

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

CORPORATE OFFICE PROPERTIES TRUST  
Form 8-K  
February 13, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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): November 30, 2001

CORPORATE OFFICE PROPERTIES TRUST  
-----

(Exact name of registrant as specified in its charter)

MARYLAND ----- (State or other jurisdiction of incorporation)	0-20047 ----- (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 5. OTHER EVENTS

On November 30, 2001, Corporate Office Properties Trust (the "Company"), through an affiliate of Corporate Office Properties, L.P. (the "Operating Partnership"), acquired a 470,406 square foot office building and contiguous 17 acre land parcel located in Chantilly, Virginia (the "Washington Technology Park").

The Washington Technology Park was acquired for an aggregate cost of \$59.0 million, including transaction costs. The Company paid the purchase price and transaction costs using \$32.1 million in borrowings under its existing secured

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

revolving credit facility with Deutsche Banc Alex. Brown, proceeds from a new \$25.0 million mortgage loan and cash reserves for the balance.

The following schedule sets forth certain information relating to the Washington Technology Park as of December 31, 2001:

Property Locations	Year Built	Rentable Square Feet	Occupancy (1)	Total Rental Revenue (2)	Total Rental Revenue per Occupied Square Foot (3)	
15000 Conference Center Drive	1989	470,406	99.56%	\$9,427,044	\$20.13	Dyncon Genera Genuit

(1) This percentage is based on all leases in effect as of December 31, 2001.

(2) Total rental revenue is the monthly contractual base rent as of December 31, 2001 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.

(3) This represents the property's total rental revenue divided by its occupied square feet as of December 31, 2001.

2

The following schedule sets forth annual lease expirations for the Washington Technology Park as of December 31, 2001 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	Total Rental Revenue of Expiring Office Leases(1)	Percentage Office Rental Expiring
(in thousands)					
Other(2)	--	41,143	8.8%	\$ --	--%
2002	1	21,081	4.5%	590	6.3%
2003	1	843	0.2%	11	0.1%
2004	2	100,983	21.5%	2,564	27.2%
2005	--	--	0.0%	--	--%
2006	1	59,767	12.8%	1,230	13.0%
2007	--	--	0.0%	--	--%
2008	--	--	0.0%	--	--%
2009	--	--	0.0%	--	--%
2010	1	244,522	52.2%	5,032	53.4%
TOTAL/WEIGHTED AVERAGE	6	468,339	100.0%	\$9,427	100.0%

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

-----

- (1) Total rental revenue is the monthly contractual base rent as of December 31, 2001 multiplied by 12 plus the estimated annualized expense reimbursements under existing leases.
- (2) Other consists of amenities, including cafeteria, conference space and fitness center.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

(a) Financial Statements of Business Acquired

The financial statements of the Washington Technology Park are included herein. See pages F-13 through F-17.

(b) Pro Forma Financial Information

The pro forma condensed consolidating financial statements of the Company are included herein. See pages F-1 through F-12.

(c) Exhibits

EXHIBIT NUMBER	DESCRIPTION
-----	-----
99.1	Sale and Purchase Agreement, dated October 16, 2001, between VZ Chantilly Corporation and COPT Acquisitions, Inc.

3

EXHIBIT NUMBER	DESCRIPTION
-----	-----
99.2	First Amendment to Sale and Purchase Agreement, dated November 15, 2001, between VZ Chantilly Corporation and COPT Acquisitions, Inc.
99.3	Second Amendment to Sale and Purchase Agreement, dated November 16, 2001, between VZ Chantilly Corporation and COPT Acquisitions, Inc.

SIGNATURES

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

Dated: February 13, 2002

CORPORATE OFFICE PROPERTIES TRUST

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

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

By: /s/ ROGER A. WAESCHE, JR.  
-----

Name: Roger A. Waesche, Jr.  
Title: Chief Financial Officer

4

CORPORATE OFFICE PROPERTIES TRUST  
INDEX TO FINANCIAL STATEMENTS

I. PRO FORMA CONDENSED CONSOLIDATING FINANCIAL STATEMENTS OF THE  
COMPANY

Pro Forma Condensed Consolidating Balance Sheet as of September 30, 2001 (unaudited)	F-4
Pro Forma Condensed Consolidating Statement of Operations for the Year Ended December 31, 2000 (unaudited)	F-5
Pro Forma Condensed Consolidating Statement of Operations for the Nine Month Period Ended September 30, 2001 (unaudited)	F-6
Notes and Management's Assumptions to Pro Forma Condensed Consolidating Financial Information	F-7

II. WASHINGTON TECHNOLOGY PARK

Report of Independent Accountants	F-13
Statement of Revenue and Certain Expenses for the Year Ended December 31, 2000	F-14
Statement of Revenue and Certain Expenses for the Nine Months Ended September 30, 2001 (unaudited)	F-15
Notes to Combined Statement of Revenue and Certain Expenses	F-16

F-1

CORPORATE OFFICE PROPERTIES TRUST  
PRO FORMA CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Set forth below are the unaudited pro forma condensed consolidating balance sheet as of September 30, 2001, and the unaudited pro forma condensed consolidating statements of operations for the year ended December 31, 2000 and the nine month period ended September 30, 2001, 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."

