

CORPORATE OFFICE PROPERTIES TRUST
Form DEF 14A
April 01, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
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Corporate Office Properties Trust
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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Corporate Office Properties Trust
8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045-2272
Telephone
Facsimile
Website

410-730-9092
410-740-1174
www.copt.com

To: Our Shareholders

From: Randall M. Griffin

Subject: Invitation to the Corporate Office Properties Trust 2005 Annual Meeting of Shareholders

You are cordially invited to attend our 2005 Annual Meeting of Shareholders to be held at 9:30 a.m. on May 19, 2005 at The World Trade Center Baltimore, 401 East Pratt Street, 21st Floor, Baltimore, Maryland 21202. At this year's meeting, you will be asked to elect two members of our Board of Trustees.

In addition to the formal business to be transacted, we will make a presentation regarding our accomplishments in 2004 and other recent developments. You will also have the opportunity at this meeting to ask questions and make comments. Enclosed with this proxy statement are your proxy card and the 2004 Annual Report.

I look forward to seeing you at the Annual Meeting.

/s/ Randall M. Griffin

Randall M. Griffin
President and Chief Executive Officer

Corporate Office Properties Trust
8815 Centre Park Drive, Suite 400
Columbia, Maryland 21045-2272

Telephone

410-730-9092

Facsimile

410-740-1174

Website

www.copt.com

April 1, 2005

Notice of Annual Meeting of Shareholders

Date: Thursday, May 19, 2005

Time: 9:30 a.m.

Place: The World Trade Center Baltimore
401 East Pratt Street, 21st Floor
Baltimore, Maryland 21202

We will hold our Annual Meeting of Shareholders on May 19, 2005 at 9:30 a.m. at The World Trade Center Baltimore. During the Annual Meeting, we will consider and take action on the following proposals:

1. To elect two Class I Trustees each for a term of three years; and
2. To transact any other business properly brought before the Annual Meeting.

You may vote at the meeting if you were a shareholder of record on March 15, 2005.

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By order of the Board of Trustees

/s/ Karen M. Singer

Karen M. Singer
Vice President, General Counsel and Secretary

PROXY STATEMENT

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This proxy statement and the accompanying proxy card are being mailed, beginning on or about April 1, 2005, to owners of common shares of beneficial interest (common shares) of Corporate Office Properties Trust in connection with the solicitation of proxies by the Board of Trustees for our 2005 Annual Meeting of Shareholders. This proxy procedure is being used to permit all holders of the common shares of Corporate Office Properties Trust to vote since many may be unable to attend the Annual Meeting in person. The Board of Trustees encourages you to read this document thoroughly and to take this opportunity to vote on the matters to be decided at the Annual Meeting. Corporate Office Properties Trust's mailing address is 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045. Corporate Office Properties Trust's Internet address is www.copt.com. The information on our Internet site is not part of this proxy statement.

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General Information

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The questions and answers set forth below provide general information regarding this proxy statement and our Annual Meeting of Shareholders.

When are our Annual Report to shareholders and this proxy statement first being sent to shareholders?

Our Annual Report to shareholders and this proxy statement are being sent to shareholders beginning on or about April 1, 2005.

What will shareholders be voting on?

1. The election of two Class I Trustees, each for a three-year term.
2. Any other business that properly comes before the meeting for a vote.

Who is entitled to vote at the Annual Meeting and how many votes do they have?

Common shareholders of record at the close of business on March 15, 2005 may vote at the Annual Meeting. Each share has one vote. There were 36,999,383 common shares outstanding on March 15, 2005.

How do I vote?

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You must be present, or represented by proxy, at the Annual Meeting in order to vote your shares. Since many of our shareholders are unable to attend the Annual Meeting in person, we send proxy cards to all of our shareholders to enable them to vote.

What is a proxy?

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A proxy is a person you appoint to vote on your behalf. If you complete and return the enclosed proxy card, your shares will be voted by the proxies identified on the proxy card.

By completing and returning this proxy card, who am I designating as my proxy?

You will be designating Randall M. Griffin, our President and Chief Executive Officer, and Roger A. Waesche, Jr., our Executive Vice President and Chief Financial Officer, as your proxies. They may act on your behalf together or individually and will have the authority to appoint a substitute to act as proxy.

How will my proxy vote my shares?

Your proxy will vote according to the instructions on your proxy card. **If you complete and return your proxy card but do not indicate your vote on business matters, your proxy will vote FOR Proposal 1.** We do not intend to bring any other matter for a vote at the Annual Meeting, and we do not know of anyone else who intends to do so. However, your proxies are authorized to vote on your behalf, in their discretion, on any other business that properly comes before the Annual Meeting.

How do I vote using my proxy card?

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Simply mark, sign and date the enclosed proxy card and return it in the postage-paid envelope provided. If you hold your shares through a broker, bank or other nominee, you will receive separate instructions from the nominee describing how to vote your shares.

How do I revoke my proxy?

You may revoke your proxy at any time before your shares are voted at the Annual Meeting by:

Notifying our Secretary, Karen M. Singer, in writing at our mailing address, that you are revoking your proxy. Our mailing address is 8815 Centre Park Drive, Suite 400, Columbia, Maryland 21045;

Executing a later dated proxy card; or

Attending and voting by ballot at the Annual Meeting.

Who will count the votes?

An officer of Corporate Office Properties Trust will act as the inspector of election and will count the votes.

What constitutes a quorum?

As of March 15, 2005, Corporate Office Properties Trust had 36,999,383 common shares outstanding. A majority of the outstanding shares, present or represented by proxy, constitutes a quorum. If you sign and return your proxy card, your shares will be counted in determining the presence of a quorum, even if you withhold your vote. If a quorum is not present at the Annual Meeting, the shareholders present in person or by proxy may adjourn the meeting to a date not more than 120 days after March 15, 2005 until a quorum is present.

How will my vote be counted?

With respect to Proposal 1, the election of Trustees, votes may be cast in favor of or withheld from one or all nominees. Votes that are withheld will not be included in the vote.

What percentage of our common shares do the Trustees and executive officers own?

What percentage of our common shares do the Trustees and executive officers own?

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Our Trustees and executive officers owned 2.6% of our common shares as of March 15, 2005. Our Trustees and executive officers beneficially owned approximately 21.8% of our common shares as of March 15, 2005 (see the discussion under the heading Share Ownership of our Trustees, Executive Officers and 5% Beneficial Owners for more details).

What vote is required to elect Trustees?

Trustees are elected by a plurality of the votes, which means that the nominees with the most votes are elected.

What vote is required on other matters?

A majority of the votes cast at a meeting of shareholders is required to approve any other matter unless a greater vote is required by law or by the Declaration of Trust. An abstention on such matters will not be considered a vote cast, and therefore will have no effect on the outcome of the vote on such matters, but will be counted in determining whether there is a quorum at the meeting. Where brokers are prohibited from exercising discretionary authority in voting for beneficial owners who have not provided voting instructions (commonly referred to as broker non-votes), these shares will not be considered votes cast, and therefore will have no effect on the outcome of the vote on such matters, but will be counted in determining whether there is a quorum at the meeting.

