

CORPORATE OFFICE PROPERTIES TRUST
Form 10-Q
November 04, 2015

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 September 30, 2015

or

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

For the transition period from to

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

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

(Exact name of registrant as specified in its charter)

Corporate Office Properties Trust	Maryland (State or other jurisdiction of incorporation or organization)	23-2947217 (IRS Employer Identification No.)
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Corporate Office Properties, L.P.	Delaware (State or other jurisdiction of incorporation or organization)	23-2930022 (IRS Employer Identification No.)
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6711 Columbia Gateway Drive, Suite 300, Columbia, MD	21046
(Address of principal executive offices)	(Zip Code)

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

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

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

Indicate by check mark whether the registrant has submitted electronically 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).

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

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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.

Corporate Office Properties Trust

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

Corporate Office Properties, L.P.

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

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

Corporate Office Properties Trust Yes No

Corporate Office Properties, L.P. Yes No

As of October 16, 2015, 94,533,250 of Corporate Office Properties Trust’s Common Shares of Beneficial Interest, \$0.01 par value, were issued and outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2015 of Corporate Office Properties Trust (“COPT”) and subsidiaries (collectively, the “Company”) and Corporate Office Properties, L.P. (“COPLP”) and subsidiaries (collectively, the “Operating Partnership”). Unless stated otherwise or the context otherwise requires, “we,” “our,” and “us” refer collectively to COPT, COPLP and their subsidiaries.

COPT is a real estate investment trust, or REIT, and the sole general partner of COPLP. As of September 30, 2015, COPT owned approximately 96.3% of the outstanding common units and approximately 95.5% of the outstanding preferred units in COPLP; the remaining common and preferred units in COPLP were owned by third parties. As the sole general partner of COPLP, COPT controls COPLP and can cause it to enter into major transactions including acquisitions, dispositions and refinancings and cause changes in its line of business, capital structure and distribution policies.

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

issuance of partnership units.

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

(comprised primarily of mutual funds and equity securities) and the corresponding liability to the plan's participants that are held directly by COPT.

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

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

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

- consolidated financial statements;
- the following notes to the consolidated financial statements:
 - Note 3, Fair Value Measurements of COPT and subsidiaries and COPLP and subsidiaries; and
 - Note 16, Earnings per Share of COPT and subsidiaries and Earnings per Unit of COPLP and subsidiaries;
- "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources of COPT"; and
- "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources of COPLP."

This report also includes separate sections under Part I, Item 4. Controls and Procedures and separate Exhibit 31 and Exhibit 32 certifications for each of COPT and COPLP to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that COPT and COPLP are compliant with Rule 13a-15 and Rule 15d-14 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and 18 U.S.C. §1350.

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PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements

Corporate Office Properties Trust and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share data)

(unaudited)

	September 30, 2015	December 31, 2014
Assets		
Properties, net:		
Operating properties, net	\$ 2,932,843	\$ 2,751,488
Projects in development or held for future development	414,757	545,426
Total properties, net	3,347,600	3,296,914
Assets held for sale, net	150,572	14,339
Cash and cash equivalents	3,840	6,077
Restricted cash and marketable securities	9,286	9,069
Accounts receivable (net of allowance for doubtful accounts of \$2,010 and \$717, respectively)	19,962	26,901
Deferred rent receivable (net of allowance of \$1,816 and \$1,418, respectively)	103,064	95,910
Intangible assets on real estate acquisitions, net	106,174	43,854
Deferred leasing and financing costs, net	64,367	64,797
Investing receivables	46,821	52,147
Prepaid expenses and other assets, net	66,787	60,249
Total assets	\$ 3,918,473	\$ 3,670,257
Liabilities and equity		
Liabilities:		
Debt, net	\$ 2,121,240	\$ 1,920,057
Accounts payable and accrued expenses	98,551	123,035
Rents received in advance and security deposits	34,504	31,011
Dividends and distributions payable	30,182	29,862
Deferred revenue associated with operating leases	20,113	13,031
Interest rate derivatives	5,844	1,855
Other liabilities	8,524	12,105
Total liabilities	2,318,958	2,130,956
Commitments and contingencies (Note 17)		
Redeemable noncontrolling interest	19,608	18,417
Equity:		
Corporate Office Properties Trust's shareholders' equity:		
Preferred Shares of beneficial interest at liquidation preference (\$0.01 par value; 25,000,000 shares authorized; issued and outstanding of 7,431,667 at September 30, 2015 and December 31, 2014)	199,083	199,083
Common Shares of beneficial interest (\$0.01 par value; 125,000,000 shares authorized, shares issued and outstanding of 94,533,670 at September 30, 2015 and 93,255,284 at December 31, 2014)	945	933
Additional paid-in capital	2,002,730	1,969,968
Cumulative distributions in excess of net income	(686,986)	(717,264)
Accumulated other comprehensive loss	(5,823)	(1,297)

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Total Corporate Office Properties Trust's shareholders' equity	1,509,949	1,451,423
Noncontrolling interests in subsidiaries:		
Common units in COPLP	50,992	51,534
Preferred units in COPLP	8,800	8,800
Other consolidated entities	10,166	9,127
Noncontrolling interests in subsidiaries	69,958	69,461
Total equity	1,579,907	1,520,884
Total liabilities, redeemable noncontrolling interest and equity	\$ 3,918,473	\$ 3,670,257

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Rental revenue	\$ 109,080	\$ 96,207	\$ 312,826	\$ 288,574
Tenant recoveries and other real estate operations revenue	24,606	22,069	71,761	70,538
Construction contract and other service revenues	17,058	34,739	97,554	80,390
Total revenues	150,744	153,015	482,141	439,502
Expenses				
Property operating expenses	48,897	43,056	145,996	136,600
Depreciation and amortization associated with real estate operations	38,403	30,237	103,788	104,728
Construction contract and other service expenses	16,132	33,593	94,923	75,353
Impairment losses	2,307	66	3,545	1,368
General, administrative and leasing expenses	7,439	7,211	22,864	22,882
Business development expenses and land carry costs	5,573	1,430	10,986	4,107
Total operating expenses	118,751	115,593	382,102	345,038
Operating income	31,993	37,422	100,039	94,464
Interest expense	(24,121)	(24,802)	(66,727)	(69,107)
Interest and other income	692	1,191	3,217	3,775
Gain (loss) on early extinguishment of debt	85,745	(176)	85,677	(446)
Income from continuing operations before equity in income of unconsolidated entities and income taxes	94,309	13,635	122,206	28,686
Equity in income of unconsolidated entities	18	193	52	206
Income tax expense	(48)	(101)	(153)	(257)
Income from continuing operations	94,279	13,727	122,105	28,635
Discontinued operations	—	191	156	4
Income before gain on sales of real estate	94,279	13,918	122,261	28,639
Gain on sales of real estate	15	10,630	4,000	10,630
Net income	94,294	24,548	126,261	39,269
Net income attributable to noncontrolling interests:				
Common units in COPLP	(3,357)	(768)	(4,231)	(942)
Preferred units in COPLP	(165)	(165)	(495)	(495)
Other consolidated entities	(972)	(895)	(2,599)	(2,481)
Net income attributable to COPT	89,800	22,720	118,936	35,351
Preferred share dividends	(3,552)	(3,553)	(10,657)	(12,387)
Issuance costs associated with redeemed preferred shares	—	—	—	(1,769)
Net income attributable to COPT common shareholders	\$ 86,248	\$ 19,167	\$ 108,279	\$ 21,195
Net income attributable to COPT:				
Income from continuing operations	\$ 89,800	\$ 22,537	\$ 118,783	\$ 35,342
Discontinued operations, net	—	183	153	9
Net income attributable to COPT	\$ 89,800	\$ 22,720	\$ 118,936	\$ 35,351
Basic earnings per common share (1)				
Income from continuing operations	\$ 0.91	\$ 0.22	\$ 1.15	\$ 0.24

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Discontinued operations	0.00	0.00	0.00	0.00
Net income attributable to COPT common shareholders	\$0.91	\$0.22	\$1.15	\$0.24
Diluted earnings per common share (1)				
Income from continuing operations	\$0.91	\$0.22	\$1.15	\$0.24
Discontinued operations	0.00	0.00	0.00	0.00
Net income attributable to COPT common shareholders	\$0.91	\$0.22	\$1.15	\$0.24
Dividends declared per common share	\$0.275	\$0.275	\$0.825	\$0.825

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

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$94,294	\$24,548	\$126,261	\$39,269
Other comprehensive (loss) income				
Unrealized (losses) gains on interest rate derivatives	(3,638	) 1,015	(6,720	) (4,738
Losses on interest rate derivatives included in interest expense	915	756	2,457	2,170
Equity in other comprehensive loss of equity method investee	—	—	(264) —
Other comprehensive (loss) income	(2,723	) 1,771	(4,527	) (2,568
Comprehensive income	91,571	26,319	121,734	36,701
Comprehensive income attributable to noncontrolling interests	(4,453	) (1,968	) (7,324	) (3,960
Comprehensive income attributable to COPT	\$87,118	\$24,351	\$114,410	\$32,741

See accompanying notes to consolidated financial statements.

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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 Income (Loss)	Noncontrolling Interests	Total
Balance at December 31, 2013 (87,394,512 common shares outstanding)	\$ 249,083	\$ 874	\$ 1,814,015	\$ (641,868)	\$ 3,480	\$ 71,665	\$ 1,497,249
Redemption of preferred shares (2,000,000 shares)	(50,000)	—	1,769	(1,769)	—	—	(50,000)
Conversion of common units to common shares (117,149 shares)	—	1	1,544	—	—	(1,545)	—
Costs associated with common shares issued to the public	—	—	(7)	—	—	—	(7)
Exercise of share options (57,888 shares)	—	—	1,359	—	—	—	1,359
Share-based compensation (142,182 shares issued, net of redemptions)	—	2	5,247	—	—	—	5,249
Redemption of vested equity awards	—	—	(1,389)	—	—	—	(1,389)
Adjustments to noncontrolling interests resulting from changes in ownership of COPLP	—	—	(248)	—	—	248	—
Comprehensive income	—	—	—	35,351	(2,609)	2,313	35,055
Dividends	—	—	—	(84,692)	—	—	(84,692)
Distributions to owners of common and preferred units in COPLP	—	—	—	—	—	(3,710)	(3,710)
Contributions from noncontrolling interests in other consolidated entities	—	—	—	—	—	3	3
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	—	(1,606)	(1,606)
Adjustment to arrive at fair value of redeemable noncontrolling interest	—	—	(7)	—	—	—	(7)
Balance at September 30, 2014 (87,711,731 common shares outstanding)	\$ 199,083	\$ 877	\$ 1,822,283	\$ (692,978)	\$ 871	\$ 67,368	\$ 1,397,504

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Balance at December 31, 2014 (93,255,284 common shares outstanding)	\$ 199,083	\$ 933	\$ 1,969,968	\$ (717,264)	\$ (1,297)	\$ 69,461	\$ 1,520,884
Conversion of common units to common shares (160,160 shares)	—	2	2,149	—	—	(2,151)	—
Common shares issued under at-the-market program (890,241 shares)	—	9	26,526	—	—	—	26,535
Exercise of share options (76,474 shares)	—	—	2,008	—	—	—	2,008
Share-based compensation (151,511 shares issued, net of redemptions)	—	1	5,599	—	—	—	5,600
Redemption of vested equity awards	—	—	(2,330)	—	—	—	(2,330)
Adjustments to noncontrolling interests resulting from changes in ownership of COPLP	—	—	(591)	—	—	591	—
Comprehensive income	—	—	—	118,936	(4,526)	5,634	120,044
Dividends	—	—	—	(88,658)	—	—	(88,658)
Distributions to owners of common and preferred units in COPLP	—	—	—	—	—	(3,530)	(3,530)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	—	(47)	(47)
Adjustment to arrive at fair value of redeemable noncontrolling interest	—	—	(599)	—	—	—	(599)
Balance at September 30, 2015 (94,533,670 common shares outstanding)	\$ 199,083	\$ 945	\$ 2,002,730	\$ (686,986)	\$ (5,823)	\$ 69,958	\$ 1,579,907

See accompanying notes to consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities		
Revenues from real estate operations received	\$373,607	\$358,212
Construction contract and other service revenues received	104,817	62,170
Property operating expenses paid	(146,274)	(141,489)
Construction contract and other service expenses paid	(112,614)	(58,218)
General, administrative, leasing, business development and land carry costs paid	(29,620)	(22,288)
Interest expense paid	(46,278)	(54,683)
Payments in connection with early extinguishment of debt	(18)	(104)
Interest and other income received	4,130	448
Income taxes (paid) refunded	(8)	200
Net cash provided by operating activities	147,742	144,248
Cash flows from investing activities		
Acquisitions of operating properties and related intangible assets	(202,866)	—
Construction, development and redevelopment	(174,434)	(150,862)
Tenant improvements on operating properties	(18,129)	(17,754)
Other capital improvements on operating properties	(12,610)	(21,179)
Proceeds from dispositions of properties	45,066	57,973
Investing receivables funded	(22)	(3,610)
Investing receivables payments received	5,114	10,278
Leasing costs paid	(8,603)	(10,549)
Increase in prepaid expenses and other assets associated with investing activities	(4,348)	(1,260)
Other	(457)	(83)
Net cash used in investing activities	(371,289)	(137,046)
Cash flows from financing activities		
Proceeds from debt		
Revolving Credit Facility	422,000	115,000
Unsecured senior notes	296,580	297,342
Other debt proceeds	50,000	11,569
Repayments of debt		
Revolving Credit Facility	(418,000)	(115,000)
Scheduled principal amortization	(5,011)	(4,914)
Other debt repayments	(50,681)	(183,059)
Deferred financing costs paid	(5,377)	(694)
Net proceeds from issuance of common shares	28,567	1,352
Redemption of preferred shares	—	(50,000)
Common share dividends paid	(77,641)	(72,217)
Preferred share dividends paid	(10,657)	(13,179)
Distributions paid to noncontrolling interests in COPLP	(3,581)	(3,786)
Redemption of vested equity awards	(2,330)	(1,389)
Other	(2,559)	(2,582)
Net cash provided by (used in) financing activities	221,310	(21,557)
Net decrease in cash and cash equivalents	(2,237)	(14,355)

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Cash and cash equivalents		
Beginning of period	6,077	54,373
End of period	\$3,840	\$40,018
See accompanying notes to consolidated financial statements.		

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

	For the Nine Months Ended September 30,	
	2015	2014
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 126,261	\$ 39,269
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other amortization	105,397	106,619
Impairment losses	3,779	1,371
Amortization of deferred financing costs	3,339	3,646
Increase in deferred rent receivable	(11,939)	(2,738)
Amortization of net debt discounts	805	659
Gain on sales of real estate	(4,000)	(10,654)
Share-based compensation	4,949	4,563
(Gain) loss on early extinguishment of debt	(86,075)	458
Other	1,922	(2,446)
Operating changes in assets and liabilities:		
Decrease in accounts receivable	6,526	6,815
Increase in restricted cash and marketable securities	(1,102)	(2,591)
Increase in prepaid expenses and other assets, net	(5,228)	(26,553)
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(655)	24,247
Increase in rents received in advance and security deposits	3,763	1,583
Net cash provided by operating activities	\$ 147,742	\$ 144,248
Supplemental schedule of non-cash investing and financing activities:		
Decrease in accrued capital improvements, leasing and other investing activity costs	\$(11,722)	\$(174)
Debt assumed on acquisition of operating property	\$55,490	\$—
Other liabilities assumed on acquisition of operating properties	\$5,265	\$—
Decrease in property in connection with surrender of property in settlement of debt	\$(82,738)	\$—
Decrease in debt in connection with surrender of property in settlement of debt	\$(150,000)	\$—
Decrease in fair value of derivatives applied to accumulated other comprehensive loss and noncontrolling interests	\$(4,263)	\$(2,613)
Equity in other comprehensive loss of an equity method investee	\$(264)	\$—
Dividends/distribution payable	\$30,182	\$28,344
Decrease in noncontrolling interests and increase in shareholders' equity in connection with the conversion of common units into common shares	\$2,151	\$1,545
Adjustments to noncontrolling interests resulting from changes in COPLP ownership	\$591	\$248
Increase in redeemable noncontrolling interest and decrease in equity to carry redeemable noncontrolling interest at fair value	\$599	\$7

See accompanying notes to consolidated financial statements.

