UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A

(Amendment No. 1)

(Mark one)

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from to

Commission file number 1-14023

Corporate Office Properties Trust

(Exact name of registrant as specified in its charter)

Maryland	**23-2947217**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

6711 Columbia Gateway Drive, Suite 300, Columbia, MD	**21046**
(Address of principal executive offices)	(Zip Code)

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

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. x Yes o 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). x Yes o No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

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

As of April 18, 2012, 72,040,863 of the Company s Common Shares of Beneficial Interest, $0.01 par value, were issued and outstanding.

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EXPLANATORY NOTE

This amendment to the Quarterly Report on Form 10-Q/A (Amendment No. 1) is being filed in order to include disclosure regarding previously undisclosed out-of-period adjustments to the consolidated financial statements that were included in Part I, Items 1 and 2 of the original Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 previously filed on April 27, 2012 (the Original Filing).

During the second quarter of 2012, we identified an error in the consolidated financial statements for the year ended December 31, 2011 and the quarter ended March, 31, 2012. The error was attributable to the misapplication of accounting guidance related to the recognition of a deferred tax asset resulting from an impairment of assets in the fourth quarter of 2011 that failed to consider a partial reversal of that asset that would result from a cancellation of related inter-company debt in the first quarter of 2012. During the first quarter of 2012, we identified an error that impacted the above referenced periods. The error was an over-accrual of incentive compensation cost. We have determined that the errors were not material in 2011 and are not material to our expected annual results for the year ending December 31, 2012. Accordingly, the cumulative change is reported as an out-of-period adjustment in the three months ended March 31, 2012 on our consolidated statement of operations.

This Amendment No. 1 amends only Part I, Items 1 and 2 of the Original Filing solely to reflect the revision of the notes to the consolidated financial statements and to add disclosure to Part I, Item 2 relating to such revision. The remaining items contained within this Amendment No. 1 consist of all other items originally contained in the Original Filing. These remaining items are not amended hereby, but are included for the convenience of the reader. Except for the foregoing amended information, this Amendment No. 1 continues to describe conditions as of the date of the Original Filing, and we have not updated the disclosures contained herein to reflect events that occurred at a later date. We are also updating the signature page and certifications of our Chief Executive and Financial Officers contained in Exhibits 31.1, 31.2, 32.1 and 32.2.

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PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements

Corporate Office Properties Trust and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except share data)

(unaudited)

	March 31, 2012	December 31, 2011
Assets		
Properties, net:		
Operating properties, net	$ 2,704,323	$ 2,714,056
Projects in development or held for future development	633,968	638,919
Total properties, net	3,338,291	3,352,975
Assets held for sale, net	81,352	116,616
Cash and cash equivalents	7,987	5,559
Restricted cash and marketable securities	21,711	36,232
Accounts receivable (net of allowance for doubtful accounts of $3,796 and $3,546, respectively)	11,231	26,032
Deferred rent receivable	89,337	86,856
Intangible assets on real estate acquisitions, net	83,940	89,120
Deferred leasing and financing costs, net	66,987	66,515
Prepaid expenses and other assets	96,532	87,619
Total assets	$ 3,797,368	$ 3,867,524
Liabilities and equity		
Liabilities:		
Debt, net	$ 2,418,078	$ 2,426,303
Accounts payable and accrued expenses	93,156	96,425
Rents received in advance and security deposits	27,647	29,548
Dividends and distributions payable	24,544	35,038
Deferred revenue associated with operating leases	15,258	15,554
Distributions received in excess of investment in unconsolidated real estate joint venture	6,178	6,071
Interest rate derivatives	2,673	30,863
Other liabilities	9,038	9,657
Total liabilities	2,596,572	2,649,459
Commitments and contingencies (Note 15)		
Equity:		
Corporate Office Properties Trust s shareholders equity:		
Preferred Shares of beneficial interest with an aggregate liquidation preference of $216,333 ($0.01 par value; 15,000,000 shares authorized and 8,121,667 shares issued and outstanding at March 31, 2012 and December 31, 2011)	81	81
Common Shares of beneficial interest ($0.01 par value; 125,000,000 shares authorized, shares issued and outstanding of 72,037,627 at March 31, 2012 and 72,011,324 at December 31, 2011)	720	720
Additional paid-in capital	1,670,451	1,668,645

Cumulative distributions in excess of net income		(549,456)		(532,288)
Accumulated other comprehensive loss		(2,201)		(1,733)
Total Corporate Office Properties Trust s shareholders equity		1,119,595		1,135,425
Noncontrolling interests in subsidiaries:				
Common units in the Operating Partnership		53,883		55,281
Preferred units in the Operating Partnership		8,800		8,800
Other consolidated entities		18,518		18,559
Noncontrolling interests in subsidiaries		81,201		82,640
Total equity		1,200,796		1,218,065
Total liabilities and equity	$	3,797,368	$	3,867,524