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

The pro forma condensed consolidating financial information is presented as if the following transactions had been consummated on the earlier of the actual date of consummation or September 30, 2001, for balance sheet purposes, and at January 1, 2000, for purposes of the statements of operations:

### 2000 TRANSACTIONS:

- o The acquisition of an office building on April 18, 2000 ("7240 Parkway Drive") for \$7,464,000 using \$7,285,000 in borrowings from the Company's revolving credit facility with Deutsche Banc Alex. Brown (the "Revolving Credit Facility") and cash reserves for the balance.
- o The disposition of a retail property on June 19, 2000 ("Minot Retail") for \$2,970,000, of which \$2,432,000 was used to pay off a mortgage loan payable on the property and the balance applied to cash reserves.
- o The disposition of a retail property on November 10, 2000 ("Tred Avon") for \$5,800,000, of which \$2,756,000 was used to pay off a mortgage loan payable on the property, \$2,000,000 to pay down the Revolving Credit Facility and the balance applied to cash reserves.
- o The disposition of an office building on December 28, 2000 ("3 Center Drive") for \$2,790,000, of which \$1,755,000 was used to pay off a mortgage loan payable on the property and the balance applied to cash reserves.

The above transactions are collectively referred to herein as the "2000 Transactions."

### 2001 TRANSACTIONS:

- o On January 1, 2001, the Company acquired all of the stock in Corporate Office Management, Inc. ("COMI") that it did not previously own for \$26,000. The Company accounted for this acquisition using the purchase method of accounting. Prior to January 1, 2001, the Company accounted for its investment in COMI and its subsidiaries using the equity method of accounting. Since the Company owns all of the voting interests in COMI and controls its operations effective January 1, 2001, it began consolidating the accounts of COMI and its subsidiaries with the Company's accounts on that date.
- o The acquisition of two office buildings in Columbia, Maryland on May 14, 2001 (the "State Farm Properties") for \$13,259,000 using \$12,915,000 in proceeds from the Revolving Credit Facility and cash reserves for the balance.

F-2

- o The disposition of an office building located in Cranbury, New Jersey on June 18, 2001 ("19 Commerce Drive") for \$11,525,000, of which \$7,000,000 was used to pay off a mortgage loan payable on the property, \$728,000 to pay other settlement and sales costs and the balance applied to cash reserves.
- o The acquisition of six office buildings in Linthicum, Maryland during 2001 (the "Airport Square Properties") for \$45,337,000 using \$24,077,000 in proceeds from two mortgage loans payable, \$13,200,000 in proceeds from the Revolving Credit Facility and cash reserves for the balance.
- o The acquisition of four office buildings in Columbia, Maryland on August

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

30, 2001 (the "Gateway 63 Properties") for \$23,866,000 using \$15,750,000 in proceeds from an assumed mortgage payable, \$4,295,000 in proceeds from the Revolving Credit Facility, issuing 310,342 common units in the Operating Partnership valued at \$3,259,000 to the seller and cash reserves for the balance.

- o The acquisition of an office building and contiguous 17 acre land parcel located in Chantilly, Virginia on November 30, 2001 (the "Washington Technology Park") for \$58,968,000 using \$32,078,000 in borrowings under the Revolving Credit Facility, proceeds from a new \$25,000,000 mortgage loan payable and cash reserves for the balance.
- o The issuance of 544,000 Series D Cumulative Convertible Redeemable Preferred Shares of beneficial interest ("Series D Preferred Shares") on January 25, 2001 for net proceeds of \$11,892,000, of which \$8,245,000 was used to pay down the Revolving Credit Facility.
- o The issuance of 1,150,000 Series E Cumulative Redeemable Preferred Shares of beneficial interest ("Series E Preferred Shares") on April 6, 2001 for net proceeds of \$26,905,000, all of which was used to pay down the Revolving Credit Facility.
- o The issuance of 1,425,000 Series F Cumulative Redeemable Preferred Shares of beneficial interest ("Series F Preferred Shares") on September 13, 2001 for net proceeds of \$33,562,000, of which \$31,200,000 was used to pay down the Revolving Credit Facility.