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

	September 30, 2015	December 31, 2014
Assets		
Properties, net:		
Operating properties, net	\$ 2,932,843	\$ 2,751,488
Projects in development or held for future development	414,757	545,426
Total properties, net	3,347,600	3,296,914
Assets held for sale, net	150,572	14,339
Cash and cash equivalents	3,840	6,077
Restricted cash and marketable securities	3,787	3,187
Accounts receivable (net of allowance for doubtful accounts of \$2,010 and \$717, respectively)	19,962	26,901
Deferred rent receivable (net of allowance of \$1,816 and \$1,418, respectively)	103,064	95,910
Intangible assets on real estate acquisitions, net	106,174	43,854
Deferred leasing and financing costs, net	64,367	64,797
Investing receivables	46,821	52,147
Prepaid expenses and other assets, net	66,787	60,249
Total assets	\$ 3,912,974	\$ 3,664,375
Liabilities and equity		
Liabilities:		
Debt, net	\$ 2,121,240	\$ 1,920,057
Accounts payable and accrued expenses	98,551	123,035
Rents received in advance and security deposits	34,504	31,011
Distributions payable	30,182	29,862
Deferred revenue associated with operating leases	20,113	13,031
Interest rate derivatives	5,844	1,855
Other liabilities	3,025	6,223
Total liabilities	2,313,459	2,125,074
Commitments and contingencies (Note 17)		
Redeemable noncontrolling interest	19,608	18,417
Equity:		
Corporate Office Properties, L.P.'s equity:		
Preferred units		
General partner, preferred units outstanding of 7,431,667 at September 30, 2015 and December 31, 2014	199,083	199,083
Limited partner, 352,000 preferred units outstanding at September 30, 2015 and December 31, 2014	8,800	8,800
Common units, 94,533,670 and 93,255,284 held by the general partner and 3,677,391 and 3,837,551 held by limited partners at September 30, 2015 and December 31, 2014, respectively	1,367,904	1,305,219
Accumulated other comprehensive loss	(6,086)	(1,381)
Total Corporate Office Properties, L.P.'s equity	1,569,701	1,511,721

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Noncontrolling interests in subsidiaries	10,206	9,163
Total equity	1,579,907	1,520,884
Total liabilities, redeemable noncontrolling interest and equity	\$ 3,912,974	\$ 3,664,375
See accompanying notes to consolidated financial statements.		

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenues				
Rental revenue	\$109,080	\$96,207	\$312,826	\$288,574
Tenant recoveries and other real estate operations revenue	24,606	22,069	71,761	70,538
Construction contract and other service revenues	17,058	34,739	97,554	80,390
Total revenues	150,744	153,015	482,141	439,502
Expenses				
Property operating expenses	48,897	43,056	145,996	136,600
Depreciation and amortization associated with real estate operations	38,403	30,237	103,788	104,728
Construction contract and other service expenses	16,132	33,593	94,923	75,353
Impairment losses	2,307	66	3,545	1,368
General, administrative and leasing expenses	7,439	7,211	22,864	22,882
Business development expenses and land carry costs	5,573	1,430	10,986	4,107
Total operating expenses	118,751	115,593	382,102	345,038
Operating income	31,993	37,422	100,039	94,464
Interest expense	(24,121)	(24,802)	(66,727)	(69,107)
Interest and other income	692	1,191	3,217	3,775
Gain (loss) on early extinguishment of debt	85,745	(176)	85,677	(446)
Income from continuing operations before equity in income of unconsolidated entities and income taxes	94,309	13,635	122,206	28,686
Equity in income of unconsolidated entities	18	193	52	206
Income tax expense	(48)	(101)	(153)	(257)
Income from continuing operations	94,279	13,727	122,105	28,635
Discontinued operations	—	191	156	4
Income before gain on sales of real estate	94,279	13,918	122,261	28,639
Gain on sales of real estate	15	10,630	4,000	10,630
Net income	94,294	24,548	126,261	39,269
Net income attributable to noncontrolling interests in consolidated entities	(972)	(897)	(2,602)	(2,471)
Net income attributable to COPLP	93,322	23,651	123,659	36,798
Preferred unit distributions	(3,717)	(3,718)	(11,152)	(12,882)
Issuance costs associated with redeemed preferred units	—	—	—	(1,769)
Net income attributable to COPLP common unitholders	\$89,605	\$19,933	\$112,507	\$22,147
Net income attributable to COPLP:				
Income from continuing operations	\$93,322	\$23,460	\$123,500	\$36,789
Discontinued operations, net	—	191	159	9
Net income attributable to COPLP	\$93,322	\$23,651	\$123,659	\$36,798
Basic earnings per common unit (1)				
Income from continuing operations	\$0.91	\$0.22	\$1.15	\$0.24
Discontinued operations	0.00	0.00	0.00	0.00
Net income attributable to COPLP common unitholders	\$0.91	\$0.22	\$1.15	\$0.24
Diluted earnings per common unit (1)				

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Income from continuing operations	\$0.91	\$0.22	\$1.15	\$0.24
Discontinued operations	0.00	0.00	0.00	0.00
Net income attributable to COPLP common unitholders	\$0.91	\$0.22	\$1.15	\$0.24
Distributions declared per common unit	\$0.275	\$0.275	\$0.825	\$0.825

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

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income	\$94,294	\$24,548	\$126,261	\$39,269
Other comprehensive (loss) income				
Unrealized gains (losses) on interest rate derivatives	(3,638	) 1,015	(6,720	) (4,738
Losses on interest rate derivatives included in interest expense	915	756	2,457	2,170
Equity in other comprehensive loss of equity method investee	—	—	(264) —
Other comprehensive (loss) income	(2,723	) 1,771	(4,527	) (2,568
Comprehensive income	91,571	26,319	121,734	36,701
Comprehensive income attributable to noncontrolling interests	(1,035	) (964	) (2,780	) (2,630
Comprehensive income attributable to COPLP	\$90,536	\$25,355	\$118,954	\$34,071

See accompanying notes to consolidated financial statements.

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

	Limited Partner Preferred Units		General Partner Preferred Units		Common Units		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Equity
	Units	Amount	Units	Amount	Units	Amount			
Balance at December 31, 2013	352,000	\$8,800	9,431,667	\$249,083	91,372,212	\$1,226,318	\$3,605	\$9,443	\$1,497,249
Redemption of preferred units resulting from redemption of preferred shares	—	—	(2,000,000)	(50,000)	—	—	—	—	(50,000)
Costs associated with common shares issued to the public	—	—	—	—	—	(7)	—	—	(7)
Issuance of common units resulting from exercise of share options	—	—	—	—	57,888	1,359	—	—	1,359
Share-based compensation (units net of redemption)	—	—	—	—	142,182	5,249	—	—	5,249
Redemptions of vested equity awards	—	—	—	—	—	(1,389)	—	—	(1,389)
Comprehensive income	—	495	—	12,387	—	23,916	(2,726)	983	35,055
Distributions to owners of common and preferred units	—	(495)	—	(12,387)	—	(75,520)	—	—	(88,402)
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(1,606)	(1,606)
Contributions from noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	3	3

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Adjustment to arrive at fair value of redeemable noncontrolling interest	—	—	—	—	—	(7)	—	—	(7)	
Balance at September 30, 2014	352,000	\$8,800	7,431,667	\$199,083	91,572,282	\$1,179,919	\$879	\$8,823		\$1,397,504		
Balance at December 31, 2014	352,000	\$8,800	7,431,667	\$199,083	97,092,835	\$1,305,219	\$(1,381)	\$9,163		\$1,520,884		
Issuance of common units resulting from common shares issued under at-the-market program	—	—	—	—	890,241	26,535	—	—		26,535		
Issuance of common units resulting from exercise of share options	—	—	—	—	76,474	2,008	—	—		2,008		
Share-based compensation (units net of redemption)	—	—	—	—	151,511	5,600	—	—		5,600		
Redemptions of vested equity awards	—	—	—	—	—	(2,330	)	—	—	(2,330)	
Comprehensive income	—	495	—	10,657	—	112,507	(4,705	)	1,090	120,044	
Distributions to owners of common and preferred units	—	(495)	—	(10,657)	—	(81,036)	—	(92,188)
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	(47	)	(47)	
Adjustment to arrive at fair value of redeemable noncontrolling interest	—	—	—	—	—	(599	)	—	—	(599)	
Balance at September 30, 2015	352,000	\$8,800	7,431,667	\$199,083	98,211,061	\$1,367,904	\$(6,086)	\$10,206		\$1,579,907		

See accompanying notes to consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities		
Revenues from real estate operations received	\$373,607	\$358,212
Construction contract and other service revenues received	104,817	62,170
Property operating expenses paid	(146,274)	(141,489)
Construction contract and other service expenses paid	(112,614)	(58,218)
General, administrative, leasing, business development and land carry costs paid	(29,620)	(22,288)
Interest expense paid	(46,278)	(54,683)
Payments in connection with early extinguishment of debt	(18)	(104)
Interest and other income received	4,130	448
Income taxes (paid) refunded	(8)	200
Net cash provided by operating activities	147,742	144,248
Cash flows from investing activities		
Acquisitions of operating properties and related intangible assets	(202,866)	—
Construction, development and redevelopment	(174,434)	(150,862)
Tenant improvements on operating properties	(18,129)	(17,754)
Other capital improvements on operating properties	(12,610)	(21,179)
Proceeds from dispositions of properties	45,066	57,973
Investing receivables funded	(22)	(3,610)
Investing receivables payments received	5,114	10,278
Leasing costs paid	(8,603)	(10,549)
Increase in prepaid expenses and other assets associated with investing activities	(4,348)	(1,260)
Other	(457)	(83)
Net cash used in investing activities	(371,289)	(137,046)
Cash flows from financing activities		
Proceeds from debt		
Revolving Credit Facility	422,000	115,000
Unsecured senior notes	296,580	297,342
Other debt proceeds	50,000	11,569
Repayments of debt		
Revolving Credit Facility	(418,000)	(115,000)
Scheduled principal amortization	(5,011)	(4,914)
Other debt repayments	(50,681)	(183,059)
Deferred financing costs paid	(5,377)	(694)
Net proceeds from issuance of common units	28,567	1,352
Redemption of preferred units	—	(50,000)
Common unit distributions paid	(80,727)	(75,508)
Preferred unit distributions paid	(11,152)	(13,674)
Redemption of vested equity awards	(2,330)	(1,389)
Other	(2,559)	(2,582)
Net cash provided by (used in) financing activities	221,310	(21,557)
Net decrease in cash and cash equivalents	(2,237)	(14,355)
Cash and cash equivalents		

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Beginning of period	6,077	54,373
End of period	\$3,840	\$40,018
See accompanying notes to consolidated financial statements.		

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

	For the Nine Months Ended September 30,	
	2015	2014
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$ 126,261	\$ 39,269
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other amortization	105,397	106,619
Impairment losses	3,779	1,371
Amortization of deferred financing costs	3,339	3,646
Increase in deferred rent receivable	(11,939)	(2,738)
Amortization of net debt discounts	805	659
Gain on sales of real estate	(4,000)	(10,654)
Share-based compensation	4,949	4,563
(Gain) loss on early extinguishment of debt	(86,075)	458
Other	1,922	(2,446)
Operating changes in assets and liabilities:		
Decrease in accounts receivable	6,526	6,815
Increase in restricted cash and marketable securities	(1,485)	(2,558)
Increase in prepaid expenses and other assets, net	(5,228)	(26,553)
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(272)	24,214
Increase in rents received in advance and security deposits	3,763	1,583
Net cash provided by operating activities	\$ 147,742	\$ 144,248
Supplemental schedule of non-cash investing and financing activities:		
Decrease in accrued capital improvements, leasing and other investing activity costs	\$(11,722)	\$(174)
Debt assumed on acquisition of operating property	\$55,490	\$—
Other liabilities assumed on acquisition of operating properties	\$5,265	\$—
Decrease in property in connection with surrender of property in settlement of debt	\$(82,738)	\$—
Decrease in debt in connection with surrender of property in settlement of debt	\$(150,000)	\$—
Decrease in fair value of derivatives applied to accumulated other comprehensive loss and noncontrolling interests	\$(4,263)	\$(2,613)
Equity in other comprehensive loss of an equity method investee	\$(264)	\$—
Distributions payable	\$30,182	\$28,344
Increase in redeemable noncontrolling interest and decrease in equity to carry redeemable noncontrolling interest at fair value	\$599	\$7

See accompanying notes to consolidated financial statements.

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

1. Organization

Corporate Office Properties Trust (“COPT”) and subsidiaries (collectively, the “Company”) is a fully-integrated and self-managed real estate investment trust (“REIT”). Corporate Office Properties, L.P. (“COPLP”) and subsidiaries (collectively, the “Operating Partnership”) is the entity through which COPT, the sole general partner of COPLP, conducts almost all of its operations and owns almost all of its assets. Unless otherwise expressly stated or the context otherwise requires, “we”, “us” and “our” as used herein refer to each of the Company and the Operating Partnership. We focus primarily on serving the specialized requirements of United States Government agencies and their contractors, most of whom are engaged in national security and information technology related activities. We generally acquire, develop, manage and lease office and data center properties concentrated in large office parks located near knowledge-based government demand drivers and/or in targeted markets or submarkets in the Greater Washington, DC/Baltimore region. As of September 30, 2015, our properties included the following:

- 183 operating office properties totaling 18.8 million square feet;
- 10 office properties under, or contractually committed for, construction or redevelopment that we estimate will total approximately 1.2 million square feet upon completion, including one partially operational property included above;
- 1,450 acres of land we control that we believe are potentially developable into approximately 17.7 million square feet; and
- a wholesale data center with a critical load of 19.25 megawatts.

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

Equity interests in COPLP are in the form of common and preferred units. As of September 30, 2015, COPT owned 96.3% of the outstanding COPLP common units (“common units”) and 95.5% of the outstanding COPLP preferred units (“preferred units”); the remaining common and preferred units in COPLP were owned by third parties. Common units in COPLP not owned by COPT carry certain redemption rights. The number of common units in COPLP owned by COPT is equivalent to the number of outstanding common shares of beneficial interest (“common shares”) of COPT, and the entitlement of all COPLP common units to quarterly distributions and payments in liquidation is substantially the same as those of COPT common shareholders. Similarly, in the case of each series of preferred units in COPLP held by COPT, there is a series of preferred shares of beneficial interest (“preferred shares”) in COPT that is equivalent in number and carries substantially the same terms as such series of COPLP preferred units. COPT’s common shares are publicly traded on the New York Stock Exchange (“NYSE”) under the ticker symbol “OFC”.

