

CORPORATE OFFICE PROPERTIES TRUST  
Form 10-Q  
April 29, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, DC 20549

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended March 31, 2011

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)

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**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**

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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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  No

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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

As of April 18, 2011, 67,104,034 of the Company's Common Shares of Beneficial Interest, \$0.01 par value, were issued and outstanding.

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Table of Contents**PART I: FINANCIAL INFORMATION****ITEM 1. Financial Statements****Corporate Office Properties Trust and Subsidiaries****Consolidated Balance Sheets****(Dollars in thousands)****(unaudited)**

	<b>March 31, 2011</b>	<b>December 31, 2010</b>
<b>Assets</b>		
Properties, net:		
Operating properties, net	\$ 2,819,096	\$ 2,802,773
Properties under construction or development	649,675	642,682
Total properties, net	3,468,771	3,445,455
Cash and cash equivalents	12,606	10,102
Restricted cash and marketable securities	24,094	22,582
Accounts receivable (net of allowance for doubtful accounts of \$2,752 and \$2,796, respectively)	19,765	18,938
Deferred rent receivable	82,901	79,160
Intangible assets on real estate acquisitions, net	106,444	113,735
Deferred leasing and financing costs, net	60,479	60,649
Prepaid expenses and other assets	90,749	93,896
<b>Total assets</b>	<b>\$ 3,865,809</b>	<b>\$ 3,844,517</b>
<b>Liabilities and equity</b>		
Liabilities:		
Debt, net	\$ 2,396,795	\$ 2,323,681
Accounts payable and accrued expenses	103,043	99,699
Rents received in advance and security deposits	29,427	31,603
Dividends and distributions payable	33,048	32,986
Deferred revenue associated with operating leases	13,897	14,802
Distributions received in excess of investment in unconsolidated real estate joint venture	5,686	5,545
Other liabilities	12,255	13,063
Total liabilities	2,594,151	2,521,379
Commitments and contingencies (Note 15)		
Equity:		
Corporate Office Properties Trust's shareholders' equity:		
Preferred Shares of beneficial interest with an aggregate liquidation preference of \$216,333 (\$0.01 par value; 15,000,000 shares authorized and 8,121,667 shares issued and outstanding at March 31, 2011 and December 31, 2010)	81	81
Common Shares of beneficial interest (\$0.01 par value; 125,000,000 shares authorized, shares issued and outstanding of 67,103,918 at March 31, 2011 and 66,931,582 at December 31, 2010)	671	669
Additional paid-in capital	1,511,638	1,511,844
Cumulative distributions in excess of net income	(331,313)	(281,794)

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Accumulated other comprehensive loss	(3,197)	(4,163)
Total Corporate Office Properties Trust s shareholders equity	1,177,880	1,226,637
Noncontrolling interests in subsidiaries:		
Common units in the Operating Partnership	66,016	69,337
Preferred units in the Operating Partnership	8,800	8,800
Other consolidated entities	18,962	18,364
Noncontrolling interests in subsidiaries	93,778	96,501
Total equity	1,271,658	1,323,138
<b>Total liabilities and equity</b>	\$ 3,865,809	\$ 3,844,517

See accompanying notes to consolidated financial statements.

Table of Contents**Corporate Office Properties Trust and Subsidiaries****Consolidated Statements of Operations****(Dollars in thousands, except per share data)****(unaudited)**

