

CORPORATE OFFICE PROPERTIES TRUST
Form 8-K
September 22, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): **April 15, 2004**

CORPORATE OFFICE PROPERTIES TRUST

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation)

1-14023
(Commission
File Number)

23-2947217
(IRS Employer
Identification Number)

8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045
(Address of principal executive offices)

(410) 730-9092
(Registrant's telephone number, including area code)

Item 8.01 Other Events

10150 York Road Acquisition

On April 15, 2004, Corporate Office Properties Trust (the Company), through an affiliate of Corporate Office Properties, L.P. (the Operating Partnership), acquired a 178,764 square foot office building located in Hunt Valley, Maryland (10150 York Road).

10150 York Road was acquired for a contract price of \$16.5 million and an aggregate cost to the Company of \$15.4 million, including transaction costs and credits from the seller for future capital expenditures. The Company paid for this acquisition by borrowing \$14.8 million under the Company's revolving credit facility with a group of lenders headed by Wachovia Bank, National Association (the Wachovia Revolving Credit Facility) and using cash reserves for the balance.

The following schedule sets forth certain information relating to 10150 York Road as of August 31, 2004. In this schedule and the schedules that follow, the term annualized rental revenue is used; annualized rental revenue is computed by multiplying by 12 the sum of monthly contractual base rents and estimated monthly expense reimbursements under active leases in the acquired properties as of August 31, 2004.

Property	Year Built	Rentable Square Feet	Occupancy (1)	Annualized Rental Revenue	Annualized Rental Revenue per Occupied Square Foot (2)	Major Tenants (10% or more of Rentable Square Feet)
10150 York Road	1985	178,764	77.4% \$	2,407,603 \$	17.40	RewardsPlus of America (52%); All Risk, Ltd. (24%)

(1) This percentage is based on all leases in effect as of August 31, 2004.

(2) This represents the property's annualized rental revenue divided by its occupied square feet as of August 31, 2004.

The following schedule sets forth annual lease expirations for 10150 York Road as of August 31, 2004 assuming that none of the tenants exercise renewal options:

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Annualized Rental Revenue of Expiring Office Leases (in thousands)	Percentage of Annualized Rental Revenue Expiring	Annualized Rental Revenue of Expiring Leases Per Occupied Square Foot
2005	1	48,718	35.2% \$	900	37.4% \$	18.47
2006	1	3,153	2.3%	15	0.6%	4.57

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2010	1	43,465	31.4%	772	32.1%	17.77
2011	1	43,038	31.1%	721	29.9%	16.75
Total/Average	4	138,374	100.0% \$	2,408	100.0% \$	17.40

Pinnacle Towers Acquisition

The Company is under contract to acquire two buildings totaling 440,102 square feet in McLean, Virginia (Pinnacle Towers) and expects to complete the acquisition in September 2004 for a contract price of \$112.5 million and an aggregate cost of approximately \$106.2 million, including estimated transaction costs, credits from the seller for future capital expenditures and a \$1.5 million decreasing adjustment pertaining to the fair value of an assumed mortgage loan.

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The Company expects to pay for the acquisition by assuming an existing mortgage loan with a fair value of approximately \$62.9 million (and a face value of \$64.4 million), borrowing \$34.5 million under a new mortgage loan, issuing 352,000 preferred units in the Operating Partnership valued at \$8.8 million and using cash reserves for the balance. The preferred units will be convertible into common units in the Operating Partnership, on a basis of 0.5 common units for each preferred unit, and the common units will be redeemable for common shares or cash in accordance with the Operating Partnership's partnership agreement. The preferred units will earn an annual cumulative preferred return of 7.5%, or \$1.875 per unit, for the first 15 years following the closing date. The annual cumulative preferred return increases for each subsequent five-year period, subject to certain maximum limits, pursuant to the amendment to the partnership agreement that will be entered into to create the preferred units.