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

We use the equity method of accounting when we own an interest in an entity and can exert significant influence over but cannot control the entity’s operations. We discontinue equity method accounting if our investment in an entity (and net advances) is reduced to zero unless we have guaranteed obligations of the entity or are otherwise committed to provide further financial support for the entity.

These interim financial statements should be read together with the consolidated financial statements and notes thereto as of and for the year ended December 31, 2014 included in our 2014 Annual Report on Form 10-K. The unaudited consolidated financial statements include all adjustments that are necessary, in the opinion of management, to fairly present our financial position and results of operations. All adjustments are of a normal recurring nature. The consolidated financial statements have been prepared using the accounting policies described in our 2014 Annual Report on Form 10-K.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance regarding the recognition of revenue from contracts with customers. Under this guidance, an entity will recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We are required to adopt this guidance for our annual and interim periods beginning January 1, 2018 using one of two methods: retrospective restatement for each reporting period presented at the time of adoption, or retrospectively with the cumulative effect of initially applying this guidance recognized at the date of initial application. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

In January 2015, the FASB issued guidance regarding the presentation of extraordinary and unusual items in statements of operations. This guidance eliminates the concept of extraordinary items. However, the presentation and disclosure requirements for items that are either unusual in nature or infrequent in occurrence remain and will be expanded to include items that are both unusual in nature and infrequent in occurrence. This guidance is effective for periods beginning after December 15, 2015. We expect that the application of this guidance will have no effect on our reported consolidated financial statements.

In February 2015, the FASB issued guidance regarding amendments to the consolidation analysis. This guidance amends the criteria for determining which entities are considered variable interest entities (“VIE”), amends the criteria for determining if a service provider possesses a variable interest in a VIE and ends the deferral granted to investment companies for application of the VIE consolidation model. This guidance is effective for annual periods, and interim periods therein, beginning after December 15, 2015. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

In April 2015, the FASB issued guidance that changes the presentation of debt issuance costs in financial statements. This guidance requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. This guidance was further updated in August 2015 with respect to debt issuance costs of line-of-credit arrangements to note that it will be permissible for an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of a line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This guidance is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. This guidance will be applied retrospectively to each prior period presented. We expect that the application of this guidance will not materially affect our consolidated financial statements.

In September 2015, the FASB issued guidance that eliminates the requirement to restate prior period financial statements for measurement period adjustments following a business combination. The guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The prior period impact of the adjustment should be either presented separately on the face of the statement of operations or disclosed in the notes. This guidance is effective for

annual reporting periods beginning after December 15, 2015. This guidance will be applied prospectively for measurement period adjustments that occur after the effective date. We expect that the application of this guidance will not materially affect our consolidated financial statements.

3. Fair Value Measurements

For a description on how we estimate fair value, see Note 3 to the consolidated financial statements in our 2014 Annual Report on Form 10-K.

Recurring Fair Value Measurements

Our partner in a real estate joint venture has the right to require us to acquire its interest at fair value beginning in March 2020; accordingly, we classify the fair value of our partner's interest as a redeemable noncontrolling interest in the mezzanine section of our consolidated balance sheet. In determining the fair value of our partner's interest as of September 30, 2015, we used a discount rate of 15.5% which factored in risk appropriate to the level of future property development expected to be undertaken by the joint venture. A significant increase (decrease) in the discount rate used in determining the fair value would result in a significantly (lower) higher fair value. Given our reliance on the unobservable inputs, the valuations are classified in Level 3 of the fair value hierarchy. Please refer to Note 11 for a rollforward of the activity for redeemable noncontrolling interest.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, other assets (excluding investing receivables) and accounts payable and accrued expenses are reasonable estimates of their fair values because of the short maturities of these instruments. As discussed in Note 7, we estimated the fair values of our investing receivables based on the discounted estimated future cash flows of the loans (categorized within Level 3 of the fair value hierarchy); the discount rates used approximate current market rates for loans with similar maturities and credit quality, and the estimated cash payments include scheduled principal and interest payments. For our disclosure of debt fair values in Note 9, we estimated the fair value of our unsecured senior notes and exchangeable senior notes based on quoted market rates for publicly-traded debt (categorized within Level 2 of the fair value hierarchy) and estimated the fair value of our other debt based on the discounted estimated future cash payments to be made on such debt (categorized within Level 3 of the fair value hierarchy); the discount rates used approximate current market rates for loans, or groups of loans, with similar maturities and credit quality, and the estimated future payments include scheduled principal and interest payments. Fair value estimates are made at a specific point in time, are subjective in nature and involve uncertainties and matters of significant judgment. Settlement at such fair value amounts may not be possible and may not be a prudent management decision.

For additional fair value information, please refer to Note 7 for investing receivables, Note 9 for debt and Note 10 for interest rate derivatives.

COPT and Subsidiaries

The table below sets forth financial assets and liabilities of COPT and its subsidiaries that are accounted for at fair value on a recurring basis as of September 30, 2015 and the hierarchy level of inputs used in measuring their respective fair values under applicable accounting standards (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Marketable securities in deferred compensation plan (1)				
Mutual funds	\$ 5,395	\$ —	\$ —	\$5,395
Other	104	—	—	104
Warrants to purchase common stock (2)	—	42	—	42
Total assets	\$ 5,499	\$ 42	\$ —	\$5,541
Liabilities:				
Deferred compensation plan liability (3)	\$ —	\$ 5,499	\$ —	\$5,499
Interest rate derivatives	—	5,844	—	5,844
Total liabilities	\$ —	\$ 11,343	\$ —	\$11,343
Redeemable noncontrolling interest	\$ —	\$ —	\$ 19,608	\$19,608

- (1) Included in the line entitled “restricted cash and marketable securities” on COPT’s consolidated balance sheet.
- (2) Included in the line entitled “prepaid expenses and other assets” on COPT’s consolidated balance sheet.
- (3) Included in the line entitled “other liabilities” on COPT’s consolidated balance sheet.

COPLP and Subsidiaries

The table below sets forth financial assets and liabilities of COPLP and its subsidiaries that are accounted for at fair value on a recurring basis as of September 30, 2015 and the hierarchy level of inputs used in measuring their respective fair values under applicable accounting standards (in thousands):

Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Assets:				
Warrants to purchase common stock (1)	\$ —	\$ 42	\$ —	\$ 42
Liabilities:				
Interest rate derivatives	\$ —	\$ 5,844	\$ —	\$ 5,844
Redeemable noncontrolling interest	\$ —	\$ —	\$ 19,608	\$ 19,608

(1) Included in the line entitled “prepaid expenses and other assets” on COPLP’s consolidated balance sheet.

Nonrecurring Fair Value Measurements

During the nine months ended September 30, 2015, we recognized the following impairment losses resulting from nonrecurring fair value measurements:

\$1.3 million primarily in the three months ended June 30, 2015 on a property in Northern Virginia that we sold on July 27, 2015 following receipt of an unsolicited offer. This property’s carrying value exceeded its fair value less costs to sell; and

\$2.3 million in the three months ended September 30, 2015 on three properties in the Greater Baltimore, Maryland (“Greater Baltimore”) region that we concluded no longer met our investment criteria during the period and whose carrying amounts exceeded their estimated fair values less costs to sell. These properties were reclassified as held for sale.

The table below sets forth the fair value hierarchy of the valuation technique we used to determine the fair values of these properties (dollars in thousands):

Description	Fair Values of Properties Held as of September 30, 2015			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Assets:				
Assets held for sale, net (1)	\$—	\$—	\$7,225	\$7,225

(1) Represents estimated fair values less costs to sell.

The table below sets forth quantitative information about significant unobservable inputs used for the Level 3 fair value measurements reported above as of September 30, 2015 (dollars in thousands):

Valuation Technique	Fair Values on Measurement Date	Unobservable Input	Range (Weighted Average) (1)
Discounted cash flow	\$7,225	Discount rate	8.25%
		Terminal capitalization rate	7.75%
		Market rent growth rate	2.0%
		Expense growth rate	2.0%

(1) Only one value applied for these unobservable inputs.

During the nine months ended September 30, 2014, we recognized impairment losses totaling \$1.4 million primarily in connection with certain of our operating properties in the Greater Baltimore region that were disposed of during the period. After shortening our expected holding period for these properties during the period, we determined that the carrying amount of the properties would not likely be recovered from the cash flows from the operations and sales of the properties over the shortened period.

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4. Properties, Net

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

	September 30, 2015	December 31, 2014
Land	\$466,701	\$439,355
Buildings and improvements	3,141,889	3,015,216
Less: Accumulated depreciation	(675,747	) (703,083
Operating properties, net	\$2,932,843	\$2,751,488

During the nine months ended September 30, 2014, we recognized \$12.9 million in additional depreciation expense resulting from our revision of the useful life of a property in Greater Philadelphia, Pennsylvania (“Greater Philadelphia”) that was removed from service for redevelopment.

Projects in development or held for future development consisted of the following (in thousands):

	September 30, 2015	December 31, 2014
Land	\$207,748	\$214,977
Development in progress, excluding land	207,009	330,449
Projects in development or held for future development	\$414,757	\$545,426

As of September 30, 2015, we had 18 operating properties in Greater Baltimore and one in Northern Virginia classified as held for sale. The table below sets forth the components of assets held for sale on our consolidated balance sheet for these properties (in thousands):

	September 30, 2015
Properties, net	\$142,817
Deferred rent receivable	3,998
Intangible assets on real estate acquisitions, net	799
Deferred leasing costs, net	2,053
Lease incentives, net	905
Assets held for sale, net	\$150,572

As of December 31, 2014, we had two land parcels in the Greater Baltimore region classified as held for sale with aggregate carrying amounts of \$14.3 million that were sold during the nine months ended September 30, 2015.

2015 Acquisitions

In the nine months ended September 30, 2015, we acquired the following operating properties:

• 250 W. Pratt Street, a 367,000 square foot office property in Baltimore, Maryland that was 96.2% leased, for \$61.9 million on March 19, 2015;

• 2600 Park Tower Drive, a 237,000 square foot office property in Vienna, Virginia (in the Northern Virginia region) that was 100% leased, for \$80.5 million on April 15, 2015; and

• 100 Light Street, a 558,000 square foot office property in Baltimore, Maryland that was 93.5% leased, and its structured parking garage, 30 Light Street, for \$121.2 million on August 7, 2015. In connection with that acquisition, we assumed a \$55.0 million mortgage loan with a fair value at assumption of \$55.5 million.

The table below sets forth the allocation of the aggregate acquisition costs of these properties (in thousands):

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Land, operating properties	\$55,076	
Building and improvements	139,520	
Intangible assets on real estate acquisitions	75,846	
Total assets	270,442	
Below-market leases	(6,820)
Total acquisition cost	\$263,622	

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Intangible assets recorded in connection with these acquisitions included the following (dollars in thousands):

		Weighted Average Amortization Period (in Years)
Tenant relationship value	\$31,208	12
In-place lease value	35,231	7
Above-market leases	6,720	4
Below-market cost arrangements	2,687	40
	\$75,846	10

These properties contributed revenues of \$6.9 million for the three months ended September 30, 2015 and \$11.2 million for the nine months ended September 30, 2015, and contributed net income from continuing operations of \$487,000 for the three months ended September 30, 2015 and \$697,000 for the nine months ended September 30, 2015. We expensed operating property acquisition costs of \$2.7 million during the three months ended September 30, 2015 and \$4.1 million during the nine months ended September 30, 2015 that are included in business development expenses and land carry costs on our consolidated statements of operations.

We accounted for these acquisitions as business combinations. We included the results of operations for the acquisitions in our consolidated statements of operations from their respective purchase dates through September 30, 2015. The following table presents pro forma information for COPT and subsidiaries as if these acquisitions had occurred on January 1, 2014. This pro forma information also includes adjustments to reclassify the operating property acquisition costs disclosed above from the 2015 periods in which they were incurred to the nine months ended September 30, 2014. The pro forma financial information was prepared for comparative purposes only and is not necessarily indicative of what would have occurred had these acquisitions been made at that time or of results which may occur in the future (in thousands, except per shares amounts).

	For the Three Months Ended September 30, 2015		For the Nine Months Ended September 30, 2015	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Pro forma total revenues	\$152,736	\$162,085	\$498,657	\$467,224
Pro forma net income attributable to COPT common shareholders	\$88,836	\$19,683	\$112,941	\$19,266
Pro forma EPS:				
Basic	\$0.94	\$0.22	\$1.20	\$0.22
Diluted	\$0.94	\$0.22	\$1.20	\$0.22

2015 Dispositions

In the nine months ended September 30, 2015, we completed the following dispositions of operating properties:

1550 Westbranch Drive, a 160,000 square foot office property in McLean, Virginia (in the Northern Virginia region) for \$27.8 million on July 27, 2015; and
 15000 and 15010 Conference Center Drive, two office properties in Chantilly, Virginia (in the Northern Virginia region) totaling 665,000 square feet. On August 28, 2015, ownership in these properties was transferred to the mortgage lender on a \$150.0 million nonrecourse mortgage loan that was secured by the properties and we removed the debt obligation and accrued interest from our balance sheet. The properties had an estimated fair value of \$99 million on the transfer date. Upon completion of this transfer, we recognized a gain on early extinguishment of debt of \$84.8 million, representing the difference between the mortgage loan and accrued interest payable extinguished over the carrying value of the properties transferred as of the transfer date and related closing costs.

We also sold land during the nine months ended September 30, 2015 for \$18.1 million and recognized gains of \$4.0 million on the sales.

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2015 Construction Activities

During the nine months ended September 30, 2015, we placed into service an aggregate of 897,000 square feet in seven newly constructed office properties located in Northern Virginia, San Antonio, Texas (“San Antonio”), Huntsville, Alabama (“Huntsville”) and the Baltimore/Washington Corridor, and 170,000 square feet in two properties redeveloped in Greater Philadelphia and St. Mary’s County, Maryland. As of September 30, 2015, we had six office properties under construction, or for which we were contractually committed to construct, that we estimate will total 1.0 million square feet upon completion (including one partially operational property), including four in Northern Virginia and two in the Baltimore/Washington Corridor. We also had four office properties under redevelopment that we estimate will total 156,000 square feet upon completion, all of which were located in the Baltimore/Washington Corridor.

5. Real Estate Joint Ventures

The table below sets forth information pertaining to our material investments in consolidated real estate joint ventures as of September 30, 2015 (dollars in thousands):

	Date Acquired	Nominal Ownership % as of 9/30/2015	Nature of Activity	September 30, 2015		(1) Total Liabilities
				Total Assets	Encumbered Assets	
LW Redstone Company, LLC	3/23/2010	85%	Development and operation of real estate (2)	\$ 144,906	\$ 64,395	\$ 39,093
M Square Associates, LLC	6/26/2007	50%	Development and operation of real estate (3)	58,840	48,301	38,117
				\$ 203,746	\$ 112,696	\$ 77,210

(1) Excludes amounts eliminated in consolidation.

(2) This joint venture’s properties are in Huntsville.

(3) This joint venture’s properties are in College Park, Maryland (in the Baltimore/Washington Corridor).