	<b>For the Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenues</b>		
Rental revenue	\$ 99,426	\$ 91,010
Tenant recoveries and other real estate operations revenue	22,941	21,218
Construction contract and other service revenues	21,028	37,365
<b>Total revenues</b>	<b>143,395</b>	<b>149,593</b>
<b>Expenses</b>		
Property operating expenses	50,905	48,135
Depreciation and amortization associated with real estate operations	33,020	27,596
Construction contract and other service expenses	20,618	36,399
Impairment loss	27,742	
General and administrative expenses	6,777	5,900
Business development expenses	488	155
<b>Total operating expenses</b>	<b>139,550</b>	<b>118,185</b>
Operating income	3,845	31,408
Interest expense	(26,928)	(22,638)
Interest and other income	1,168	1,302
(Loss) income from continuing operations before equity in income (loss) of unconsolidated entities and income taxes	(21,915)	10,072
Equity in income (loss) of unconsolidated entities	30	(205)
Income tax benefit (expense)	544	(41)
(Loss) income from continuing operations	(21,341)	9,826
Discontinued operations	74	832
(Loss) income before gain on sales of real estate	(21,267)	10,658
Gain on sales of real estate, net of income taxes	2,701	17
<b>Net (loss) income</b>	<b>(18,566)</b>	<b>10,675</b>
<b>Less net (loss) income attributable to noncontrolling interests:</b>		
Common units in the Operating Partnership	1,479	(527)
Preferred units in the Operating Partnership	(165)	(165)
Other consolidated entities	(538)	(45)
<b>Net (loss) income attributable to Corporate Office Properties Trust</b>	<b>(17,790)</b>	<b>9,938</b>
Preferred share dividends	(4,025)	(4,025)
<b>Net (loss) income attributable to Corporate Office Properties Trust common shareholders</b>	<b>\$ (21,815)</b>	<b>\$ 5,913</b>
<b>Net (loss) income attributable to Corporate Office Properties Trust:</b>		
(Loss) income from continuing operations	\$ (17,859)	\$ 9,174
Discontinued operations, net	69	764
<b>Net (loss) income attributable to Corporate Office Properties Trust</b>	<b>\$ (17,790)</b>	<b>\$ 9,938</b>
<b>Basic earnings per common share (1)</b>		
(Loss) income from continuing operations	\$ (0.33)	\$ 0.08
Discontinued operations		0.02
<b>Net (loss) income attributable to COPT common shareholders</b>	<b>\$ (0.33)</b>	<b>\$ 0.10</b>
<b>Diluted earnings per common share (1)</b>		
(Loss) income from continuing operations	\$ (0.33)	\$ 0.08

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Discontinued operations				0.02
Net (loss) income attributable to COPT common shareholders	\$	(0.33)	\$	0.10

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

See accompanying notes to consolidated financial statements.

Table of Contents**Corporate Office Properties Trust and Subsidiaries****Consolidated Statements of Equity****(Dollars in thousands)****(unaudited)**

	Preferred Shares	Common Shares	Additional Paid-in Capital	Cumulative Distributions in Excess of Net Income	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance at December 31, 2009 (58,342,673 common shares outstanding)	\$ 81	\$ 583	\$ 1,238,704	\$ (209,941)	\$ (1,907)	\$ 93,112	\$ 1,120,632
Conversion of common units to common shares (309,497 shares)		3	4,512			(4,515)	
Costs associated with common shares issued to the public			(18)				(18)
Exercise of share options (128,461 shares)		1	2,055				2,056
Share-based compensation		2	2,609				2,611
Restricted common share redemptions (96,970 shares)			(3,610)				(3,610)
Adjustments to noncontrolling interests resulting from changes in ownership of Operating Partnership by COPT			(180)			180	
Adjustments related to derivatives designated as cash flow hedges					(1,371)	(103)	(1,474)
Net income				9,938		737	10,675
Dividends				(27,186)			(27,186)
Distributions to owners of common and preferred units in the Operating Partnership						(2,032)	(2,032)
Contributions from noncontrolling interests in other consolidated entities						9,247	9,247
Acquisition of noncontrolling interests in other consolidated entities			(26)			(336)	(362)
Balance at March 31, 2010 (58,927,117 common shares outstanding)	\$ 81	\$ 589	\$ 1,244,046	\$ (227,189)	\$ (3,278)	\$ 96,290	\$ 1,110,539
Balance at December 31, 2010 (66,931,582 common shares outstanding)	\$ 81	\$ 669	\$ 1,511,844	\$ (281,794)	\$ (4,163)	\$ 96,501	\$ 1,323,138
Conversion of common units to common shares (16,725 shares)							