The following schedule sets forth certain information relating to Pinnacle Towers as of August 31, 2004:

Property	Year Built/ Renovated	Rentable Square Feet	Occupancy (1)	Total Annualized Rental Revenue	Total Annualized Rental Revenue per Occupied Square Foot (2)	Major Tenants (10% or more of Rentable Square Feet)
1751 Pinnacle Drive	1989/1995	258,465	95.0%	\$ 6,940,654	28.27	PricewaterhouseCoopers (38%); Hunton & Williams (22%); Octagon, Inc. (11%)
1753 Pinnacle Drive	1976/2005	181,637	83.3%	3,517,560	23.24	Wachovia Bank, National Association (83%)
Total/Average		440,102	90.2%	\$ 10,458,214	26.35	

(1) This percentage is based on all leases in effect as of August 31, 2004.

(2) This represents the property's total annualized rental revenue divided by that property's occupied square feet as of August 31, 2004.

The following schedule sets forth annual lease expirations for Pinnacle Towers as of August 31, 2004 assuming that none of the tenants exercise renewal options:

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Annualized Rental Revenue of Expiring Office Leases (in thousands)	Percentage of Annualized Rental Revenue Expiring	Annualized Rental Revenue of Expiring Leases Per Occupied Square Foot
2006	2	98,379	25.1%	\$ 2,712	25.9%	\$ 27.56
2007	1	2,500	0.6%	99	0.9%	39.65
2009	2	6,753	1.7%	201	1.9%	29.73
2010	4	55,947	14.3%	1,818	17.4%	32.49
2012	2	31,312	8.0%	919	8.8%	29.35
2014	1	22,452	5.7%	667	6.4%	29.73

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2018	2	173,944	44.5%	4,042	38.7%	23.24
Other (1)	2	5,615	0.1%		0.0%	
Total/Average	16	396,902	100.0% \$	10,458	100.0% \$	26.35

(1) Other consists of property management space.

14280 Park Meadow Drive

The Company is under contract to acquire an office building totaling 114,126 square feet in Chantilly, Virginia (14280 Park Meadow Drive) for a contract price of \$21.7 million and an estimated cost of \$22.9 million, including a \$1.2 million increasing adjustment pertaining to the fair value of a mortgage loan to be assumed.

The Company expects to complete this acquisition in September 2004 by assuming a mortgage loan with an estimated fair value of \$11.1 million (and a face value of \$9.9 million), using borrowings of approximately \$10.3 million under the Wachovia Revolving Credit Facility and cash reserves for the balance.

The following schedule sets forth certain information relating to 14280 Park Meadow Drive as of August 31, 2004:

Property	Year Built/ Renovated	Rentable Square Feet	Occupancy (1)	Total Annualized Rental Revenue	Total Annualized Rental Revenue per Occupied Square Foot (2)	Major Tenants (10% or more of Rentable Square Feet)
14280 Park Meadow Drive	1999	114,126	100.0%	\$ 2,798,655	\$ 24.52	Edison Mission Energy (26%); Hamilton Resources (26%); Mantech Integrated Data (26%); (3) AAA Mid-Atlantic, Inc. (12%) (3)
Total/Average		114,126	100.0%	\$ 2,798,655	\$ 24.52	

(1) This percentage is based on all leases in effect as of August 31, 2004.

(2) This represents the property's total annualized rental revenue divided by that property's occupied square feet as of August 31, 2004.

(3) Mantech Integrated Data subleases the entire 13,348 square feet occupied by AAA Mid Atlantic, Inc. or an additional 12% of the property's square footage

The following schedule sets forth annual lease expirations for 14280 Park Meadow Drive as of August 31, 2004 assuming that none of the tenants exercise renewal options:

