Agent (the "Agent") at 127 Public Square, 8th Floor, Cleveland, Ohio 44114, or at such other address as may be specified in writing by the Agent to the Borrower, the principal sum of _____ AND _____/100 DOLLARS (\$ _____) (or such lesser amount as shall equal the aggregate unpaid principal amount of Revolving Loans made by the Lender to the Borrower under the Credit Agreement (as herein defined)), on the dates and in the principal amounts provided in the Credit Agreement, and to pay interest on the unpaid principal amount owing hereunder, at the rates and on the dates provided in the Credit Agreement.

The date, amount of each Revolving Loan made by the Lender to the Borrower, and each payment made on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof, provided that the failure of the Lender to make any such recordation or endorsement shall not affect the obligations of the Borrower to make a payment when due of any amount owing under the Credit Agreement or hereunder in respect of the Revolving Loans made by the Lender.

This Note is one of the Revolving Notes referred to in the Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among the Borrower, Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), the Agent, and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

The Credit Agreement provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Loans upon the terms and conditions specified therein.

Except as permitted by Section 12.5. of the Credit Agreement, this Note may not be assigned by the Lender to any other Person.

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THIS NOTE 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.

This Note is given in replacement of a Note previously delivered to the Lender under the Existing Credit Agreement (as defined in the Credit Agreement). THIS NOTE IS NOT INTENDED TO BE, AND SHALL NOT BE CONSTRUED TO BE, A NOVATION OF ANY OF THE OBLIGATIONS OWING UNDER OR IN CONNECTION WITH SUCH OTHER NOTE.

The Borrower hereby waives presentment for payment, demand, notice of demand, notice of non-payment, protest, notice of protest and all other similar notices.

Time is of the essence for this Note.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Revolving Note under seal as of the date first written above.

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust, its general partner

By: _____
Name: _____
Title: _____

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SCHEDULE OF REVOLVING LOANS

This Note evidences Revolving Loans made under the within-described Credit Agreement to the Borrower, on the dates, in the principal amounts, bearing interest at the rates and maturing on the dates set forth below, subject to the payments and prepayments of principal set forth below:

Date of Loan	Principal Amount of Loan	Amount Paid or Prepaid	Unpaid Principal Amount	Notation Made By
--------------	--------------------------	------------------------	-------------------------	------------------

G-3

EXHIBIT H
FORM OF OPINION OF COUNSEL

October 1, 2007

KeyBank National Association, as Agent
127 Public Square, 8th Floor
Cleveland, Ohio 44114
Attn:

The Lenders party to the Credit Agreement
referred to below

Ladies and Gentlemen:

We have acted as counsel to Corporate Office Properties, L.P., a limited partnership formed under the laws of the State of Delaware (the "Borrower") in connection with the negotiation, execution and delivery of that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (the "Credit Agreement"), by and among the Borrower, Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), KeyBank National Association, as Agent (the "Agent"), and the other parties thereto. We have also acted as counsel to each of the Guarantors listed on Schedule I attached hereto (the "Guarantors"; together with the Borrower, the "Loan Parties"), in connection with the Guaranty and the other Loan Documents identified below to which they are party. Capitalized terms not otherwise defined herein have the respective meaning given them in the Credit Agreement.

In these capacities, we have reviewed executed copies of the following:

- (a) the Credit Agreement;
- (b) the Notes;
- (c) the Guaranty; and
- (d) [list other applicable Loan Documents].

The documents and instruments set forth in items (a) through (d) above are referred to herein as the "Loan Documents".

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In addition to the foregoing, we have reviewed the [articles or certificate of incorporation, by-laws, declaration of trust, partnership agreement and limited liability company operating agreement, as applicable,] of each Loan Party and certain resolutions of the board of trustees or directors, as applicable, of each Loan Party (collectively, the "Organizational Documents") and have also examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, and other instruments, and made such other investigations of law and fact, as we have deemed necessary or advisable for the purposes of rendering this opinion. In our examination of documents, we assumed the genuineness of all signatures on documents presented to us as originals (other than the signatures of officers of the Loan Parties) and the conformity to originals of documents presented to us as conformed or reproduced copies.

Based upon the foregoing, and subject to all of the qualifications and assumptions set forth herein, we are of the opinion that:

1. The Parent is a real estate investment trust, duly organized, validly existing and in good standing under the laws of the State of Maryland, and has the power to execute and deliver, and to perform its obligations under, the Loan Documents to which it is a party, to own and use its assets, and to conduct its business as presently conducted. The Parent is qualified to transact business as a foreign real estate investment trust in the following jurisdictions:
2. The Borrower is a limited partnership, duly organized, validly existing and in good standing under the laws of the State of Delaware, and has the power to execute and deliver, and to perform its obligations under, the Loan Documents to which it is a party, to own and use its assets, and to conduct its business as presently conducted. The Borrower is qualified to transact business as a foreign limited partnership in the following jurisdictions:
3. [Insert separate paragraphs or Guarantors with different corporate structure] Each [Guarantor] is a [corporation, trust, partnership or limited liability company, as applicable,] duly organized or formed, validly existing and in good standing under the laws of the State of its organization or formation and has the power to execute and deliver, and to perform its obligations under, the Loan Documents to which it is a party, to own and use its assets, and to conduct its business as presently conducted. Each [Guarantor] is qualified to transact business as a foreign [corporation, trust, partnership or limited liability company, as applicable,] in the indicated jurisdictions set forth on Schedule I attached hereto.
4. Each Loan Party has duly authorized the execution and delivery of the Loan Documents to which it is a party and the performance by such Loan Party of all of its obligations under each such Loan Document.
5. Each Loan Party has duly executed and delivered the Loan Documents to which it is a party.

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6. The execution and delivery by each Loan Party of the Loan Documents to which it is a party do not, and if each Loan Party were now to perform its obligations under such Loan Documents, such performance would not, result in any:
 - (a) violation of such Loan Party's Organizational Documents;
 - (b) violation of any existing federal or state constitution, statute, regulation, rule, order, or law to which such Loan Party or its assets are subject;
 - (c) breach or violation of or default under, any agreement, instrument, indenture or other document evidencing any indebtedness for money borrowed or any other material agreement to which, to our knowledge, such Loan Party is bound or under which a Loan Party or its assets is subject;
 - (d) creation or imposition of a lien or security interest in, on or against the assets of such Loan Party under any agreement, instrument, indenture or other document evidencing any indebtedness for money borrowed or any other material agreement to which, to our knowledge, such Loan Party is bound or under which a Loan Party or its assets is subject; or

(e) violation of any judicial or administrative decree, writ, judgment or order to which, to our knowledge, such Loan Party or its assets are subject.

7. The execution, delivery and performance by each Loan Party of each Loan Document to which it is a party, and the consummation of the transactions thereunder, do not and will not require any registration with, consent or approval of, or notice to, or other action to, with or by, any Governmental Authority of the United States of America or the States of _____, _____ or _____.

