

CORPORATE OFFICE PROPERTIES TRUST
Form 10-Q
May 03, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q
(Mark one)

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

For the quarterly period ended March 31, 2016

or

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

For the transition period from to

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

(Exact name of registrant as specified in its charter)

Corporate Office Properties Trust	Maryland	23-2947217
	(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

Corporate Office Properties, L.P.	Delaware	23-2930022
	(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Corporate Office Properties Trust Yes No

Corporate Office Properties, L.P. Yes No

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

Corporate Office Properties Trust

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

Corporate Office Properties, L.P.

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

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

Corporate Office Properties Trust Yes No

Corporate Office Properties, L.P. Yes No

As of April 20, 2016, 94,650,659 of Corporate Office Properties Trust’s Common Shares of Beneficial Interest, \$0.01 par value, were issued and outstanding.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended March 31, 2016 of Corporate Office Properties Trust (“COPT”) and subsidiaries (collectively, the “Company”) and Corporate Office Properties, L.P. (“COPLP”) and subsidiaries (collectively, the “Operating Partnership”). Unless stated otherwise or the context otherwise requires, “we,” “our,” and “us” refer collectively to COPT, COPLP and their subsidiaries.

COPT is a real estate investment trust, or REIT, and the sole general partner of COPLP. As of March 31, 2016, COPT owned approximately 96.3% of the outstanding common units and approximately 95.5% of the outstanding preferred units in COPLP; the remaining common and preferred units in COPLP were owned by third parties. As the sole general partner of COPLP, COPT controls COPLP and can cause it to enter into major transactions including acquisitions, dispositions and refinancings and cause changes in its line of business, capital structure and distribution policies.

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

issuance of partnership units.

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

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

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

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

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

- consolidated financial statements;
- the following notes to the consolidated financial statements:
 - Note 3, Fair Value Measurements of COPT and subsidiaries and COPLP and subsidiaries; and
 - Note 13, Earnings per Share of COPT and subsidiaries and Earnings per Unit of COPLP and subsidiaries;
- "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources of COPT"; and
- "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources of COPLP."

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

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PART I: FINANCIAL INFORMATION

ITEM 1. Financial Statements

Corporate Office Properties Trust and Subsidiaries

Consolidated Balance Sheets

(in thousands, except share data)

(unaudited)

	March 31, 2016	December 31, 2015
Assets		
Properties, net:		
Operating properties, net	\$2,863,262	\$ 2,920,529
Projects in development or held for future development	416,169	429,219
Total properties, net	3,279,431	3,349,748
Assets held for sale, net	225,897	96,782
Cash and cash equivalents	62,489	60,310
Restricted cash and marketable securities	7,763	7,716
Accounts receivable (net of allowance for doubtful accounts of \$1,789 and \$1,525, respectively)	28,776	29,167
Deferred rent receivable (net of allowance of \$881 and \$1,962, respectively)	96,936	105,484
Intangible assets on real estate acquisitions, net	93,526	98,338
Deferred leasing costs (net of accumulated amortization of \$66,237 and \$66,364, respectively)	44,768	53,868
Investing receivables	48,998	47,875
Prepaid expenses and other assets, net	49,324	60,024
Total assets	\$3,937,908	\$ 3,909,312
Liabilities and equity		
Liabilities:		
Debt, net	\$2,140,212	\$ 2,077,752
Accounts payable and accrued expenses	78,597	91,755
Rents received in advance and security deposits	33,457	37,148
Dividends and distributions payable	30,217	30,178
Deferred revenue associated with operating leases	19,093	19,758
Interest rate derivatives	15,072	3,160
Other liabilities	15,046	13,779
Total liabilities	2,331,694	2,273,530
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	22,333	19,218
Equity:		
Corporate Office Properties Trust's shareholders' equity:		
Preferred Shares of beneficial interest at liquidation preference (\$0.01 par value; 25,000,000 shares authorized, shares issued and outstanding of 7,431,667 at March 31, 2016 and December 31, 2015)	199,083	199,083
Common Shares of beneficial interest (\$0.01 par value; 125,000,000 shares authorized, shares issued and outstanding of 94,661,381 at March 31, 2016 and 94,531,512 at December 31, 2015)	947	945
Additional paid-in capital	2,005,523	2,004,507
Cumulative distributions in excess of net income	(679,935)	(657,172)