Who is soliciting my proxy, how is it being solicited and who pays the cost?

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Our Board of Trustees is soliciting your proxy. The solicitation process is being conducted primarily by mail. However, proxies may also be solicited in person, by telephone or facsimile. Wells Fargo Bank, N.A., our transfer agent, will be assisting us for a fee of approximately \$3,000, plus out-of-pocket expenses. We pay the cost of soliciting proxies and also reimburse stockbrokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation material to the owners of common shares.

When are shareholder proposals and Trustee nominations for our 2006 Annual Meeting due?

In accordance with our bylaws, notice relating to nominations for Trustees or proposed business to be considered at the 2006 Annual Meeting must be given no earlier than February 18, 2006 and no later than March 20, 2006. These requirements do not affect the deadline for submitting shareholder proposals for inclusion in the proxy statement (discussed in the question and answer below), nor do they apply to questions a shareholder may wish to ask at the meeting.

When are shareholder proposals intended to be included in the proxy statement for the 2006 Annual Meeting due?

Shareholders who wish to include proposals in the proxy statement must submit such proposals in accordance with regulations adopted by the Securities and Exchange Commission. Shareholder proposals for the 2006 Annual Meeting must be submitted in writing by December 2, 2005. In addition, shareholders may wish to have a proposal presented at the 2006 Annual Meeting but not to have such proposal included in the proxy statement. Pursuant to our bylaws, notice of any such proposal must be received by us between February 18, 2006 and March 20, 2006. If it is not received during this period, such proposal shall be deemed untimely for purposes of Rule 14a-4(c) under the Exchange Act, and, therefore, the proxies will have the right to exercise discretionary voting authority with respect to such proposal.

Any shareholder proposals must be submitted to Karen M. Singer, Vice President, General Counsel and Secretary, at our mailing address. You should submit any proposal by a method that permits you to prove the date of delivery to us.

How can shareholders send communications to the Board of Trustees?

Shareholders who wish to communicate with the members of our Board of Trustees may communicate with the independent Trustees or the chairperson of any of the committees of the Board of Trustees by e-mail or regular mail. Communications by e-mail should be sent to

karen.singer@copt.com. Communications by regular mail should be sent to the attention of the Chairperson, Audit Committee; Chairperson, Compensation Committee; Chairperson, Nominating and Corporate Governance Committee; Chairperson, Investment Committee; or to the independent Trustees as a group to the Independent Trustees. In each case, the communication should be sent care of Karen M. Singer, Vice President, General Counsel and Secretary, at our mailing address.

All communications received in accordance with this process will be reviewed by Management to determine whether the communication requires immediate action. Management will pass on all communications received, or a summary of such communications, to the appropriate Trustee or Trustees. However, Management reserves the right to disregard any communication that it determines is unduly hostile, threatening, illegal, does not reasonably relate to us or our business or is similarly inappropriate, and has the authority to discard or disregard any inappropriate communications or to take other appropriate actions with respect to any such inappropriate communications.

How can shareholders obtain information regarding our Corporate Governance Guidelines?

Our Board of Trustees adopted Corporate Governance Guidelines to set forth its agreements concerning overall governance practices. These Guidelines can be found in the investor relations section of our Internet website in the subsection entitled Corporate Governance. Our Internet website address is www.copt.com. Our Corporate Governance Guidelines are also available in print to any shareholder upon request. To the extent modifications are made to our Corporate Governance Guidelines, such modifications will be reflected on our Internet website.

Proposal 1 Election of Trustees

The terms of our three Class I Trustees expire on May 19, 2005 at the Annual Meeting. Our Board of Trustees, at the recommendation of the Nominating and Corporate Governance Committee of the Board of Trustees, has nominated two of these Trustees, Robert L. Denton and Randall M. Griffin, for election as Class I Trustees at the Annual Meeting. Both of these nominees have agreed to serve a three-year term if elected. Betsy Z. Cohen, a Class I Trustee of ours since May 1999, will not stand for re-election. The Board of Trustees intends to initiate a search for a new Class I Trustee to replace Ms. Cohen. The Board of Trustees expects to employ a firm to assist in the search, although no firm was hired as of April 1, 2005, and no timetable has been established for this process.

Robert L. Denton, age 52, has been one of our Trustees since May 1999. Mr. Denton joined The Shidler Group in 1994 and is currently a Managing Partner and the resident principal in its New York office. From 1991 to 1994, Mr. Denton was a Managing Director with Providence Capital, Inc., an investment-banking firm that he co-founded.

Randall M. Griffin, age 60, became a Trustee of ours on February 24, 2005. Mr. Griffin has been our President and Chief Operating Officer since September 1998, and on April 1, 2005, he became our President and Chief Executive Officer. Mr. Griffin previously served as President of Constellation Real Estate Group, Inc. and Constellation Real Estate, Inc. from June 1993 until September 1998. From 1990 through March 1993, Mr. Griffin worked as Vice President-Development for EuroDisney Development in Paris, France. From 1976 to 1990, Mr. Griffin served for Linclay Corporation, a St. Louis based real estate development, management and investment company, most recently as Executive Vice President and Chief Operating Officer. He serves as Chairman of the Board of Governors of The National Aquarium in Baltimore. He also serves on the Board of Trustees of the Greater Washington Initiative and the Board of Directors of the Maryland Business Roundtable for Education.

If either of the nominees is unable to stand for election, which we do not presently contemplate, the Board of Trustees may provide for a lesser number of Trustees or designate a substitute. In the latter event, shares represented by proxies will be voted for a substitute nominee.

The Board of Trustees recommends a vote FOR each of the nominees listed in Proposal 1.

Our Board of Trustees

How is the Board of Trustees classified?

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Our Declaration of Trust provides for three classes of Trustees: Class I Trustees, Class II Trustees and Class III Trustees. You will elect successors to our Class I Trustees at the 2005 Annual Meeting of Shareholders. Our shareholders will elect successors to our Class II Trustees in 2006 and to our Class III Trustees in 2007. All Trustees will be elected for three-year terms.

Besides the two nominees for election, who are the other members of our Board of Trustees?

Name	Age	Office	Class
Jay Shidler	58	Chairman	III
Clay W. Hamlin, III	60	Vice Chairman	III
Thomas F. Brady	55	Trustee	II
Steven D. Kesler	53	Trustee	II
Kenneth S. Sweet, Jr.	72	Trustee	III
Kenneth D. Wethe	63	Trustee	II
Betsy Z. Cohen (1)	63	Trustee	I

(1) Ms. Cohen's term as a Class I Trustee expires on May 19, 2005 at the Annual Meeting. She will not stand for re-election.