The above transactions are collectively referred to herein as the "2001 Transactions."

This pro forma condensed consolidating financial information should be read in conjunction with the historical financial statements of the Company and those of the Airport Square Properties and the Gateway 63 Properties, both of which were filed as exhibits to the Company's 8-K filed September 5, 2001, and the historical financial statements of the Washington Technology Park. In management's opinion, all adjustments necessary to reflect the effects of the above transactions have been made. This pro forma condensed consolidating financial information is unaudited and is not necessarily indicative of what the Company's actual financial position would have been at September 30, 2001 or what the results of operations would have been for the year ended December 31, 2000 or the nine months ended September 30, 2001. The pro forma condensed consolidating financial information also does not purport to represent the future financial position and results of operations of the Company.

F-3

CORPORATE OFFICE PROPERTIES TRUST  
PRO FORMA CONDENSED CONSOLIDATING BALANCE SHEET  
AS OF SEPTEMBER 30, 2001  
(UNAUDITED)  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

Historical Consolidated	Washington Technology Park	Pro Forma Adjustments	Pro For Consolida
----------------------------	----------------------------------	--------------------------	----------------------

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

	(A)	(B)		
<b>ASSETS</b>				
Net investments in real estate	\$ 859,274	\$ 58,968	\$ --	\$ 918,
Cash and cash equivalents	7,881	(1,890)	--	5,
Other assets	47,691	--	--	47,
	-----	-----	-----	-----
Total assets	\$ 914,846	\$ 57,078	\$ --	\$ 971,
	=====	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Liabilities</b>				
Mortgage loans payable	\$ 508,715	\$ 57,078	\$ --	\$ 565,
Other liabilities	36,564	--	--	36,
	-----	-----	-----	-----
Total liabilities	545,279	57,078	--	602,
	-----	-----	-----	-----
Minority interests	105,318	--	--	105,
	-----	-----	-----	-----
<b>Shareholders' equity</b>				
Preferred shares of beneficial interest	43	--	--	
Common shares of beneficial interest	208	--	--	
Additional paid-in capital	284,834	--	--	284,
Other	(20,836)	--	--	(20,
	-----	-----	-----	-----
Total shareholders' equity	264,249	--	--	264,
	-----	-----	-----	-----
Total liabilities and shareholders' equity	\$ 914,846	\$ 57,078	\$ --	\$ 971,
	=====	=====	=====	=====

See accompanying notes and management's assumptions to pro forma financial statements.

F-4

CORPORATE OFFICE PROPERTIES TRUST  
PRO FORMA CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2000  
(UNAUDITED)  
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Historical Consolidated (A)	2000 Transactions (B)	COMI (C)	State Farm Properties (D)	19 Commerce Drive (E)	Airt Squa Proper (F)
<b>REVENUES:</b>						
Rental revenue	\$ 93,309	\$ (638)	\$ --	\$ 1,698	\$ (1,401)	\$ 4,
Tenant recoveries and other revenue	15,684	(232)	--	558	(27)	
Service operation						

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

revenue	--	--	4,040	--	--	--
	-----	-----	-----	-----	-----	-----
Total revenues	108,993	(870)	4,040	2,256	(1,428)	5,
	-----	-----	-----	-----	-----	-----
EXPENSES:						
Property operating	31,235	(189)	--	898	(413)	1,
General and						
administrative	4,867	(5)	--	--	--	--
Interest	30,454	--	--	--	--	--
Depreciation and						
amortization	18,359	--	--	--	--	--
Service operation						
expenses	--	--	4,254	--	--	--
	-----	-----	-----	-----	-----	-----
Total expenses	84,915	(194)	4,254	898	(413)	1,
	-----	-----	-----	-----	-----	-----
Gain (loss) on sale of						
properties	107	(107)	--	--	--	--
Equity in loss of						
unconsolidated						
subsidiary	(310)	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Income (loss) before						
minority interests						
and income taxes	23,875	(783)	(214)	1,358	(1,015)	3,
Minority interests						
Preferred Units	(2,240)	--	--	--	--	--
Other partnerships	(26)	--	(51)	--	--	--
Common Units	(6,362)	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Net income (loss)						
from continuing						
operations before						
income taxes	15,247	(783)	(265)	1,358	(1,015)	3,
Income taxes	--	--	(61)	--	--	--
	-----	-----	-----	-----	-----	-----
Net income (loss) from						
continuing operations	15,247	(783)	(326)	1,358	(1,015)	3,
Preferred share dividends	(3,802)	--	--	--	--	--
	-----	-----	-----	-----	-----	-----
Net income (loss) from						
continuing operations						
available to Common						
Shareholders	\$ 11,445	\$ (783)	\$ (326)	\$ 1,358	\$ (1,015)	\$ 3,
	=====	=====	=====	=====	=====	=====
Earnings per share:						
Basic	\$ 0.61					
	=====					
Earnings per share:						
Diluted	\$ 0.60					
	=====					
Weighted average number						
of shares: Basic	18,818					
	=====					
Diluted	19,213					
	=====					