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Accumulated other comprehensive loss	(12,862) (2,838)
Total Corporate Office Properties Trust's shareholders' equity	1,512,756	1,544,525	
Noncontrolling interests in subsidiaries:			
Common units in COPLP	51,031	52,359	
Preferred units in COPLP	8,800	8,800	
Other consolidated entities	11,294	10,880	
Noncontrolling interests in subsidiaries	71,125	72,039	
Total equity	1,583,881	1,616,564	
Total liabilities, redeemable noncontrolling interest and equity	\$3,937,908	\$3,909,312	

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,	
	2016	2015
Revenues		
Rental revenue	\$105,382	\$98,238
Tenant recoveries and other real estate operations revenue	27,705	24,472
Construction contract and other service revenues	11,220	38,324
Total revenues	144,307	161,034
Expenses		
Property operating expenses	51,875	50,681
Depreciation and amortization associated with real estate operations	34,527	31,599
Construction contract and other service expenses	10,694	37,498
Impairment losses	2,446	—
General, administrative and leasing expenses	11,883	7,891
Business development expenses and land carry costs	2,418	2,790
Total operating expenses	113,843	130,459
Operating income	30,464	30,575
Interest expense	(23,559)	(20,838)
Interest and other income	1,156	1,283
Gain (loss) on early extinguishment of debt	17	(3)
Income from continuing operations before equity in income of unconsolidated entities and income taxes	8,078	11,017
Equity in income of unconsolidated entities	10	25
Income tax benefit (expense)	8	(55)
Income from continuing operations	8,096	10,987
Discontinued operations	—	(238)
Income before gain on sales of real estate	8,096	10,749
Gain on sales of real estate	—	3,986
Net income	8,096	14,735
Net income attributable to noncontrolling interests:		
Common units in COPLP	(127)	(398)
Preferred units in COPLP	(165)	(165)
Other consolidated entities	(978)	(817)
Net income attributable to COPT	6,826	13,355
Preferred share dividends	(3,552)	(3,552)
Net income attributable to COPT common shareholders	\$3,274	\$9,803
Net income attributable to COPT:		
Income from continuing operations	\$6,826	\$13,581
Discontinued operations, net	—	(226)
Net income attributable to COPT	\$6,826	\$13,355
Basic earnings per common share (1)		
Income from continuing operations	\$0.03	\$0.10
Discontinued operations	0.00	0.00

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Net income attributable to COPT common shareholders	\$0.03	\$0.10
Diluted earnings per common share (1)		
Income from continuing operations	\$0.03	\$0.10
Discontinued operations	0.00	0.00
Net income attributable to COPT common shareholders	\$0.03	\$0.10
Dividends declared per common share	\$0.275	\$0.275

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

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2016	2015
Net income	\$8,096	\$14,735
Other comprehensive loss		
Unrealized losses on interest rate derivatives	(11,284)	(3,474)
Losses on interest rate derivatives included in interest expense	870	773
Other comprehensive loss	(10,414)	(2,701)
Comprehensive (loss) income	(2,318)	12,034
Comprehensive income attributable to noncontrolling interests	(880)	(1,329)
Comprehensive (loss) income attributable to COPT	\$(3,198)	\$10,705