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 March 31,			
	2012		2011	
Revenues				
Rental revenue	$	99,144	$	94,249
Tenant recoveries and other real estate operations revenue		22,795		22,212
Construction contract and other service revenues		21,534		21,028
Total revenues		143,473		137,489
Expenses				
Property operating expenses		47,202		47,061
Depreciation and amortization associated with real estate operations		31,066		30,043
Construction contract and other service expenses		20,607		20,618
Impairment losses		5,126		27,742
General and administrative expenses		7,017		6,777
Business development expenses and land carry costs		1,594		1,241
Total operating expenses		112,612		133,482
Operating income		30,861		4,007
Interest expense		(25,224)		(26,115)
Interest and other income		1,217		1,168
Income (loss) from continuing operations before equity in (loss) income of unconsolidated entities and income taxes		6,854		(20,940)
Equity in (loss) income of unconsolidated entities		(89)		30
Income tax (expense) benefit		(4,173)		544
Income (loss) from continuing operations		2,592		(20,366)
Discontinued operations		4,385		(901)
Income (loss) before gain on sales of real estate		6,977		(21,267)
Gain on sales of real estate, net of income taxes				2,701
Net income (loss)		6,977		(18,566)
Net (income) loss attributable to noncontrolling interests:				
Common units in the Operating Partnership		(159)		1,479
Preferred units in the Operating Partnership		(165)		(165)
Other consolidated entities		24		(538)
Net income (loss) attributable to Corporate Office Properties Trust		6,677		(17,790)
Preferred share dividends		(4,025)		(4,025)
Net income (loss) attributable to Corporate Office Properties Trust common shareholders	$	2,652	$	(21,815)
Net income (loss) attributable to Corporate Office Properties Trust:				
Income (loss) from continuing operations	$	2,539	$	(16,946)
Discontinued operations, net		4,138		(844)
Net income (loss) attributable to Corporate Office Properties Trust	$	6,677	$	(17,790)
Basic earnings per common share (1)				
Loss from continuing operations	$	(0.02)	$	(0.32)
Discontinued operations		0.06		(0.01)
Net income (loss) attributable to COPT common shareholders	$	0.04	$	(0.33)
Diluted earnings per common share (1)				

Loss from continuing operations	$	(0.02)	$	(0.32)
Discontinued operations		0.06		(0.01)
Net income (loss) attributable to COPT common shareholders	$	0.04	$	(0.33)

(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.

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Corporate Office Properties Trust and Subsidiaries

Consolidated Statements of Comprehensive Income

(Dollars in thousands)

(unaudited)

	For the Three Months Ended March 31, 2012	2011
Net income (loss)	$ 6,977	$ (18,566)
Other comprehensive income		
Unrealized losses on interest rate derivatives	(1,987)	(136)
Losses on interest rate derivatives included in net income	1,474	1,104
Other comprehensive (loss) income	(513)	968
Comprehensive income (loss)	6,464	(17,598)
Comprehensive (income) loss attributable to noncontrolling interests	(271)	714
Comprehensive income (loss) attributable to COPT	$ 6,193	$ (16,884)

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 (Loss)	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total
Balance at December 31, 2010 (66,931,582 common shares outstanding)	$ 81	$ 669	$ 1,511,844	$ (281,794)	$ (4,163)	$ 96,501	$ 1,323,138
Conversion of common units to common shares (16,725 shares)			263			(263)	
Costs associated with common shares issued to the public			(117)				(117)
Exercise of share options (24,667 shares)			346				346
Share-based compensation		2	3,201				3,203
Restricted common share redemptions (104,592 shares)			(3,713)				(3,713)
Adjustments to noncontrolling interests resulting from changes in ownership of Operating Partnership by COPT			(163)			163	
Adjustments related to derivatives designated as cash flow hedges					966	2	968
Net loss				(17,790)		(776)	(18,566)
Dividends				(31,729)			(31,729)
Distributions to owners of common and preferred units in the Operating Partnership						(1,974)	(1,974)
Contributions from noncontrolling interests in other consolidated entities			(23)			125	102
Balance at March 31, 2011 (67,103,918 common shares outstanding)	$ 81	$ 671	$ 1,511,638	$ (331,313)	$ (3,197)	$ 93,778	$ 1,271,658
Balance at December 31, 2011 (72,011,324 common shares outstanding)	$ 81	$ 720	$ 1,668,645	$ (532,288)	$ (1,733)	$ 82,640	$ 1,218,065
Conversion of common units to common shares (34,550 shares)			444			(444)	
Costs associated with common shares issued to the public			(5)				(5)
Exercise of share options (5,667 shares)			82				82
Share-based compensation			3,746				3,746
Restricted common share redemptions (97,094 shares)			(2,373)				(2,373)
Adjustments to noncontrolling interests resulting from changes in ownership of Operating Partnership by COPT			(88)			88	
					(468)	(45)	(513)

Adjustments related to derivatives designated as cash flow hedges							
Net income				6,677		300	6,977
Dividends				(23,845)			(23,845)
Distributions to owners of common and preferred units in the Operating Partnership						(1,338)	(1,338)
Balance at March 31, 2012 (72,037,627 common shares outstanding)	$ 81	$ 720	$ 1,670,451	$ (549,456)	$ (2,201)	$ 81,201	$ 1,200,796

See accompanying notes to consolidated financial statements.