Jay H. Shidler has been Chairman of our Board of Trustees since October 1997. Mr. Shidler is the founder and Managing Partner of The Shidler Group. A nationally acknowledged expert in real estate, investment and finance, Mr. Shidler has over 35 years of experience in real estate investment and has acquired and managed properties involving several billion dollars in aggregate value. Since 1970, Mr. Shidler has been directly involved in the acquisition and management of over 1,000 properties in 40 states and Canada. Mr. Shidler is a founder and Chairman of the Board of Directors of First Industrial Realty Trust, Inc. Since March 2002, Mr. Shidler has served as a Director of Primus Guaranty, Ltd., a Bermuda holding company of which Mr. Shidler is a founder and whose subsidiary is a AAA-rated financial products company.

Clay W. Hamlin, III, has been a member of our Board of Trustees since 1997 and was appointed Vice Chairman effective April 1, 2005. He was our Chief Executive Officer from October 1997 until his retirement on April 1, 2005. In addition, he was our President from October 1997 until September 1998. From May 1989 until joining us, Mr. Hamlin was the Managing Partner of The Shidler Group's Mid-Atlantic region, where he supervised the acquisition, management and leasing of over four million square feet of commercial property. He has been active in the real estate business for over 25 years. Mr. Hamlin is also a founding shareholder of First Industrial Realty Trust, Inc. Mr. Hamlin serves as a Director/Trustee of TractManager, Inc. and the National Prostate Cancer Coalition.

Thomas F. Brady has been a member of our Board of Trustees since January 2002. Mr. Brady is an Executive Vice President, Corporate Strategy and Retail Competitive Supply at Constellation Energy Group (CEG) with responsibility for setting corporate strategy, overseeing corporate acquisitions and dispositions and managing governmental affairs and corporate branding. He assumed this position in 1999. In addition, since 2002, he has served as Board Chairman and managing executive for a number of CEG affiliates, including Constellation NewEnergy, BGE Home Products & Services and Constellation Energy Source, as well as certain non-regulated ventures (international power, real estate and investments). Between 1988 and 1998, Mr. Brady held various executive officer positions at Baltimore Gas & Electric Company, including Vice President and Chief Accounting Officer and Vice President in charge of regulated energy distribution and customer service operations. Mr. Brady also serves as a Trustee/Director of the Maryland Chamber of Commerce, Villa Julie College, the Center Club, the Baltimore Classic Fund and the Advisory Board Kinetic Ventures, and Chairman of the Maryland Public Broadcasting Commission.

Steven D. Kesler has been a member of our Board of Trustees since September 1998. Mr. Kesler served as the Chief Executive Officer and/or President of Constellation Investments, Inc. from 1988

and the Chief Executive Officer and President of Constellation Real Estate, Inc. and Constellation Health Services, Inc. from 1998 until his retirement in 2003; all of these entities were wholly-owned indirect subsidiaries of CEG. In these roles, Mr. Kesler managed a corporate investment entity, CEG's pension plan and nuclear decommissioning trust, a portfolio of real estate assets and a portfolio of assisted living facilities. Mr. Kesler currently serves as a Director on the board of Atapco, Inc., a private real estate and investment company.

Kenneth S. Sweet, Jr. has been a member of our Board of Trustees since October 1997. Mr. Sweet is Chairman of GSA Management, LLC and Managing Director of GS Capital, LP, a venture capital and real estate partnership that he founded in 1994. In 1971, Mr. Sweet founded K.S. Sweet Associates, which developed and managed over one billion dollars in real estate assets. From 1957 to 1971 he was with The Fidelity Mutual Life Insurance Company, serving as Executive Vice President and Chief Investment Officer from 1965 to 1971. Mr. Sweet serves as a Director, Chairman of the Real Estate Committee and a member of the Finance Committee of Main Line Health. He also serves as Chairman of the Bryn Mawr Hospital Foundation and of Main Line Realty, a real estate partnership between The Lankenau Foundation and Main Line Health.

Kenneth D. Wethe has been a member of our Board of Trustees since January 1990. Since 1990, Mr. Wethe has been the owner and principal officer of Wethe & Associates, a Dallas-based firm providing independent risk management, insurance and employee benefit services to school districts and governmental agencies. Mr. Wethe has over 25 years experience in the group insurance and employee benefits area.

How do we determine whether our Trustees are independent?

We believe that in order for our Board of Trustees to effectively serve in its capacity, it is important, and the New York Stock Exchange mandates, that at least a majority of our Trustees be independent as defined by the applicable rules of the New York Stock Exchange. Therefore, we require that a substantial majority of the Board of Trustees be independent, as so defined. No Trustee will be considered independent unless the Board affirmatively determines that the Trustee has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The following per se exclusions apply to the determination of Trustee independence: a Trustee will not be deemed independent until three years after the end of any of the following relationships or situations: (i) the Trustee is employed by the Company or his/her immediate family member is an executive officer of the Company; (ii) the Trustee or his/her immediate family member who is an executive officer of the Company receives, in any year, more than \$100,000 in direct compensation from the Company (other than Trustee and committee fees and pension or other forms of deferred compensation for prior service, provided such compensation is not contingent on continued service), (iii) the Trustee is employed by or affiliated with, or a member of the Trustee's immediate family is employed by or affiliated with, the Company's present or former internal auditors or outside independent registered public accounting firm serving as our auditors; (iv) the Trustee or a member of his/her immediate family is employed as an executive officer of another entity where any of the Company's then-current executives serves on that other entity's compensation committee; or (v) the Trustee is an executive officer or an employee, or a member of his/her immediate family is an executive officer, of another company that makes payments to or receives payments from the Company for property or services in an amount which, in any year, exceeds the greater of \$1 million or 2% of such other company's consolidated gross revenues.

Are our Trustees independent of Corporate Office Properties Trust?

The Board of Trustees has determined that each of our Trustees meet the independence guidelines described above except for Clay W. Hamlin, III, who was our Chief Executive Officer until April 1, 2005, and Randall M. Griffin, our current President and Chief Executive Officer.

What is our policy regarding Trustee attendance at regularly scheduled meetings of the Board of Trustees and annual meetings of shareholders?

The Board of Trustees holds a minimum of four regularly scheduled meetings per year, including the annual meetings of the Board held in conjunction with our annual meetings of shareholders. Trustees are expected to attend all regularly scheduled meetings and to have reviewed, prior to the meetings, all written meeting materials distributed to them in advance. Trustees are expected to be physically present at all regularly scheduled meetings, and a Trustee who is unable to attend a meeting is expected to notify the Chairman of the Board of Trustees in advance of such meeting. If a Trustee attends a regularly scheduled meeting by telephone for the entire meeting, such Trustee shall be deemed to have attended the meeting for the purposes of determining whether a quorum exists and for voting purposes. However, a Trustee may not send a representative with a proxy to vote on his or her behalf if such Trustee is not able to attend a scheduled meeting, either in person or by telephone.

Trustees are expected to be present at our annual meetings of shareholders. All of our Trustees attended the Annual Meeting of Shareholders that took place on May 13, 2004.