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	Other Comprehensive Loss	Noncontrolling Interests	Total
Balance at December 31, 2014 (93,255,284 common shares outstanding)	\$ 199,083	\$ 933	\$ 1,969,968	\$ (717,264)	\$ (1,297)	\$ 69,461	\$ 1,520,884
Conversion of common units to common shares (158,000 shares)	—	2	2,120	—	—	(2,122)	—
Common shares issued under at-the-market program (890,241 shares)	—	9	26,526	—	—	—	26,535
Exercise of share options (70,374 shares)	—	—	1,845	—	—	—	1,845
Share-based compensation (162,370 shares issued, net of redemptions)	—	1	1,828	—	—	—	1,829
Redemption of vested equity awards	—	—	(2,031)	—	—	—	(2,031)
Adjustments to noncontrolling interests resulting from changes in ownership of COPLP	—	—	(475)	—	—	475	—
Comprehensive income	—	—	—	13,355	(2,650)	767	11,472
Dividends	—	—	—	(29,550)	—	—	(29,550)
Distributions to owners of common and preferred units in COPLP	—	—	—	—	—	(1,177)	(1,177)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	—	(4)	(4)
Adjustment to arrive at fair value of redeemable noncontrolling interest	—	—	(73)	—	—	—	(73)
Balance at March 31, 2015 (94,536,269 common shares outstanding)	\$ 199,083	\$ 945	\$ 1,999,708	\$ (733,459)	\$ (3,947)	\$ 67,400	\$ 1,529,730
Balance at December 31, 2015 (94,531,512 common shares outstanding)	\$ 199,083	\$ 945	\$ 2,004,507	\$ (657,172)	\$ (2,838)	\$ 72,039	\$ 1,616,564
Costs associated with common shares issued to the public	—	—	(5)	—	—	—	(5)
	—	2	2,423	—	—	—	2,425

Share-based compensation (129,869 shares issued, net of redemptions)									
Redemption of vested equity awards	—	—	(1,154)	—	—	(1,154)	
Adjustments to noncontrolling interests resulting from changes in ownership of COPLP	—	—	54	—	—	(54)	—	
Comprehensive loss	—	—	—	6,826	(10,024)	320	(2,878)
Dividends	—	—	—	(29,589)	—	—	(29,589)
Distributions to owners of common and preferred units in COPLP	—	—	—	—	—	(1,176)	(1,176)
Distributions to noncontrolling interests in other consolidated entities	—	—	—	—	—	(4)	(4)
Adjustment to arrive at fair value of redeemable noncontrolling interest	—	—	(302)	—	—	—	(302)
Balance at March 31, 2016 (94,661,381 common shares outstanding)	\$ 199,083	\$ 947	\$ 2,005,523	\$ (679,935)	\$ (12,862)	\$ 71,125	\$ 1,583,881

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2016	2015
Cash flows from operating activities		
Revenues from real estate operations received	\$ 130,059	\$ 117,521
Construction contract and other service revenues received	7,747	19,968
Property operating expenses paid	(46,084)	(42,768)
Construction contract and other service expenses paid	(10,765)	(27,853)
General, administrative, leasing, business development and land carry costs paid	(12,175)	(12,728)
Interest expense paid	(21,386)	(12,795)
Other	43	545
Net cash provided by operating activities	47,439	41,890
Cash flows from investing activities		
Construction, development and redevelopment	(45,146)	(62,057)
Acquisitions of operating properties and related intangible assets	—	(56,622)
Tenant improvements on operating properties	(6,388)	(5,520)
Other capital improvements on operating properties	(9,505)	(3,720)
Proceeds from dispositions of properties	5,452	17,424
Leasing costs paid	(1,593)	(1,935)
Other	1,121	(5,956)
Net cash used in investing activities	(56,059)	(118,386)
Cash flows from financing activities		
Proceeds from debt		
Revolving Credit Facility	88,500	150,000
Repayments of debt		
Revolving Credit Facility	(25,000)	(69,000)
Scheduled principal amortization	(1,800)	(1,649)
Other debt repayments	(50)	(50)
Net proceeds from issuance of common shares	(5)	28,404
Common share dividends paid	(26,002)	(25,646)
Preferred share dividends paid	(3,552)	(3,552)
Distributions paid to noncontrolling interests in COPLP	(1,171)	(1,217)
Distributions paid to redeemable noncontrolling interests	(13,848)	(122)
Redemption of vested equity awards	(1,154)	(2,031)
Other	(5,119)	(289)
Net cash provided by financing activities	10,799	74,848
Net increase (decrease) in cash and cash equivalents	2,179	(1,648)
Cash and cash equivalents		
Beginning of period	60,310	6,077
End of period	\$ 62,489	\$ 4,429
See accompanying notes to consolidated financial statements.		