6. Intangible Assets on Real Estate Acquisitions, Net

Intangible assets on real estate acquisitions consisted of the following, excluding amounts for properties held for sale (in thousands):

	September 30, 2015			December 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
In-place lease value	\$ 138,410	\$ 87,667	\$ 50,743	\$ 123,759	\$ 101,040	\$ 22,719
Tenant relationship value	63,117	22,525	40,592	42,301	28,492	13,809
Below-market cost arrangements	15,102	6,505	8,597	12,415	5,984	6,431
Above-market leases	13,844	7,987	5,857	8,659	8,159	500
Market concentration premium	1,333	948	385	1,333	938	395
	\$ 231,806	\$ 125,632	\$ 106,174	\$ 188,467	\$ 144,613	\$ 43,854

Amortization of the intangible asset categories set forth above totaled \$11.9 million in the nine months ended September 30, 2015 and \$10.8 million in the nine months ended September 30, 2014. The approximate weighted average amortization periods of the categories set forth above follow (excluding amounts for properties held for sale): in-place lease value: six years; tenant relationship value: 11 years; below-market cost arrangements: 35 years; above-market leases: four years; and market concentration premium: 27 years. The approximate weighted average

amortization period for all of the categories combined is 10 years. Estimated amortization expense associated with the intangible asset categories set forth above through 2020 follows (excluding amounts for properties held for sale): \$5.1 million for the three months ending December 31, 2015; \$19.7 million for 2016; \$17.1 million for 2017; \$12.3 million for 2018; \$9.3 million for 2019; and \$7.3 million for 2020.

7. Investing Receivables

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

	September 30, 2015	December 31, 2014
Notes receivable from the City of Huntsville	\$43,821	\$49,147
Other investing loans receivable	3,000	3,000
	\$46,821	\$52,147

Our notes receivable from the City of Huntsville funded infrastructure costs in connection with our LW Redstone Company, LLC joint venture (see Note 5) and carry an interest rate of 9.95%.

We did not have an allowance for credit losses in connection with our investing receivables as of September 30, 2015 or December 31, 2014. The fair value of these receivables approximated their carrying amounts as of September 30, 2015 and December 31, 2014.

8. Prepaid Expenses and Other Assets, Net

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

	September 30, 2015	December 31, 2014
Prepaid expenses	\$28,655	\$20,570
Lease incentives, net	11,589	13,344
Furniture, fixtures and equipment, net	5,941	6,637
Construction contract costs incurred in excess of billings	4,722	6,656
Deferred tax asset, net (1)	4,015	4,002
Operating notes receivable	3,744	3,797
Equity method investments	1,626	2,368
Other assets	6,495	2,875
Prepaid expenses and other assets, net	\$66,787	\$60,249

(1) Includes a valuation allowance of \$2.1 million.

Operating notes receivable reported above includes amounts due from tenants with remaining terms exceeding one year totaling \$3.7 million as of September 30, 2015 and \$3.6 million as of December 31, 2014; we carried allowances for estimated losses for \$278,000 of the September 30, 2015 balance and \$252,000 of the December 31, 2014 balance.

9. Debt, Net

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

	Maximum Availability at	Carrying Value at		Stated Interest Rates as of	Scheduled Maturity as of
	September 30, 2015	September 30, 2015	December 31, 2014	September 30, 2015	September 30, 2015
Mortgage and Other Secured Loans:					
Fixed rate mortgage loans (1)		\$288,217	\$387,139	3.96% - 7.87% (2)	2016-2024
Variable rate secured loan		36,249	36,877	LIBOR + 2.25% (3)	November 2015
Total mortgage and other secured loans		324,466	424,016		
Revolving Credit Facility	\$800,000	87,000	83,000	LIBOR + 0.875% to 1.60% (4)	May 2019
Term Loan Facilities	(5)	520,000	520,000	LIBOR + 0.90% to 2.60% (6)	2016-2020
Unsecured Senior Notes					
3.600% Senior Notes (7)		347,691	347,496	3.60%	May 2023
5.250% Senior Notes (8)		246,074	245,797	5.25%	February 2024
3.700% Senior Notes (9)		297,830	297,569	3.70%	June 2021
5.000% Senior Note (10)		296,646	—	5.00%	July 2025
Unsecured notes payable		1,533	1,607	0% (11)	2026
4.25% Exchangeable Senior Notes (12)		—	572	N/A	(12)
Total debt, net		\$2,121,240	\$1,920,057		

Several of the fixed rate mortgages carry interest rates that were above or below market rates upon assumption and therefore were recorded at their fair value based on applicable effective interest rates. The carrying values of

(1) these loans reflect net unamortized premiums totaling \$24,000 as of September 30, 2015 and \$42,000 as of December 31, 2014. Please refer to Note 4 for disclosure pertaining to the removal of a \$150.0 million nonrecourse mortgage loan from our balance sheet on August 28, 2015.

(2) The weighted average interest rate on our fixed rate mortgage loans was 6.07% as of September 30, 2015.

(3) The interest rate on the loan outstanding was 2.45% as of September 30, 2015.

(4) The weighted average interest rate on the Revolving Credit Facility was 1.48% as of September 30, 2015.

(5) We have the ability to borrow an additional \$380.0 million in the aggregate under these term loan facilities, provided that there is no default under the facilities and subject to the approval of the lenders.

(6) The weighted average interest rate on these loans was 1.78% as of September 30, 2015.

The carrying value of these notes included a principal amount of \$350.0 million and an unamortized discount (7) totaling \$2.3 million as of September 30, 2015 and \$2.5 million as of December 31, 2014. The effective interest rate under the notes, including amortization of the issuance costs, was 3.70%.

The carrying value of these notes included a principal amount of \$250.0 million and an unamortized discount (8) totaling \$3.9 million as of September 30, 2015 and \$4.2 million as of December 31, 2014. The effective interest rate under the notes, including amortization of the issuance costs, was 5.49%.

(9) The carrying value of these notes included a principal amount of \$300.0 million and an unamortized discount totaling \$2.2 million as of September 30, 2015 and \$2.4 million as of December 31, 2014. The effective interest

rate under the notes, including amortization of the issuance costs, was 3.85%.

(10) Refer to the paragraph below for disclosure pertaining to these notes.

These notes carry interest rates that were below market rates upon assumption and therefore were recorded at

(11) their fair value based on applicable effective interest rates. The carrying value of these notes reflects an unamortized discount totaling \$578,000 as of September 30, 2015 and \$654,000 as of December 31, 2014.

(12) On April 20, 2015, we redeemed these notes at 100% of their principal amount.

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

On May 6, 2015, we entered into a credit agreement with a group of lenders for which KeyBanc Capital Markets and J.P. Morgan Securities LLC acted as joint lead arrangers and joint book runners, KeyBank National Association acted as administrative agent and JPMorgan Chase Bank, N.A. acted as syndication agent (the "Consolidated Credit Agreement") to amend, restate and consolidate the terms of our Revolving Credit Facility and one of our term loan facilities. In addition to consolidating the terms of these loan facilities, the Consolidated Credit Agreement included the following provisions:

For the Revolving Credit Facility:

an extension of the maturity date from July 14, 2017 to May 6, 2019, with the ability for us to further extend such maturity by two six-month periods at our option, provided that there is no default under the facility and we pay an extension fee based on the total availability of the facility for each extension;

changes to the interest terms of the facility such that the variable interest rate is based on LIBOR (customarily the 30-day rate) plus 0.875% to 1.600%, as determined by the credit ratings assigned to COPLP by Standard & Poor's Ratings Services, Moody's Investors Service, Inc. or Fitch Ratings Ltd. (collectively, the "Ratings Agencies");

changes to the quarterly fee carried by the facility. Such fee is based on the average daily amount of the lenders' aggregate commitment multiplied by a per annum rate of 0.125% to 0.300%, as determined by the credit ratings assigned to COPLP by the Ratings Agencies; and

certain changes to the financial covenants of the facility.

For the term loan facility:

an increase in the loan amount from \$250.0 million to \$300.0 million, with a right for us to borrow up to an additional \$200.0 million during the term for an aggregate maximum loan of \$500.0 million, subject to certain conditions. We used the proceeds from the \$50.0 million increase in the facility to repay a portion of another existing unsecured term loan;

an extension of the maturity date of the loan from February 14, 2017 to May 6, 2020;

changes to the interest terms of the facility such that the variable interest rate is based on LIBOR (customarily the 30-day rate) plus 0.900% to 1.850%, as determined by the credit ratings assigned to COPLP by the Ratings Agencies; and

certain changes to the financial covenants of the facility.

On June 29, 2015, we issued a \$300.0 million aggregate principal amount of 5.00% Senior Notes at an initial offering price of 99.510% of their face value. The proceeds from this issuance, after deducting underwriting discounts, but before other offering expenses, were \$296.6 million. The notes mature on July 1, 2025. We may redeem the notes, in whole at any time or in part from time to time, at our option, at a redemption price equal to the greater of (1) the aggregate principal amount of the notes being redeemed and (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon (not including any portion of such payments of interest accrued as of the date of redemption) discounted to its present value, on a semi-annual basis at an adjusted treasury rate plus 45 basis points, plus accrued and unpaid interest thereon to the date of redemption. The notes are unconditionally guaranteed by COPT. However, if this redemption occurs on or after three months prior to the maturity date, the redemption price will be equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest thereon to, but not including, the redemption date. The carrying value of these notes reflects an unamortized discount totaling \$3.4 million at September 30, 2015. The effective interest rate under the notes, including amortization of the issuance costs, was 5.15%.

We capitalized interest costs of \$1.5 million in the three months ended September 30, 2015, \$1.3 million in the three months ended September 30, 2014, \$5.6 million in the nine months ended September 30, 2015 and \$4.3 million in the nine months ended September 30, 2014.

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

	September 30, 2015		December 31, 2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Fixed-rate debt				
Unsecured Senior Notes	\$1,188,241	\$1,212,120	\$890,862	\$901,599
Other fixed-rate debt	289,750	298,198	389,318	356,377
Variable-rate debt	643,249	644,243	639,877	642,091

\$2,121,240

\$2,154,561

\$1,920,057

\$1,900,067

10. Interest Rate Derivatives

The following table sets forth the key terms and fair values of our interest rate swap derivatives (dollars in thousands):

Notional Amount	Fixed Rate	Floating Rate Index	Effective Date	Expiration Date	Fair Value at	
					September 30, 2015	December 31, 2014
\$36,249	(1) 3.8300%	One-Month LIBOR + 2.25%	11/2/2010	11/2/2015	\$(44)	\$(400)
100,000	0.8055%	One-Month LIBOR	9/2/2014	9/1/2016	(396)	(317)
100,000	0.8100%	One-Month LIBOR	9/2/2014	9/1/2016	(401)	(324)
100,000	1.6730%	One-Month LIBOR	9/1/2015	8/1/2019	(2,386)	239)
100,000	1.7300%	One-Month LIBOR	9/1/2015	8/1/2019	(2,617)	35)
100,000	0.8320%	One-Month LIBOR	1/3/2012	9/1/2015	—	(407)
100,000	0.8320%	One-Month LIBOR	1/3/2012	9/1/2015	—	(407)
					\$(5,844)	\$(1,581)

(1) The notional amount of this instrument is scheduled to amortize to \$36.2 million.

Each of the one-month LIBOR interest rate swaps set forth in the table above was designated as a cash flow hedge of interest rate risk.

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

Derivatives	September 30, 2015		December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps designated as cash flow hedges	Prepaid expenses and other assets	\$ —	Prepaid expenses and other assets	\$ 274
Interest rate swaps designated as cash flow hedges	Interest rate derivatives	(5,844)	Interest rate derivatives	(1,855)

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Amount of (loss) gain recognized in accumulated other comprehensive loss ("AOCL") (effective portion)	\$(3,638)	\$1,015	\$(6,720)	\$(4,738)
Amount of losses reclassified from AOCL into interest expense (effective portion)	915	756	2,457	2,170

Over the next 12 months, we estimate that approximately \$3.5 million of losses will be reclassified from AOCL as an increase to interest expense.

We have agreements with each of our interest rate derivative counterparties that contain provisions under which, if we default or are capable of being declared in default on defined levels of our indebtedness, we could also be declared in default on our derivative obligations. These agreements also incorporate the loan covenant provisions of our indebtedness with a lender affiliate of the derivative counterparties. Failure to comply with the loan covenant provisions could result in our being declared in default on any derivative instrument obligations covered by the agreements. As of September 30, 2015, the fair value of interest rate derivatives in a liability position related to these agreements was \$5.9 million, excluding the effects of accrued interest and credit valuation adjustments. As of

September 30, 2015, we had not posted any collateral related to these agreements. We are not in default with any of these provisions. If we breached any of these provisions, we could be required to settle our obligations under the agreements at their termination value of \$6.3 million.

11. Redeemable Noncontrolling Interest

The table below sets forth the activity for a redeemable noncontrolling interest in a consolidated real estate joint venture (in thousands):

	For the Nine Months Ended September 30,	
	2015	2014
Beginning balance	\$18,417	\$17,758
Distributions to noncontrolling interest, net	(1,098	) (976
Net income attributable to noncontrolling interest	1,690	1,647
Adjustment to arrive at fair value of interest	599	7
Ending balance	\$19,608	\$18,436

12. Equity

During the nine months ended September 30, 2015, COPT issued 890,241 common shares at a weighted average price of \$30.29 per share under its at-the-market (“ATM”) stock offering program established in October 2012. Net proceeds from the shares issued totaled \$26.6 million, after payment of \$0.4 million in commissions to sales agents. These net proceeds were contributed to COPLP in exchange for 890,241 common units. COPT’s remaining capacity under the ATM Plan is an aggregate gross sales price of \$84.0 million in common share sales.

During the nine months ended September 30, 2015, certain COPLP limited partners redeemed 160,160 common units in COPLP for an equal number of common shares in COPT.

See Note 14 for disclosure of COPT common share and COPLP common unit activity pertaining to our share-based compensation plans.

13. Information by Business Segment

We have ten reportable operating office property segments (comprised of: the Baltimore/Washington Corridor; Northern Virginia; San Antonio; Huntsville; Washington, DC — Capitol Riverfront; St. Mary's and King George Counties; Greater Baltimore; Greater Philadelphia; Colorado Springs; and Other). In our 2015 quarterly reports on Form 10-Q, our Colorado Springs segment is, and will be, included in our Other segment as it is insignificant in the 2014 and 2015 reporting periods. We also have an operating wholesale data center segment. The table below reports segment financial information for our reportable segments (in thousands). We measure the performance of our segments through the measure we define as NOI from real estate operations, which is derived by subtracting property operating expenses from revenues from real estate operations.