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Leases Expiring	Percentage of Total Occupied Square Feet	Annualized Rental Revenue of Expiring Office Leases (in thousands)	Percentage of Annualized Rental Revenue Expiring	Annualized Rental Revenue of Expiring Leases Per Occupied Square Foot
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2005	1	2,139	1.9% \$	60	2.1% \$	28.17
2008	1	9,149	8.0%	254	9.1%	27.76
2009	1	13,348	11.7%	377	13.5%	28.21
2010	2	59,958	52.5%	1,458	52.1%	24.32
2013	1	29,532	25.9%	650	23.2%	22.00
Total/Average	6	114,126	100.0% \$	2,799	100.0% \$	24.52

44420 Pecan Court

The Company is under contract to acquire a property totaling 25,200 square feet (44420 Pecan Court) located adjacent to properties that the Company acquired in the Wildewood and Exploration/Expedition Office Parks in St. Mary's County, Maryland during the first and second quarters of 2004. The Company expects to complete the acquisition in October 2004 for a contract price of \$1.8 million and an estimated cost of \$1.9 million, including a \$120,000 increasing adjustment related to the fair value of an assumed mortgage loan.

The Company expects to finance the acquisition by assuming a mortgage loan with an estimated fair value of \$1.2 million (and a face value of \$1.1 million) and borrowing under the Wachovia Revolving Credit Facility for the balance.

The following schedule sets forth certain information relating to 44420 Pecan Court as of August 31, 2004:

Property	Year Built/ Renovated	Rentable Square Feet	Occupancy (1)	Total Annualized Rental Revenue	Total Annualized Rental Revenue per Occupied Square Foot (2)	Major Tenants (10% or more of Rentable Square Feet)	Year of Lease Expiration
44420 Pecan Court	1989	25,200	100.0%	\$ 143,951	\$ 5.71	BAE Systems Applied Technologies (100%)	2005(3)
Total/Average		25,200	100.0%	\$ 143,951	\$ 5.71		

(1) This percentage is based on all leases in effect as of August 31, 2004.

(2) This represents the property's total annualized rental revenue divided by that property's occupied square feet as of August 31, 2004.

(3) The lease is month-to-month; the tenant may terminate with 30 days' notice but in no event later than December 31, 2005.

Item 9.01. Financial Statements and Exhibits

(a) Financial Statements of Real Estate Operations Acquired

The financial statements of 10150 York Road are included herein. See pages F-16 through F-20.

(b) Financial Statements of Real Estate Operations Acquired

The financial statements of Pinnacle Towers are included herein. See pages F-21 through F-25.

(c) Pro Forma Financial Information

The pro forma condensed consolidated financial statements of the Company are included herein. See pages F-1 through F-15.

(d) Exhibits

Exhibit Number	Description
23.1	Consent of Independent Accountants (PricewaterhouseCoopers LLP).
23.2	Consent of Ernst & Young LLP.
99.1.1	Agreement of Sale, dated February 25, 2004, among Sterling Real Estate Venture I, LLC, Sterling York Manager, LLC and COPT Acquisitions, Inc.
99.1.2	Amendment to Agreement of Sale, dated March 30, 2004, among Sterling Real Estate Venture I, LLC, Sterling York Manager, LLC and COPT Acquisitions, Inc.
99.2	Contribution Agreement, dated August 26, 2004, among the Rubenstein Company, LP, Corporate Office Properties, LP and Corporate Office Properties Trust.

SIGNATURES

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

Dated: September 22, 2004

CORPORATE OFFICE PROPERTIES TRUST

By: /s/ Randall M. Griffin
Name: Randall M. Griffin
Title: President and Chief Operating Officer

By: /s/ Roger A. Waesche, Jr.
Name: Roger A. Waesche, Jr.
Title: Executive Vice President and
Chief Financial Officer

CORPORATE OFFICE PROPERTIES TRUST

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CORPORATE OFFICE PROPERTIES TRUST

PRO FORMA CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Set forth below are the unaudited pro forma condensed consolidated balance sheet as of June 30, 2004 and the unaudited pro forma condensed consolidated statements of operations for the year ended December 31, 2003 and the six months ended June 30, 2004 of Corporate Office Properties Trust and its consolidated affiliates, including Corporate Office Properties, L.P. (the Operating Partnership). Corporate Office Properties Trust and its consolidated affiliates, including the Operating Partnership, are collectively referred to herein as the Company.