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

	For the Three Months Ended March 31,	
	2016	2015
Reconciliation of net income to net cash provided by operating activities:		
Net income	\$8,096	\$14,735
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and other amortization	35,129	32,091
Impairment losses	2,446	233
Losses on interest rate derivatives	1,551	—
Amortization of deferred financing costs and net debt discounts	1,495	1,254
Increase in deferred rent receivable	(1,456)	(1,746)
Gain on sales of real estate	—	(3,986)
Share-based compensation	2,108	1,552
Other	(802)	(640)
Operating changes in assets and liabilities:		
Decrease (increase) in accounts receivable	409	(6,918)
Decrease (increase) in restricted cash and marketable securities	15	(1,577)
Decrease (increase) in prepaid expenses and other assets, net	5,941	(6,352)
(Decrease) increase in accounts payable, accrued expenses and other liabilities	(3,802)	12,704
(Decrease) increase in rents received in advance and security deposits	(3,691)	540
Net cash provided by operating activities	\$47,439	\$41,890
Supplemental schedule of non-cash investing and financing activities:		
Decrease in accrued capital improvements, leasing and other investing activity costs	\$(9,420)	\$(3,897)
Increase in property and redeemable noncontrolling interests in connection with property contributed in a joint venture	\$22,600	\$—
Decrease in redeemable noncontrolling interests and increase in other liabilities in connection with distribution payable to redeemable noncontrolling interest	\$6,675	\$—
Other liabilities assumed on acquisition of operating properties	\$—	\$5,265
Decrease in fair value of derivatives applied to accumulated other comprehensive loss and noncontrolling interests	\$(10,414)	\$(2,701)
Dividends/distribution payable	\$30,217	\$30,174
Decrease in noncontrolling interests and increase in shareholders' equity in connection with the conversion of common units into common shares	\$—	\$2,122
Adjustments to noncontrolling interests resulting from changes in COPLP ownership	\$(54)	\$475
Increase in redeemable noncontrolling interest and decrease in equity to carry redeemable noncontrolling interest at fair value	\$302	\$73

See accompanying notes to consolidated financial statements.

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

	March 31, 2016	December 31, 2015
Assets		
Properties, net:		
Operating properties, net	\$2,863,262	\$2,920,529
Projects in development or held for future development	416,169	429,219
Total properties, net	3,279,431	3,349,748
Assets held for sale, net	225,897	96,782
Cash and cash equivalents	62,489	60,310
Restricted cash and marketable securities	2,092	1,953
Accounts receivable (net of allowance for doubtful accounts of \$1,789 and \$1,525, respectively)	28,776	29,167
Deferred rent receivable (net of allowance of \$881 and \$1,962, respectively)	96,936	105,484
Intangible assets on real estate acquisitions, net	93,526	98,338
Deferred leasing costs (net of accumulated amortization of \$66,237 and \$66,364, respectively)	44,768	53,868
Investing receivables	48,998	47,875
Prepaid expenses and other assets, net	49,324	60,024
Total assets	\$3,932,237	\$3,903,549
Liabilities and equity		
Liabilities:		
Debt, net	\$2,140,212	\$2,077,752
Accounts payable and accrued expenses	78,597	91,755
Rents received in advance and security deposits	33,457	37,148
Distributions payable	30,217	30,178
Deferred revenue associated with operating leases	19,093	19,758
Interest rate derivatives	15,072	3,160
Other liabilities	9,375	8,016
Total liabilities	2,326,023	2,267,767
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	22,333	19,218
Equity:		
Corporate Office Properties, L.P.'s equity:		
Preferred units		
General partner, preferred units outstanding of 7,431,667 at March 31, 2016 and December 31, 2015	199,083	199,083
Limited partner, 352,000 preferred units outstanding at March 31, 2016 and December 31, 2015	8,800	8,800
Common units, 94,661,381 and 94,531,512 held by the general partner and 3,677,391 held by limited partners at March 31, 2016 and December 31, 2015, respectively	1,378,061	1,400,745
Accumulated other comprehensive loss	(13,399)	(2,985)
Total Corporate Office Properties, L.P.'s equity	1,572,545	1,605,643

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Noncontrolling interests in subsidiaries	11,336	10,921
Total equity	1,583,881	1,616,564
Total liabilities, redeemable noncontrolling interest and equity	\$3,932,237	\$3,903,549
See accompanying notes to consolidated financial statements.		