8. To our knowledge, there are no judgments outstanding against any of the Loan Parties or affecting any of their respective assets, nor is there any litigation or other proceeding against any of the Loan Parties or its assets pending or overtly threatened, could reasonably be expected to have a materially adverse effect on (a) the business, assets, liabilities, condition (financial or otherwise), results of operations or business prospects of the Borrower or any other Loan Party or (b) the validity or enforceability of any of the Loan Documents.

9. None of the Loan Parties is, or, after giving effect to any Loan will be, subject to the Investment Company Act of 1940 or to any federal or state statute or regulation limiting its ability to incur indebtedness for borrowed money.

10. No transfer, mortgage, intangible, documentary stamp or similar taxes are payable by the Agent or the Lenders to the States of _____ or _____ or any political subdivision thereof in connection with (a) the execution and delivery of the Loan Documents or (b) the creation of the Indebtedness and the other Obligations evidenced by any of the Loan Documents.

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11. Assuming that Borrower applies the proceeds of the Loans as provided in the Credit Agreement, the transactions contemplated by the Loan Documents do not violate the provisions of Regulations T, U or X of the Board of Governors of the Federal Reserve System of the United States of America.

12. The consideration to be paid to the Agent and the Lenders for the financial accommodations to be provided to the Loan Parties pursuant to the Credit Agreement does not violate any law of the States of _____ or _____ relating to interest and usury.

This opinion is limited to the laws of the States of _____, _____ and _____ and the federal laws of the United States of America, and we express no opinions with respect to the law of any other jurisdiction.

[Other Customary Qualifications/Assumptions/Limitations]

This opinion is furnished to you solely for your benefit in connection with the consummation of the transactions contemplated by the Credit Agreement and may not be relied upon by any other Person, other than an Assignee of a Lender, or for any other purpose without our express, prior written consent.

Very truly yours,

[NAME OF LAW FIRM]

By: _____
A Partner

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SCHEDULE 1

Guarantors

Name	Jurisdiction of Formation	Jurisdictions of Foreign Qualification

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EXHIBIT I

FORM OF COMPLIANCE CERTIFICATE

, 200

KeyBank National Association, as Agent
127 Public Square, 8th Floor
Cleveland, Ohio 44114
Attn:

Each of the Lenders Party to the Credit Agreement
referred to below

Ladies and Gentlemen:

Reference is made to that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Corporate Office Properties, L.P. (the "Borrower"), Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), KeyBank National Association, as Agent (the "Agent") and the other parties thereto. Capitalized terms used herein, and not otherwise defined herein, have their respective meanings given them in the Credit Agreement.

Pursuant to Section 8.3. of the Credit Agreement, the undersigned hereby certifies to the Agent and the Lenders as follows:

(1) The undersigned is the _____ of the Borrower.

(2) The undersigned has examined the books and records of the Borrower and has conducted such other examinations and investigations as are reasonably necessary to provide this Compliance Certificate.

(3) No Default or Event of Default exists *[if such is not the case, specify such Default or Event of Default and its nature, when it occurred and whether it is continuing and the steps being taken by the Borrower with respect to such event, condition or failure]*.

(4) The representations and warranties made or deemed made by the Borrower and the other Loan Parties in the Loan Documents to which any is a party, are true and correct in all material respects on and as of the date hereof 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).

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(5) Attached hereto as Schedule 1 are reasonably detailed calculations establishing whether or not the Borrower and its Subsidiaries were in compliance with the covenants contained in Section 9.1. of the Credit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this certificate as of the date first above written.

Name: _____
Title: _____

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Schedule 1

[Calculations to be Attached]

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EXHIBIT J

FORM OF GUARANTY

THIS GUARANTY dated as of October 1, 2007, executed and delivered by each of the undersigned and the other Persons from time to time party hereto pursuant to the execution and delivery of an Accession Agreement in the form of Annex I hereto (all of the undersigned, together with such other Persons each a "Guarantor" and collectively, the "Guarantors") in favor of (a) KEYBANK NATIONAL ASSOCIATION its capacity as Agent (the "Agent") for the Lenders under that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Corporate Office Properties, L.P. (the "Borrower"), Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), the Agent, and the other parties thereto, and (b) the Lenders and the Swingline Lender.

WHEREAS, pursuant to the Credit Agreement, the Agent, the Lenders and the Swingline Lender have agreed to make available to the Borrower certain financial accommodations on the terms and conditions set forth in the Credit Agreement;

WHEREAS, the Borrower and each of the Guarantors, though separate legal entities, are mutually dependent on each other in the conduct of their respective businesses as an integrated operation and have determined it to be in their mutual best interests to obtain financing from the Agent, the Lenders and the Swingline Lender through their collective efforts;

WHEREAS, each Guarantor acknowledges that it will receive direct and indirect benefits from the Agent, the Lenders and the Swingline Lender making such financial accommodations available to the Borrower under the Credit Agreement and, accordingly, each Guarantor is willing to guarantee the Borrower's obligations to the Agent, the Lenders and the Swingline Lender on the terms and conditions contained herein; and

WHEREAS, each Guarantor's execution and delivery of this Guaranty is a condition to the Agent and the Lenders making, and continuing to make, such financial accommodations to the Borrower.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each Guarantor, each Guarantor agrees as follows:

Section 1. Guaranty. Each Guarantor hereby absolutely, irrevocably and unconditionally guaranties the due and punctual payment and performance when due, whether at stated maturity, by acceleration or otherwise, of all of the following (collectively referred to as the "Guaranteed Obligations"): (a) all indebtedness and obligations owing by the Borrower to any Lender, the Swingline Lender or the Agent under or in connection with the Credit Agreement and any other Loan Document, including without limitation, the repayment of all principal of the Revolving Loans, Swingline Loans and the Reimbursement Obligations, and the payment of all interest,

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Fees, charges, attorneys' fees and other amounts payable to any Lender or the Agent thereunder or in connection therewith; (b) any and all extensions, renewals, modifications, amendments or substitutions of the foregoing; (c) all expenses, including, without limitation, reasonable attorneys' fees and disbursements, that are incurred by the Lenders and the Agent in the enforcement of any of the foregoing or any obligation of such Guarantor hereunder; and (d) all other Obligations.

Section 2. Guaranty of Payment and Not of Collection. This Guaranty is a guaranty of payment, and not of collection, and a debt of each Guarantor for its own account. Accordingly, none of the Lenders, the Swingline Lender or the Agent shall be obligated or required before enforcing this Guaranty against any Guarantor: (a) to pursue any right or remedy any of them may have against the Borrower, any other Guarantor or any other Person or commence any suit or other proceeding against the Borrower, any other Guarantor or any other Person in any court or other tribunal; (b) to make any claim in a liquidation or bankruptcy of the Borrower, any other Guarantor or any other Person; or (c) to make demand of the Borrower, any other Guarantor or any other Person or to enforce or seek to enforce or realize upon any collateral security held by the Lenders, the Swingline Lender or the Agent which may secure any of the Guaranteed Obligations.