What is our policy regarding meetings of non-management Trustees?

The non-management Trustees of the Board will meet in executive session at least one time per year without any Management Trustees or any other members of the Company's management present. The chairperson of the Nominating and Corporate Governance Committee will preside at the executive sessions. The Trustees may meet in executive session at any time to consider issues that they deem important to address without management present.

How are the Trustees compensated?

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Employee Trustees receive no compensation, other than their normal salary, for serving on the Board of Trustees or its committees.

Non-employee Trustees receive the following:

Fees set forth below:

Annual trustee fee	\$	22,000
Annual committee chairman fees		
Audit		7,500
Compensation		5,000
Investment		5,000
Nominating and corporate governance		2,500
Board meeting fees		1,000
Committee meeting fees		1,000

Reimbursement for out-of-pocket expenses, such as lodging costs incurred in connection with meeting attendance; and

Annual grants of options to purchase 5,000 common shares with an exercise price equal to the fair market value of the common shares on the date of grant. These options are exercisable beginning one year from the date of grant and expire ten years after the date of grant.

What are the current committees of our Board of Trustees?

The Board of Trustees currently has four committees: (i) the Audit Committee; (ii) the Nominating and Corporate Governance Committee; (iii) the Investment Committee; and (iv) the Compensation Committee. Descriptions of these committees are set forth below:

The Audit Committee oversees the following:

the integrity of the Company's financial statements and other financial information provided by the Company to its shareholders and the investment community;

the Company's compliance with legal and regulatory requirements and ethical behavior;

the retention of the Company's independent registered public accounting firm, including oversight of their performance, qualifications and independence, and approval of audit and non-audit services; and

the Company's accounting and financial reporting processes, internal control systems and internal audit function.

The committee also provides an avenue for communication among the Company's independent registered public accounting firm, internal auditors, management and the Board of Trustees. All members are independent non-employee Trustees.

The Nominating and Corporate Governance Committee serves the following purposes:

recommends to the Board of Trustees the structure and operations of the Board of Trustees;

identifies individuals qualified to serve as Trustees and recommends that the Board of Trustees select the Trustee nominees identified by the committee for election at the next annual meeting of shareholders;

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recommends to the Board of Trustees the responsibilities of each Board of Trustees committee, the structure and operation of each committee and the Trustee nominees for assignment to each committee;

oversees the Board of Trustees' annual evaluation of its performance and the performance of other Board committees; and

develops and recommends to the Board of Trustees for adoption a set of Corporate Governance Guidelines applicable to the Company and periodically reviews the same.

All members are independent, non-employee Trustees. The practices of the Nominating and Corporate Governance Committee are outlined in the committee's charter, which is available in the investor relations section of our Internet website in the subsection entitled Corporate Governance. The committee's charter is also available in print to any shareholder upon request. To the extent modifications are made to the committee's charter, such modifications will be reflected on our Internet website.

The Investment Committee approves all of our real estate investments, acquisitions and dispositions and substantially all of our borrowings. Investments of greater than \$50 million must also be approved by the full Board of Trustees.

The Compensation Committee administers executive compensation programs, policies and practices. The committee also recommends senior management compensation to the Board of Trustees and administers our executive incentive plans. All members are independent non-employee Trustees.

The committees on which Trustees served and the number of meetings held during 2004 are set forth below.

Board Member	Audit	Nominating and Corporate Governance (1)	Investment	Compensation
Jay H. Shidler		ü	ü	
Clay W. Hamlin, III		ü		
Betsy Z. Cohen	ü			
Thomas F. Brady				ü
Robert L. Denton	ü	ü		
Steven D. Kesler	ü		ü	
Kenneth S. Sweet, Jr.		ü	ü	ü
Kenneth D. Wethe	ü		ü	
Meetings Held in 2004	9	2	8	6

(1) In February 2004, the Nominating Committee was re-organized into the Nominating and Corporate Governance Committee. In conjunction with this re-organization, Clay W. Hamlin, III resigned from the committee and Robert L. Denton and Kenneth S. Sweet, Jr. were added.

During 2004, the Board of Trustees held four quarterly meetings and four special meetings. Each Trustee attended at least 75% of the aggregate of the meetings of the Board of Trustees and meetings held by all committees on which such Trustee served during the time such Trustee served with the exception of Betsy Z. Cohen.

How are our Trustees nominated?

The Nominating and Corporate Governance Committee of the Board of Trustees is responsible for recommending nominations to the Board of Trustees and shareholders. In arriving at nominations, the Nominating and Corporate Governance Committee reviews with the Board of Trustees on an annual basis the size, function, and needs of the Board of Trustees and, in doing so, takes into account that the Board of Trustees as a whole should have competency in the following areas: (i) industry knowledge; (ii) accounting and finance; (iii) business judgment; (iv) management; (v) leadership; (vi) public real estate investment trusts and commercial real estate business; (vii) business strategy; (viii) crisis management; (ix) corporate governance; and (x) risk management. The Board of Trustees also seeks members from diverse backgrounds so that the Board of Trustees consists of members with a broad spectrum of experience and expertise and with a reputation for

integrity and ethical behavior. Trustees should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions that they can make to the Company. In determining whether to recommend a Trustee for re-election, the Nominating and Corporate Governance Committee also considers the Trustee's past attendance at meetings and participation in and contributions to the activities of the Board of Trustees and committees of the Board of Trustees on which he or she served.

The Nominating and Corporate Governance Committee has a policy regarding consideration of shareholder recommendations for Trustee nominees, which is set forth below:

The committee considers nominees recommended by the Company's common shareholders using the same criteria it employs in identifying its own nominees. Any shareholder wishing to make a recommendation should send the following information to the Chairman of the Nominating and Corporate Governance Committee, care of Karen M. Singer, Vice President, General Counsel and Secretary, at our mailing address, no later than the date that is 120 days prior to the one-year anniversary of the date of the mailing of the Company's proxy statement for its most recent annual meeting of shareholders:

the name of the candidate and the information about the individual that would be required to be included in a proxy statement under the rules of the Securities and Exchange Commission;

information about the relationship between the candidate and the nominating shareholder;

the consent of the candidate to serve as a Trustee;

proof of the number of shares of the Company's common shares that the nominating shareholder owns and the length of time the shares have been owned; and

a separate statement of the candidate's qualifications relating to Board of Trustees membership criteria.

Our Executive Officers

Below is information with respect to our executive officers who are not Trustees.

Roger A. Waesche, Jr., age 51, has been our Executive Vice President since January 2004, after holding the position of Senior Vice President since September 1998, and has been our Chief Financial Officer since March 1999. Prior to joining us, Mr. Waesche served as Senior Vice President for Constellation Real Estate, Inc., where he was responsible for all financial operations, including treasury, accounting, budgeting and financial planning. Mr. Waesche also had primary responsibility for Constellation Real Estate, Inc.'s asset investment and disposition activities. Prior to joining Constellation Real Estate, Inc. in 1984, Mr. Waesche was a practicing Certified Public Accountant with Coopers & Lybrand. He serves on the Board of Trustees of Sheppard Pratt Health System and is a Member on the Maryland Economic Development Assistance Authority.