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Corporate Office Properties Trust and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in thousands)

(unaudited)

	For the Three Months Ended March 31, 2012	2011
Cash flows from operating activities		
Revenues from real estate operations received	$ 129,184	$ 114,303
Construction contract and other service revenues received	18,170	21,405
Property operating expenses paid	(42,608)	(45,267)
Construction contract and other service expenses paid	(12,454)	(28,315)
General and administrative and business development expenses paid	(6,156)	(6,860)
Interest expense paid	(19,896)	(22,252)
Cash settlement of interest rate derivatives	(29,738)	
Proceeds from sale of trading marketable securities	7,041	
Interest and other income received	252	108
Income taxes paid	(8)	(170)
Net cash provided by operating activities	43,787	32,952
Cash flows from investing activities		
Purchases of and additions to properties		
Construction, development and redevelopment	(35,476)	(46,676)
Tenant improvements on operating properties	(7,934)	(8,778)
Other capital improvements on operating properties	(3,360)	(4,064)
Proceeds from sales of properties	61,230	3,149
Mortgage and other loan receivables funded or acquired	(3,506)	(1,181)
Leasing costs paid	(2,853)	(2,894)
Other	(310)	(920)
Net cash provided by (used in) investing activities	7,791	(61,364)
Cash flows from financing activities		
Proceeds from debt	331,097	97,273
Repayments of debt		
Scheduled principal amortization	(3,207)	(3,798)
Other repayments	(337,050)	(25,050)
Deferred financing costs paid	(2,044)	(482)
Dividends paid	(33,711)	(31,664)
Distributions paid	(1,939)	(1,981)
Restricted share redemptions	(2,373)	(3,713)
Other	77	331
Net cash (used in) provided by financing activities	(49,150)	30,916
Net increase in cash and cash equivalents	2,428	2,504
Cash and cash equivalents		
Beginning of period	5,559	10,102
End of period	$ 7,987	$ 12,606

See accompanying notes to consolidated financial statements.

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Corporate Office Properties Trust and Subsidiaries

Consolidated Statements of Cash Flows

(Dollars in thousands)

(unaudited)

	For the Three Months Ended March 31, 2012		For the Three Months Ended March 31, 2011	
Reconciliation of net income (loss) to net cash provided by operating activities:				
Net income (loss)	$	6,977	$	(18,566)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and other amortization		31,705		33,645
Impairment losses		5,479		27,742
Amortization of deferred financing costs		1,572		1,759
Increase in deferred rent receivable		(2,559)		(4,240)
Amortization of net debt discounts		775		1,649
Gain on sales of real estate		(4,138)		(2,701)
Share-based compensation		3,402		2,917
Other		(1,423)		(926)
Changes in operating assets and liabilities:				
Decrease (increase) in accounts receivable		14,792		(827)
Decrease in restricted cash and marketable securities and prepaid expenses and other assets		9,448		4,701
Increase (decrease) in accounts payable, accrued expenses and other liabilities		7,661		(10,025)
Decrease in rents received in advance and security deposits		(1,901)		(2,176)
Decrease in interest rate derivatives in connection with cash settlement		(28,003)		
Net cash provided by operating activities	$	43,787	$	32,952
Supplemental schedule of non-cash investing and financing activities:				
Increase in accrued capital improvements, leasing and other investing activity costs	$	11,828	$	13,171
Increase in property, debt and other liabilities in connection with acquisitions	$		$	3,040
Decrease in fair value of derivatives applied to AOCL and noncontrolling interests	$	528	$	662
Dividends/distribution payable	$	24,544	$	33,048
Decrease in noncontrolling interests and increase in shareholders equity in connection with the conversion of common units into common shares	$	444	$	263
Adjustments to noncontrolling interests resulting from changes in ownership of Operating Partnership by COPT	$	88	$	163

See accompanying notes to consolidated financial statements.