	Operating Office Property Segments										Operating Wholesale Data Center	Total
	Baltimore/ Washington Corridor	Northern Virginia	San Antonio	Huntsville	Washington DC - Capitol Riverfront	St. Mary's & King George Counties	Greater Baltimore	Greater Philadelphia	Other			
Three Months Ended September 30, 2015												
Revenues from real estate operations	\$62,009	\$23,332	\$9,492	\$3,061	\$3,336	\$3,550	\$16,134	\$4,126	\$2,568	\$6,078	\$138,556	\$138,556
Property operating expenses	20,169	7,785	4,808	888	1,962	1,325	6,461	1,249	242	4,008	48,809	48,809
NOI from real estate operations	\$41,840	\$15,547	\$4,684	\$2,173	\$1,374	\$2,225	\$9,673	\$2,877	\$2,326	\$2,070	\$89,747	\$89,747
Additions to long-lived assets	\$7,943	\$1,749	\$—	\$175	\$1,098	\$986	\$128,933	\$246	\$(93)	\$—	\$132,185	\$132,185
Transfers from non-operating properties	\$25,184	\$34,195	\$591	\$1,207	\$—	\$1,408	\$315	\$5,506	\$—	\$73,804	\$149,613	\$149,613
Three Months Ended September 30, 2014												
Revenues from real estate operations	\$58,883	\$21,369	\$9,031	\$2,471	\$3,524	\$4,158	\$10,436	\$2,951	\$2,541	\$2,876	\$116,369	\$116,369
Property operating expenses	19,457	7,500	5,100	763	1,824	1,277	3,810	837	260	2,053	42,814	42,814
NOI from real estate operations	\$39,426	\$13,869	\$3,931	\$1,708	\$1,700	\$2,881	\$6,626	\$2,114	\$2,281	\$823	\$73,555	\$73,555

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Additions to long-lived assets	\$7,248	\$5,898	\$—	\$455	\$458	\$5,189	\$3,021	\$625	\$(125)	\$24	\$22
Transfers from non-operating properties	\$22,680	\$15,403	\$—	\$1,496	\$—	\$—	\$495	\$2,506	\$—	\$222	\$42
Nine Months Ended September 30, 2015											
Revenues from real estate operations	\$184,412	\$69,474	\$28,867	\$8,165	\$10,091	\$11,246	\$40,508	\$11,236	\$7,659	\$12,933	\$38
Property operating expenses	63,291	25,593	15,398	2,605	5,837	4,238	16,367	3,565	655	8,441	145
NOI from real estate operations	\$121,121	\$43,881	\$13,469	\$5,560	\$4,254	\$7,008	\$24,141	\$7,671	\$7,004	\$4,492	\$23
Additions to long-lived assets	\$16,529	\$89,152	\$21	\$466	\$2,297	\$3,149	\$195,013	\$824	\$164	\$108	\$30
Transfers from non-operating properties	\$44,212	\$101,412	\$32,150	\$13,184	\$—	\$1,408	\$327	\$22,222	\$8	\$89,183	\$30
Segment assets at September 30, 2015											
Nine Months Ended September 30, 2014											
Revenues from real estate operations	\$177,452	\$67,235	\$26,268	\$7,430	\$10,989	\$12,676	\$32,956	\$8,657	\$7,668	\$7,769	\$35
Property operating expenses	62,402	24,124	14,391	2,275	5,343	4,070	13,786	3,281	1,195	5,622	136
NOI from real estate operations	\$115,050	\$43,111	\$11,877	\$5,155	\$5,646	\$8,606	\$19,170	\$5,376	\$6,473	\$2,147	\$22
Additions to long-lived assets	\$19,278	\$14,198	\$(6)	\$3,296	\$999	\$6,971	\$5,275	\$724	\$(163)	\$46	\$50
Transfers from	\$50,303	\$42,674	\$—	\$21,821	\$—	\$—	\$3,522	\$15,880	\$30	\$897	\$13

non-operating
properties
Segment
assets at
September 30,
2014

\$1,278,713	\$648,248	\$116,837	\$98,334	\$96,131	\$100,009	\$274,931	\$107,051	\$78,240	\$164,192	\$2,9
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The following table reconciles our segment revenues to total revenues as reported on our consolidated statements of operations (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Segment revenues from real estate operations	\$133,686	\$118,240	\$384,591	\$359,100
Construction contract and other service revenues	17,058	34,739	97,554	80,390
Less: Revenues from discontinued operations	—	36	(4	) 12
Total revenues	\$150,744	\$153,015	\$482,141	\$439,502

The following table reconciles our segment property operating expenses to property operating expenses as reported on our consolidated statements of operations (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Segment property operating expenses	\$48,897	\$42,881	\$145,990	\$136,489
Less: Property operating expenses from discontinued operations	—	175	6	111
Total property operating expenses	\$48,897	\$43,056	\$145,996	\$136,600

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Construction contract and other service revenues	\$17,058	\$34,739	\$97,554	\$80,390
Construction contract and other service expenses	(16,132	) (33,593	) (94,923	) (75,353
NOI from service operations	\$926	\$1,146	\$2,631	\$5,037

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
NOI from real estate operations	\$84,789	\$75,359	\$238,601	\$222,611
NOI from service operations	926	1,146	2,631	5,037
Interest and other income	692	1,191	3,217	3,775
Equity in income of unconsolidated entities	18	193	52	206
Income tax expense	(48)	(101)	(153)	(257)
Other adjustments:	—	—	—	—
Depreciation and other amortization associated with real estate operations	(38,403)	(30,237)	(103,788)	(104,728)
Impairment losses	(2,307)	(66)	(3,545)	(1,368)
General, administrative and leasing expenses	(7,439)	(7,211)	(22,864)	(22,882)
Business development expenses and land carry costs	(5,573)	(1,430)	(10,986)	(4,107)
Interest expense	(24,121)	(24,802)	(66,727)	(69,107)
Less: NOI from discontinued operations	—	(139)	(10)	(99)
Gain (loss) on early extinguishment of debt	85,745	(176)	85,677	(446)
Income from continuing operations	\$94,279	\$13,727	\$122,105	\$28,635

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

	September 30, 2015	September 30, 2014
Segment assets	\$3,354,762	\$2,962,686
Non-operating property assets	416,540	518,951
Other assets	147,171	198,551
Total COPT consolidated assets	\$3,918,473	\$3,680,188

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

14. Share-Based Compensation

Performance Share Units (“PSUs”)

On March 5, 2015, our Board of Trustees granted 45,656 PSUs with an aggregate grant date fair value of \$1.7 million to executives. The PSUs have a performance period beginning on January 1, 2015 and concluding on the earlier of December 31, 2017 or the date of: (1) termination by us without cause, death or disability of the executive or constructive discharge of the executive (collectively, “qualified termination”); or (2) a sale event. The number of PSUs

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earned (“earned PSUs”) at the end of the performance period will be determined based on the percentile rank of COPT’s total shareholder return relative to a peer group of companies, as set forth in the following schedule:

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

If the percentile rank exceeds the 25th percentile and is between two of the percentile ranks set forth in the table above, then the percentage of the earned PSUs will be interpolated between the ranges set forth in the table above to reflect any performance

between the listed percentiles. At the end of the performance period, we, in settlement of the award, will issue a number of fully-vested COPT common shares equal to the sum of:

the number of earned PSUs in settlement of the award plan; plus
the aggregate dividends that would have been paid with respect to the common shares issued in settlement of the earned PSUs through the date of settlement had such shares been issued on the grant date, divided by the share price on such settlement date, as defined under the terms of the agreement.

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

We computed a grant date fair value of \$36.76 per PSU using a Monte Carlo model, which included assumptions of, among other things, the following: baseline common share value of \$29.28; expected volatility for COPT common shares of 19.9%; and a risk-free interest rate of 0.99%. We are recognizing the grant date fair value in connection with these PSU awards over the period commencing on March 6, 2015 and ending on December 31, 2017.

With regard to the PSUs granted to our executives in prior years that were outstanding as of December 31, 2014 as described in our 2014 Annual Report on Form 10-K:

the performance period for the PSUs granted to executives on March 1, 2012 ended on December 31, 2014. Based on COPT's total shareholder return during the performance period relative to its peer group of companies, we issued 40,309 common shares in settlement of the PSUs on March 5, 2015; and we issued 15,289 common shares on March 5, 2015 to Mr. Stephen E. Riffée, our former Chief Financial Officer, upon his departure on February 3, 2015, in settlement of PSUs granted on March 1, 2013 and March 6, 2014.

Restricted Shares

During the nine months ended September 30, 2015, certain employees were granted a total of 193,499 restricted common shares with an aggregate grant date fair value of \$5.6 million (weighted average of \$28.93 per share). Restricted shares granted to employees vest based on increments and over periods of time set forth under the terms of the respective awards provided that the employees remain employed by us. During the nine months ended September 30, 2015, forfeiture restrictions lapsed on 163,145 previously issued common shares; these shares had a weighted average grant date fair value of \$26.15 per share, and the aggregate intrinsic value of the shares on the vesting dates was \$4.6 million.

Deferred Share Awards

During the nine months ended September 30, 2015, nonemployee members of our Board of Trustees were granted a total of 24,056 deferred share awards with an aggregate grant date fair value of \$642,000 (\$26.70 per share). Deferred share awards vest on the first anniversary of the grant date, provided that the Trustee remains in his or her position. We settle deferred share awards by issuing an equivalent number of common shares upon vesting of the awards or a later date elected by the Trustee (generally upon cessation of being a Trustee). During the nine months ended September 30, 2015, we issued 15,485 common shares in settlement of deferred share awards granted in 2014; these shares had a grant date fair value of \$26.77 per share, and the aggregate intrinsic value of the shares on the settlement date was \$413,000.

Options

During the nine months ended September 30, 2015, 76,474 options to purchase common shares (“options”) were exercised. The weighted average exercise price of these options was \$26.27 per share, and the aggregate intrinsic value of the options exercised was \$300,000.

15. Income Taxes

We own a TRS that is subject to Federal and state income taxes. Our TRS's provision for income taxes consisted of the following (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Deferred				
Federal	\$39	\$83	\$125	\$215
State	9	18	28	42
Total income tax expense	\$48	\$101	\$153	\$257

Items in our TRS contributing to temporary differences that lead to deferred taxes include depreciation and amortization, share-based compensation, certain accrued compensation, compensation paid in the form of contributions to a deferred nonqualified compensation plan and net operating losses that are not deductible until future periods.

Our TRS's combined Federal and state effective tax rate was 37.7% for the three and nine months ended September 30, 2015 and 2014.

16. Earnings Per Share ("EPS") and Earnings Per Unit ("EPU")

COPT and Subsidiaries EPS

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

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Income from continuing operations	\$94,279	\$13,727	\$122,105	\$28,635
Gain on sales of real estate, net	15	10,630	4,000	10,630
Preferred share dividends	(3,552)	(3,553)	(10,657)	(12,387)
Issuance costs associated with redeemed preferred shares	—	—	—	(1,769)
Income from continuing operations attributable to noncontrolling interests	(4,494)	(1,820)	(7,322)	(3,923)
Income from continuing operations attributable to share-based compensation awards	(369)	(103)	(475)	(332)
Numerator for basic EPS from continuing operations attributable to COPT common shareholders	85,879	18,881	107,651	20,854
Convertible preferred shares	372	—	—	—
Dilutive effect of common units in COPLP on diluted EPS from continuing operations	—	—	4,225	—
Numerator for diluted EPS from continuing operations attributable to COPT common shareholders	\$86,251	\$18,881	\$111,876	\$20,854
Numerator for basic EPS from continuing operations attributable to COPT common shareholders	\$85,879	\$18,881	\$107,651	\$20,854
Discontinued operations	—	191	156	4
Discontinued operations attributable to noncontrolling interests	—	(8)	(3)	5
Numerator for basic EPS on net income attributable to COPT common shareholders	85,879	19,064	107,804	20,863
Convertible preferred shares	372	—	—	—
Dilutive effect of common units in COPLP	—	—	4,231	—
Numerator for diluted EPS on net income attributable to COPT common shareholders	\$86,251	\$19,064	\$112,035	\$20,863
Denominator (all weighted averages):				
Denominator for basic EPS (common shares)	94,153	87,290	93,830	87,196
Convertible preferred shares	434	—	—	—
Dilutive effect of common units	—	—	3,697	—
Dilutive effect of share-based compensation awards	21	195	82	169
Denominator for diluted EPS (common shares)	94,608	87,485	97,609	87,365
Basic EPS:				
Income from continuing operations attributable to COPT common shareholders	\$0.91	\$0.22	\$1.15	\$0.24
Discontinued operations attributable to COPT common shareholders	0.00	0.00	0.00	0.00
Net income attributable to COPT common shareholders	\$0.91	\$0.22	\$1.15	\$0.24
Diluted EPS:				
Income from continuing operations attributable to COPT common shareholders	\$0.91	\$0.22	\$1.15	\$0.24
Discontinued operations attributable to COPT common shareholders	0.00	0.00	0.00	0.00
Net income attributable to COPT common shareholders	\$0.91	\$0.22	\$1.15	\$0.24

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

	Weighted Average Shares Excluded from Denominator			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Conversion of common units	3,679	3,876	—	3,915
Conversion of Series I Preferred Units	176	176	176	176
Conversion of Series K Preferred Shares	—	434	434	434

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

weighted average restricted shares and deferred share awards for the three months ended September 30, 2015 and 2014 of 411,000 and 401,000, respectively, and for the nine months ended September 30, 2015 and 2014 of 412,000 and 404,000, respectively; and
 weighted average options for the three months ended September 30, 2015 and 2014 of 440,000 and 490,000, respectively, and for the nine months ended September 30, 2015 and 2014 of 480,000 and 495,000, respectively.

As discussed in Note 9, we had outstanding senior notes, which we redeemed in April 2015, with an exchange settlement feature, but such notes did not affect our diluted EPS reported above since the weighted average closing price of COPT's common shares during each of the periods was less than the exchange prices per common share applicable for such periods.

COPLP and Subsidiaries EPU

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

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

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Numerator:				
Income from continuing operations	\$94,279	\$13,727	\$122,105	\$28,635
Gain on sales of real estate, net	15	10,630	4,000	10,630
Preferred unit distributions	(3,717)	(3,718)	(11,152)	(12,882)
Issuance costs associated with redeemed preferred units	—	—	—	(1,769)
Income from continuing operations attributable to noncontrolling interests	(972)	(897)	(2,605)	(2,476)
Income from continuing operations attributable to share-based compensation awards	(369)	(103)	(475)	(332)
Numerator for basic EPU from continuing operations attributable to COPLP common unitholders	89,236	19,639	111,873	21,806
Convertible preferred units	372	—	—	—
Numerator for diluted EPU from continuing operations attributable to COPLP common unitholders	\$89,608	\$19,639	\$111,873	\$21,806
Numerator for basic EPU from continuing operations attributable to COPLP common unitholders				
Discontinued operations	—	191	156	4
Discontinued operations attributable to noncontrolling interests	—	—	3	5
Numerator for basic EPU on net income attributable to COPLP common unitholders	89,236	19,830	112,032	21,815
Convertible preferred units	372	—	—	—
Numerator for diluted EPU on net income attributable to COPLP common unitholders	\$89,608	\$19,830	\$112,032	\$21,815
Denominator (all weighted averages):				
Denominator for basic EPU (common units)	97,832	91,166	97,527	91,111
Convertible preferred shares	434	—	—	—
Dilutive effect of share-based compensation awards	21	195	82	169
Denominator for basic and diluted EPU (common units)	98,287	91,361	97,609	91,280
Basic EPU:				
Income from continuing operations attributable to COPLP common unitholders	\$0.91	\$0.22	\$1.15	\$0.24
Discontinued operations attributable to COPLP common unitholders	0.00	0.00	0.00	0.00
Net income attributable to COPLP common unitholders	\$0.91	\$0.22	\$1.15	\$0.24
Diluted EPU:				
Income from continuing operations attributable to COPLP common unitholders	\$0.91	\$0.22	\$1.15	\$0.24
Discontinued operations attributable to COPLP common unitholders	0.00	0.00	0.00	0.00
Net income attributable to COPLP common unitholders	\$0.91	\$0.22	\$1.15	\$0.24

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

	Weighted Average Units Excluded from Denominator			
	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Conversion of Series I preferred units	176	176	176	176
Conversion of Series K preferred units	—	434	434	434

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

weighted average restricted units and deferred share awards for the three months ended September 30, 2015 and 2014 of 411,000 and 401,000, respectively, and for the nine months ended September 30, 2015 and 2014 of 412,000 and 404,000, respectively; and

weighted average options for the three months ended September 30, 2015 and 2014 of 440,000 and 490,000, respectively, and for the nine months ended September 30, 2015 and 2014 of 480,000 and 495,000, respectively.

