CORPORATE OFFICE PROPERTIES TRUST
Form 11-K
June 26, 2009
Table of Contents

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, DC 20549**

# FORM 11-K

**(Mark one)**

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

**For the fiscal year ended December 31, 2008**

**or**

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

**For the transition period from to**

**Commission file number 1-14023**

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

**Corporate Office Properties, L.P. Employee Retirement Savings Plan**

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

# Corporate Office Properties Trust

**6711 Columbia Gateway Drive, Suite 300**

**Columbia, Maryland 21046**

Table of Contents

**TABLE OF CONTENTS**

**FORM 11-K**

* Other supplemental schedules required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

Table of Contents

**Report of Independent Registered Public Accounting Firm**

**To the Participants and Administrator of the**

Corporate Office Properties, L.P. Employee Retirement Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Corporate Office Properties, L.P. Employee Retirement Savings Plan (the Plan ) at December 31, 2008 and 2007, and the changes in net assets available for benefits for the year ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

**Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental Schedule of Assets (Held at End of Year) as of December 31, 2008 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.**

/s/ PricewaterhouseCoopers LLP
Baltimore, MD
June 26, 2009

Table of Contents

**Corporate Office Properties, L.P. Employee Retirement Savings Plan**

**Statements of Net Assets Available for Benefits**

| | December 31, 2008 | December 31, 2007 |
|---|---|---|
| **Assets** | | |
| Investments, at fair value | | |
| Mutual funds | $ 8,724,942 | $ 11,808,352 |
| Common/collective fund | 778,566 | 349,627 |
| Corporate Office Properties Trust common shares | 567,646 | 365,007 |
| Participant loans | 224,198 | 156,759 |
| Cash and cash equivalents | 5,092 | |
| Total investments | 10,300,444 | 12,679,745 |
| | | |
| Receivables | | |
| Employer contribution (Note 4) | | 186,054 |
| Participant contributions | | 50,801 |
| Total receivables | | 236,855 |
| | | |
| Total assets | 10,300,444 | 12,916,600 |
| | | |
| **Liabilities** | | |
| Corrective distributions payable (Note 4) | | 119,837 |
| Total liabilities | | 119,837 |
| | | |
| Net assets reflecting all investments at fair value | 10,300,444 | 12,796,763 |
| | | |
| **Adjustment to contract value** | | |
| Adjustment from fair value to contract value for fully benefit-responsive investment contracts | 7,298 | (2,066) |
| | | |
| Net assets available for benefits | $ 10,307,742 | $ 12,794,697 |

See accompanying notes to financial statements.

Table of Contents

**Corporate Office Properties, L.P. Employee Retirement Savings Plan**

**Statement of Changes in Net Assets Available for Benefits**

**Year Ended December 31, 2008**

| | | |
|---|---|---|
| **Additions** | | |
| Investment income (loss) | | |
| Interest and dividend income | $ | 473,751 |
| Net depreciation in fair value of investments | | (5,055,833) |
| Net investment loss | | (4,582,082) |
| | | |
| Contributions | | |
| Employee | | 1,915,275 |
| Employer (Note 4) | | 578,084 |
| Rollovers | | 548,955 |
| Total contributions | | 3,042,314 |
| | | |
| Total additions | | (1,539,768) |
| | | |
| **Deductions** | | |
| Benefits paid | | 946,437 |
| Administrative expenses (Note 2) | | 750 |
| Total deductions | | 947,187 |
| | | |
| Net decrease | | (2,486,955) |
| | | |
| **Net assets available for benefits** | | |
| Beginning of year | | 12,794,697 |
| End of year | $ | 10,307,742 |

See accompanying notes to financial statements.

Table of Contents

**Corporate Office Properties, L.P. Employee Retirement Savings Plan**

**Notes to Financial Statements**

**1. Description of Plan**

The following description of the Corporate Office Properties, L.P. Employee Retirement Savings Plan (the Plan ) provides only general information. Participants should refer to the Plan document or summary plan description for a more complete description of the Plan s provisions.

**General**

Corporate Office Properties, L.P. (the Company ), which conducts almost all of Corporate Office Properties Trust s operations and of which Corporate Office Properties Trust is the sole general partner, maintains the Plan for the benefit of the Company s employees, as well as of those of its qualifying subsidiaries, who have completed at least 60 days of employment and are at least 21 years of age. The Plan is a defined contribution pension plan intended to be qualified under section 401(a) of the Internal Revenue Code of 1986, as amended (the IRC ), and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ). The Company serves as the Plan administrator and T. Rowe Price Trust Company is the Trustee for the Plan.