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Corporate Office Properties Trust and Subsidiaries

Notes to Consolidated Financial Statements

(unaudited)

1. Organization

Corporate Office Properties Trust (COPT) and subsidiaries (collectively, the Company, we or us) is a fully-integrated and self-managed real estate investment trust (REIT) that focuses primarily on serving the specialized requirements of strategic customers in the United States Government and defense information technology sectors. We acquire, develop, manage and lease office and data center properties that are typically concentrated in large office parks primarily located adjacent to government demand drivers and/or in office markets that we believe possess growth opportunities. As of March 31, 2012, our investments in real estate included the following:

- 231 operating office properties totaling 20.2 million square feet;
- seven office properties under construction or redevelopment that we estimate will total approximately 903,000 square feet upon completion, including two partially operational properties included above;
- land held or under pre-construction totaling 2,327 acres (including 583 controlled but not owned) that we believe are potentially developable into approximately 20.5 million square feet; and
- a partially operational, wholesale data center which upon completion and stabilization is expected to have a critical load of 18 megawatts.

We conduct almost all of our operations through our operating partnership, Corporate Office Properties, L.P. (the Operating Partnership), of which we are the managing general partner. The Operating Partnership owns real estate both directly and through subsidiary partnerships and limited liability companies (LLCs). A summary of our Operating Partnership s forms of ownership and the percentage of those ownership forms owned by COPT as of March 31, 2012 follows:

Common Units	94%
Series G Preferred Units	100%
Series H Preferred Units	100%
Series I Preferred Units	0%
Series J Preferred Units	100%
Series K Preferred Units	100%

Three of our trustees also controlled, either directly or through ownership by other entities or family members, an additional 5% of the Operating Partnership s common units (common units) as of March 31, 2012.

In addition to owning real estate, the Operating Partnership also owns entities that provide real estate services such as property management and construction and development services primarily for our properties but also for third parties.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of COPT, the Operating Partnership, their subsidiaries and other entities in which we have 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 the entity s operations but cannot control the entity s operations.

We use the cost method of accounting when we own an interest in an entity and cannot exert significant influence over its operations.

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These interim financial statements should be read together with the financial statements and notes thereto as of and for the year ended December 31, 2011 included in our 2011 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 except for the out-of-period adjustment described below. The consolidated financial statements have been prepared using the accounting policies described in our 2011 Annual Report on Form 10-K.

During the second quarter of 2012, we identified an error in the consolidated financial statements for the year ended December 31, 2011 and the quarter ended March, 31, 2012. The error was attributable to the misapplication of accounting guidance related to the recognition of a deferred tax asset resulting from an impairment of assets in the fourth quarter of 2011 that failed to consider a partial reversal of that asset that would result from a cancellation of related inter-company debt in the first quarter of 2012. The effect of this error was an overstatement of our income tax benefit and an understatement of our net loss for the year ended December 31, 2011 of $4.0 million ($0.05 per share). During the first quarter of 2012, we identified an error that impacted the above referenced periods. The error was an over-accrual of incentive compensation cost. The effect of this error was an overstatement of general and administrative expenses and an overstatement of net loss for the year ended December 31, 2011 of $0.7 million ($0.01 per share). The net impact of these errors was an understatement of our net loss for the year ended December 31, 2011 of $3.3 million ($0.04 per share). We have determined that the errors were not material in 2011 and are not material to our expected annual results for the year ending December 31, 2012. Accordingly, this cumulative change is reported as an out-of-period adjustment in the three months ended March 31, 2012 as follows: a reduction in net income of $3.3 million ($0.04 per share); an increase in income tax expense of $4.0 million ($0.05 per share); and a decrease in general and administrative expenses of approximately $0.7 million ($0.01 per share) on our consolidated statement of operations.

Reclassifications

We reclassified certain amounts from prior periods to conform to the current period presentation of our consolidated financial statements with no effect on previously reported net income or equity. Included among these reclassifications is a retrospective change in the presentation of costs expensed in connection with properties not in operations; these costs are included in the line on our consolidated statements of operations entitled business development expenses and land carry costs, after having been included in property operating expenses in our 2011 Annual Report on Form 10-K.

Recent Accounting Pronouncements

We adopted guidance issued by the Financial Accounting Standards Board (FASB) effective January 1, 2012 related to the presentation of comprehensive income that requires us to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. We adopted this guidance using retrospective application. This guidance eliminates the option to present the components of other comprehensive income as part of the statement of equity. Our adoption of this guidance did not affect our financial position, results of operations, cash flows or measurement of comprehensive income but did change the location of our disclosure pertaining to comprehensive income in our consolidated financial statements.

We adopted guidance issued by the FASB effective January 1, 2012 that amends measurement and disclosure requirements related to fair value measurements to improve consistency with International Financial Reporting Standards. In connection with our adoption of this guidance, we made an accounting policy election to use an exception provided for in the guidance with respect to measuring counterparty credit risk for derivative instruments; this election enables us to continue to measure the fair value of groups of assets and liabilities associated with derivative instruments consistently with how market participants would price the net risk exposure at the measurement date. Our adoption of this guidance did not affect our financial position, results of operations or cash flows but did result in additional disclosure pertaining to our fair value measurements.