As discussed in Note 9, we had outstanding senior notes, which we redeemed in April 2015, with an exchange settlement feature, but such notes did not affect our diluted EPU reported above since the weighted average closing price of COPT's common shares during each of the periods was less than the exchange prices per common share applicable for such periods.

17. Commitments and Contingencies

Litigation

In the normal course of business, we are involved in legal actions arising from our ownership and administration of properties. We establish reserves for specific legal proceedings when we determine that the likelihood of an unfavorable outcome is probable and the amount of loss can be reasonably estimated. Management does not anticipate that any liabilities that may result from such proceedings will have a materially adverse effect on our financial position, operations or liquidity. Our assessment of the potential outcomes of these matters involves significant judgment and is subject to change based on future developments.

Environmental

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

Tax Incremental Financing Obligation

In August 2010, Anne Arundel County, Maryland issued \$30 million in tax incremental financing bonds to third-party investors in order to finance public improvements needed in connection with our project known as National Business Park North. The real estate taxes on increases in assessed value of a development district encompassing National Business Park North are to be transferred to a special fund pledged to the repayment of the bonds. We recognized a \$2.2 million liability through September 30, 2015 representing our estimated obligation to fund through a special tax any future shortfalls between debt service on the bonds and real estate taxes available to repay the bonds.

Operating Leases

We are obligated as lessee under operating leases (mostly ground leases) with various expiration dates extending to the year 2100. Future minimum rental payments due under the terms of these operating leases as of September 30, 2015 follow (in thousands):

Year Ending December 31,	
2015 (1)	\$289
2016	1,171
2017	1,096
2018	1,052
2019	1,036
Thereafter	86,999
	\$91,643

(1) Represents three months ending December 31, 2015.

Contractual Obligations

We had amounts remaining to be incurred under various contractual obligations as of September 30, 2015 that included the following:

- new development and redevelopment obligations of \$97.9 million (including acquisitions of land);
- capital expenditures for operating properties of \$41.9 million;
- third party construction and development of \$8.1 million; and
- other purchase obligations of \$4.0 million.

Environmental Indemnity Agreement

In connection with a lease and subsequent sale in 2008 and 2010 of three properties in Dayton, New Jersey, we agreed to provide certain environmental indemnifications. The prior owner of the properties, a Fortune 100 company that 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 remediation activities required by the State of New Jersey, up to the point that the state declares the remediation to be complete. Under the environmental indemnification 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 \$5.0 million 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 through 2025. This indemnification is limited to \$12.5 million; 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 limited to \$300,000 annually and \$1.5 million in the aggregate.

18. Subsequent Event

On October 27, 2015, we sold 13200 Woodland Park Road, a 397,000 square foot office property in Herndon, Virginia (in the Northern Virginia region) for \$84.0 million, resulting in a gain on sale of approximately \$42 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

During the nine months ended September 30, 2015:

- we finished the period with occupancy of our portfolio of operating office properties at 91.6%;
- we leased 11.25 megawatts in our wholesale data center. The center became 100% operational during the period and was 92.5% leased as of period end;
- we acquired:
 - 250 W. Pratt Street, a 367,000 square foot property in Greater Baltimore that was 96.2% leased, for \$61.9 million on March 19, 2015 primarily using borrowings from our Revolving Credit Facility;
 - 2600 Park Tower Drive, a 237,000 square foot property in Northern Virginia that was 100% leased, for \$80.5 million on April 15, 2015 primarily using borrowings from our Revolving Credit Facility; and
 - 100 Light Street, a 558,000 square foot office property in Baltimore, Maryland that was 93.5% leased, and its structured parking garage, 30 Light Street, for \$121.2 million on August 7, 2015. In connection with that acquisition, we assumed a \$55.0 million mortgage loan, and funded the balance primarily using borrowings from our Revolving Credit Facility;
- we placed into service an aggregate of 1.1 million square feet in seven newly constructed properties and two redeveloped properties that were 97.0% leased as of September 30, 2015;
- we disposed of:
 - a 160,000 square foot office property in Northern Virginia for \$27.8 million on July 27, 2015. The net proceeds from this sale were used primarily to repay borrowings under our Revolving Credit Facility;
 - two office properties in Northern Virginia totaling 665,000 square feet that secured a \$150.0 million nonrecourse mortgage loan on August 28, 2015. Ownership in these properties was transferred to the mortgage lender and we removed the debt obligation and accrued interest from our balance sheet; and
 - land for \$18.1 million, using most of the resulting proceeds for general corporate purposes;
- we issued a \$300.0 million aggregate principal amount of 5.00% Senior Notes on June 29, 2015 at an initial offering price of 99.510% of their face value. The proceeds from the issuance, after deducting underwriting discounts but before other offering expenses, were approximately \$296.6 million. The net proceeds from this issuance were used primarily to repay borrowings under our Revolving Credit Facility; and
- COPT issued 890,241 common shares at a weighted average price of \$30.29 per share under its at-the-market stock offering program established in October 2012. Net proceeds from the shares issued totaled \$26.6 million. The net proceeds from the shares issued were contributed to COPLP in exchange for 890,241 common units, and used by COPLP for general corporate purposes.

Subsequent to September 30, 2015, we sold 13200 Woodland Park Road, a 397,000 square foot office property in Herndon, Virginia (in the Northern Virginia region) for \$84.0 million. The net proceeds from this sale were used primarily to repay borrowings under our Revolving Credit Facility.

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

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

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

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

This section contains “forward-looking” statements, as defined in the Private Securities Litigation Reform Act of 1995, that are based on our current expectations, estimates and projections about future events and financial trends affecting the financial condition and operations of our business. Forward-looking statements can be identified by the use of words such as “may,” “will,” “should,” “could,” “believe,” “anticipate,” “expect,” “estimate,” “plan” or other comparable terms. Forward-looking statements are inherently subject to risks and uncertainties, many of which we cannot predict with accuracy and some of which we might not even anticipate. Although we believe that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, we can give no assurance

that these expectations, estimates and projections will be achieved. Future events and actual results may differ materially from those discussed in the forward-looking statements. Important factors that may affect these expectations, estimates and projections include, but are not limited to:

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

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

Occupancy and Leasing

Office Properties

The tables below set forth occupancy information pertaining to our portfolio of operating office properties. All of our operating portfolio square footage, occupancy and leasing statistics included below and elsewhere in this Quarterly Report on Form 10-Q exclude the effect of the two properties (totaling 665,000 square feet) serving as collateral for debt that was in default; effective April 1, 2014, all cash flows from such properties belonged to the lender. On August 28, 2015, ownership in these properties was transferred to the mortgage lender and we removed the debt obligation and accrued interest from our balance sheet. These properties were 25.1% occupied as of the date we transferred ownership.

	September 30, 2015	December 31, 2014	
Occupancy rates at period end			
Total	91.6	% 90.9	%
Baltimore/Washington Corridor	94.1	% 93.4	%
Northern Virginia	90.0	% 86.8	%
San Antonio	97.1	% 96.6	%
Huntsville	95.7	% 80.8	%
Washington, DC - Capitol Riverfront	67.7	% 74.4	%
St. Mary's and King George Counties	72.8	% 90.8	%
Greater Baltimore	89.2	% 86.8	%

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Greater Philadelphia	100.0	% 96.2	%
Other	100.0	% 100.0	%
Average contractual annual rental rate per square foot at period end (1)	\$29.46	\$29.27	

(1) Includes estimated expense reimbursements.

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	Rentable Square Feet (in thousands)	Occupied Square Feet
December 31, 2014	16,790	15,255
Square feet vacated upon lease expiration (1)	—	(488)
Occupancy of previously vacated space in connection with new leases (2)	—	377
Square feet constructed or redeveloped	1,067	1,138
Acquisitions	1,162	1,118
Dispositions	(160)	(160)
Square feet removed from operations for redevelopment	(22)	—
Other changes	(12)	—
September 30, 2015	18,825	17,240

(1) Includes lease terminations and space reductions occurring in connection with lease renewals.

(2) Excludes occupancy of vacant square feet acquired or developed.

During the nine months ended September 30, 2015, we completed 1.8 million square feet of leasing, including 646,000 of construction and redevelopment space, and renewed 63.9% of the square footage of our lease expirations (including the effect of early renewals). Our changes in regional occupancy rates reflected in the table above included the following:

- increased occupancy in Northern Virginia due primarily to 580,000 newly constructed square feet placed in service that were 100% occupied;

- increased occupancy in Huntsville due primarily to a previously vacant 62,000 square foot property and a 69,000 square foot newly-constructed property placed in service during the period that were both 100% occupied at period end; and

- decreased occupancy in St. Mary's and King George Counties due to our renewal of 55.5% of the square feet of our lease expirations in the region and a 29,000 square foot redeveloped property placed in service that was vacant at period end.

Occupancy of our Same Office Properties decreased from 90.5% as of December 31, 2014 to 90.3% as of September 30, 2015.

Wholesale Data Center Property

In February 2015, we leased 11.25 megawatts in our wholesale data center with occupancy that commenced in stages. The 19.25 megawatts center became 100% operational during the period. As of September 30, 2015, 17.8 of these megawatts were leased to tenants with further expansion rights of up to a combined 18.9 megawatts.

Results of Operations

We evaluate the operating performance of our properties using NOI from real estate operations, our segment performance measure derived by subtracting property operating expenses from revenues from real estate operations. We view our NOI from real estate operations as comprising the following primary categories of operating properties:

- office properties owned and 100% operational throughout the current and prior year reporting periods, excluding properties held for future disposition. We define these as changes from "Same Office Properties";
- office properties acquired during the current and prior year reporting periods;

constructed or redeveloped office properties placed into service that were not 100% operational throughout the current and prior year reporting periods;
our wholesale data center;
properties held for sale as of September 30, 2015; and
property dispositions.

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

We believe that operating income, as reported on our consolidated statements of operations, is the most directly comparable generally accepted accounting principles (“GAAP”) measure for both NOI from real estate operations and NOI from service operations. Since both of these measures exclude certain items includable in operating income, reliance on these measures has limitations; management compensates for these limitations by using the measures simply as supplemental measures that are considered alongside other GAAP and non-GAAP measures.

The table below reconciles NOI from real estate operations and NOI from service operations to operating income reported on the consolidated statements of operations of COPT and subsidiaries:

	For the Three Months Ended September 30, 2015		For the Nine Months Ended September 30, 2015	
	2014		2014	
	(in thousands)			
NOI from real estate operations	\$84,789	\$75,359	\$238,601	\$222,611
NOI from service operations	926	1,146	2,631	5,037
Less: NOI from discontinued operations	—	(139)	(10)	(99)
Depreciation and amortization associated with real estate operations	(38,403)	(30,237)	(103,788)	(104,728)
Impairment losses	(2,307)	(66)	(3,545)	(1,368)
General, administrative and leasing expenses	(7,439)	(7,211)	(22,864)	(22,882)
Business development expenses and land carry costs	(5,573)	(1,430)	(10,986)	(4,107)
Operating income	\$31,993	\$37,422	\$100,039	\$94,464

Comparison of Statements of Operations for the Three Months Ended September 30, 2015 and 2014

	For the Three Months Ended September 30,		
	2015	2014	Variance
	(in thousands)		
Revenues			
Revenues from real estate operations	\$133,686	\$118,276	\$15,410
Construction contract and other service revenues	17,058	34,739	(17,681)
Total revenues	150,744	153,015	(2,271)
Expenses			
Property operating expenses	48,897	43,056	5,841
Depreciation and amortization associated with real estate operations	38,403	30,237	8,166
Construction contract and other service expenses	16,132	33,593	(17,461)
Impairment losses	2,307	66	2,241
General, administrative and leasing expenses	7,439	7,211	228
Business development expenses and land carry costs	5,573	1,430	4,143
Total operating expenses	118,751	115,593	3,158
Operating income	31,993	37,422	(5,429)
Interest expense	(24,121)	(24,802)	681
Interest and other income	692	1,191	(499)
Gain (loss) on early extinguishment of debt	85,745	(176)	85,921
Equity in income of unconsolidated entities	18	193	(175)
Income tax expense	(48)	(101)	53
Income from continuing operations	94,279	13,727	80,552
Discontinued operations	—	191	(191)
Gain on sales of real estate	15	10,630	(10,615)

Net income	\$94,294	\$24,548	\$69,746
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NOI from Real Estate Operations

For the Three Months Ended September 30,
2015 2014 Variance
(Dollars in thousands, except per square foot data)

Revenues				
Same Office Properties revenues				
Rental revenue, excluding lease termination revenue	\$81,156	\$80,992	\$164	
Lease termination revenue	154	208	(54)
Tenant recoveries and other real estate operations revenue	20,888	20,158	730	
Same Office Properties total revenues	102,198	101,358	840	
Constructed office properties placed in service	9,202	2,888	6,314	
Acquired office properties	6,921	—	6,921	
Wholesale data center	6,078	2,876	3,202	
Properties held for sale	7,817	7,398	419	
Dispositions	1,290	3,491	(2,201)
Other	180	229	(49)
	133,686	118,240	15,446	
Property operating expenses				
Same Office Properties	36,323	36,293	30	
Constructed office properties placed in service	2,280	483	1,797	
Acquired office properties	2,750	—	2,750	
Wholesale data center	4,008	2,053	1,955	
Properties held for sale	2,529	2,270	259	
Dispositions	1,004	1,481	(477)
Other	3	301	(298)
	48,897	42,881	6,016	
NOI from real estate operations				
Same Office Properties	65,875	65,065	810	
Constructed office properties placed in service	6,922	2,405	4,517	
Acquired office properties	4,171	—	4,171	
Wholesale data center	2,070	823	1,247	
Properties held for sale	5,288	5,128	160	
Dispositions	286	2,010	(1,724)
Other	177	(72	)	249
	\$84,789	\$75,359	\$9,430	
Same Office Properties rent statistics				
Average occupancy rate	90.2	% 91.4	% -1.2	%
Average straight-line rent per occupied square foot (1)	\$6.15	\$6.06	\$0.09	

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

Our Same Office Properties pool consisted of 147 office properties, comprising 77.6% of our total operating office square footage as of September 30, 2015 (83.4% excluding the effect of properties held for sale). This pool of properties changed from the pool used for purposes of comparing 2014 and 2013 in our 2014 Annual Report on Form 10-K due to the addition of eight properties placed in service and 100% operational by January 1, 2014 and the removal of 19 properties reclassified to held for sale in 2015, one property disposed of and one property reclassified as redevelopment in 2015.

Our NOI from constructed office properties placed in service included 14 properties placed in service in 2014 and 2015, and our NOI from acquired office properties included our acquisitions of 250 W. Pratt Street, 2600 Park Tower Drive and 100 and 30 Light Street.

The increase in NOI from our wholesale data center was attributable primarily to higher occupancy in the current period.

NOI from Service Operations

	For the Three Months Ended September 30,		
	2015	2014	Variance
	(in thousands)		
Construction contract and other service revenues	\$ 17,058	\$ 34,739	\$(17,681)
Construction contract and other service expenses	16,132	33,593	(17,461)
NOI from service operations	\$926	\$1,146	\$(220)

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

Depreciation and Amortization Expense

The increase in depreciation and amortization expense was attributable primarily to additional expense in the current period of \$3.7 million from our office property acquisitions and \$3.1 million from our revision of the useful lives of properties that were removed from service for redevelopment.