Dwight S. Taylor, age 60, has been President of Corporate Development Services, LLC (CDS) since September 1999, previously serving as Senior Vice President since joining CDS in September 1998. Mr. Taylor has more than 25 years of real estate experience, including 14 years with Constellation Real Estate, Inc. and four years with The Rouse Company prior to joining CDS. From 1977 to 1981, Mr. Taylor was Senior Vice President of the Baltimore Economic Development Corporation. He currently serves on the Boards of both the National and Maryland Chapter of the National Association of Industrial and Office Properties. He also serves on the Board of Directors of Micros Systems, Inc. and T. Rowe Price Group, Inc. He served as Chairman of the Associated Black Charities from 1989 to 1991.

Karen M. Singer, age 40, has been our Secretary, Vice President and General Counsel since January 2004. Ms. Singer served as Assistant Secretary and Associate General Counsel of the Company from September 1998 until December 2003. From August 1996 through August 1998, Ms. Singer was Assistant General Counsel of Constellation Real Estate, Inc. From 1989 through January 1996, Ms. Singer was in private practice as an associate at Weinberg and Green, LLC, now a part of Saul Ewing LLP, where she provided a broad spectrum of real estate related services to various clients. Ms. Singer currently serves on the Board of Directors for Art With a Heart.

Report of the Compensation Committee

Overview

The Compensation Committee of Corporate Office Properties Trust's Board of Trustees (the Compensation Committee) is comprised of the two non-employee, independent Trustees named below. The Committee regularly reviews executive compensation levels and policies and makes recommendations to the Board of Trustees regarding these compensation levels and policies. The executives included in the Committee's review are the Chief Executive Officer, the President and Chief Operating Officer, the Executive Vice President and Chief Financial Officer and the Presidents of Corporate Development Services, LLC and Corporate Realty Management, LLC.

Charter

The Compensation Committee adopted and, in February 2004, the Board of Trustees approved, a charter outlining the Compensation Committee's practices. A copy of the charter is available in the investor relations section of the Company's Internet website in the subsection entitled Corporate Governance. The Compensation Committee's charter is also available in print to any shareholder upon request. To the extent modifications are made to the Compensation Committee's charter, such modifications will be reflected on the Company's Internet website.

Philosophy of Executive Compensation

The Company's executive compensation philosophy is to align compensation levels of the Chief Executive Officer and the other executives with the long-term interests of the Company's shareholders. The compensation philosophy is designed to motivate executives to focus on operating results and create long-term shareholder value by:

Establishing a plan that attracts, retains and motivates executives through compensation that is competitive with two peer groups of other real estate investment trusts (REITs). One of these peer groups includes REITs with a comparable amount of total assets while the other peer group includes REITs with a comparable level of performance (shareholder return), as determined by the Committee;

Linking a portion of executives' compensation with the achievement of the Company's business plan by using measurements of the Company's operating results and shareholder return; and

Building a pay-for-performance system that encourages and rewards successful initiatives within a team environment.

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the deductibility on the Company's income tax return to compensation of \$1 million for certain executive officers unless, in general, the compensation is paid pursuant to a plan that is performance-related, nondiscretionary and has been approved by the Company's shareholders. The Compensation Committee's policy with respect to Section 162(m) is to make reasonable efforts to ensure that compensation is deductible to the extent permitted, while simultaneously providing the Company's executives with appropriate rewards for their performance.

Types of Compensation

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The executive compensation plan has been structured to provide short and long-term incentives for executive performance that promote continuing improvements in the Company's financial results and returns to shareholders. The elements of the Company's executive compensation are primarily comprised of the following, with all three elements designed to complement each other in satisfying the ultimate goal of creating long-term shareholder value:

Base salaries. Base salaries are paid for ongoing performance throughout the year.

Annual incentive awards. The Company's philosophy of awarding annual incentive awards (cash bonuses) is designed to relate executive pay to Company and business unit performance. At the beginning of each year, the Compensation Committee establishes defined bonus levels for different thresholds of Company and business unit performance, all determined by defined measures. Actual bonuses are determined once the outcome of these defined measures is known. The Committee's process for determining the amount of these awards is discussed in greater detail below.

Long-term incentive awards. Long-term incentive awards are designed to link executive compensation to the Company's long-term common share performance. Since these awards typically vest over a period of time, such awards also encourage the executives to remain with the Company. Long-term incentive awards typically take the following forms:

Common shares subject to forfeiture restrictions (restricted shares). The Company periodically issues restricted shares to the executive officers except historically for the Company's Chief Executive Officer (see the section entitled **Chief Executive Compensation** below). The Committee's process for determining the amount of these awards is discussed in greater detail below.

Common share options. The Company periodically grants executives common share options. These options vest over a defined period of time as the executive remains employed by the Company. The vesting schedules for option grants vary, with some grants vesting immediately, some grants vesting in defined increments annually over a defined period and some grants vesting 100% once a longer defined period of time has lapsed.

Chief Executive Officer Compensation

Clay W. Hamlin, III served as the Company's Chief Executive Officer during 2004. The compensation awarded to Mr. Hamlin consisted primarily of a base salary. The Compensation Committee considers the value of executives' equity ownership in the Company in determining their total compensation. Since Mr. Hamlin has a substantial equity ownership in the Company, his total compensation has traditionally been set below the median in the REIT peer group for that position; therefore, he did not receive an increase in annual salary, a bonus or a long term incentive award grant in 2004. Mr. Hamlin's level of total compensation is not indicative of his individual performance or contribution to the success of the Company.

Process for Determining Compensation of Other Executives

In order to implement the Company's compensation philosophy, the Compensation Committee exercises its independent discretion in reviewing and recommending executive compensation to the Board of Trustees. Each year, the Committee uses an external consultant to obtain executive compensation information for the two REIT peer groups noted previously. Facets of this information pertaining to each executive position that are of particular interest to the Committee include the following: (1) compensation levels in total and by element of compensation; (2) percentage of total compensation derived from compensation categories; and (3) value of company equity (common shares, common share equivalents and common share options) owned. The Committee compares each executive's compensation to the median levels for the comparable position within the peer groups and generally uses these median levels as a guideline for establishing executive compensation recommendations.

In 2004, executive annual base salaries were established effective in July. Each executive was evaluated for his individual performance and contribution to the success of the Company and, where applicable, his business unit. In arriving at a recommendation for an executive's base salary, the Compensation Committee generally viewed the median base salary level for the comparable position in the two REIT peer groups as the appropriate salary for an executive who achieved the goals and objectives of his position in the opinion of the Committee. To the extent certain executives' performances were deemed to exceed the objectives of such executives' positions, the Committee recommended a base salary that was in a higher percentile of the two REIT peer groups.