We adopted guidance issued by the FASB effective January 1, 2012 relating to the testing of goodwill for impairment that permits us to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance eliminates the requirement to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. Our adoption of this guidance did not materially affect our consolidated financial statements or disclosures.

3. Fair Value Measurements

For a description on how we estimate fair value, see Note 3 to the consolidated financial statements in our 2011 Annual Report on Form 10-K.

Recurring Fair Value Measurements

The table below sets forth our financial assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2012 and the hierarchy level of inputs used in measuring their respective fair values under applicable accounting standards (in thousands):

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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	$ 6,121	$	$	$ 6,121
Common stocks	414			414
Other	238			238
Common stock (1)	454			454
Warrants to purchase common shares in KEYW (2)		133		133
Assets	$ 7,227	$ 133	$	$ 7,360
Liabilities:				
Deferred compensation plan liability (3)	$ 6,773	$	$	$ 6,773
Interest rate derivatives		2,673		2,673
Liabilities	$ 6,773	$ 2,673	$	$ 9,446

(1) Included in the line entitled restricted cash and marketable securities on our consolidated balance sheet.

(2) Included in the line entitled prepaid expenses and other assets on our consolidated balance sheet.

(3) Included in the line entitled other liabilities on our consolidated balance sheet.

At December 31, 2011, we owned 1.9 million shares, or approximately 7%, of the common stock of The KEYW Holding Corporation (KEYW). During the three months ended March 31, 2012, we completed the sale of all of these shares for $14.0 million. At March 31, 2012 and December 31, 2011, we owned warrants to purchase 50,000 additional shares of KEYW common stock at an exercise price of $9.25 per share.

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, other assets (excluding mortgage loans receivable) and accounts payable and accrued expenses are reasonable estimates of their fair values because of the short maturities of these instruments. We estimated the fair values of our mortgage loans receivable as discussed in Note 6 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 7 to the consolidated financial statements, we estimated the fair value of our exchangeable senior notes based on quoted market prices 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 of 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 6 for mortgage loans receivable, Note 7 for debt and Note 8 for interest rate derivatives.

Nonrecurring Fair Value Measurements

We assess each of our operating properties for impairment quarterly using cash flow projections and estimated fair values that we derive for each of the properties. We update the leasing and other assumptions used in these projections regularly, paying particular attention to properties that have experienced chronic vacancy or face significant market challenges. We review our plans and intentions for our development projects and land parcels quarterly. Each quarter, we also review the reasonableness of changes in our estimated operating property fair values from amounts estimated in the prior quarter. If events or changes in circumstances indicate that the carrying values of certain operating properties, properties in development or land held for future development may be impaired, we perform a recovery analysis for such properties. For long-lived assets to be held and used, we analyze recoverability based on the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets over, in most cases, a ten-year holding period. If we believe there is a significant possibility that we might dispose of the assets earlier, we analyze

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recoverability using a probability weighted analysis of the estimated undiscounted future cash flows expected to be generated from the operations and eventual disposition of the assets over the various possible holding periods. If the recovery analysis indicates that the carrying value of a tested property is not recoverable from estimated future cash flows, it is written down to its estimated fair value and an impairment loss is recognized. If and when our plans change, we revise our recoverability analyses to use the cash flows expected from the operations and eventual disposition of each asset using holding periods that are consistent with our revised plans.

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

We recognized impairment losses on certain properties and other assets associated with such properties during the three months ended March 31, 2012. Accordingly, certain properties and related assets were adjusted to fair value. The table below sets forth the fair value hierarchy of the valuation techniques used by us in determining such fair values (dollars 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	Impairment Losses Recognized
Assets (1):					
Properties, net	$	$	$ 92,176	$ 92,176	$ 5,479

(1) Reflects balance sheet classifications of assets at time of fair value measurement, excluding the effect of held for sale classifications.

The table below sets forth quantitative information about significant unobservable inputs used for the Level 3 fair value measurements reported above:

Description	Fair value on measurement date	Valuation Technique	Unobservable Input	Range (Weighted Average)
Properties on which impairment losses were recognized	$ 92,176	Bid for properties indicative of value	Indicative bid (1)	(1)
		Contract of sale	Contract price (1)	(1)
		Discounted cash flow	Discount rate	11.0% (2)
			Terminal capitalization rate	9.0% (2)
			Market rent growth rate	3.0% (2)
			Expense growth rate	3.0% (2)
		Yield Analysis	Yield	12% (2)
			Market rent rate	8.5 (2)
			Leasing costs	$20.00 per square foot (2)

(1) These fair value measurements were developed from third party sources, subject to our corroboration for reasonableness.