Section 3. Guaranty Absolute. Each Guarantor guarantees that the Guaranteed Obligations will be paid strictly in accordance with the terms of the documents evidencing the same, regardless of any Applicable Law now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Agent, the Lenders or the Swingline Lender with respect thereto. The liability of each Guarantor under this Guaranty shall be absolute, irrevocable and unconditional in accordance with its terms and shall remain in full force and effect without regard to, and shall not be released, suspended, discharged, terminated or otherwise affected by, any circumstance or occurrence whatsoever, including without limitation, the following (whether or not such Guarantor consents thereto or has notice thereof):

(a) (i) any change in the amount, interest rate or due date or other term of any of the Guaranteed Obligations, (ii) any change in the time, place or manner of payment of all or any portion of the Guaranteed Obligations, (iii) any amendment or waiver of, or consent to the departure from or other indulgence with respect to, the Credit Agreement, any other Loan Document, or any other document or instrument evidencing or relating to any Guaranteed Obligations, or (iv) any waiver, renewal, extension, addition, or supplement to, or deletion from, or any other action or inaction under or in respect of, the Credit Agreement, any of the other Loan Documents, or any other documents, instruments or agreements relating to the Guaranteed Obligations or any other instrument or agreement referred to therein or evidencing any Guaranteed Obligations or any assignment or transfer of any of the foregoing;

(b) any lack of validity or enforceability of the Credit Agreement, any of the other Loan Documents, or any other document, instrument or agreement referred to therein or evidencing any Guaranteed Obligations or any assignment or transfer of any of the foregoing;

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(c) any furnishing to the Agent, the Lenders or the Swingline Lender of any security for the Guaranteed Obligations, or any sale, exchange, release or surrender of, or realization on, any collateral securing any of the Obligations;

(d) any settlement or compromise of any of the Guaranteed Obligations, any security therefor, or any liability of any other party with respect to the Guaranteed Obligations, or any subordination of the payment of the Guaranteed Obligations to the payment of any other liability of the Borrower or any other Loan Party;

(e) any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding relating to such Guarantor, the Borrower, any other Loan Party or any other Person, or any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any such proceeding;

(f) any act or failure to act by the Borrower, any other Loan Party or any other Person which may adversely affect such Guarantor's subrogation rights, if any, against the Borrower to recover payments made under this Guaranty;

(g) any nonperfection or impairment of any security interest or other Lien on any collateral, if any, securing in any way any of the Obligations;

(h) any application of sums paid by the Borrower, any other Guarantor or any other Person with respect to the liabilities of the Borrower to the Agent, the Lenders or the Swingline Lender, regardless of what liabilities of the Borrower remain unpaid;

(i) any defect, limitation or insufficiency in the borrowing powers of the Borrower or in the exercise thereof; or

(j) any other circumstance which might otherwise constitute a defense available to, or a discharge of, a Guarantor hereunder (other than infeasible payment and performance in full).

Section 4. Action with Respect to Guaranteed Obligations. The Lenders and the Agent may, at any time and from time to time, without the consent of, or notice to, any Guarantor, and without discharging any Guarantor from its obligations hereunder, take any and all actions described in Section 3 and may otherwise: (a) amend, modify, alter or supplement the terms of any of the Guaranteed Obligations, including, but not limited to, extending or shortening the time of payment of any of the Guaranteed Obligations or changing the interest rate that may accrue on any of the Guaranteed Obligations; (b) amend, modify, alter or supplement the Credit Agreement or any other Loan Document; (c) sell, exchange, release or otherwise deal with all, or any part, of any collateral securing any of the Obligations; (d) release any other Loan Party or other Person liable in any manner for the payment or collection of the Guaranteed Obligations; (e) exercise, or refrain from exercising, any rights against the Borrower, any other Guarantor or any other Person; and (f) apply any sum, by whomsoever paid or however realized, to the Guaranteed Obligations in such order as the Lenders shall elect.

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Section 5. Representations and Warranties. Each Guarantor hereby makes to the Agent, the Lenders and the Swingline Lender all of the representations and warranties made by the Borrower with respect to or in any way relating to such Guarantor in the Credit Agreement and the other Loan Documents, as if the same were set forth herein in full.

Section 6. Covenants. Each Guarantor will comply with all covenants which the Borrower is to cause such Guarantor to comply with under the terms of the Credit Agreement or any of the other Loan Documents.

Section 7. Waiver. Each Guarantor, to the fullest extent permitted by Applicable Law, hereby waives notice of acceptance hereof or any presentment, demand, protest or notice of any kind, and any other act or thing, or omission or delay to do any other act or thing, which in any manner or to any extent might vary the risk of such Guarantor or which otherwise might operate to discharge such Guarantor from its obligations hereunder.

Section 8. Inability to Accelerate Loan. If the Agent, the Swingline Lender and/or the Lenders are prevented under Applicable Law or otherwise from demanding or accelerating payment of any of the Guaranteed Obligations by reason of any automatic stay or otherwise, the Agent, the Swingline Lender and/or the Lenders shall be entitled to receive from each Guarantor, upon demand therefor, the sums which otherwise would have been due had such demand or acceleration occurred.

Section 9. Reinstatement of Guaranteed Obligations. If claim is ever made on the Agent, any Lender or the Swingline Lender for repayment or recovery of any amount or amounts received in payment or on account of any of the Guaranteed Obligations, and the Agent, such Lender or the Swingline Lender repays all or part of said amount by reason of (a) any judgment, decree or order of any court or administrative body of competent jurisdiction, or (b) any settlement or compromise of any such claim effected by the Agent, such Lender or the Swingline Lender with any such claimant (including the Borrower or a trustee in bankruptcy for the Borrower), then and in such event each Guarantor agrees that any such judgment, decree, order, settlement or compromise shall be binding on it, notwithstanding any revocation hereof or the cancellation of the Credit Agreement, any of the other Loan Documents, or any other instrument evidencing any liability of the Borrower, and such Guarantor shall be and remain liable to the Agent, such Lender or the Swingline Lender for the amounts so repaid or recovered to the same extent as if such amount had never originally been paid to the Agent, such Lender or the Swingline Lender.

Section 10. Subrogation. Upon the making by any Guarantor of any payment hereunder for the account of the Borrower, such Guarantor shall be subrogated to the rights of the payee against the Borrower; provided, however, that such Guarantor shall not enforce any right or receive any payment by way of subrogation or otherwise take any action in respect of any other claim or cause of action such Guarantor may have against the Borrower arising by reason of any payment or performance by such Guarantor pursuant to this Guaranty, unless and until all of the Guaranteed Obligations have been indefeasibly paid and performed in full. If any amount shall be paid to such Guarantor on account of or in respect of such subrogation rights or other claims or causes of action, such Guarantor shall hold such amount in trust for the benefit of the Agent,

the Lenders and the Swingline Lender and shall forthwith pay such amount to the Agent to be credited and applied against the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Credit Agreement or to be held by the Agent as collateral security for any Guaranteed Obligations existing.