**Contributions**

Participants may contribute up to 15% of their compensation, as defined in the Plan, per pay period on a before-tax basis, subject to limitations under the IRC. Participants may also contribute up to 15% of their compensation per pay period on an after-tax basis. Total before-tax contributions and after-tax contributions are limited to 15% of compensation. Participants who are 50 years of age or older by the end of a particular plan year and have contributed the maximum 401(k) deferral amount allowed under the Plan for that year are eligible to contribute an additional portion of their annual compensation on a before-tax basis as catch-up contributions, up to the annual IRC limit. Participants may rollover amounts from traditional individual retirement accounts ( IRAs ), 403(b) plans, 457 plans and other qualified retirement plans into the Plan. Participants direct the investment of their contributions into various investment options offered by the Plan. For contributions to the Plan occurring through December 31, 2008, the Company matched 50% of the first 6% of pre-tax and/or after-tax contributions that participants contributed to the Plan. For contributions to the Plan occurring subsequent to December 31, 2008, the Company matches 100% of the first 1% of pre-tax and/or after-tax contributions that participants contribute to the Plan and 50% of the next 5% in participant contributions to the Plan (representing an aggregate Company match of 3.5% on the first 6% of participant pre-tax and/or after-tax contributions to the Plan).

**Participant Accounts**

Each participant s account is credited with the participant s contributions, Company matching contributions and an allocation of Plan earnings (losses). Allocations are based on participant earnings or account balances, as defined in the Plan. The benefit to which a participant is entitled is the benefit that can be provided from the participant s vested account.

**Vesting**

Participants immediately vest in their contributions and related earnings thereon. Vesting in the Company matching contribution portion of Participant accounts is based on years of continuous service. For matching contributions made through December 31, 2008, a participant is 30% vested in Company matching contributions after one year of credited service, 60% vested after two years of credited service and 100% vested after three years of credited service. For matching contributions made subsequent to December 31, 2008, a participant is 50% vested in Company matching contributions after one year of credited service and 100% vested after two years of credited service.

**Participant Loans**

Participants are eligible to obtain loans from the Plan, not to exceed the lesser of $50,000 or 50% of the vested balance of the participant s account. The loans are secured by the balance in the participant s account and bear interest at rates that are commensurate with local prevailing rates, as determined by the Plan administrator. At December 31, 2008, interest rates on participant loans ranged from 5.00% to 9.25% and the maturity dates on such loans ranged from January 2009 through November 2013. Repayment of participants loan principal and interest is obtained through bi-weekly payroll deductions from such participants.

**Payment of Benefits**

Upon termination of service, whether by death, disability, retirement or otherwise leaving the Company and its qualifying subsidiaries, a participant may elect to receive either a lump sum amount equal to the value of the participant s vested interest in his or her account, or annual installments over a specified period. Alternatively, a participant or applicable

Table of Contents

beneficiary may request that the Company make a direct transfer to another eligible retirement plan.  In the event of financial hardship (as defined by the Plan), participants may withdraw money from their Plan accounts while they are still employed.

**Forfeitures**

Nonvested Company matching contributions are forfeited on the date a participant terminates employment with the Company or its qualifying subsidiaries. Forfeitures are available for the Company to apply against future Company contributions. Forfeited nonvested accounts totaled $7,661 at December 31, 2008 and $88,560 at December 31, 2007. The Plan used $83,550 in forfeited nonvested accounts during 2008 primarily to reduce the Company s funding requirements for additional employer contributions pertaining to prior years that are discussed in Note 4.

**Investment Options**

The Plan provides 24 T. Rowe Price mutual funds and one T. Rowe Price common/collective fund in which participants may choose to invest. In addition, the participants of the Plan may choose to invest in Corporate Office Properties Trust s common shares.

## 2. Summary of Accounting Policies

**Basis of Accounting**

The financial statements of the Plan are prepared under the accrual basis of accounting.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

**Payment of Benefits**

Benefits are recorded when paid.

**Investment Valuation and Income Recognition**

The Plan s investments are stated at fair value. Shares of mutual funds are valued at quoted market prices on the last business day of the Plan year, which represents the net asset value of shares held by the Plan at year end. Shares in the T. Rowe Price Stable Asset Fund, which is a fully benefit-responsive common/collective fund, are valued at fair value with an adjustment to arrive at contract value based on information reported on the audited financial statements of the fund at year end; contract value is the relevant measurement attribute for that portion of the net assets available for benefits because that is the amount participants would receive if they were to initiate permitted transactions under the terms of the Plan. Corporate Office Properties Trust s common shares are valued at the closing market price of such shares at the end of the respective periods, as reported on the New York Stock Exchange. Participant loans are valued at amortized cost plus accrued interest, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis.  Dividends are recorded on the ex-dividend date.  Interest income is recorded on the accrual basis.

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation and depreciation on those investments.

**Administrative Expenses**

Substantially all expenses incurred in connection with administration of the Plan are paid by the Company with the exception of loan fees, which are charged against the respective participants   accounts.

**Recent Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (  FASB  ) issued Statement of Financial Accounting Standards No. 157,   Fair Value Measurements   (  SFAS 157  ).  SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.  The Statement does not require or permit any new fair value measurements but does apply under other accounting pronouncements that require or permit fair value measurements.  The changes to current practice resulting from the Statement relate to the definition of fair value, the methods used to measure fair value and the expanded disclosures about fair value measurements.

Table of Contents

Effective January 1, 2008, the Plan adopted SFAS 157 on a prospective basis; this adoption did not have a material effect on the Plan s financial statements.

The Plan also adopted FASB Staff Position SFAS 157-3, &#147