The pro forma condensed consolidated financial information is presented as if the following transactions had been consummated on the earlier of the actual date of consummation or June 30, 2004 for balance sheet purposes and January 1, 2003 for purposes of the statements of operations:

2003 Transactions

The transactions set forth below are collectively referred to herein as the 2003 Transactions.

The contribution on March 14, 2003 of an office building located in Fairfield, New Jersey (695 Route 46) into a real estate joint venture in return for \$19,960,000 in cash and a 20% ownership interest in the joint venture. The Company used \$17,000,000 of the proceeds to pay down the Company's revolving credit facility with Bankers Trust Company (the Bankers Trust Revolving Credit Facility).

The issuance of 5,290,000 common shares of beneficial interest (common shares) on May 27, 2003 for net proceeds of \$79,355,000 (the Common Share Issuance), of which \$63,904,000 was used to fund the acquisition of 13200 Woodland Park Drive discussed below and the balance used to pay down the Bankers Trust Revolving Credit Facility.

The acquisition on June 2, 2003 of an office building in Herndon, Virginia (13200 Woodland Park Drive) for \$71,449,000 using \$63,904,000 of the proceeds from the Common Share Issuance and \$7,545,000 in cash escrowed from previous property sales.

The repurchase of 1,016,662 Series C Preferred Units of the Operating Partnership (the Series C Preferred Unit Repurchase) on June 16, 2003 for \$36,068,000 using \$40,000,000 in borrowings under a new mortgage loan. The Bankers Trust Revolving Credit Facility was also paid down by \$3,411,000 using borrowings from this mortgage loan.

The acquisition of five office buildings in Northern Virginia (the Dulles Tech/Ridgeview Properties) for \$75,572,000 on July 25, 2003 using \$45,000,000 in borrowings under a new mortgage loan carrying an interest rate of LIBOR plus 200 basis points, \$30,555,000 in borrowings under the Bankers Trust Revolving Credit Facility and cash reserves for the balance.

The issuance of 2,200,000 Series G Preferred Shares of beneficial interest (the Series G Preferred Share Issuance) on August 11, 2003 for net proceeds of \$53,175,000, which was used to pay down the Bankers Trust Revolving Credit Facility.

The acquisition of a joint venture partner's 20% interest in Gateway 67, LLC (Gateway 67) for \$857,000 on December 30, 2003 using borrowings under the Bankers Trust Revolving Credit Facility. Through this acquisition, the Company acquired two office buildings and an adjacent land parcel located in Columbia, Maryland and assumed an \$8,353,000 mortgage loan. Prior to this acquisition, the Company accounted for its investment in the joint venture using the equity method of accounting. Upon completion of this acquisition, Gateway 67, LLC became a consolidated subsidiary of the Company.

The acquisition of a joint venture partner's 90% interest in NBP 140, LLC (NBP 140) for \$5,351,000 on December 31, 2003 primarily using borrowings under the Bankers Trust Revolving Credit Facility. Through this acquisition, the Company acquired a newly-constructed office building located in Annapolis Junction, Maryland and assumed an \$8,117,000 mortgage loan. Prior to this acquisition, the Company accounted for its investment in the joint venture using the equity method of accounting. Upon completion of this acquisition, this entity became a consolidated subsidiary of the Company. The building became operational on December 20, 2003.

2004 Transactions

The transactions set forth below are collectively referred to herein as the 2004 Transactions.

The acquisition on March 5, 2004 of an office building in Gaithersburg, Maryland (400 Professional Drive) for \$23,196,000, plus \$91,000 in deferred financing costs, by assuming a mortgage loan with a fair value of \$17,494,000 (and a face value of \$16,757,000), borrowing \$5,000,000 under the Bankers Trust Revolving Credit Facility and using \$793,000 in cash reserves, including \$500,000 previously paid as a deposit in 2003.