Business Development Expenses and Land Carry Costs

The increase in business development expenses and land carry costs was due primarily to additional expense in the current period of \$2.7 million in acquisition costs expensed in connection with operating property acquisitions and \$930,000 in demolition costs on a property undergoing redevelopment.

Gain on Early Extinguishment of Debt

We recognized a gain on early extinguishment of \$85.7 million in the current period primarily in connection with our transfer of ownership in two properties serving as collateral for a \$150.0 million nonrecourse mortgage loan to the mortgage lender and the removal of the debt obligation and accrued interest from our balance sheet.

Gain on Sales of Real Estate

We recognized gain on sales of real estate in the prior period of \$5.5 million on a non-operating property and \$5.1 million on operating properties in the Greater Baltimore region.

Comparison of Statements of Operations for the Nine Months Ended September 30, 2015 and 2014

	For the Nine Months Ended September 30,		
	2015	2014	Variance
	(in thousands)		
Revenues			
Revenues from real estate operations	\$384,587	\$359,112	\$25,475
Construction contract and other service revenues	97,554	80,390	17,164
Total revenues	482,141	439,502	42,639
Expenses			
Property operating expenses	145,996	136,600	9,396
Depreciation and amortization associated with real estate operations	103,788	104,728	(940)
Construction contract and other service expenses	94,923	75,353	19,570
Impairment losses	3,545	1,368	2,177
General, administrative and leasing expenses	22,864	22,882	(18)
Business development expenses and land carry costs	10,986	4,107	6,879
Total operating expenses	382,102	345,038	37,064
Operating income	100,039	94,464	5,575
Interest expense	(66,727)	(69,107)	2,380
Interest and other income	3,217	3,775	(558)
Gain (loss) on early extinguishment of debt	85,677	(446)	86,123
Equity in income of unconsolidated entities	52	206	(154)
Income tax expense	(153)	(257)	104
Income from continuing operations	122,105	28,635	93,470
Discontinued operations	156	4	152
Gain on sales of real estate	4,000	10,630	(6,630)
Net income	\$126,261	\$39,269	\$86,992

NOI from Real Estate Operations

	For the Nine Months Ended September 30,		
	2015	2014	Variance
	(Dollars in thousands, except per square foot data)		
Revenues			
Same Office Properties revenues			
Rental revenue, excluding lease termination revenue	\$242,872	\$241,820	\$1,052
Lease termination revenue	1,418	763	655
Tenant recoveries and other real estate operations revenue	62,765	63,657	(892)
Same Office Properties total revenues	307,055	306,240	815
Constructed office properties placed in service	21,354	5,969	15,385
Acquired office properties	11,204	—	11,204
Wholesale data center	12,933	7,769	5,164
Properties held for sale	23,625	23,267	358
Dispositions	7,906	14,777	(6,871)
Other	514	1,078	(564)
	384,591	359,100	25,491
Property operating expenses			
Same Office Properties	114,798	113,596	1,202
Constructed office properties placed in service	5,331	1,498	3,833
Acquired office properties	4,296	—	4,296
Wholesale data center	8,441	5,622	2,819
Properties held for sale	8,241	8,158	83
Dispositions	4,845	6,140	(1,295)
Other	38	1,475	(1,437)
	145,990	136,489	9,501
NOI from real estate operations			
Same Office Properties	192,257	192,644	(387)
Constructed office properties placed in service	16,023	4,471	11,552
Acquired office properties	6,908	—	6,908
Wholesale data center	4,492	2,147	2,345
Properties held for sale	15,384	15,109	275
Dispositions	3,061	8,637	(5,576)
Other	476	(397)	873
	\$238,601	\$222,611	\$15,990
Same Office Properties rent statistics			
Average occupancy rate	90.4	% 90.8	% -0.4
Average straight-line rent per occupied square foot (1)	\$18.35	\$18.20	\$0.15

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

Our NOI from constructed office properties placed in service included 14 properties placed in service in 2014 and 2015, and our NOI from acquired office properties included our acquisitions of 250 W. Pratt Street, 2600 Park Tower Drive and 100 and 30 Light Street.

The increase in NOI from our wholesale data center was attributable primarily to higher occupancy in the current period.

NOI from Service Operations

	For the Nine Months Ended September 30,		
	2015	2014	Variance
	(in thousands)		
Construction contract and other service revenues	\$97,554	\$80,390	\$17,164
Construction contract and other service expenses	94,923	75,353	19,570
NOI from service operations	\$2,631	\$5,037	\$(2,406)

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

Depreciation and Amortization Expense

The change in depreciation and amortization expense included:

• additional expense in the current period of \$6.2 million from our office property acquisitions and \$4.4 million from our revision of the useful lives of properties that were removed from service for redevelopment; and

• additional expense in the prior period of \$12.9 million from our revision of the useful life of a property that was removed from service for redevelopment.

Business Development Expenses and Land Carry Costs

The increase in business development expenses and land carry costs was due primarily to additional expense in the current period of \$4.1 million in acquisition costs expensed in connection with operating property acquisitions and \$1.2 million in demolition costs on properties undergoing redevelopment.

Gain on Early Extinguishment of Debt

We recognized a gain on early extinguishment of \$85.7 million in the current period as described above for the three-month period.

Gain on Sales of Real Estate

We recognized gain on sales of real estate in the current period of \$4.0 million pertaining to sales of land in the Greater Baltimore region and in the prior period due to the dispositions discussed above for the three-month period.

Funds from Operations

Funds from operations (“FFO”) is defined as net income computed using GAAP, excluding gains on sales of, and impairment losses on, previously depreciated operating properties, plus real estate-related depreciation and amortization. When multiple properties consisting of both operating and non-operating properties exist on a single tax parcel, we classify all of the gains on sales of, and impairment losses on, the tax parcel as all being for previously depreciated operating properties when most of the value of the parcel is associated with operating properties on the parcel. We believe that we use the National Association of Real Estate Investment Trusts (“NAREIT”) definition of FFO, although others may interpret the definition differently and, accordingly, our presentation of FFO may differ from those of other REITs. We believe that FFO is useful to management and investors as a supplemental measure of operating performance because, by excluding gains related to sales of, and impairment losses on, previously depreciated operating properties, net of related tax benefit, and excluding real estate-related depreciation and amortization, FFO can help one compare our operating performance between periods. In addition, since most equity

REITs provide FFO information to the investment community, we believe that FFO is useful to investors as a supplemental measure for comparing our results to those of other equity REITs. We believe that net income is the most directly comparable GAAP measure to FFO.

Since FFO excludes certain items includable in net income, reliance on the measure has limitations; management compensates for these limitations by using the measure simply as a supplemental measure that is weighed in 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.

Basic FFO available to common share and common unit holders (“Basic FFO”) is FFO adjusted to subtract (1) preferred share dividends, (2) issuance costs associated with redeemed preferred shares, (3) income attributable to noncontrolling interests through ownership of preferred units in the Operating Partnership or interests in other consolidated entities not owned by us, (4) depreciation and amortization allocable to noncontrolling interests in other consolidated entities and (5) Basic FFO allocable to restricted shares. With these adjustments, Basic FFO represents FFO available to common shareholders and common unitholders. Common units in the Operating Partnership are substantially similar to our common shares and are exchangeable into common shares, subject to certain conditions. We believe that Basic FFO is useful to investors due to the close correlation of common units to common shares. We believe that net income is the most directly comparable GAAP measure to Basic FFO. Basic FFO has essentially the same limitations as FFO; management compensates for these limitations in essentially the same manner as described above for FFO.

Diluted FFO available to common share and common unit holders (“Diluted FFO”) is Basic FFO adjusted to add back any changes in Basic FFO that would result from the assumed conversion of securities that are convertible or exchangeable into common shares. We believe that Diluted FFO is useful to investors because it is the numerator used to compute Diluted FFO per share, discussed below. We believe that 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.

Diluted FFO available to common share and common unit holders, as adjusted for comparability is defined as Diluted FFO adjusted to exclude operating property acquisition costs; gains on sales of, and impairment losses on, properties other than previously depreciated operating properties, net of associated income tax; gain or loss on early extinguishment of debt; FFO associated with properties securing non-recourse debt on which we have defaulted and which we have extinguished, or expect to extinguish, via conveyance of such properties, including property NOI and interest expense (discussed further below); loss on interest rate derivatives; demolition costs on redevelopment properties; executive transition costs; and issuance costs associated with redeemed preferred shares. We believe that the excluded items are not reflective of normal operations and, as a result, we believe that a measure that excludes these items is a useful supplemental measure in evaluating our operating performance. The adjustment for FFO associated with properties securing non-recourse debt on which we have defaulted pertains to the periods subsequent to our default on one loan’s payment terms, which was the result of our decision to not support payments on the loan since the estimated fair value of the properties was less than the loan balance. While we continued as the legal owner of the properties during this period up until the transfer of ownership, all cash flows produced by them went directly to the lender and we did not fund any debt service shortfalls, which included incremental additional interest under the default rate of: \$1.3 million in the three months ended September 30, 2015; \$5.3 million in the nine months ended September 30, 2015; \$1.9 million in the three months September 30, 2014; and \$3.8 million in the nine months ended September 30, 2014. We believe that the numerator to diluted EPS is the most directly comparable GAAP measure to this non-GAAP measure. This measure has essentially the same limitations as Diluted FFO, as well as the further limitation of not reflecting the effects of the excluded items; we compensate for these limitations in essentially the same manner as described above for Diluted FFO.

Diluted FFO per share is (1) Diluted FFO divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities

that are convertible or exchangeable into common shares were converted or exchanged. We believe that Diluted FFO per share is useful to investors because it provides investors with a further context for evaluating our FFO results in the same manner that investors use earnings per share ("EPS") in evaluating net income available to common shareholders. In addition, since most equity REITs provide Diluted FFO per share information to the investment community, we believe that Diluted FFO per share is a useful supplemental measure for comparing us to other equity REITs. We believe that diluted EPS is the most directly comparable GAAP measure to Diluted FFO per share. Diluted FFO per share has most of the same limitations as Diluted FFO (described above); management compensates for these limitations in essentially the same manner as described above for Diluted FFO.

Diluted FFO per share, as adjusted for comparability is (1) Diluted FFO, as adjusted for comparability divided by (2) the sum of the (a) weighted average common shares outstanding during a period, (b) weighted average common units outstanding during a period and (c) weighted average number of potential additional common shares that would have been outstanding during a period if other securities that are convertible or exchangeable into common shares were converted or exchanged. We believe that this measure is useful to investors because it provides investors with a further context for evaluating our FFO

results. We believe that diluted EPS is the most directly comparable GAAP measure to this per share measure. This measure has most of the same limitations as Diluted FFO (described above) as well as the further limitation of not reflecting the effects of the excluded items; we compensate for these limitations in essentially the same manner as described above for Diluted FFO.

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

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

The table appearing on the following page sets forth the computation of the above stated measures for the three and nine months ended September 30, 2015 and 2014, and provides reconciliations to the GAAP measures of COPT and subsidiaries associated with such measures:

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	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
	(Dollars and shares in thousands, except per share data)			
Net income	\$94,294	\$24,548	\$126,261	\$39,269
Add Real estate-related depreciation and amortization	38,403	30,237	103,788	104,728
Add: Impairment losses (recoveries) on previously depreciated operating properties	2,307	(7)	3,779	1,322
Add: Gain on sales of previously depreciated operating properties	(15)	(5,123)	(15)	(5,119)
FFO	134,989	49,655	233,813	140,200
Less: Noncontrolling interests-preferred units in the Operating Partnership	(165)	(165)	(495)	(495)
Less: FFO allocable to other noncontrolling interests	(1,027)	(830)	(2,769)	(2,349)
Less: Preferred share dividends	(3,552)	(3,553)	(10,657)	(12,387)
Less: Issuance costs associated with redeemed preferred shares	—	—	—	(1,769)
Basic and diluted FFO allocable to share-based compensation awards	(541)	(191)	(926)	(542)
Basic FFO available to common share and common unit holders	\$129,704	\$44,916	\$218,966	\$122,658
Dividends on dilutive convertible preferred shares	372	—	—	—
Distributions on dilutive preferred units in the Operating Partnership	165	—	—	—
Diluted FFO available to common share and common unit holders	\$130,241	\$44,916	\$218,966	\$122,658
Add: Operating property acquisition costs	2,695	—	4,102	—
Less: Gain on sales of non-operating properties	—	(5,535)	(3,985)	(5,535)
Impairment losses on other properties	—	49	—	49
Add: (Gain) loss on early extinguishment of debt	(85,745)	176	(86,057)	562
Issuance costs associated with redeemed preferred shares	—	—	—	1,769
Add: Negative FFO of properties conveyed to extinguish debt in default	2,766	3,806	10,456	7,435
Add: Demolition costs on redevelopment properties	930	—	1,171	—
Less: Diluted FFO comparability adjustments allocable to share-based compensation awards	334	7	313	(19)
Dividends and distributions on antidilutive preferred securities	(537)	—	—	—
Diluted FFO available to common share and common unit holders, as adjusted for comparability	\$50,684	\$43,419	\$144,966	\$126,919
Weighted average common shares	94,153	87,290	93,830	87,196
Conversion of weighted average common units	3,679	3,876	3,697	3,915
Weighted average common shares/units - Basic FFO	97,832	91,166	97,527	91,111
Dilutive convertible preferred shares	434	—	—	—
Dilutive convertible preferred units in the Operating Partnership	176	—	—	—
Dilutive effect of share-based compensation awards	21	195	82	169
Weighted average common shares/units - Diluted FFO	98,463	91,361	97,609	91,280
Antidilutive preferred securities for diluted FFO, as adjusted for comparability	(610)	—	—	—
Weighted average common shares/units - Diluted FFO, as adj. for comparability	97,853	91,361	97,609	91,280
Diluted FFO per share	\$1.32	\$0.49	\$2.24	\$1.34
Diluted FFO per share, as adjusted for comparability	\$0.52	\$0.48	\$1.49	\$1.39

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Numerator for diluted EPS	\$86,251	\$19,064	\$112,035	\$20,863
Dilutive convertible preferred shares	(372)	—	—	—
Add: Income allocable to noncontrolling interests-common units in the Operating Partnership	3,357	768	—	942
Add: Real estate-related depreciation and amortization	38,403	30,237	103,788	104,728
Add: Impairment losses on previously depreciated operating properties	2,307	(7)	3,779	1,322
Add: Numerator for diluted EPS allocable to share-based compensation awards	369	103	475	332
Less: Depreciation and amortization allocable to noncontrolling interests in other consolidated entities	(187)	(180)	(560)	(540)
Add: Increase in noncontrolling interests unrelated to earnings	132	245	390	672
Less: Basic and diluted FFO allocable to share-based compensation awards	(541)	(191)	(926)	(542)
Less: Gain on sales of previously depreciated operating properties	(15)	(5,123)	(15)	(5,119)
Basic FFO available to common share and common unit holders	\$129,704	\$44,916	\$218,966	\$122,658
Denominator for diluted EPS	94,608	87,485	97,609	87,365
Weighted average common units	3,679	3,876	—	3,915
Convertible preferred units	176	—	—	—
Denominator for diluted FFO per share	98,463	91,361	97,609	91,280

Property Additions

The table below sets forth the major components of our additions to properties for the nine months ended September 30, 2015 (in thousands):

Construction, development and redevelopment	\$ 164,798	
Acquisition of operating properties	194,596	
Tenant improvements on operating properties	17,819	(1)
Capital improvements on operating properties	12,568	
	\$ 389,781	

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

Cash Flows

Net cash flow provided by operating activities increased \$3.5 million when comparing the nine months ended September 30, 2015 and 2014 due primarily to:

- a \$10.6 million increase in cash flow from real estate operations due primarily to properties acquired and placed in service since the prior period; and
- an \$8.4 million decrease in interest expense paid from the prior to the current period due in large part to: a \$3.9 million decrease in interest paid on the \$150.0 million nonrecourse loan that was in default (as discussed above) since we did not support payments on the loan in the current period; and a \$1.5 million decrease due to a change in the timing of interest payments resulting from new debt requiring interest payments semi-annually rather than monthly; offset in part by
- a \$11.7 million decrease in cash flow from construction contract and other services from the prior to the current period due in large part to the timing of cash payments and collections on third party construction projects.