The Compensation Committee used bonus information from the REIT peer groups, along with a summary of the objectives for the Company and certain of its business units in 2004, to establish defined annual incentive awards (cash bonuses) based on different thresholds of performance, as determined by defined measures. The Committee used the median bonus level for executive positions in the REIT peer groups as a guideline for determining an executive's bonus when the Company and the executive's business unit met target performance levels. The Committee also established a bonus level of up to 150% of the target performance bonus for when higher performance levels were met and a lower bonus level for when lower performance levels were met (bonuses are generally not paid if a defined threshold performance level is not met). The measures used in defining Company performance objectives for determining bonuses were diluted funds from operations per share and diluted adjusted funds from operations per share (both of which are measurements used by equity REITs to evaluate financial performance). The measures used in defining business unit performance were tailored to apply to the nature of the business units' operations; examples of these measures include value of acquisitions, property occupancy and results of tenant service surveys. The measures used in computing the bonus of the Chief Operating Officer only include the Company performance measures described above. The measures used in computing the bonuses of the other executives include the Company performance measures described above as well as the measures applicable to those executives' respective business units. Actual bonuses were determined once the outcome of those defined measures was known. The bonuses that were awarded to the executives for 2004 are reflected in the section of this document entitled Summary Compensation Table. The Committee did not award a bonus for 2004 to Michael D. Kaiser, the former President of Corporate Realty Management, LLC who resigned from the Company effective January 1, 2005.

In September 2003, the Board of Trustees adopted a new long-term incentive plan for the other executives that applies to calendar years 2003 through 2005. Under this plan, the other executives receive a percentage of their total compensation in the form of restricted shares. The percentage of

compensation that is in the form of restricted shares is initially derived based on different thresholds of Company performance, as determined by defined measures. The Committee uses the REIT peer groups as a guideline for determining the percentage of an executive's total compensation that is in the form of restricted shares when the Company meets target performance levels. The Committee also establishes a maximum level of up to 150% of the target performance percentage for when higher performance levels are met and a lower percentage for when lower performance levels are met. The measures used in defining Company performance objectives for determining the percentage of compensation that is in the form of restricted shares are total shareholder return and growth in diluted funds from operations per share; these measures are computed each year on an annual and cumulative basis. The percentage of total compensation that is in the form of restricted shares can increase or decrease based upon actual performance versus objectives. Once the percentage of compensation that is in the form of restricted shares is known, the restricted common share grant is computed. The plan also allows for additional grants under the plan that are at the discretion of the Committee based on the executive's performance and leadership. Grants of shares under this plan will vest in defined annual increments over a five-year period from the date of grant. Grants of shares were made to all of the other executives in February 2005 for the calendar year 2004 except for Michael D. Kaiser.

This report is provided by the following Trustees, who constitute the Compensation Committee.

COMPENSATION COMMITTEE

Thomas F. Brady, Chairman
Kenneth S. Sweet, Jr.

The Report of the Compensation Committee shall not be deemed incorporated by reference by any general statement that incorporates by reference any portion of this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.

Report of the Audit Committee

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The Audit Committee of Corporate Office Properties Trust's Board of Trustees (the "Audit Committee") is comprised of the four Trustees named below. Each of the Trustees meets the independence and experience requirements of the New York Stock Exchange and satisfies the Securities and Exchange Commission's additional independence requirements for members of audit committees. None of the Trustees serve on the audit committees of more than three publicly-traded companies. The Board of Trustees has determined that Kenneth D. Wethe is an "audit committee financial expert" as defined by the Securities and Exchange Commission. The Audit Committee adopted and, in February 2004, the Board of Trustees approved, a charter outlining the Audit Committee's practices. A copy of the charter is available in the investor relations section of the Company's Internet website in the subsection entitled "Corporate Governance." The Audit Committee's charter is also available in print to any shareholder upon request. To the extent modifications are made to the Audit Committee's charter, such modifications will be reflected on the Company's Internet website.

Management is responsible for the Company's financial statements, financial reporting process, internal financial controls, compliance with legal and regulatory requirements and ethical behavior. The Company's independent registered public accounting firm is responsible for expressing opinions on the conformity of the Company's audited financial statements with generally accepted accounting principles and on management's assessment of the effectiveness of the Company's internal control over financial reporting. In addition, the independent registered public accounting firm is responsible for expressing its own opinion on the effectiveness of the Company's internal control over financial reporting. The role of the Audit Committee is to oversee these activities.

During 2004, management completed the documentation, testing and evaluation of the Company's system of internal control over financial reporting in response to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. The Audit Committee was kept apprised of the progress of the evaluation and provided oversight and advice to management during the process. In connection with this oversight, the Committee received periodic updates provided by management and the independent registered public accounting firm at each regularly scheduled Committee meeting. At the conclusion of the process, management provided the Committee with a report on the effectiveness of the Company's internal control over financial reporting, and represented to the Audit Committee that the Company's internal control over financial reporting was effective as of December 31, 2004 based on the criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Committee also reviewed Management's Report on Internal Control over Financial Reporting contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2004 filed with the Securities and Exchange Commission, as well as the independent registered public accounting firm's Report of Independent Registered Public Accounting Firm (included in the Company's Annual Report on Form 10-K). The Report of Independent Registered Public Accounting Firm related to the audit of (i) the consolidated financial statements, (ii) management's assessment of the effectiveness of internal control over financial reporting and (iii) the effectiveness of internal control over financial reporting. The Committee continues to oversee the Company's efforts related to its internal control over financial reporting and management's preparations for the evaluation in 2005.

In addition, the Audit Committee met quarterly with the Company's accounting and financial management team, general counsel and the independent registered public accounting firm. The Audit Committee also met with the Company's accounting and financial management team and the

independent registered public accounting firm to review the Company's annual and quarterly periodic filings containing annual and quarterly consolidated financial statements prior to the Company's submission of such filings to the Securities and Exchange Commission.

Management represented to the Audit Committee that the Company's consolidated financial statements for the year ended December 31, 2004 were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with the independent registered public accounting firm the matters required to be discussed under Statement on Auditing Standards No. 61, which addresses communication between audit committees and independent registered public accounting firms. The Audit Committee received from the independent registered public accounting firm the written disclosures and letter required by Independence Standards Board Standard No. 1, which addresses independence discussions between auditors and audit committees. The Audit Committee also held discussions with the independent registered public accounting firm regarding their independence from the Company and its management and considered whether the independent registered public accounting firm's provision of audit and non-audit services provided to the Company during 2004 was compatible with maintaining the registered public accounting firm's independence.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Trustees that the Company's audited consolidated financial statements for the year ended December 31, 2004 be included in the Company's 2004 Annual Report to Shareholders and Annual Report on Form 10-K for the year ended December 31, 2004 for filing with the Securities and Exchange Commission. This report is provided by the following independent Trustees, who constitute the Audit Committee.