Section 11. Payments Free and Clear. All sums payable by each Guarantor hereunder, whether of principal, interest, Fees, expenses, premiums or otherwise, shall be paid in full, without set-off or counterclaim or any deduction or withholding whatsoever (including any Taxes), and if any Guarantor is required by Applicable Law or by a Governmental Authority to make any such deduction or withholding, such Guarantor shall pay to the Agent, the Lenders and the Swingline Lender such additional amount as will result in the receipt by the Agent, the Lenders and the Swingline Lender of the full amount payable hereunder had such deduction or withholding not occurred or been required.

Section 12. Set-off. In addition to any rights now or hereafter granted under any of the other Loan Documents or Applicable Law and not by way of limitation of any such rights, each Guarantor hereby authorizes the Agent and each Lender, at any time during the continuance of an Event of Default, without any prior notice to such Guarantor 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 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 Agent, such Lender, or any affiliate of the Agent or such Lender, to or for the credit or the account of such Guarantor against and on account of any of the Guaranteed Obligations, although such obligations shall be contingent or unmatured. Each Guarantor agrees, to the fullest extent permitted by Applicable Law, that any Participant may exercise rights of setoff or counterclaim and other rights with respect to its participation as fully as if such Participant were a direct creditor of such Guarantor in the amount of such participation.

Section 13. Subordination. Each Guarantor hereby expressly covenants and agrees for the benefit of the Agent, the Lenders and the Swingline Lender that all obligations and liabilities of the Borrower to such Guarantor of whatever description, including without limitation, all intercompany receivables of such Guarantor from the Borrower (collectively, the "Junior Claims") shall be subordinate and junior in right of payment to all Guaranteed Obligations. If an Event of Default shall exist, then no Guarantor shall accept any direct or indirect payment (in cash, property or securities, by setoff or otherwise) from the Borrower on account of or in any manner in respect of any Junior Claim until all of the Guaranteed Obligations have been indefeasibly paid in full.

Section 14. Avoidance Provisions. It is the intent of each Guarantor, the Agent, the Lenders and the Swingline Lender that in any Proceeding, such Guarantor's maximum obligation hereunder shall equal, but not exceed, the maximum amount which would not otherwise cause the obligations of such Guarantor hereunder (or any other obligations of such Guarantor to the Agent, the Lenders and the Swingline Lender) to be avoidable or unenforceable against such Guarantor in such Proceeding as a result of Applicable Law, including without limitation,

(a) Section 548 of the Bankruptcy Code of 1978, as amended (the "Bankruptcy Code") and (b) any state fraudulent transfer or fraudulent conveyance act or statute applied in such Proceeding, whether by virtue of Section 544 of the Bankruptcy Code or otherwise. The Applicable Laws under which the possible avoidance or unenforceability of the obligations of such Guarantor hereunder (or any other obligations of such Guarantor to the Agent, the Lenders and the Swingline Lender) shall be determined in any such Proceeding are referred to as the "Avoidance Provisions". Accordingly, to the extent that the obligations of any Guarantor hereunder would otherwise be subject to avoidance under the Avoidance Provisions, the maximum Guaranteed Obligations for which such Guarantor shall be liable hereunder shall be reduced to that amount which, as of the time any of the Guaranteed Obligations are deemed to have been incurred under the Avoidance Provisions, would not cause the obligations of such Guarantor hereunder (or any other obligations of such Guarantor to the Agent, the Lenders and the Swingline Lender), to be subject to avoidance under the Avoidance Provisions. This Section is intended solely to preserve the rights of the Agent, the Lenders and the Swingline Lender hereunder to the maximum extent that would not cause the obligations of any Guarantor hereunder to be subject to avoidance under the Avoidance Provisions, and no Guarantor or any other Person shall have any right or claim under this Section as against the Agent, the Lenders and the Swingline Lender that would not otherwise be available to such Person under the Avoidance Provisions.

Section 15. Information. Each Guarantor assumes all responsibility for being and keeping itself informed of the financial condition of the Borrower and the other Guarantors, and of all other circumstances bearing upon the risk of nonpayment of any of the Guaranteed Obligations and the nature, scope and extent of the risks that such Guarantor assumes and incurs hereunder, and agrees that none of the Agent, the Lenders or the Swingline Lender shall have any duty whatsoever to advise any Guarantor of information regarding such circumstances or risks.

Section 16. 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 17. WAIVER OF JURY TRIAL.

(a) EACH PARTY HERETO ACKNOWLEDGES THAT ANY DISPUTE OR CONTROVERSY BETWEEN OR AMONG ANY GUARANTOR, THE 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 AGENT AND EACH GUARANTOR 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 GUARANTY OR ANY OTHER LOAN DOCUMENT OR BY REASON OF ANY OTHER SUIT, CAUSE OF ACTION OR DISPUTE WHATSOEVER BETWEEN OR AMONG ANY GUARANTOR, THE AGENT OR

ANY OF THE LENDERS OF ANY KIND OR NATURE RELATING TO ANY OF THE LOAN DOCUMENTS.

(b) EACH OF THE GUARANTORS, THE AGENT AND EACH LENDER HEREBY AGREES THAT THE FEDERAL DISTRICT COURT LOCATED IN THE SOUTHERN DISTRICT OF NEW YORK OR, 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 ANY GUARANTOR, THE AGENT OR ANY OF THE LENDERS, PERTAINING DIRECTLY OR INDIRECTLY TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT OR TO ANY MATTER ARISING HEREFROM OR THEREFROM. EACH GUARANTOR AND EACH OF THE LENDERS EXPRESSLY SUBMITS AND CONSENTS 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 AGENT OR ANY LENDER OR THE ENFORCEMENT BY THE 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, THE TERMINATION OR EXPIRATION OF ALL LETTERS OF CREDIT AND THE TERMINATION OF THIS GUARANTY.

Section 18. Loan Accounts. The Agent, each Lender and the Swingline Lender may maintain books and accounts setting forth the amounts of principal, interest and other sums paid and payable with respect to the Guaranteed Obligations, and in the case of any dispute relating to any of the outstanding amount, payment or receipt of any of the Guaranteed Obligations or otherwise, the entries in such books and accounts shall be deemed conclusive evidence of the amounts and other matters set forth herein, absent manifest error. The failure of the Agent, any Lender or the Swingline Lender to maintain such books and accounts shall not in any way relieve or discharge any Guarantor of any of its obligations hereunder.

Section 19. Waiver of Remedies. No delay or failure on the part of the Agent, any Lender or the Swingline Lender in the exercise of any right or remedy it may have against any Guarantor hereunder or otherwise shall operate as a waiver thereof, and no single or partial exercise by the Agent, any Lender or the Swingline Lender of any such right or remedy shall preclude any other or further exercise thereof or the exercise of any other such right or remedy.