(2) Only one level applied to this unobservable input.

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4. Properties, net

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

	March 31, 2012	December 31, 2011
Land	$ 471,995	$ 472,483
Buildings and improvements	2,802,570	2,801,252
Less: accumulated depreciation	(570,242)	(559,679)
Operating properties, net	$ 2,704,323	$ 2,714,056

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

	March 31, 2012	December 31, 2011
Land	$ 225,085	$ 229,833
Construction in progress, excluding land	408,883	409,086
Projects in development or held for future development	$ 633,968	$ 638,919

Dispositions and Impairments

We sold the following operating properties during the three months ended March 31, 2012 (dollars in thousands):

Project Name	Location	Date of Sale	Number of Buildings	Total Rentable Square Feet	Sale Price	Gain on Sale
White Marsh Portfolio (1)	White Marsh, Maryland	1/30/2012	5	163,000	$ 19,100	$ 2,445
1101 Sentry Gateway	San Antonio, Texas	1/31/2012	1	95,000	13,500	1,750
222 and 224 Schilling Circle	Hunt Valley, Maryland	2/10/2012	2	56,000	4,400	202
			8	314,000	$ 37,000	$ 4,397

(1) Includes three properties comprising the White Marsh Professional Center, 8615 Ridgely s Choice and 8114 Sandpiper Circle.

We also sold non-operating properties during the three months ended March 31, 2012 for aggregate sale prices totaling $25.7 million; in addition to the gain on sales reflected above, we also recognized impairment losses on certain of these sales that are disclosed below.

As discussed in our 2011 Annual Report on Form 10-K, we implemented a plan in 2011 to dispose of office properties and land that are no longer closely aligned with our strategy (the Strategic Reallocation Plan). During the three months ended March 31, 2012, we recognized aggregate net impairment losses in connection with the Strategic Reallocation Plan of $6.6 million (including $1.5 million classified as discontinued operations and $1.1 million in exit costs). Approximately $5.1 million of these losses related to our expected disposition of an additional property. The expected cash flows from the resulting shortened holding period for this property are not sufficient to recover its carrying value.

2012 Construction Activities

As of March 31, 2012, we had construction underway on six office properties that we estimate will total 789,000 square feet upon completion, including three in the Baltimore/Washington Corridor, one in Greater Baltimore, one in Northern Virginia and one in Huntsville, Alabama, and redevelopment underway on one office property in Greater Philadelphia that we estimate will total 113,000 square feet upon completion.

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5. Real Estate Joint Ventures

During the three months ended March 31, 2012, we had an investment in one unconsolidated real estate joint venture accounted for using the equity method of accounting. Information pertaining to this joint venture investment is set forth below (dollars in thousands):

Investment Balance at (1)				Date			Maximum	
March 31, 2012		December 31, 2011		Acquired	Ownership	Nature of Activity	Exposure to Loss (2)	
$	(6,178)	$	(6,071)	9/29/2005	20%	Operates 16 Buildings	$	

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(1) The carrying amount of our investment in this joint venture was lower than our share of the equity in the joint venture by $5.2 million at March 31, 2012 and December 31, 2011 due to our deferral of gain on the contribution by us of real estate into the joint venture upon its formation. A difference will continue to exist to the extent the nature of our continuing involvement in the joint venture remains the same.

(2) Derived from the sum of our investment balance and maximum additional unilateral capital contributions or loans required from us. Not reported above are additional amounts that we and our partner are required to fund when needed by this joint venture; these funding requirements are proportional to our respective ownership percentages. Also not reported above are additional unilateral contributions or loans from us, the amounts of which are uncertain, that we would be required to make if certain contingent events occur (see Note 15).

The following table sets forth condensed balance sheets for this unconsolidated real estate joint venture (in thousands):

		March 31, 2012		December 31, 2011
Properties, net	$	59,333	$	59,792
Other assets		4,403		3,529
Total assets	$	63,736	$	63,321
Liabilities (primarily debt)	$	68,663	$	67,710
Owners equity		(4,927)		(4,389)
Total liabilities and owners equity	$	63,736	$	63,321

The following table sets forth condensed statements of operations for this unconsolidated real estate joint venture (in thousands):

	For the Three Months Ended March 31,			
		2012		2011
Revenues	$	1,894	$	1,924
Property operating expenses		(737)		(986)
Interest expense		(1,125)		(1,011)

Depreciation and amortization expense		(570)		(608)
Net loss	$	(538)	$	(681)

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The table below sets forth information pertaining to our investments in consolidated real estate joint ventures at March 31, 2012 (dollars in thousands):

	Date Acquired	Ownership % at 3/31/2012	Nature of Activity	Total Assets	March 31, 2012 (1) Pledged Assets	Total Liabilities
M Square Associates, LLC	6/26/2007	50%	Operating two buildings and developing others (2)	$ 60,260	$ 47,845	$ 44,117
LW Redstone Company, LLC	3/23/2010	85%	Developing business park (3)	55,255	15,858	11,373
Arundel Preserve #5, LLC	7/2/2007	50%	Operating one building (4)	32,477	31,619	18,079
COPT-FD Indian Head, LLC	10/23/2006	75%	Developing land parcel (5)	6,544		
MOR Forbes 2 LLC	12/24/2002	50%	Operating one building (6)	3,836		40
				$ 158,372	$ 95,322	$ 73,609

(1) Excludes amounts eliminated in consolidation.