Washington  
Technology Preferred



Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

	Park (H)	Offerings (I)	Pro Forma Adjustments	Pro Forma Consolidated
<b>REVENUES:</b>				
Rental revenue	\$ 6,077	\$ --	\$ --	\$ 104,797
Tenant recoveries and other revenue	4,452	--	(217) (J)	20,675
Service operation revenue	--	--	--	4,040
	-----	-----	-----	-----
Total revenues	10,529	--	(217)	129,512
	-----	-----	-----	-----
<b>EXPENSES:</b>				
Property operating General and administrative	4,458	--	--	37,942
Interest	--	(5,495)	8,660 (K)	4,862
Depreciation and amortization	--	--	2,477 (L)	33,619
Service operation expenses	--	--	(217) (J)	20,836
	-----	-----	-----	-----
Total expenses	4,458	(5,495)	10,920	4,037
	-----	-----	-----	-----
Gain (loss) on sale of properties	--	--	--	--
Equity in loss of unconsolidated subsidiary	--	--	310 (M)	--
	-----	-----	-----	-----
Income (loss) before minority interests and income taxes	6,071	5,495	(10,827)	28,216
Minority interests Preferred Units	--	--	(48) (N)	(2,288)
Other partnerships	--	--	--	(77)
Common Units	--	--	1,027 (O)	(5,335)
	-----	-----	-----	-----
Net income (loss) from continuing operations before income taxes	6,071	5,495	(9,848)	20,516
Income taxes	--	--	--	(61)
	-----	-----	-----	-----
Net income (loss) from continuing operations	6,071	5,495	(9,848)	20,455
Preferred share dividends	--	(7,009)	--	(10,811)
	-----	-----	-----	-----
Net income (loss) from continuing operations available to Common Shareholders	\$ 6,071	\$ (1,514)	\$ (9,848)	\$ 9,644
	=====	=====	=====	=====
Earnings per share: Basic				\$ 0.51
				=====
Earnings per share: Diluted				\$ 0.50
				=====
Weighted average number of shares: Basic				18,818
				=====

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

Diluted

20,410

=====

See accompanying notes and management's assumptions to pro forma financial statements.

F-5

CORPORATE OFFICE PROPERTIES TRUST  
 PRO FORMA CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
 FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2001  
 (UNAUDITED)  
 (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	Historical Consolidated (A)	State Farm Properties (D)	19 Commerce Drive (E)	Airport Square Properties (F)	Gateway 63 Properties (G)	Washington Technology Park (H)	Pr Of
	-----	-----	-----	-----	-----	-----	-----
<b>REVENUES:</b>							
Rental revenue	\$80,590	\$611	\$ (779)	\$3,266	\$2,112	\$4,418	\$
Tenant recoveries and other revenue	10,787	(50)	(4)	237	261	3,236	
Service operation revenues	3,038	--	--	--	--	--	
	-----	-----	-----	-----	-----	-----	
Total revenues	94,415	561	(783)	3,503	2,373	7,654	
	-----	-----	-----	-----	-----	-----	
<b>EXPENSES:</b>							
Property operating	26,680	322	(207)	949	337	3,350	
General and administrative	4,122	--	--	--	--	--	
Interest	24,298	--	--	--	--	--	
Depreciation and amortization	16,435	--	--	--	--	--	
Service operation expenses	3,382	--	--	--	--	--	
	-----	-----	-----	-----	-----	-----	
Total expenses	74,917	322	(207)	949	337	3,350	
	-----	-----	-----	-----	-----	-----	
Gain (loss) on sale of properties	1,596	--	(1,596)	--	--	--	
Equity in loss of unconsolidated subsidiaries	(39)	--	--	--	--	--	
	-----	-----	-----	-----	-----	-----	
Income (loss) before minority interests							