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Section 20. Termination. This Guaranty shall remain in full force and effect until indefeasible payment in full of the Guaranteed Obligations and the other Obligations and the termination or cancellation of the Credit Agreement in accordance with its terms.

Section 21. Successors and Assigns. Each reference herein to the Agent or the Lenders shall be deemed to include such Person's respective successors and assigns (including, but not limited to, any holder of the Guaranteed Obligations) in whose favor the provisions of this Guaranty also shall inure, and each reference herein to each Guarantor shall be deemed to include such Guarantor's successors and assigns, upon whom this Guaranty also shall be binding. The Lenders and the Swingline Lender may, in accordance with the applicable provisions of the Credit Agreement, assign, transfer or sell any Guaranteed Obligation, or grant or sell participations in any Guaranteed Obligations, to any Person without the consent of, or notice to, any Guarantor and without releasing, discharging or modifying any Guarantor's obligations hereunder. Subject to Section 12.8. of the Credit Agreement, each Guarantor hereby consents to the delivery by the Agent or any Lender to any Eligible Assignee or Participant (or any prospective Eligible Assignee or Participant) of any financial or other information regarding the Borrower or any Guarantor. No Guarantor may assign or transfer its obligations hereunder to any Person without the prior written consent of all Lenders and any such assignment or other transfer to which all of the Lenders have not so consented shall be null and void.

Section 22. JOINT AND SEVERAL OBLIGATIONS. THE OBLIGATIONS OF THE GUARANTORS HEREUNDER SHALL BE JOINT AND SEVERAL, AND ACCORDINGLY, EACH GUARANTOR CONFIRMS THAT IT IS LIABLE FOR THE FULL AMOUNT OF THE "GUARANTIED OBLIGATIONS" AND ALL OF THE OBLIGATIONS AND LIABILITIES OF EACH OF THE OTHER GUARANTORS HEREUNDER.

Section 23. Amendments. This Guaranty may not be amended except in writing signed by the Requisite Lenders (or all of the Lenders if required under the terms of the Credit Agreement), the Agent and each Guarantor.

Section 24. Payments. All payments to be made by any Guarantor pursuant to this Guaranty shall be made in Dollars, in immediately available funds to the Agent at the Principal Office, not later than 2:00 p.m. on the date of demand therefor.

Section 25. Notices. All notices, requests and other communications hereunder shall be in writing (including facsimile transmission or similar writing) and shall be given (a) to each Guarantor at its address set forth below its signature hereto, (b) to the Agent, any Lender or the Swingline Lender at its respective address for notices provided for in the Credit Agreement, or (c) as to each such party at such other address as such party shall designate in a written notice to the other parties. Each such notice, request or other communication shall be effective (i) if mailed, when received or when receipt is refused; (ii) if telecopied, when transmitted; or (iii) if hand delivered, when delivered; provided, however, that any notice of a change of address for notices shall not be effective until received.

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Section 26. Severability. In case any provision of this Guaranty shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 27. Headings. Section headings used in this Guaranty are for convenience only and shall not affect the construction of this Guaranty.

Section 28. Limitation of Liability. Neither the Agent nor any Lender, nor any affiliate, officer, director, employee, attorney, or agent of the Agent or any Lender, shall have any liability with respect to, and each Guarantor 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 a Guarantor in connection with, arising out of, or in any way related to, this Guaranty or any of the other Loan Documents, or any of the transactions contemplated by this Guaranty, the Credit Agreement or any of the other Loan Documents. Each Guarantor hereby waives, releases, and agrees not to sue the Agent or any Lender or any of the 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 Guaranty, the Credit Agreement or any of the other Loan Documents, or any of the transactions contemplated by Credit Agreement or financed thereby.

Section 29. Definitions. (a) For the purposes of this Guaranty:

"Proceeding" means any of the following: (i) a voluntary or involuntary case concerning any Guarantor shall be commenced under the Bankruptcy Code of 1978, as amended; (ii) a custodian (as defined in such Bankruptcy Code or any other applicable bankruptcy laws) is appointed for, or takes charge of, all or any substantial part of the property of any Guarantor; (iii) any other proceeding under any Applicable Law, domestic or foreign, relating to bankruptcy, insolvency, reorganization, winding-up or composition for adjustment of debts, whether now or hereafter in effect, is commenced relating to any Guarantor; (iv) any Guarantor is adjudicated insolvent or bankrupt; (v) any order of relief or other order approving any such case or proceeding is entered by a court of competent jurisdiction; (vi) any Guarantor makes a general assignment for the benefit of creditors; (vii) any Guarantor shall fail to pay, or shall state that it is unable to pay, or shall be unable to pay, its debts generally as they become due; (viii) any Guarantor shall call a meeting of its creditors with a view to arranging a composition or adjustment of its debts; (ix) any Guarantor shall by any act or failure to act indicate its consent to, approval of or acquiescence in any of the foregoing; or (x) any corporate action shall be taken by any Guarantor for the purpose of effecting any of the foregoing.

(b) Terms not otherwise defined herein are used herein with the respective meanings given them in the Credit Agreement.

[Signature on Next Page]

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IN WITNESS WHEREOF, each Guarantor has duly executed and delivered this Guaranty as of the date and year first written above.

CORPORATE OFFICE PROPERTIES TRUST

By: _____
Name: _____
Title: _____

[OTHER GUARANTORS]

Address for Notices for all Guarantors:

c/o 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

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ANNEX I

FORM OF ACCESSION AGREEMENT

THIS ACCESSION AGREEMENT dated as of _____, 200____, executed and delivered by _____, a _____ (the "New Guarantor"), in favor of (a) KEYBANK NATIONAL ASSOCIATION, in its capacity as Agent (the "Agent") for the Lenders under that certain Second Amended and Restated Credit Agreement dated as of October 1, 2007 (as amended, restated, supplemented or otherwise modified from time to time, the "Credit Agreement"), by and among Corporate Office Properties, L.P. (the "Borrower"), Corporate Office Properties Trust, the financial institutions party thereto and their assignees under Section 12.5. thereof (the "Lenders"), the Agent, and the other parties thereto, and (b) the Lenders and the Swingline Lender.