(2) This joint venture s properties are in College Park, Maryland (in the Suburban Maryland region).

(3) This joint venture s property is in Huntsville, Alabama.

(4) This joint venture s property is in Hanover, Maryland (in the Baltimore/Washington Corridor).

(5) This joint venture s property is in Charles County, Maryland.

(6) This joint venture s property is in Lanham, Maryland (in the Suburban Maryland region).

Our commitments and contingencies pertaining to our real estate joint ventures are disclosed in Note 15.

6. Prepaid Expenses and Other Assets

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

	March 31, 2012	December 31, 2011
Mortgage and other investing receivables	$ 32,739	$ 27,998
Prepaid expenses	14,196	20,035
Proceeds from sale of KEYW stock receivable (1)	11,934	5,057
Construction contract costs incurred in excess of billings	10,592	2,094
Furniture, fixtures and equipment, net	9,607	10,177
Deferred tax asset	6,746	10,892
Lease incentives	5,360	5,233

Other assets		5,358		6,133
Prepaid expenses and other assets	$	96,532	$	87,619

(1) Represents unsettled proceeds from sales of KEYW common stock that settled shortly following the respective reporting dates.

Mortgage and Other Investing Receivables

Mortgage and other investing receivables consisted of the following (in thousands):

		March 31, 2012		December 31, 2011
Notes receivable from City of Huntsville	$	22,526	$	17,741
Mortgage loans receivable		10,213		10,257
	$	32,739	$	27,998

Our notes receivable from the City of Huntsville funded infrastructure costs in connection with our LW Redstone Company, LLC joint venture (see Note 5). Our mortgage loans receivable reflected above consists of two loans secured by properties in Greater Baltimore and the Baltimore/Washington Corridor. We did not have an allowance for credit losses in connection with these receivables at March 31, 2012 or December 31, 2011. The fair value of our mortgage and other investing receivables totaled $32.7 million at March 31, 2012 and $28.0 million at December 31, 2011.

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Operating Notes Receivable

We had operating notes receivable due from tenants with terms exceeding one year totaling $482,000 at March 31, 2012 and $530,000 at December 31, 2011. We carried allowances for estimated losses for most of these balances.

7. Debt

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

	Maximum Availability at March 31, 2012	Carrying Value at March 31, 2012	Carrying Value at December 31, 2011	Stated Interest Rates at March 31, 2012	Scheduled Maturity Dates at March 31, 2012
Mortgage and Other Secured Loans:					
Fixed rate mortgage loans (1)	N/A	$ 1,049,204	$ 1,052,421	5.20% - 7.87% (2)	2012-2034
Variable rate secured loans	N/A	39,027	39,213	LIBOR + 2.25% (3)	2015
Other construction loan facilities	$ 123,802	50,594	40,336	LIBOR + 1.95% to 2.75% (4)	2012-2015
Total mortgage and other secured loans		1,138,825	1,131,970		
Revolving Credit Facility	1,000,000	396,000	662,000	LIBOR + 1.75% to 2.50% (5)	September 1, 2014
Term Loan Facilities (6)	650,000	650,000	400,000	LIBOR + 1.65% to 2.40% (7)	2015-2017
Unsecured notes payable	N/A	5,078	5,050	0% (8)	2015-2026
4.25% Exchangeable Senior Notes	N/A	228,175	227,283	4.25%	April 2030(9)
Total debt		$ 2,418,078	$ 2,426,303		

(1) 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 these loans reflect net unamortized premiums totaling $2.2 million at March 31, 2012 and $2.4 million at December 31, 2011.

(2) The weighted average interest rate on these loans was 6.01% at March 31, 2012.

(3) The interest rate on the loan outstanding was 2.49% at March 31, 2012.

(4) The weighted average interest rate on these loans was 2.73% at March 31, 2012.

(5) The weighted average interest rate on the Revolving Credit Facility was 2.24% at March 31, 2012.

(6) As described further below, we entered into a new facility effective on February 14, 2012.

(7) The weighted average interest rate on these loans was 2.15% at March 31, 2012.