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

and income taxes	21,055	239	(2,172)	2,554	2,036	4,304
Minority interests						
Preferred Units	(1,716)	--	--	--	--	--
Other partnerships	(61)	--	--	--	--	--
Common Units	(5,141)	--	--	--	--	--
	-----	----	-----	-----	-----	-----
Income (loss)						
from continuing						
operations before						
income taxes	14,137	239	(2,172)	2,554	2,036	4,304
Income tax benefit	202	--	--	--	--	--
	-----	----	-----	-----	-----	-----
Net income (loss)						
from continuing						
operations	14,339	239	(2,172)	2,554	2,036	4,304
Preferred share						
dividends	(4,324)	--	--	--	--	--
	-----	----	-----	-----	-----	-----
Net income (loss)						
from continuing						
operations						
available to						
Common						
Shareholders	\$10,015	\$239	\$(2,172)	\$2,554	\$2,036	\$4,304
	=====	=====	=====	=====	=====	=====
Earnings per share:						
Basic	\$ 0.50					
	=====					
Earnings per share:						
Diluted	\$ 0.48					
	=====					
Weighted average						
number of shares:						
Basic	20,070					
	=====					
Diluted	21,505					
	=====					

See accompanying notes and management's assumptions  
to proforma financial statements.

F-6

CORPORATE OFFICE PROPERTIES TRUST  
NOTES AND MANAGEMENT'S ASSUMPTIONS TO  
PRO FORMA CONDENSED CONSOLIDATING  
FINANCIAL INFORMATION  
(DOLLARS IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

1. BASIS OF PRESENTATION:

Corporate Office Properties Trust (the "Company") is a self-administered Maryland real estate investment trust. As of September 30, 2001, the Company's portfolio included 97 properties, including one owned through a joint venture.

These pro forma condensed consolidating financial statements should be read in

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

conjunction with the historical financial statements and notes thereto of the Company, the Airport Square Properties, the Gateway 63 Properties and the Washington Technology Park. In management's opinion, all adjustments necessary to reflect the effects of the 2000 Transactions and the 2001 Transactions have been made. This pro forma condensed consolidating financial information is unaudited and is not necessarily indicative of what the Company's actual financial position would have been at September 30, 2001, nor does it purport to represent the future financial position and results of operations of the Company.

### 2. ADJUSTMENTS TO PRO FORMA CONDENSED CONSOLIDATING BALANCE SHEET:

- (A) Reflects the historical consolidated balance sheet of the Company as of September 30, 2001.
- (B) Reflects the acquisition of the Washington Technology Park from an unrelated party using: (i) \$32,078 in proceeds from the Company's Revolving Credit Facility with Deutsche Banc Alex. Brown (the "Revolving Credit Facility"); (ii) \$25,000 in proceeds from a new mortgage loan payable; and (iii) \$1,890 in cash payments.

### 3. ADJUSTMENTS TO PRO FORMA CONDENSED CONSOLIDATING STATEMENTS OF OPERATIONS:

- (A) Reflects the historical consolidated operations of the Company.

F-7

- (B) The pro forma adjustments associated with the 2000 Transactions are set forth in the table below.

	7240 Parkway Drive (i)	Minot Retail (ii)	Tred Avon (iii)	3 Dri
<b>Revenues</b>				
Rental income	\$ 361	\$(149)	\$(600)	\$
Tenant recoveries and other revenue	4	--	(145)	
	-----	-----	-----	
Total revenues	365	(149)	(745)	
	-----	-----	-----	
<b>Expenses</b>				
Property operating	116	(2)	(215)	
General and administrative	--	(1)	(4)	
Interest	--	--	--	
Depreciation and amortization	--	--	--	
	-----	-----	-----	
Total expenses	116	(3)	(219)	
	-----	-----	-----	
Gain (loss) on sale of properties	--	(57)	94	
	-----	-----	-----	
Income (loss) before minority interests and income taxes	\$ 249	\$(203)	\$(432)	\$
	=====	=====	=====	=

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

- (i) Reflects the effects of the historical operations of 7240 Parkway Drive prior to its acquisition on April 18, 2000.
  - (ii) Reflects the effects of the historical operations of Minot Retail prior to its disposition on June 19, 2000.
  - (iii) Reflects the effects of the historical operations of Tred Avon prior to its disposition on November 10, 2000.
  - (iv) Reflects the effects of the historical operations of 3 Center Drive prior to its disposition on December 28, 2000.
- (C) Reflects the effects of the historical operations of COMI and its subsidiaries, net of relevant elimination entries, prior to our purchase of the interests that we did not previously own on January 1, 2001.
- (D) Reflects the effects of the historical operations of the State Farm Properties prior to their acquisition on May 14, 2001.
- (E) Reflects the effects of the historical operations of 19 Commerce Drive prior to its disposition on June 18, 2001.
- (F) Reflects the effects of the historical operations of the Airport Square Properties prior to their acquisition in July and August 2001.
- (G) Reflects the effects of the historical operations of the Gateway 63 Properties prior to their acquisition on August 30, 2001.
- (H) Reflects the effects of the historical operations of the Washington Technology Park for the periods presented. These historical operations include net income of \$451 for the year ended December 31, 2000 and \$230 for the nine months ended September 30, 2001 associated with a tenant contract service agreement that was terminated in January 2002.