WHEREAS, pursuant to the Credit Agreement, the Agent, the Lenders and the Swingline Lender have agreed to make available to the Borrower certain financial accommodations on the terms and conditions set forth in the Credit Agreement;

WHEREAS, the Borrower, the New Guarantor, and the existing Guarantors, though separate legal entities, are mutually dependent on each other in the conduct of their respective businesses as an integrated operation and have determined it to be in their mutual best interests to obtain financing from the Agent, the Lenders and the Swingline Lender through their collective efforts;

WHEREAS, the New Guarantor acknowledges that it will receive direct and indirect benefits from the Agent, the Lenders and the Swingline Lender making such financial accommodations available to the Borrower under the Credit Agreement and, accordingly, the New Guarantor is willing to guarantee the Borrower's obligations to the Agent, the Lenders and the Swingline Lender on the terms and conditions contained herein; and

WHEREAS, the New Guarantor's execution and delivery of this Agreement is a condition to the Agent, the Lenders and the Swingline Lender continuing to make such financial accommodations to the Borrower.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the New Guarantor, the New Guarantor agrees as follows:

Section 1. Accession to Guaranty. The New Guarantor hereby agrees that it is a "Guarantor" under that certain Guaranty dated as of October 1, 2007 (as amended, supplemented, restated or otherwise modified from time to time, the "Guaranty"), made by each Subsidiary of the Borrower a party thereto in favor of the Agent, the Lenders and the Swingline Lender and assumes all obligations of a "Guarantor" thereunder, all as if the New Guarantor had been an original signatory to the Guaranty. Without limiting the generality of the foregoing, the New Guarantor hereby:

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(a) irrevocably and unconditionally guarantees the due and punctual payment and performance when due, whether at stated maturity, by acceleration or otherwise, of all Guaranteed Obligations (as defined in the Guaranty);

(b) makes to the Agent, the Lenders and the Swingline Lender as of the date hereof each of the representations and warranties contained in Section 5 of the Guaranty and agrees to be bound by each of the covenants contained in Section 6 of the Guaranty; and

(c) consents and agrees to each provision set forth in the Guaranty.

SECTION 2. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS EXECUTED, AND TO BE FULLY PERFORMED, IN SUCH STATE.

Section 3. Definitions. Capitalized terms used herein and not otherwise defined herein shall have their respective defined meanings given them in the Credit Agreement.

[Signatures on Next Page]

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IN WITNESS WHEREOF, the New Guarantor has caused this Accession Agreement to be duly executed and delivered under seal by its duly authorized officers as of the date first written above.

[NEW GUARANTOR]

By: _____
Name: _____
Title: _____

Address for Notices:

c/o Corporate Office Properties, L.P.
6711 Columbia Gateway Drive, Suite 300
Columbia, Maryland 21046
Attention: General Counsel
Telephone Number: (443)
Telecopy Number: (443)

Accepted:

KEYBANK NATIONAL ASSOCIATION,
as Agent

By: _____
Name: _____
Title: _____

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EXHIBIT K

Patriot Act and OFAC Transferee and Assignee Identifying Information Form

1. Patriot Act Checklist

ADDITIONAL LENDER REQUIRED INFORMATION

Name:

Identification

- (a) (US Company) TIN (a)
- (b) (Non-US) Gov't issued document certifying existence (b)

Phone Number

BUSINESS REPRESENTATIVE REQUIRED INFORMATION PERSON WHO WILL EXECUTE DOCUMENTS

Name

Residential Address

Date of Birth

Form of Identification

- (a) (US Citizen) Social Security Number (a)
- (b) (No-US) TIN, Passport Number (country of issuance, number & date), or Alien Identification Number (b)

2. OFAC Checklist:

Name:

Co-Lenders

General Partner/Managing Member/Trustee

Limited Partners/Members/Beneficiaries

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Description of Compensation of Non-Employee Trustees

Each Trustee who is not also an officer and full-time employee of Corporate Office Properties Trust (the "Company") receives the fees set forth in the table below until changed by the Board of Trustees:

Annual trustee fee	\$	35,000
Annual committee chairman fees		
Audit committee		10,000
Compensation committee		7,000
Investment committee		8,500
Nominating/corporate governance		5,000
Board meeting fees		1,000
Committee meeting fees		1,000

The members of the Board of Trustees are also eligible for reimbursement for travel and lodging expenses incurred in connection with attendance at Board and committee meetings. In addition, until changed by the Board of Trustees, all non-employee Trustees will receive an annual grant of 5,000 options to purchase the Company's common shares of beneficial interest at an exercise price equal to the fair market value on the date of grant; this grant takes place on the day of the Company's annual meeting of shareholders. These options vest 100% one year from the date of grant.

Description of annual cash incentive awards to executives

The Compensation Committee of the Board of Trustees (the "Compensation Committee") of Corporate Office Properties Trust (the "Company") considers the award of annual cash incentive awards designed to correlate executive compensation to the overall performance of the Company and to the performance of each executive's specific business unit.

The Compensation Committee approves annual target performance levels for the Company. The Committee uses REIT peer groups' bonus information to establish annual cash incentive award targets based on different thresholds of performance in meeting the Company's performance levels.

The Committee uses the median bonus level for executive positions in the REIT peer groups as a guideline for determining a Company executive's target bonus to be awarded if the Company and the executive's business unit meet target performance levels. Each executive may generally earn up to an established maximum percentage of his or her annual salary if higher-than-target performance levels are achieved, and will generally receive less than the target bonus if the target performance levels are not met, although bonuses could not be paid at all if a defined minimum performance level is not met.

The measures used in defining overall Company performance objectives for determining bonuses are diluted funds from operations per share and diluted adjusted funds from operations per share (both of which are measurements used by equity REITs to evaluate financial performance). The measures used in defining business unit performance are tailored to apply to the nature of each business unit's operations. The measures used in computing the bonus of the Chief Executive Officer include only overall Company performance measures. The measures used in computing the bonuses of the other executives include overall Company performance measures as well as measures applicable to each executive's business unit.

The Compensation Committee has the discretion to award higher or lower annual cash incentive awards to executives relative to amounts computed in accordance with the methodology set forth above.

Corporate Office Properties Trust

Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends

(Dollars in thousands)

	Years Ended December 31,				
	2007	2006	2005	2004	2003
Earnings:					
Income from continuing operations before equity in loss of unconsolidated entities, income taxes and minority interests	\$ 35,570	\$ 35,313	\$ 38,324	\$ 40,031	\$ 31,487
Gain (loss) on sales of real estate, excluding discontinued operations	3,108	889	366	(150)	472
Combined fixed charges and preferred share dividends (from below)	123,387	110,541	85,240	70,627	71,541
Amortization of capitalized interest	695	527	337	285	254
Distributed income (loss) of equity investees	(224)	26	(164)	(83)	(181)
Subtract:					
Capitalized interest (from below)	(19,274)	(14,559)	(9,871)	(5,112)	(2,846)
Preferred share dividends included in fixed charges	(16,068)	(15,404)	(14,615)	(16,329)	(12,003)
Preferred unit distributions included in fixed charges	(660)	(660)	(660)	(179)	(1,049)
Repurchase of preferred units in excess of recorded book value	—	—	—	—	(11,224)
Issuance costs associated with redeemed preferred shares	—	(3,896)	—	(1,813)	—
Total earnings	\$ 126,534	\$ 112,777	\$ 98,957	\$ 87,277	\$ 76,451
Combined fixed charges and preferred share dividends:					
Interest expense on continuing operations	\$ 82,032	\$ 70,260	\$ 53,906	\$ 41,423	\$ 37,905
Interest expense on discontinued operations	1,250	2,160	3,238	2,840	3,274
Capitalized interest (internal and external)	19,274	14,559	9,871	5,112	2,846
Amortization of debt issuance costs on continuing operations—expensed	3,676	2,847	2,229	2,420	2,756
Amortization of debt issuance costs on discontinued operations—expensed	—	134	11	11	11
Amortization of debt issuance costs-capitalized	138	237	272	113	—
Interest included in rental expense	289	384	438	387	473
Preferred share dividends	16,068	15,404	14,615	16,329	12,003
Preferred unit distributions	660	660	660	179	1,049
Repurchase of preferred units in excess of recorded book value	—	—	—	—	11,224
Issuance costs associated with redeemed preferred shares	—	3,896	—	1,813	—
Total combined fixed charges and preferred share dividends	\$ 123,387	\$ 110,541	\$ 85,240	\$ 70,627	\$ 71,541
Ratio of earnings to combined fixed charges and preferred share dividends	1.03	1.02	1.16	1.24	1.07