Net cash flow used in investing activities increased \$234.2 million when comparing the nine months ended September 30, 2015 and 2014 due primarily to cash paid for operating property acquisitions in the current period.

Net cash flow provided by financing activities in the nine months ended September 30, 2015 was \$221.3 million, and included the following:

- net proceeds from debt borrowings of \$294.9 million; and
- net proceeds from the issuance of common shares (or units) of \$28.6 million; offset in part by
- dividends and/or distributions to equity holders of \$91.9 million.

Net cash flow provided by financing activities in the nine months ended September 30, 2014 was \$21.6 million, and included the following:

- net proceeds from debt borrowings of \$120.2 million; offset in part by
- dividends and/or distributions to equity holders of \$89.2 million; and
- redemptions of preferred shares (or units) of \$50.0 million.

Liquidity and Capital Resources of COPT

COPLP is the entity through which COPT, the sole general partner of COPLP, conducts almost all of its operations and owns almost all of its assets. COPT issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company

which are fully reimbursed by COPLP. COPT itself does not hold any indebtedness, and its only material asset is its ownership of partnership interests of COPLP. COPT's principal funding requirement is the payment of dividends on its common and preferred shares. COPT's principal source of funding for its dividend payments is distributions it receives from COPLP.

As of September 30, 2015, COPT owned 96.3% of the outstanding common units and 95.5% of the outstanding preferred units in COPLP; the remaining common and preferred units in COPLP were owned by third parties. As the sole general partner of COPLP, COPT has the full, exclusive and complete responsibility for COPLP's day-to-day management and control.

The liquidity of COPT is dependent on COPLP's ability to make sufficient distributions to COPT. The primary cash requirement of COPT is its payment of dividends to its shareholders. COPT also guarantees some of the Operating

Partnership's debt, as discussed further in Note 9 of the notes to consolidated financial statements included elsewhere herein. If the Operating Partnership fails to fulfill certain of its debt requirements, which trigger COPT's guarantee obligations, then COPT will be required to fulfill its cash payment commitments under such guarantees. However, COPT's only significant asset is its investment in COPLP.

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

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

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

Liquidity and Capital Resources of COPLP

Our primary cash requirements are for operating expenses, debt service, development of new properties, improvements to existing properties and acquisitions. We expect to continue to use cash flow provided by operations as the primary source to meet our short-term capital needs, including property operating expenses, general and administrative expenses, interest expense, scheduled principal amortization of debt, distributions to our security holders and improvements to existing properties. As of September 30, 2015, we had \$3.8 million in cash and cash equivalents.

Our senior unsecured debt is currently rated investment grade by the three major rating agencies. We aim to maintain an investment grade rating to enable us to use debt comprised of unsecured, primarily fixed-rate debt (including the effect of interest rate swaps) from public markets and banks. We also use secured nonrecourse debt from institutional lenders and banks, when appropriate. In addition, we periodically access the public equity markets to raise capital by issuing common and/or preferred shares.

We use our Revolving Credit Facility to initially finance much of our investing activities. We subsequently pay down the facility using proceeds from long-term borrowings, equity issuances and property sales. The lenders' aggregate commitment under the facility is \$800.0 million, with the ability for us to increase the lenders' aggregate commitment to \$1.3 billion, provided that there is no default under the facility and subject to the approval of the lenders. Amounts available under the facility are computed based on 60% of our unencumbered asset value, as defined in the loan agreement. The Revolving Credit Facility matures in May 2019, and may be extended by two six-month periods at our option, provided that there is no default under the facility and we pay an extension fee of 0.075% of the total availability of the facility. As of September 30, 2015, the maximum borrowing capacity under this facility totaled \$800.0 million, of which \$698.2 million was available.

We believe that our liquidity and capital resources are adequate for our near-term and longer-term requirements without necessitating property sales. We do, however, expect to sell properties and use the proceeds to repay borrowings and fund development costs.

The following table summarizes our contractual obligations as of September 30, 2015 (in thousands):

	For the Periods Ending December 31,						Total
	2015	2016	2017	2018	2019	Thereafter	
Contractual obligations (1)							
Debt (2)							
Balloon payments due upon maturity	\$36,175	\$266,062	\$4,110	\$—	\$207,000	\$1,591,227	\$2,104,574
Scheduled principal payments	1,633	5,866	3,077	3,017	3,117	11,789	28,499
Interest on debt (3)	20,070	74,936	65,684	65,527	63,185	188,324	477,726
New development and redevelopment obligations (4)(5)	40,201	39,840	17,857	—	—	—	97,898
Third-party construction and development obligations (5)(6)	4,037	4,047	—	—	—	—	8,084
Capital expenditures for operating properties (5)(7)	11,144	27,261	3,463	—	—	—	41,868
Operating leases (8)	289	1,171	1,096	1,052	1,036	86,999	91,643
Other purchase obligations	579	1,726	866	446	332	92	4,041
Total contractual cash obligations	\$114,128	\$420,909	\$96,153	\$70,042	\$274,670	\$1,878,431	\$2,854,333

(1) The contractual obligations set forth in this table exclude property operations contracts that may be terminated with notice of one month or less.

Represents scheduled principal amortization payments and maturities only and therefore excludes a net discount of \$11.8 million. As of September 30, 2015, maturities include \$36.2 million in 2015 that was extended to 2016 in October 2015 and \$100.0 million in 2016 that may be extended to 2017 and \$87.0 million in 2019 that may be extended to 2020, both subject to certain conditions.

(2) Represents interest costs for our outstanding debt as of September 30, 2015 for the terms of such debt. For variable rate debt, the amounts reflected above used September 30, 2015 interest rates on variable rate debt in computing interest costs for the terms of such debt.

(3) Represents contractual obligations pertaining to new development and redevelopment activities, including land acquisitions.

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

(5) 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.

(6) Represents contractual obligations pertaining to recurring and nonrecurring capital expenditures for our operating properties. We expect to finance these costs primarily using cash flow from operations.

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

We expect to spend more than \$60 million on construction and development costs and approximately \$25 million on improvements to operating properties (including the commitments set forth in the table above) during the remainder of 2015. We expect to fund the construction and development costs using cash on hand and borrowings under our Revolving Credit Facility. We expect to use proceeds from the disposition of properties held for sale to repay future borrowings under our Revolving Credit Facility. We expect to fund improvements to existing operating properties using cash flow from operations.

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

of September 30, 2015, we were in compliance with these financial covenants.

Off-Balance Sheet Arrangements

We had no material off-balance sheet arrangements during the nine months ended September 30, 2015.

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

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance regarding the recognition of revenue from contracts with customers. Under this guidance, an entity will recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, this guidance requires improved disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We are required to adopt this guidance for our annual and interim periods beginning January 1, 2018, using one of two methods: retrospective restatement for each reporting period presented at the time of adoption, or retrospectively with the cumulative effect of initially applying this guidance recognized at the date of initial application. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

In January 2015, the FASB issued guidance regarding the presentation of extraordinary and unusual items in statements of operations. This guidance eliminates the concept of extraordinary items. However, the presentation and disclosure requirements for items that are either unusual or infrequent in occurrence remain and will be expanded to include items that are both unusual in nature and infrequent in occurrence. This guidance is effective for periods beginning after December 15, 2015. We expect that the application of this guidance will have no effect on our reported consolidated financial statements.

In February 2015, the FASB issued guidance regarding amendments to the consolidation analysis. This guidance amends the criteria for determining which entities are considered variable interest entities ("VIE"), amends the criteria for determining if a service provider possesses a variable interest in a VIE and ends the deferral granted to investment companies for application of the VIE consolidation model. This guidance is effective for annual periods, and interim periods therein, beginning after December 15, 2015. We are currently assessing the financial impact of this guidance on our consolidated financial statements.

In April 2015, the FASB issued guidance that changes the presentation of debt issuance costs in financial statements. This guidance requires an entity to present such costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. This guidance was further updated in August 2015 with respect to debt issuance costs of line-of-credit arrangements to note that it will be permissible for an entity to defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of a line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This guidance is effective for annual reporting periods beginning after December 15, 2016. Early adoption is permitted. This guidance will be applied retrospectively to each prior period presented. We expect that the application of this guidance will not materially affect our consolidated financial statements.

In September 2015, the FASB issued guidance that eliminates the requirement to restate prior period financial statements for measurement period adjustments following a business combination. The guidance requires that the cumulative impact of a measurement period adjustment (including the impact on prior periods) be recognized in the reporting period in which the adjustment is identified. The prior period impact of the adjustment should be either presented separately on the face of the statement of operations or disclosed in the notes. This guidance is effective for annual reporting periods beginning after December 15, 2015. This guidance will be applied prospectively for measurement period adjustments that occur after the effective date. We expect that the application of this guidance will not materially affect our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

The following table sets forth as of September 30, 2015 our debt obligations and weighted average interest rates for fixed rate debt by expected maturity date (dollars in thousands):

	For the Periods Ending December 31,							Total
	2015	2016	2017	2018	2019	Thereafter		
Debt:								
Fixed rate debt (1)	\$1,560	\$171,929	\$7,186	\$3,017	\$3,117	\$1,303,015	\$1,489,824	
Weighted average interest rate	6.37	% 7.18	% 5.06	% 4.52	% 4.51	% 4.31	% 4.65	%
Variable rate debt (2)	\$36,249	\$100,000	\$—	\$—	\$207,000	\$300,000	\$643,249	
Weighted average interest rate (3)	2.43	% 1.69	% —	% —	% 1.95	% 1.59	% 1.77	%

(1) Represents principal maturities only and therefore excludes net discounts of \$11.8 million.

As of September 30, 2015, maturities include \$36.2 million in 2015 that was extended to 2016 in October 2015 (2) and \$100.0 million in 2016 that may be extended to 2017 and \$87.0 million in 2019 that may be extended to 2020, both subject to certain conditions.

(3) The amounts reflected above used September 30, 2015 interest rates on variable rate debt.

The fair value of our debt was \$2.2 billion as of September 30, 2015. If interest rates had been 1% lower, the fair value of our fixed-rate debt would have increased by approximately \$111 million as of September 30, 2015.

The following table sets forth information pertaining to interest rate swap contracts in place as of September 30, 2015 and December 31, 2014 and their respective fair values (dollars in thousands):

Notional Amount	Fixed Rate	Floating Rate Index	Effective Date	Expiration Date	Fair Value at	
					September 30, 2015	December 31, 2014
\$36,249	(1) 3.8300%	One-Month LIBOR + 2.25%	11/2/2010	11/2/2015	\$(44)	\$(400)
100,000	0.8055%	One-Month LIBOR	9/2/2014	9/1/2016	(396)	(317)
100,000	0.8100%	One-Month LIBOR	9/2/2014	9/1/2016	(401)	(324)
100,000	1.6730%	One-Month LIBOR	9/1/2015	8/1/2019	(2,386)	239
100,000	1.7300%	One-Month LIBOR	9/1/2015	8/1/2019	(2,617)	35
100,000	0.8320%	One-Month LIBOR	1/3/2012	9/1/2015	—	(407)
100,000	0.8320%	One-Month LIBOR	1/3/2012	9/1/2015	—	(407)
					\$(5,844)	\$(1,581)

(1) The notional amount of this instrument is scheduled to amortize to \$36.2 million.

Based on our variable-rate debt balances, including the effect of interest rate swap contracts, our interest expense would have increased by \$2.0 million in the nine months ended September 30, 2015 if the one-month LIBOR rate was 1% higher.

Item 4. Controls and Procedures

COPT

(a) Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of September 30, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of September 30, 2015 were functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company 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 the Company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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(b) Change in Internal Control over Financial Reporting

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

COPLP

(a) Evaluation of Disclosure Controls and Procedures

The Operating Partnership's management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of its disclosure controls and procedures (as defined in Rule 15d-15(e) under the Exchange Act) as of September 30, 2015. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Operating Partnership's disclosure controls and procedures as of September 30, 2015 were functioning effectively to provide reasonable assurance that the information required to be disclosed by the Operating Partnership 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 the Operating Partnership's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Change in Internal Control over Financial Reporting

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

PART II

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes to the risk factors included in our 2014 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) During the three months ended September 30, 2015, 2,160 of COPLP's common units were exchanged for 2,160 COPT common shares in accordance with COPLP's Second Amended and Restated Limited Partnership Agreement, as amended. The issuance of these common shares was effected in reliance upon the exemption from registration under Section 4(a)(2) of the Securities Act of 1933, as amended.

(b) Not applicable

(c) Not applicable

Item 3. Defaults Upon Senior Securities

(a) Not applicable

(b) Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

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Item 6. Exhibits

(a) Exhibits:

EXHIBIT NO.	DESCRIPTION
12.1	COPT's Statement regarding Computation of Earnings to Combined Fixed Charges and Preferred Share Dividends (filed herewith).
12.2	COPLP's Statement regarding Computation of Consolidated Ratio of Earnings to Fixed Charges (filed herewith).
31.1	Certification of the Chief Executive Officer of Corporate Office Properties Trust required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.2	Certification of the Chief Financial Officer of Corporate Office Properties Trust required by Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.3	Certification of the Chief Executive Officer of Corporate Office Properties, L.P. required by Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
31.4	Certification of the Chief Financial Officer of Corporate Office Properties, L.P. required by Rule 15d-14(a) under the Securities Exchange Act of 1934, as amended (filed herewith).
32.1	Certification of the Chief Executive Officer of Corporate Office Properties Trust required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith).
32.2	Certification of the Chief Financial Officer of Corporate Office Properties Trust required by Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith).
32.3	Certification of the Chief Executive Officer of Corporate Office Properties, L.P. required by Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.) (Furnished herewith).
32.4	Certification of the Chief Financial Officer of Corporate Office Properties, L.P. required by Rule 15d-14(b) under the Securities Exchange Act of 1934, as amended. (This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or

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otherwise subject to the liability of that section. Further, this exhibit shall not be deemed to be incorporated by reference into any filing under the Securities Exchange Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended). (Furnished herewith).

101.INS	XBRL Instance Document (filed herewith).
101.SCH	XBRL Taxonomy Extension Schema Document (filed herewith).
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith).
101.LAB	XBRL Extension Labels Linkbase (filed herewith).
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith).
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document (filed herewith).

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the undersigned Registrants have duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CORPORATE OFFICE PROPERTIES TRUST

CORPORATE OFFICE PROPERTIES, L.P.

By: Corporate Office Properties Trust,
its General Partner

/s/ Roger A. Waesche, Jr.
Roger A. Waesche, Jr.
President and Chief Executive Officer

/s/ Roger A. Waesche, Jr.
Roger A. Waesche, Jr.
President and Chief Executive Officer

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

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

Dated: November 4, 2015

Dated: November 4, 2015