F-8

- (I) Reflects the effects of the issuance of the Series D Preferred Shares, Series E Preferred Shares and Series F Preferred Shares as if such issuances and the resulting repayments of debt occurred at the beginning of the respective reporting periods.

FOR THE YEAR ENDED DECEMBER 31, 2000 ----	FOR THE MONTH P ENDE SEPTEMB 2001 ----
---	---

INTEREST EXPENSE:

Series D Preferred Share issuance - \$8,245 of proceeds used to pay down the Revolving Credit Facility, bearing interest on the outstanding balance at LIBOR plus 175 basis points, assuming a LIBOR rate of 6.4% per annum for 2000 and 4.75% per annum for the nine months ended September 30, 2001.

	\$ (683)	\$ (
--	----------	------

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

Series E Preferred Share issuance - \$26,905 of the proceeds used to pay down the Revolving Credit Facility, bearing interest on the outstanding balance at LIBOR plus 175 basis points, assuming a LIBOR rate of 6.4% per annum for 2000 and 4.75% per annum for the nine months ended September 30, 2001.

(2,228)

(4

Series F Preferred Share issuance - \$31,200 of the proceeds used to pay down the Revolving Credit Facility, bearing interest on the outstanding balance at LIBOR plus 175 basis points, assuming a LIBOR rate of 6.4% per annum for 2000 and 4.75% per annum for the nine months ended September 30, 2001.

(2,584)

(1,4

Total

\$ (5,495)

\$ (1,9

The pro forma adjustments above reflect an aggregate decrease to interest expense; this decrease to interest expense would decrease by a total of \$84 for the year ended December 31, 2000 and \$37 for the nine months ended September 30, 2001 if interest rates on variable rate debt were 1/8th of a percentage point higher.

F-9

	FOR THE YEAR ENDED DECEMBER 31, 2000 ----	FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2001 ----
PREFERRED SHARE DIVIDENDS:		
Series D Preferred Share issuance - 544,000 shares issued with an aggregate liquidation preference of \$13,600, paying dividends at a yearly rate of 4% of such liquidation preference.	\$ 544	\$ 36
Series E Preferred Share issuance - 1,150,000 shares issued with an aggregate liquidation preference of \$28,750, paying dividends at a yearly rate of 10.25% of such liquidation preference.	2,947	778
Series F Preferred Share issuance - 1,425,000 shares issued with an aggregate liquidation preference of \$35,625, paying dividends at a yearly rate of 9.875% of such liquidation preference.	3,518	2,462
Total	\$ 7,009 =====	\$ 3,276 =====

(J) Adjustment to reverse interest income recognized by the Company from COMI and the associated expense recognized by COMI due to COMI being a consolidated subsidiary effective January 1, 2001.

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

(K) Pro forma adjustments are reflected below for additional interest expense resulting from acquisitions activity. Pro forma adjustments are also reflected below for decreases in historical interest expense resulting from property dispositions. Pro forma adjustments below associated with the Revolving Credit Facility and certain other loans, which bear interest at LIBOR plus 175 basis points, assume a LIBOR rate of 6.4% per annum for the year ended December 31, 2000 and 4.75% per annum for the nine months ended September 30, 2001.

	FOR THE YEAR ENDED DECEMBER 31, 2000 -----	FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2001 -----
ADJUSTMENT TO INTEREST EXPENSE, NET OF RELATED HISTORICAL AMOUNTS, AS A RESULT OF: -----		
Borrowings under the Revolving Credit Facility of \$7,285 in connection with the acquisition of 7240 Parkway Drive.	\$ 175	\$ -
Debt repaid in connection with the sale of Minot Retail in the amount of \$2,432, bearing interest at 8% per annum.	(93)	-
Debt repaid in connection with the sale of Tred Avon consisting of: (i) \$2,756 mortgage loan payable on the property with an interest rate of LIBOR plus 175 basis points and (ii) \$2,000 under the Revolving Credit Facility.	(337)	-