QuickLinks

[Exhibit 12.1](#)

[Corporate Office Properties Trust Ratio of Earnings to Combined Fixed Charges and Preferred Share Dividends \(Dollars in thousands\)](#)

**CORPORATE OFFICE PROPERTIES TRUST
SUBSIDIARIES OF REGISTRANT**

Colorado

COPT Aerotech, LLC
 COPT Interquest, LLC
 COPT Interquest III, LLC
 COPT Interquest IV, LLC
 COPT Interquest Epic I, LLC
 COPT Interquest Hybrid I, LLC
 COPT Interquest Hybrid II, LLC
 COPT Newport, LLC
 COPT Newport C, LLC
 COPT Newport D, LLC
 COPT Northcreek, LLC
 COPT Patriot Park at Galley, LLC
 COPT Patriot Park I, LLC
 COPT Patriot Park II, LLC
 COPT Patriot Park VI, LLC
 COPT Patriot Park VII, LLC
 Patriot Park, LLC

Delaware

Airport Square Holdings I, LLC
 Airport Square Holdings VI and VII, LLC
 Blue Bell Investment Company, LP
 COPT Acquisitions, Inc.
 COPT Colgate General, LLC
 COPT Concourse, LLC
 COPT Gateway, LP
 COPT Gateway Commerce, LLC
 Corporate Gateway, LP
 Corporate Office Properties, LP
 Corporate Office Properties Holdings, Inc.
 Crown Point, L.L.C.
 Delaware Airport III, LLC
 Delaware Airport VIII, LLC
 Delaware Airport IX, 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.
 Harrisburg Corporate Gateway Partners, LP
 Opportunity Invest Ventures, LLC
 Sterling York, LLC
 South Brunswick Investors, LP
 11800 Tech Road, LLC

Maryland

Aerotech Manager, LLC
 Airport Square, LLC
 Airport Square II, LLC

Airport Square IV, LLC
 Airport Square V, LLC
 Airport Square X, LLC
 Airport Square XI, LLC
 Airport Square XIII, LLC
 Airport Square XIV, LLC
 Airport Square XV, LLC
 Airport Square XIX, LLC
 Airport Square XX, LLC
 Airport Square XXI, LLC
 Airport Square XXII, LLC
 Airport Square Partners, LLC
 Airport Square Storms, LLC
 Allegheny Parking Business Trust
 Ambassador Center, LLC
 Arundel Preserve #5, LLC
 ASI, LLC
 Atrium Building, LLC
 Campbell Boulevard I Business Trust
 Campbell Boulevard II Business Trust
 Campbell Building Business Trust
 Campbell Corporate Center 1-2 Business Trust
 Centerpointe Limited Partnership
 Clarks Hundred, LLC

Clarks Hundred II, LLC
Columbia Equity Finance, LLC
Corporate Center I Limited Partnership
Columbia Gateway S-28, LLC
Commons Office Research, LLC
Commons Office 6-B, LLC
Concourse 1304, LLC
COPT Aberdeen, LLC
COPT Arundel Preserve, LLC
COPT Babcock Business Trust
COPT Baltimore County I, LLC
COPT Baltimore County II, LLC
COPT Chantilly I Manager, LLC
COPT Chantilly II Manager, LLC
COPT Development & Construction Services, LLC
COPT Environmental Systems LLC
COPT Gate 63, LLC
COPT Gate 6700-6708-6724, LLC
COPT General, LLC
COPT Hunt Valley GP, LLC
COPT Indian Head, LLC
COPT Montpelier, LLC
COPT Opportunity Invest I, LLC
COPT Property Management Services, LLC
COPT Renovation, LLC
COPT Riverwood, LLC
COPT T-11, LLC
COPT-FD Indian Head, LLC
Corporate Center I, LLC
Corporate Development Services, LLC
Corporate Gatespring, LLC
Corporate Gatespring II, LLC

Corporate Office Management, Inc.
Corporate Office Services, LLC
Corporate Paragon, LLC
Corporate Place B Equity Affiliates, LLC
Corporate Place I Business Trust
Corporate Place III Business Trust
Corporate Place IV Business Trust
Corporate Property, LLC
Cornucopia Holdings, LLC
Cornucopia Holdings II, LLC
Enterprise Campus Developer, LLC
Fourth Exploration, L.L.C.
Fifth Exploration, L.L.C.
Franklin Ridge No. 1 Business Trust
Franklin Ridge No. 2 Business Trust
Franklin Ridge No. 3 Business Trust
Franklin Ridge No. 4 Business Trust
Franklin Ridge V Business Trust
Franklin Ridge Open Space Business Trust
Ft. Ritchie I, LLC
Ft. Ritchie II, LLC
Ft. Ritchie III, LLC
Ft. Ritchie IV, LLC
Ft. Ritchie Holding, LLC
Gateway 44, LLC
Gateway 67, LLC
Gateway 70, LLC
Gateway 70 Holdings, LLC
Gateway Crossing 95, LLC
Governors Court, LLC
Governors Court 21, LLC
Honeygo Limited Partnership I, LLLP
Honeygo Limited Partnership II, LLLP
Honeygo Limited Partnership III, LLLP
Honeyland 108, LLC
Hunt Valley 75 Limited Partnership
Jolly COPT I, LLC
Jolly COPT II, LLC
Lot 401 Business Trust
M Square NOAA, LLC
McLean Ridge I Business Trust
McLean Ridge II Business Trust
McLean Ridge III Business Trust
McLean Ridge IV Business Trust
MOR Forbes, LLC
MOR Forbes 2, LLC
NBP One, LLC
NBP Huff & Puff, LLC