AUDIT COMMITTEE

Kenneth D. Wethe, Chair
Betsy Z. Cohen
Robert L. Denton
Steven D. Kesler

The Report of the Audit Committee shall not be deemed incorporated by reference by any general statement that incorporates by reference any portion of this proxy statement into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.

Independent Registered Public Accounting Firm

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PricewaterhouseCoopers LLP (PwC) served as our independent registered public accounting firm for the years ended December 31, 2004 and 2003. PwC also provided the Company with other auditing and advisory services. We are cognizant of the need for PwC to maintain its independence and objectivity in order to effectively serve in its role as our independent registered public accounting firm. As a result, our Audit Committee restricted the services for which PwC can be engaged to those services that could not impair or appear to impair PwC's independence and objectivity. In making this determination, the Audit Committee contemplates the nature of the services, the benefits that PwC performing such services brings both to the services and to their audit and PwC's proposed cost for providing such services.

The Audit Committee has procedures in place regarding the pre-approval of all services provided by PwC. Specifically, the Company's Management will contact the Audit Committee Chairman regarding the potential need for a service from PwC. PwC will then provide an engagement letter to Management pertaining to the service which Management reviews for the service description and proposed fee. Once Management is in agreement with the engagement letter, it will forward such engagement letter to the Audit Committee Chairman. The Audit Committee Chairman will then review the engagement letter for the criteria described in the previous paragraph and, if based on such review, he approves of the terms of the engagement letter, he will forward the letter to the other Audit Committee members requesting that they respond within a certain period of time should they not approve of the engagement letter. If the Audit Committee Chairman does not hear timely responses to the contrary, the Audit Committee Chairman is authorized to approve the engagement letter on behalf of the Audit Committee. All fees paid to PwC in 2004 were approved by the Audit Committee in accordance with this policy.

For the years ended December 31, 2004 and 2003, PwC billed the approximate fees and expenses set forth below:

	2004	2003
Audit fees (1)	\$ 674,681	\$ 491,962
Audit-related fees (2)	54,585	71,886
Tax fees (3)	38,575	54,954
All other fees (4)		
Total	\$ 767,841	\$ 618,802

(1) Audit fees include fees billed for services rendered in connection with audits of (i) our consolidated financial statements and financial schedule included in Form 10-K, (ii) management's assessment of the effectiveness of the Company's internal control over financial reporting and (iii) the effectiveness of the Company's internal control over financial reporting, and reviews of quarterly consolidated financial statements included in Forms 10-Q (collectively totaling \$510,000 in 2004 and \$251,416 in 2003). Audit fees also include issuances of comfort letters on filings associated with common and preferred share offerings and employee benefit plans, and audits of financial statements of acquired properties. Audit fees reported above for the year ended December 31, 2003 changed from what we reported in the proxy statement to last year's Annual Meeting of Shareholders due to additional billings made by PwC subsequent to the completion of that proxy statement.

(2) Audit-related fees consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our consolidated financial statements but not included in (1) above. This category includes fees for the audit of the financial statements of our employee retirement savings plan and consulting on financial accounting and reporting.

(3) Tax fees consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning.

(4) All other fees consist of fees billed for products or services not included in the above categories. No such fees were incurred in 2004 or 2003.

None of the fees reflected above were approved by the Audit Committee pursuant to the de-minimis exception in Rule 2-01 of Regulation S-X.

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We expect that PwC will serve as our independent registered public accounting firm for 2005. We expect that a representative of PwC will be present at the Annual Meeting of Shareholders. The

representative will have an opportunity to make a statement if they desire to do so and to answer appropriate questions.

Common Shares Performance Graph

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The graph and the table set forth below assume \$100 was invested on December 31, 1999 in the common shares of Corporate Office Properties Trust. The graph and the table compare the cumulative return (assuming reinvestment of dividends) of this investment with a \$100 investment at that time in the S&P 500 Index or the Equity Index of the National Association of Real Estate Investment Trusts (NAREIT).

	1999	2000	Value at December 31,		2003	2004
			2001	2002		
Corporate Office Properties Trust common shares	\$ 100.00	\$ 141.91	\$ 183.03	\$ 230.24	\$ 362.92	\$ 526.84
S&P 500	100.00	90.90	80.09	62.39	80.29	89.02
NAREIT Equity Index	100.00	126.37	143.97	149.47	204.98	269.70

Share Ownership of our Trustees, Executive Officers and 5% Beneficial Owners

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The following table shows certain information as of March 15, 2005 regarding the beneficial ownership (unless otherwise noted) of our common shares by each Trustee, each nominee for election as Trustee, each executive officer, all Trustees and executive officers as a group and each person known to us to be the beneficial owner of more than five percent of our outstanding common shares. Beneficial ownership is determined in accordance with the rules of the Securities and

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Exchange Commission and means voting or investment power with respect to securities. Each party named in the table below has sole voting and investment power with respect to the securities listed opposite such party's name, except as otherwise noted.

	Common Shares Beneficially Owned (1)	Percent of All Common Shares Beneficially Owned (2)	Options Exercisable within 60 days of March 15, 2005
Clarion CRA Securities, LP (3)	2,376,116	6.4	
Adelante Capital Management LLC (4)	2,316,883	6.3	
Security Capital Research & Management Inc.(5)	1,978,281	5.3	
ING Groep N.V. (6)	1,963,200	5.3	
Jay H. Shidler (7)	3,785,817	9.4	15,000
Clay W. Hamlin, III (8)	4,156,510	10.1	427,500
Thomas F. Brady	15,000	*	15,000
Betsy Z. Cohen	32,000	*	30,000
Robert L. Denton (9)	419,910	1.1	5,000
Steven D. Kesler	30,583	*	30,000
Kenneth S. Sweet, Jr.	37,500	*	37,500
Kenneth D. Wethe	29,020	*	25,000
Randall M. Griffin	1,046,145	2.8	643,068
Roger A. Waesche, Jr.	236,336	*	80,000
Dwight S. Taylor	173,643	*	107,500
Karen M. Singer	53,747	*	43,500
All Trustees and Executive Officers as a Group (12 persons)	10,016,211	21.8%	1,459,068

* Represents less than one percent.

(1) Assumes that all units of our operating partnership are exchanged for common shares and assumes we elect to issue common shares rather than pay cash upon exchange of partnership units. Also includes common shares issuable under options exercisable within 60 days after March 15, 2005.

(2) Common shares issuable upon the conversion of units in our operating partnership and the exercise of share options exercisable currently or within 60 days after March 15, 2005 are deemed outstanding and to be beneficially owned by the person holding such units or options for purposes of computing such person's percentage ownership, but are not deemed outstanding for the purpose of computing the percentage ownership of any other person.

(3) Clarion CRA Securities, LP (CCS) has sole voting and investment power for the common shares it owns. CCS is located at 259 North Radnor Chester Road, Suite 205, Radnor, Pennsylvania 19087. The information in this note was derived from a Schedule 13G filed with the Securities and Exchange Commission by CCS on March 2, 2005.