(8) These notes may carry interest rates that were below market rates upon assumption and therefore were recorded at their fair value based on applicable effective interest rates. The carrying value of these notes reflects an unamortized discount totaling $1.7 million at March 31, 2012 and $1.8 million at December 31, 2011.

(9) As described further in our 2011 Annual Report on Form 10-K, these notes have an exchange settlement feature that provides that the notes may, under certain circumstances, be exchangeable for cash and, at the Operating Partnership s discretion, our common shares at an exchange rate (subject to adjustment) of 20.8513 shares per one thousand dollar principal amount of the notes (exchange rate is as of March 31, 2012 and is equivalent to an exchange price of $47.96 per common share). The carrying value of these notes included a principal amount of $240.0 million and an unamortized discount totaling $11.8 million at March 31, 2012 and $12.7 million at December 31, 2011. The effective interest rate under the notes, including amortization of the issuance costs, was 6.05%. Because the closing price of our common shares at March 31, 2012 and December 31, 2011 was less than the exchange price per common share applicable to these notes, the if-converted value of the notes did not exceed the principal amount. The table below sets forth interest expense recognized on these notes before deductions for amounts capitalized (in thousands):

	For the Three Months Ended March 31,	
	2012	2011
Interest expense at stated interest rate	$ 2,550	$ 2,550
Interest expense associated with amortization of discount	892	840
Total	$ 3,442	$ 3,390

Effective February 14, 2012, we entered into an unsecured term loan agreement (the Term Loan Agreement) with a group of lenders for which J.P. Morgan Securities LLC and KeyBank Capital Markets 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. We borrowed $250.0 million under the Term Loan Agreement. The term loan matures on February 14, 2017. The variable interest rate on the loan is based on the LIBOR rate (customarily the 30-day rate) plus 1.65% to 2.40%, as determined by our leverage levels.

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At March 31, 2012 and December 31, 2011, we were in default on a $15 million nonrecourse mortgage loan secured by a property with an estimated fair value of approximately $11 million that is included in our Strategic Reallocation Plan.

We capitalized interest costs of $3.8 million in the three months ended March 31, 2012 and $4.3 million in the three months ended March 31, 2011.

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

	March 31, 2012		December 31, 2011	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Fixed-rate debt				
4.25% Exchangeable Senior Notes	$ 228,175	$ 239,331	$ 227,283	$ 238,077
Other fixed-rate debt	1,054,282	1,049,110	1,057,471	1,054,424
Variable-rate debt	1,135,621	1,135,847	1,141,549	1,139,856
	$ 2,418,078	$ 2,424,288	$ 2,426,303	$ 2,432,357

8. Interest Rate Derivatives

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

					Fair Value at	
Notional Amount	Fixed Rate	Floating Rate Index	Effective Date	Expiration Date	March 31, 2012	December 31, 2011
$ 50,000	0.5025%	One-Month LIBOR	1/3/2011	1/3/2012	$	$ (1)
50,000	0.5025%	One-Month LIBOR	1/3/2011	1/3/2012		(1)
120,000	1.7600%	One-Month LIBOR	1/2/2009	5/1/2012	(152)	(552)
100,000	1.9750%	One-Month LIBOR	1/1/2010	5/1/2012	(144)	(532)
100,000	0.6123%	One-Month LIBOR	1/3/2012	9/1/2014	(282)	55
100,000	0.6100%	One-Month LIBOR	1/3/2012	9/1/2014	(277)	56
100,000	0.8320%	One-Month LIBOR	1/3/2012	9/1/2015	(365)	(66)
100,000	0.8320%	One-Month LIBOR	1/3/2012	9/1/2015	(363)	(49)
39,027(1)	3.8300%	One-Month LIBOR	11/2/2010	11/2/2015	(1,090)	(1,054)
100,000(2)	3.8415%	Three-Month LIBOR	9/30/2011	9/30/2021		(16,333)
75,000(2)	3.8450%	Three-Month LIBOR	9/30/2011	9/30/2021		(12,275)
100,000(2)	2.0525%	Three-Month LIBOR-Reverse	12/30/2011	9/30/2021		345
75,000(2)	2.0525%	Three-Month LIBOR-Reverse	12/30/2011	9/30/2021		260
					$ (2,673)	$ (30,147)

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

(2) As described further in our 2011 Annual Report on Form 10-K, on January 5, 2012, we cash settled these instruments, along with interest accrued thereon, for an aggregate of $29.7 million. Our policy is to present payments to terminate interest rate swaps entered into in order to hedge forecasted interest payments as operating activities on our consolidated statement of cash flows. Accordingly, the payments to cash settle these instruments were included in net cash provided by operating activities on our consolidated statement of cash flows.

Each of the one-month LIBOR interest rate swaps set forth in the table above was designated as cash flow hedges 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 sheet (in thousands):

	March 31, 2012	December 31, 2011