F-10

	FOR THE YEAR ENDED DECEMBER 31, 2000 -----	FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2001 -----
ADJUSTMENT TO INTEREST EXPENSE, NET OF RELATED HISTORICAL AMOUNTS, AS A RESULT OF: -----		
Debt repaid under the Revolving Credit Facility in connection with the sale of 3 Center Drive in the amount of \$1,755.	(144)	-
Proceeds borrowed under the Revolving Credit Facility of \$12,915 in connection with the acquisition of the State Farm Properties.	1,070	312
Debt repaid in connection with the sale of 19 Commerce Drive consisting of: (i) a \$7,000 mortgage loan payable on the property with an		

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

interest rate of LIBOR plus 175 basis points  
and (ii) \$4,550 on the Revolving Credit Facility. (387) (224)

Proceeds from debt in connection with the acquisition of the Airport Square Properties consisting of: (i) \$16,215 borrowed under a mortgage loan payable bearing interest at LIBOR plus 175 basis points; (ii) \$13,200 borrowed under the Revolving Credit Facility; and (iii) \$7,862 borrowed under a mortgage loan payable bearing interest at 7.18% per annum. 3,000 1,289

Proceeds from debt in connection with the acquisition of the Gateway 63 Properties consisting of: (i) \$15,750 mortgage loan payable assumed bearing interest at the Prime rate; and (ii) \$4,295 borrowed under the Revolving Credit Facility. 649 1,001

Proceeds from debt in connection with the acquisition of the Washington Technology Park consisting of: (i) \$32,078 borrowed under the Revolving Credit Facility; and (ii) \$25,000 borrowed under a mortgage loan payable bearing interest at LIBOR plus 175 basis points. 4,727 2,811  
-----  
\$8,660 \$5,189  
=====

The pro forma adjustments above reflect an aggregate increase to interest expense; this increase would increase by an additional \$125 for the year ended December 31, 2000 and \$92 for the nine months ended September 30, 2001 if interest rates on variable rate debt were 1/8th of a percentage point higher.

- (L) Pro forma depreciation expense adjustments are reflected on acquisitions based on a useful life of 40 years on the portion of the acquisition attributable to the building. Pro forma amortization expense adjustments are reflected assuming pro forma deferred financing fees are amortized over the life of the related loans. Pro forma depreciation and amortization expense adjustments on dispositions are reflected based on historical amounts.

F-11

	FOR THE YEAR ENDED DECEMBER 31, 2000 ----	FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2001 ----
ADJUSTMENT TO DEPRECIATION AND AMORTIZATION EXPENSE, NET OF RELATED HISTORICAL AMOUNTS, AS A RESULT OF: -----		
DEPRECIATION EXPENSE:		
7240 Parkway Drive	\$ 44	\$ --
Minot Retail	(31)	--



Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

Tred Avon	(105)	--
3 Center Drive	(51)	--
State Farm Properties	265	110
19 Commerce Drive	(158)	(109)
Airport Square Properties	907	472
Gateway 63 Properties	165	319
Washington Technology Park	1,238	928
AMORTIZATION OF DEFERRED FINANCING FEES RELATED TO:		
Minot Retail	(1)	--
Tred Avon	(31)	--
19 Commerce Drive	--	(48)
Airport Square Properties	163	5
Washington Technology Park	109	--
AMORTIZATION OF DEFERRED LEASING COSTS RELATED TO:		
19 Commerce Drive	(37)	(37)
	-----	-----
	\$ 2,477	\$ 1,640
	=====	=====

- (M) Adjustment to reverse income recorded for the Operating Partnership's investment in COMI under the equity method of accounting during 2000.
- (N) Adjustment for distributions on additional Preferred Units issued in 2000 in connection with a 1999 property acquisition.
- (O) Adjustment for minority interests' share of pro forma adjustments made to the Operating Partnership.
- (P) Adjustment to reverse income recorded for our investment in certain of the Airport Square Properties under the equity method of accounting during 2001.

F-12

REPORT OF INDEPENDENT ACCOUNTANTS

To Washington Technology Park

We have audited the accompanying statement of revenue and certain expenses of the Washington Technology Park (the "Property") as described in Note 1 for the year ended December 31, 2000. This historical statement is the responsibility of

## Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

the Property management; our responsibility is to express an opinion on this historical statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the historical statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the historical statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall historical statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying historical statement was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission (for inclusion on Form 8-K of Corporate Office Properties Trust) as described in Note 2, and is not intended to be a complete presentation of the Properties' revenue and expenses.

In our opinion, the historical statement referred to above presents fairly, in all material respects, the revenue and certain expenses of the Washington Technology Park for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America as described in Note 2.