(4) Adelante Capital Management LLC (ACM) has sole investment power for the common shares it owns. ACM is located at 1995 University Avenue, Suite 225, Berkeley, California 94704. The information in this note was derived from a Schedule 13G filed with the Securities and Exchange Commission by ACM on February 16, 2005.

- (5) Security Capital Research & Management Incorporated (SCR&M) has sole voting power with respect to 1,336,181 shares, shared voting power with respect to 143,600 shares, sole investment power with respect to 1,834,681 shares and shared investment power with respect to 143,600 shares. SCR&M is located at 10 South Dearborn Street, Suite 1400, Chicago, Illinois 60603. The information in this note was derived from a Schedule 13G/A filed with the Securities and Exchange Commission by SCR&M on February 15, 2005.
- (6) ING Groep N.V. (ING) has sole voting and investment power for the common shares it owns. ING is located at Amstelveenseweg 500, 1081 KL Amsterdam, P.O. Box 810, 1000 AV Amsterdam, The Netherlands. The information in this note was derived from a Schedule 13G filed with the Securities and Exchange Commission by ING on February 10, 2005.
- (7) Jay H. Shidler s common shares beneficially owned include 3,448,317 common units in our operating partnership exchangeable for common shares. Mr. Shidler s address is Davies Pacific Center, 841 Bishop Street, Suite 1700, Honolulu, Hawaii 96813.
- (8) Clay W. Hamlin, III s common shares beneficially owned include 3,719,010 common units in our operating partnership exchangeable for common shares; Mr. Hamlin has sole investment power with respect to 566,492 of these units and shared investment power for the remainder of these units. Mr. Hamlin s address is 40 Morris Avenue, Suite 220, Bryn Mawr, Pennsylvania 19010.
- (9) Robert L. Denton s common shares beneficially owned include 414,910 common units in our operating partnership exchangeable for common shares.

Section 16(a) Beneficial Ownership Reporting Compliance

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The rules of the Securities and Exchange Commission require that we disclose late filings of initial reports of share ownership and reports of changes in share ownership by our Trustees, officers and greater than 10% shareholders. Our Trustees, officers and greater than 10% shareholders are required by those rules to furnish us with copies of the reports of share ownership (and changes in share ownership) they file with the Securities and Exchange Commission. Based solely on our review of the copies of such reports received by us and other information provided by these parties, we believe that during the year ended December 31, 2004, our Trustees, officers and greater than 10% shareholders filed all required reports on a timely basis with the following exception:

Kenneth S. Sweet, Jr., Trustee, failed to file on a timely basis two reports on Form 4 relating to two sales of common shares. Mr. Sweet subsequently filed a Form 4 with respect to these sales.

Summary Compensation Table

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The table below provides information about the annual compensation of our Chief Executive Officer and our other four most highly compensated executive officers during 2004, as determined by the sum of our executive officers' salary and bonus information for 2004.

Name and Position	Year	Salary	Bonus	Other Annual Compensation (1)	Restricted Share Awards (\$) (2)	Securities Underlying Options (#)	All Other Compensation (\$) (3)
Clay W. Hamlin, III Chief Executive Officer	2004	\$ 323,086		\$ 14,400			\$ 9,801
	2003	311,119		14,400			9,430
	2002	197,440		23,440			6,949
Randall M. Griffin President and Chief Operating Officer	2004	492,308	550,000	343,229	689,546		16,942
	2003	431,154	382,000	256,174	243,000		12,935
Roger A. Waesche, Jr. Executive Vice President and Chief Financial Officer	2004	398,959	485,000	87,150		168,068	11,838
	2003	326,538	305,000	124,263	391,096		13,239
Dwight S. Taylor President of Corporate Development Services, LLC	2003	281,154	180,000	96,805	97,200		12,906
	2002	251,539	195,000	28,952		50,000	7,733
Karen M. Singer Vice President and General Counsel	2004	239,462	140,000	97,218	168,972		10,215
	2003	208,360	100,000	61,633	87,480		8,209
	2002	192,507	85,000	30,481			5,269
	2004	151,045	73,000		48,686	7,500	4,575
	2003(4)	N/A	N/A	N/A	N/A	N/A	N/A
	2002(4)	N/A	N/A	N/A	N/A	N/A	N/A

(1) Includes income tax payments associated with the lapsing of forfeiture restrictions on common share grants as follows: Mr. Griffin: \$339,272 in 2004, \$246,807 in 2003 and \$76,672 in 2002; Mr. Waesche: \$118,738 in 2004, \$86,378 in 2003 and \$19,169 in 2002; and Mr. Taylor: \$94,999 in 2004, \$57,583 in 2003 and \$23,003 in 2002. Also includes taxable auto allowances and personal financial and tax preparation fees paid by the Company on behalf of the officers.

(2) Represents the value of grants of common shares that were made under our 1998 Long-Term Incentive Plan based on the closing market price of our common shares on the date of grant. The common share awards are subject to forfeiture restrictions that lapse annually as the employee remains employed by us. The forfeiture restrictions on all 2003 and 2004 common share grants lapse annually in the following increments: 16% in the first year, 18% in the second year, 20% in the third year, 22% in the fourth year and 24% in the fifth year. Holders of shares subject to forfeiture restrictions have the right to vote and receive dividends on the shares. As of December 31, 2004, the total number of common shares owned by our named executive officers that remained subject to forfeiture restrictions, and the market value of such holdings (based on the closing price per common share as reported on the New York Stock

Exchange of \$29.35), were as follows: Mr. Griffin: 192,391 shares (\$5,646,676); Mr. Waesche: 62,414 shares (\$1,831,851); Mr. Taylor: 24,961 shares (\$732,605); and Ms. Singer: 6,249 shares (\$183,408).

- (3) Includes Company matching of officers' contributions to the Employee Retirement Savings Plan.
- (4) Ms. Singer did not serve as an executive officer in 2003 and 2002.

Employment Agreements

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We have an employment agreement with Randall M. Griffin for a six-year term commencing July 1, 2002 with continuous and self-renewing one-year terms after the basic term without further action unless terminated by either party on one day's prior notice. Under the agreement, Mr. Griffin's current base salary is \$500,000 per year, and he receives additional allowances for an automobile, personal financial planning and income tax preparation totaling up to \$21,000 per year. His incentive compensation is set by the Board of Trustees upon the Compensation Committee's recommendation. The Compensation Committee may take action in future years to increase his base salary. The employment agreement provides for the following severance package in the event of his termination by us without cause or by Mr. Griffin based upon constructive termination: (1) payment equal to his base annual salary multiplied by three; (2) payment equal to the average of his three most recent annual incentive awards multiplied by three; (3) perquisites and benefits for 24 months following termination unless such benefits are available to him through other employment after termination; and (4) full vesting of previously unvested share options and restricted sh