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

	For the Three Months Ended March 31,	
	2016	2015
Revenues		
Rental revenue	\$105,382	\$98,238
Tenant recoveries and other real estate operations revenue	27,705	24,472
Construction contract and other service revenues	11,220	38,324
Total revenues	144,307	161,034
Expenses		
Property operating expenses	51,875	50,681
Depreciation and amortization associated with real estate operations	34,527	31,599
Construction contract and other service expenses	10,694	37,498
Impairment losses	2,446	—
General, administrative and leasing expenses	11,883	7,891
Business development expenses and land carry costs	2,418	2,790
Total operating expenses	113,843	130,459
Operating income	30,464	30,575
Interest expense	(23,559)	(20,838)
Interest and other income	1,156	1,283
Gain (loss) on early extinguishment of debt	17	(3)
Income from continuing operations before equity in income of unconsolidated entities and income taxes	8,078	11,017
Equity in income of unconsolidated entities	10	25
Income tax benefit (expense)	8	(55)
Income from continuing operations	8,096	10,987
Discontinued operations	—	(238)
Income before gain on sales of real estate	8,096	10,749
Gain on sales of real estate	—	3,986
Net income	8,096	14,735
Net income attributable to noncontrolling interests in consolidated entities	(979)	(818)
Net income attributable to COPLP	7,117	13,917
Preferred unit distributions	(3,717)	(3,717)
Net income attributable to COPLP common unitholders	\$3,400	\$10,200
Net income attributable to COPLP:		
Income from continuing operations	\$7,117	\$14,152
Discontinued operations, net	—	(235)
Net income attributable to COPLP	\$7,117	\$13,917
Basic earnings per common unit (1)		
Income from continuing operations	\$0.03	\$0.10
Discontinued operations	0.00	0.00
Net income attributable to COPLP common unitholders	\$0.03	\$0.10
Diluted earnings per common unit (1)		
Income from continuing operations	\$0.03	\$0.10
Discontinued operations	0.00	0.00

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Net income attributable to COPLP common unitholders	\$0.03	\$0.10
Distributions declared per common unit	\$0.275	\$0.275

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

See accompanying notes to consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2016	2015
Net income	\$8,096	\$14,735
Other comprehensive loss		
Unrealized losses on interest rate derivatives	(11,284)	(3,474)
Losses on interest rate derivatives included in interest expense	870	773
Other comprehensive loss	(10,414)	(2,701)
Comprehensive (loss) income	(2,318)	12,034
Comprehensive income attributable to noncontrolling interests	(979)	(873)
Comprehensive (loss) income attributable to COPLP	\$(3,297)	\$11,161

See accompanying notes to consolidated financial statements.

Corporate Office Properties, L.P. and Subsidiaries

Consolidated Statements of Equity

(Dollars in thousands)

(unaudited)

	Limited Partner Preferred Units		General Partner Preferred Units		Common Units		Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Equity
	Units	Amount	Units	Amount	Units	Amount			
Balance at December 31, 2014	352,000	\$8,800	7,431,667	\$199,083	97,092,835	\$1,305,219	\$(1,381)	\$ 9,163	\$1,520,884
Issuance of common units resulting from common shares issued under at-the-market program	—	—	—	—	890,241	26,535	—	—	26,535
Issuance of common units resulting from exercise of share options	—	—	—	—	70,374	1,845	—	—	1,845
Share-based compensation (units net of redemption)	—	—	—	—	162,370	1,829	—	—	1,829
Redemptions of vested equity awards	—	—	—	—	—	(2,031)	—	—	(2,031)
Comprehensive income	—	165	—	3,552	—	10,200	(2,756)	311	11,472
Distributions to owners of common and preferred units	—	(165)	—	(3,552)	—	(27,010)	—	—	(30,727)
Distributions to noncontrolling interests in subsidiaries	—	—	—	—	—	—	—	—	—