/s/ PricewaterhouseCoopers LLP

Baltimore, Maryland  
February 8, 2002

F-13

### WASHINGTON TECHNOLOGY PARK STATEMENT OF REVENUE AND CERTAIN EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2000

-----

Revenue	
Base rents	\$ 6,077,188
Tenant reimbursements	3,858,756
Tenant service contract revenue	592,233
Miscellaneous income	808
	-----
Total revenue	10,528,985
	-----

Certain expenses	
Property operating expenses	
Property taxes	1,036,011
Administrative expenses	406,418
Tenant service contract expenses	141,656
Utilities	1,416,294
Other operating expenses	205,996
	-----
Total property operating	3,206,375

Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

Repairs and maintenance	1,251,512
	-----
Total certain expenses	4,457,887
	-----
Revenue in excess of certain expenses	\$ 6,071,098
	=====

The accompanying notes are an integral part of these financial statements.

F-14

WASHINGTON TECHNOLOGY PARK  
 STATEMENT OF REVENUE AND CERTAIN EXPENSES  
 FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 (UNAUDITED)

---

Revenue	
Base rents	\$4,418,135
Tenant reimbursements	2,900,168
Tenant service contract revenue	331,119
Miscellaneous income	4,310
	-----
Total revenue	7,653,732
	-----
Certain expenses	
Property operating expenses	
Property taxes	887,906
Administrative expenses	351,789
Tenant service contract expenses	100,779
Utilities	1,210,973
Other operating expenses	43,963
	-----
Total property operating	2,595,410
Repairs and maintenance	754,653
	-----
Total certain expenses	3,350,063
	-----
Revenue in excess of certain expenses	\$4,303,669
	=====

The accompanying notes are an integral part of these financial statements.

F-15

# Edgar Filing: CORPORATE OFFICE PROPERTIES TRUST - Form 8-K

WASHINGTON TECHNOLOGY PARK  
NOTES TO FINANCIAL STATEMENTS

---

## 1. BUSINESS

The accompanying statement of revenue and certain expenses relates to the operations of Washington Technology Park (the "Property"), consisting of the revenue and certain expenses of the building totaling 470,406 rentable square feet located in Chantilly, Virginia.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF PRESENTATION

The accompanying statement of revenue and certain expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission in contemplation of Corporate Office Properties Trust acquiring the Property. The statement is not representative of the actual operations of the Property for the period presented nor indicative of future operations as certain expenses, primarily depreciation, amortization, and interest expense, which may not be comparable to the expenses expected to be incurred by Corporate Office Properties Trust in future operations of the Property, have been excluded.

### REVENUE AND EXPENSE RECOGNITION

Revenue is recognized on a straight-line basis over the terms of the related lease. Expenses are recognized in the period in which they are incurred.

### USED OF ESTIMATES

The preparation of this historical statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

### MAJOR TENANTS

During 2000, 73% of the Property's total base rents was earned from 2 major tenants, each of which amounted to over 10% of total base rents. Base rents earned from these 2 tenants for the year ended December 31, 2000 was approximately \$3,403,140 and \$1,032,030, respectively.

## 3. RENTALS

The Property has entered into non-cancelable tenant leases, with expiration dates ranging from 2003 to 2004. Such leases provide that tenants will share in operating expenses and real estate taxes on a pro rata basis, as defined in the leases. Future minimum rentals as of December 31, 2000, to be received under these tenant leases are as follows:

2001	\$ 5,734,619
2002	4,446,129
2003	4,446,129
2004	430,012
2005	--
Thereafter	--
	-----
	\$15,056,889
	=====

WASHINGTON TECHNOLOGY PARK  
NOTES TO FINANCIAL STATEMENTS

---

4. MANAGEMENT FEE AGREEMENT AND TENANT SERVICE CONTRACT

Certain management services for the first four months of the year ended December 31, 2000 were performed by the owner of the Property at the rate of \$12,160 per month. Subsequent to April 2000, management services were provided by a third party management company for a monthly rate of \$6,250.

The Property entered into a tenant service contract with a tenant to provide routine services, as defined by the contract, for a monthly fee. The monthly fee was approximately \$51,000 and \$33,000 for the year ended December 31, 2000 and the 9 months ended September 31, 2001, respectively. The tenant service contract was terminated at the option of the tenant on January 1, 2002.

5. UNAUDITED INTERIM STATEMENT

The statement of revenue and certain expenses for the nine months ended September 30, 2001 is unaudited. As a result, this interim statement should be read in conjunction with the statement and notes included in the December 31, 2000 statement of revenue and certain expenses. The interim statement reflects all adjustments which management believes are necessary for the fair presentation of the statement of revenue and certain expenses for the interim period presented. These adjustments are of a normal recurring nature. The statement of revenue and certain expenses for such interim period is not necessarily indicative of the results for a full year.