NBP Lot 3-A, LLC
NBP Retail, LLC
NBP 131-133-141, LLC
NBP 132, LLC
NBP 134, LLC
NBP 135, LLC
NBP 140, LLC
NBP 191, LLC

NBP 201, LLC
NBP 201 Holdings, LLC
NBP 211, LLC
NBP 211 Holdings, LLC
NBP 220, LLC
NBP 220 Holdings, LLC
NBP 221, LLC
NBP 302, LLC
NBP 304, LLC
NBP 306, LLC
NBP 308, LLC
NBP 314, LLC
NBP 318, LLC
NBP 320, LLC
NBP 322, LLC
Northcreek Manager, LLC
Nottingham Associates Limited Partnership
Nottingham Center, LLC
Nottingham Ridge I Business Trust
Nottingham Ridge II Business Trust
Nottingham Ridge III Business Trust
Nottingham Ridge No. 20 Business Trust
Nottingham Ridge No. 30 Business Trust
Park Circle Equities, LLC
Pecan Court, L.L.C.
Philadelphia Road Business Trust
Philadelphia Road Operating Company, LLC
Professional Center I, LLC
Professional Center III, LLC
Red Cedar Building, LLC
Ridgely's Choice Business Trust
RIVA Trustee, LLC
Rivers Center III Investors, LLC
Riverwood Business Center Equity Affiliates, LLC
Rockville Corporate Center, LLC
Royston Building Business Trust
Rutherford 2 Limited Partnership
Sandpiper Limited Partnership
Schilling 216 Investors, LLC
Schilling Center Equities, LLC
Tech Park I, LLC
Tech Park II, LLC
Tech Park IV, LLC
Third Exploration, L.L.C.
Tyler Ridge I, LLC
Tyler Ridge I Business Trust
Tyler Ridge II Business Trust
Tyler Ridge II A Business Trust
Tyler Ridge II Improvements Business Trust
Tyler Ridge III Business Trust
Tyler Ridge III Improvements Business Trust
Tyler Ridge Limited Partnership
Tyler Ridge Water Management Business Trust
White Marsh Business Center Limited Partnership
White Marsh Business Center, LLC
White Marsh Business Center 2 Business Trust

White Marsh Business Community Owners Association II, Inc.
White Marsh Commerce Center I Business Trust
White Marsh Commerce Center II Business Trust
White Marsh Community Owners Association, Inc.
White Marsh Health Center Limited Partnership
White Marsh Hi-Tech 1 Business Trust
White Marsh Hi-Tech 2 Business Trust
White Marsh Professional Center II, LLC
W&M Business Trust
WMBC 13A Investment Company, LLC
Woods Investors, LLC
37 Allegheny Business Trust

67 Financing, LLC
110 Thomas Johnson, LLC
134, LLC
201 International Associates Limited Partnership
226 Schilling Circle, LLC
304 Sentinel, LLC
800 International, LLC
849 International, LLC
881 Elkridge Landing, LLC
900 International, LLC
930 International, LLC
999 Corporate, LLC
1099 Winterson, LLC
1190 Winterson, LLC
1199 Winterson, LLC
1362 Mellon, LLC
1460 Dorsey Road, LLC
2500 Riva Trust
2691 Technology, LLC
2900 Lord Baltimore Drive, LLC
6700 Alexander Bell, LLC
6711 Gateway, LLC
6711 Gateway Funding, LLC
6721 Gateway, LLC
6731 Gateway, LLC
6741 Gateway, LLC
6940 CGD, LLC
7000 CG, LLC
7000 Honeys, LLC
7015 Albert Einstein Drive, LLC
7130 Columbia Gateway, LLC
7200 Riverwood, LLC
7210 Ambassador Road, LLC
7240 Parkway Drive Enterprises, LLC
7253 Ambassador Road, LLC
7318 Parkway Drive Enterprises, LLC
7320 Parkway Drive Enterprises, LLC
7320 PD, LLC
7468 Candlewood Road, LLC
8027 Corporate Drive Business Trust
8029 Corporate Drive Business Trust
8621 RFD, LLC
8661 RFD, LLC
9020 Mendenhall, LLC

9690 Deereco Road, LLC
11011 McCormick Road, LLC
11101 McCormick Road, LLC

New Jersey

COPT Princeton South, LLC
Route 46 Partners
Route 46 Partners, L.L.C.

Pennsylvania

Colgatedrive Associates, L.P.
COPT Pennlyn, L.P.

Texas

COPT San Antonio General, LLC
COPT San Antonio, LP

Virginia

COPT Chantilly, LLC
COPT Chantilly II, LLC
COPT Dahlgren, LLC
COPT Dahlgren I, LLC
COPT Dahlgren II, LLC
COPT Dahlgren IV, LLC
COPT Dahlgren Land, LLC
COPT Greens I, LLC
COPT Greens II, LLC
COPT Greens III, 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

COPT Waterview I, LLC
COPT Waterview III, LLC
Towerview, LLC
TRC Pinnacle Towers, L.L.C.
13849 Park Center Road, LLC
2900 Towerview Road, LLC

[QuickLinks](#) -- Click here to rapidly navigate through this document

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-3 (No. 333-59766, No. 333-36740, No. 333-60379, No. 333-85210, No. 333-132958, No. 333-137031, No. 333-137894, No. 333-141334 and No. 333-141705) and S-8 (No. 333-87384, No. 333-88711, No. 333-111736, No. 333-118096 and No. 333-118097) of Corporate Office Properties Trust of our report dated February 29, 2008 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP
Baltimore, MD
February 29, 2008

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[Exhibit 23.1](#)

[CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM](#)

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATIONS REQUIRED BY
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATIONS

I, Randall M. Griffin, 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 29, 2008

/s/ RANDALL M. GRIFFIN

Randall M. Griffin
Chief Executive Officer

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[EXHIBIT 31.1](#)

[CORPORATE OFFICE PROPERTIES TRUST](#)

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATIONS REQUIRED BY
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934

CERTIFICATIONS

I, Stephen E. Riffée, 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 29, 2008

/s/ STEPHEN E. RIFFEE

Stephen E. Riffée
Chief Financial Officer

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[EXHIBIT 31.2](#)

[CORPORATE OFFICE PROPERTIES TRUST](#)

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EXHIBIT 32.1

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, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Randall M. Griffin, 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/ RANDALL M. GRIFFIN

Randall M. Griffin
Chief Executive Officer

Date: February 29, 2008

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[EXHIBIT 32.1](#)

[CERTIFICATIONS REQUIRED BY RULE 13a-14\(b\) UNDER THE SECURITIES EXCHANGE ACT OF 1934](#)

CORPORATE OFFICE PROPERTIES TRUST

CERTIFICATIONS REQUIRED BY
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934

In connection with Annual Report on Form 10-K of Corporate Office Properties Trust (the "Company") for the year ended December 31, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen E. Riffie, 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/ STEPHEN E. RIFFEE

Stephen E. Riffie
Chief Financial Officer

Date: February 29, 2008

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[EXHIBIT 32.2](#)